

1 **SUBJECT: Debt Guarantee Fee**

2  
3 **REFERENCE:**

4  
5 **PREAMBLE:** La Capra indicates that the Debt Guarantee Fee is "compensation" to  
6 the province "for taking on the potential costs should the loan guarantee be  
7 needed"

8  
9 **QUESTION:**

10 Please indicate if La Capra did any assessment as to the reasonableness of the 1% Debt  
11 Guarantee Fee level as a fee in exchange for bona fide services/costs incurred by the Provincial  
12 Government, versus being a generator of net revenue (akin to water rentals) for the Provincial  
13 Government? For example, please see the attached reference as to studies regarding the  
14 Newfoundland Hydro debt guarantee fee level (concluding that only 0.25% to 0.5% is justifiable  
15 as a fee in exchange for services/costs).

16 [http://publicinfo.nlh.nl.ca/NLH%202013%20GRA/Requests%20for%20Information/Batch%20](http://publicinfo.nlh.nl.ca/NLH%202013%20GRA/Requests%20for%20Information/Batch%20%20Oct%2017-2013/PUB-NLH-059.pdf)  
17 [%20Oct%2017-2013/PUB-NLH-059.pdf](http://publicinfo.nlh.nl.ca/NLH%202013%20GRA/Requests%20for%20Information/Batch%20%20Oct%2017-2013/PUB-NLH-059.pdf)

18  
19 **RESPONSE:**

20 LCA did not perform any analysis on the level of Debt Guarantee Fee, nor whether it should be  
21 considered a generator of net revenue for the Provincial Government. LCA made its decision to  
22 conduct its Provincial View analyses assuming that the Debt Guarantee Fee is compensatory for  
23 risk and should be considered a cost to MH and a cost to the Province based upon discussions  
24 with Morrison Park Associates (MPA). Please refer to the MPA expert report.

1 **SUBJECT: Debt Guarantee Fee**

2  
3 **REFERENCE:**

4  
5 **PREAMBLE:** La Capra indicates that the Debt Guarantee Fee is "compensation" to  
6 the province "for taking on the potential costs should the loan guarantee be  
7 needed"

8  
9 **QUESTION:**

10 Please indicate the jurisdictions reviewed by La Capra to determine the industry standard on  
11 the concept of debt guarantee "compensation" and in particular, the jurisdictions with Crown  
12 utilities include Newfoundland, BC, Quebec, Northwest Territories, Yukon, New Brunswick.  
13 Please provide the results of any such review.

14  
15 **RESPONSE:**

16 Please see response to MIPUG/LCA-10a.

1 **SUBJECT: Debt Guarantee Fee**

2  
3 **REFERENCE:**

4  
5 **PREAMBLE:** La Capra indicates that the Debt Guarantee Fee is "compensation" to  
6 the province "for taking on the potential costs should the loan guarantee be  
7 needed"

8  
9 **QUESTION:**

10 If the debt guarantee fee were proposed at a different level, for example 3%, would La Capra's  
11 review of the NFAT similarly accept this as a revised level of compensation. Is there a  
12 threshold beyond which the fee is more akin to a "Transfer".

13  
14 **RESPONSE:**

15 If the view of MPA changes LCA would adjust accordingly. Please also see response to  
16 MIPUB/LCA-10a.