

1 **Q. If the Company as stated in footnote 110 (Section 3.6.2) “does not expect that the**
2 **rates set as a result of this Application will be in effect beyond 2010” is it necessary**
3 **at this juncture for the Board to consider the Company’s proposals to:**
4

5 (a) **Discontinue the use of the Formula (AAF)?**
6

7 (b) **Approve, with effect from January 1, 2010, the Pension Expense**
8 **Variance Deferral Account?**
9

10 A. (a) Yes. Newfoundland Power’s proposal to discontinue use of the AAF is based
11 upon the fairness of the forecast cost of equity, including the forecast 2010 cost of
12 equity, yielded by use of the AAF.
13

14 (b) Yes. The Pension Expense Variance Deferral Account is intended to address the
15 variability and predictability associated with forecasting pension expense,
16 including the 2010 forecast pension expense.
17

18 Please refer to the response to the Request for Information CA-NP-42.
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20 Please refer to the response to Request for Information CA-NP-43, which
21 indicates a 2011 revenue shortfall of approximately \$3.9 million assuming
22 adoption of the Pension Expense Variance Deferral Account proposal in the
23 Application.