

*Requests for Information*

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1   **Q.     Exhibit BVP-1, p. 8 of 9. Provide detailed calculations of line 10 – Interest Charged**  
2   **to Construction. Reconcile this to the actual/budgeted Capital program for each of**  
3   **those years.**

4  
5   A.     Newfoundland Power calculates Interest During Construction (IDC) on a monthly basis  
6     on individual capital projects in accordance with Order No. P.U. 37 (1981) (the “Order”).

7  
8     The interest rate is calculated monthly in accordance with the Order, which provides as  
9     follows:

10  
11         “For the purpose of calculating the rate to be used in determining Interest During  
12         Construction NLP will use the mid point of the rate of return on rate base on the  
13         percentage of funds used for net capital expenditures generated from operations and  
14         the prime bank rate on the balance of the funds used. This calculation is to be  
15         determined monthly.”

16  
17     IDC is charged on individual work orders that have a construction period in excess of 3  
18     months and expenditures in excess of \$50,000 for distribution projects, and in excess of  
19     \$10,000 for other capital projects. IDC on distribution projects less than \$50,000 is based  
20     on an estimated monthly average of total distribution work in progress.

21  
22     IDC for individual capital projects is calculated by applying the interest rate determined  
23     monthly in accordance with the Order to: (1) the expenditures to date as at the end of the  
24     previous month and (2) one-half the expenditures incurred in the current month. Table 1,  
25     on page 2, provides the detailed calculation of IDC for June 2002 for the Seal Cove  
26     Hydroelectric Plant Penstock Replacement project.

27  
28     Attachment A shows the IDC charged monthly to individual Newfoundland Power  
29     capital projects for the years 1998 to 2002 < >. The totals of these annual monthly  
30     charges for 1998 through 2002 appear on line 10 of Exhibit BVP-1, page 8 of 9.

31  
32     < >

33  
34     The estimate of IDC for 2003 is based on a review of budgeted projects for that year.  
35     Larger projects with longer anticipated construction periods are identified and their  
36     budgeted costs are used to estimate IDC based on a historical allocation factor of 1%. In  
37     addition, a budgeted allowance of \$100,000 is included for smaller distribution related  
38     projects.

39  
40     The forecast of IDC for 2004 is based on a percentage of the forecast 2004 capital  
41     expenditure. The allocation factor derived from the 2003 analysis is used to estimate IDC  
42     as a percentage of capital expenditure in 2004.

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Attachment A provides a reconciliation of IDC, on an individual project basis, to Newfoundland Power's actual capital program for the years 1998 to 2002. The IDC for smaller distribution projects (less than \$50,000), to which the aforementioned budget allowance relates, is recorded monthly under project #70994.

<b>Table 1</b> <b>Detailed Calculation of IDC</b> <b>Seal Cove Hydroelectric Plant Penstock Replacement</b> <b>(Project # 79426)</b> <b>June 2002</b>		
Capital Expenditures to May 31, 2002	\$44,583.85	
Full month's IDC calculated on charges from previous month	(\$44,583.85 x .091/12)	\$338.09
Capital Expenditures for June 2002	\$16,332.24	
Half month's IDC calculated on charges in current month	(\$16,332.24 x .091/24)	\$ 61.93
<b>Total IDC for June</b>		<b>\$400.02</b>