

1 **Q. Precisely what figures, in respect of pension and other post-employment benefits**
2 **(OPEB) are being used to determine the rate requirements. Please provide detailed**
3 **instructions as to how to trace these numbers, separately for pension and OPEB, to**
4 **reports and documents dealing specifically with their derivation.**

5
6 A. The pension expense included in the 2010 Test Year is \$5,701,000. The increase in
7 OPEBs expense resulting from the Company's OPEB proposals is \$5,930,000.
8

9 ***2010 Forecast Pension Expense***

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11 The 2010 pension expense is shown in Tables 3-4 and 3-13 of Newfoundland Power's
12 filed evidence. It is also shown on line 6 of Exhibit 7, 2010 Revenue Requirements.
13

14 Newfoundland Power maintains both defined benefit and defined contribution pension
15 plans for its employees. Table 1 shows the 2010 forecast pension expense broken out
16 between the defined benefit pension plans and the defined contribution pension plans.
17
18

Table 1
2010 Forecast Pension Expense
(\$000s)

Defined Benefit Plans	4,586 ¹
Defined Contribution Plans	1,115 ²
Total	5,701

19
20
21 Newfoundland Power's defined benefit plans consist of a funded defined benefit plan and
22 an unfunded pension uniformity plan ("PUP"). Both defined benefit plans are closed to
23 new entrants. Pension expense projections for the defined benefit plans are completed by
24 Newfoundland Power's actuaries. The 2010 expense projections for the defined benefit
25 plan and the PUP have been included as Attachments A and B, respectively.

¹ From Table 2.

² Includes both individual and group registered retirement savings plans and supplementary employee retirement plan.

Table 2 shows the breakdown of the 2010 forecast defined benefit pension expense.

Table 2
2010 Defined Benefit Pension Expense
(\$000s)

Defined Benefit Plan	4,424 ³
PUP Plan	202 ⁴
Pension Plan Recoveries	(40)
Total	4,586

2010 Forecast OPEB Expense

The OPEB expense and associated revenue requirement impacts are detailed in the 'Report on Other Post Employment Benefits' filed in *Volume 2: Supporting Materials, Tab 4* of Newfoundland Power's filed evidence. The 2010 forecast increase in OPEB expense, resulting from the Company's proposals, are shown in Exhibit 7 (line 7) of Newfoundland Power's filed evidence.

The OPEBs 2010 forecast expense projections were prepared by the actuary and are provided in Attachment C.

Table 3 shows the calculation of the 2010 forecast increase in OPEB expense of \$5,930,000 based upon the Company's proposal to adopt the accrual method of accounting for OPEB costs.

Table 3
Forecast increase in 2010 OPEB Expense
(\$000s)

OPEB Costs – Accrual Method	7,414 ⁵
Less: OPEB Costs – Cash Method	1,197 ⁶
Subtotal	6,217
Allocation to Capital and Recoveries	(287)
Net Increase in OPEB Expense	5,930

³ Projected 2010 expense from Attachment A.

⁴ Projected 2010 expense from Attachment B.

⁵ See Attachment C, net expense 2010 projection.

⁶ Based upon the Company's current method of accounting for OPEB costs.

Cost Projections for the Defined Benefit Plan

Newfoundland Power Inc. Retirement Income Plan

Projected Pension Expense Estimates to 2013 -status quo with assumptions as per December 31, 2008 disclosures

