Q. Reference Volume 2, Tab 5, p. 19

(a) Please provide the means of calculation for the annual premium paid by members of the NP Benefit Plan who are under the age of 65 years, and the amounts of premiums that have been charged to individual members for the years 2004 to date.

(b) Please provide the total amount of premiums paid by retirees under the age of 65 years on an annual basis for the years 2005 to and including 2009.

(c) Please provide annual financial statements for the NP Benefit Plan for the last 5 years.

(d) Please confirm that retirees over the age of 65 years do not pay any amount to the NP Benefit Plan.

A. (a) The rates and premiums for each benefit in Newfoundland Power's Benefit Plan are determined by the insurer using different underwriting methods. Below is a brief explanation of how rates and premiums are determined for each benefit.

Basic Life & Dependent Life

To calculate rates for the Life insurance benefits, the insurer will analyze the group's demographics and claims experience. A weighted average is then applied to the required rate changes resulting from these analyses. The weighted average is based on the number of accumulated life years of the group with the insurer.

The demographic profile is based on the age and sex of employees and the volumes of insurance for these groups. The claims experience includes an Incurred But Not Reported ("IBNR") reserve and a Waiver of Premium reserve. These reserves significantly impact the claims experience. IBNR reserves are required in order for the insurer to collect premium in the event of outstanding claims that have yet to be reported. Waiver of Premium reserves are required in order to fund the waiver of premium benefit for those who qualify for Long-term Disability benefits.

The annual premium is based on the rate and the volume of insurance.

Long-term Disability ("LTD")

LTD insurance rates are determined by the insurer in the same manner as Life rates, however, Disabled Life reserves ("DLRs") are included in the claims experience. DLRs are required in order to fund the liability the insurer assumes when a member is approved for an LTD benefit.

The annual premium is based on the rate and the volume of insurance.

Accidental Death & Dismemberment ("AD&D")

AD&D rates are based on the insurer's manual rate for its block of business and the risk associated with the occupations of the group. This rate is set by the insurer.

The annual premium is based on the rate and the volume of insurance.

Health Care

The Health Care rates are determined by the insurer based on the claims experience of the group plus plan expenses and an inflation factor and use the following calculation:

a. Net adjusted premium
b. Paid Claims
c. Pooled Claims
d. IBNR variation
e. Incurred claims = b-c+d
f. Inflation
g. Retention/expenses factor

Required rate increase = [((e x f) /(1-g) x a) – 1].

The annual premium is based on the number of members with single and family coverage.

Cost Sharing

The Newfoundland Power benefits plan is cost shared by the company and employees on an overall 50/50 basis. Employee contributions are first allocated to LTD premiums in order to satisfy Revenue Canada requirements.

Premiums Paid

Table 1 includes the benefit plan annual premiums paid by active employees and retirees under the age of 65 for basic life insurance, dependant life insurance and AD&D insurance during the period from 2004 to May 31, 2009. Information is not available to separate premiums paid between active members and retirees under the age of 65 for basic life insurance, dependant life insurance and AD&D insurance premiums.

Table 1
Benefit Plan Annual Premiums
Basic and Dependant Life, AD&D Insurance
Active Employees and Retirees Under 65
2004 to May 31, 2009
($000s)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Basic Life	182	197	227	227	263	136
Dependant Life	8	7	6	6	8	3
AD&D	17	17	20	20	18	7
Total	**207**	**221**	**253**	**253**	**289**	**146**

Table 2 includes the benefit plan annual premiums paid by active employees and retirees under the age of 65 for health insurance during the period from 2004 to May 31, 2009. Prior to 2006 information is not available to separate premiums paid between active members and retirees under the age of 65 for health insurance premiums.

Table 2
Benefit Plan Annual Premiums
Health Insurance
2004 to May 31, 2009
($000s)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Active Employees	-	-	620	620	782	364
Retirees Under 65	-	-	253	253	313	145
Total	**827**	**904**	**873**	**873**	**1095**	**509**

Table 3 includes the benefit plan annual premiums paid by active employees for LTD insurance during the period from 2004 to May 31, 2009.

Table 3
Benefit Plan Annual Premiums
LTD Insurance
2004 to May 31, 2009
($000s)

	2004	2005	2006	2007	2008	2009
Active Employees	300	400	462	462	282	135

(b) Please refer to Tables 1 and 2.

(c) As Newfoundland Power's non-pension retirement benefit plan is an unfunded plan, annual financial statements are not prepared. Periodically, at the request of Newfoundland Power, the Company's actuaries will prepare a report on the non-pension retirement benefit expense for accounting purposes.

