

1 **Q. Reference Section 3.2.3, Pension Costs, footnote 20 and Pension Plan Asset**  
2 **Performance (p. 3-22, line 1) and footnote 64. At footnote 20, it states:**

3  
4 “... The 2008 loss in asset value is not fully reflected in 2009  
5 pension expense due to Newfoundland Power’s use of the  
6 market-related method of valuing pension assets for the  
7 purposes of determining pension expense. Use of the market-  
8 related method creates a smoothing impact on pension  
9 expense, and thereby reduces the volatility caused by changing  
10 market conditions. The Company’s use of the market related  
11 method was approved by the Board in Order No. P.U. 19  
12 (2003).”

13  
14 **Please re-produce the section of the Pension Benefits Act or Regulations that**  
15 **permits the use of the market related method.**

16  
17 **A.** There are no regulations pertaining to the calculation of pension expense for financial  
18 statement purposes under the *Pension Benefits Act, 1977* or associated Regulations.

19  
20 Pension expense for financial statement purposes is calculated as prescribed by  
21 accounting standards and guidelines. The use of a market-related method to value plan  
22 assets is outlined under Sections 3461.76-77 of the CICA standards.