

Q. Background preparation page 3

Mr. Cicchetti indicated that he reviewed a large amount of material prior to preparing his report, please

a. Indicate the set of documents he reviewed to indicate the current state of the economic and financial environment in Canada.

b. Please indicate what documents he reviewed to indicate the current state of power markets in Canada and the US and explain in detail their implications for Newfoundland Power.

c. Please indicate what documents he reviewed to understand the financial characteristics of Newfoundland Power and what is important for investors, both debt and equity.

d. Please indicate on what basis he understands his cost of equity estimation techniques to be "conventional."

e. Please indicate given the date on which his report was filed whether or not Mr. Cicchetti was aware that Moody's just upgraded Newfoundland Power by two notches. If he was, why is this not mentioned in his report; if he was not how does this alter his conclusion in terms of the need to dramatically increase the allowed ROE?

A. (a.) Bank of Canada Monetary Policy Reports, Conference Board of Canada Provincial Outlooks, Consensus Forecasts, Blue Chip Economic Forecasts, Blue Chip Financial Forecasts, Value Line Ratings and Reports, ScotiaBank Global Economic Research.

(b.) Conference Board of Canada, Electricity Restructuring: Opening Power Markets, 2007 Newfoundland and Labrador Energy Plan, Standard & Poor's Industry Report Card, Value Line Ratings and Reports, Fitch Ratings, U.S. Utilities, Power and Gas, 2009 Outlook, Allowed Return on Equity in Canada and the United States, An Economic, Financial and Institutional Analysis, National Economic Research Associates, Inc., various rating agency and investment research reports.

- 1 Understanding the dynamics of the industry in which the Company
2 operates is crucial to analyzing the risks facing the company relative to
3 comparable companies and to determining the Company's required rate of
4 return.
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- 6 (c.) Newfoundland Power Inc. annual and quarterly reports, Moody's
7 Investment research report, DBRS Rating Report-Newfoundland Power,
8 DBRS Rating Report-Fortis Inc, the Company's 2010 GRA filing.
9
- 10 (d.) Training, education and experience.
11
- 12 (e.) August 17, 2009. Mr. Cicchetti was not aware that Moody's upgraded its
13 rating on Newfoundland Power's first mortgage bonds just prior to the
14 filing of his testimony. The upgrade does not change the applicability of
15 Mr. Cicchetti's analysis or his recommendation.