

**IN THE MATTER OF** the *Public Utilities Act*,  
R.S.N.L. 1990, Chapter P-47, as amended (the  
“Act”); and

**IN THE MATTER OF** a General Rate  
Application by Newfoundland Power Inc. to  
establish customer rates for 2010

**To: Board of Commissioners of Public Utilities**

**Suite E210, Prince Charles Building  
120 Torbay Road  
P.O. Box 12040  
St. John’s, NL A1A 5B2  
Attention: Ms. G. Cheryl Blundon,  
Director of Corporate Services and Board Secretary**

1 CA-NP-01 Evidence of Ms. McShane Page 3 lines 64-65

2 (a) Please indicate (with full references and citations) any ROE decisions  
3 by a Canadian regulator in the last ten years that has placed any  
4 weight on comparable earnings testimony in the manner developed  
5 by Ms. McShane for Newfoundland Power.

6 (b) Please indicate (with full references and citations) any ROE decisions  
7 by a Canadian regulator in the last twenty years that has placed any  
8 weight on comparable earnings testimony in the manner developed  
9 by Ms. McShane for Newfoundland Power without a market to book  
10 adjustment.

1 (c) Please indicate (with full references and citations) any ROE decisions  
2 by a Canadian regulator in the last ten years that has placed any  
3 weight on discounted cash flow estimates in any manner, particularly  
4 as implemented by Ms. McShane for Newfoundland Power.

5 (d) Please indicate (with full references and citations) any ROE decisions  
6 by a Canadian regulator in the last ten years that has placed any  
7 weight on direct evidence of the fair ROE derived from US utilities or  
8 US stock market performance.

9 CA-NP-02 Evidence of Ms. McShane Page 5 lines 110-121

10 (a) Does Ms. McShane accept Mr. Justice Lamont's definition of a fair rate  
11 of return quoted in A1 as a return on other securities of equal  
12 attractiveness, stability and certainty to that of the company's  
13 enterprise? If not why not?

14 (b) Would Ms. McShane accept that Mr Justice Lamont's definition came  
15 out of changed conditions in the money market and it is to the money  
16 market (now capital) market that we should look to estimate fair rates  
17 of return? If not why not?

18 (c) Given her answers to a) and b) would Ms McShane accept that the  
19 yield on government securities as a default free instrument is an  
20 accurate reflection of investor expected returns from holding those  
21 securities? If not why not?

- 1 (d) Would Ms. McShane accept that the cornerstone of any discount rate  
2 or required rate of return or fair rate of return is the risk free rate from  
3 investing in Government of Canada securities? If not why not?
- 4 (e) What other “objective” factors that all expert witnesses can agree on,  
5 can Ms. McShane point to that drive equity return requirements or  
6 fair rates of return, other than the yields on Government of Canada  
7 bonds? Please list them and indicate why she feels that they are both  
8 objective and commonly accepted by other expert witnesses? If  
9 necessary please provide citations to other expert witness testimony  
10 both on the part of companies and interveners.
- 11 (f) Please provide a full list of all ROE adjustment formulae currently in  
12 use in Canada, when they were first adopted and when they have  
13 been reviewed and/or changed.
- 14 (g) Please indicate whether Ms. McShane judges the reviews indicated in  
15 f) above to have been comprehensive and the decisions based on all  
16 the evidence put before them by both the company and intervener  
17 witnesses; or whether a particular decision was based either on  
18 incomplete evidence or faulty analysis.
- 19 (h) Please indicate whether Ms. McShane would judge similar  
20 conclusions made by regulatory tribunals faced with the same sorts  
21 of analyses to involve circular reasoning or the lack of independent

1 analysis by the regulatory tribunal involved. In particular, which  
2 tribunals would Ms. McShane judge to have been negligent in arriving  
3 at their decision on their ROE formula?

- 4 (i) Please indicate which tribunals Ms. McShane provided expert  
5 testimony to when their ROE formula were either implemented or  
6 changed and which she regards as having used circular reasoning  
7 rather than basing their decisions on the evidence before them.

8 CA-NP-03 Evidence of Ms. McShane Page 6

- 9 (a) For the decline in long Canada bond yields please provide evidentiary  
10 support for the notion that equities are not “locked in” similar to long  
11 bonds. In particular is it Ms. McShane’s view that equities performed  
12 well during the 1970s when inflation reached into double figures in  
13 Canada? If so please provide evidentiary support.

- 14 (b) In terms of the supply impact on Long Canada yields, please define  
15 what she understands by the break-even inflation rate (BEIR) and  
16 confirm that the yield on the nominal bond is depressed for whatever  
17 reason the BEIR is a biased low estimate of future inflation? If she can  
18 not so confirm please explain why not?

- 19 (c) If in b) above Ms. McShane feels that the yield on the real return bond  
20 is similarly depressed, please provide all evidentiary basis for the  
21 conclusion that the supply impact is equally felt in these two areas of

1 the bond market.

2 (d) Please provide all evidentiary support that the current BEIR is a  
3 biased low estimate of future inflation.

4 CA-NP-04 Evidence of Ms. McShane Page 7

5 (a) Would Ms. McShane agree that the US and Canadian banking  
6 systems, like the utilities, have a similarity in their business and  
7 operating environment? If not please discuss the technological  
8 differences in US vs Canadian banking.

9 (b) Please list all the Canadian and US banks that have either failed or  
10 been taken over due to fears surrounding their future profitability  
11 over the last two years.

12 (c) Please list all the Canadian and US utility holding companies that  
13 have either failed or been taken over due to fears surrounding their  
14 future profitability.

15 (d) Ms. McShane discusses the fact that Newfoundland Power is regarded  
16 as “ring fenced” please discuss in detail why S&P changed their policy  
17 towards rating regulated subsidiaries that were part of utility holding  
18 companies.

19 CA-NP-05 Evidence of Ms. McShane Page 9

1 (a) Ms. McShane refers to US regulators using a variety of cost of equity  
2 tests, please indicate for each of the US utilities in her US tests how  
3 their allowed ROE was last set and the weights that the regulator  
4 applied to each cost of equity test.

5 (b) Further to a) above please indicate (complete with citations) which US  
6 jurisdictions apply any material weight to either comparable earnings  
7 test as implemented by Ms. McShane or CAPM.

8 (c) Please indicate the "average" period between rate reviews for the US  
9 utilities included in Ms. McShane's sample and whether regulatory  
10 lag would tend to increase or decrease the sensitivity of a US utility's  
11 allowed ROE to interest rate changes.

12 (d) Further to c) above please confirm that Ms. McShane's 0.55 estimate  
13 comes from regressing the allowed ROE against actual and not  
14 forecast long term interest rates.

15 CA-NP-06 Evidence of Ms. McShane Page 11

16 (a) In terms of Karen Taylor's remarks please confirm that these were  
17 made after TransCanada took a request for review and variance of the  
18 NEB's confirmation of its ROE formula in 2001 to the Appeals Court  
19 and were rejected.

20 CA-NP-07 Evidence of Ms. McShane Page 11

- 1 (a) Please provide a detailed explanation of how yields to maturity on  
2 default risky bonds are calculated and explain why they are  
3 commonly called "promised" yields.
- 4 (b) Please provide a detailed explanation on whether in Ms. McShane's  
5 judgement a promised yield on a default risky bond is an expected  
6 rate of return on a stock as calculated by her DCF and risk premium  
7 studies.
- 8 (c) If in Ms. McShane's judgement yields on default risky bonds are not  
9 expected rates of return please explain in detail the factors that go in  
10 to determining promised yields and whether these are the sole factors  
11 that affect equity rates of return. If they are not please discuss the  
12 additional factors that affect equity returns.
- 13 (d) Please explain in detail how promised yields can be compared to  
14 expected returns without making any adjustment? Please provide a  
15 theoretical model that Ms. McShane relies on to make such a  
16 judgment and provide the relevant citations.
- 17 (e) On Page 12 Ms. McShane refers to the difference between the allowed  
18 ROE and A bond yield as being 3.25-3.0% in 2003 and 2007 when the  
19 PUB reviewed its ROE formula. If this difference drops from the 1.7%  
20 at the time of her testimony back to 3.0-3.25% level at the time of the  
21 hearing would Ms. McShane accept the Board's ROE formula as being  
22 reasonable? If not why not?

1 (f) In 2003 Ms. McShane provided testimony on behalf of the ATCO  
2 group of companies before the Alberta EUB. At that time ATCO  
3 recommended that the AEUB automatically call a hearing to review  
4 its ROE formula if it produced a utility risk premium at least twice the  
5 spread between "A" rated utility debt and the equivalent long term  
6 Canada bond. Can Ms. McShane confirm this condition and would  
7 she accept the PUB's ROE formula if it satisfied this condition? If not  
8 why not?

9 CA-NP-08 Evidence of Ms. McShane Pages

10 (a) Please indicate whether share prices fall when investors perceive the  
11 economy is going into recession and earnings are expected to fall?

12 (b) Given Ms. McShane's answer to a) above how much of the increase in  
13 dividend yields does she allocate to declining growth in Earnings  
14 versus increases in risk aversion? Please explain in full.

15 (c) Please indicate whether or not the value of the VIX is the implied  
16 volatility from a call option on the TSX60 index.

17 (d) Please indicate all financial and economic theory that indicates that  
18 observing an increase in volatility means that investor risk aversion  
19 or attitude towards risk has increased.



