

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.

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Year	Month	Cash Flows Incurring Interest (\$000)	Monthly Interest Rate		
			Cumulative Cash Flows Incurring Interest (\$000)	0.65%	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	
Total		8,813.2	25,226.7	133.9	