

1 Q. Further to PUB-56, explain the methodology used and a detailed calculation  
2 of the interest increase of \$800,000 related to “interest avoided” associated  
3 with the Hydro Quebec recall energy.  
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5 A. Interest and guarantee fee impacts associated with recall revenues were  
6 estimated by assuming that Hydro’s promissory note issuance would have  
7 been lessened by the net affect of net recall revenues received, less recall  
8 related dividends paid. Attached are two schedules, which provide details of  
9 the 2002 calculations of short-term interest. The first is calculated assuming  
10 recall impacts are included (short-term interest totals \$7,057,000), and the  
11 second assuming recall impacts are excluded (interest totals \$7,949,000).  
12 The difference is \$892,000.  
13

14 For purposes of guarantee fee calculations, the variance of \$92,000 is  
15 calculated based on the difference between the closing 2001 debt balances  
16 before and after adjustment for recall impact. As noted in our response to  
17 NP-77, the 2002 regulated guarantee fee calculation was incorrect and  
18 requires amendment. Following the amendment, the guarantee fee, like  
19 interest, would be higher for regulated purposes. This is because of the  
20 higher debt levels that would be incurred in the absence of recall revenues.

**SCHEDULE 1**

**Calculation of Short-Term Borrowings Including Recall**

2002 Corporate													
Description	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Interest Rate*	4.57%	4.57%	4.57%	4.68%	4.68%	4.68%	4.85%	4.85%	4.85%	4.92%	4.92%	4.92%	
Opening Balance	(161,959)	(162,565)	(175,480)	(171,387)	(173,153)	(161,529)	(179,343)	(184,223)	(195,700)	(10,254)	(122,290)	(126,415)	
Net Activity	38	(12,276)	4,763	(1,075)	12,301	(17,121)	(4,126)	(10,714)	185,478	(111,650)	(3,590)	(10,364)	31,665
Short Term Interest	(644)	(640)	(670)	(691)	(677)	(693)	(755)	(763)	(32)	(387)	(535)	(571)	(7,057)
Closing Balance	(162,565)	(175,480)	(171,387)	(173,153)	(161,529)	(179,343)	(184,223)	(195,700)	(10,254)	(122,290)	(126,415)	(137,351)	(137,351)

\* This is a nominal rate compounded monthly. The rate is lower than the effective annual rate to reflect the impact of monthly compounding.

**SCHEDULE 2**

**Calculation of Short-Term Borrowings Excluding Recall**

2002 Regulated													
Description	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Interest rate	4.57%	4.57%	4.57%	4.68%	4.68%	4.68%	4.85%	4.85%	4.85%	4.92%	4.92%	4.92%	
Opening Balance	(186,671)	(187,936)	(202,308)	(179,817)	(183,253)	(173,762)	(191,753)	(199,404)	(214,017)	(29,557)	(144,545)	(151,014)	
Net Activity	(1,530)	(13,634)	23,264	(2,710)	10,209	(17,248)	(6,843)	(13,785)	184,569	(114,520)	(5,841)	(9,801)	32,131
Short Term Interest	(736)	(738)	(773)	(726)	(719)	(743)	(808)	(827)	(109)	(469)	(628)	(674)	(7,949)
Closing Balance	(187,936)	(202,308)	(179,817)	(183,253)	(173,762)	(191,753)	(199,404)	(214,017)	(29,557)	(144,545)	(151,014)	(161,489)	(161,489)

\* This is a nominal rate compounded monthly. The rate is lower than the effective annual rate to reflect the impact of monthly compounding.