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

CA-NP-182 References: Section 2, Customer Expectations/Conservation Plan

Vol. 2, Tab 6, Customer, Energy and Demand Forecast

(a) Please provide a detailed explanation of the methodology used to include the impact of conservation and demand management (CDM) in the energy sales forecast.

(b) Please provide the impact on energy and demand of CDM in the energy sales forecast for 2009 and 2010 with details by customer class showing GWh/MW and percentage impacts.

(c) Please provide a table showing actual weather adjusted use per customer by customer class for the years 1999 through 2008 (actual) as well as the forecast weather adjusted use per customer for 2009 and

2010. Include pre-CDM GWh and MW, post-CDM GWh and MW and the difference (CDM impact).

(d) For 2009 and 2010, please provide details by customer class of the customer savings in terms of reduced purchased power costs due to CDM (details corresponding to GWh and MW reductions shown in part (b) above) and costs recovered in rates (i.e., breakdown by customer class the conservation costs of $2.451 million in 2009 and $2.977 million in 2010 identified in Table 2-7).

(e) Please provide details of customer benefits associated with the CDM costs incurred in 2009 and 2010 that are expected to be realized in future years as per the TRC and RIM tests referred to in footnote 16 at page 2-5, showing customer benefits by program for all future years. Also, provide updated forecasts of the benefits of conservation programs.

(f) Please provide detailed information on the processes NP is using or plans to use for verifying the results of the customer energy conservation programs implemented as part of the Conservation Plan.

CA-NP-183 Reference: Graph 2-2, Customer Growth Capital

Graph 2-2 at page 2-9 breaks down customer growth capital into two components: the portion driven by customer growth and the portion driven by load growth.

(a) Does this break down reflect the types of capital in that "Customer Growth" capital relates to capital investment to connect new customers, excluding upstream cost to increase capacity; whereas "Load Growth" capital relates to both load growth due to growth in the number of customers and increases in average load per customer. If not, please explain how NP categorizes Customer Growth Capital. If this is the case, please break down Load Growth capital to show the impact on the addition of customers (assuming average use is unchanged) and the impact on capital spending due to increases in average use.

(b) Please provide a table showing average use per customer by customer class for the period shown in Graph 2-2 (2005 to 2014). Also, please break out the average use for existing customers versus the average use of new customers in each year that is used in developing the energy and demand forecast.

CA-NP-184 Reference: Page 3-4, Other Revenue

(a) Please provide details of the gain on sale of property, including a description of the property, the prior use of the property, and the reasons for its sale in 2009 as opposed to an earlier or later year.

(b) Was this gain recognized for rate-setting purposes at any time?

(c) Please explain NP's position with respect to the sharing of gains and losses on the disposition of property between the company and customers.

CA-NP-185 Reference: Section 3.4.3, Other Post-Employment Benefits

Vol. 2, Tab 4, Report on Other Post-Employment Benefits

(a) Please compare NP's current proposals for recognizing OPEBs using the Accrual Method instead of the Cash Method to the proposals contained in NP's evidence for the 2008 GRA. Identify all differences in the proposals and explain the rationale for each difference in the proposed approach.

(b) Please identify all changes in circumstance that affect the importance of changing to the Accrual Method for the 2010 test year as compared to the 2008 Test Year.

(c) Please explain the benefits of moving to the Accrual Method in 2010 without simultaneously determining the approach that will be used for addressing the Transitional Obligation of $46.2 million and the related impact on customer rates.

(d) Does NP consider it to be inappropriate to propose a method of addressing the Transitional Obligation that defers recognition without deferring the decision on the methodology? Please explain.

(e) Please elaborate on the discussion of the potential impact of recovering the Transitional Obligation contained in footnote 87 by explaining NP's recommended approach.

(f) Please confirm that unlike funding of NP's pension plans, OPEBs funding is a source of capital that is, in effect, a loan from customers that replaces a portion of NP's capital market financing requirements. This substitution is the reason that changing to the Accrual Method for recognizing OPEB costs will improve NP's credit metrics. If NP does not agree, please explain.

