

- 1 Q. Provide the lead-lag study used to determine the cash working capital
2 allowance (JCR, page 3, lines 24-26).
3
- 4 A. Attached is the lead-lag study used to determine the cash working capital
5 allowance.

Lead Lag Summary

	2000	2001	2002
	Actual	Estimate	Forecast
Revenue Lag	39.81	39.58	39.46
minus: Expense Lag	20.48	20.25	20.09
Net Lag	<u>19.33</u>	<u>19.33</u>	<u>19.37</u>
divide by 365 days	5.30%	5.30%	5.31%
		2001	2002
Other Costs		90,204,655	89,761,640
less: Loss on disposal		<u>1,175,069</u>	<u>790,549</u>
		89,029,586	88,971,091
Power Purchases		<u>15,332,535</u>	<u>15,265,882</u>
Regulated O&M and Power Purchases		<u>104,362,121</u>	<u>104,236,973</u>
Working Capital - %		<u>5,526,422</u>	<u>5,534,983</u>
Less: HST Adjustment		<u>2,315,327</u>	<u>2,439,389</u>
Net Working Capital Required		<u>3,211,095</u>	<u>3,095,594</u>
Working Capital Percentage		<u>3.08%</u>	<u>2.97%</u>
Average Working Capital Percentage			<u>3.0%</u>

Notes:

1. Lead/lag analysis was performed on the actual revenue and expenditure streams during 2000. Those leads and lags were then applied to the distribution of revenues and expenditures forecast to occur in 2001 and 2002 to project the anticipated working capital requirement for the test year.

Revenue 2000

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Customer	2000		LAG			Total Lag	Weighted Average
	Actual	%	Service	Billing	Collection		
NP	191,688	66.13%	15.2	7.6	13	35.8	23.67
Industry							
Corner Brook	11,294	3.90%	15.2	7.6	16.8	39.6	1.54
Deer Lake	685	0.24%	15.2	7.6	16.8	39.6	0.09
Abitibi - S	16,781	5.79%	15.2	7.6	15.4	38.2	2.21
Abitibi - GF	4,312	1.49%	15.2	7.6	14.3	37.1	0.55
North Atlantic	7,204	2.49%	15.2	7.6	14	36.8	0.91
CFB - Goose Bay	3,176	1.10%	15.2	7.6	17.9	40.7	0.45
Iron Ore CC	4,008	1.38%	15.2	7.6	16.1	38.9	0.54
Rural	49,454	17.06%	15.2	7.0	34.7	56.9	9.71
Other	1,259	0.43%	-15.2	6.0	38.8	29.59	0.13
TOTAL	289,860	100.00%					39.81

Other Revenue Sample	\$	%	Service	Billing	Collection	Total	Wtd Ave
Dept Works, Services	198	13.41%	-15.2	8.9	38.4	32.1	4.31
Newtel - Microwave	207	14.02%	-15.2	9.2	61.9	55.9	7.84
Newtel - Pole Attach	921	62.40%	-15.2	4.8	25.0	14.6	9.11
Regional Cable	150	10.16%	-15.2	5.3	91.9	82	8.33
	1476	100.00%					29.59

Sample size exceeds budgeted Other Revenue because payments from Hydro to others for joint pole use are netted against Other Revenue.

Notes:

- Payment terms: Newfoundland Power - 10 days after invoice mailed, but not earlier than 20th of month
CFB Goose Bay - 30 days after invoice mailed
Other Industrial Customers - 20 days after invoice mailed
- Rural collection lag based on average days sales in accounts receivable
- Negative service period is due to invoices being rendered in advance

