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NEWFOUNDLAND POWER

DIRECT TESTIMONY

Prepared by

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FOSTER ASSOCIATES, INC.

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I. INTRODUCTION AND SUMMARY OF CONCLUSIONS

My name is Kathleen C. McShane and my business address is 4550 Montgomery Avenue, Suite 350N, Bethesda, Maryland 20814. I am President of Foster Associates, Inc., an economic consulting firm. I hold a Masters in Business Administration with a concentration in Finance from the University of Florida (1980) and the Chartered Financial Analyst designation (1989).

I have testified on issues related to cost of capital and various ratemaking issues on behalf of telephone companies, local gas distribution utilities, pipelines, and electric utilities in more than 150 proceedings in Canada and the U.S. My professional experience is provided in Appendix G.

I have been asked by Newfoundland Power Inc. (NP) to evaluate the reasonableness of the proposed capital structure and recommend a fair return on equity for 2008.

My conclusions are summarized below.

CAPITAL STRUCTURE

1. A reasonable capital structure for NP respects the stand-alone principle, is compatible with NP's business risks, and would permit NP to maintain investment grade debt ratings.

2. NP's business risks have not changed materially since the last general rate application (2002), assuming that the proposed amendment to the Rate Stabilization Clause is approved.

3. A debt rating in the A category is a reasonable objective to ensure access to the debt markets to finance capital expenditures, on reasonable terms and conditions, as required. The more limited market for BBB rated debt and lesser ability of

BBB credits to access the long-term (30-year) debt market also support targeting credit ratings in the A category.

4. Based on the views of the debt rating agencies, NP's common equity ratio will need to remain close to the 45% cap that has been previously approved by the PUB in order for the current debt ratings to be maintained.

5. The equity ratios of NP's Canadian peers with debt ratings in the A category support an equity ratio in the upper end of the 40% to 45% range; its U.S. peers' equity ratios support an equity ratio for NP in the 40-55% range.

6. With the repeal of the Foreign Property Rule, the Canadian debt market is increasingly attracting strong foreign issuers with whom Canadian issuers will need to compete for capital. The increasing competition within the Canadian debt market underscores the importance of a strong financial profile.

7. The debt rating agencies consider the current financial structures of Canadian utilities to be weak relative to their global peers.

8. In light of the above factors, a common equity ratio of no less than 45% is warranted for NP.

RETURN ON EQUITY

I recommend that the Board allow a return on equity for NP of 10.25-10.50%. This recommendation reflects the following:

1. The return is based on the results of three tests, equity risk premium, discounted cash flow and comparable earnings, as applied to a benchmark Canadian utility.

2. The equity risk premium results are based on three separate approaches. The equity risk premium test supports the following return:

Risk-Free Rate	4.75-5.0%
Equity Risk Premium	4.25-5.25%
Financing Flexibility Adjustment	0.5%
Return on Equity	9.5-10.75%

3. The discounted cash flow test, applied to a sample of low risk utilities, supports a cost of equity of 8.75%-9.0%. With a 0.50% adjustment for financing flexibility, a fair return based on the DCF test is 9.25-9.5%.

4. The comparable earnings test shows that, based on the achievable earnings rates of low risk competitive non-regulated Canadian firms, a fair return for NP would be approximately 12.5%.

5. With primary weight given to the two capital market tests, equity risk premium and DCF, a fair return for NP is 10.25-10.50%.

6. The returns on equity available to NP's peers (in conjunction with their capital structures) are an important indicator of the financial metrics with which NP competes in the capital markets. Recent equity returns allowed for Canadian utilities (and their allowed common equity ratios) are considered to be low by capital market participants. My 10.25-10.50% recommended return on equity (on a 45% common equity ratio is demonstrably reasonable in light of equity returns and common equity ratios) allowed for NP's U.S. peers.

II. CAPITAL STRUCTURE AND THE FAIR RETURN

My analysis starts with the proposition that the fair return (which in this context encompasses both capital structure and return on equity) for NP should be determined on a stand-alone basis. The stand-alone principle encompasses the notion that the cost of capital incurred by the ratepayers should be equivalent to that which would be faced by the utility raising capital in the public markets on the strength of its own business and financial parameters. Respect for the stand-alone principle is intended to promote efficient allocation of capital resources and avoid cross-subsidies. The stand-alone principle has been respected by virtually every Canadian regulator in setting both regulated capital structures and allowed returns on equity, including the PUB.

The basic principle that underpins the determination of the stand-alone return on equity is that the opportunity cost of capital to a firm, or division of a firm, is a function of its business risks. The financing of the assets with a combination of debt and equity can lower the overall (weighted average) cost of capital, since debt is less expensive than equity, and interest expense is deductible for corporate income tax purposes. However, too much debt will increase the weighted average cost of capital, as the costs of financial distress will outweigh the benefits of additional debt. Two other factors offset some of the advantage of using debt in the capital structure. The first factor is the impact of personal income taxes on interest income. While interest expense is deductible at the corporate level, the corresponding interest income is taxable to individual investors at higher rates than equity income. Second, in the case of utilities, the benefits of the tax deductibility of interest expense flow to ratepayers, not shareholders, as the utility revenue requirement is reduced to reflect the lower tax expense.

In theory, there exists an optimal capital structure, i.e., one that minimizes the overall cost of capital. For tax-paying utilities, the ability to deduct interest expense for tax purposes creates a compelling incentive to pinpoint an optimal capital structure. However, it is not possible to pin-point the optimal capital structure. In practice, there exists a range of capital structures over which the average cost of capital does not change materially. Within this range, an increase in the debt ratio will result in an increase in both the cost of debt and the cost of equity, but the overall cost of capital will not change measurably.

There are effectively two approaches that can be used to determine the fair return on equity. The first is to assess the "subject" utility's business risks, then establish a capital structure that (a) is compatible with its business risks; (b) would permit it to achieve a stand-alone debt rating similar to that of the utilities used as proxies for estimating its cost of equity; and (c) would equate the level of the specific utility's total (business and financial) risk to that of the proxies (or benchmarks) used to estimate a particular utility's cost of equity. This approach permits the application of the proxy utilities' cost of equity to the subject utility without any adjustment to the return on equity.

