

1 **Volume 1, Section 3 – Finance**

2  
3 **Q. (page 58, Table 25)**

4  
5 **a. Please provide a detailed calculation of all 9 figures in the referenced table,**  
6 **including a detailed description of the source and calculation of each input value**  
7 **used in the calculation.**

8  
9 **b. Please provide a page similar to those in Exhibit 7 of Volume 1 that shows the**  
10 **range of credit metric values for the situation corresponding to the first column**  
11 **– that is, 2008E – in Table 25, and describe briefly how this situation or set of**  
12 **assumptions differs from those under the 2008F heading in Table 25.**

13  
14 A. (a) Attachment A contains the detailed calculations of the credit metrics shown in Table  
15 25 of Section 3 Finance.

16  
17 (b) Attachment B contains a revised Exhibit 7 of Volume 1 based on the 2008 Existing  
18 forecast. The 2008 Existing forecast is based on current rates approved by the  
19 Board in Order No. P.U. 8 (2007) and is before any of the proposals contained in  
20 this Application.

21  
22 There are no changes to the calculations and assumptions other than that mentioned  
23 above used to revise Exhibit 7. The credit metrics provided are based on the  
24 assumption that OPEBs will be accounted for on the cash basis.

25  
26 The adoption of accrual accounting for OPEBs, in comparison to recognizing  
27 OPEBs on the cash method, improves the Company's credit metrics by increasing  
28 cash flow from operations. This reflects the fact that OPEB related costs will be  
29 collected from customers in advance of the required payment for the related  
30 benefits. This recovery of costs will serve to reduce the Company's financing  
31 requirements in the 2008 test year and subsequent years.

**Attachment A**

**Newfoundland Power Inc.**  
**2008 Credit Metrics Calculations**  
**(\$000s)**

	<b>2008</b>	<b>2008 Proposed</b>	
	<b>Existing</b>	<b>Cash OPEBs</b>	<b>Accrual OPEBs</b>
1			
2			
3	<b>Pre-tax Interest Coverage</b>		
4	34,702	58,456	59,301
5	31,513	31,513	31,513
6	2,562	2,097	2,040
7	(350)	(298)	(298)
8	188	188	188
9	68,615	91,956	92,744
10			
11	31,513	31,513	31,513
12	2,562	2,097	2,040
13	188	188	188
14	34,263	33,798	33,741
15			
16	<b>2.0</b>	<b>2.7</b>	<b>2.8</b>
17			
18			
19	60,357	73,568	77,101
20	(586)	(586)	(586)
21	(1,078)	(783)	310
22	206	206	206
23	58,899	72,405	77,031
24			
25	31,513	31,513	31,513
26	2,562	2,097	2,040
27	34,075	33,610	33,553
28			
29	<b>2.7</b>	<b>3.2</b>	<b>3.3</b>
30	[ ( line 23 plus line 27 ) divided by line 27 ]		
31			
32			
33	457,166	441,380	440,323
34	9,353	9,353	9,353
35	466,519	450,733	449,676
36			
37	<b>12.6%</b>	<b>16.1%</b>	<b>17.1%</b>

**Attachment B**

Requests for Information

Newfoundland Power Inc.

Credit Metrics - OPEBS on Cash Basis  
Based on the 2008 Existing Forecast

Pre-tax Interest Coverage (times)

Allowed Common Equity	10.75%	10.50%	10.25%	10.00%	9.75%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%	8.00%
45%	2.85	2.81	2.77	2.73	2.68	2.64	2.60	2.56	2.52	2.48	2.44	2.39
44%	2.79	2.75	2.71	2.67	2.63	2.59	2.55	2.51	2.47	2.43	2.39	2.35
43%	2.74	2.70	2.66	2.62	2.58	2.54	2.50	2.47	2.43	2.39	2.35	2.31
42%	2.68	2.64	2.61	2.57	2.53	2.49	2.46	2.42	2.38	2.34	2.31	2.27
41%	2.63	2.59	2.56	2.52	2.48	2.45	2.41	2.37	2.34	2.30	2.26	2.23
40%	2.57	2.54	2.50	2.47	2.43	2.40	2.36	2.33	2.29	2.26	2.22	2.19

Cash Flow Interest Coverage (times)

Allowed Common Equity	10.75%	10.50%	10.25%	10.00%	9.75%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%	8.00%
45%	3.30	3.27	3.24	3.22	3.19	3.16	3.14	3.11	3.08	3.05	3.03	3.00
44%	3.25	3.22	3.20	3.17	3.15	3.12	3.09	3.07	3.04	3.01	2.99	2.96
43%	3.20	3.18	3.15	3.13	3.10	3.08	3.05	3.02	3.00	2.97	2.95	2.92
42%	3.16	3.13	3.11	3.08	3.06	3.03	3.01	2.98	2.96	2.93	2.91	2.88
41%	3.11	3.09	3.06	3.04	3.02	2.99	2.97	2.94	2.92	2.90	2.87	2.85
40%	3.07	3.04	3.02	3.00	2.97	2.95	2.93	2.90	2.88	2.86	2.84	2.81

Cash Flow to Debt (percentage)

Allowed Common Equity	10.75%	10.50%	10.25%	10.00%	9.75%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%	8.00%
45%	17.23	17.03	16.83	16.63	16.43	16.23	16.03	15.83	15.63	15.43	15.22	15.02
44%	16.44	16.26	16.07	15.88	15.69	15.50	15.31	15.12	14.93	14.74	14.55	14.36
43%	15.71	15.53	15.35	15.17	14.99	14.81	14.64	14.46	14.28	14.10	13.92	13.74
42%	15.02	14.85	14.68	14.51	14.34	14.18	14.01	13.84	13.67	13.50	13.33	13.16
41%	14.38	14.22	14.06	13.90	13.74	13.58	13.42	13.26	13.10	12.94	12.78	12.62
40%	13.77	13.62	13.47	13.32	13.17	13.02	12.86	12.71	12.56	12.41	12.26	12.11