CA-NP-186 Reference: Section 3.5, International Financial Reporting Standards

The Introduction indicates that "the uncertainty surrounding the future treatment of regulatory assets and liabilities under IFRS has regulatory implications" (Page 1-3, lines 1-2). Please provide details of any impacts that this uncertainty has for the 2010 Test Year that are implicit in the discussion in section 3.5 or that are not apparent from the discussion in section 3.5

CA-NP-187 Reference: Section 5, Customer Rates

The evidence of NP indicates that in 2010 "peak demand will increase by 1.0%" (page 5-1, line 5) while "Purchased peak demand is forecast to increase by approximately 1.1% from 2009 to 2010" (page 5-5, lines 6-7).

Please confirm that the difference is fully explained by the fact that the Mws produced by NP are unchanged from 2009 to 2010. If there are any other factors, please provide a detailed explanation.

CA-NP-188 Reference: Section 5.3.2, Revenue to Cost Ratios

Section 5.3.3, Proposed Rates

(a) Are the revenue to cost ratios in Tables 5-5 and 5-6 inclusive or exclusive of forecasted credits under the Curtailable Service Option ($29/kVA)?

(b) Please identify where in the Cost of Service Study (Vol 2, Tab 7) credits under the Curtailable Service Option are included. If they are included, on what basis are they allocated to the customer classes. If they are not included, please provide revised versions of Tables 5-5 and 5-6 based on revenues net of Curtailable Service Option credits.

(c) Please provide the actual total credits received by customers in Rate Classes 2.3 and 2.4 under the Curtailable Service Option as well as the amounts included in (a) the COSS study and (b) the revenue forecast (Table 3-1).

(d) Please provide NP's analysis of the cost of the Curtailable Service Option (i.e., total value of credits) versus the system benefits of the Curtailable Service Option. Include any DMI impact in order to show the costs versus benefits from the customer's perspective.

CA-NP-189 Reference: Exhibit 9, Pension Expense Variance Deferral Account

(a) For each year from 2006 to 2009 please provide the amount of the charge or credit that would have resulted if the Pension Expense Variance Deferral Account (PEVDA) had been in place during those years.

(b) Please confirm that implementing NP's proposal to recognize OPEBs on the Accrual Method will result in an expense risk analogous to the pension risk discussed at pages 3-20 to 3-27 which is the rationale for NP's proposal to implement the PEVDA. Also confirm that this risk would be avoided by retaining the Cash Method for recognizing OPEBs. If NP does not agree, please explain.

CA-NP-190 Reference: Volume 2, Tab 6, Customer Energy and Demand Forecast

NP indicates at page 5 that (i) "Energy sales under existing rates are forecast to increase by 1.8% for 2009 and 1.7% for 2010", (ii) "Energy sales under proposed rates are forecast to increase by 1.8% in 2009 and 1.0% in 2010", (iii) "the number of domestic customers is forecast to grow by 1.3% in 2009 and 1.1% in 2010", (iv) "Using proposed rates the average use of energy is forecast to increase by 0.9% in 2009 and decrease by 0.2% in 2010", and (v) "System losses are based on historical information and are forecast to be approximately 5.4% of total produced and purchased.

(a) Please confirm that system losses are forecast to be approximately 5.4% in 2009 and in 2010. If not, please provide the forecast for each year.

(b) Please provide actual percentage system losses for the years 1999 to 2008 (corresponding to the years included in V2/T6/App D) and provide an explanation of any forecast trend for the 2009 to 2010 period. Also, please provide details of any explainable variances from the average system losses during the years 1999 to 2008.

(c) Please confirm that using current rates, the average use of energy is forecast to increase by 0.9% in 2009 and increase by 0.5% in 2010.

(d) Please confirm that the difference between the average use of energy in 2010 at current rates (increase of 0.5%) and at proposed rates (decrease by 0.2%) is explained fully by the elasticity effect associated with the proposed rate increase. If not, please provide details of all other contributing factors.