Operating Expenses 2000

	\$ 000s	%	# days	Weighted Average
Salaries & Benefits	54,151	50.8%	12.6	6.4
Materials Maintenance	18,977	17.8%	45.5	8.1
Professional Services	3,815	3.6%	-8.7	-0.3
Miscellaneous	4,759	4.5%	0.9	0.0
Travel	2,704	2.5%	45.0	1.1
Transportation	2,391	2.2%	45.0	1.0
Office Supplies	2,081	2.0%	45.0	0.9
Equipment rentals	1,400	1.3%	45.0	0.6
Insurance	1,037	1.0%	-182.5	-1.8
Property rentals	998	0.9%	-30.0	-0.3
Customer costs	420	0.4%	0.0	0.0
Subtotal	92,732	86.97%		15.8
CF(L)Co Recoveries	-1,774	-1.7%	30	-0.5
Power Purchases	15,667	14.7%	35.3	5.2
Total Cash outflow	106,625	100.00%		20.48

NOTE: 45 days is used as estimate where no detailed analysis performed

Salaries & Benefits: 50.8%

	2000		Overall	
	Actual	%	Weighted Average	Weighted Average
Salaries, Wages, OT	51,649	84.15%	12.9	10.9
Fringe Benefits	7,461	12.16%	10.3	1.3
Employee Future Benefits	2,244	3.66%	12.9	0.5
Other	20	0.03%	45.0	0.0
TOTAL	61,374	100.00%		12.6
Capitalized Salaries	-7,219			
Salaries & Fringe Benefits	54,155			

Payroll Dec 31, 2000 YTD Actuals			Weighted			
	\$	%	Service	Payment	Total	Average
Net Pay	27,745,679	56.2%	7	4	11	6.2
Receiver General	15,071,900	30.5%	7	8	15	4.6
PSPP	2,644,699	5.4%	7	8	15	0.8
HB Group	983,118	2.0%	7	23	30	0.6
GWL (LTD & Life)	751,163	1.5%	7	8	15	0.2
CSB	641,438	1.3%	7	4	11	0.1
Receivables (PC etc)	543,594	1.1%	7	4	11	0.1
Credit Union	442,085	0.9%	7	4	11	0.1
Union Dues	314,958	0.6%	7	8	15	0.1
Blue Cross (Dental)	91,630	0.2%	7	8	15	0.0
Garnishees	56,082	0.1%	7	4	11	0.0
Citadel (AD&D)	46,135	0.1%	7	8	15	0.0
Social Clubs	36,192	0.1%	7	8	15	0.0
Rent	3,041	0.0%	7	4	11	0.0
Poll Tax	1,884	0.0%	7	8	15	0.0
Charitable Donations	1,017	0.0%	7	8	15	0.0
Gross Wages	49,374,615	100.0%				12.9

Fringe Benefits Sample			Weighted			
	\$	%	Service	Payment	Total	Average
Matching UIC, PSPP etc	6205147	83.20%	7	8	15	12.5
Labrador Travel	127451	1.71%	-182.5	109	-73.5	-1.3
Blue Cross ASO	760992	10.20%	-15.2	-1	-16.2	-1.7
Basic Life& AD&D	364225	4.88%	7	8	15	0.7
	7457815	100.0%				10.3

Notes:

1. Employees are paid bi-weekly on the Thursday following the Sunday pay period end date.
2. Remittances are made to the Receiver General within 3 working days of the end of the period (1st-7th, 8th-14th, 15th-21st, 22nd-end) in which a pay day falls.
3. Remittances to PSPP are due 10 days after the pay period end date.
4. Remittances to HB Group are made on the 5th of the following month.
5. Remittances for CSBs, Employee Receivables, Credit Union deposits, Garnishees and Rent are remitted on payday.
6. Cheques for all other remittances are cut on payday and mailed. Assume at least Monday before received and deposited.
7. Fringe benefits payments for basic life insurance and AD&D are cut on payday and mailed
8. Blue Cross ASO payment are paid monthly in advance
9. Labrador travel is paid annually in pay period 8.
10. Negative service period is due to payments being made in advance

System Equipment Maintenance: 17.8%

	2000 Actual	Inventory Issues	Direct Purchases	%	Weighted Days Average	
Maintenance Materials	17780	3305	14475	94.13%	45.5	42.9
Tools & Operating Supplies	489	92	397	2.58%	45.0	1.2
Freight	412		412	2.68%	45.0	1.2
Lubricants & Chemicals	296	202	94	0.61%	45.0	0.3
	<u>18977</u>	<u>3599</u>	<u>15378</u>	<u>100.00%</u>	<u>45.5</u>	

