

1 **Q. Please provide Standard & Poor’s credit rating financial metric estimates based on**
2 **Newfoundland Power’s cost of service for regulated operations including its**
3 **proposed capital structure but at a return on equity with the range of 8.5% to**
4 **10.5%. Please provide all electronic copies with all work papers and supporting**
5 **documents used to produce these credit rating financial metric estimates.**
6

7 A. Standard & Poor’s credit rating financial metric estimates based on the capital structure
8 as filed in Newfoundland Power’s Application and the requested range of return on
9 equity of 8.5% to 10.5% is provided in Attachment A.

10
11 To maintain the proposed capital structure, common dividend payments have been
12 adjusted for each corresponding change in rate of return on equity.

13
14 An electronic copy of the requested working paper in Microsoft Excel format, is provided
15 on the attached disk (CD).

Rate of Return on Equity	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%	10.00%	10.25%	10.50%
FFO ¹	71,010	71,924	72,837	73,753	74,667	75,584	76,498	77,412	78,329
Adjusted Interest ²	33,825	33,826	33,827	33,828	33,829	33,830	33,831	33,833	33,834
Average Debt ³	441,775	441,833	441,892	441,950	442,008	442,067	442,125	442,210	442,242
Year End Debt	439,452	439,569	439,686	439,802	439,918	440,036	440,153	440,323	440,386
Year End Total Capital	821,170	821,383	821,595	821,807	822,018	822,231	822,444	822,654	822,868

CREDIT METRICS

FFO Interest Coverage	3.1	3.1	3.2	3.2	3.2	3.2	3.3	3.3	3.3
FFO/Average Total Debt	16.1%	16.3%	16.5%	16.7%	16.9%	17.1%	17.3%	17.5%	17.7%
Total Debt/Total Capital	53.5%	53.5%	53.5%	53.5%	53.5%	53.5%	53.5%	53.5%	53.5%

¹ FFO is calculated as cash from operations less non-cash working capital items.

² Adjusted interest does not include interest income and AFUDC.

³ Debt includes long-term debt issues and borrowings under the committed credit facility. For calculation purposes, preference shares are treated as equity capital.

Newfoundland Power Inc.
Working Papers for PUB-NP-27
(\$000s)

	2008									
	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%	10.00%	10.25%	10.50%	
1) FFO										
Net Income	30,542	31,457	32,370	33,286	34,200	35,117	36,031	36,945	37,862	
Amortization of capital assets	40,207	40,207	40,207	40,207	40,207	40,207	40,207	40,207	40,207	
Amortization of deferred charges	308	308	308	308	308	308	308	308	308	
Amortization of regulatory assets and liabilities	(4,003)	(4,003)	(4,003)	(4,003)	(4,003)	(4,003)	(4,003)	(4,003)	(4,003)	
Regulatory deferrals	1,449	1,449	1,449	1,449	1,449	1,449	1,449	1,449	1,449	
Future income taxes	(869)	(869)	(869)	(869)	(869)	(869)	(869)	(869)	(869)	
Accrued employee future benefits	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376	3,376	
Change in non-cash working capital	1,172	961	749	537	325	113	(99)	(311)	(523)	
Cashflow from Operations	<u>72,182</u>	<u>72,885</u>	<u>73,586</u>	<u>74,290</u>	<u>74,992</u>	<u>75,698</u>	<u>76,400</u>	<u>77,101</u>	<u>77,807</u>	
Less non-cash working capital	(1,172)	(961)	(749)	(537)	(325)	(113)	99	311	523	
FFO	<u>71,010</u>	<u>71,924</u>	<u>72,837</u>	<u>73,753</u>	<u>74,667</u>	<u>75,584</u>	<u>76,498</u>	<u>77,412</u>	<u>78,329</u>	
2) ADJUSTED INTEREST										
CASH INTEREST										
Long Term Debt	31,513	31,513	31,513	31,513	31,513	31,513	31,513	31,513	31,513	
Other	2,062	2,063	2,064	2,065	2,066	2,067	2,068	2,070	2,071	
Cash Interest	<u>33,575</u>	<u>33,576</u>	<u>33,577</u>	<u>33,578</u>	<u>33,579</u>	<u>33,580</u>	<u>33,581</u>	<u>33,583</u>	<u>33,584</u>	
AMORTIZATIONS	250	250	250	250	250	250	250	250	250	
ADJUSTED INTEREST	<u>33,825</u>	<u>33,826</u>	<u>33,827</u>	<u>33,828</u>	<u>33,829</u>	<u>33,830</u>	<u>33,831</u>	<u>33,833</u>	<u>33,834</u>	
3) TOTAL CAPITAL										
	2007									
Total Debt	444,097	439,452	439,568	439,686	439,802	439,918	440,036	440,153	440,323	440,386
Preference Shares	9,353	9,353	9,353	9,353	9,353	9,353	9,353	9,353	9,353	9,353
Common Equity	355,608	372,365	372,462	372,556	372,652	372,747	372,842	372,938	372,978	373,129
Total Capital	<u>809,058</u>	<u>821,170</u>	<u>821,383</u>	<u>821,595</u>	<u>821,807</u>	<u>822,018</u>	<u>822,231</u>	<u>822,444</u>	<u>822,654</u>	<u>822,868</u>
Average Debt ¹	441,775	441,833	441,892	441,950	442,008	442,067	442,125	442,210	442,242	
4) CREDIT METRICS										
FFO Interest Coverage (times)	3.1	3.1	3.2	3.2	3.2	3.2	3.3	3.3	3.3	
FFO/Average Total Debt (percent)	16.1	16.3	16.5	16.7	16.9	17.1	17.3	17.5	17.7	
Total Debt/Total Capital (percent)	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5	

1) Average debt before adjustment for the unamortized debt discount expenses.