

1 **Section 2: Customer Operations/Operating Costs**  
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3 **Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**  
4 **December 12, 2023, vol. 1, Exhibits, exh. 3, p. 9/20–21.**  
5 **How were the average short-term interest rates of 5.97% for 2023, 5.54% for 2024,**  
6 **and 4.75% for 2025 and 2026 determined? Please provide calculations and backup,**  
7 **including the sources and assumptions used.**  
8

9 A. Newfoundland Power’s short-term borrowing rates for 2023 and 2024 were calculated  
10 based on the five main Chartered Canadian Banks most recent forecast of three-month  
11 treasury bill rates and an observed corporate forecast spread.<sup>1</sup>  
12

13 At the time of filing of Newfoundland Power’s Application, the five main Chartered  
14 Canadian Banks did not provide forecasts of the three-month treasury bill rates beyond  
15 the fourth quarter of 2024. The 2025 and 2026 short-term rates were calculated based on  
16 the average rate for the fourth quarter of 2024 which was the best available information at  
17 the time of filing.  
18

19 Table 1 provides the calculations and assumptions used in the derivation of the average  
20 short-term rates for 2023 and 2024.

**Table 1:**  
**Short-Term Borrowing Forecasts**  
**2023-2024**  
**(%)**

	<b>RBC<sup>2</sup></b>	<b>BMO<sup>3</sup></b>	<b>Scotia<sup>4</sup></b>	<b>CIBC<sup>5</sup></b>	<b>TD<sup>6</sup></b>	<b>Average</b>	<b>Forecast Spread<sup>1</sup></b>	<b>Forecast Rate<sup>7</sup></b>
2023 <sup>8</sup>	4.76	4.79	4.79	4.78	4.75	4.77	1.20	5.97
2024	4.49	4.74	4.31	4.14	4.00	4.34	1.20	5.54

<sup>1</sup> The forecast spread is based on actual observed spreads, over a six-month period, of actual borrowing rates versus posted three-month treasury bill rates in 2023 and was calculated as 1.20%.

<sup>2</sup> RBC Capital Markets, Financial Market Forecasts, September 2023.

<sup>3</sup> BMO Capital Markets Economic Research, Canadian Economic Outlook, September 2023.

<sup>4</sup> Scotiabank Global Economics, Forecast Tables, September 2023.

<sup>5</sup> CIBC Capital Markets, Economics and FICC Strategy, Forecast Update, September 2023.

<sup>6</sup> TD Economics, Latest Forecast Tables, September 2023.

<sup>7</sup> Forecast rate is calculated as the average three-month treasury bill rate plus the forecast spread.

<sup>8</sup> Short-term rates for January to June of 2023 are based on actual borrowing rates.

1 Table 2 provides the calculations and assumptions used in the derivation of the average  
2 short-term rates for 2025 and 2026.

**Table 2:**  
**Short-Term Borrowing Forecasts**  
**2025-2026**  
**(%)**

	<b>RBC<sup>9</sup></b>	<b>BMO<sup>10</sup></b>	<b>Scotia<sup>11</sup></b>	<b>CIBC<sup>12</sup></b>	<b>TD<sup>13</sup></b>	<b>Average</b>	<b>Forecast Spread<sup>1</sup></b>	<b>Forecast Rate<sup>14</sup></b>
2025 & 2026	3.85	4.35	3.60	3.35	3.25	3.68	1.20	4.88

<sup>9</sup> Three-month treasury bill rate, Quarter 4 2024, RBC Capital Markets, Financial Market Forecasts, September 2023.

<sup>10</sup> Three-month treasury bill rate, Quarter 4 2024, BMO Capital Markets Economic Research, Canadian Economic Outlook, September 2023.

<sup>11</sup> Three-month treasury bill rate, Quarter 4 2024, Scotiabank Global Economics, Forecast Tables, September 2023.

<sup>12</sup> Three-month treasury bill rate, Quarter 4 2024, CIBC Capital Markets, Economics and FICC Strategy, Forecast Update, September 2023.

<sup>13</sup> Three-month treasury bill rate, Quarter 4 2024, TD Economics, Latest Forecast Tables, September 2023.

<sup>14</sup> Forecast rate is calculated as the average three-month treasury bill rate plus the forecast spread. The forecast average short-term borrowing rate used for 2025 and 2026 was 4.75% which is equal to the calculated rate of 4.88% rounded down to the nearest quarter percentage point.