The second approach entails acceptance of the utility's actual or deemed capital structure for regulatory purposes. The actual or deemed capital structure then becomes the key measure of the utility's financial risks. The utility's level of total risk (business plus financial) is then compared against that faced by the proxy utilities used to estimate the equity return requirement. If the total risk of the proxy utilities is higher or lower than that of the subject utility, an adjustment to their cost of equity would be required when setting the subject utility's allowed return on equity.

Both of these approaches have been taken by regulators in Canada. The first approach was employed by the National Energy Board (NEB) when it established its automatic adjustment mechanism for a number of oil and gas pipelines in 1995. The individual pipelines were deemed capital structure ratios that were intended to compensate for their different levels of business risks, so that a single "benchmark" return on equity could be applied across all of the pipelines. In the years since the multi-pipeline return on equity was adopted, the NEB has changed the allowed capital structure, rather than the allowed return, to recognize changes in business risk. It is also the approach that was adopted by the Alberta Energy and Utilities Board (AEUB) in Decision 2004-052 (July 2, 2004). In that decision, the AEUB set different capital structures for eleven electric and gas distribution and transmission entities, based on their different business risk profiles, and then established a common return on equity to be applied to each of the utilities under its jurisdiction.

In contrast to the NEB and AEUB approach, the British Columbia Utilities Commission has allowed for both different capital structures and different equity risk premiums among the various utilities it regulates. However, it explicitly designates a low risk benchmark utility (Terasen Gas) and a low risk benchmark return on equity.

In my opinion both approaches are valid as long as the combination of capital structure and return on equity for a particular utility reasonably compensates for its business risk relative to that of its peers.

For NP, I have relied on the second approach. Specifically, I analyzed NP's requested forecast capital structure, based on the principles set out in Section III.A. I then determined whether, with the proposed capital structure, NP would face a similar level of investment risk to a benchmark Canadian utility.

III. DETERMINATION OF APPROPRIATE CAPITAL STRUCTURE

A. PRINCIPLES

The following principles should be respected when evaluating and determining what is an appropriate capital structure.

1. The stand-alone principle.
2. Compatibility of capital structure with business risks.
3. Maintenance of creditworthiness/financial integrity.

Each of these principles is defined below.

1. The Stand-Alone Principle: The stand-alone principle encompasses the notion that the cost of capital incurred by the ratepayers should be equivalent to that which would be faced by each division raising capital in the public markets on the strength of its own business and financial parameters. The cost of capital should reflect neither subsidies given to, nor taken from, other activities of the firm. Application of the stand-alone principle to NP means it should be treated as if it were operating as an independent entity. Respect for the stand-alone principle is intended to promote efficient allocation of capital resources among the various activities of the firm.

2. Business Risks: The capital structure should be consistent with the business risks of the specific entity for which the capital structure is being set. The business risks to which investors in a utility are exposed are those that reflect the basic characteristics of the operating environment and regulatory framework of the utility that can lead to the failure to recover a compensatory return on, and/or the return of the capital investment itself.

3. Maintenance of creditworthiness/financial integrity: A reasonable capital structure, in conjunction with the returns allowed on the various sources of capital, should provide the basis for stand-alone investment grade debt ratings, and the benefits of ratings in the A category. The importance of debt ratings in the A category is discussed in detail in Section III.C.

B. BUSINESS RISKS

Business risks have both short-term and longer-term aspects. The capital structure and fair return on equity should reflect both short- and long-term risks. Long-term risks are important because utility assets are long-lived. Because utilities are generally regulated on the basis of annual revenue requirements, there has been a tendency to downplay longer-term risks, essentially on the grounds that the regulatory framework provides the regulator an opportunity to compensate the shareholder for the longer-term risks when they are experienced. This premise may not hold. First, customer resistance may forestall higher return awards when the risk materializes. Second, no regulator can bind his successors and thus guarantee that investors will be compensated for longer-term risks in the event they are incurred in the future.

Business risk encompasses those market demand, supply and regulatory factors that expose the shareholders to the risk of underrecovery of the required return on, and the return of, their capital investment. While different business risk categories can be identified, they are inter-related. The regulatory framework, for example, is generally designed around the inherent market and supply/physical risks.

Market demand risk relates to those factors that can lead to annual volatility in electricity sales or loss of customers or load. It includes market size, economic diversity and strength of the service area, growth potential, concentration of sales, competition with alternative energy sources and weather.

Supply and physical (operating) risks faced by an electric distribution/transmission utility incorporate the risk of underearning due to the inability to deliver electricity, or the inability to recover costs associated with the delivery of electricity. The operating and physical risks of a distribution/ transmission utility are a function of its geography, the age and reliability of its assets, the design of the network (relative to different sources of generation and to the customer load), and the ability to access alternative sources of supply.

The regulatory framework in which a utility operates is frequently viewed as the most significant aspect of risk to which investors in a utility are exposed. The financial community is very conscious of the regulatory environment, as highlighted in reports of both bond rating agencies and investment analysts.

Regulation has the power to expose utilities to enormous risks, by permitting bypass of facilities, disallowing costs, approving rate designs that are tilted against recovery of fixed costs, or returns that do not conform with informed investors' perception of risk. Alternatively, regulation can provide an environment characterized by consistency, and by even-handedness, conducive to continued growth consistent with economic allocation of resources, affording the utility a reasonable opportunity to achieve a fair return. Enlightened regulation will mitigate risks that are substantially beyond management control, and award a return that provides both (1) fair compensation for the risks that are left with management and (2) incentives to achieve (and exceed) the allowed return through continued improvement in productivity.

