

Q. Reference: The Settlement Agreement for the Proposed Resolution of Certain Issues Arising from the Application (Settlement Agreement) dated 23 September.

(a) Please re-produce Table 3 - 10 of the Amended Application but add a column showing Credit Metrics reflecting the effects of the establishment of the Pension Expense Variance Deferral Account as per the Settlement Agreement.

(b) Next, please re-produce Table 3 - 8 of the Amended Application but add a column showing the Credit Metrics showing all effects of the Settlement Agreement.

A. (a) Table 1 reproduces Table 3-10 of the Amended Application adding a column, labeled 2010P, which shows the pro-forma credit metrics reflecting the effects of the establishment of the Pension Expense Variance Deferral Account agreed in the Settlement Agreement.

Table 1
Credit Metrics: 2007 to 2010P

	2007	2008	2009F	2010E	2010P
Pre-tax Interest Coverage (times)	2.2	2.5	2.3	2.0	2.0
Cash Flow Interest Coverage (times)	2.6	3.1	3.1	2.8	2.8
Cash Flow Debt Coverage (%)	12.6	15.8	15.4	13.1	13.1

The Pension Expense Variance Deferral Account agreed in the Settlement Agreement is effective January 1, 2010. Accordingly, it will operate to true up actual 2010 defined benefit pension expense (which will be known in early 2010) to account for variations from the expense included in the 2010 test year. As no such variations are foreseeable at this time, there is no change in the 2010 credit metrics which results from the establishment of the Pension Expense Variance Deferral Account.

- (b) Table 3-8 of the Amended Application does not show credit metrics. Table 2 reproduces Table 3-10 of the Amended Application adding a column, labelled 2010P, which shows the pro-forma credit metrics reflecting all effects of the Settlement Agreement.

Table 2
Credit Metrics: 2007 to 2010P

	2007	2008	2009F	2010E	2010P
Pre-tax Interest Coverage (times)	2.2	2.5	2.3	2.0	2.0
Cash Flow Interest Coverage (times)	2.6	3.1	3.1	2.8	2.8
Cash Flow Debt Coverage (%)	12.6	15.8	15.4	13.1	13.2

The Settlement Agreement has only one financial impact on Newfoundland Power's 2010E forecast financial results. The agreement on the four year recovery of approximately \$1.5 million in 2009 Conservation Program Portfolio costs increases 2010 revenue from rates by \$379,000. This effectively reduces Newfoundland Power's financing requirements in 2010. The reduction in finance costs reflects the fact that the Company will be receiving revenue in 2010 in respect of a non-cash 2010 cost. The 2009 Conservation Program Portfolio costs will be incurred in 2009.