1 (e) Please indicate whether Ms. McShane accepts basic financial theory  
2 that an investor's risk premium is determined by the product of the  
3 perceived risk and the individual risk aversion. If not why not?

4 CA-NP-09 Evidence of Ms. McShane Page 15

5 (a) With reference to the NEB's TQM decision please provide the full  
6 passage in the decision that indicates that the NEB believes that US  
7 companies were relevant proxies for the cost of capital for *all*  
8 Canadian utilities rather than pipelines that have pipe on both sides  
9 of the border and are fully integrated into one continental pipeline  
10 system.

11 (b) Please confirm that the NEB's TQM decision was specifically  
12 restricted to TQM for 2007 and 2008 just as its 2001 decision was  
13 restricted to the TransCanada Mainline.

14 (c) Please indicate whether the NEB regarded TQM's business risk as  
15 having increased or decreased since 1994 and why.

16 (d) Please indicate whether in its 2001 and 2004 decision the NEB  
17 regarded the TransCanada Mainline's business risks as having  
18 increased or decreased and how the NEB responded to that  
19 assessment.

20 CA-NP-10 Evidence of Ms. McShane Page 18 and 26

1 (a) With reference to the fair return standard and Ms. McShane's prior  
2 references to the NEB's TQM decision. Please indicate whether the  
3 NEB stated that there were three standards or three implications of  
4 one standard and provide the full statement and citation.

5 (b) Does Ms. McShane regard the rates that Canadian utilities have been  
6 paying for debt capital as fair and reasonable?

7 (c) Please provide all the weekly copies of the RBC publication listed on  
8 page 27 for 2008 and 2009 so the spreads can be tracked and assessed.

9 CA-NP-11 Evidence of Ms. McShane Page 29

10 (a) Would Ms. McShane agree that when market interest rates go down  
11 old equivalent maturity bonds with higher interest rates sell on higher  
12 prices so their yields to maturity based on current market prices are  
13 approximately the same? If not why not?

14 (b) In accessing the debt markets does Ms. McShane believe that an entity  
15 has to issue debt at the old higher interest rate in order to compete  
16 with those higher interest rate bonds or that bonds can be issued at  
17 the new lower market interest rate? Please explain in detail.

18 (c) If bonds can be issued at the new lower market interest rate would  
19 Ms. McShane accept that a firm can raise capital even when there are  
20 bonds with higher coupon rates in the market? Would Ms. McShane

1 agree that such a situation does not compromise the fair return  
2 standard? If she disagrees please explain in detail.

3 (d) If a utility in another jurisdiction has a higher allowed ROE due to  
4 regulatory lag would Ms. McShane argue that this compromises the  
5 fair return standard based on the arguments on page 29?

6 CA-NP-12 Evidence of Ms. McShane Page 36-37

7 (a) With reference to the statements that NP has comparable credit  
8 metrics to its Canadian peers. Please explain the statement in detail  
9 given that from the data on page 37 NP appears to have superior  
10 credit metrics on all four ratios.

11 (b) With respect to the Canadian electric utilities please calculate the  
12 ratios in Schedules 4 & 5 separately for the private investor owned  
13 and government owned utilities.

14 (c) For the US utilities in Schedule 6 Ms. McShane has restricted her  
15 sample to utilities with S&P "A" bond ratings. Please provide  
16 equivalent data for *all* US electric utilities regardless of their bond  
17 rating so the total population of US electric utilities can be analysed.

18 (d) Please provide the schedules Ms. McShane used for US electric  
19 utilities in her Ontario Power Generation testimony in 2007 and  
20 explain why she has not used the same sample this time.

1 CA-NP-13 Evidence of Ms. McShane Page 42

2 (a) Please update Ms McShane's long Canada forecast for 2009 and 2010  
3 and provide the referenced pages from the Consensus forecast.

4 (b) Is it Ms. McShane's judgment that the Consensus Economics forecast  
5 has been and is an accurate forecast of the future long Canada yield  
6 if so please provide the evidentiary basis for this.

7 (c) Please indicate why the best forecast for next year's 30 year yield  
8 cannot be obtained from the current yield curve?

9 CA-NP-14 Evidence of Ms. McShane Page 45-7

10 (a) If only 47% of Canadian outward portfolio investment is to the US  
11 why should sole reliance be placed on historic US equity risk  
12 premiums?

13 (b) If US interest rates are expected to be 0.20% higher than in Canada  
14 why would the expected equity rates of return to be the same?

15 (c) In Ms. McShane's judgement is the US treasury yield a correct  
16 indicator of a US risk free rate in view of the US\$ position as the  
17 world's reserve currency? If Ms. McShane believes it to be unaffected

1 by liquidity considerations please provide the evidentiary basis for  
2 such an assumption.

3 (d) On page 46 Ms. McShane estimates the realized arithmetic market risk  
4 premium in Canada at 4.6%, but in her estimates she uses 6.75% (page  
5 55) please provide the evidentiary basis for assuming that Canadian  
6 investors will earn an average 2.15% more going forward than they  
7 have earned for the last 60 years. In other words how are they going  
8 to earn this extra risk premium?

9 CA-NP-15 Evidence of Ms. McShane Page 49

10 (a) Ms. McShane calculates the average common equity return in Canada  
11 on page 49 over different time horizons. Please provide the average  
12 CPI rate of inflation over those same time horizons and the real rate  
13 of return.

14 (b) Please indicate what Ms. McShane's forecast long run inflation rate is  
15 and the expected return on the Canadian equity market given the real  
16 rate of return estimated in a) above. If the long run inflation forecast  
17 exceeds the mid point of the Bank of Canada's range please indicate  
18 why she expects the Bank not to be able to enforce its policy  
19 objectives.

20 (c) In the calculation of the market risk premium of 6.75% would she  
21 agree that the realized inflation rate over the period that generated the

1 11.0-12.0% equity return differs from the inflation forecast implicit in  
2 the current 4.25%-5.25% forecast long Canada bond yields? Why or  
3 why not?

4 CA-NP-16 Evidence of Ms. McShane Page 51

5 (a) Please provide all evidentiary support for the proposition that relative  
6 risk can be measured by the ratio of the standard deviations of two  
7 undiversified portfolios.

8 (b) On page 52 Ms. McShane notes the low R Squared of her regressions,  
9 please indicate why 32% is low and what the benchmark is for  
10 assessing explained variance in stock market returns.

11 (c) Please explain in full why she chose the time period 1970-2008 rather  
12 than the full period for which data is available?

13 (d) Please provide a graph of the actual and fitted values for the two  
14 regression equations on page 52.

15 (e) Please indicate whether or not the 2.25% on page 53 reflects the  
16 intercept of the two equations on page 52; if so provide the  
17 calculations in full as to how she obtained them from the intercept  
18 values on page 52. If not please explain.

1 (f) Please explain why the PUB should place any reliance on an  
2 unexplained factor on the assumption that whatever it is it will repeat  
3 itself?

4 (g) With reference to f) above would Ms. McShane agree that one reason  
5 for the higher returns could be the improved regulatory environment  
6 as represented by the adoption of forward test years, the removal of  
7 the commodity function, fuel pass throughs, the increased use of  
8 deferral accounts, the adoption of ROE formulae etc. If not please  
9 explain how these risk reduction changes would show up in her  
10 regression model when she uses fixed coefficients, that is, the risk  
11 factors (betas) are constant throughout the time period.

12 (h) Please provide citations to any and all Canadian regulatory decisions  
13 that have approved the use of adjusted betas by “squashing” them  
14 with 1.0 as indicated on page 54.

15 CA-NP-17 Evidence of Ms. McShane Page 55

16 (a) In this testimony Ms. McShane uses a utility risk adjustment (beta) of  
17 0.65-0.70 and a market risk premium of 6.75%, for each Canadian case  
18 where she has filed testimony since 1995 can she please provide her  
19 benchmark beta and her market risk premium estimates and explain  
20 why they have changed over time.

21 CA-NP-18 Evidence of Ms. McShane Page 56

- 1 (a) Please provide all statistical work that Ms. McShane has performed to  
2 justify the assumption that US utilities are comparable in risk to NP.
- 3 (b) Please confirm that the Concentric report referenced in footnote 56  
4 was authored by the same people who appeared as expert witnesses  
5 on behalf of various utilities in the Alberta Utilities Commission 2008  
6 generic cost of capital hearing.
- 7 (c) Please explain why the PUB should give more weight to the  
8 Concentric report than any other utility sponsored expert testimony  
9 that has been presented over the last two years.
- 10 (d) Please confirm that Ms. McShane appeared alongside the authors of  
11 the Concentric report in the recent AUC generic hearing on behalf of  
12 several Alberta utilities and why this is not mentioned in her report?

13 CA-NP-19 Evidence of Ms. McShane Page 57

- 14 (a) Please provide in an Excel readable format the full data set used in the  
15 analysis on page 57, that is, the monthly dividend yield, growth  
16 forecast and treasury yield from March 1991 to March 2009.
- 17 (b) Please provide separately a regression equation similar to that in  
18 Schedule 12 of the dividend yield against the explanatory variables  
19 and the growth forecast against the explanatory variables.



1 (c) At the bottom of page 57 Ms. McShane jumps from the regression  
2 results based on US data to discussing the impact of the long term  
3 Canada yield, please indicate whether she judges the Government of  
4 Canada's bond issues to be those of a reserve currency with a similar  
5 international demand to those issued by the US government.

