

**Q. Reference: Transcript January 16, 2013
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Please provide the reports from Mercer that provides the proposed 2013 and 2014 test year OPEBs Expense.

A. Attachment A is the actuarial report from Mercer that provides the OPEBs cost used to determine the proposed 2013 and 2014 test year OPEBs Expense.

Table 1 provides the calculation of the proposed 2013 and 2014 test year OPEBs Expense from the information provided by Mercer.

Table 1
Newfoundland Power
Calculation of the 2013 and 2014 test year OPEBs Expense
(\$000)

	2013E	2014E
U.S. GAAP Cost ¹	5,991	5,984
Amortization OPEBs Regulatory Asset ²	4,932	4,932
Less: amount Capitalized ³	<u>(462)</u>	<u>(480)</u>
Total ⁴	10,461	10,436

¹ This is the net periodic benefit cost (income) shown in Attachment A.

² This is the amortization of the regulatory asset associated with the adoption of the accrual method of accounting for OPEBs cost on January 1, 2011 and the regulatory asset associated with the adoption of U.S. GAAP on January 1, 2012. The adoption of the accrual method of accounting for OPEBs cost was approved in Order No. P.U. 31 (2010). The adoption of U.S. GAAP was approved in Order No. P.U. 27 (2011).

³ This is 44% of the current service cost (employer) shown in Attachment A

⁴ See *Volume 1, Application and Company Evidence, Section 3.2.3 Employee Future Benefits*, page 3-9, Table 3-6.

Attachment A

Newfoundland Power Inc.