CA-NP-191 Reference: Vol 2, Tab 6, Appendix D, Forecast vs. Weather Adjusted Energy Sales

(a) Please provide any studies or other analysis of the sources of the variances observed in past years that have been used, or could be used, to improve forecasting accuracy.

(b) Please provide a revised version of Appendix D that includes Actual Energy Sales (not adjusted for weather) and the percentage impact of

the weather adjustment. Please examine the historical data for any correlation between the weather adjustment and the difference between the sales forecast and the weather adjusted actual sales.

CA-NP-192 Reference: Vol 2, Tab 7, Cost of Service Study

(a) Please comment on the relative merits of including in the COSS (i) the amortization of deferral accounts that contain costs related to purchased power expense, (ii) the actual power purchase costs incurred by NP in the relevant year, and (iii) the forecast purchase power costs for the test year. In particular, in the view of NP, which approach results in the most appropriate revenue to cost ratios to use as a basis for determining the Relative to Average Rate Changes by Class as set out at Table 5-6 of the Evidence (Vol 1). Please provide supporting reasons.

(b) Please provide a working electronic copy of the COSS Model.

CA-NP-193 Reference: Vol. 2, Tab 8, Demand Management Incentive Account

Table 1 (V2/T8/P2) provides the Reserve Calculation Summary for the years 2005 through 2008.

(a) Please confirm that the intent of the DMI is to provide "a meaningful incentive for Newfoundland Power to undertake reasonable

initiatives to minimize peak demand" related to demand reduction factors that are controllable by NP. If this is not the intent of the DMI, please clarify the intent in the view of NP and explain the rationale for including an incentive in relation to variances in wholesale demand that are not controllable by NP.

(b) Please provide details of the potential impact of variances from normal weather on peak demand, wholesale demand charges, the Demand Supply Cost Variance Account (DSCV Account) and the DMI Account (consistent with the magnitude of variances experience in the years 1999 to 2008).

(c) Please provide details of the potential impact of variances from the customer growth forecast on peak demand, wholesale demand charges, the Demand Supply Cost Variance Account (DSCV Account) and the DMI Account (consistent with the magnitude of variances experience in the years 1999 to 2008).

(d) Please provide details of the impact of variances in the forecast impact of DSM programs included in the Conservation Plan on the peak demand and wholesale demand charges, the Demand Supply Cost Variance Account (DSCV Account) and the DMI Account.

(e) For the years included in Table 1 (V2/T8/P2), that is 2005 to 2008, please show the variance in peak demand, the supply cost variance that would have resulted under the DSCV/DMI mechanism and the associated split between Company (Savings) Cost and Customer (Savings) Cost.

(f) For the years 2005 through 2008 please provide a breakdown of the variance in peak demand attributable to variances from (i) normal weather, (ii) forecast customer growth (iii) forecast DSM results, (iv) customer curtailment, (v) curtailment of NP's own load, (vi) system voltage control, and (vii) other factors causing variance from forecast peak demand (specify any other factors and the impact of each).

(g) Please provide for the years 2008 through 2010 the magnitude of the variance in peak demand that would result in a 1% variance in wholesale demand charges under the DSCV/DMI mechanism.

(h) Please confirm that under the DSCV/DMI mechanism NP has an incentive to realize a variance in peak demand that is sufficient to reduce wholesale demand charges by 1% and that there is no incentive for NP to reduce peak demand beyond that level. Does NP consider this incentive to be optimal from the perspective of NP and its customers? Please explain.

CA-NP-194 Section 1: Introduction p. 1-2, Line 7:
refers to NP having a "larger forecast work force in the short term to ensure the continuity of the necessary skills required to serve customers over the long term."

(i) What is the short term forecast and what years does it apply to?

(j) What is the longer term forecast?

CA-NP-195 Section 2: Customers Operations - Subsection 2.2.1 Responding to Customer

Expectations. Table 2-1 is presented showing Customer Initiated Contacts for 2007 to 2009.

