

- 1 Q. In NP-87, the average balance for the month appears higher than the simple
2 average of opening and closing balances. Explain the short-term interest
3 calculation provided.
4
- 5 A. Hydro's interest expense model calculates short-term interest expense by
6 averaging monthly balances and applying the forecasted short-term
7 borrowing rate to that average. Average monthly balances are calculated
8 using the opening balance plus balances as of the 7th, 15th, and 22nd of each
9 month.