To assess the business risk of NP, I have reviewed the trends since the PUB issued P.U. 19 (2003) in June 2003. In its decision, the PUB concluded, "The Board does not anticipate a change in the business risk of NP in the foreseeable future and concurs with the assessment of NP and the cost of capital experts that NP is of average business risk compared to other utilities." (p.34) As discussed below, that conclusion remains valid.

As when its business risk was last evaluated by the Board, NP remains a relatively small utility. Its year-end 2006 assets totaled $889 million, with common equity of $336 million. Despite 6% annual growth in assets since year-end 2001, NP is still less than one-third the size of Nova Scotia Power, whose assets are over $3 billion (common equity of $1.1 billion). All other things equal, smaller utilities require a more conservative capital structure than larger ones to achieve and maintain similar debt ratings. Moody's, for example, has referred to NP's small size as a credit challenge (*Credit Opinion, Newfoundland Power Inc*., July 2005).

With respect to its service area, NP's business risk profile is in large part defined by its demographics and growth prospects over the longer term.

1. Real growth in the province from 2001-2005 averaged approximately 4.4%, with material year-to-year differences, ranging from 15.6% in 2002 to -0.9% in 2004.[1] Both pre-operational construction and ramp-ups in production from such mega-projects as Voisey's Bay mine and the offshore oilfield projects (Terra Nova and White Rose) have contributed to a high average level of growth over this period. The significant year-to-year swings in growth are also due to the effects of those projects.

2. In 2006, real GDP growth in Newfoundland & Labrador, at 2.9%, is expected to be among the highest of the provinces, behind Alberta, Manitoba, and British Columbia.[2] However, the 2.9% growth rate represents a significant decline from

[1] Government of Newfoundland and Labrador, Economic Research and Analysis Division, *Selected Economic Indicators.*
[2] Conference Board of Canada, *Provincial Outlook 2007, Long-Term Economic Forecast,* February 2007.

forecasts made earlier in 2006,[3] due primarily to lower than anticipated production at Terra Nova and an extended strike at Voisey's Bay.

Housing starts, which experienced strong growth between 2001 and 2004 (annual rate of 18.4%), declined by 13% in 2005 and are anticipated to decline by almost 12% in 2006.[4] The decline in housing starts, when combined with the completion of mega-projects, will result in lower construction activity in 2006 compared to 2005. The fishery industry continues to be relatively weak, with the impact of a strong Canadian dollar, competition in processing from China, high fuel prices and lower prices for shrimp and crab. In the pulp and paper industry, the closure of the Abitibi Consolidated facilities in Stephenville in late 2005 has also had a negative impact on the economy. Other facilities in the industry are also at risk, largely due to a decline in competitiveness from the high Canadian dollar, whose value relative to the U.S. dollar is (end of February 2007) approximately 37% higher than it was at the end of 2001.

3. Growth in the provincial economy is expected to remain strong in 2007, forecast by both the Provincial Government and the Conference Board of Canada at 5.7%[5], compared to the consensus forecast of 2.3% for Canada.[6] Growth is anticipated to remain stronger than the national average through 2007 due to a rebound in production from Terra Nova following the extended downtime in 2006 and to increased production from both Voisey's Bay and White Rose. In the long run, neither Voisey's Bay nor the offshore oil projects are expected to produce relatively high growth in the province, nor are they expected to have a significant impact on growth within NP's service area.

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[3] In March 2006, the Government of Newfoundland and Labrador forecast that the economy would grow by 6.2% in 2006. Government of Newfoundland and Labrador, *The Economic Review*, October 2006.
[4] Conference Board of Canada, *Provincial Outlook 2006, Long-Term Economic Forecast*, March 2006 and *Provincial Outlook 2007, Long-Term Economic Forecast*, February 2007.
[5] *The Economic Review*, p.2, *Provincial Outlook 2007.*
[6] Consensus Economics, *Consensus Forecasts,* February 12, 2007.

4. From 2008-2030, the Conference Board of Canada expects real annual GDP growth in the province to average only .4%, compared to 2.4% for Canada. Other forecast key economic indicators, compared to those for Canada as a whole, include the following:

Table 1

	Newfoundland and Labrador	Canada
Personal Disposable Income	2.7%	4.1%
Retail Sales	3.1%	4.5%
Housing Starts	-9.8%	-0.9%
Population	-0.3%	1.0%
Employment	-0.8%	0.8%
Service Producing Industries	0.9%	2.2%

Source: The Conference Board of Canada, *Provincial Outlook 2007, Long-Term Economic Forecast*, February 2007 (Tables 1, 2 and 12-21).

5. The expected long-term growth in service producing industries in the Province, which are the backbone of NP's general service load, has not changed materially since NP's last general rate application.

6. As in 2002, population is still expected to decline as a result of out-migration, particularly among younger people, and the aging of the population.

7. The declining and aging population translates into lower growth in personal disposable income and retail sales, and a decline in housing starts. Growth in personal disposable income and retail sales are expected to lag the country as a whole by a considerable margin.

8. The weak economic prospects for the province will be mirrored in the long-term outlook for electricity sales by NP. The impact of low economic growth in NP's market is potentially compounded by two factors: the rising cost of power and the population shift from rural to urban areas. The continued population shift is in

large part a result of the persistent decline in the fishery industry that has traditionally been the economic backbone of the rural areas.

Rising power costs put downward pressure on average customer usage from conservation, which, since NP's distribution costs are largely fixed, then tends to increase unit costs of delivered power. Population migration from rural to urban areas also tends to increase the investment that must be recovered from effectively the same customer base. New facilities must be built to serve the urban load, but the rural facilities must be maintained as long as there are customers using those facilities. Increasing unit costs, in turn, act as an incentive for customers to reduce electricity consumption.

On the positive side, NP continues to capture a high percentage of new load in the urban area around St. John's. The high cost of home heating oil, along with regulations governing its use, are supporting NP's capture rate.

9. With respect to supply and physical risks, NP continues to rely on Newfoundland and Labrador Hydro (NLH) for close to 90% of its power supply. While DBRS views NP's reliance on NLH for supply as a challenge (*Credit Rating Report, Newfoundland Power Inc.,* March 9, 2007), the supply risk has not changed since NP's last general rate application.

