

1 Q. Reference: Page 3.7 footnote 5 and page 3.9.

2 If the updated policy for dividends was adopted in 2009, please indicate the
3 dividends paid in each of 2009-2013 (forecast). With reference to Table 3.2, please
4 provide the calculation of the level of dividends.

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6

7 A. The following table summarizes dividends paid to date under the updated policy, as
8 described in footnote 23 on page 3.34 of Hydro's Amended Application.

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Fiscal year ended	Dividend declared and paid on or before	Amount of dividend declared and paid
December 31, 2009	March 31, 2010	\$30.9 million
December 31, 2010	March 31, 2011	\$21.2 million
December 31, 2011	March 31, 2012	No dividend declared
December 31, 2012	March 31, 2013	No dividend declared
December 31, 2013	March 31, 2014	No dividend declared
December 31, 2014 TY	March 31, 2015 TY	No dividend declared TY

*TY denotes Test Year

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11 Please refer to Attachment 1 (Revised), IC-NLH-042 for detailed calculations of the
12 level of dividends.

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14 Please refer to Attachment 2 (Revised), IC-NLH-042 for reconciliation to Table 3.12
15 of Hydro's Amended Application dated November 2014.

Newfoundland and Labrador Hydro

Regulated Dividend: Calculation of Required Dividend

For the years ended December 31, 2009 - 2014

Calculation of Regulated Dividend

As at December 31 Methodology ¹	2009	2010	2011	2012	2014 Test	
	2009	2010	2011	2012	2013	Year
	DBRS	DBRS	S&P	S&P	S&P	S&P
(1) Promissory notes ²	(3.5)	-	-	52.0	41.0	145.6
(2) Bank indebtedness ³	-	(5.8)	-	-	-	-
(3) Current portion of long-term debt	8.2	8.2	8.2	8.2	82.2	8.2
(4) Long-term debt	1,141.6	1,136.7	1,131.5	1,125.9	1,046.6	1,243.8
(5) Sinking Funds	(179.6)	(208.4)	(247.0)	(263.3)	(267.6)	(220.5)
(6) Accrued interest ⁴	-	-	28.7	28.7	28.7	27.5
(7) Asset retirement obligations ⁴	-	-	19.6	24.0	24.1	24.8
(8) Post retirement benefit obligations ⁵	-	-	89.3	87.1	82.9	82.9
(9) Total debt	966.7	930.7	1,030.3	1,062.6	1,037.9	1,312.3
(10) Shareholder's equity before adjustments	351.7	338.1	357.2	372.7	356.0	394.0
(11) Post retirement benefit obligations ⁶	-	-	(35.8)	(30.2)	(21.3)	(21.3)
(12) Adjusted Shareholder's equity	351.7	338.1	321.4	342.5	334.7	372.7
(13) Regulated Debt to Debt + Equity , before dividend Dividend Required	73.3% Yes	73.4% Yes	76.2% No	75.6% No	75.6% No	77.9% No
(14) Regulated dividend required	30.9	21.2				
(15) Revised total regulated debt (Line 26) ⁷	966.7	946.1				
(16) Revised total regulated equity (Line 12 less Line 14) ⁸	320.8	316.9				
(17) Regulated Debt to Debt + Equity, after dividend	75.0%	75.0%				

Financing of Regulated Dividend

As at December 31	2009	2010
(18) Cash and equivalents	10.9	37.8
(19) Short-term investments	20.0	9.0
(20) Less inter-company payable ⁹	-	(41.0)
(21) Cash available to repay dividends	30.9	5.8
(22) Regulated dividend required (Line 14)	30.9	21.2
(23) Cash available to repay dividends (Line 21)	(30.9)	(5.8)
(24) Financing required	-	15.4
(25) Total debt	966.7	930.7
(26) Revised total regulated debt	966.7	946.1

Footnotes

¹ For 2009 and 2010, regulated capital structure was computed based on Dominion Bond Rating Service ("DBRS") approach to calculating debt and total capital. For 2011 onward, Standard and Poor's (S&P) methodology was used. S&P adjusts the capital structure for accrued interest, asset retirement obligations and post-retirement obligations.

