1 **Q. Reference: Exhibit 9, Pension Expense Variance Deferral Account**
2
3 **(a) For each year from 2006 to 2009 please provide the amount of the charge or**
4   **credit that would have resulted if the Pension Expense Variance Deferral**
5   **Account (PEVDA) had been in place during those years.**
6
7 **(b) Please confirm that implementing NP's proposal to recognize OPEBs on the**
8   **Accrual Method will result in an expense risk analogous to the pension risk**
9   **discussed at pages 3-20 to 3-27 which is the rationale for NP's proposal to**
10   **implement the PEVDA. Also confirm that this risk would be avoided by**
11   **retaining the Cash Method for recognizing OPEBs. If NP does not agree,**
12   **please explain.**
13
14 A. (a) Table 1 provides the pro-forma transfers to (from) the Pension Expense Variance
15   Deferral Account ("PEVDA") based on the pension expense for each year from
16   2004 through 2009F.
17

Table 1
Pro forma Transfers to (from) PEVDA
2004 to 2009F
($000s)

	2004	2005	2006	2007	2008	2009F
Pension Expense	4,345	5,357	6,719	5,701	3,040	2,577
Test Year Pension Expense	3,855	3,855	3,855	3,855	3,348	3,348
Increase/ (Decrease)[1]	490	1,502	2,864	1,846	(308)	(771)

18
19
20 (b) Newfoundland Power's proposal to recognize costs associated with OPEBs on an
21   accrual basis will not result in an expense risk analogous to the pension risk
22   discussed at pages 3-20 to 3-27.
23
24   Newfoundland Power's OPEBs represent an unfunded obligation of the Company.
25   Annual OPEBs expense is not impacted by market asset performance as is pension
26   expense.
27
28   Annual OPEB expense on an accrual basis is determined through an actuarial
29   valuation of Newfoundland Power's benefit obligations for accounting purposes.
30   Assumptions utilized in determination of OPEBs expense include average
31   remaining service life of employees, health care costs and discount rate.
32
33   Retaining the Cash Method for recognizing OPEBs would likely provide a lower
34   OPEBs expense risk than the use of the Accrual Method.

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[1] Increase or decrease is computed relative to previous Test Year.