Maintenance sample	Area/BU	Amount	Weight	Service	Billing	Payment	Total	Wtd Ave
Guilfords Ltd	Holyrood	137,906	6.6%	30.4	60.8	30	121.2	8.0
Flowserve	Holyrood	282,767	13.5%	30.4	76	30	136.4	18.4
General Electric	Holyrood	240,170	11.4%	-180.0	1.0	30.0	-149.0	-17.0
Coastal Roofing	1280	96,452	4.6%	15.2	15.2	30	60.4	2.8
Newcan Contracting	1280	37,580	1.8%	15.2	15.2	30	60.4	1.1
NFLD Vegetation	1349	883,498	42.1%	15.2	1	30	46.2	19.4
Tornngait Services	1349	201,369	9.6%	15.2	25	30	70.2	6.7
PCO Services	1325	12,130	0.6%	15.2	7.1	30	52.3	0.3
Rhodia Canada	1325	17,215	0.8%	15.2	7.1	30	52.3	0.4
Proweld Industries	1293	18,941	0.9%	15.2	15.2	30	60.4	0.5
Enerfin Inc	1293	81,205	3.9%	15.2	15.2	30	60.4	2.3
Asea Brown Boveri	1293	28,843	1.4%	15.2	15.2	30	60.4	0.8
General Electric	1293	61,920	2.9%	15.2	15.2	30	60.4	1.8
TOTAL		<u>2,099,996</u>	<u>100.00%</u>					<u>45.5</u>

Notes:

1. System Equipment Maintenance expense is adjusted for inventory issues to arrive at total direct purchases.
2. Judgemental sample of representative large dollar value transactions selected.

Professional Services: 3.6%

	2000 Actual	%	Weighted Average	Overall Weighted Average
Consultants	1,870	49.02%	37.7	18.5
Audit	38	1.00%	37.7	0.4
Legal	12	0.31%	37.7	0.1
PUB	1,036	27.16%	-34.2	-9.3
Software	859	22.52%	-81.7	-18.4
TOTAL	3,815	100.00%		-8.7

Consultants Sample	B.U.	\$	Weight	Service	Billing	Payment	Total	Wtd Ave
MUN	1303	51,609	11.0%	45	7	30	82	9.0
Duerden & Keane	1303	28,666	6.1%	15.2	11	30	56.2	3.4
Gartner Group	1240	93,576	20.0%	-182.5	0	0	-182.5	-36.5
Fosters	1210	103,630	22.1%	46	23	46	115	25.5
Bristol Comm	1186	40,210	8.6%	15.2	45.6	30	90.8	7.8
Total Comm	1186	54,484	11.6%	15.2	45.6	30	90.8	10.6
Criterion	1214	65,156	13.9%	3	50	30	83	11.6
Hay Management	1214	14,503	3.1%	7	30.4	30	67.4	2.1
Morneau Sobeco	1214	16,150	3.5%	60.8	30.4	30	121.2	4.2
TOTAL		467,984	100.00%					37.7

PUB sample	\$	%	Service	Billing	Payment	Total	Weighted Average
Annual Assessment	504,456	61.81%	-182.5	27	27	-128.5	-79.4
Fosters	179,871	22.04%	46	23	46	115	25.3
Annual Review	86,169	10.56%		147	12	159	16.8
Hearings	45,655	5.59%	30	7	19	56	3.1
TOTAL	816,151	100.00%					-34.2

Software sample	\$	%	Service	Billing	Payment	Total	Weighted Average
JDEdwards	214,800	37.49%	-182.5	-29	66	-145.5	-54.5
MITI	184,373	32.18%	-182.5	-70	30	-222.5	-71.6
xWave	132,146	23.06%	182.5	-9	30	203.5	46.9
IBM	41,630	7.27%	-182.5	21	127	-34.5	-2.5
TOTAL	572,949	100.00%					-81.7

Notes:

1. Negative service period is due to payments being made in advance
2. Negative billing period is due to invoice being rendered in advance of service period.

