

1 **Q. Reference: On page 47 Grant Thornton explains the recalculation of income tax**  
2 **expense and indicates that income before tax were \$53.422 million in 2013 and**  
3 **\$56.030 million in 2014. Please recalculate the interest coverage ratios shown in**  
4 **Table 14 on page 25 with this data and explain why the interest coverage ratio was**  
5 **reported in Table 14 with the different amounts of \$47.043 million in 2013 and**  
6 **\$48.635 million in 2014.**

7  
8  
9 **A.** Interest coverage ratios were provided by Newfoundland Power. Newfoundland Power  
10 calculates its interest coverage on a financial reporting basis. The figures presented in  
11 Table 14, of \$47.043 million in 2013 and \$48.635 million in 2014, are the income before  
12 income taxes provided by Newfoundland Power for financial reporting purposes.

13  
14 As presented in Exhibits 3 and 5 income before income taxes on page 47 of our report  
15 differs from figures presented on a financial reporting basis as a result of adjustments for  
16 non-regulated expenses and tax on cost of removal that are not permitted under US  
17 GAAP for financial reporting purposes. These exhibits include the income before income  
18 taxes of \$53.422 million in 2013 and \$56.030 million in 2014.

19  
20 From our discussions with Newfoundland Power, a calculation does not exist using the  
21 income before income taxes presented on page 47. As noted by Newfoundland Power,  
22 credit rating agencies base their credit metrics on published financial statements.

23  
24 Our report comments on the calculations provided by Newfoundland Power therefore we  
25 cannot provide any commentary with respect to an interest rate coverage calculation that  
26 uses income before income taxes of \$53.422 million in 2013 and \$56.030 million in  
27 2014.