Year	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Change in benefit obligation									
Benefit obligation - end of prior period	182,960,711	226,724,493	239,175,804	235,476,644	190,390,811	195,044,873	199,965,427	205,403,384	211,402,739
Current service cost (employer)	2,455,628	3,361,972	3,781,000	3,651,000	2,134,000	2,219,000	2,308,000	2,400,000	2,496,000
Interest cost	11,716,952	11,769,386	12,367,785	12,739,985	13,923,289	14,277,481	14,651,885	15,065,282	15,521,008
Employee contributions	1,220,672	1,216,062	1,215,596	1,193,121	1,298,000	1,350,000	1,404,000	1,460,000	1,518,000
Plan amendments	11,276,828	3,076,700	0	0	0	0	0	0	0
Benefits paid	-12,217,932	-12,294,887	-12,596,098	-12,925,927	-12,925,927	-12,925,927	-12,925,927	-12,925,927	-12,925,927
Net transfer in (out)	-1,139,800	0	0	0	0	0	0	0	0
Special termination benefits	0	349,227	0	0	0	0	0	0	0
Actuarial loss (gain)	30,451,434	4,972,851	-8,467,443	-49,744,012	224,700	0	0	0	0
Benefit obligation - end	226,724,493	239,175,804	235,476,644	190,390,811	195,044,873	199,965,427	205,403,384	211,402,739	218,011,820
Change in plan assets									
Market value of plan assets - end of prior period	197,905,972	223,369,528	250,226,155	259,730,475	212,599,337	220,482,696	229,109,365	238,538,622	248,834,926
Actual return on plan assets	27,024,287	27,024,452	9,979,871	-40,823,332	14,645,286	15,203,596	15,814,183	16,481,231	17,209,252
Employer contributions	10,576,329	10,911,000	10,904,951	5,425,000	4,866,000	4,999,000	5,137,000	5,281,000	5,431,000
Employee contributions	1,220,672	1,216,062	1,215,596	1,193,121	1,298,000	1,350,000	1,404,000	1,460,000	1,518,000
Benefits paid	-12,217,932	-12,294,887	-12,596,098	-12,925,927	-12,925,927	-12,925,927	-12,925,927	-12,925,927	-12,925,927
Net transfer in (out)	-1,139,800	0	0	0	0	0	0	0	0
Market value of plan assets - end	223,369,528	250,226,155	259,730,475	212,599,337	220,482,696	229,109,365	238,538,622	248,834,926	260,067,251
Reconciliation of funded status									
Benefit obligation - end	226,724,493	239,175,804	235,476,644	190,390,811	195,044,873	199,965,427	205,403,384	211,402,739	218,011,820
Market value of plan assets - end	223,369,528	250,226,155	259,730,475	212,599,337	220,482,696	229,109,365	238,538,622	248,834,926	260,067,251
Funded status - surplus (deficit)	-3,354,965	11,050,351	24,253,831	22,208,526	25,437,823	29,143,938	33,135,238	37,432,187	42,055,431
Employer contributions after measurement date	0	0	0	0	0	0	0	0	0
Unamortized transitional obligation (asset)	15,445,073	14,157,984	12,870,894	11,583,805	10,296,715	9,009,626	7,722,537	6,435,447	5,148,358
Unamortized past service costs	10,840,395	12,560,519	11,097,850	9,635,181	8,254,383	6,914,514	5,574,645	4,234,776	2,894,907
Unamortized net actuarial loss (gain)	62,068,947	52,352,814	48,431,707	56,768,457	59,733,780	59,229,841	55,144,896	51,167,256	47,321,560
Accrued benefit asset (liability)	84,999,450	90,121,668	96,654,282	100,195,969	103,722,702	104,297,920	101,577,314	99,269,666	97,420,255
Unamortized transitional increase (decrease) in valuation allowance	0	0	0	0	0	0	0	0	0
Valuation allowance	0	0	0	0	0	0	0	0	0
Accrued benefit asset (liability), net of valuation allowance	84,999,450	90,121,668	96,654,282	100,195,969	103,722,702	104,297,920	101,577,314	99,269,666	97,420,255
Components of expense									
Current service cost (including provision for plan expenses)	2,455,628	3,361,972	3,781,000	3,651,000	2,134,000	2,219,000	2,308,000	2,400,000	2,496,000
Interest cost	11,716,952	11,769,386	12,367,785	12,739,985	13,923,289	14,277,481	14,651,885	15,065,282	15,521,008
Expected return on plan assets	-14,159,556	-15,790,240	-17,693,936	-19,168,558	-17,385,909	-16,417,713	-15,664,008	-16,325,125	-17,046,664
Amortization of transitional obligation (asset)	1,287,089	1,287,089	1,287,089	1,287,089	1,287,089	1,287,089	1,287,089	1,287,089	1,287,089
Amortization of past service costs	968,562	1,356,576	1,462,669	1,462,669	1,380,798	1,339,869	1,339,869	1,339,869	1,339,869
Amortization of net actuarial loss (gain)	2,316,366	3,454,771	3,167,731	1,911,127	0	1,718,055	3,934,771	3,821,533	3,683,107
Increase (decrease) in valuation allowance	0	0	0	0	0	0	0	0	0
Special termination benefits	0	349,227	0	0	0	0	0	0	0
Net expense (income)	4,585,041	5,788,781	4,372,338	1,883,313	1,339,267	4,423,782	7,857,606	7,588,648	7,280,410
Assumptions									
At beginning of period									
Discount rate	6.25%	5.25%	5.25%	5.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expected rate of return on plan assets	7.50%	7.50%	7.50%	7.50%	7.00%	7.00%	7.00%	7.00%	7.00%
At end of period									
Discount rate	5.25%	5.25%	5.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Schedule of Amortization of net actuarial loss/(gain)									
At end of period									
Market Related Value (MRV) of assets	210,944,466	236,087,093	258,534,324	251,751,098	237,827,216	226,964,009	236,308,528	246,512,228	257,643,454
Unamortized actuarial loss/(gain) based on MRV	74,494,009	66,491,876	49,627,858	17,616,696	42,389,260	61,375,197	57,374,990	53,489,954	49,745,357
For following year									
10% Corridor	22,672,449	23,917,580	25,853,432	25,175,110	23,782,722	22,696,401	23,630,853	24,651,223	25,764,345
EARSL	15.0	13.4	12.4	11.4	10.8	9.8	8.8	7.8	6.8
Amortization	3,454,771	3,167,730	1,911,127	-	1,718,055	3,934,771	3,821,533	3,683,107	3,511,129