This report, as at December 31, 2008, can be found in *Volume 2: Supporting Materials, Tab 5* of the 2010 General Rate Application. In addition, the December 31, 2006 report, filed in the 2008 General Rate Application, can be found in Attachment A.

(d) Premiums for retirees over the age of 65 years are 100% employer paid under the Newfoundland Power Benefit Plan, however, benefit coverages for retirees 65 and over are reduced. A summary of plan provisions and the reduction in coverage at age 65 is detailed in Appendix D of the Actuarial Valuation of OPEBs found in *Volume 2: Supporting Documents, Tab 5.*

Report on Non-Pension Retirement Benefit Expense For the Fiscal Year Ending December 31, 2006 Under CICA Section 3461

17 January 2007

Newfoundland Power Inc.

Report on Non-Pension Post Retirement Benefit Expense for the Fiscal Year Ending December 31, 2006 Under CICA Section 3461

MERCER
Human Resource Consulting

MMC Marsh & McLennan Companies

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Report Highlights

This report has been prepared by Mercer Human Resource Consulting at the request of Newfoundland Power Inc. This report provides non-pension post retirement expense reporting for financial statements and interested parties pursuant to Section 3461 of the Canadian Institute of Chartered Accountants Handbook ("CICA 3461"), relating to the Non-Pension Post Retirement Benefit Plan.

The Non-Pension Post Retirement Benefit Plan is a defined benefit plan funded on a cash basis by contributions from Newfoundland Power Inc.

Fiscal Year Ending December 31, 2006

The net period benefit cost calculated in accordance with CICA 3461 for the fiscal year ending December 31, 2006, is a charge of $7,643,000.

The employer-paid benefit payments during the fiscal year ending December 31, 2006 were $2,837,000 which includes an adjustment to recognize early retirement allowances that were paid in 2005 but were not reflected in the 2005 expense.

The accrued benefit liability as of December 31, 2006 is $27,782,000.

Principal Expense Information

A summary of principal expense information, as required for disclosure purposes pursuant to CICA 3461, from the current fiscal year follows.

Components of Net Periodic Benefit Cost[1]	Fiscal Year Ending December 31, 2006	Fiscal Year Ending December 31, 2005
Current service cost	$1,350,000	$1,066,000
Interest cost	3,518,000	3,347,000
Actual return on plan assets	0	0
Actuarial loss (gain)	1,376,000	7,928,000
Costs arising in the period	**$6,244,000**	**$12,341,000**
Differences between costs arising in the period and costs recognized in the period in respect of:		
▪ Return on plan assets	0	0
▪ Actuarial loss (gain)	(29,000)	(6,972,000)
▪ Transitional obligation (asset)	1,428,000	1,428,000
Net periodic benefit cost recognized	**$7,643,000**	**$6,797,000**

[1] CICA 3461 requires an analysis of the components of net periodic benefit cost showing separately amounts arising from events in the period, the difference between actual return on plan assets and the expected return on plan assets, other adjustments for deferrals and amortizations of amounts previously deferred, and the change in the valuation allowance if applicable. The actual derivation of the net period benefit cost is set out in the Supplemental Information – Development of Costs section of this report.

Principal Expense Information *(continued)*

Weighted-Average Assumptions for Expense	**Fiscal Year Ending December 31, 2006**	**Fiscal Year Ending December 31, 2005**
Discount rate	5.25%	6.00%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increase	4.00%	4.00%
Initial prescription drug trend rate	7.50%	8.00%
Ultimate prescription drug trend rate	4.50%	4.50%
Year ultimate rate reached	2012	2012
Initial semi-private hospital and other medical cost trend rate	4.50%	4.50%
Ultimate semi-private hospital and other medical cost trend rate	4.50%	4.50%
Year ultimate rate reached	N/A	N/A
Initial weighted average health care trend rate	6.87%	7.26%
Ultimate weighted average health care trend rate	4.50%	4.50%
Year ultimate rate reached	2012	2012

Weighted-Average Assumptions for Disclosure	**Fiscal Year Ending December 31, 2006**	**Fiscal Year Ending December 31, 2005**
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increase	4.00%	4.00%
Initial prescription drug trend rate	7.00%	7.50%
Ultimate prescription drug trend rate	4.50%	4.50%
Year ultimate rate reached	2012	2012
Initial semi-private hospital and other medical cost trend rate	4.50%	4.50%
Ultimate semi-private hospital and other medical cost trend rate	4.50%	4.50%
Year ultimate rate reached	N/A	N/A
Initial weighted average health care trend rate	6.46%	6.87%
Ultimate weighted average health care trend rate	4.50%	4.50%
Year ultimate rate reached	2012	2012

