Q: Concerning the earnings interest coverage ratio from PUB-CA-16 above, please also describe how the maximum amount of additional first mortgage bonds that can be issued compares to the amount of additional funding NP needs for its five year capital expenditure budget.

A: According to NP's Response to CA-NP-113, NP will need to issue $110 million in new FMBs between 2007 and 2012. However, NP's Response to CA-NP-126 (on which Dr. Cannon's Response to PUB-CA-16 is based) already contemplates the issuance of $60 million of new FMBs in 2007 and the retirement of $31.9 million of existing FMBs at the end of 2007. Therefore, the net new FMB funding requirements for the 2008-2012 period are only $50 million.

The table below sets out the multiple that NP's FMB funding room (from PUB-CA-16) is of NP's projected net new FMB financing requirements beyond 2007.

Allowed ROCE	7.4%	7.4%	7.8%	7.8%
Average Rate on Additional FMBs	5.0%	5.9%	5.0%	5.9%
Maximum Additional FMBs (in $ millions)	118.3	100.2	140.5	119.1
Maximum Additional FMBs As a Multiple of Net New FMB Financing Requirements Over 2008-2012 Period	2.37 times	2.00 times	2.81 times	2.38 times