10. With respect to regulation, NP's regulatory framework remains constructive, including mechanisms for risk factors over which the Company has no control. NP has a Rate Stabilization Account that permits the pass-through to customers of changes in the cost and quantity of fuel burned by NLH to produce the electricity (energy) sold to NP. The utility also has a weather normalization mechanism which decreases the volatility in earnings arising from weather related deviations from average energy consumption. The weather normalization mechanism primarily entails non-cash adjustments to earnings, so that the cash flows of the utility are not impacted by its operation.

The major change that has occurred since NP's last general rate application is the implementation of a demand and energy wholesale rate applicable to NP's purchases of electricity supply from NLH. The new rate structure, approved in Order No. P.U. 44 (2004), introduced on January 1, 2005, is designed to encourage conservation.

Subsequent to the introduction of the demand energy rate, the Board approved a reserve for both demand and energy variances between actual and forecast costs, with the amounts to be transferred to and from the reserve subject to a deadband. The treatment of amounts included in the reserve was subject to the discretion of the Board, based on NP's efforts to reduce the system peak. In this GRA, NP is proposing a modification to the reserve mechanism so that it applies specifically to demand variances. Transfers to the Company's proposed Demand Management Incentive Account would occur when the variance in demand supply costs exceeds 1% of forecast test year demand costs.

The wholesale energy rate is based on a two-block inverted rate structure, with the second block tied to NLH's marginal cost of production, that is, the forecast cost of fuel oil.

NP's retail rates to its customers are based on a forecast combined average unit cost of purchased power, which includes the projected average per Kwh cost of energy. However, for every Kwh NP purchases each month over 250 million Kwh, it pays the second block rate. For the test year, the second block rate is estimated to be approximately 3.3 cents higher than the forecast average unit cost of energy.

NP has historically operated on a multi-year general rate application (GRA) cycle.[7] If the multiple year cycle continues, NP's rates in 2009 and 2010 will be based on its 2008 forecasts, including the 2008 load forecast. As NP adds incremental customers and load beyond the test year, it will be required to purchase additional energy at the higher second block rate. The more new customers and load that are added, the further apart will be NP's actual unit cost of energy supply and the unit cost of energy supply that is included in customer rates. Thus, in the absence of a recovery mechanism, there will be an erosion of NP's margin as new customers and new load are added.

NP is proposing a change to its Rate Stabilization Clause that is designed to provide a reasonable opportunity to recover its actual prudently incurred energy supply costs. NP is proposing to recover or refund through the RSA the difference between the average and the marginal energy supply cost applied to energy purchases above or below the test year forecast.

In the absence of the proposed change to the Rate Stabilization Clause (or, alternatively, more frequent GRAs), NP's business risks would be materially higher than at the time of its last GRA.

11. In summary, based on the premise that the proposed change to the Rate Stabilization Clause is adopted, and thus no significant change in NP's ability to recover its total costs, the business risk profile of NP has not changed materially since the PUB last reviewed the business risks at the time of the 2002 general rate application.

[7] NP's last GRA utilized a 2003-2004 test period. The previous GRA was based on a 1998-1999 test period.

C. IMPORTANCE OF A DEBT RATING IN THE A CATEGORY

In my opinion, the capital structure for NP should be sufficiently strong to be able to achieve a debt rating in the A category. While debt ratings of BBB- or better are considered investment grade, debt ratings in the A category provide assurance that a utility will be able to access the debt markets as required on reasonable terms and conditions over the full interest rate or business cycle. In contrast to unregulated companies, utilities do not have the same flexibility to defer financing new assets. Utilities are required to provide service on demand, and must access the capital markets when service requirements demand it.

Utility assets are long-term (typically in excess of 30 years for transmission assets); the term of the debt raised to finance those assets should mirror the life of the assets. Financing long-term assets with shorter-term debt creates a mismatch between recovery of the investment in rates and the return to investors of the capital committed, and exposes the utility to higher refinancing risk. A debt rating in the A category will provide better assurance of predictable access to the long-term debt markets on reasonable terms and conditions than will BBB ratings. In Order No. P.U. 19 (2003), the PUB found that, with both of NP's debt ratings then in the A category, "based on its financial performance NP continues to sustain a sound credit rating which is providing appropriate and cost efficient access to the financial markets." (p.37).

Utilities with ratings in the BBB category not only will have to pay more for debt than A-rated utilities but they may have more onerous conditions attached to debt issues. In recent years, the spread between long-term BBB-rated utility debt and A-rated utility debt in Canada has been as high as 175 basis points.[8] In the U.S. over the past five years, the spread between A and Baa long-term utility bonds has been as high as 85 basis points. Of particular concern would be that a BBB-rated

[8] Based on a comparison between the indicated spreads for TransAlta Corporation and Canadian utilities whose debt ratings are all in the A category.

utility would, at times, be completely shut out of the long-term (30-year) debt market.[9]

The market for BBB-rated debt remains more limited in Canada than in the U.S.[10] Many institutions, who are major purchasers of corporate debt issues, either may not purchase BBB-rated debt or have limitations on the proportion of BBB-rated debt that they can hold in their portfolio. If an issuer's debt is downgraded further, into a non-investment grade category, the institution may have to dispose of its holdings in those securities. To illustrate, the NEB's *Canadian HydroCarbon System Report* (August 2005) reported that Canadian bonds are an important revenue source for pension funds, and a downgrade could require them to sell a large percentage of their bonds at discounted prices.[11]

D. DEBT RATING AGENCY VIEWS

NP's current ratings on its First Mortgage Bonds are as follows:[12]

Table 2

DBRS	A
Moody's	Baa1

[9] FortisBC, for example, rated Baa3 by Moody's and BBB(high) by DBRS, had a difficult time during late 2004 and early 2005 accessing the 30-year debt market, despite the fact that the debt markets at the time were some of the most robust that had been experienced in Canada for years.