6 (d) Would Ms. McShane agree that US government bond yields are lower  
7 than would be the case if the US was not the world's reserve currency  
8 and her market risk premium estimates correspondingly lower, if not  
9 why not?

10 (e) Can Ms. McShane agree that utility A spreads over long Canada have  
11 now dropped by about 200 basis points which with her coefficient on  
12 the spread of 1.23 indicates a drop in the fair rate of return of about  
13 250 basis points since the time she prepared her testimony? If not why  
14 not.

15 (f) Further to e) above please update this rate of return estimate to reflect  
16 Ms. McShane's current interest rate forecast and current utility A  
17 spreads.

18 CA-NP-20 Evidence of Ms. McShane Page 60

19 (a) With reference to experienced returns on utilities, please indicate  
20 whether or not these returns would be higher or lower if allowed  
21 ROEs were systematically set too high and too low?

- 1 (b) Please estimate these experienced returns for the two sub periods 1956  
2 (1947)-1981 and 1982-2008 and whether in her judgement the “risk  
3 premium” are the same in both periods.
- 4 (c) Please discuss any differences and why such estimates are not circular  
5 in reflecting previous regulatory decisions.
- 6 (d) Please indicate any Canadian regulator which has explicitly placed  
7 any reliance on such experienced returns.

8 CA-NP-21 Evidence of Ms. McShane Pages 63

- 9 (a) With referenced to the accepted optimism of analyst growth forecasts,  
10 please indicate the regulatory bodies who have questioned their  
11 reliability and any bodies that have accepted them and based their  
12 ROE awards on them without adjustment.
- 13 (b) Please provide all evidence that “sell side” analyst forecasts are  
14 accepted by investors and fully incorporated into equity prices.  
15 Further please indicate why “buy side” analysts exist if sell side  
16 analyst’s views are fully incorporated into equity prices?
- 17 (c) Please indicate how the well accepted analyst optimism bias is  
18 removed even if they are accepted and fully incorporated into equity  
19 prices given that analysts disagree? That is, which analyst forecasts

1 are fully incorporated into equity prices and why would it be the  
2 median or average when a new analyst has an incentive to give a  
3 radical forecast to distinguish them from the crowd?

4 (d) Please indicate why Ms. McShane believes that a private forecaster  
5 like Value Line whose estimates are not widely available is more  
6 likely to have their forecasts impounded into equity prices than other  
7 forecasters? Please indicate the annual cost of a Value Line  
8 subscription.

9 (e) Please provide the annual dividend per share for each of the firms in  
10 her USDCF sample both individually and as a sample average. Please  
11 provide a time series regression of their annual dividend per share  
12 growth rate against the growth rate in nominal US GDP to verify the  
13 assumption that growth rates will taper off to the long run GDP  
14 growth rate.

15 (f) If these utilities are comparable to a mature utility like NP please  
16 justify in full why a mature company is likely to grow at the average  
17 GDP growth rate. That is, where is the “room” for above average  
18 growth companies in GDP growth if mature companies are growing  
19 at the GDP growth rate?  
20

1 (a) Ms. McShane recommends a fair ROE of 11.0% on a 45% common  
2 equity ratio, please indicate any Canadian local distribution company  
3 (gas or electric) that is allowed to earn 11.0% or more on 45% or more  
4 common equity.

5 CA-NP-23 Evidence of Ms. McShane Appendix B

6 (a) Ms. McShane discusses problems with the use of the long Canada  
7 bond rate as the risk free rate, please indicate whether the same  
8 criticism is at work for the long Treasury yield in the US with the  
9 added proviso that it is issued by the only reserve currency in the  
10 world. If not why not.

11 (b) Please discuss how she has adjusted for a) above in her US estimates?

12 (c) Please estimate the betas for the Canadian utility sample against the  
13 US market index (S&P500) both with and without adjustments for the  
14 C\$:US\$ exchange rate and compare them with those on page 54.

15 (d) Please confirm that the sector weights in market index depend on the  
16 state of the stock market and how frequently the indexes are  
17 rebalanced.

18 (e) Please indicate whether Ms. McShane has published any asset pricing  
19 tests in any academic journal and whether in her judgement the  
20 results in Table B-3 reflect the methodology used in such tests.

1 CA-NP-24 Evidence of Ms. McShane Appendix E

2 (a) Ms. McShane's financing flexibility adjustment on page E-4 is  
3 explicitly based on targeting a market to book ratio of 1.05-1.1 so that  
4 the utility can issue stock at above book value. In her judgment is such  
5 an adjustment still needed if the market to book is say 2.0 such that  
6 there is no chance of selling stock below book value even before a  
7 financing flexibility adjustment. Please explain in full.

8 CA-NP-25 Evidence of Ms. McShane Appendix F

9 (a) Please provide the underlying data used to construct Figure F-1 and  
10 provide the source documents.

11 (b) Please provide the underlying data used to construct Figure F-2 and  
12 provide the source documents in addition please provide the ROE  
13 consistent with the data.

14 CA-NP-26 Evidence of the Company page 3-6

15 (a) The Mercer pension study does not lay out the underlying economic  
16 assumptions used in the valuation of the going concern pension other  
17 than the assumption of 6.0% on total assets minus a margin for  
18 adverse deviations.

(i) Please indicate the specific forecast returns for each of the asset classes listed on page 15 of the Mercer Report.

(ii) Please indicate the magnitude of the "margin for adverse deviations" and how it was estimated.

(b) On page 3-7 the average embedded debt cost is given as 7.60% for 2008 and increases to 7.69% for 2009 even though \$65 m was issued in mortgage bonds at 6.61%, please explain how this happened?

(c) Please provide a table with all the outstanding debt, its maturity and cost with an explanation of how the 7.69% was estimated.

(d) Please provide the relevant extracts of the covenant restriction mentioned in footnote 37.

(e) Please provide full information of the credit facility from the banks (F-12) in terms of standby fees, upfront fees, credit spreads and drawdown costs.

CA-NP-27 Evidence of the Company page 4-6

(a) In footnote 20 the company calculates the weighted average rate of return of 9.15% based on a forecast average rate base. Please indicate when the company moved from a historic rate base to a forecast average rate base and what adjustment was made at the time to the

1 allowed rate of return for the fact that the forecast average rate base  
2 exceeds the historic rate base.

3 (b) Can the company or Ms McShane please indicate what companies in  
4 her US comparable sample use an historic test year versus a forward  
5 average test year to estimate their revenue requirement?

6 (c) With reference to b) above what adjustment needs to be made to  
7 adjust the allowed ROE on an historic test year basis to make it  
8 consistent with one for a company on a forward average test year  
9 basis?

10 CA-NP-28 Evidence of the Company financial statements Exhibit 3

11 (a) Please explain why the cost of the preference shares on page 6  
12 declined in 2008.

13 (b) In page 7 please provide the actual ROE and allowed ROE for each  
14 year since 1990 and explain the causes for each deviation greater than  
15 0.50%.

16 (c) Can Ms. McShane or the company provide the same data as in b)  
17 above for the following local distribution companies (and predecessor  
18 companies where relevant) on both a weather normalized and actual  
19 basis: Enbridge Gas Distribution, Union Gas, Gaz Metro, Terasen Gas,

1                   ATCO Gas, and ATCO Electric. In each case indicate what part of the  
2                   actual ROE was due to performance based regulation.

3                   (d)     Please indicate the proportion of the company's requested revenues  
4                   after power costs from Newfoundland Hydro representing fixed and  
5                   variable costs respectively.

6                   (e)     Please provide the most recent demand elasticity studies performed  
7                   by the company for each customer class.

8     CA-NP-29     Please confirm that in light of the Board's approval (in P.U. 32 (2007)) of the  
9                   recovery of the Energy Supply Cost Variance through the Rate Stabilization  
10                  Account for the period 2008 to 2010, NP had a means of recovering its  
11                  prudently incurred energy supply costs in 2010 without the necessity of filing  
12                  this General Rate Application.

13     CA-NP-30     At page 15 of the Board's Decision and Order of the Board P.U. 32 (2007) the  
14                   Board stated at p. 15:

15                   **"The Settlement Agreement states: "The Automatic**  
16                   **Adjustment Formula reflecting the adoption of the Asset**  
17                   **Rate Base Method as proposed in the Application should**  
18                   **operate in accordance with the existing methodology used by**  
19                   **the Board to set rates for not more than three years following**  
20                   **the 2008 Test Year."**



1 In light of the Settlement Agreement, was it not implicit that the parties  
2 thereto agreed that neither would challenge the applicability of the AAF for  
3 3 years following the test year?

4 CA-NP-31 Please confirm that in light of the Board's order in P.U. 32 (2007) the  
5 Company had the Board's approval of the use of the AAF to set rates in the  
6 years 2010 and 2011.

7 CA-NP-32 At page 54 of its Decision and Order P.U. 32 (2007), the Board stated:

8 **"On this basis, and in the absence of an application from NP**  
9 **requesting otherwise, NP will be required to file its next**  
10 **GRA in 2010 to set rates for a 2011 test year."**

11 The Board then continued (in bold), "NP will be required to file its next  
12 general rate application by June 30, 2010 using a 2011 test year." Please  
13 confirm that in light of the Board's order there was no necessity for NP to  
14 propose to commence recognizing other post employment benefits on an  
15 accrual basis in 2010.

