

**Q. Information Systems - Application Enhancements, p. 80 of 96 - In 6.1 2010 Application Enhancements filed in support of this pooled project, there are at Appendix A (pages A-1 to A-4) four Net Present Value Analyses provided.**

**(a) Column I utilizes a discount rate equal to NP's weighted average incremental cost of capital. What is the assumed rate of return on NP's equity capital?**

**(b) On what basis was the rate of return on NP's equity capital used in the Net Present Value Analysis chosen?**

**(c) What are the resulting Present Value on pages A-1 to A-4 if instead of using the assumed rate of return on NP's equity capital chosen for each, the rate return is assumed to be (i) 3% less, (ii) 4% less.**

**A. (a) Newfoundland Power assumed an 11.0% return on equity ("ROE").**

**(b) This is the return on equity proposed in Newfoundland Power's 2010 General Rate Application currently before the Board. The 11.0% return on equity together with a 6.6% return on debt, result in a 7.42% weighted average after tax cost of capital.**

**(c) Table 1 provides the present values using a return on equity of 11%, 8% and 7%.**

**Table 1  
Net Present Value Analyses Based on  
ROE of 11%, 8% and 7%**

<b>Application Enhancements</b>	<b>Present Value</b>		
	<b>11% ROE</b>	<b>8% ROE</b>	<b>7% ROE</b>
Customer Interaction Enhancements	\$9,408	\$11,702	\$12,491
Meter Management Enhancements	\$7,018	\$8,921	\$9,577
Work Scheduling and Tracking Enhancements	\$15,919	\$19,914	\$21,289
Third Party Contract Management	\$8,888	\$10,372	\$10,883