

1 **Q. Page 22 of the Finance and Accounting Evidence of Barry Perry states that**  
2 **management has little control over interest expense. Why wouldn't management be**  
3 **able to control interest costs by controlling its amount of debt.**  
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5 A. The reference to interest, on line 22 of page 22 of the *Finance & Accounting Evidence*  
6 primarily relates to the fact that management has little control over interest rates. Interest  
7 rates are generally an uncontrollable item dictated by the financial markets. Through key  
8 contacts at the major Canadian financial institutions, the company does continually  
9 monitor interest rates and economic forecasts in an effort to minimize the Company's  
10 borrowing costs.  
11

12 Newfoundland Power carefully manages its cash flow and borrowing requirements. Cash  
13 flow information, namely cash receipts and disbursements, is input into a cash flow  
14 forecast on a daily basis. These forecasts, coupled with cash flow information from the  
15 previous year, are used to forecast the Company's borrowing requirements for the  
16 remainder of the current year.  
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18 Please refer also to the Company's response to Request for Information CA-533.