16 CA-NP-33 In this Application at paragraph 10 (a) NP proposes that the "Board approve  
17 amortizations, with effect from January 1, 2010, to:

18 (a) **amortize the recovery over a four year**  
19 **period of certain 2009 conservation costs**  
20 **associated with the implementation of**  
21 **The Conservation Plan; . . . "**

1 Please confirm that had NP not filed this general Rate Application and opted  
2 instead to file in 2010 using a 2011 test year, that there would have been no  
3 disadvantage to NP in delaying the amortization of certain 2009 conservation  
4 costs until January of 2011.

5 CA-NP-34 Please confirm that in the absence of this General Rate Application, NP  
6 would have filed an application with the Board (as it did on October 29, 2008  
7 in respect of 2009 energy conservation costs) requesting approval of deferred  
8 recovery of its actual 2010 costs in respect of energy conservation.

9 CA-NP-35 In Order No. P.U. 13 (2009) (issued in connection with NP's application  
10 requesting approval of the deferred recovery of the actual 2009 costs to be  
11 incurred by NP in connection with an energy conservation program) the  
12 Board ordered, in part, as follows:

13 **"2. Newfoundland Power shall provide, as part of its 2009**  
14 **annual report, a report on the implementation of the**  
15 **Conservation Plan in 2009, including a description of specific**  
16 **initiatives, the results and associated costs."**

17 In addition, the "Conservation Cost Deferral Account" as defined in  
18 Schedule "A" to the Board's Order stated, "The disposition of any balance in  
19 this account will be subject to a further Order of the Board."

20 (a) When will NP file its 2009 annual report with the Board?

- 1 (b) Please confirm whether or not NP will be in a position to file “a report  
2 on the implementation of the Conservation Plan in 2009, including a  
3 description of specific initiatives, the results and associated costs” by  
4 the start of this GRA hearing.
- 5 (c) On what basis should the Board be requested to approve the  
6 amortization of the actual 2009 costs commencing in January of 2010  
7 prior to its receiving from NP the detailed report ordered in P.U. 13  
8 (2009)?
- 9 CA-NP-36 What consideration did NP give to its commitments under the Settlement  
10 Agreement when it applied for this present General Rate Application?
- 11 CA-NP-37 In the Settlement Agreement in NP’s last GRA what was the 4<sup>th</sup> listed  
12 purpose of the Rate Review in Section 2.0 thereof?
- 13 CA-NP-38 What was the “time-bound” action plan for implementation of the rate  
14 design recommendations agreed to in the Settlement Agreement?
- 15 CA-NP-39 What did NP agree to do in 2009 in the Settlement Agreement as it pertains  
16 to the Review of Newfoundland Power’s Rate Design? What has it done?
- 17 CA-NP-40 What did NP agree to do in 2010 in the Settlement Agreement as it pertains  
18 to the Review of Newfoundland Power’s Rate Design?
- 19 CA-NP-41 What is NP’s proposed process and timelines for the Rate Review?

- 1 CA-NP-42 If the Company as stated in footnote 110 (Section 3.6.2)" does not expect that  
2 the rates set as a result of this Application will be in effect beyond 2010",  
3 when does the Company expect to file its next General Rate Application?
- 4 CA-NP-43 Please provide a copy and details of NP's five year financial forecast. To the  
5 extent not addressed as part of the five year financial forecast, please forecast  
6 all changes in the revenue requirement and required rate action for the next  
7 five years.
- 8 CA-NP-44 If the Company as stated in footnote 110 (Section 3.6.2) "does not expect that  
9 the rates set as a result of this Application will be in effect beyond 2010" is  
10 it necessary at this juncture for the Board to consider the Company's  
11 proposals to:
- 12 (a) Discontinue the use of the Formula (AAF)?  
13 (b) Approve, with effect from January 1, 2010, the Pension Expense  
14 Variance Deferral Account?
- 15 CA-NP-45 At para. 9 of the Application, NP proposes that the Board approve, with  
16 effect from January 1, 2010, the Pension Expense Variance Deferral Account.
- 17 (a) Please provide a list of regulated Canadian Utilities which have the  
18 benefit of an account or mechanism in the nature of the proposed  
19 Pension Expense Variation Deferral Account and when it was  
20 established.

- 1 (b) Does NP propose that the Pension Expense Variation Deferral  
2 Account be a permanent measure?
- 3 (c) Explain how, if at all, consumers will benefit from such a deferral  
4 account which reduces risk to NP?
- 5 (d) Explain how any benefits associated with this account's establishment  
6 are incorporated, if at all, in this filing.

7 CA-NP-46 Reference: Table 3-16 Defined Benefit Pension Expense 2010 E to 2012 E.:  
8 When will the actual discount rate to be used in calculating pension expense  
9 for 2010 be known and explain how it will be determined? Do all Canadian  
10 pension valuations use the same discount rate?

11 CA-NP-47 Reference Section 3.2.3, Pension Costs, footnote 20 and Pension Plan Asset  
12 Performance (p. 3-22, line 1) and footnote 64. At footnote 20, it states:

13 **"... The 2008 loss in asset value is not fully reflected in 2009**  
14 **pension expense due to Newfoundland Power's use of the**  
15 **market-related method of valuing pension assets for the**  
16 **purposes of determining pension expense. Use of the**  
17 **market-related method creates a smoothing impact on**  
18 **pension expense, and thereby reduces the volatility caused**  
19 **by changing market conditions. The Company's use of the**  
20 **market related method was approved by the Board in Order**  
21 **No. P.U. 19 (2003)."**

22 Please re-produce the section of the Pension Benefits Act or Regulations that  
23 permits the use of the market related method.

24 CA-NP-48 Reference: Volume 11, Tab 3 - Pension Valuation, p. 21:

1           **"For this valuation, we have used an adjusted market-value**  
2           **to determine the actuarial value of assets. Under this**  
3           **method, investment gains (losses) arising during a given year**  
4           **are spread on a straight line basis over three years with the**  
5           **resulting actuarial value of assets within a 5% corridor of the**  
6           **market value of assets."**

- 7           (a)    Please explain what is meant by "a 5% corridor".
- 8           (b)    Please confirm that current Provincial pension policy permits the use  
9                   of a "corridor" up to 15% and that the same corridor is also  
10                  permissible under federally regulated pension plans.
- 11          (c)    Please confirm that the Actuarial value of assets as shown at p. 21 of  
12                  the Pension Valuation would be \$233,859,000 using a 10% corridor  
13                  instead of \$223,229,000 as presently shown therein (which uses a 5%  
14                  corridor).
- 15          (d)    At page 1 of the Pension Valuation prepared by Mercer Actuaries, the  
16                  Solvency deficiency is shown as \$6,933,000. If a 10% corridor were  
17                  utilized, what would the (deficiency) or excess be as at December 31,  
18                  2008?

19    CA-NP-49   Section 3: Finance, p. 3-23, lines 11 to 15, it states:

20           **"The 2008 Pension Valuation indicates that as of December**  
21           **31, 2008 the defined benefit pension plan had a funding**  
22           **excess of approximately \$10.4 million on a going-concern**  
23           **basis, and a funding deficiency of approximately \$6.9 million**  
24           **on a solvency basis. As a result of the 2008 Pension**  
25           **Valuation, Newfoundland Power expects to make annual**  
26           **special funding payments of approximately \$1.5 million for**  
27           **2009 through 2013."**

1 Please confirm that NP would not be required to make the annual special  
2 funding payments if a 10% corridor were used.

3 CA-NP-50 Given the experience of the markets in 2008, would NP not be permitted to  
4 use a 10% corridor for the purpose of deriving the smoothed value of assets  
5 as at December 31, 2008?

6 CA-NP-51 Please show how the use of a 10% corridor for the purpose of deriving the  
7 smoothed value of assets as at December 31, 2008, impacts upon the  
8 Application.

9 CA-NP-52 Section 3.2.6 Income Taxes - Footnote 32 states that the statutory tax rate in  
10 2010 is 32%. Is it currently expected that the statutory tax rate will decrease  
11 in 2011 and 2012? How is the Company proposing to ensure that customers  
12 receive the benefit of any such tax reductions beyond 2010?

13 CA-NP-53 Re: Exhibit 3, Line 7 - Deferred Replacement Energy Costs. Line 7 shows that  
14 the Company is recovering \$598,000 (in replacement energy costs related to  
15 the Rattling Brook Hydro Plant Refurbishment Project). Given that this  
16 recovery ends in 2010 pursuant to P.U. 32 (2007), how is the Company  
17 proposing to ensure that customers receive the benefit of the elimination of  
18 this expense after 2010.

19 CA-NP-54 Section 3.6.2. Application Costs of the Board and Consumer Advocate - the  
20 Company is proposing that these costs be recovered in 2010 customer rates

1 on the basis (see footnote 110) that, “It is not currently expected that the rates  
2 set as a result of this Application will be in effect beyond 2010.” In the event  
3 that the rates set as a result of this Application are indeed in effect beyond  
4 2010, how is the Company proposing to ensure that customers receive the  
5 benefit of the elimination of this expense after 2010?

6 CA-NP-55 Please provide a list of all regulatory mechanisms currently in use, and  
7 proposed in this Application. The list should identify the mechanism, the  
8 year implemented, provide a brief description including the formula and  
9 show amounts in reserve currently and in each of the previous four years.

