

1 Q. RE: Interest Coverage

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3 58.1 Provide a calculation of interest coverage for 2001 and 2002  
4 incorporating earnings related to non-regulated activities such as  
5 export sales to Hydro-Quebec (N.B. refer also to NP-2).

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7 58.2 Which calculations of interest coverage does Hydro provide to  
8 financial markets to be used in any assessment of Hydro's credit  
9 rating?

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11 A. 58.1 Interest coverage has traditionally been calculated on gross interest,  
12 excluding the debt guarantee fee. On that basis, Hydro's interest  
13 coverage is as follows:

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	(\$000's)	
	2001	2002
15		
16		
17	Net interest, per NP-2	102,197
18	Interest on sinking funds	5,637
19	Debt guarantee fee	(10,900)
20	Gross interest	96,934
21		
22	Net income	37,658
23		
24	Interest coverage	1.39

25 *Interest Coverage* = Gross Interest + Net Income ÷ Gross Interest.

1           58.2 Hydro regularly meets with both Canadian and U.S. based rating  
2                   agencies to discuss the financial position of the Company. During  
3                   those discussions, Hydro's consolidated and unconsolidated financial  
4                   results are presented and reviewed.