

1 Q. Provide a detailed calculation of interest coverage for the years 1998 to 2002
2 and forecast for 2003 and 2004. Provide separate calculations for interest
3 coverage on regulated and non-regulated operations.

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6 A. The attached table shows the calculation of Hydro's interest coverage
7 (excluding subsidiaries) but including non-regulated sales for the years 1998
8 to 2002 and forecast for 2003 and 2004.

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10 The attached table also shows the regulated interest coverage that is
11 calculated based on the definition of gross interest as historically defined and
12 margin as per the cost of service. The information to calculate regulated
13 interest coverage for 1998, 2002 and Forecast 2003 is not available.

**Newfoundland and Labrador Hydro
Interest Coverage**

**NP-2 NLH
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	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Forecast	2004 Forecast
Hydro Net Interest	98,786	93,179	94,193	91,598	88,548	95,767	101,416
Add Interest Earned							
Power Bills	250	85	16	1	27	334	369
RSP	4,150	3,217	3,217	4,361	7,168	10,316	12,252
Sinking Funds	28,456	8,689	5,323	6,382	7,243	7,518	8,117
AFUDC	428	1,984	3,694	5,151	7,679	7,392	5,129
	<u>33,284</u>	<u>13,975</u>	<u>12,250</u>	<u>15,895</u>	<u>22,117</u>	<u>25,560</u>	<u>25,867</u>
Gross Interest	132,070	107,154	106,443	107,493	110,665	121,327	127,283
Net Operating Income	<u>51,257</u>	<u>31,715</u>	<u>17,296</u>	<u>40,431</u>	<u>40,815</u>	<u>22,465</u>	<u>48,277</u>
Gross Interest plus net operating income	183,327	138,869	123,739	147,924	151,480	143,792	175,560
divide by							
Gross Interest	<u>132,070</u>	<u>107,154</u>	<u>106,443</u>	<u>107,493</u>	<u>110,665</u>	<u>121,327</u>	<u>127,283</u>
Hydro Corporate Interest Coverage	<u>1.39</u>	<u>1.30</u>	<u>1.16</u>	<u>1.38</u>	<u>1.37</u>	<u>1.19</u>	<u>1.38</u>
Regulated							
Gross interest per Cost of Service	n/a	93,982	92,420	91,383	n/a	n/a	92,764
Cost of Service Margin	n/a	14,720 ¹	2,101 ¹	14,082 ¹	n/a	n/a	21,175
Cost of Service Gross Interest Coverage	n/a	1.16	1.02	1.15	n/a	n/a	1.23

n/a - not available

¹ includes IOCC revenues in excess of allocated costs.