Principal Expense Information *(continued)*

Change in Accrued Benefit Obligation	Fiscal Year Ending December 31, 2006	Fiscal Year Ending December 31, 2005
Accrued benefit obligation at end of prior year	**$66,397,000**	**$55,373,000**
Current service cost	1,350,000	1,066,000
Interest cost	3,518,000	3,347,000
Employees' contributions	0	0
Estimated benefits paid	(2,837,000)	(1,317,000)
Actuarial loss (gain)	1,376,000	7,928,000
Accrued benefit obligation at end of year	**$69,804,000**	**$66,397,000**

Change in Plan Assets	Fiscal Year Ending December 31, 2006	Fiscal Year Ending December 31, 2005
Fair value of plan assets at end of prior year	**$0**	**$0**
Estimated employer contributions	2,837,000	1,317,000
Employees' contributions	0	0
Estimated benefits paid	(2,837,000)	(1,317,000)
Fair value of plan assets at end of year	**$0**	**$0**

Reconciliation of Funded Status to Accrued Benefit Asset (Liability)	Fiscal Year Ending December 31, 2006	Fiscal Year Ending December 31, 2005
Surplus (Deficit) at end of year	**$69,804,000**	**$66,397,000**
Employer contributions during period from measurement date to fiscal year end	0	0
Unamortized transitional obligation (asset)	15,141,000	16,569,000
Unamortized past service costs	0	0
Unamortized net actuarial loss (gain)	26,881,000	26,852,000
Accrued benefit asset (liability)	**($27,782,000)**	**($22,976,000)**

Certification

We have prepared an actuarial valuation of Newfoundland Power Inc.'s benefit obligations for accounting purposes as at January 1, 2005 and extrapolated those results to December 31, 2005. In accordance with our mandate, the purpose of this valuation and extrapolation is to account for the costs of the plan for the fiscal year beginning January 1, 2006 and ending December 31, 2006 in accordance with Section 3461 of the Canadian Institute of Chartered Accountants Handbook ("CICA 3461").

In addition, we have extrapolated the results of the valuation of Newfoundland Power Inc's benefit obligations for accounting purposes as at January 1, 2005 to December 31, 2006. In accordance with our mandate, the purpose of this valuation and extrapolation is to enable the Company to satisfy the disclosure requirements under CICA 3461.

Plan Provisions

The results of the valuations set forth in this report reflect the provisions of the plan as of the date of the valuations as reported to us by Management.

A summary of the plan provisions and the plan amendments are provided in Section 4 of this report.

Data

The valuation is based on membership data as at January 1, 2005 provided by Newfoundland Power Inc. The membership data is summarized in Section 2 of this report.

Subsequent Events

After checking with representatives of Newfoundland Power Inc., to our knowledge there have been no events subsequent to January 1, 2005 the valuation date which, in our opinion, would have a material impact on the results of the valuations and extrapolations.

Methods and Assumptions

The actuarial valuation methods, and Management accounting policies and assumptions in the valuations and determination of net periodic benefit cost are summarized in Section 3 of this report.

Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future valuations and will affect future net periodic benefit cost.

Actuarial computations under CICA 3461 are for purposes of fulfilling employer accounting requirements. Determination for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein. Accordingly, additional determinations are needed for other purposes such as adequacy of funding for the ongoing plan or purchase price calculations or plan design costings.

Statement of Opinion

The methods used in the valuations of benefit obligations and determination of plan costs were selected by Management in accordance with the requirements of Section 3461 of the CICA Handbook.

The preparers of the financial statements have selected the assumptions used in the valuations of the plan obligations and determination of plan costs. They are Management's best-estimate assumptions, selected for accounting purposes, in accordance with CICA 3461. These assumptions are in accordance with accepted actuarial practice.

In our opinion,

- The data on which the valuations are based are sufficient and reliable for the purposes of the valuations, and
- The calculations have been made in accordance with the requirements of Section 3461 of the CICA Handbook

This report has been prepared and my opinion given, in accordance with accepted actuarial practice.

Respectfully submitted,

Kerry Worgan
Fellow of ~~Society~~ of Actuaries
Fellow of Canadian Institute of Actuaries

January 17, 2007
Date

Supplemental Information

The remainder of the report includes information supporting the results presented in the previous sections.

1. **Development of Costs** shows the financial position of the plan and the calculation of the various components of plan costs.

2. **Membership Data** presents and describes the membership data used in the valuations and the validation checks made on the data.

3. **Valuation Methods and Assumptions** describes the methods and assumptions used to value the plan as well as accounting policies used to calculate the net periodic benefit cost.

4. **Summary of Plan Provisions** provides a summary of the benefits, which have been valued for this report.

