Q. 2013-2014 General Rate Application, Company Evidence

Pgs. 3-27 to 3-28 - Would you characterize Newfoundland Power as having lower regulatory risk compared to other Canadian utilities which may not use approved regulatory accounts to deal with the recovery of employee future benefits?

A. Not necessarily.

For example, Newfoundland Power has material defined benefit pension plan liabilities which, due to current financial market conditions, are volatile. Other utilities may not have material defined benefit pension liabilities. In that case, the absence of an account to recover market driven variations in pension expense would be irrelevant in a *relative* risk assessment. Further, the other utilities may have regulatory accounts that deal with recovery of other costs (like, say, storm restoration costs) that Newfoundland Power does not have. The existence of such other accounts may also affect the relative risk assessment.

Any assessment of the significance of the existence of a particular regulatory account or mechanism should pay due regard to the overall regulatory context of that account or mechanism.