

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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7    A.    The following table summarizes dividends paid to date under the updated policy, as  
8    described in footnote 5 on page 3.7 of the 2013 General Rate Application.

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

9    Please refer to IC-NLH-042 Attachment 1 for detailed calculations of the level of  
10   dividends.

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12   Please refer to IC-NLH-042 Attachment 2 for reconciliation to Table 3.2 of the  
13   Finance Evidence.

<b>Newfoundland and Labrador Hydro</b> <b>Regulated Dividend: Calculation of Required Dividend</b> <b>For the years ended December 31, 2009 - 2012</b>				
<b>Calculation of Regulated Dividend</b>				
<b>As at December 31</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>DBRS</b>	<b>DBRS</b>	<b>S&amp;P</b>	<b>S&amp;P</b>
1 Promissory notes <sup>2</sup>	(3.5)	-	-	52.0
2 Bank indebtedness <sup>3</sup>	-	(5.8)	-	-
3 Current portion of long-term debt	8.2	8.2	8.2	8.2
4 Long-term debt	1,141.6	1,136.7	1,131.5	1,125.9
5 Sinking funds	(179.6)	(208.4)	(247.0)	(263.3)
6 Accrued interest <sup>4</sup>	-	-	28.7	28.7
7 Asset retirement obligations <sup>4</sup>	-	-	19.6	24.0
8 Post retirement benefit obligations <sup>5</sup>	-	-	89.3	87.1
<b>9 Total debt</b>	<b>966.7</b>	<b>930.7</b>	<b>1,030.3</b>	<b>1,062.6</b>
10 Shareholder's equity before adjustments	351.7	338.1	357.2	372.7
11 Post retirement benefit obligations <sup>6</sup>	-	-	(35.8)	(30.2)
<b>12 Adjusted shareholder's equity</b>	<b>351.7</b>	<b>338.1</b>	<b>321.4</b>	<b>342.5</b>
<b>13 Regulated Debt to Debt + Equity , before dividend Dividend Required</b>	<b>73.3%</b>	<b>73.4%</b>	<b>76.2%</b>	<b>75.6%</b>
	Yes	Yes	No	No
14 Regulated dividend required	30.9	21.2		
15 Revised total regulated debt (Line 26) <sup>7</sup>	966.7	946.1		
16 Revised total regulated equity (Line 12 less Line 14) <sup>8</sup>	320.8	316.9		
<b>17 Regulated Debt to Debt + Equity, after dividend</b>	<b>75.0%</b>	<b>75.0%</b>		
<b>Financing of Regulated Dividend</b>				
<b>As at December 31</b>	<b>2009</b>	<b>2010</b>		
18 Cash and equivalents	10.9	37.8		
19 Short-term investments	20.0	9.0		
20 Less inter-company payable <sup>9</sup>	-	(41.0)		
<b>21 Cash available to repay dividends</b>	<b>30.9</b>	<b>5.8</b>		
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		
<b>26 Revised Total Regulated Debt</b>	<b>966.7</b>	<b>946.1</b>		

**Notes:**

<sup>1</sup> 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 and 2012, 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.

<sup>2</sup> The Hydro Regulated Promissory Note balance includes short-term amounts due to/from the regulated business. The decision was made to align the 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.

<sup>3</sup> 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.

<sup>4</sup> As per regulated balance sheet filed with Q4 PUB Quarterly Report for corresponding year. These adjustments were only made in 2011 and 2012, as per the S&P method.

<sup>5</sup> Represents the accrued benefit liability at the end of the year, as disclosed in Note 9 (2011) and Note 11 (2012) to Hydro's non-consolidated audited financial statements. This adjustment was only made in 2011 and 2012, as per the S&P method.

<sup>6</sup> Represents the balances related to unamortized past service cost and unamortized actuarial losses, as disclosed in the noted to Hydro's non-consolidated audited financial statements. This adjustment was only made in 2011 and 2012, as per the S&P method.

<sup>7</sup> 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.

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

<sup>9</sup> Payable to Nalcor Energy on account of Exploits power sold to Hydro in 2009.

**Newfoundland and Labrador Hydro**  
**Calculation of Regulated Dividend: Reconciliation to Finance Evidence, Table 3.2, Page 3.9**  
**For the years ended December 31, 2009 - 2012**

**Reconciliation to Finance Evidence, Table 3.2**

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 Finance Evidence, Table 3.2**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Total debt as per DBRS calculation ( <b>Line 9 Attachment 1</b> )	966.7	930.7	1,030.3	1,062.6
Add back mark to market component of sinking fund	14.8	25.5	45.1	41.5
Add back bank indebtedness ( <b>Line 2 Attachment 1</b> )	-	5.8	-	-
Add back intercompany portion of promissory notes	3.5	-	-	-
Non-regulated debt pool	(3.5)	(5.5)	(5.1)	(7.2)
Adjustments as per S&P methodology ( <b>Lines 6-8 Attachment 1</b> )	-	-	(137.6)	(139.8)
Adjusted total debt	981.5	956.5	932.7	957.1
Total regulated debt per Finance Evidence (Table 3.2)	981.5	956.5	932.7	957.0
<b>Variance (rounding)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>

**Reconciliation of Total Debt per DBRS/S&P calculation to Finance Evidence, Table 3.2**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Total equity adjusted equity ( <b>Line 12 Attachment 1</b> )	351.7	338.1	321.4	342.5
Accumulated other comprehensive income	(14.8)	(25.5)	(45.1)	(41.5)
Adjustments to equity ( <b>Line 11 Attachment 1</b> )	35.8	35.8	30.2	30.2
	336.9	312.6	312.1	331.2
Total regulated equity per Finance Evidence (Table 3.2)	336.9	312.6	312.1	331.2
<b>Variance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>