5. **Employer Certification**

1. Development of Costs

A. Financial Position of the Plan

		January 1, 2006	January 1, 2005
1.	Accrued benefit obligation		
	a. Retirees and survivors	($36,789,000)	($31,880,000)
	b. Active fully eligible members	(4,231,000)	(3,516,000)
	c. Active not fully eligible members	(25,377,000)	(19,977,000)
	d. Total (a. + b. + c.)	**($66,397,000)**	**($55,373,000)**
2.	Fair value of plan assets	0	0
3.	**Surplus (Deficit) (1(d) + 2.)**	**($66,397,000)**	**($55,373,000)**
4.	Employer contributions after measurement date	0	0
5.	Unamortized transitional obligation (asset)	16,569,000	17,997,000
6.	Unamortized past service costs	0	0
7.	Unamortized net actuarial loss (gain)	26,852,000	19,881,000
8.	**Accrued benefit asset (liability) (3.+4.+5.+6.+7.)**	**($22,976,000)**	**($17,495,000)**

1. Development of Costs *(continued)*

B. Net Periodic Benefit Cost

		Fiscal Year Ending December 31, 2006	Fiscal Year Ending December 31, 2005
1.	Current service cost	$1,350,000	$1,066,000
2.	Interest cost	3,518,000	3,347,000
3.	Expected return on plan assets	0	0
4.	Amortizations		
	a. Transitional obligation (asset)	1,428,000	1,428,000
	b. Past service costs	0	0
	c. Net actuarial loss (gain)	1,347,000	956,000
5.	**Net periodic benefit cost**	**$7,643,000**	**$6,797,000**

Components of these calculations are developed on the following pages.

1. Development of Costs *(continued)*

C. Interest Cost

		Fiscal Year Ending December 31, 2006	Fiscal Year Ending December 31, 2005
1.	Accrued benefit obligation	$66,397,000	$55,373,000
2.	a. Current Service Cost	1,350,000	1,066,000
	b. Weighted for timing	1,350,000	1,066,000
3.	a. Plan amendment	0	0
	b. Weighted for timing	0	0
4.	a. Expected distributions	(1,461,000)	(1,317,000)
	b. Weighted for timing	(731,000)	(659,000)
5.	Average accrued benefit obligation (1. + 2(b) + 3(b) – 4(b))	$67,016,000	$55,780,000
6.	Discount rate	5.25%	6.00%
7.	**Interest cost (5. x 6.)**	**$3,518,000**	**$3,347,000**

1. Development of Costs *(continued)*

D. Amortization Amounts

	January 1, 2006	January 1, 2005
1. Transitional Obligation (Asset)		
a.) Unamortized transitional obligation (asset) as of beginning of year	$16,569,000	$17,997,000
b.) Years Remaining	11.6	12.6
c.) Amortization amount	**$1,428,000**	**$1,428,000**
2. Past Service Costs		
a.) Unamortized past service costs as of beginning of year	$0	$0
b.) Years Remaining	n/a	n/a
c.) Amortization amount	**$0**	**$0**
3. Unamortized (gain)/loss subject to amortization as of beginning of year		
a.) Unamortized net actuarial loss (gain) [from A.7]	$26,852,000	$20,479,000
b.) Accrued benefit obligation [from A.1(d)]	66,397,000	$55,373,000
c.) 10% of accrued benefit obligation b.	6,640,000	$5,537,000
d.) Unamortized net actuarial loss (gain) subject to amortization [excess of a. over c., if any]	20,212,000	$14,340,000
e.) Expected average remaining service	15	15
f.) Amortization amount (d. ÷ e.)	**$1,347,000**	**$956,000**

1. Development of Costs *(continued)*

E. Sensitivity to Change in Health Care Cost Trend Rates

	Medical	Accrued Benefit Obligation as of December 31, 2006	Service Cost for 2006	Interest Cost for 2006	Aggregate of Service Cost and Interest Cost for 2006
1.	Valuation trend	$69,802,000	$1,350,000	$3,518,000	$4,868,000
2.	Valuation trend + 1%	82,098,000	1,678,000	4,132,000	5,810,000
3.	**Difference (2. – 1.)**	**$12,296,000**	**$328,000**	**$614,000**	**$942,000**
4.	Valuation trend – 1%	60,250,000	1,114,000	3,042,000	4,156,000
5.	**Difference (4. – 1.)**	**($9,552,000)**	**($236,000)**	**($476,000)**	**($712,000)**

1. Development of Costs *(continued)*

F. Analysis of Other Liability Loss (Gain)

Gains and Losses Due to:		**Due to Remeasurement as of December 31, 2006**
1.	Actual 2006 benefit payments differing from expected	$1,376,000
2.	**Total**	**$1,376,000**

