

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 based on the
15 Amended Application. <>

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

21
22 There are no changes to the calculations and assumptions other than that mentioned
23 above used <> in Exhibit 7 1st Revision. The credit metrics provided are based on the
24 assumption that OPEBs will be accounted for on the cash basis consistent with the
25 “Settlement Agreement”.

26
27 The adoption of accrual accounting for OPEBs, in comparison to recognizing OPEBs
28 on the cash method, <> would improve the Company’s credit metrics by increasing
29 cash flow from operations. This reflects the fact that OPEB related costs will be
30 collected from customers in advance of the required payment for the related benefits.

31 <>

Attachment A

Requests for Information

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

	2008	2008 Proposed	
	Existing	Cash OPEBs	Accrual OPEBs
1			
2			
3	Pre-tax Interest Coverage		
4	Pre-tax Income	33,393	51,871
5	Interest on Long Term Debt	32,334	32,334
6	Other Interest	2,657	2,481
7	Capitalized Interest	(350)	(283)
8	Amortization of Debt Discount & Expense	178	179
9	Numerator	68,212	86,582
10			
11	Interest on Long Term Debt	32,334	32,334
12	Other Interest	2,657	2,481
13	Amortization of Debt Discount & Expense	178	179
14	Denominator	35,169	34,994
15			
16	Interest Coverage Ratio (line 9 divided by line 14)	1.9	2.5
17			
18			
19	Cashflow From Operations	60,179	66,433
20	Less: Preferred Dividends	(586)	(586)
21	Add: Non-Cash Working Capital	(1,811)	1,783
22	Add: Excess of Pension Funding over Expense	206	206
23	Cash Flow For Calculation	57,988	67,836
24			
25	Interest on Long Term Debt	32,334	32,334
26	Other Interest	2,657	2,481
27	Cash Interest For Calculation	34,991	34,815
28			
29	Cash Flow Interest Coverage	2.7	2.9
30	[(line 23 plus line 27) divided by line 27]		3.1
31			
32			
33	Year End Debt	450,833	444,581
34	Year End Preference Shares	9,353	9,353
35	Adjusted Year End Debt for Calculation	460,186	453,934
36			
37	Cash Flow Debt Coverage (line 23 divided by line 35)	12.6%	14.9%

^{1st} Revision Note: Updated for Settlement Agreement and revised forecasts for 2007 and 2008.

Attachment B

Requests for Information

Newfoundland Power Inc.

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

Pre-tax Interest Coverage (times)

Allowed Common Equity	Allowed Return On Equity								
	10.25%	10.00%	9.75%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
45%	2.72	2.68	2.64	2.60	2.56	2.52	2.48	2.44	2.40
44%	2.66	2.62	2.58	2.55	2.51	2.47	2.43	2.39	2.35
43%	2.61	2.57	2.53	2.50	2.46	2.42	2.38	2.35	2.31
42%	2.56	2.52	2.48	2.45	2.41	2.37	2.34	2.30	2.27
41%	2.50	2.47	2.43	2.40	2.36	2.33	2.29	2.26	2.22
40%	2.45	2.42	2.39	2.35	2.32	2.28	2.25	2.22	2.18

Cash Flow Interest Coverage (times)

Allowed Common Equity	Allowed Return On Equity								
	10.25%	10.00%	9.75%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
45%	3.18	3.15	3.13	3.10	3.07	3.05	3.02	2.99	2.97
44%	3.13	3.10	3.08	3.05	3.03	3.00	2.98	2.95	2.93
43%	3.08	3.06	3.03	3.01	2.98	2.96	2.94	2.91	2.89
42%	3.04	3.01	2.99	2.97	2.94	2.92	2.89	2.87	2.85
41%	2.99	2.97	2.95	2.92	2.90	2.88	2.85	2.83	2.81
40%	2.95	2.93	2.90	2.88	2.86	2.84	2.82	2.79	2.77

Cash Flow to Debt (percentage)

Allowed Common Equity	Allowed Return On Equity								
	10.25%	10.00%	9.75%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
45%	16.82	16.62	16.42	16.22	16.02	15.82	15.62	15.42	15.22
44%	16.06	15.87	15.68	15.49	15.30	15.11	14.92	14.73	14.54
43%	15.34	15.16	14.99	14.81	14.63	14.45	14.27	14.09	13.91
42%	14.68	14.51	14.34	14.17	14.00	13.83	13.66	13.49	13.32
41%	14.05	13.89	13.73	13.57	13.41	13.25	13.09	12.93	12.77
40%	13.46	13.31	13.16	13.01	12.86	12.71	12.56	12.41	12.25

1st Revision Note: Updated for Settlement Agreement and revised forecasts for 2007 and 2008.