BOMA INTERROGATORY #33

INTERROGATORY

Ref: Exhibit E1, Tab 3, Schedule 1, p1

(a) Please confirm that the actual "effective costs" of the 2017 debt issuances are the costs, if the debt has been issued, which are reflected in Table 1 on p1 of the Exhibit. If other numbers are used in Table 1, please explain the difference between the Board approved costs, and provide the actual costs of debt issued.

(b) Are the terms (coupon rate excepted) of the forecast 2018 debt the same as the planned actual terms of the 2017 debt? Please describe any differences or likely differences.

(c) When in November is the 2018 debt likely to be issued, or has it already been issued? If issued, what were the terms?

(d) Please explain why the coupon rates of the 2018 ten and thirty year debt have been forecast to increase by forty-five and thirty-five basis points, respectively, over the updated forecast for 2017, ten and thirty year debt.

(e) What is the current yield on the ten and thirty year Canadian government bonds (average of first week in November)?

(f) Why is EGD proposing an increase of five basis points in the Corporate Spread over 2017 amounts?

(g) Please confirm that assuming the forecast debt issuances for 2017 takes place, the actual rates will be reflected in Table 6, the updated forecast of Term Debt shown at Exhibit E2, Tab 1, Schedule 2, p1.

RESPONSE

(a) Table 1 of Exhibit E1, Tab 3, Schedule 1 includes the impact of the updated 2017 forecast debt issuance effective costs provided in this proceeding. As per the Board's EB-2012-0459 Decision and Rate Order, and as articulated in Appendix E of that Decision and Rate Order, the 2018 forecast cost of debt has been updated using the most current information available, including information on the actual amounts and rates associated with any debt issued in the prior year. As no actual 2017 debt

Witnesses: R. Craddock
R. Small

issuance had occurred at the time of filing (or as of yet), the Company used its most current forecast. The details of the updated forecast 2017 debt issuances and effective costs, including a comparison to the forecast issuances included in the 2017 Rate Application, EB-2016-0215, are provided in paragraph 4 and Table 2 of Exhibit E1, Tab 3, Schedule 1. Table 1 of Exhibit E1, Tab 3, Schedule 1 includes the actual effective costs of debt issued prior to 2017.

(b) The coupon rate expected for the forecast 2018 issuance differs from the forecast for the 2017 issuance as the forecast for underlying Government of Canada long term bond rates increases from 2017 to 2018. In addition, expected corporate spreads are expected to increase marginally from 2017 to 2018.

(c) The expected 2017 issuance date is late November to early December.

(d) The increase in 2018 rates over 2017 rates is primarily attributable to anticipated increases in Government of Canada long term bond rates.

(e) The current yield on Government of Canada 10 and 30 year Government bonds is 1.96% and 2.31%, respectively.

(f) Corporate spreads are forecast using historical corporate spreads.

(g) Given the Board's Procedural Order timelines for this proceeding, it would not be practical to incorporate any change from the current forecast assumptions.

Witnesses: R. Craddock
R. Small