Cost Projections for the PUP Plan

Newfoundland Power Inc. PUP

Projected Pension Expense Estimates to 2013 -status quo with assumptions as per December 31, 2008 disclosures

Year	Actual 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Change in benefit obligation						
Benefit obligation - end of prior period	2,558,073	2,168,769	2,108,170	2,043,026	1,972,997	1,897,715
Current service cost (employer)	0	0	0	0	0	0
Interest cost	134,776	154,588	150,043	145,157	139,905	134,259
Employee contributions	0	0	0	0	0	0
Plan amendments	0	0	0	0	0	0
Benefits paid	-215,187	-215,187	-215,187	-215,187	-215,187	-215,187
Net transfer in (out)	0	0	0	0	0	0
Acquisitions (divestitures)	0	0	0	0	0	0
Increase (decrease) in obligation due to curtailment	0	0	0	0	0	0
Obligation being settled	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0
Actuarial loss (gain)	-308,893	0	0	0	0	0
Benefit obligation - end	2,168,769	2,108,170	2,043,026	1,972,997	1,897,715	1,816,787
Change in plan assets						
Market value of plan assets - end of prior period	0	0	0	0	0	0
Actual return on plan assets	0	0	0	0	0	0
Employer contributions	215,187	215,187	215,187	215,187	215,187	215,187
Employee contributions	0	0	0	0	0	0
Benefits paid	-215,187	-215,187	-215,187	-215,187	-215,187	-215,187
Surplus paid out to employer	0	0	0	0	0	0
Settlement payments	0	0	0	0	0	0
Net transfer in (out)	0	0	0	0	0	0
Acquisitions (divestitures)	0	0	0	0	0	0
Actual plan expenses	0	0	0	0	0	0
Market value of plan assets - end	0	0	0	0	0	0
Reconciliation of funded status						
Benefit obligation - end	2,168,769	2,108,170	2,043,026	1,972,997	1,897,715	1,816,787
Market value of plan assets - end	0	0	0	0	0	0
Funded status - surplus (deficit)	-2,168,769	-2,108,170	-2,043,026	-1,972,997	-1,897,715	-1,816,787
Employer contributions after measurement date	0	0	0	0	0	0
Unamortized transitional obligation (asset)	419,183	372,607	326,031	279,455	232,879	186,303
Unamortized past service costs	1,035	951	867	783	699	615
Unamortized net actuarial loss (gain)	268,977	264,422	259,288	253,463	246,809	239,142
Accrued benefit asset (liability)	-1,479,575	-1,470,190	-1,456,841	-1,439,296	-1,417,328	-1,390,726
Unamortized transitional increase (decrease) in valuation	0	0	0	0	0	0
Valuation allowance	0	0	0	0	0	0
Accrued benefit asset (liability), net of valuation allowance	-1,479,575	-1,470,190	-1,456,841	-1,439,296	-1,417,328	-1,390,726
Components of expense						
Current service cost (including provision for plan expenses)	0	0	0	0	0	0
Interest cost	134,776	154,588	150,043	145,157	139,905	134,259
Expected return on plan assets	0	0	0	0	0	0
Amortization of transitional obligation (asset)	46,576	46,576	46,576	46,576	46,576	46,576
Amortization of past service costs	84	84	84	84	84	84
Amortization of net actuarial loss (gain)	28,152	4,554	5,135	5,825	6,654	7,666
Curtailment loss (gain)	0	0	0	0	0	0
Settlement loss (gain)	0	0	0	0	0	0
Amortization of transitional increase (decrease) in VA	0	0	0	0	0	0
Increase (decrease) in valuation allowance	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0
Net expense (income)	209,588	205,802	201,838	197,642	193,219	188,585
Assumptions						
At beginning of period						
Discount rate	5.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expected rate of return on plan assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
At end of period						
Discount rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

OPEBs Cost Projections

Post-Retirement Benefits For Newfoundland Power Inc. (7.50%)

