**Q. RE: Grant Thornton Financial Consultants Report, page 16. Grant Thornton indicates that Scotiabank has calculated the benefits of a Debt Guarantee as being 35.6 bps to 47.8 bps on long-term debt. The fee charged to Hydro for this guarantee, for outstanding debt scheduled to mature after 10 years, is 50 bps, which exceeds the measured benefit. Grant Thornton indicates that, in contrast, the fee charged to guarantee Hydro short-term debt provides a benefit to Hydro, based on a "cost savings split" of between 79/21 to 76/24 for government/ratepayers.**

**Assuming Scotiabank's calculation of the benefit at 35.6 bps to 47.8 bps on long-term is accurate, please provide a calculation of the Debt Guarantee Fee that would apply if the benefit of the guarantee in respect of long-term debt was similarly shared within the range of 79/21 to 76/24 government/ratepayers. Please also provide a dollar value impact on the amounts payable to government as a result of adopting this approach. How much would Hydro's revenue requirements be affected?**

A. Assuming Scotiabank's calculation of the benefit on long-term debt is accurate and the appropriate split of the benefit is 79/21 to 76/24 government/ratepayers, then the Debt Guarantee Fee would range from 27.1 bps (i.e., 35.6 bps x 0.76) to 37.6 bps (i.e., 47.8 bps x 79%).

It is not Grant Thornton's opinion that the appropriate range for the Debt Guarantee Fee on long-term debt is between 27.1 bps to 37.6 bps. Further examination is required to determine an appropriate methodology to apportion the benefit of the guarantee between Hydro and the Province on both short-term and long term debt.