

1 **Section 3: Finance/Fair Return**

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3 **Q. (Section 3, page 3-35) Please provide the pre-tax interest coverage ratio, cash flow**  
4 **interest coverage ratio and cash flow debt coverage as on page 3-35 for each year**  
5 **since 2000.**

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7 **A.** Table 1 provides ratios for pre-tax interest coverage, cash flow interest coverage and cash  
8 flow debt coverage since 2000.

**Table 1:**  
**Credit Metrics**  
**2000 to 2026E**

Year	Cash Flow Interest Coverage (times) <sup>1</sup>	Cash Flow Debt Coverage (%) <sup>1</sup>	Pre-tax Interest Coverage (times)
2000	-	-	2.4
2001	-	-	2.5
2002	-	-	2.6
2003 <sup>2</sup>	2.9	15.6	2.4
2004 <sup>2</sup>	3.0	16.0	2.5
2005 <sup>2</sup>	2.9	15.7	2.4
2006 <sup>2</sup>	2.7	14.1	2.3
2007 <sup>3</sup>	2.7	13.7	2.2
2008 <sup>3</sup>	3.0	15.8	2.5
2009 <sup>3</sup>	3.1	15.0	2.4
2010 <sup>4</sup>	3.5	18.5	2.4
2011 <sup>5</sup>	3.4	17.8	2.4
2012 <sup>6</sup>	3.5	16.9	2.3
2013 <sup>7</sup>	3.7	19.5	2.3
2014 <sup>7</sup>	3.9	18.6	2.3
2015 <sup>8</sup>	3.8	17.5	2.3
2016 <sup>9</sup>	4.0	18.0	2.4
2017 <sup>9</sup>	4.0	17.8	2.5

<sup>1</sup> Moody's initial rating of Newfoundland Power was in June 2005. Data on cash flow interest coverage and cash flow to debt is unavailable prior to 2003.

<sup>2</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated March 5, 2007.

<sup>3</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated July 19, 2011.

<sup>4</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated January 19, 2015.

<sup>5</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated February 5, 2016.

<sup>6</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated February 3, 2017.

<sup>7</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated January 31, 2018.

<sup>8</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated January 31, 2019.

<sup>9</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated November 16, 2020.

**Table 1:  
Credit Metrics  
2000 to 2026E  
(Cont'd)**

<b>Year</b>	<b>Cash Flow Interest Coverage<sup>1</sup></b>	<b>Cash Flow Debt Coverage (%)<sup>1</sup></b>	<b>Pre-tax Interest Coverage (times)</b>
2018 <sup>10</sup>	4.2	18.7	2.4
2019 <sup>10</sup>	4.0	17.4	2.4
2020 <sup>10,11,12</sup>	4.7	21.3	2.4
2021 <sup>10,11,12</sup>	5.2	23.0	2.5
2022 <sup>10,13,14,15</sup>	4.4	17.4	2.5
2023 <sup>F13,14,15</sup>	3.6	12.9	2.4
2024 <sup>E13,14,15</sup>	2.9	10.2	2.4
2025 <sup>E13,14,15</sup>	2.9	9.6	2.2
2026 <sup>E13,14,15</sup>	2.8	9.0	2.0

<sup>10</sup> As reported in Moody's Credit Opinion Report on Newfoundland Power dated March 31, 2023. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 4, Moody's*, page 2.

<sup>11</sup> Cash flow metrics in 2020 and 2021 were positively impacted by the combination of marginal energy costs and Newfoundland Power's declining energy sales. With a decline in sales, the Company avoided purchasing power at a marginal rate of 18.165 ¢/kWh. This is substantially higher than lost sales revenue, which reflected an average supply cost rate of 7.439 ¢/kWh. This dynamic resulted in a positive impact on operating cash flow pre-working capital. Ultimately, any savings were credited to customers via the Company's Energy Supply Cost Variance Clause ("ESCV").

<sup>12</sup> Excluding the impact of the ESCV, Newfoundland Power's cash flow interest coverage was 4.1 times in 2020 and 4.5 times in 2021. Excluding the impact of the ESCV, the Company's cash flow debt coverage was 17.9% in 2020 and 19.0% in 2021.

<sup>13</sup> Cash flow metrics from 2022 to 2026 are negatively impacted by the combination of the current wholesale rate charged by Hydro and an increase in energy sales. Additional energy requirements are purchased from Hydro at a second block rate of 18.165 ¢/kWh. This is substantially higher than additional sales revenue, which reflects an average supply cost rate of 6.940 ¢/kWh. This dynamic results in a negative impact on operating cash flow pre-working capital. Ultimately, any additional costs are collected from customers through the Company's Energy Supply Cost Variance Clause. This dynamic is temporary as it is anticipated that the second block rate will be substantially lower following implementation of a revised wholesale rate for Newfoundland Power reflecting commissioning of the Muskrat Falls Project.

<sup>14</sup> Excluding the impact of the current energy supply cost variances, Newfoundland Power's cash flow interest coverage would be 4.4 times in 2023, 3.8 times in 2024, 3.9 times in 2025, and 3.7 times in 2026. Excluding the impact of the ESCV, the Company's cash flow debt coverage would be 17.1% in 2023, 14.7% in 2024, 14.6% in 2025 and 13.6% in 2026. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.2.8: Credit Metrics*, page 3-14, footnotes 29 and 30.

<sup>15</sup> As shown in Table 3-11 of the Application. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.2.8: Credit Metrics*, page 3-14.