[10] The BBB-rated debt market in Canada has been estimated to account for approximately 4% of the corporate bond market. (Marlene K. Puffer "Back to Basics", *Canadian Investment Review*, Fall 2006)

[11] More generally, the pension funds had indicated to the NEB that the basic financial parameters in its regulatory scheme should be improved.

[12] NP discontinued its relationship with S&P rating effective May 31, 2006 and the S&P ratings have been withdrawn.

DBRS

DBRS has consistently rated NP as an A credit. The trend is "Stable". The debt rating agency considers NP's main strengths to be its regulatory framework, strong balance sheet, stable customer base and minimal competitive pressures. The key challenges are related to its reliance on Newfoundland and Labrador Hydro for the preponderance of its power supply, the sensitivity of its earnings to interest rates (as a result of the automatic adjustment mechanism for return), managing forecast risk and limited growth potential. DBRS also notes that rising fuel costs could put pressure on retail rates, leading to conservation efforts by customers and negatively impact volumes and earnings.

DBRS considers NP to be effectively "ring-fenced" from its parent. This conclusion was drawn from both the policy and actions of the parent to treat its utility subsidiaries as stand-alone entities and from the governing utility regulation in the Province.[13]

DBRS notes that NP has managed its dividend payments so as to maintain a common equity ratio of 45% as deemed by the regulator, and that key financial ratios have trended downwards in recent years due in part to lower allowed ROEs, but are in line with the current rating.[14] The key financial ratios include fixed charge coverage, which averaged approximately 2.3 times from 2004-2006, and cash flow/debt, which averaged 14% over the same time period. These ratios were maintained in part as a result of returns on equity that averaged well in excess of the 2007 allowed return on equity of 8.6%.

[13] DBRS, *Credit Rating Report: Newfoundland Power*, January 6, 2006.
[14] DBRS, *Credit Rating Report: Newfoundland Power*, March 9, 2007.

Moody's

Moody's initial debt rating for NP of Baa1 was assigned in June 2005. The rating remains at Baa1, with a Stable Outlook. Moody's points to the regulatory environment, low risk transmission and distribution operations, lack of competitive pressures, and low predictable growth as among NP's key credit strengths.

Similar to DBRS, Moody's considers NP to be operationally and financially independent from its parent. Moody's expects NP to act to retain its common equity ratio close to the maximum 45% allowed by the Board. Moody's notes that since its initial rating in 2005, NP's cash flow credit metrics have weakened, largely due to the lack of a rate increase since 2003 and the impact of declining bond yields on allowed returns. The current rating could be negatively impacted with a sustained weakening in financial metrics (e.g., funds from operations interest coverage below 2.5x and FFO/Debt below 15%). A positive impact on the rating could occur if there were to be a sustained improvement in financial ratios, e.g., FFO interest coverage above 4.0x and FFO/Debt above 20%. An increase in those ratios, Moody's stated, could come from a rate increase, coupled with an increase in the allowed equity ratio or in the allowed return on equity.[15] Moody's considers an upward revision to the rating to be unlikely in the near term.

Moody's publishes quantitative guidelines[16] for utility ratings for two business risk categories, "low" and "medium" risk.[17] The guidelines for a stand-alone A rating, compared to NP's actual 2006 metrics are as follows:

[15] Moody's Investors Service, *Credit Opinion: Newfoundland Power, Inc.,* March 5, 2007.
[16] DBRS publishes broad guidelines for A/BBB ratings, but they do not distinguish by either business risk or investment-grade rating category.
[17] *Ibid*. p. 3. The guidelines were originally published in March 2005 in Moody's Investor Services, *Rating Methodology: Global Regulated Electric Utilities*.

	Guidelines For an A Rating		NP
	Low	Medium	(2006)
FFO Interest Coverage	3.0-5.7x	3.5-6.0x	2.6x
FFO/Debt	12-22%	22-30%	13.6%
Retained Cash Flow/Debt	9-20%	13-25%	9.3%
Debt/Capital	50-70%	40-60%	55.8%

NP's 2006 cash flow metrics (as calculated and published by Moody's), other than FFO Interest coverage, have been at the lower end of the guideline range for a low risk utility and an A rating. The FFO Interest coverage ratio, at 2.6x, is below the lower end of the range for an A rating and toward the lower end of the 2.0-4.0x range for a low risk utility and a Baa rating.

Standard & Poor's

While NP is no longer rated by S&P, the preponderance of Canadian utilities that issue debt are rated by S&P. S&P's debt rating guidelines are therefore applicable to those utilities and will play a role in the establishment of capital structures that will be adequate to maintain investment grade debt ratings. NP's financial parameters will be compared against its peers', whose financial parameters, in turn, are judged against the S&P guidelines.

For a given business risk score[18] and a debt rating category, S&P provides a guideline range for debt ratios, funds from operations interest coverage, and funds from operations to total debt. While the guidelines are not applied mechanically, they do give one objective basis for evaluating an appropriate stand-alone capital structure for NP.

[18] S&P assigns to utilities a business risk score in a range of "1" to "10", where "1" indicates the lowest level of business risk, and "10" the highest.

The key qualitative factors that S&P evaluates in arriving at a business risk score include regulation, markets, operations, competitiveness and management. S&P specifies that "regulation is the major factor affecting a company's business risk profile."[19] For stand-alone distribution companies, S&P has indicated that it typically assigns them scores of "1" to "4".[20] In April 2004, S&P assigned a business risk score to NP of "3".[21] Although that score was not updated, I see no reason that a score of "3" would not still apply to NP on a stand-alone basis if it were still rated by S&P.