	Actual	Actual	Projected	Projected	Projected	Projected	Projected
Period	1	2	3	4	5	6	7
Year	2007	2008	2009	2010	2011	2012	2013
From	2007/01/01	2008/01/01	2009/01/01	2010/01/01	2011/01/01	2012/01/01	2013/01/01
To	2007/12/31	2008/12/31	2009/12/31	2010/12/31	2011/12/31	2012/12/31	2013/12/31

Change in benefit obligation

Change in benefit obligation							
Benefit obligation - end of prior period	69,804,000	70,411,000	59,636,000	64,162,000	68,323,000	72,990,000	77,268,000
Current service cost (employer)	1,412,000	1,384,000	1,030,000	1,074,000	1,132,000	1,180,000	1,230,000
Interest cost	3,698,000	3,901,000	4,536,000	4,827,000	5,163,000	5,474,000	5,781,000
Employee contributions	0	0	0	0	0	0	0
Plan amendments	0	0	671,000	0	402,000	0	0
Benefits paid	-1,120,000	-1,175,000	-2,011,000	-1,740,000	-2,030,000	-2,376,000	-2,825,000
Net transfer in (out)	0	0	0	0	0	0	0
Acquisitions (divestitures)	0	0	0	0	0	0	0
Increase (decrease) in obligation due to curtailment	0	0	0	0	0	0	0
Obligation being settled	0	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0	0
Actuarial loss (gain)	-3,383,000	-14,885,000	300,000	0	0	0	0
Benefit obligation - end	70,411,000	59,636,000	64,162,000	68,323,000	72,990,000	77,268,000	81,454,000

Change in plan assets

Market value of plan assets - end of prior period	0	0	0	0	0	0	0
Actual return on plan assets	0	0	0	0	0	0	0
Employer contributions	1,545,000	1,175,000	2,011,000	1,740,000	2,030,000	2,376,000	2,825,000
Employee contributions	0	0	0	0	0	0	0
Benefits paid	-1,545,000	-1,175,000	-2,011,000	-1,740,000	-2,030,000	-2,376,000	-2,825,000
Surplus paid out to employer	0	0	0	0	0	0	0
Settlement payments	0	0	0	0	0	0	0
Net transfer in (out)	0	0	0	0	0	0	0
Acquisitions (divestitures)	0	0	0	0	0	0	0
Actual plan expenses	0	0	0	0	0	0	0
Market value of plan assets - end	0	0	0	0	0	0	0

Reconciliation of funded status

Benefit obligation - end	70,411,000	59,636,000	64,162,000	68,323,000	72,990,000	77,268,000	81,454,000
Market value of plan assets - end	0	0	0	0	0	0	0
Funded status - surplus (deficit)	-70,411,000	-59,636,000	-64,162,000	-68,323,000	-72,990,000	-77,268,000	-81,454,000
Employer contributions after measurement date	0	0	0	0	0	0	0
Unamortized transitional obligation (asset)	13,713,000	12,285,000	10,857,000	9,429,000	8,001,000	6,573,000	5,145,000
Unamortized past service costs	0	0	595,000	519,000	799,000	677,000	555,000
Unamortized net actuarial loss (gain)	22,171,000	6,277,000	6,538,000	6,529,000	6,529,000	6,529,000	6,529,000
Accrued benefit asset (liability)	-34,527,000	-41,074,000	-46,172,000	-51,846,000	-57,661,000	-63,489,000	-69,225,000
Unamortized transitional increase (decrease)	0	0	0	0	0	0	0
Valuation allowance	0	0	0	0	0	0	0
Accrued benefit asset (liability), net of valuation allowance	-34,527,000	-41,074,000	-46,172,000	-51,846,000	-57,661,000	-63,489,000	-69,225,000

Components of expense

Current service cost (including provision for plan expenses)	1,412,000	1,384,000	1,030,000	1,074,000	1,132,000	1,180,000	1,230,000
Interest cost	3,698,000	3,901,000	4,536,000	4,827,000	5,163,000	5,474,000	5,781,000
Expected return on plan assets	0	0	0	0	0	0	0
Amortization of transitional obligation (asset)	1,428,000	1,428,000	1,428,000	1,428,000	1,428,000	1,428,000	1,428,000
Amortization of past service costs	0	0	76,000	76,000	122,000	122,000	122,000
Amortization of net actuarial loss (gain)	1,327,000	1,009,000	39,000	9,000	0	0	0
Curtailment loss (gain)	0	0	0	0	0	0	0
Settlement loss (gain)	0	0	0	0	0	0	0
Amortization of transitional increase (decrease) in VA	0	0	0	0	0	0	0
Increase (decrease) in valuation allowance	0	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0	0
Net expense (income)	7,865,000	7,722,000	7,109,000	7,414,000	7,845,000	8,204,000	8,561,000

Assumptions

[illegible]