

Q. Reference Volume 2, Tab 5, p. 17

- (a) Please provide the basis upon which it was determined that the average remaining service of active members under the NP Benefits Plan is 15 years.
- (b) What steps has NP taken to induce its employees to remain as active employees until age 65?
- (c) Please compare the basis upon which it was determined that the average remaining service of active members is 15 years as per question (a) above with the basis upon which it was determined on page 43 of the 2008 Annual Report of NP that the average remaining service of active members is 18 years.
- (d) Please provide the impact in the form of restated calculations respecting the Non-Pension Retirement Benefit Expense using an average remaining service of 18 years.

A. (a) The average remaining service of active employees is determined based on decrement rates from the UP1994 Generational Mortality Table and 50 per cent of the Ontario Light Termination Scale. The retirement age assumption used is 1 year after the later of attainment of age 60 or age plus service equal to 95 points.

(b) Newfoundland Power has not taken any steps to induce its employees to remain as active employees until age 65.

(c) The average remaining service of active members as at December 31, 2008 was 15 years as determined by the Company's actuary.

The 18 year average remaining service of active members¹ was determined at the time of adoption of Section 3461 of the Canadian Institute of Chartered Accountants ("CICA") Handbook on January 1, 2000. The transitional obligation arising from the Company's January 1, 2000 adoption of Section 3461 is being amortized on a straight-line basis over the 18 year average remaining service period of plan members determined at that time.

(d) The average remaining service of 15 years is based on generally accepted actuarial practice as noted in part (a) above. An average remaining service of 18 years is not considered appropriate for Newfoundland Power's OPEB valuation at December 31, 2008. See part (c) above.

¹ As noted on page 42 of Newfoundland Power's 2008 Annual Report.