2. Membership Data

The actuarial valuation is based on membership data as at January 1, 2005, provided by Newfoundland Power Inc.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), earnings, and service. The results of these tests were satisfactory. Our testing did not include verifying the data to member source records.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

A. Membership Data

Active Employees	January 1, 2005	June 1, 1999
Executive		
Number	5	6
Average earnings	$207,200	$175,167
Average years of service	10.6 years	13.0 years
Average age	43.5	46.2
Management		
Number	236	311
Average earnings	$66,820	$53,564
Average years of service	19.8 years	17.5 years
Average age	44.9	42.3
Union		
Number	336	440
Average earnings	$48,539	
Average years of service	19.4 years	17,9 years
Average age	45.9	43.9
Total		
Number	577	757
Average earnings	$57,391	$46,439
Average years of service	19.5 years	17.7 years
Average age	45.5	43.3

2. Membership Data (continued)

A. Membership Data

	January 1, 2005	June 1, 1999
Retirees		
Number	540	427
Average age	64.9	64.6
Spouses		
Number	464	375
Average age	61.6	61.4
Widows		
Number	113	94
Average age	73.3	72.3

2. Membership Data *(continued)*

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

B. Reconciliation of Membership

	Executive	Management	Union	Retirees and Surviving Spouses	Total
Total at June 1, 1999	**6**	**311**	**440**	**521**	**1278**
Adjustments	3	6	(9)		0
New entrants	1	23	37	171	232
Terminations	(4)	(43)	(23)		(70)
Deaths				(82)	(82)
Retirements	(1)	(61)	(109)		(171)
Surviving spouses				43	43
Total at January 1, 2005	**5**	**236**	**336**	**653**	**1230**

2. Membership Data *(continued)*

The distribution of the active members by age and completed years of service as at January 1, 2005 is summarized as follows:

Distribution of Active Members
By Age Group and Completed Years of Service as at Jan 1, 2005

	Years of Completed Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
Under 20								0
20 - 24	4							4
25 - 29	7	1						8
30 - 34	15	10	2					27
35 - 39	22	22	11	26	2			83
40 - 44	7	11	7	54	22	2		103
45 - 49	4	7	9	21	35	64	25	165
50 - 54	3	2	3	19	9	55	57	148
55 - 59	1	1	1	4	3	7	17	34
60 - 64		2		1		1	1	5
65+								0
Total	**63**	**56**	**33**	**125**	**71**	**129**	**100**	**577**

2. Membership Data *(continued)*

The distribution of the retirees and surviving spouses by age as at January 1, 2005 is summarized as follows:

Distribution of Retirees and Surviving Spouses
By Age Group as at Jan 1, 2005

Age	Retirees	Spouses	Widows	Total
35 - 39		1		1
40 - 44		1		1
45 - 49		23	2	25
50 - 54	51	78	5	134
55 - 59	128	111	4	243
60 - 64	103	99	5	207
65 - 69	106	74	22	202
70 - 74	69	39	20	128
75 - 79	42	21	25	88
80 - 84	23	11	13	47
85 - 89	14	3	10	27
90 - 94	3	3	6	12
95 - 99				
100+	1		1	2
Total	**540**	**464**	**113**	**1,117**

3. Valuation Methods and Assumptions

A. Cost Method

Accrued benefit obligations shown in this report are computed using the Projected Benefit Method Pro Rated on Service, as defined in CICA 3461. The objective under this method is to expense each member's benefits under the plan taking into consideration projections of benefit costs to and during retirement. Under the Projected Benefit Method Pro Rated on Services, an equal portion of the total estimated future benefit is attributed to each year of service.

For retirees, spouses and surviving spouses, the accrued benefit obligation (ABO) is the present value of all future projected benefits as at the beginning of the fiscal year.

For each active member, a "full eligibility" date is determined as the first date the member has or will have met the age and service requirements to qualify for all benefits after retirement.

Full eligibility is the earlier of age 55 with 2 years of service or age plus service of 85 points

For active members who have reached "full eligibility", the ABO is the present value of all future projected benefits as at the beginning of the fiscal year. For these members, the service cost is zero.

For active members who have not yet reached "full eligibility", the ABO is the present value of all future projected benefits as at the beginning of the fiscal year, multiplied by the ratio of service at the valuation date to projected service at "full eligibility". For these members, the current service cost is the present value of benefits deemed to accrue in the fiscal year, and is determined as the present value of all future projected benefits divided by the projected service at "full eligibility".