10 CA-NP-56 Please provide a copy of NP’s Annual Reports from 2006 to current.

11 CA-NP-57 Please provide a copy of all quarterly and annual reports filed with the Board  
12 as part of NP’s normal reporting requirement from 2006 to present.

13 CA-NP-58 Please provide a copy of the Annual reports of Fortis Inc. from 2006 to  
14 current.

15 CA-NP-59 Please provide for the record copies of the quarterly customer satisfaction  
16 surveys for 2008 and the 1<sup>st</sup> and 2<sup>nd</sup> Quarters of 2009.

17 CA-NP-60 Please file a copy of the 5-year Conservation Plan created by NP and Hydro  
18 in June of 2008.

19 CA-NP-61 Please file a copy of Newfoundland and Labrador’s 2007 Energy Plan.



- 1 CA-NP-62 Please provide an update on the activities of the Energy Conservation and  
2 Efficiency Partnership announced in the Provincial Government's Energy  
3 Plan.
- 4 CA-NP-63 Please provide the written contents of NP's website as regards energy  
5 conservation messaging and programs.
- 6 CA-NP-64 Upon NP's preparation of its Witness List, please provide CV's for each of its  
7 staff witnesses.
- 8 CA-NP-65 Exhibit 3 - Financial Performance 2007 to 2010 F - as filed does not include the  
9 impacts of the proposals set out in the Application.
- 10 (a) Please provide a revised Exhibit 3 adding a column called "Proposed  
11 2010" and incorporate each and every proposal as applied for in NP's  
12 Application dated May 28, 2009.
- 13 (b) Please also expand the Actual results back to the year 2004 to be  
14 consistent with the number of prior years referred to in NP's last GRA  
15 filing (then as Exhibit 5).
- 16 CA-NP-66 According to Table 4-8 "2010 Required Revenue Increase", the Company is  
17 seeking an increase in revenue from rates of \$33.9 million from its customers.  
18 Please provide a breakdown of the \$33.9 million proposed increase in  
19 revenue from rates.

CA-NP-67 Please provide a detailed breakdown of the cost changes in each line item that results in the average increase in current customer rates of approximately 6.1% as applied for in the Application together with the percentage attributed to each item (in the format used in NP's last GRA in CA-NP-178).

CA-NP-68 At Exhibit 8 entitled "2010 Forecast Capital Structure and Return on Rate Base" line 28 shows a proposed Regulated Return on Equity of \$42,874,000 for 2010. Please provide a table comparing the requested 2010 return on equity in terms of both dollar amount and percentage increase to the actual Earnings Applicable to Common Shares for 2004 to 2008 and the forecast Earnings Applicable to Common Shares for 2009.

CA-NP-69 NP proposes that the Board approve rates, tolls and charges effective for service provided on and after January 1, 2010, which result in average increases in current customer rates by class as follows:

Rate Class	Average Increase
Domestic	6.8%
General Service 0 - 10 kW	4.1%
General Service 10 - 100 kW	4.1%
General Service 110 - 1000 kVA	5.1%
General Service 1000 kVA and Over	6.1%
Street and Area Lighting	6.1%

1 Please provide a table showing both the proposed and Board allowed  
2 average increase for each rate class in NP's prior GRAs since and including  
3 1990.

4 CA-NP-70 According to Table 4-8 "2010 Required Revenue Increase" the Company is  
5 seeking an increase in revenue from rates of \$33.9 million, which requires an  
6 average increase in current customer rates of 6.1% effective January 1, 2010.  
7 Please compare the requested \$33.9 million increase in revenue from rates  
8 with the requests made by the Company in NP's prior GRAs over the past  
9 20 years adjusted for inflation.

10 CA-NP-71 Please provide the impact of proposed rates relative to both January 1, 2009  
11 rates and July 1, 2009 rates on annual electricity costs for 2010 for NP's  
12 customers using a similar format to that used by NLH at Schedule II to its  
13 2006 GRA's Rates & Evidence.

14 CA-NP-72 Please provide a table showing the percentage rate increases relative to both  
15 January 1, 2009 and July 1, 2009 rates for each customer class for different  
16 ranges of consumption within each class. Also provide an indication of the  
17 percentage of customers that fall within each consumption range.

18 CA-NP-73 Please provide the most recent residential electric sales profile available.  
19 Submit end-use daily load curves for the typical home (kW versus time)  
20 showing electric space heating, electric water heating and other end-uses as  
21 available for a winter weekday and weekend, summer weekday and  
22 weekend, spring weekday and weekend and fall weekday and weekend.

- 1 CA-NP-74 Please illustrate the impact of proposed rates on Domestic customers (using  
2 typical annual consumption levels):
- 3 (a) with no electric heating or hot water;  
4 (b) with electric hot water, but no electric heating;  
5 (c) with electric hot water and electricity heating.
- 6 CA-NP-75 Provide a comparison of the cost to the consumer to heat a typical home with  
7 oil and electricity at current and proposed rates. Provide a comparison of the  
8 cost to the consumer of hot water for a typical home using oil and electricity  
9 at current rates. In the comparison, show Newfoundland Power's cost of  
10 supplying electricity for 1) hot water, and 2) home heating for a typical home.
- 11 CA-NP-76 Please provide copies of NP's Media Releases of May 10, 2007 and May 10,  
12 2009 entitled "Newfoundland Power files for rate changes" and "Power  
13 Connection" dated June of 1999.
- 14 CA-NP-77 In the June 2009 Power Connection, it states (in bold):
- 15 **"The net impact of the proposed rate changes will be an**  
16 **average overall decrease to current electricity rates of**  
17 **approximately 0.5%. Therefore, electricity rates in January**  
18 **2010 will be, on average, similar to those in January 2009.**  
19 **However, even after the proposed rate changes, our**  
20 **electricity rates for residential customers will still remain the**  
21 **lowest in Atlantic Canada."**

- 1 (a) What is NP's expectation as to the impact of the annual review of the  
2 Rate Stabilization Account (R.S.A.) which will take place next July (i.e.  
3 July 1, 2010);
- 4 (b) Show how NP's residential and other rates would compare as at  
5 January 1, 2010 to each of the other Atlantic province's rates, but for  
6 the proposed decrease due on July 1, 2009;
- 7 (c) Show how NP's residential and other rates will compare as at January  
8 1, 2010 to each of the Atlantic province's rates assuming NP's  
9 Application is granted as filed and assuming the expected R.S.A. -  
10 indicated rate decrease occurs on July 1, 2009.
- 11 CA-NP-78 Please file a copy of Hydro's latest oil price forecast. When will the oil price  
12 forecast be next updated?
- 13 CA-NP-79 What was the rate impact of the annual review of the Rate Stabilization  
14 Account (the R.S.A.) on July 1, 2008?
- 15 CA-NP-80 Please outline the rate changes which occurred on July 1<sup>st</sup> of each of 2003 to  
16 2009 by reason of the Annual Rate Stabilization and Municipal Tax  
17 Adjustments.
- 18 CA-NP-81 Assuming NP's proposed rates, tolls and charges are approved as filed,  
19 please confirm the percentage by which customer rates will have increased  
20 on a compounded basis since 2004 as of January 1, 2010.

- 1 CA-NP-82 Provide an energy budget for the test year balancing expected production  
2 and purchase against losses and sales.
- 3 CA-NP-83 Provide the following information for the years 2004 through 2008, and  
4 forecast for the years 2009 and 2010 on the basis of the 2010 General Rate  
5 Application:
- 6 (a) kWh sales/employee  
7 (b) Customers/employee  
8 (c) \$ revenue/employee  
9 (d) km distribution/employee  
10 (e) Fixed cost associated with distribution system/km of distribution  
11 (f) O&M cost associated with distribution system/km of distribution  
12 (g) System average interruption duration index (SAIDI) (excluding  
13 impacts of outages on Hydro's system)  
14 (h) System average interruption frequency index (SAIFI) (excluding  
15 impacts of outages on Hydro's system)
- 16 CA-NP-84 Please provide a table showing the contribution of NP's costs to the total cost  
17 of electricity on a kWh basis for the period 2004 to 2010 (f).
- 18 CA-NP-85 Please provide the operating costs per customer for 2004 to 2010 (f) on an  
19 actual dollar basis and constant 2004 dollar basis.
- 20 CA-NP-86 Reference 2.3.1 Operating Costs:

- 1 (a) Does NP believe that operating costs per customer are the best  
2 indicator of its productivity trend? If not, what does NP believe to be  
3 the best indicator of its productivity trend?
- 4 (b) Does NP believe that inflation as measured by the provincial  
5 Consumer Price Index which is used as the deflator to determine  
6 operating costs per customer in constant dollars is the relevant  
7 indicator of its total input price trend (ignoring purchased power)? If  
8 not, what does NP believe to be the best indicator of its total input  
9 price trend (ignoring purchased power)?
- 10 (c) Please provide a table showing for each of the past five years the  
11 percentage increase in NP's operating costs and inflation (GDP  
12 deflator). Also show proposed and forecast operating costs and  
13 forecast inflation (GDP deflator) for the years 2009 through 2012.
- 14 (d) Please provide a table that compares NP to similar electricity  
15 distribution companies in Canada and the United States for the years  
16 2004 through 2008 in terms of productivity performance.