S&P's guidelines for an A debt rating and a business risk score of "3" are as follows:

Table 3

Total Debt/Total Capital (%)	50-55%
FFO Interest Coverage (x)	2.5-3.5x
FFO/Average Total Debt (%)	15-25%

Source: Standard and Poor's, *Key Credit Factors: Assessing U.S. Vertically Integrated Utilities' Business Risk Drivers*, September 2006

Based on the debt/capital guidelines, the indicated range of debt ratios for a "3" business risk score is 50% to 55%, or an equity ratio in the range of 45% to 50%. Assuming that NP maintains a small (approximately 1.5%) preferred share component, with the preferred shares treated as equity, the corresponding common equity component would be 43.5-48.5%. NP has consistently maintained a debt ratio of approximately 55.0%. A 55.0% debt ratio is at the upper end of the guideline range for a "3" business risk score and an A rating.

[19] Standard and Poor's, *Research: Key Ratings Factors for US Electric Transmission Companies*, November 10, 2005.
[20] Standard & Poor's, *Corporate Criteria*, October 2004.
[21] Standard & Poor's, *Research: Newfoundland Power Inc*., April 23, 2004.

Implications of Debt Rating Reports

The themes that emerge from the DBRS and Moody's debt rating reports as regards the capital structure and ratings are:

(1) There has been no material change in NP's business risk profile;

(2) The current approved capital structure (common equity ratio cap of 45%) is important to the maintenance of the current investment grade credit ratings; and

(3) There is an expectation that the current approved capital structure will be maintained.

However, without an improvement in the allowed return on equity from the 2007 level as generated by the existing automatic adjustment mechanism, it is unlikely that NP's Moody's rating will move into the A category.

E. CAPITAL STRUCTURES OF "WIRES-ONLY" ELECTRIC UTILITIES

The capital structures of NP's peers can also provide some insight into an appropriate stand-alone capital structure. The capital structures that are most relevant for this purpose are the actual capital structures of the utilities (as contrasted with the allowed ratios); those ratios underpin the utilities' debt ratings. While NP has some of its own generation, the closest peers for NP would be stand-alone electricity distribution utilities.

The table below summarizes the 2005 actual common equity ratios and debt ratings for both investor-owned and publicly-owned Canadian electricity distribution companies with rated debt.

Table 4

	Debt Ratings			2005 Common Equity Ratios
	DBRS	Moody's	S&P	
Newfoundland Power	**A**	**Baa1**	**A-**	**44.4**
AltaLink L.P.	A		A-	38.2
Enersource Corp.	A		A-	41.0
ENMAX Corp.	A		A-	84.8
FortisAlberta Inc.	A(low)	Baa1	n/a	41.5
Hydro One Inc.	A	Aa3	A	44.9
Hydro Ottawa Holdings	A(low)		A-	50.1
Maritime Electric	NR		A-	42.7
Toronto Hydro	A		A-	40.5
Veridian Corp.	A		n/a	57.2
Median	**A**	**A2**	**A-**	**42.7**

Source: Schedule 2

The median common equity ratio for the group, excluding NP, is approximately 43%. The median DBRS and S&P debt ratings are A and A- respectively.[22] The capital structure ratios of the distribution utilities suggest an equity ratio of approximately 40-45% is warranted for an A rating for a "wires" electric utility, and at the upper end of the range for a small utility.

With respect to U.S. peers, Table 5 below summarizes the recent equity ratios and S&P debt ratings of stand-alone combination transmission/distribution utilities that would be considered peers of NP. The table includes all regulated electricity transmission/distribution utilities whose debt is rated A- or higher by S&P, and for which stand-alone data are available.

As Table 5 below shows, the median S&P business risk score of the U.S. "wires-only" utilities is 2, lower than NP's expected stand-alone business risk score of 3;

[22] Only two of the distribution utilities have Moody's ratings. In addition, Hydro One's Moody's rating reflects the level of implicit government support, despite the absence of a guarantee. Hydro One's Moody's rating would be two notches lower (A2) without the implied government support.

their median S&P debt rating is A, one notch higher than that of NP. The median common equity ratio of the sample of comparable risk U.S. utilities is 49%. On balance, the U.S. peer group indicates a common equity ratio in the range of approximately 40-55% for an A rating.

Table 5

	S&P		2005 Common Equity Ratios (%)
	Rating	**Business Profile Score**	
Central Hudson Gas & Electric	A	3	43.0
Consolidated Edison Inc.	A	2	46.5
Consolidated Edison (NY)	A	2	48.6
Orange and Rockland Utilities	A	2	48.8
National Grid USA	A	2	61.3
Massachusetts Electric Co.	A	1	55.0
Niagara Mohawk Power	A	3	54.9
NSTAR	A+	1	34.0
NSTAR Electric	A+	1	42.7
PPL Electric Utilities	A-	3	50.0
Public Service Co (NC)	A-	2	58.7
Median	**A**	**2**	**48.8**

Source: Schedule 4

F. GLOBALIZATION OF CAPITAL MARKETS

1. Implications of Globalization

In its 2003 *World Energy Investment Outlook*, the International Energy Agency estimated that over $1.5 trillion in investment would be required by the electricity industry in North America. Of that amount, approximately half is required for transmission and distribution infrastructure. NP will thus be competing for capital in a market that may be characterized by unprecedented supply of debt capital in a single industry. To compete successfully, that is, to be able to attract capital on flexible terms and conditions, NP will require financial metrics that are compatible with its peers. Its peers are increasingly global in nature.

Globalization of the capital markets has been a gradual phenomenon. As information barriers continue to decline, financial reporting standards are becoming increasingly standardized and transaction costs have fallen, cross-border risk/reward comparisons among alternative investments are increasingly common.[23] Investors have exhibited increasing willingness to commit capital beyond domestic borders, opening up a vast number of investment alternatives. The repeal of the Foreign Property Rule in Canada in August 2005 has eliminated a further barrier, effectively releasing investment that was previously captive. Under these circumstances, the ability of an individual Canadian utility to attract capital is dependent on the utility's ability to offer a return that is compensatory with its risk and comparable to its peers' becomes an increasingly imperative objective.