The accrued benefit obligation is the actuarial present value of the accrued benefit for valuation purposes at the beginning of the fiscal year and the current service cost is the actuarial present value of the benefit deemed to accrue in the fiscal year.

The plan's **current service cost** is the sum of the individual current service costs, and the plan's **accrued benefit obligation** is the sum of the individual accrued benefit obligations for all members under the plan.

3. Valuation Methods and Assumptions *(continued)*

B. Funding Policy

The non-pension post retirement benefits are funded on a pay-as-you-go basis. The company funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide the non-pension post retirement benefits.

3. Valuation Methods and Assumptions *(continued)*

C. Accounting Policies

Management applied the Recommendations of Section 3461 of the CICA Handbook prospectively and elected to amortize the transitional (asset)/obligation on a linear basis from January 1, 2005 over the average remaining service period of active members expected to receive benefits under the plan 15.0 years.

Obligations are attributed to the period beginning on the member's date of hire and ending on the date of reaching first full eligibility for benefits.

3. Valuation Methods and Assumptions *(continued)*

D. Summary of Assumptions

The following assumptions were used in valuing the benefit obligations under the plan.

Measurement date	January 1	
Discount rate	▪ 5.25% per annum for the December 31, 2005 funded status and Fiscal 2006 net periodic benefit cost determination ▪ 5.25% per annum for the December 31, 2006 funded status and Fiscal 2007 net periodic benefit cost determination	
Salary increases	4.00% per annum	
Health care cost trend rates	Semi-private Hospital	4.50% per annum
	Prescription drugs	8.00% per annum in 2005 grading down to 4.50% per annum in and after 2012
	Other medical	4.50% per annum
	Vision care	0.00% per annum
	Health premium	4.50% per annum
Life Premium Increases	None	
Mortality	Static 1994 Group Annuity Table Rates at sample ages are shown below (per 1000 members):	

Age	Male	Female
20	0.51	0.28
30	0.80	0.35
40	1.07	0.71
50	2.58	1.43
60	7.98	4.44
70	23.73	13.73
80	62.03	39.40
90	152.93	116.27

Withdrawal	50% of Ontario Light to Age 39 Rates at sample ages are shown below:

Age	Male	Female
20	9.0%	9.0%
25	5.0%	5.0%
30	2.8%	2.8%
35	1.6%	1.6%
39+	0.0%	0.0%

No withdrawal assumed after attainment of eligibility for retirement.

3. Valuation Methods and Assumptions *(continued)*

D. Summary of Assumptions *(continued)*

Retirement Age	One year after the later of the date of attainment of age 60 and completion of age plus service of 95 points, but not later than age 65.			
Marital status	For active members, 80% are assumed to be married at retirement with males assumed to be 3 years older than their female spouses.			
2005 per covered member claim costs (at age 65) with administration and taxes			Pre 65	Post 65
	Semi-private hospital		$22.93	$17.47
	Prescription drugs		$1,081.08	$1,055.96
	Vision care		$56.78	$30.58
	Other medical		$267.54	$56.78
	Total		$1,429.33	$1,160.80
Employee Cost Sharing of Premium	Under 65 – 50% Over 65 – 0%			
2005 Employee Annual Premium			Single	Family
	Health		$654.72	$2,261.52
	Group life (per $1,000)		$2.52	N/A
	Dependent life (per $1,000)		$15.96	N/A
Increases in utilization by age	**Attained Age**	**Semi-Private Hospital**	**Prescription Drug**	**Other Medical**
	55 – 59	6.1%	4.3%	6.2%
	60 – 67	8.0%	3.5%	9.2%
	68 – 76	7.8%	1.9%	8.7%
	77 – 86	4.5%	0%	7.6%
	Over 87	3.0%	0%	5.0%
Administrative expenses as a percentage of paid claims	Medical	5.00%		
	Life insurance	5.00%		
Taxes	4.00% of claims and administrative expenses for all medical and life benefits.			
Participation	100% of members are assumed to participate in the retiree health plan.			

3. Valuation Methods and Assumptions *(continued)*

E. Claims Cost Development

The per covered member claim costs used in the January 1, 2005 valuation and extrapolated for purposes of determining the liabilities as at December 31, 2006 were based on the actual retiree and dependent claims information for the 3 year period, January 1, 2002 to December 31, 2004, increased with assumed inflation to 2005. This claims experience was collected and analysed separately for Hospital, Prescription Drug, Vision Care, and Other Medical benefits.

