

IN THE MATTER OF the *Public Utilities Act*,
R.S.N.L. 1990, Chapter P-47, as amended (the
“Act”); and

IN THE MATTER OF an application for the
2011 adoption of accrual accounting for other
post employment benefit costs for
Newfoundland Power Inc. (“Newfoundland
Power”)

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-NP-01 TO CA-NP-11

Issued: October 29, 2010

1 CA-NP-01 Reference: section 3.1 OPEBs Costs Overview

2 Section 3.1 states that the OPEB’s “obligation will change over time as a
3 result of four principal factors.” The four factors are identified in the
4 subsequent paragraph. Please confirm that NP will determine annually its
5 accrued obligation based on the then current Plan benefits, and the current
6 assumptions including the discount rate. If this is not correct, please explain.

7 CA-NP-02 Reference: section 3.1 OPEBs Costs Overview

8 Please confirm that the accrued obligation could either increase or decrease
9 from one year to the next, due to changes in Plan benefits, the level of actual
10 benefit claims, the discount rate or other actuarial assumptions. If this is not

1 correct, please explain.

2 CA-NP-03 Reference: section 3.1 OPEBs Costs Overview

3 Please confirm that under the Cash Method there is no cash or accounting
4 “reserve” that is available to pay the cost of future obligations. If this is not
5 correct, please explain.

6 CA-NP-04 Reference: section 3.1 OPEBs Costs Overview

7 Please confirm that under the Accrual Method as proposed by NP, a reserve
8 will be built up over time where the annual additions to the reserve will be
9 equal to the difference between (i) the total OPEBs costs recovered in rates
10 (OPEBs accrual plus amortization of regulatory asset plus rate base effect)
11 and (ii) the cash payment of benefits in the year. This amount will be the
12 difference between the amount collected from customers in rates and the
13 actual costs incurred for OPEBs. If this is not correct, please explain.

14 CA-NP-05 Reference: section 3.1 OPEBs Costs Overview

15 Please confirm that the Transitional Amount (Regulatory Asset) is equal to
16 the value of the reserve that would currently exist if the Accrual Method had
17 been used in the past. If this is not correct, please explain.

18 CA-NP-06 Reference: section 3.1 OPEBs Costs Overview

19 Please confirm that the value of the Regulatory Asset will change from year

1 to year not only due to the amortization amount, but also due to the other
2 factors that affect the accrued obligation. For example, if the benefits were
3 reduced in a future year or the discount rate were to increase, the value of the
4 Regulatory Asset that remains to be amortized would decline by a
5 corresponding amount. If this is correct, please explain the proposed method
6 for adjusting the amortization of the Regulatory Asset in response to changes
7 in the value of the Regulatory Asset.

8 CA-NP-07 Reference: Section 4.0 Cost Recovery Alternatives

9 Section 4.2 describes two amortization methods: Straight-line and Mortgage.
10 Please confirm that under both of these amortization methods, the OPEBs
11 reserve, which will be zero at the time of the move to the Accrual Method,
12 will be equal to the accrued obligation at the end of the amortization time
13 (whatever term is approved by the Board). If this is not correct, please
14 explain.

15 CA-NP-08 Reference: Section 4.0 Cost Recovery Alternatives

16 Please comment on the advantages and disadvantages of a third option:
17 Determining on an annual basis the current value of the accrued OPEBs
18 obligation, the accumulated reserve and the shortfall in the reserve, and then
19 defining the total OPEBs cost to be included in rates as:

20
$$(O - R)/N$$

21 where:

22 O is the current OPEBs obligation,

1 R is the current reserve (accumulated excess in OPEBs costs recovered in
2 rates minus actual cash OPEBs costs, and

3 N is the number of years remaining in the amortization term.

4 Under this option, the rate base effect could be addressed by treating the
5 accumulated reserve as an offset to rate base directly.

6 CA-NP-09 Reference: Section 4.0 Cost Recovery Alternatives

7 Please confirm that the option outlined in CA-NP-08 would (i) eliminate the
8 need for the OPEBs Cost Variance Deferral Account, (ii) would smooth the
9 impact of changes in Plan benefits and actuarial assumptions that would
10 affect both the Regulatory Asset and the value of the annual accrual of
11 OPEBs costs. If this is not correct, please explain.

12 CA-NP-10 Reference: Section 4.0 Cost Recovery Alternatives

13 Please provide a table using the structure of Appendix I for a scenario in
14 which Plan benefits are reduced by 30% in 2015 (accrued obligation declines
15 by 30%) and the discount rate increases in 2015 and subsequent years by 2
16 percentage points relative to the discount rate used in Appendix I.

17 CA-NP-11 Reference: Grant Thornton (GT) Report, page 5, lines 15-19.

18 GT comments on a change proposed in a recent IASB exposure draft.

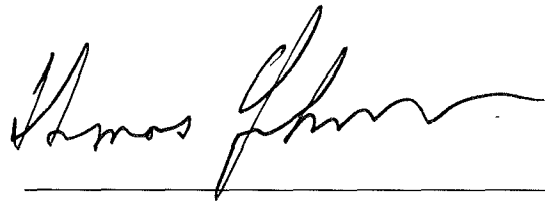
19 a) If unamortized actuarial gains/losses are eliminated, as proposed in
20 the IASB exposure draft, what further changes would NP consider

1 appropriate to the treatment of OPEBs that is proposed in its June 30
2 evidence?

3 b) Please provide details of the impact on the forecast annual cost costs
4 appearing in NP's evidence (Schedule A, Table 2, page 4).

5 c) In the absence of the adoption of this change under IFRS, would NP
6 consider recognizing changes in the estimate of the defined benefit
7 obligation immediately, as opposed to the corridor approach, to be (i)
8 appropriate and/or (ii) acceptable?

DATED at St. John's, in the Province of Newfoundland and Labrador, this 29th day of
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