

**Q. Re: Industry Overview**

**Mr. Cicchetti makes a number of statements without any supporting documentation, please:**

- a. Provide an analysis of the price behavior of Canadian utility stocks relative to the stock market in general over the last two years and indicate whether he regards anything as anomalous;**
- b. Please indicate whether he believes that Newfoundland Power is affected by volatile fuel prices and if so how. In particular please graph Newfoundland Power's fuel prices on a monthly basis for the last five years against the AECO price for natural gas and comment on which he regards as riskier.**
- c. Please indicate Newfoundland Power's increasing infrastructure and environmental requirements, the documentary support for his conclusion and how they have affected his recommendations since they stem from US utilities.**
- d. Mr. Cicchetti claims that Newfoundland Power has suffered declining sales. Please provide the company's sales on an annual basis for the last ten years. Also please confirm that Newfoundland Power is regulated on a cost of service basis and its revenue requirement is determined by the Board of Commissioners.**
- e. Further to d) if Newfoundland Power is a stable utility experiencing no growth, since many of its costs are fixed in nominal dollars can Mr. Cicchetti confirm that its sales growth rate will be less than the rate of inflation and may in fact decline?**

**A. (a.) Both the S&P Capped Utilities Index and the S&P/TSE Index have lost approximately 20 percent over the past two years.**

**(b.) Newfoundland Power can be affected by volatile fuel prices through the costs incurred by Newfoundland and Labrador Hydro. Graphing Newfoundland Power's fuel prices on a monthly basis against the AECO price for natural gas is voluminous and overly burdensome.**

**(c.) Mr. Cicchetti's references to increasing infrastructure and environmental requirements were regarding his industry overview. Newfoundland Power expects approximately \$62 million in capital expenditures in 2009.**

- 1           (d.)   Mr. Cicchetti did not state that Newfoundland Power suffered declining  
2                   sales. It is confirmed that Newfoundland Power is regulated on a cost of  
3                   service basis and its revenue requirement is determined by the Board of  
4                   Commissioners.  
5  
6           (e.)   Mr. Cicchetti cannot confirm that Newfoundland Power's sales growth  
7                   will be less than inflation or will decline.