A description of the process used to set the "2005 Per Covered Person Claim Costs (at age 65) with Administration and Taxes" shown in Section 3 D) is as follows:

- For each calendar year of claims, a cost per covered member was developed by dividing the total annual claims by the total number of eligible retirees, and dependents covered during the year.
- This cost per person has been adjusted to the cost per covered member at age 65 based on the actual individual ages of the covered members using the "Increases in Utilization by Age" assumptions shown in Section 3 D).
- These costs have been increased to include the cost of insurance company administrative expenses and provincial taxes charged on the claims.
- The costs are then trended forward from the claims experience year to the midpoint of the valuation year of July 1, 2005.
- As indicated, this analysis was performed for each calendar year 2002, 2003 and 2004. The assumed cost per covered member for the January 1, 2005 valuation was based on a weighted average of the costs for the three years, as follows:

Percentage Contribution to Valuation Assumed 2005 Claim Cost	
2002 claims experience	33.3%
2003 claims experience	33.3%
2004 claims experience	33.3%
Total	**100.0%**

3. Valuation Methods and Assumptions *(continued)*

E. Claims Cost Development (continued)

Pre 65 Retirees	2004 Total	2003 Total	2002 Total
Actual Newfoundland Power - Pre 65 retirees' paid claims (before administration costs and taxes)			
Hospital	$9,030	$4,185	$4,730
Other	$76,709	$63,765	$59,075
Drug	$328,430	$353,306	$336,662
Vision	$22,390	$22,206	$29,524
Total	**$436,559**	**$443,462**	**$429,991**
Number of Newfoundland Power - retirees and spouses			
▪ Eligible for medical benefits	445	474	508
Per covered member costs			
Hospital	$20.29	$8.83	$9.31
Other	172.38	134.53	116.29
Drug	738.04	745.37	662.72
Vision	50.31	46.85	58.12
Total	**$981.03**	**$935.57**	**$846.44**
Trend to July 01, 2004			
Hospital	1.00	1.045	1.092
Other	1.00	1.045	1.092
Drug	1.00	1.045	1.092
Vision	1.00	1.000	1.000
2004 per covered member costs			
Hospital	$20.29	$9.23	$10.17
Other	172.38	140.58	126.99
Drug	738.04	778.91	723.71
Vision	50.31	46.85	58.12
Total	**$981.03**	**$975.57**	**$918.98**
Weighting	**33.3%**	**33.3%**	**33.3%**
Trend to July 01, 2005			
Hospital	1.045		
Other	1.045		
Drug	1.045		
Vision	1.000		
2005 per covered member costs			
Hospital	$13.82		
Other	153.25		
Drug	780.50		
Vision	51.76		
Total	**$999.33**		

3. Valuation Methods and Assumptions *(continued)*

E. Claims Cost Development (continued)

Adjustment factors to convert 2005 per covered member costs into age 65 per covered member costs		
Hospital	1.5191	
Other	1.5987	
Drug	1.2684	
Vision	1.0046	
Drug offset assumption at age 65	**0%**	
Per covered member age 65 claims costs		
Hospital	$21.00	
Other	245.00	
Drug - incorporating 0% drug offset	990.00	
Vision	52.00	
Total	**$1,308.00**	
Administration costs and taxes		
• Administration costs for medical	5.00%	of claims
• Premium and sales taxes	4.00%	of claims
Total administration costs and taxes	**9.20%**	**of claims**
Per covered member age 65 claims costs with administration costs and taxes		
Hospital	$22.93	
Other	267.54	
Drug - incorporating 0% drug offset	1,081.08	
Vision	56.78	
Total	**$1,428.34**	

3. Valuation Methods and Assumptions *(continued)*

E. Claims Cost Development (continued)

Post 65 Retirees	2004 Total	2003 Total	2002 Total
Actual Newfoundland Power - Post 65 retirees' paid claims (before administration costs and taxes)			
Hospital	$9,750	$19,451	$8,440
Other	$60,856	$50,366	$36,177
Drug	$562,739	$486,686	$439,303
Vision	$14,220	$12,243	$14,981
Total	**$647,565**	**$568,746**	**$498,901**
Number of Newfoundland Power - retirees, spouses and surviving spouses			
▪ Eligible for medical benefits	540	486	443
Per covered member costs			
Hospital	$18.06	$40.02	$19.05
Other	112.70	103.63	81.66
Drug	1,042.11	1,001.41	991.65
Vision	26.33	25.19	33.82
Total	**$1,199.19**	**$1,170.26**	**$1,126.19**
Trend to July 01, 2004			
Hospital	1.00	1.045	1.092
Other	1.00	1.045	1.092
Drug	1.00	1.045	1.092
Vision	1.00	1.000	1.000
2004 per covered member costs			
Hospital	$18.06	$41.82	$20.81
Other	112.70	108.30	89.18
Drug	1,042.11	1,046.48	1,082.91
Vision	26.33	25.19	33.82
Total	**$1,199.19**	**$1,221.79**	**$1,226.71**
Weighting	**33.3%**	**33.3%**	**33.3%**
Trend to July 01, 2005			
Hospital	1.045		
Other	1.045		
Drug	1.045		
Vision	1.000		
2005 per covered member costs			
Hospital	$28.11		
Other	108.04		
Drug	1,104.74		
Vision	28.45		
Total	**$1,269.33**		

