

1 Q. Reconcile the \$90,255,000 'Gross Interest, per Cost of Service' in 2002 from
2 NP-2 to the \$93,584,000 'Interest' in 2002 from JCR, Schedule I, providing
3 an explanation and calculation of the differences.

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5 A. Please see attached reconciliation.

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7 The AFUDC related to the Labrador Hydro project is removed to arrive at
8 regulated Gross Interest, since this project is not a regulated activity.

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10 The proportion of interest related to the rural assets is removed to arrive at
11 Gross Interest, per Cost of Service, which is the number used to calculate
12 regulated interest coverage, since interest coverage is not sought on those
13 assets.

NEWFOUNDLAND AND LABRADOR HYDRO
Interest Reconciliation
\$thousands

1	Interest	101,662
2	Amortization of Foreign Exchange Loss	2,157
3	Amortization of Debt Discount and Issue Expense	1,175
4		<u>104,994</u>
5	Less: CF(L)Co Pool Interest	(1,951)
6	Labrador Hydro Project AFUDC	<u>(3,046)</u>
7	Regulated Gross Interest	99,997
8	Debt Guarantee Fee	11,992
9	Less: Interest on Sinking Fund Assets	(6,301)
10	RSP	(6,646)
11	Regulated CWIP - AFUDC	<u>(5,458)</u>
12	Net Interest Expense, JCR Schedule I	<u><u>93,584</u></u>
13	Regulated Gross Interest, Line 7 above	99,997
14	Less: Rural Allocation ¹	<u>(9,742)</u>
15	Gross Interest per Cost of Service	<u><u>90,255</u></u>
16	1. Rural Allocation of Gross Interest:	
17	Rural Average Net Book Value:	
18	Island Interconnected: JAB-1, p. 32, line 40, cols. 6-17	81,486
19	Island Isolated, JAB-1, p. 46, line 24, col. 2	12,047
20	Labrador Isolated, JAB-1, p. 58, line 24, col. 2	22,906
21	L'Anse au Loup, JAB-1, p. 70, line 24, col. 2	<u>4,858</u>
22		121,297
24	Total Hydro Net Book Value, JAB-1, p. 2, col. 2, line 1	1,245,061
25	Rural Percentage: L. 22 divided by L. 24	9.74%
26	Regulated Gross Interest, Line 7 above	99,997
27	Rural Allocation of Gross Interest: L. 25 multiplied by L.26	<u><u>9,742</u></u>