

1 Q. **Reference: Table 30 – Budget Estimate, page 64.**

2 Please provide all details, assumptions and calculations supporting the Interest and  
3 Escalation estimate of \$1,396,100.

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5

6 A. Interest is calculated on the previous month's accumulated cash flow plus half of  
7 the current month's cash flow. The Interest rate used in preparation of this  
8 proposal is based on the forecasted weighted interest rate on Hydro's 2013  
9 borrowing costs, which was 8.05 percent or 0.65 percent compounded monthly.

10

11 An escalation factor is applied based on the type of work selected by the project  
12 estimator when preparing the budget estimate. It is based on the Electric Utility  
13 Construction Price Escalation and the Canadian Price Index (CPI) as of January 2013  
14 for this budget proposal. The type of work selected for this proposal was  
15 Transformer Station Construction, resulting in a 2.9 annual percent increase for  
16 2014. There is no escalation necessary for 2013 – the current year – costs.

17

18 Please see NP-NLH-3 Attachment for the detailed calculations pertaining to interest  
19 and escalation.

## Oxen Pond Terminal Station Additional Transformer Capacity

Install Additional 230 kV Transformer Capacity

Monthly Interest Rate

0.65%

Type of Work: Transformer Station Construction

Year	Month	Total Monthly Expenditures (\$000)	Escalation Rate	Escalation Amount (\$000)	Contingency	Cash Flows Incurring Interest (\$000)	Cumulative Cash Flows Incurring Interest (\$000)	Interest (\$000)
2013	January	0.0	0.0000	0.0		0.0	0.0	0.0
	February	0.0	0.0000	0.0		0.0	0.0	0.0
	March	796.5	0.0000	0.0		92.5	92.8	0.3
	April	0.0	0.0000	0.0		704.0	799.7	2.9
	May	435.3	0.0000	0.0		52.4	857.5	5.3
	June	796.5	0.0000	0.0		475.4	1,340.0	7.1
	July	435.3	0.0000	0.0		756.4	2,107.5	11.1
	August	0.0	0.0000	0.0		382.9	2,505.3	14.9
	Septmeber	1,231.8	0.0000	0.0		144.9	2,666.9	16.7
	October	0.0	0.0000	0.0		1,086.9	3,774.6	20.8
	November	0.0	0.0000	0.0		0.0	3,799.0	24.4
	December	0.0	0.0000	0.0		0.0	3,823.6	24.6
	Total	3,695.4		0.0		3,695.4		128.1
2014	January	0.0	0.0262	0.0		0.0	3,848.3	24.8
	February	0.0	0.0287	0.0		0.0	3,873.2	24.9
	March	1,231.8	0.0311	38.3		144.9	4,043.7	25.5
	April	1,231.8	0.0335	41.3		1,270.1	5,344.1	30.3
	May	1,231.8	0.0360	44.3		1,273.1	6,656.0	38.7
	June	1,231.8	0.0384	47.3		1,276.1	7,979.4	47.2
	July	1,231.8	0.0409	50.3		1,279.1	9,314.3	55.8
	August	1,231.8	0.0433	53.3		1,282.1	10,660.9	64.5
	Septmeber	1,231.8	0.0458	56.4		1,285.2	12,019.3	73.2
	October	1,231.8	0.0482	59.4		1,288.2	13,389.5	82.0
	November	1,231.8	0.0507	62.5		1,291.2	14,771.6	90.9
	December	0.0	0.0532	157.2	2,956.3	1,149.4	16,020.4	99.4
	Total	11,086.2		610.3	2,956.3	11,539.4		657.2
Total Project		14,781.6		610.3	2,956.3			785.3