17 CA-NP-87 Leaving aside the forecasted costs of Conservation for 2009 F and 2010 of  
18 \$2,451,000 and \$2,977,000 respectively (according to Table 2-7) and excluding  
19 pension costs, deferred costs and General Expenses Capitalized, in tabular  
20 format please provide data from 2004 through 2010 showing the percentage  
21 change in operating costs in actual and constant dollars, the rate of inflation  
22 and the number of customers served by NP. Then please provide the same  
23 including forecasted conservation costs for 2009 to 2010.

1 CA-NP-88 What offsetting savings are incorporated in the 2010 revenue requirement as  
2 a result of NP investment in demand management and energy efficiency?

3 CA-NP-89 Please describe what has been done thus far in connection with the  
4 implementation of the Conservation Plan.

5 CA-NP-90 Reference: Section 3.6.1 2009 Conservation Costs  
6 Please provide a breakdown of 2009's conservation costs forecast of \$1.5  
7 million associated with customer programming under the 5-year Energy  
8 Conservation Plan.

9 CA-NP-91 Reference: Table 2-7 Operating Costs - Customer Services 2007 to 2010 F:  
10 Please provide a breakdown of the 2009 and 2010 forecasts of \$2,451,000 and  
11 \$2,977,000 forecast costs of Conservation.

12 CA-NP-92 Reference: Table 2-8 Conservation Costs at footnote 53 of page 2-17:  
13 Please reproduce the table and provide a description of what costs fell or fall  
14 under the "General" category referred to therein in respect of each of the  
15 years 2007 to 2010 F as well as a description of what costs fell under the  
16 "Customer Program" category in 2007 and 2008.

17 CA-NP-93 In response CA-NP-76 of the last GRA, NP provided a table showing total  
18 energy efficiency program costs for 2002 to 2008 forecast. The costs were  
19 broken down into 4 headings, namely, Energy Services and Programs,  
20 Energy Advertising, Wrap UP For Savings and Demand Management.



1 Please update the table using the actuals for 2007 and 2008 and forecasts for  
2 2009 and 2010.

3 CA-NP-94 Please provide the breakdown of Energy Advertising costs for 2008, 2009 and  
4 2010 in terms of print, radio, television and other means of advertising used  
5 or forecast to be used.

6 CA-NP-95 When does NP expect to update its revenue and expense forecasts relative  
7 to the 2010 GRA?

8 CA-NP-96 Please fully describe the Company's methodology and process for  
9 forecasting of expenses for the 2010 Test Year. As part of the answer, please  
10 address whether, and if so how, NP's methodology and process has changed  
11 relative to the methodology and process used in its last GRA to forecast test  
12 year expenses.

13 CA-NP-97 Assuming that the Company prepared departmental budgets (as described  
14 in response to CA-NP-85 in the 2008 GRA), please provide a copy of each  
15 departmental budget that was used to produce the consolidated corporate  
16 forecast.

17 CA-NP-98 When were the departmental budgets consolidated into a corporate forecast  
18 and when was the corporate forecast reviewed and approved by the  
19 Company's Executive. Please also provide a copy of the corporate forecast  
20 that was submitted for the review and approval of the Executive.

- 1 CA-NP-99 Please detail any amendments that were made to the corporate forecast after  
2 it had been reviewed by the Executive.
- 3 CA-NP-100 Please provide a breakdown of all operating costs incurred in respect to the  
4 Company's response to the December 2007 Bonavista Peninsula ice storm.  
5 As part of the reply, please provide details as to the amount incurred in each  
6 of 2007 and 2008 in relation to the same.
- 7 CA-NP-101 In NP's last GRA, NP filed Exhibit 2 (1<sup>st</sup> Revision) on October 11, 2007 which  
8 provided "Operating Costs by Breakdown". Please confirm that the  
9 Company's October 11, 2007 forecast for Test Year 2008 Operating Costs was  
10 \$49,383,000, while its actual 2008 Operating Costs (as shown at Exhibit 2 of  
11 the current application) were \$47,146,000, \$2.23 million less than forecast.
- 12 CA-NP-102 With respect to the \$2.23 million variance between 2008 Forecast and Actual  
13 Operating Costs, in detail please explain the reasons for the variance.
- 14 CA-NP-103 In NP's 2008 test year forecast, NP projected a labour productivity  
15 improvement of \$531,000 to offset a \$1,002,000 forecast labour cost increase  
16 for 2007 (f) to 2008 (f) (reference Reply to CA-NP-47 in 2008 GRA). Please  
17 show how NP actually did with respect to its projected labour productivity  
18 improvement and explain specifically how these results were achieved.
- 19 CA-NP-104 In NP's last GRA at page 18, footnote 12, it stated:

1           **“Bargaining unit salaries are forecast to increase by 4 percent**  
2           **in 2008. However, labour is forecast to increase by**  
3           **approximately 2% in 2008. As in the past, 2008 salary**  
4           **increases are forecast to be substantially offset by**  
5           **productivity improvement.”**

6           In the present filing, there is no reference to productivity improvement when  
7           NP discusses its Labour Costs at p. 2-20 to 2-21. Is NP not forecasting  
8           productivity improvement in the test year - 2010?

9       CA-NP-105   In the last GRA in CA-NP-61, NP advised that there have been no formal  
10           studies, reviews or reports pertaining to staffing levels and/or staff  
11           productivity from 2004 onward. NP advised that “NP assesses opportunities  
12           for organizational change or restructuring as opportunities arise and  
13           synergies are identified. Restructuring opportunities since 2004 have been  
14           provided through early retirement programs, re-assignment of  
15           responsibilities, and staff re-development. Formal studies have not been part  
16           of this process.”

17           (a)     Has NP still not undertaken a formal study, review or report?

18           (b)     What assessments of opportunities for organizational change or  
19           restructuring has NP undertaken since the last GRA?

20       CA-NP-106   Please indicate how many linespersons, industrial electricians, millwrights,  
21           technologists and engineers have left NP other than by way of retirement or  
22           death in each of the years 2005 to date.

- 1 CA-NP-107 Please provide the number, title and location of positions which NP has  
2 publically advertised over each of the years 2007 to date as well as the  
3 amount of time elapsed from advertisement to the filling of the positions  
4 together with the number of qualified applications received for each position.
- 5 CA-NP-108 Please provide the number of applications NP currently has on file from  
6 employees seeking employment with NP. Please separate the amounts of  
7 application by position and compare the numbers to those provided in CA-  
8 NP-58 in the last GRA which covered the period of applications kept on file  
9 for the period July 2006 to June 2007.
- 10 CA-NP-109 Reference: Table 2-2 Newfoundland Power Workforce FTEs (at p. 2-12)  
11 which shows the NP workforce from 2007 to 2010 (f). Please extend the Table  
12 to include the years 2002 to 2006.
- 13 CA-NP-110 Reference: Table 2-2 Newfoundland Power Workforce FTEs (at p. 2-12): In  
14 the last test year (2008) NP had 551 Regular FTEs and 77 Temporary FTEs for  
15 a total of 628 FTEs. For the 2010 (f) test year NP is forecasting 579 Regular  
16 FTEs and 72 Temporary FTEs for a total of 651 FTEs. Please provide a  
17 detailed explanation for the expansion of NP's workforce from 628 FTEs in  
18 2008 to 651 FTEs in 2010 (f).
- 19 CA-NP-111 Reference: p. 2-13 when it stated, "Part of the forecast increase in  
20 Newfoundland Power's workforce through 2010 is attributable to the need  
21 to address workforce demographics primarily the aging workforce." Please

1 explain what this statement means and how it relates specifically to NP's  
2 2010 labour cost forecast.

3 CA-NP-112 Reference: Table 2-11 Labour Cost by Breakdown 2007 to 2010 (f) (p. 2-20).  
4 Labour Costs for 2008 were \$28,454,000 and are forecast to be \$30,749,000 in  
5 2010 (f), an increase of \$2,295,000. What portion of the difference is  
6 attributable to each of (showing breakdown and calculations):

- 7 (a) Conservation related costs;
- 8 (b) Labour rate increases;
- 9 (c) Costs associated with management of workforce demographics.

10 CA-NP-113 Please provide over the period 2004 to 2010 (f) the following:

- 11 (a) The number of full-time equivalent FTEs broken down by  
12 Management and Union.
- 13 (b) The number of employees who were (or will be) eligible to retire  
14 broken down by Management, Union and by Position.
- 15 (c) The number of retirements broken down by Management, Union and  
16 by Position.
- 17 (d) The number of new hires broken down by Management, Union and  
18 by Position.

19 CA-NP-114 Reference: Vol. II, Labour Forecast - Schedule B 2010 Internal Labour  
20 Forecast, footnote 17. At footnote 17, it states "Retirement estimates are  
21 based upon employees reaching age 65, or have reached age 60 with a

1 combination of 95 years of age plus service". Please compare in 2007, 2008  
2 and 2009, the number of employees meeting this criteria versus the number  
3 of employees who actually retired in each of these years from NP.

4 CA-NP-115 How many employees does NP forecast to be a) retiring in 2010 and  
5 replaced in 2010; b) retiring in 2009 and replaced in 2009 or 2010?

6 CA-NP-116 In response to CA-NP-42 in the last NP GRA, NP stated that it forecasted that  
7 out of the 188 employees eligible to retire, 14 will likely retire by the end of  
8 2008. How many employees did retire in 2008 and what positions did they  
9 hold? Were replacements hired for each retiring employee?

