Q. What was the margin in dollars, the Board's approved interest coverage ratio and the resulting inferred rate of return on equity for each of the years 1991 to 2001?

A. The following table shows the actual margin and return on equity (ROE) for the years 1992 to 2001, as well as the margin and ROE that would have equated to a 1.08% interest coverage.

	Adjusted Corporate[1]		Inferred @ 1.08%	
Year	Margin ($ thousands)	ROE %	Margin ($ thousands)	ROE %
1992	17,094	7.98	10,251	4.78
1993	13,841	6.09	10,294	4.53
1994	12,682	5.32	9,829	4.12
1995	22,829	9.26	9,833	3.99
1996	20,693	8.09	n/a	n/a
1997	31,351	11.60	10,332	3.82
1998	24,847	8.66	n/a	n/a
1999	13,015[2]	4.46	7,519	2.58
2000	5,829	2.09	7,394	2.65
2001	11,911	4.43	7,311	2.72

[1] Excludes subsidiary companies, export sales to Hydro Québec, and in 2001, excludes revenues in excess of costs allocated to IOCC

[2] Margin before the write-down of Capital Assets

n/a - Cost of Service (COS) Gross Interest is not available for years in which an actual COS study was not completed

In 1992, the Public Utilities Board recommended that Hydro be allowed to earn an interest coverage of 1.08 times gross interest and recommended that there be no interest coverage cap. This approved interest coverage was in effect until 2002 when new rates were set using the return on rate base methodology. Return on equity is a component used in determining the weighted average cost of capital under the return on ratebase approach. As is demonstrated in the table, the relationship between interest coverage and ROE is not a constant one even over relatively small ranges of interest expense and equity.

Information relating to 1991 is not readily available.