Miscellaneous: 4.5%

	2000 Actual	%	Weighted Average Lag	Overall Weighted Average
Staff Training	1152	24.21%	45.0	10.9
Sundry	437	9.18%	45.0	4.1
Diesel fuel Hydro	81	1.70%	45.0	0.8
Energy Mgmt	25	0.53%	45.0	0.2
Employee expenses	375	7.88%	12.9	1.0
Taxes - municipal	1122	23.58%	-95.6	-22.5
- Payroll	1048	22.02%	27.3	6.0
Inventory Loss	465	9.77%	0.0	0.0
Donation	54	1.13%	30.0	0.3
TOTAL	4759	100.00%		0.9

Municipal Taxes sample	\$	%	Service	Billing	Payment	Total	Wtd Ave
Finance	157,461	25.2%	-182.5	31	1	-150.5	-37.9
Rocky Harbour	20,556	3.3%	-182.5	41	30	-111.5	-3.7
Harbour Breton	40,110	6.4%	-182.5	41	30	-111.5	-7.1
Port aux Choix	27,810	4.4%	-182.5	46	30	-106.5	-4.7
Triton	20,625	3.3%	-182.5	46	30	-106.5	-3.5
Port Saunders	16,680	2.7%	-182.5	118	30	-34.5	-0.9
Burgeo	28,224	4.5%	-182.5	52	30	-100.5	-4.5
St. Albans	23,603	3.8%	-182.5	55	30	-97.5	-3.7
Wabush	26,998	4.3%	-182.5	70	30	-82.5	-3.6
Labrador City	69,850	11.2%	-182.5	70	30	-82.5	-9.2
St. Anthony	44,672	7.1%	-182.5	74	30	-78.5	-5.6
Happy Valley	127,543	20.4%	-182.5	105	30	-47.5	-9.7
La Scie	21,486	3.4%	-182.5	111	30	-41.5	-1.4
TOTAL	625,618	100.00%					-95.6

Payroll Taxes

Paid monthly, on average 12.1 days after month-end, plus service lag of 15.2 days = 27.3 days

Employee expenses

Mainly overtime meals and similar items paid through payroll - 12.9 days

Notes:

1. Negative service period is due to payments being made in advance

Power Purchases: 14.7%

	2000		Service	Bill	Payment	Total	Wtd Days
	Actual	Weight					
Star Lake	9,639,705	61.5%	15.2	3.4	19	37.6	23.1
CF(L)Co	2,354,146	15.0%	15.2	1	14	30.2	4.5
Abitibi	1,297,200	8.3%	15.2		20	35.2	2.9
Rattle Brook	1,269,887	8.1%	15.2	6.2	10.4	31.8	2.6
Fogo + Others	481,462	3.1%	15.2		20	35.2	1.1
3rd & 4th Expansion O&M	172,811	1.1%	15.2		20	35.2	0.4
CF(L)Co Interest	217,916	1.4%	15.2	1	14	30.2	0.4
L'Anse-au-Loup	228,081	1.5%	15.2		20	35.2	0.5
Deer Lake	6,066	0.0%	15.2		20	35.2	0.0
TOTAL	15,667,275	100.00%					35.6

Deferred fuel 293,603 (non-cash)

Total 15,960,878

Note:

1. Payment terms:
CF(L)Co. - 15th of month
Others - 20th or next business day

Revenue 2001

Customer	Forecast \$ 000's	%	LAG			Total Lag	Weighted Average
			Service	Billing	Collection		
NP	197,860	66.84%	15.2	7.6	13	35.8	23.93
Industry							
Corner Brook	11,980	4.05%	15.2	7.6	16.8	39.6	1.60
Deer Lake	506	0.17%	15.2	7.6	16.8	39.6	0.07
Abitibi - S	17,134	5.79%	15.2	7.6	15.4	38.2	2.21
Abitibi - GF	4,777	1.61%	15.2	7.6	14.3	37.1	0.60
North Atlantic	7,475	2.53%	15.2	7.6	14	36.8	0.93
CFB - Goose Bay	3,155	1.07%	15.2	7.6	17.9	40.7	0.43
Iron Ore CC	5,006	1.69%	15.2	7.6	16.1	38.9	0.66
Rural	47,019	15.88%	15.2	7.0	34.7	56.9	9.04
Other	1,099	0.37%	-15.2	6.0	38.8	29.59	0.11
TOTAL	<u>296,011</u>	<u>100.00%</u>					<u>39.58</u>