10 CA-NP-117 In response to CA-NP-334 in the last GRA, NP was asked how it arrived at  
11 its forecast that 14 of the 188 employees eligible to retire will likely retire by  
12 the end of 2008. In reply, NP stated:

13 **"A. Out of the 188 employees eligible to retire by the end of**  
14 **2008, ten are eligible to retire with unreduced pensions.**  
15 **These employees would be initially identified as likely to**  
16 **retire.**

17 **Through personal retirement planning consultations with**  
18 **employees who are eligible to retire, management further**  
19 **refines its estimate of the number of employees who will**  
20 **likely retire."**

21 Was this approach followed for arriving at NP's forecast for retirement in the  
22 2010 Test Year or is NP's forecast based only on employees reaching age 65,  
23 or have reached age 60 with the combination of 95 years of age plus service

1 as would appear to be the case from footnote 17 of Labour Forecast -  
2 Schedule B - 2010 Internal Labour Forecast?

3 CA-NP-118 How many NP employees are eligible to retire in 2009 and 2010 - without  
4 benefit reduction?

5 CA-NP-119 In reply to CA-NP-54 in the last GRA, NP stated at lines 26 to 31:

6 **"Although Newfoundland Power has not yet experienced**  
7 **difficulty in recruiting and retaining qualified personnel in**  
8 **th core utility occupations up to this time, the Company is**  
9 **aware that other Canadian Utilities are finding it increasingly**  
10 **difficult to recruit and retain experienced utility employees."**

11 Is it still the case that NP has not experienced difficulty in recruiting and  
12 retaining qualified personnel in the core utility occupations up to this time?

13 CA-NP-120 Please provide copies of all reports provided to Management in respect of  
14 employee benefits/compensation from 2007 to present.

15 CA-NP-121 Please provide the market data, if any, in the possession of NP since 2007 to  
16 present in relation to managerial and executive compensation and explain  
17 how it was used by the Company.

18 CA-NP-122 Please provide a copy of NP's current Manager and Executive Group salary  
19 policy and incentive targets.

- 1 CA-NP-123 Please provide (for 2008 and 2009) documentation pertaining to the median  
2 of salaries paid by Canadian Commercial Industrial companies.
- 3 CA-NP-124 Please provide in respect of 2008 and 2009 copies of the STI (Short Term  
4 Incentive Plan) performance targets for each NP employee eligible to  
5 participate in the same.
- 6 CA-NP-125 Please compare the wage increases for NP's unionized staff since 2000 to 2010  
7 (f) as compared to NP's other staff groups, broken down by level within  
8 management of the company.
- 9 CA-NP-126 Please provide the relative proportions of NP's Total Labour Costs broken  
10 down by Unionized, Management and Executive from 2000 to 2010 (f).
- 11 CA-NP-127 Please provide on a table, the total Executive compensation provided to the  
12 President and Vice-Presidents of the Company as well as for managers, for  
13 period 2000 to 2010 F, showing the annual percentage of increase/decrease,  
14 as the case may be, and actual dollar amounts.
- 15 CA-NP-128 For each year from 2004 to 2010 F, please provide details of any incentive  
16 plans or programs for NP employees: including the type of employees  
17 eligible to participate in the programs, the performance targets and criteria  
18 used, the amounts paid out (or forecast to be paid out, as the case may be) in  
19 each year, and the maximum payable (or forecast to be payable) under those  
20 programs in those years.



- 1 CA-NP-129 Please list 5 cost saving measures that NP has instituted since its last GRA  
2 and provide details as to when they were instituted and what results they  
3 have produced or are expected to produce.
- 4 CA-NP-130 Has NP's management communicated in writing or otherwise to its  
5 employees in either of 2008, or 2009 as regards the need to control expenses.  
6 If so, please provide details and copies of any such communications.
- 7 CA-NP-131 Does NP have unmarked vehicles in its fleet? If so, how many and where are  
8 they posted/assigned? Why are they unmarked?
- 9 CA-NP-132 Does NP permit any of its employees to use company vehicles for personal  
10 use? If so, on what basis is the company compensated for the personal use  
11 of the vehicle and please provide the number of employees (and position) to  
12 whom this benefit is extended. Please also state how many of the employees  
13 who are currently permitted to use company vehicles for personal use, use  
14 unmarked company vehicles. Finally, please provide the cost justification for  
15 permitting this use of company vehicles.
- 16 CA-NP-133 Does NP have any employees who are permitted to take a company vehicle  
17 home for the evening as a matter of course? If so, how many and what  
18 positions do they hold? Please also state whether these are  
19 marked/unmarked vehicles.
- 20 CA-NP-134 Reference: Exhibit 2 - Operating Cost by Breakdown:

- 1                   What categories or types of costs go under the term “Other Company Fees”  
2                   in line 20?
- 3       CA-NP-135   Reference: Exhibit 2 - Operating Costs by Breakdown:  
4                   Please provide a detailed breakdown of the constituent costs that make up  
5                   the \$1,904,000 “Other Company Fees” in 2010 (f).
- 6       CA-NP-136   How much was spent or is forecast to be spent in each of 2007, 2008, 2009 (f)  
7                   and 2010 (f) on IFRS?
- 8       CA-NP-137   Are there IFRS related costs in for 2007 to 2010 (f) that fall into a category  
9                   other than “Other Company Fees”?
- 10      CA-NP-138   Please detail why \$1,469,000 was spent on “Other Company Fees” in 2008,  
11                   compared to \$2,000,000 in 2009 (f) and \$1,904,000 in 2010 (f).
- 12      CA-NP-139   What does the \$100,000 litigation expense referred to at footnote 61 of p. 2-21  
13                   relate to?
- 14      CA-NP-140   What were the litigation costs falling under “Other Company Fees” in line  
15                   20 of Exhibit 2 - Operating Costs by Breakdown - in 2007, 2008 and 2009 (f)  
16                   and what did these litigation costs, if any, relate to?
- 17      CA-NP-141   Please provide a detailed breakdown of professional services costs by year  
18                   for the period 2004 to 2010 forecast. Please separately show such costs  
19                   attributable to this General Rate Application.

1 CA-NP-142 In P.U. 32 (2007) the Board ordered NP (see p. 36) to file a fair market value  
2 determination for insurance services provided by NP to its Fortis affiliates  
3 with an appropriate charge out rate to be recommended. Please file a copy  
4 of the said filing and indicate how the amount billed to Fortis affiliates has  
5 changed since NP assigned a fair market value to such services.

6 CA-NP-143 In P.U. 32 (2007) (at p. 36) the Board stated,

7 **“With respect to inter-corporate transactions involving**  
8 **executives and senior management of NP, the Board is of the**  
9 **view that despite the 20% mark-up applied to executive time,**  
10 **the bonus paid by Fortis suggests that it places a higher value**  
11 **on a fully functioning member of NP’s executive team than**  
12 **the compensation NP receives. In this context the Board is**  
13 **not satisfied that NP is being appropriately compensated for**  
14 **the value of services being provided to Fortis, or in the**  
15 **alternative, the value of executive services absent for NP.”**

16 In light of these finding, has NP further addressed an appropriate charge out  
17 rate for its executives and senior management?

18 CA-NP-144 What is the amount of 2010 forecast capital expenditures that have been  
19 included in the 2010 Rate Base?

20 CA-NP-145 Please provide details as to all inter-corporate transactions that have  
21 occurred since the issuance of P.U. 32 (2007) to the present.

22 CA-NP-146 Does the 2010 Test Year costs include any major overhaul costs that could be  
23 reasonably amortized over a period of years.

- 1 CA-NP-147 Please provide the actual versus budgeted capital expenditures for the years  
2 2004 to 2010 (f) expressed in both dollar amounts and by percentage.
- 3 CA-NP-148 Please describe NP's role in assisting its sister company Fortis Turks and  
4 Caicos in 2008 in respect of hurricane damage and power outages in 2008.
- 5 CA-NP-149 Please provide Tables showing Inter-corporate charges to Affiliates and  
6 Regulated Charges from Affiliates from 2002 to 2010 (f).
- 7 CA-NP-150 Please provide details as to NP personnel over the past 3 years including the  
8 present year who have been seconded to other Fortis Inc. companies.
- 9 CA-NP-151 Please compare the mark-up rate used in respect of intercorporate charges  
10 for Managers and Executives to the mark-up applied to NP's personnel who  
11 provide services under contract with Aliant Telecom Inc.
- 12 CA-NP-152 Please describe the Fortis Development Incentives program for managers  
13 and/or executives as applicable. Please also detail the bonuses paid (and the  
14 basis therefore) to NP personnel over the past 5 years including 2009 to date  
15 and provide how the bonus paid breaks down on an hourly rate basis (i.e.  
16 divide the bonus paid by the number of hours spent by the executive or  
17 manager in question).
- 18 CA-NP-153 Please provide in tabular form actual number of customers, peak load and  
19 energy demand for each month from June 2006 through June 2009, and  
20 forecast for July 2009 through June 2011. Please show the data with and

1 without NP generation. Please provide the forecast figures based on  
2 assumptions in the Application.

3 CA-NP-154 (Volume 2, Tab 6, page 5, Section 4.0) Please show the impact on revenue  
4 requirement and required rate increase for the test year for a demand  
5 scenario with no change in demand (i.e., 0% load growth) and demand 1%  
6 greater than forecast. What is the probability of demand falling within this  
7 range?