2. <u>Globalization and Canadian Debt Rating Agencies</u>

As indicated in Section III.D, debt rating agencies and debt investors look at a variety of quantitative financial measures in assessing the financial strength of a utility. For a regulated utility, the ability to achieve strong financial metrics arises not only from the equity base on which it is allowed to earn, but also the allowed return on equity and the rate of depreciation. Both DBRS and S&P have consistently commented on the highly levered nature of Canadian utilities and the low allowed common equity returns relative to their global peers, particularly those in the U.S.

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[23] For example, a peer comparison report by S&P compares Hydro One, Consolidated Edison and National Grid (*Peer Comparison: Consolidated Edison Inc., Hydro One Inc., and National Grid PLC – Same Rankings, Different Basis*, October 11, 2005); a second S&P report compares AltaLink, American Transmission Company and International Transmission Company (*Research: Peer Comparison: North American Stand-Alone Transmission Companies Deliver Electricity…And Profits*, April 20, 2006).

DBRS has commented generally on the relatively low common equity ratios and returns that are being allowed in Canada. In a May 2003 commentary, *The Rating Process and the Cost of Capital for Utilities: Five Reasons Why Canadian Utilities have Lower Ratios and Five Changes to Regulation Which Should be Introduced in Canada*, DBRS noted that it would like to see both the deemed common equity ratios increased as well as increases in allowed returns to levels more consistent with U.S. returns.

In December 2004, subsequent to the AEUB's Generic Cost of Capital Decision (2004-052, dated July 2004), DBRS referred to the low deemed equity and returns as a "challenge" for the ATCO Utilities. The DBRS report for ATCO Ltd. stated,

> While ATCO's diversified operations, coupled with the Company's prudent management approach, provide a level of earnings stability, additional challenges over the medium term include the relatively low approved returns on equity (ROE) and deemed equity for the regulated businesses, continuing regulatory risk and lag and ATCO's merchant power exposure in Alberta.

Additional recent DBRS reports citing the challenge of low approved returns on equity have been published for other Alberta utilities, i.e., AltaLink (November 2004), and FortisAlberta (September 2004).

With respect to Standard & Poor's, in early March 2003, the debt rating agency announced that it was reevaluating its prior justification of the strong investment grade ratings of Canadian utilities (i.e., the nature of Canadian regulation).

S&P noted that Canadian utilities are among the most highly levered utilities in their global ratings universe, and that the highly leveraged financial profiles generally stem from regulatory directives. Subsequent to that announcement, S&P has commented on the low equity ratios and allowed returns of specific Canadian utilities.

Like DBRS, S&P has made references to the low level of equity ratios allowed in the AEUB's Generic Cost of Capital decision for Alberta utilities. For example, S&P commented on the thin equity layers (and the low returns) allowed the ATCO group of utilities after the EUB decision, stating,

> The regulatory regime, although comparable with other provinces in Canada, typically approves less generous returns on thinner equity layers than those approved for ATCO's global peers. Approved returns for ATCO's regulated businesses are 9.6% on equity layers varying from 33%-43% of total capital. (S&P, *Research Update: ATCO Group of Companies 'A' Ratings Affirmed; Outlook Stable*, November 9, 2004)

In a more recent report for AltaLink (rated A-), S&P stated,

> Like many regulated utilities in Canada, AltaLink's average financial profile is constrained by a comparatively low approved ROE (8.93% in 2006) on a thin deemed equity base of 35%. (S&P, *Research Summary: AltaLink*, June 5, 2006)

In its report for Union Gas issued subsequent to the utility's 2006 settlement in which the allowed common equity ratio was raised to 36%, the two weaknesses referred to by S&P were the high leverage associated with company's regulated capital structure and the relatively low allowed ROE compared with global peers (S&P, *Research: Union Gas*, August 24, 2006).

In general, S&P considers that Canadian utility financial polices tend to be aggressive with leverage, and regulators parsimonious with returns.[24] As indicated above, the "aggressive leverage" is largely a result of regulatory directives.

3. <u>Changes in Canadian Debt Market</u>

Prior to the elimination of the Foreign Property Rule in August 2005, the Canadian bond market was largely a domestic market. As long as there was a cap

[24] Standard & Poor's, *Industry Report Card: Regulatory Rulings, M&A, and Fuel Cost Recovery Dominate Global Utilities Credit Environment*, November 21, 2006.

on foreign investment, pension funds limited their foreign investments primarily to equities, and allocated their bond investments to Canadian bonds. The elimination of the FPR has opened up a new avenue of diversification for pension funds, and has been the catalyst for the creation of a new market for Canadian-dollar denominated foreign bonds. Canadian-dollar denominated foreign bonds are particularly attractive to pension funds, whose liabilities are in Canadian dollars. Investments in Canadian-dollar denominated foreign bonds provide diversification while simultaneously avoiding foreign exchange risks or hedging costs.

Attracted by the low interest rate environment as well as the increasing demand for fixed income securities, foreign issuers have recently raised funds in Canada in record amounts. During 2006, approximately $27 billion of what have been termed "Maple bonds" were issued by foreign investors.[25] Approximately 40% of the amount raised was by U.S. issuers.[26] To date, the major "Maple bond" issuers have been highly rated sovereign issuers and financial institutions. The first corporate issuer was the UK utility, National Grid, which issued a five-year "maple bond" in June 2006 to fund its acquisition of the U.S. combination electric/gas utility, Keyspan.

The existence of the FPR, and the corresponding captive domestic debt market, kept high grade Canadian bond spreads relatively low compared to spreads in the U.S., reflecting the high demand in Canada for a relatively limited supply of high quality issues.[27]

The opening of the Canadian bond market to foreign financial institution issuers raised spreads for Canadian issuers as the market absorbed an increasing amount

[25] Statistics Canada, *Canada's International Transactions in Securities*, December 2006.
[26] Hately, James, "The 'Maple Bond' Market", *Financial System Review*, Bank of Canada, December 2006.
[27] Over the past decade, for example, the average spread between long-term A rated Canadian utility bonds and long Canada bond yields was approximately 115 basis points. By comparison, A rated utility bond spreads in the U.S. market averaged 155 basis points. During 2006, the spreads have been approximately 120 basis points in both countries.

of financial institution debt. The further broadening of the Maple bond market to include other types of issuers, such as utilities, could have a similar impact on utility spreads. An increasing ability of investors to swap between domestic and foreign issuers could also raise the volatility in spreads.