Year From To	2009 1/1/2009 12/31/2009	2010 1/1/2010 12/31/2010	2011 1/1/2011 12/31/2011	2012 1/1/2012 12/31/2012	2013 1/1/2013 12/31/2013	2014 1/1/2014 12/31/2014	2015 1/1/2015 12/31/2015	2016 1/1/2016 12/31/2016	2017 1/1/2017 12/31/2017
Change in benefit obligation									
Benefit obligation - end of prior period	59,636,000	68,667,000	89,234,000	77,371,000	89,713,000	92,100,000	94,370,000	96,184,000	97,402,000
Current service cost (employer)	1,008,000	1,032,000	889,000	945,000	1,049,000	1,091,000	1,135,000	1,180,000	1,228,000
Interest cost	4,485,000	4,673,000	3,997,000	4,046,000	4,373,000	4,485,000	4,584,000	4,658,000	4,716,000
Employee contributions	0	0	0	0	0	0	0	0	0
Plan amendments	1,004,000	(15,191,000)	464,000	489,000	0	0	0	0	0
Benefits paid	(1,304,000)	(1,696,000)	(2,200,000)	(2,512,000)	(3,035,000)	(3,306,000)	(3,905,000)	(4,620,000)	(4,788,000)
Net transfer in (out)	0	0	0	0	0	0	0	0	0
Acquisitions (divestitures)	0	0	0	0	0	0	0	0	0
Increase (decrease) in obligation due to curtailment	0	0	0	0	0	0	0	0	0
Obligation being settled	0	0	0	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0	0	0	0
Actuarial loss (gain)	4,838,000	10,749,000	4,987,000	9,374,000	0	0	0	0	0
Benefit obligation - end	69,667,000	69,234,000	77,371,000	89,713,000	92,100,000	94,370,000	96,184,000	97,402,000	98,558,000
Change in plan assets									
Market value of plan assets - end of prior period	0	0	0	0	0	0	0	0	0
Adjustment for change in measurement date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual return on plan assets	0	0	0	0	0	0	0	0	0
Employer contributions	1,304,000	1,696,000	2,200,000	2,512,000	3,035,000	3,306,000	3,905,000	4,620,000	4,788,000
Employee contributions	0	0	0	0	0	0	0	0	0
Benefits paid	(1,304,000)	(1,696,000)	(2,200,000)	(2,512,000)	(3,035,000)	(3,306,000)	(3,905,000)	(4,620,000)	(4,788,000)
Actual plan expenses	0	0	0	0	0	0	0	0	0
Market value of plan assets - end	0	0	0	0	0	0	0	0	0
Reconciliation of funded status									
Benefit obligation - end	69,667,000	69,234,000	77,371,000	89,713,000	92,100,000	94,370,000	96,184,000	97,402,000	98,558,000
Market value of plan assets - end	0	0	0	0	0	0	0	0	0
Net asset (liability) amount recognized in statement of financial position	(69,667,000)	(69,234,000)	(77,371,000)	(89,713,000)	(92,100,000)	(94,370,000)	(96,184,000)	(97,402,000)	(98,558,000)
Amounts recognized in the statement of financial position consist of:									
Noncurrent assets	0	0	0	0	0	0	0	0	0
Intangible asset	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current (liabilities)	(1,696,000)	(2,200,000)	(2,512,000)	(3,035,000)	(3,306,000)	(3,905,000)	(4,620,000)	(4,788,000)	(5,047,000)
Noncurrent (liabilities)	(67,971,000)	(67,034,000)	(74,859,000)	(86,678,000)	(88,794,000)	(90,465,000)	(91,564,000)	(92,614,000)	(93,511,000)
Net asset (liability) amount recognized in statement of financial position	(69,667,000)	(69,234,000)	(77,371,000)	(89,713,000)	(92,100,000)	(94,370,000)	(96,184,000)	(97,402,000)	(98,558,000)
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income (AOCl):									
Transitional asset (obligation)	(3,713,000)	(2,285,000)	(857,000)	0	0	0	0	0	0
Past service credit (cost)	(1,004,000)	14,301,000	12,478,000	10,631,000	9,318,000	8,005,000	6,692,000	5,379,000	4,066,000
Net actuarial gain (loss)	(11,093,000)	(21,547,000)	(25,594,000)	(33,816,000)	(31,934,000)	(30,213,000)	(28,639,000)	(27,198,000)	(25,875,000)
Accumulated other comprehensive income (loss) at year-end	(15,810,000)	(8,531,000)	(13,973,000)	(23,185,000)	(22,616,000)	(22,208,000)	(21,947,000)	(21,819,000)	(21,809,000)
Cumulative employer contributions in excess of net periodic benefit cost	(53,857,000)	(59,793,000)	(63,398,000)	(66,528,000)	(69,484,000)	(72,162,000)	(74,237,000)	(75,584,000)	(76,749,000)
Net asset (liability) amount recognized in statement of financial position	(69,667,000)	(69,234,000)	(77,371,000)	(89,713,000)	(92,100,000)	(94,370,000)	(96,184,000)	(97,403,000)	(98,558,000)
Components of net periodic benefit cost									
Current service cost (including provision for plan expenses)	1,008,000	1,032,000	889,000	945,000	1,049,000	1,091,000	1,135,000	1,180,000	1,228,000