8 CA-NP-155 (page 2-6, lines 2-4) Please provide in tabular format a list of interruptions to  
9 Curtailable Service customers for each of the last five winter periods,  
10 including: date of dispatch, time of dispatch, time of recall, amount of load  
11 dispatched, and reason for dispatch including whether NP- or Hydro-  
12 initiated. Please also show the NP peak demand at the time of dispatch, and  
13 the NP peak demand for the particular year.

14 CA-NP-156 Has the number of Curtailable Service customers changed since October  
15 2007? Have any Curtailable Service customers indicated an interest in opting  
16 out of the service option?

17 CA-NP-157 With regard to NP thermal generation, please provide a table showing the  
18 following for each of the With regard to NP thermal generation, please  
19 provide a table showing the following for each of the past five years: date of  
20 dispatch, time of dispatch, time of recall, amount of generation dispatched,  
21 and reason for dispatch including whether NP- or Hydro-initiated. Please

- 1                   also show the NP peak demand at the time of dispatch, and the NP peak  
2                   demand for the particular year.
- 3       CA-NP-158   (page 2-4, lines 10-13) Please provide in tabular form for each of the five years  
4                   of the Conservation Plan the programs, program costs, the impact on peak  
5                   and energy demand, and the expected benefits and the basis for calculation  
6                   of the benefits. How will the savings be verified?
- 7       CA-NP-159   (Volume 2, Tab 6, page 4, Section 3.3) Please identify the reductions in the  
8                   load forecast for the test year resulting from each program in the  
9                   Conservation Plan.
- 10      CA-NP-160   (page 2-6, lines 12-13) What is the basis for the statement that NP's service  
11                   reliability performance is currently satisfactory on a system-wide basis? How  
12                   does system-wide service reliability performance compare to that when NP  
13                   filed its last rate application?
- 14      CA-NP-161   (page 2-7, Footnote 21) How does NP define a severe weather event?
- 15      CA-NP-162   (page 2-8, lines 10-13) Please provide a list of DRI programs in 2008, 2009,  
16                   2010 and 2011 and identify the costs of each program.
- 17      CA-NP-163   (page 5-7, lines 14-17) What is the current marginal cost of energy on the  
18                   Island Interconnected System?

1 CA-NP-164 Please provide examples of how benchmarking has influenced NP's practices  
2 and, indirectly, its budgets.

3 CA-NP-165 Are there disadvantages associated with the regulatory mechanisms  
4 currently practiced by NP?

5 CA-NP-166 Please provide the following for each of the past five years and explain how  
6 each is measured, and if any exclusions apply:

7 (a) Percentage of customers not reaching a company representative  
8 within 40 seconds during normal business hours, calculated as  
9 follows. What does NP believe to be a reasonable standard of  
10 performance for this measure?

11 - Number of calls not reaching a company rep within 40 seconds

12 - Number of attempts to reach a company rep

13 (b) Percentage of calls abandoned during normal business hours,  
14 excluding outage-related calls, calculated as follows. What does NP  
15 believe to be a reasonable standard of performance for this measure?

16 - Number of calls abandoned

17 - Number of attempts to reach a company rep

18 (c) Percentage of attempted outage related calls not answered live on a  
19 24-hour, 7-day per week basis, calculated as follows. What does NP  
20 believe to be a reasonable standard of performance for this measure?

21 - Number of outage calls not answered

1                               - Number of outage calls attempted

2                   (d)     Percentage of calls blocked (receive a busy signal or call back  
3                               message), calculated as follows. What does NP believe to be a  
4                               reasonable standard of performance for this measure?

5                               - Number of calls receive a busy signal/message

6                               - Number of calls trying to reach NP

7     CA-NP-167   Please provide the following for each of the past five years and explain how  
8                               each is measured, and if any exclusions apply:

9                   (a)     Percentage of bills not rendered within seven days of the scheduled  
10                               billing date, calculated as follows. What does NP believe to be a  
11                               reasonable standard of performance for this measure?

12                               - Number of bills not rendered within seven days of the scheduled  
13                               billing date

14                               - Total number of bills scheduled to be rendered

15                   (b)     Percentage of bills found inaccurate after being sent to customers,  
16                               brought to company's attention either as a result of customer  
17                               complaints and/or by the company's own efforts, calculated as  
18                               follows. What does NP believe to be a reasonable standard of  
19                               performance for this measure?

20                               - Number of bills rendered inaccurately for the month

21                               - Total number of bills rendered for the billing month



1 (c) Percentage of customers filing complaints ultimately classified as  
2 escalations to the Company or to the Board concerning the posting of  
3 their payments to their accounts, calculated as follows. What does NP  
4 believe to be a reasonable standard of performance for this measure?  
5 - Number of customers complaining about payment posting  
6 - Total number of customers

7 (d) Percentage of meters not read each month in relation to the number  
8 that were scheduled to be read, calculated as follows. What does NP  
9 believe to be a reasonable standard of performance for this measure?  
10 - Number of scheduled meters not read  
11 - Number of meter readings scheduled

12 CA-NP-168 Please provide the following for each of the past five years and explain how  
13 each is measured and if any exclusions apply:

14 (a) The percentage of jobs resulting from customer requests for meter-  
15 related or other customer requested work that are completed on or  
16 before the promised completion date as defined and agreed to by the  
17 customer, calculated as follows. What does NP believe to be a  
18 reasonable standard of performance for this measure?  
19 - Number of jobs not completed on or before promised delivery date  
20 - Total number of jobs promised complete in the reporting month

21 (b) Average number of days after the missed delivery date in which  
22 Newfoundland Power was to complete meter-related or other

customer-requested work, calculated as follows. What does NP believe to be a reasonable standard of performance for this measure?

- Total days of delay

- Total number of delayed jobs in the reporting month

CA-NP-169 Please provide the following for each of the past five years and explain how each is measured, and if any exclusions apply:

(a) Percentage of customers who are satisfied or completely satisfied following customer-initiated contact with the company (report, request, inquiry, customer requested work and complaint resolution). What does NP believe to be a reasonable standard of performance for this measure?

(b) Percentage of customers satisfied or completely satisfied with the Company. What does NP believe to be a reasonable standard of performance for this measure?

CA-NP-170 Please provide the following for each of the past five years and explain how each is measured, and if any exclusions apply. Are these worker safety measures currently tracked by Newfoundland Power? If not, please provide performance for each of the past five years for the worker safety performance areas that are tracked.

(a) The number of lost time cases experienced by Newfoundland Power in a calendar year, multiplied by 200,000 and divided by the total

hours worked by Newfoundland Power employees, calculated as follows. What does NP believe to be a reasonable standard of performance for this measure?

- Number of lost time cases x 200,000

- Total hours worked by Company employees

(b) The number of employee lost days experienced by Newfoundland Power for a calendar year, multiplied by 200,000 and divided by the total hours worked by Newfoundland Power employees, calculated as follows. What does NP believe to be a reasonable standard of performance for this measure?

- Number of employee lost days x 200,000

- Total hours worked by the Company employees

CA-NP-171 For each of the past five years, identify the ten worst performing circuits on Newfoundland Power's system, including the factors underlying the performance of these circuits, and any measures implemented to improve the reliability of these circuits.

CA-NP-172 Please provide reliability performance data for each individual feeder on Newfoundland Power's system. Please provide this information for each of the past five years in order of descending performance including number of interruptions, duration of interruptions and number of customers affected. Please provide this information in spreadsheet format.

1 CA-NP-173 What does NP believe to be a reasonable standard of performance for  
2 system-wide SAIFI and SAIDI?

3 CA-NP-174 In NP's opinion, what is a reasonable time in calendar days to respond to  
4 customer complaints expressed directly to the Company? What is a  
5 reasonable time in calendar days to respond to customer complaints  
6 expressed through the Board?

7 CA-NP-175 Are weather-related delays defined in NP's contract with unionized  
8 employees concerning restrictions on outside work during inclement  
9 weather, and if so, please provide the clause?


10 CA-NP-176 Does the Customer Information System log customer complaints?

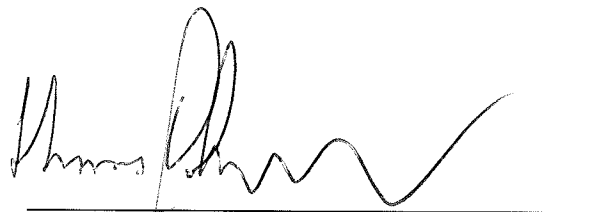
11 CA-NP-177 Does NP have a Work Management System that logs direct customer-related  
12 work such as move-ins, move-outs, check readings, etc? What other  
13 information related to direct customer work does it log?

14 CA-NP-178 Does NP currently have, or plan to initiate development of, a Distribution  
15 Reliability and Service Standard? If not, why not?

16 CA-NP-179 Please provide the system-wide reliability policy and standards for the Island  
17 Interconnected System for: generation, transmission and distribution.

- 1 CA-NP-180 For the Island Interconnected System, please provide a breakdown of  
2 customer interruptions both in terms of frequency and number of minutes  
3 owing to generation-, transmission- and distribution-related causes.
- 4 CA-NP-181 Please provide for the record a copy of the most recent Peer Group Report.

 **DATED** at St. John's, in the Province of Newfoundland and Labrador, this <sup>31<sup>st</sup></sup> day of  
, 2009.



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