Q. In reply to CA-NP-322 in the 2008 GRA, NP made reference to a 2006 Newfoundland Power Benefits Presentation which was presented to its employees in 2006. At page 8 of the presentation, it states under "Cost Sharing":

"· Employees/Early retirees (under age 65) are cost shared 50/50 with company (except optional insurances)
· We allocate your 50% in the most tax effective way
· Optional insurances are 100% employee paid"

(a) Please explain what is meant by the statement, "We allocate your 50% in the most tax effective way."

(b) For how long has NP been cost sharing benefits on 50/50 basis with Employees/Early retirees (under age 65)?

(c) How long has NP been paying the full cost of benefit for retirees 65 years and older and how did this arrangement arise and by what agreement or arrangement does it continue to exist?

(d) How does NP's practice of not requiring retirees (who are age 65 and older) to contribute to insurance premiums compare to:

(i) NLH's policy
(ii) Provincial Government's Policy
(iii) Other Utilities' policies including Fortis Inc. affiliates?
(iv) group benefit plans generally which are currently in place in Canada.

A. (a) The Company and employees each contribute 50% of the cost of benefits premiums, with the employees' share of the contribution being first applied to long-term disability ("LTD") premiums. When employees pay their own LTD premiums, the subsequent payment of LTD benefits is non-taxable. If the LTD premium was funded from the Company share of the premium contribution, the recipient's LTD benefits would be taxable. This funding approach is favourable to the employee, and imposes no additional cost on the Company.

(b) < > Newfoundland Power has been cost-sharing benefits with employees and early retirees under age 65 since 1991. The cost-sharing arrangement was phased in over four years as per Table 1 below.

Table 1
Employees and Early Retirees under age 65
Benefit Cost-Sharing Arrangement 1991-1994

	Employer Paid (%)	Employee Paid (%)
1991	39	61
1992	43	57
1993	47	53
1994	50	50

(c) Newfoundland Power has been paying the full cost of benefits for retirees over the age of 65 since the inception of the Company's Retirement Income Plan in April 1984. The arrangement exists in the context of a retiree benefits program that is subject to an individual annual cap of $5,000.

(d) (i) Newfoundland and Labrador Hydro ("Hydro") cost-shares benefits on a 50/50 basis with retirees. There is no annual cap on retirees' benefits.

(ii) Government of Newfoundland and Labrador cost-shares benefits on a 50/50 basis with retirees. There is no annual cap on retirees' benefits.

(iii) With the exception of Newfoundland and Labrador Hydro, Newfoundland Power does not have information on other utilities' policies with respect to the funding of retirees' benefits premiums.

(iv) Newfoundland Power does not have current information regarding the funding of retirees' benefits premiums generally in Canada. According to information obtained by the Company in 2005, retiree benefits coverage is not as significant an issue in the other Atlantic Provinces, as the various provincial health plans provide prescription drugs coverage for seniors over age 65. In Newfoundland and Labrador, such coverage is subject to a means test.