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Q: Reference: Page 72, Lines 5-14

Please provide supporting calculations for the credit metrics presented in Lines 5 to 14.

A: For NP, for a given allowed common equity ratio (CER), there is a linear relationship between ROCE and (a) pre-tax interest coverage, (b) cashflow interest coverage, and (c) cash flow to debt, as clearly shown in the summary matrices of credit metric values provided by the Company in Volume 1, Exhibit 7 of its Application. Dr. Cannon used extrapolations of these linear relationships, in combination with the credit-metric values set out on page 2 of Exhibit 7 for a CER=45%, to determine the values on lines 6, 7, and 8 of page 72 of his prefiled testimony.

For the Earnings Test Interest Coverage Ratio values shown in line 13 on page 72 of his evidence, Dr. Cannon used the template provided by NP on page 3 of its Response to CA-NP-126 to calculate the 2.38 times and 2.45 times figures as follows:

Newfoundland Power Inc.
 Proforma Earnings Test Interest Coverage
 2008
 (\$000s)

Allowed Return on Common Equity	<u>8.00%</u>	<u>7.80%</u>	<u>7.40%</u>
Operating Revenue	508,154	507,041	504,816
Less: Operating expenses	(387,634)	(387,634)	(387,634)
Less: Amortization of fixed assets	(40,207)	(40,207)	(40,207)
Less: Amortization of capital stock issue exp.	(62)	(62)	(62)
Less: Other interest costs (net of interest earned)	<u>(2,060)</u>	<u>(2,060)</u>	<u>(2,060)</u>
(A) Total	78,191	77,078	74,853
(B) Interest – long term debt	31,513	31,513	31,513
Earnings Test Interest Coverage (A)/(B)	2.48	2.45	2.38

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