

VIA E-MAIL

September 24, 2010

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Board Secretary

Ladies & Gentlemen:

Re: Newfoundland Power's Comprehensive Proposal on Other Post Employment Benefits (the "Application")

Newfoundland Power has reviewed the letter from the Consumer Advocate dated September 17, 2010 relative to the scope of the Application.

In compliance with Order No. P.U. 43 (2009) (the "Order"), the Application proposes that Newfoundland Power adopt the accrual method of accounting for other post employment benefits ("OPEBs") costs effective January 1, 2011, and includes proposals for a deferral mechanism to capture annual variances arising from changes in the discount rate and other assumptions, as well as a recommendation for the recovery of the transitional balance.

It is the Consumer Advocate's submission that the Board's consideration of the Application should include an examination of the reasonableness of recent changes in the Company's OPEBs benefits, and the appropriateness of including the associated costs in rates.

Typically, the Company's forecast costs of providing service, including OPEBs costs, would be tested in a general rate proceeding, in the context of overall changes in the cost of service. Newfoundland Power's OPEBs costs were considered most recently in the Company's 2010 general rate proceeding.

The changes arising from the Company's subsequent review of OPEBs benefits have resulted in forecast reductions of approximately \$2.5 million in the Company's annual OPEBs costs under the accrual method, and in the range of \$15 to \$17 million in the transitional obligation. Those reductions are fully reflected in the Application. The Application filing does not specifically address the reasonableness of the Company's OPEBs costs.



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Should the Board determine that its consideration of the Application requires a detailed examination of the reasonableness of the Company's OPEBs costs at this time, it may be necessary for Newfoundland Power to file additional evidence, including expert evidence.

If the Board approves the Application, a rate change effective January 1, 2011 will be required. A January 1st rate change would practically require that an order approving revised rates be issued in the early part of December. Newfoundland Power is prepared to meet with Board staff and the Consumer Advocate at the earliest opportunity, once the scope of the proceeding has been settled, to consider how this timetable may be achieved in the most orderly and efficient way.

Yours very truly,



Gerard M. Hayes
Senior Counsel

Enclosures

c. Mr. Thomas Johnson
Consumer Advocate

Mr. Geoff Young
Newfoundland & Labrador Hydro



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