

1 **Q. Reference: Table 3-16 Defined Benefit Pension Expense 2010 E to 2012 E.: When**
2 **will the actual discount rate to be used in calculating pension expense for 2010 be**
3 **known and explain how it will be determined? Do all Canadian pension valuations**
4 **use the same discount rate?**
5

6 A. The actual discount rate to be used in calculating Newfoundland Power's pension
7 expense for 2010 will be the rate as determined at December 31, 2009.
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9 The method to determine the discount rate used in calculating Newfoundland Power's
10 pension expense is prescribed by accounting standards and guidelines.
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12 The discount rate for pension expense purposes for Newfoundland Power is the trading
13 yield, as at December 31 of the previous year, of high quality bonds with cash flows that
14 match the timing and amount of expected pension benefit payments. As at December 31,
15 2008, the average duration of these bonds was approximately 14 years and the trading
16 yield was approximately 7.5%.
17

18 The discount rates used for other Canadian pension valuations will vary dependent on the
19 timing and amounts of the expected pension benefit payments.