

1     **Q.     Re: Non-Regulated Operations Report, Exhibit 7, p. 4,**

2             In the Non-Regulated Operations Report, Exhibit 7, p 4, it states:

3                     7. CONSERVATION DEMAND MANAGEMENT

4                     In accordance with Board Order No. P.U. 7(2008), Hydro and Newfoundland  
5                     Power will undertake energy conservation initiatives. All expenses associated  
6                     with this activity in Labrador West are captured in BU 1949 and are excluded  
7                     from the determination of regulated income. Employees providing services to  
8                     this activity will charge their time in accordance with Nalcor's Intercompany  
9                     Transaction Costing Guidelines as outlined in Exhibit 8.

10            Please explain why CDM expenses in Labrador West are excluded from the  
11            determination of regulated income, and indicate the amount of expenses so  
12            excluded for each year from 2006 through 2013.

13  
14     **A.**     Labrador West CDM expenditures are included in the expenditures for the Labrador  
15             Interconnected System as a whole. Energy savings from CDM expenditures on the  
16             Labrador Interconnected System result in savings of power purchased from CF(L)Co.  
17             These power purchase savings are therefore available for Hydro to sell outside the  
18             province, as export sales. Export sales are not a regulated activity, so the CDM  
19             costs associated with obtaining this additional export power are also considered  
20             unregulated. There were no such costs for 2006 to 2009. The table below shows  
21             the total expenditures for 2010 to the 2013 forecast.

Labrador Interconnected <sup>1</sup> CDM Expenditures	
Year	Expenditures (\$)
2010	89,230
2011	74,293
2012	80,456
2013	195,000

---

<sup>1</sup> The data is not maintained separately for Labrador West and East.