² The Hydro Regulated Promissory Note balance includes short-term amounts due to/from the regulated business. The decision was made to align our definition of total debt with that of the Dominion Bond Rating Service (DBRS). In that regard, DBRS does not consider the intercompany note to be part of total debt.

³ DBRS does not treat cash and cash equivalents as an offset when calculating total debt. Therefore the \$5.8M at Line 21 should not have been included at Line 2. Had this been excluded from the 2010 calculation, the required dividend would have been \$0.3M lower. Based on the magnitude of the difference, no adjustment was made to the payment.

⁴ As per regulated balance sheet filed with Q4 PUB Quarterly Report for corresponding year. These adjustments were only made in 2011 and beyond, as per the S&P method.

⁵ Represents the accrued benefit liability at the end of the year, as disclosed in Hydro's non-consolidated financial statements. This adjustment was only made in 2011 and beyond, as per the S&P method.

⁶ Represents the balances related to unamortized past service cost and unamortized actuarial losses, as disclosed in the notes to Hydro's non-consolidated audited financial statements. This adjustment was only made in 2011 and beyond, as per the S&P method.

⁷ Calculated as total debt (Line 9) plus financing required (Line 24), under the assumption that dividends are financed by issuance of debt to the extent that cash on hand is insufficient to pay dividend in full.

⁸ Calculated as adjusted shareholder's equity (Line 12) less dividend required (Line 14).

⁹ Payable to Nalcor Energy on account of Exploits power sold to Hydro in 2009.

Newfoundland and Labrador Hydro

Calculation of Regulated Dividend: Reconciliation to Amended Finance Evidence, Table 3.12, Page 3.26

For the years ended December 31, 2009 - 2014

Attachment 2 - IC-NLH-042 Revised

Reconciliation to Amended Finance Evidence, Table 3.12

Total debt and total equity used in calculation of regulated dividend for 2009 and 2010 are based on DBRS definitions.

For 2011 and 2012 the calculations are based on S&P definitions.

Reconciliation of Total Debt per DBRS/S&P calculations to Amended Finance Evidence, Table 3.12

	2009	2010	2011	2012	2013	2014 Test Year
Total debt as calculated (Line 9 Attachment 1)	966.7	930.7	1,030.3	1,062.6	1,037.9	1,312.3
Add back mark to market component of sinking fund	14.8	25.5	45.1	41.4	24.0	31.0
Add back bank indebtedness (Line 2 Attachment 1)	-	5.8	-	-	-	-
Add back intercompany portion of promissory notes	3.5	-	-	-	-	-
Non-regulated debt pool	(3.5)	(5.5)	(5.1)	(7.2)	(8.2)	(8.2)
Adjustments as per S&P Methodology (Lines 6-8 Attachment 1)	-	-	(137.6)	(139.8)	(135.7)	(135.2)
Adjusted total debt	981.5	956.5	932.7	957.0	918.0	1,199.9
Total regulated debt per Amended Finance Evidence (Table 3.12)	981.5	956.5	932.7	957.0	918.0	1,199.9
Variance (rounding)	-	-	-	-	-	-

Reconciliation of Total Debt per DBRS/S&P calculation to Amended Finance Evidence, Table 3.12

	2009	2010	2011	2012	2013	2014 Test Year
Total equity adjusted equity (Line 12 Attachment 1)	351.7	338.1	321.4	342.5	334.7	372.7
Accumulated Other Comprehensive Income	(14.8)	(25.5)	(45.1)	(41.5)	(24.0)	(31.1)
Adjustments to equity (Line 11 Attachment 1)			35.8	30.2	21.3	21.3
	336.9	312.6	312.1	331.2	332.0	362.9
Total regulated equity per Amended Finance Evidence (Table 3.12)	336.9	312.6	312.1	331.2	332.0	362.9
Variance	-	-	-	-	-	-