Interest cost	4,485,000	4,673,000	3,997,000	4,046,000	4,373,000	4,485,000	4,584,000	4,658,000	4,716,000
Expected return on plan assets	0	0	0	0	0	0	0	0	0
Amortization of transitional obligation (asset)	1,428,000	1,428,000	1,428,000	857,000	0	0	0	0	0
Amortization of past service costs	0	114,000	(1,359,000)	(1,359,000)	(1,313,000)	(1,313,000)	(1,313,000)	(1,313,000)	(1,313,000)
Amortization of net actuarial loss (gain)	22,000	295,000	940,000	1,152,000	1,882,000	1,721,000	1,574,000	1,441,000	1,323,000
Net periodic benefit cost (income)	6,943,000	7,542,000	5,895,000	5,641,000	5,991,000	5,984,000	5,960,000	5,966,000	5,954,000
Other changes recognized in other comprehensive income									
Increase (decrease) in additional minimum liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(Increase) decrease in intangible asset	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transition (asset)/obligation arising during the period	0	0	0	0	0	0	0	0	0
Prior service (credit)/cost arising during the period	1,004,000	(15,191,000)	464,000	489,000	0	0	0	0	0
Net (gain)/loss arising during the period	11,115,000	10,749,000	4,987,000	9,374,000	0	0	0	0	0
Amortization of transitional asset/(obligation)	(1,428,000)	(1,428,000)	(1,428,000)	(857,000)	0	0	0	0	0
Amortization of past service credit/(cost)	0	(114,000)	1,359,000	1,359,000	1,313,000	1,313,000	1,313,000	1,313,000	1,313,000
Amortization of net actuarial gain/(loss)	(22,000)	(295,000)	(940,000)	(1,152,000)	(1,882,000)	(1,721,000)	(1,574,000)	(1,441,000)	(1,323,000)
Total changes recognized in other comprehensive loss (income)	10,669,000	(5,279,000)	4,442,000	9,212,000	(569,000)	(408,000)	(261,000)	(128,000)	(10,000)
Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year									
Transitional obligation (asset)	1,428,000	1,428,000	857,000	0	0	0	0	0	0
Past service cost (credit)	114,000	(1,359,000)	(1,359,000)	(1,313,000)	(1,313,000)	(1,313,000)	(1,313,000)	(1,313,000)	(1,337,000)
Net actuarial loss (gain)	295,000	940,000	1,152,000	1,882,000	1,721,000	1,574,000	1,441,000	1,323,000	1,214,000
Total	1,837,000	1,009,000	650,000	569,000	408,000	261,000	128,000	10,000	(123,000)
Assumptions									
At beginning of period									
Discount rate	7.50%	6.70%	5.75%	5.25%	4.90%	4.90%	4.90%	4.90%	4.90%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care inflation - Select	9.33%	8.09%	7.98%	7.90%	7.62%	7.46%	7.22%	6.92%	6.68%
Health care inflation - Ultimate	4.50%	4.55%	4.55%	4.55%	4.50%	4.50%	4.50%	4.50%	4.50%
Expected rate of return on plan assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
At end of period									
Discount rate	6.70%	5.75%	5.25%	4.90%	4.90%	4.90%	4.90%	4.90%	4.90%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care inflation - Select	8.09%	7.98%	7.90%	7.62%	7.46%	7.22%	6.92%	6.68%	6.42%
Health care inflation - Ultimate	4.55%	4.55%	4.55%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Reconciliation of funded position									
Net accrued benefit asset (liability) at beginning of period	(69,667,000)	(69,234,000)	(77,371,000)	(89,713,000)	(92,100,000)	(94,370,000)	(96,184,000)	(97,402,000)	(98,558,000)
Contributions	-	-	-	-	-	-	-	-	-
Benefits Paid	1,696,000	2,200,000	2,512,000	3,035,000	3,306,000	3,905,000	4,620,000	4,788,000	4,788,000
Expense	(7,542,000)	(5,895,000)	(5,641,000)	(5,991,000)	(5,984,000)	(5,960,000)	(5,966,000)	(5,954,000)	(5,954,000)
OCI change	6,279,000	(4,442,000)	(9,212,000)	569,000	408,000	261,000	128,000	10,000	10,000
Net accrued benefit asset (liability) at end of period	-	(69,234,000)	(77,371,000)	(89,712,000)	(92,100,000)	(94,370,000)	(96,184,000)	(97,402,000)	(98,558,000)
Reconciliation of Accumulated Other Comprehensive Income (Loss) (AOCl)									
AOCl at the end of prior year	(15,810,000)	(8,531,000)	(13,973,000)	(23,185,000)	(22,616,000)	(22,208,000)	(21,947,000)	(21,819,000)	(21,819,000)
Other comprehensive income (loss)	8,279,000	(4,442,000)	(9,212,000)	569,000	408,000	261,000	128,000	10,000	10,000
AOCl at the end of the year	-	(9,551,000)	(13,973,000)	(23,185,000)	(22,616,000)	(22,208,000)	(21,947,000)	(21,819,000)	(21,809,000)