Q. In reference to Exhibit BVP-1, page 3, has any analysis been prepared on future debt servicing costs should interest rates start to rise by various percentages? If so, please provide copies of analyses.

A. Other than the five-year financial forecast filed in the Company's response to Request for Information CA-200, the Company has not completed an analysis of future debt servicing costs.

Newfoundland Power continually monitors the financial markets to ensure debt costs are minimized in both the short and longer terms.

At the end of 2002, the Company forecast to have approximately $336 million in long-term debt and approximately $22 million in short-term debt. The interest rates on long-term debt are fixed and are not subject to variation. Consequently at the end of 2002, 94% of the Company's debt was not sensitive to changes in interest rates. The Company does not currently contemplate another long-term debt issue until 2006.

The Company's Series AC, 11.875% first mortgage bonds mature on December 16, 2007. If interest rates remain at today's levels, this amount will likely be refinanced at a lower rate of interest, thereby reducing the Company's average cost of debt.

Short-term interest rates are expected to rise and consequently the Company has factored increased short-term interest rates into its financial forecast.

Please refer to the Company's response to Request for Information NLH-244.