1   Q.   Regarding 'CE 38 MHI-Nalcor-l CPWDetails', insurance expenses for each fixed asset

2   are shown to be constant over the remaining life of the asset. Please describe the

3   insurance Newfoundland Hydro actually arranges for these fixed assets, including

4   the basis for estimating the insurance expense per annum, and whether

5   Newfoundland Hydro self-insures fixed assets or purchases such from an external

6   insurer. Please also illustrate an example using all relevant Expense and Balance

7   Sheet T-accounts affected by the entire annual insurance transaction.

8

9

10   A.   Nalcor purchases property and equipment insurance on all fixed assets (excluding

11   transmission and distribution assets) on a replacement cost basis through the

12   general insurance market. Transmission and distribution assets are self-insured.

13

14   Values on insured assets are escalated annually based on factors contained in

15   Nalcor's annual Inflation and Escalation Forecast. Periodically, third party appraisals

16   are completed on all major assets to verify accuracy of replacement cost values on

17   file with Insurers. Currently, property insurance costs are based on a rate of .03 per

18   one hundred dollars of replacement cost value.

19

20   In the Strategist modeling environment, insurance costs do not impact the CPW

21   difference to any material degree. With this in mind, the inputs for insurance were

22   not recently updated due to time constraints. The following table shows the

23   cumulative present worth for insurance costs as filed in MHI-Nalcor-1.

MHI-Nalcor-1 Insurance Costs CPW ($000)	
Isolated Island	17,776
Labrador Interconnection	2,085
Difference	(15,691)

1

2   If current rates were to be used as the basis for estimating insurance costs, this

3   would reduce the insurance costs reported in MHI-Nalcor-1 by approximately 70%-

4   75%. Even with an adjustment for escalation, this would still not produce a material

5   difference.

6

7   As work progresses on refining estimates, inputs for insurance costs will be revisited

8   and updated as appropriate.