3. Valuation Methods and Assumptions *(continued)*

E. Claims Cost Development (continued)

Adjustment factors to convert 2005 per covered member costs into age 65 per covered member costs		
Hospital	0.5693	
Other	0.4813	
Drug	0.8753	
Vision	0.9843	
Drug offset assumption at age 65	**0%**	
Per covered member age 65 claims costs		
Hospital	$16.00	
Other	52.00	
Drug - incorporating 0% drug offset	967.00	
Vision	28.00	
Total	**$1,063.00**	
Administration costs and taxes		
• Administration costs for medical	5.00%	of claims
• Premium and sales taxes	4.00%	of claims
Total administration costs and taxes	**9.20%**	**of claims**
Per covered member age 65 claims costs with administration costs and taxes		
Hospital	$17.47	
Other	56.78	
Drug - incorporating 0% drug offset	1,055.96	
Vision	30.58	
Total	**$1,160.80**	

4. Summary of Plan Provisions

Life Insurance

Executives	4 times salary, maximum of $2,000,000, reduction to 25% at age 65, with $10,000 maximum.
Management & Union	3 times salary, maximum of $750,000, reduction to 25% at age 65, with $10,000 maximum.
Basic AD&D	Matches life benefit, terminates at age 65.
Dependent Life	$10,000/spouse and $5,000/dependent child.

Medical Benefits

Medical benefits are subject to an overall plan maximum of $5,000 per year after age 65.

	Retiree < Age 65	**Retiree Age 65 and >**
Available Coverage	Single or family	Single or family
Hospital	Semi-private	Semi-private
	100%	80%
	Unlimited days	Unlimited days
	No deductible	No deductible
Drugs	Prescription drugs (generic basis)	Prescription drugs (generic basis)
	80%	80%
	No per prescription deductible	No per prescription deductible
	No dispensing fee cap	No dispensing fee cap
	Managed Care Formulary	Managed Care Formulary
	Coverage for life	Coverage for life
Vision	100%	100%
	$150/24 months	$150/36 months
Major Medical	100% supplies and appliances	80% supplies and appliances
Hearing Aids	$600/ear/3 years	$600/ear/3 years
Private Duty Nursing	100%	80%
	$10,000/year	$5,000/illness
Paramedical	100%	80%
	$250 max per benefit, except physiotherapy $500/year	$250 max per benefit, except physiotherapy $500/year
Out-of-Canada	100%	100%
	Limited to overall plan maximum	Limited to overall plan maximum

4. Summary of Plan Provisions *(continued)*

Retirement Allowance

Upon retirement, employees with 10 or more years of service receive an allowance of:
- (2 x Basic Weekly Pay) x number of years employed; plus

Provincial Programs

The government of Newfoundland covers all residents aged 65 or older who receive the Guaranteed Income Supplement under the Senior Citizen's Drug subsidy plan. We have assumed that all retirees and future retirees of Newfoundland will be ineligible for the GIS supplement and hence no retiree will be covered by the provincial program.

5. Employer Certification

With respect to the Report on Non-Pension Post Retirement Benefit Expense for the Fiscal Year Ending December 31, 2006 Under CICA Section 3461 of the Newfoundland Power Inc.'s non-pension post retirement benefit plan, I hereby certify that, to the best of my knowledge and belief:

- The membership data supplied to the actuary provides a complete and accurate description of all persons who are entitled to benefits under the terms of the plans for service up to the date of the valuation
- A copy of the plan documents and of all amendments made up to January 1, 2005 were supplied to the actuary;
- All substantive commitments (as defined under CICA 3461) have been communicated to the actuary;
- Accounting policies as adopted by the Company are those described in this report;
- The actuarial methods, amortization method and amortization periods to be used for the purposes of the valuation are those described in this report;
- The Management's best-estimate assumptions for purposes of the valuations of the plan and the extrapolation of the financial position of the plan as of the fiscal year end December 31, 2006 are those described in this report; and
- All events subsequent to the valuation that may have an impact on the results of the valuation or a future valuation have been communicated to the actuary.

Date May 3, 2007

Signed Jocelyn Perry

Name Jocelyn Perry

Title VP Finance, CFO