

1    Q.    **Reference: Table 1: Project Budget Estimate, page 8.**

2            Please provide all details, assumptions and calculations associated with the Interest  
3            and Escalation estimate of \$478,900.

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6    A.    No escalation has been applied to this project, as it is being completed within the  
7            current year.

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9            Interest is calculated on the previous month's accumulated cash flow plus half of  
10           the current month's cash flow. The interest rate used in the preparation of this  
11           proposal is based on the forecasted weighted interest rate on Hydro's 2013  
12           borrowing costs which is 8.05% or 0.65% compounded monthly.

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14           An error was made in the calculation of interest for the project in that the project  
15           completion month used did not reflect the actual expected completion month for  
16           the project. Thus, the interest calculation was carried beyond the anticipated  
17           project completion. The corrected interest calculation by month is provided in the  
18           table below. The project estimate has been revised to reflect the correct interest  
19           amount.

Year	Month	Cash Flows	Monthly Interest Rate Cumulative Cash Flows	0.65%
		Incurring Interest (\$000)	Incurring Interest (\$000)	Interest (\$000)
2013	Jan	100.0	100.3	0.3
	Feb	114.2	215.5	1.0
	Mar	1,491.2	1,712.9	6.2
	Apr	1,185.6	2,913.4	14.9
	May	1,826.4	4,764.6	24.8
	Jun	1,771.7	6,572.9	36.6
	Jul	2,324.1	8,947.1	50.1
	Aug	0.0	0.0	0.0
	Sep	0.0	0.0	0.0
	Oct	0.0	0.0	0.0
	Nov	0.0	0.0	0.0
	Dec	0.0	0.0	0.0
	<b>Total</b>	<b>8,813.2</b>	<b>25,226.7</b>	<b>133.9</b>