Notes:

1. Payment terms: Newfoundland Power - 10 days after invoice mailed, but not earlier than 20th of month
CFB Goose Bay - 30 days after invoice mailed
Other Industrial Customers - 20 days after invoice mailed
2. Rural collection lag based on average days sales in accounts receivable
3. Negative service period is due to payments being made in advance

Operating Expenses 2001

	\$ 000s	%	# days	Weighted Average
Salaries & Benefits	54,614	52.4%	12.6	6.6
Materials Maintenance	17,484	16.8%	45.5	7.6
Professional Services	4,506	4.3%	-8.7	-0.4
Miscellaneous	4,495	4.3%	0.9	0.0
Travel	2,295	2.2%	45.0	1.0
Transportation	2,174	2.1%	45.0	0.9
Office Supplies	1,943	1.9%	45.0	0.8
Equipment rentals	1,488	1.4%	45.0	0.6
Insurance	849	0.8%	-182.5	-1.5
Property rentals	612	0.6%	-30.0	-0.2
Customer costs	475	0.5%	0.0	0.0
Subtotal	90,935			15.6
CF(L)Co Recoveries	-1,906	-1.8%	30	-0.5
Power Purchases	15,228	14.6%	35.3	5.2
Total Cash outflow	104,257	100.00%		20.25

NOTE: 45 days is used as estimate where no detailed analysis performed

HST Payable	2001 Forecast	Est. HST payable	Lag # days	\$
Revenue	296,450	44,467	31.28	3,811
O&M	89,030	13,354	-15.2	-556
less: Salaries	54,614	8,192	15.2	341
Misc (Don., Write-offs, taxes)	2,741	411	15.2	17
Insurance	849	127	15.2	5
Customer costs	450	68	15.2	3
Fuel - No 6	101,021	7,071	-30.4	-589
Diesel etc	7,924	1,189	-15.2	-49
Power Purchases, less expor	15,228	2,284	-25.4	-159
Capital	89,084	13,363	-15.2	-556
less: Capitalized Salaries/OH	5,661	849	15.2	35
IDC	2,048	307	15.2	13
		<u>91,683</u>		<u>2,315</u>

Revenue - accrual basis	296,011
less: Dec 2001 Ind&Utility	26,253
plus: Dec 2000	26,692
Revenue - billed basis	296,450

Power Purchases: 14.6%

	2001		Service	Bill	Payment	Total	Wtd Days
	Estimate	Weight					
Star Lake	8,608,387	56.5%	15.2	3.4	19	37.6	21.26
CF(L)Co	2,652,568	17.4%	15.2	1	14	30.2	5.26
Abitibi	1,297,200	8.5%	15.2		20	35.2	3.00
Rattle Brook	1,249,989	8.2%	15.2	6.2	10.4	31.8	2.61
Fogo + Others	457,790	3.0%	15.2		20	35.2	1.06
3rd & 4th Expansion O&M	210,112	1.4%	15.2		20	35.2	0.49
CF(L)Co Interest	213,232	1.4%	15.2	1	14	30.2	0.42
L'Anse-au-Loup	524,665	3.4%	15.2		20	35.2	1.21
Deer Lake	13,704	0.1%	15.2		20	35.2	0.03
TOTAL	15,227,647	100.00%					35.34

Deferred fuel 104,888 (non-cash, non recurring)

Total 15,332,535

Note:

1. Payment terms:
CF(L)Co. - 15th of month
Others - 20th or next business day

Revenue 2002

Customer	\$ 000's	%	LAG			Total Lag	Weighted Average
			Service	Billing	Collection		
NP	213,830	66.84%	15.2	7.6	13	35.8	23.93
Industry							
Corner Brook	17,236	5.39%	15.2	7.6	16.8	39.6	2.13
Deer Lake	565	0.18%	15.2	7.6	16.8	39.6	0.07
Abitibi - S	19,155	5.99%	15.2	7.6	15.4	38.2	2.29
Abitibi - GF	5,336	1.67%	15.2	7.6	14.3	37.1	0.62
North Atlantic	8,072	2.52%	15.2	7.6	14	36.8	0.93
CFB - Goose Bay	2,991	0.94%	15.2	7.6	17.9	40.7	0.38
Iron Ore CC	3,085	0.96%	15.2	7.6	16.1	38.9	0.38
Rural	48,583	15.19%	15.2	7.0	34.7	56.9	8.64
Other	1,072	0.34%	-15.2	6.0	38.8	29.59	0.10
TOTAL	319,925	100.00%					39.46

Operating Expenses - 2002

	\$ 000s	%	# days	Weighted Average
Salaries & Benefits	56,051	53.8%	12.6	6.77
Materials Maintenance	16,763	16.1%	45.5	7.32
Professional Services	4,340	4.2%	-8.7	-0.36
Miscellaneous	4,133	4.0%	0.9	0.03
Travel	2,375	2.3%	45.0	1.03
Transportation	1,923	1.8%	45.0	0.83
Office Supplies	1,939	1.9%	45.0	0.84
Equipment rentals	1,558	1.5%	45.0	0.67
Insurance	849	0.8%	-182.5	-1.49
Property rentals	626	0.6%	-30.0	-0.18
Customer costs	325	0.3%	0.0	0.00
Subtotal	90,881			15.46
CF(L)Co Recoveries	-1,910	-1.8%	30	-0.55
Power Purchases	15,266	14.6%	35.4	5.18
Total Cash outflow	104,237	100.00%		20.09

NOTE: 45 days is used as estimate where no detailed analysis performed

HST Payable	2002 Forecast	Est. HST payable	Lag # days	\$
Revenue	317,464	47,620	31.28	4,081
O&M	88,971	13,346	-15.2	-556
less: Salaries	56,051	8,408	15.2	350
Misc (Don., Write-offs, tax)	2,729	409	15.2	17
Insurance	849	127	15.2	5
Customer costs	325	49	15.2	2
Fuel - No. 6	99,330	6,953	-30.4	-579
Diesel etc	8,102	1,215	-15.2	-51
Power Purchases, less exp	15,266	2,290	-25.4	-159
Capital	118,705	17,806	-15.2	-741
less: Cap. Salaries/OH	5,722	858	15.2	36
IDC	5,530	830	15.2	35
		<u>99,910</u>		<u>2,439</u>

Revenue - accrual basis	319,925
less: Dec 2002 Ind&Utility	28,714
plus: Dec 2001 " "	26,253
Revenue - billed basis	317,464

Power Purchases: 14.6%

	2002							
	Forecast	Weight	Service	Bill	Payment	Total	Wtd Days	
Star Lake	8,695,426	57.0%	15.2	3.4	19	37.6	21.42	
CF(L)Co	2,574,393	16.9%	15.2	1	14	30.2	5.09	
Abitibi	1,326,848	8.7%	15.2		20	35.2	3.06	
Rattle Brook	1,263,192	8.3%	15.2	6.2	10.4	31.8	2.63	
Fogo + Others	449,659	2.9%	15.2		20	35.2	1.04	
3rd & 4th Expansion O&M	135,072	0.9%	15.2		20	35.2	0.31	
CF(L)Co Interest	182,458	1.2%	15.2	1	14	30.2	0.36	
L'Anse-au-Loup	625,131	4.1%	15.2		20	35.2	1.44	
Deer Lake	13,704	0.1%	15.2		20	35.2	0.03	
TOTAL	15,265,882	100.00%				35.38		

Note:

1. Payment terms:
CF(L)Co. - 15th of month
Others - 20th or next business day