

1 Q. (Exhibit 8: Intercompany Transaction Costing Guidelines)

2 In the development of its costing guidelines, how did Hydro view the applicability of
3 the rules and principles that the Board has established for Newfoundland Power's
4 inter-corporate transactions?

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7 A. In a letter filed with the Board on November 13, 2008 regarding Newfoundland
8 Power's Inter-Affiliate Code of Conduct, Hydro stated "It should be noted that the
9 organizational structure of Hydro's corporate affiliations differs significantly from
10 that of Newfoundland Power. As a result, an Inter-Affiliate Code of Conduct for
11 Hydro would differ in procedures but remain consistent with the philosophy and
12 principals (*sic*) contained in Newfoundland Power's draft Code of Conduct."

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14 In the development of the Intercompany Transaction Costing Guidelines, Hydro
15 recognized the merits of the rules and principles that the Board has established for
16 Newfoundland Power's inter-corporate transactions, while also considering the
17 significant differences with both the corporate structure, and magnitude of Nalcor's
18 intercompany transactions, versus Newfoundland Power.