(a) How much capital has the company committed over each of the years 2003 to 2010 as regards establishing, maintaining or improving the means of responding to Customer Initiated Contacts?

(b) What operational cost savings have been provided as a result of this capital spending and how is it reflected in the Test Year?

CA-NP-196 Section 2: Customer Operations - p. 2-8, footnote 26 where it states "The strengthening of the electrical system has been key to Newfoundland Power's ability to reduce the size of its workforce through a series of early retirement programs over the past decade or so. This workforce reduction resulted in a sustained period of flat operating costs during which service to customers improved."

(a) Please provide details as to the series of early retirement programs referred to above. As part of the reply, indicate the types of employees/positions which availed of the early retirement programs.

(b) Does the company plan to offer another early retirement program?

CA-NP-197 Table 2-9 Operating Cost - General 2007 to 2010 (f). Please explain what falls under Corporate and Employee Services and explain why it increased from $10,777,000 in 2007 to $11,729,000 in 2009 (f) and to $11,901,000 in 2010 (f).

CA-NP-198 Table 3-2 Other Revenue: 2007 to 2010 E, footnote 11 refers to a $384,000 gain

on the sale of property in 2009 (f).

(a) What property is this referring to?

(b) When was it sold and why?

(c) Are any property sales planned for 2010?

CA-NP-199 Please expand Tables 3-1, 3-2, 3-3, 3-4, 3-5, 3-6, 3-7 and 3-8 to show 2010 (f).

CA-NP-200 Table 3-2 Other Revenue. Please explain how the Customer Account Interest value of $1,222,000 for 2010 (e) was arrived at.

CA-NP-201 Please file a copy of the NEB's cost of capital decision of March 19, 2009 for TQM referred to at page 14-15 of Ms. McShane's evidence.

CA-NP-202 Reference: footnote 10 of Ms. McShane's evidence - please provide a copy of NEB's decision or notice that it has decided to consider whether it should initiate a full review of its RH-2-94 decision which adopted the automatic adjusted formula.

CA-NP-203 Would NL and its customers, including its Industrial Customers, be impacted by the elimination of NP's AAF in light of the June 2009 Government directive to the Board in relation to NLH's return on equity?

CA-NP-204 Reference: Appendix G to evidence of Ms. McShane

Please provide a copy of Ms. McShane's speaking notes in relation to the presentation "Utility Cost of Capital: Canada v. U.S." presented at the

CAMPUT Conference of May, 2003.

CA-NP-205 Reference: Appendix G of Ms. McShane's evidence.
Ms. McShane's listing of Expert Testimony/Opinions on Rate of Return and Capital Structure and listing of Expert Testimony/Opinions on Other Issues does not make reference to her expert opinion evidence provided on behalf of the Insurance Bureau of Canada to the Board in Newfoundland dated November 8, 2004.

(a) Why does Ms. McShane not refer to this expert testimony in her C.V.?

(b) Please provide a copy of this expert testimony.

CA-NP-206 Reference: p. 1-3, lines 4-6 where it states: "Since 2007, Newfoundland Power has experienced modest changes in its costs. Aggregate capital expenditure at year end 2010 is now forecast to be approximately $35 million higher than was expected in 2007."
Please provide a breakdown of the $35 milion variance relative to the 2007 forecast.

CA-NP-207 Reference: Section 2.2.1 Responding to Customer Expectations where it states at lines 8 to 9: "Newfoundland Power's customer satisfaction index was 88% in 2007 and 29% in 2008. This is consistent with customer satisfaction over the past decade." What is the company's target customer satisfaction index in 2009 and 2010?

CA-NP-208 In Newfoundland Power's May 10, 2007 G.R.A. at page 2, lines 16-17 it

stated, "Improved service and cost control are the foundation of customer operations performance of Newfoundland Power."

(c) Does cost control remain a foundation of customer operations performance of Newfoundland Power?

(d) Please detail the cost controls that Newfoundland Power has in place and explain how the same are reflected in the test year forecast.

DATED at St. John's, in the Province of Newfoundland and Labrador, this 6th day of July, 2009.

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