

Undertaking: Newfoundland Power

1 **Q. Reference: Transcript March 31, 2016**
 2 **Page 13, Lines 4-8**

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 4 **Provide by way of a further undertaking a detailed explanation of as to how that**
 5 **1.93 is arrived at showing all items used to calculate net earnings and total interest.**

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 7 A. Table 1 provides the *pro-forma* interest coverage calculation for 2017 based on a 8.30%
 8 return on equity and a 40% equity average capital structure.

Table 1
2017 Pro Forma Earnings Test Interest Coverage Calculation
Based on a 8.30% Return on Equity and 40% Equity Capital Structure
For the 12 Months Ended December 31, 2016
(\$000's)

Operating Revenue	668,936	
Less:		
Operating Expenses – Purchased Power	448,896	
Operating Expenses – Other	61,564	
Operating Expenses – Pension & ERP	18,564	
Depreciation and Other Amortizations	59,689	
Interest & Finance Charges ¹	24	
	<u>588,737</u>	
 Net Earnings	 80,199	 A
 Annual Bond Interest Prior to New Issue	 37,329	 B
Annual Bond Interest After New Issue ²	41,454	C
 Earnings Test Coverage Prior to New Issue (times)	 2.15	 A / B
Earnings Test Coverage After New Issue (times)	1.93	A / C

¹ Interest & Finance Charges (\$000's)

Interest on First Mortgage Sinking Fund Bonds	37,329*
Interest on Committed Credit Facility	568*
Other Interest	24
Amortization of Debt Issue Costs	223*
AFUDC	<u>(587)*</u>
Total Interest Costs	37,557
Less: Funded Obligation Related Interest (*)	<u>(37,533)</u>
Non-Funded Interest & Finance Charges	24

² Based on a \$75,000,000 sinking fund bond issue at a forecast coupon rate of 5.50%.