

1 Q. **General Topics**

2 With the reference to Volume I, Chapter 4, Schedule 4-IV Page 1 of 1, how the
3 interest rate forecasts were determined. Please provide details.

4

5

6 A. The interest rate forecasts on Schedule 4-IV Page 1 of 1 were determined as
7 follows:

8

9 i) The 3.60% interest rate forecast for the issue due 2045 is based on the
10 actual terms of the issue (Series AF was reopened at its 3.6% coupon rate).
11 Please refer to IC-NLH-127, Attachment 1 for the term sheet for this issue.

12

13 ii) The 3.40% interest rate forecast for the 10-year issuance due in 2027 was
14 based on the average of the forecasts of interest rates on 10-year
15 Government of Canada Bonds by six Schedule A banks for quarter four 2017.
16 Please refer to IC-NLH-127, Attachment 2 for this calculation. A 135 basis
17 point spread was then added. This spread is based on the 155 basis point
18 spread experienced by Hydro in its most recent bond issue (i above - please
19 refer to IC-NLH-127, Attachment 1 for the term sheet for that issue) less a 20
20 basis point adjustment to reflect the reduced term.

21

22 iii) The 4.18% interest rate forecast for the 30-year issuance due in 2047 was
23 based on the average of the forecasts of interest rates on 30-year
24 Government of Canada Bonds by six Schedule A banks for quarter four 2017.
25 Please refer to IC-NLH-127, Attachment 2 for this calculation. A 155 basis
26 point spread was then added. This is the actual spread experienced by

1 Hydro in its most recent bond issue (i above). Please refer to IC-NLH-127,
2 Attachment 1 for the term sheet for that issue.

3

4 iv) The 4.25% interest rate forecast for the 30-year issuance due in 2048 was
5 based on the average of the forecasts of interest rates on 30-year
6 Government of Canada Bonds by six Schedule A banks for quarter one 2018.
7 Please refer to IC-NLH-127, Attachment 2 for this calculation. A 155 basis
8 point spread was then added. This is the actual spread experienced by
9 Hydro in its most recent bond issue (i above). Please refer to IC-NLH-127,
10 Attachment 1 for the term sheet for that issue.



TERM SHEET

Newfoundland and Labrador Hydro Summary of Final Terms 3.60% Debentures Series AF due December 1, 2045 (Re-Opening)

Issuer:	Newfoundland and Labrador Hydro ("Hydro")
Guarantor:	Province of Newfoundland and Labrador
Principal Amount:	C\$300,000,000
Coupon:	3.60% s.a.
Coupon Dates:	June 1 and December 1 (Interest accrued from December 1, 2016)
Maturity:	December 1, 2045 (Re-Opening)
Re-offer Price:	\$94.761
Re-offer Yield to Maturity:	3.904% s.a.
Trade Date:	January 13, 2017
Settlement Date:	January 20, 2017
Spread Over Cda's:	+155.0 bps
Canada's:	Canada 3.50% December 1, 2045 @ \$123.92 to yield 2.354%
Commission:	\$0.60
Net Proceeds after Fees:	\$283,962,452.05 (includes 50 days of accrued interest of \$1,479,452.05)
Provincial Guarantee:	Pursuant to the Hydro Corporation Act, 2007 (Newfoundland and Labrador), as amended, the Province of Newfoundland and Labrador hereby guarantees unconditionally to the holder of the within Debenture of Series AF the payment on the respective due dates of the principal and interest to become due in respect thereof.
Status:	The Debentures issued by Hydro shall be direct and unconditional obligations of Hydro and will rank pari passu with all other general obligations of Hydro outstanding at the date of issue of the Debentures or issued thereafter.
Documentation:	As per the Issuer's standard documentation for Canadian domestic issues. Settlement to be in CDS. Book Based only.
CUSIP/ISIN #:	651329BE3 / CA651329BE33
Managers:	National Bank Financial CIBC World Markets Scotia Global Banking and Markets BMO Capital Markets RBC Capital Markets The Toronto-Dominion Bank

**Newfoundland and Labrador Hydro
Interest Rate Forecasts - GT-NLH-020**

2017 10 Year Issuance	
	<u>Q4 2017</u>
BMO Capital Markets forecast for 10 - Year Canadas	1.80%
RBC Capital Markets forecast for 10 - Year Canadas	2.45%
Scotiabank Markets forecast for 10 - Year Canadas	1.90%
National Bank forecast for 10 - Year Canadas	2.18%
CIBC Bank forecast for 10 - Year Canadas	1.85%
TD Bank forecast for 10 - Year Canadas	2.10%
Consensus forecast for 10 - Year Canadas (Average)	2.05%
Newfoundland Labrador Hydro 10 Year Risk Spread	1.35%
10 Year Issuance due 2027	3.40%

2017 30 Year Issuance	
	<u>Q4 2017</u>
BMO Capital Markets forecast for 30 - Year Canadas	2.40%
RBC Capital Markets forecast for 30 - Year Canadas	2.95%
Scotiabank Markets forecast for 30 - Year Canadas	2.50%
National Bank forecast for 30 - Year Canadas	2.71%
CIBC Bank forecast for 30 - Year Canadas	2.45%
TD Bank forecast for 30 - Year Canadas	2.75%
Consensus forecast for 30 - Year Canadas (Average)	2.63%
Newfoundland Labrador Hydro 30 Year Risk Spread	1.55%
30 Year Issuance due 2047	4.18%

2018 30 Year Issuance	
	<u>Q1 2018</u>
BMO Capital Markets forecast for 30 - Year Canadas	2.40%
RBC Capital Markets forecast for 30 - Year Canadas	3.05%
Scotiabank Markets forecast for 30 - Year Canadas	2.55%
National Bank forecast for 30 - Year Canadas	2.73%
CIBC Bank forecast for 30 - Year Canadas	2.50%
TD Bank forecast for 30 - Year Canadas	2.95%
Consensus forecast for 30 - Year Canadas (Average)	2.70%
Newfoundland Labrador Hydro 30 Year Risk Spread	1.55%
30 Year Issuance due 2047	4.25%