With the potential for increasing spreads as the Maple bond market continues to grow and broaden, the cost benefits to NP of debt ratings in the A category are enhanced.

G. CAPITAL STRUCTURE FOR NEWFOUNDLAND POWER

My review of NP's business risks, the views of the debt rating agencies, the capital structures of NP's peers, and trends in the capital markets, all indicate that the 45% cap approved by the Board in P.U. 16 (July 31, 1998) and reconfirmed in P.U. 19 (June 20, 2003) continues to be reasonable. At a 45% common equity ratio, in conjunction with a reasonable return on equity, NP should be able to achieve financial metrics (e.g., coverage ratios) that will permit it to maintain, and, based on Moody's comments, potentially improve its debt ratings.

At NP's forecast common equity ratio of close to 45%, NP would be viewed by investors as of approximately average investment risk relative to other Canadian utilities.

IV. DETERMINATION OF BENCHMARK UTILITY AND RETURN ON EQUITY

The term "benchmark utility" is a hypothetical construct. It is based on no specific utility and hence reflects no specific business or financial risk characteristics. Since the estimate of the cost of equity is derived from data for utilities across industries (electric, gas distribution and gas pipeline), the "benchmark utility" reflects, in effect, the composite of the business and financial risks faced by the utilities used to establish the fair return. However, one objective measure of what constitutes a benchmark utility would be its ability, on a stand-alone basis, to achieve debt ratings in the A category.

Designation of the debt rating as an indicator of relative risk recognizes that (1) debt ratings reflect both business and financial risk, and (2) the equity return requirement is a function of both business and financial risk. Thus, the benchmark return on equity would be one that is applicable to a specific utility whose capital structure is adequate to achieve, on a stand-alone basis, debt ratings in the A category. The estimation of the benchmark return on equity must then be derived from proxy groups whose total risk permits them to achieve debt ratings in the A category.

The applicability of the benchmark return on equity to a specific utility thus is dependent on the business risks and capital structure allowed for that utility. Since different utilities face different levels of business risk, utilities with lower (higher) business risk would generally be allowed lower (higher) common equity ratios. If the lower (higher) business risk of specific utilities is completely compensated for through a lower (higher) common equity ratio, their total (or investment) risk will be approximately the same. If the allowed common equity ratio is sufficient to result in a level of total risk equivalent to the benchmark utility, the benchmark return on equity can be directly applied to that utility, with no adjustment to the level of the benchmark return. If, however, the subject utility, in conjunction with its allowed capital structure, faces a higher or lower level of total risk than the benchmark, an increment to, or reduction from, the benchmark return on equity will be required.

Since, in Section III.G, I concluded that with its actual capital structure NP would be considered an average risk utility, the benchmark return on equity is directly applicable to NP. In other words, the benchmark return on equity developed in Section V represents a fair return for NP at a forecast 45% common equity ratio.

V. FAIR RETURN ON EQUITY

A. PRINCIPLES FOR A FAIR RETURN

To ensure that the allowed return considers all of the relevant factors that bear on a fair return, I recommend application of the three tests that have traditionally been used to set a fair return for regulated companies: the equity risk premium test, the discounted cash flow test and the comparable earnings test. Reliance on multiple tests recognizes that no one test produces a definitive estimate of the fair return.[28] Each test is a forward-looking estimate of investors' equity return requirements. However, the premises of each of the three tests differ; each test has its own strengths and weaknesses. In principle, the concept of a fair and reasonable return does not reduce to a simple mathematical construct. It would be unreasonable to view it as such.

A fair return is one that provides a utility with the opportunity to:

1. earn a return on investment commensurate with that of comparable risk enterprises;
2. maintain its financial integrity; and,
3. attract capital on reasonable terms.

These criteria give rise to two separate standards, the capital attraction standard and the comparable returns, or comparable earnings, standard. The two standards are applied using different tests. The equity risk premium and discounted cash flow tests establish the cost of attracting capital. The comparable earnings test is a measure of the comparable return, or comparable earnings, standard. A fair and reasonable return gives weight to both the cost of attracting capital standard and

[28] As stated in Bonbright, "No single or group test or technique is conclusive." (James C. Bonbright, Albert L. Danielsen, David R. Kamerschen, *Principles of Public Utility Rates*, 2nd Ed., Arlington, Va.: Public Utilities Reports, Inc., March 1988).

comparable earnings standard. Appendix A discusses the distinctions between the two standards.

B. EQUITY RISK PREMIUM TEST

1. Conceptual Underpinnings

The equity risk premium test is derived from the basic concept of finance that there is a direct relationship between the level of risk assumed and the return required. Since an investor in common equity takes greater risk than an investor in bonds, the former requires a premium above bond yields in compensation for the greater risk. The equity risk premium test is a measure of the market-related cost of attracting capital, i.e., a return on the market value of the common stock, not the book value.

The equity risk premium test, similar to the other tests used to arrive at a fair return, is forward-looking, that is, it is intended to estimate investors' future equity return requirements. The magnitude of the differential between the required/expected return on equities and the risk-free rate is a function of investors' willingness to take risks and their views of such key factors as inflation, productivity and profitability. Because the risk premium test is forward-looking, historic risk premium data need to be evaluated in light of prevailing economic/capital market conditions. If available, direct estimates of the forward-looking risk premium should supplement estimates of the risk premium made using historic data as the point of departure.

2. Risk-Free Rate

The application of the equity risk premium test requires a forecast of the risk-free rate to which the equity risk premium is applied. Reliance on a long-term government bond yield as the risk-free rate recognizes (1) the administered nature of short-term rates; and (2) the long-term nature of the assets to which the equity return is applicable. The risk-free rate, for purposes of this analysis, is the forecast 30-year Canada yield.[29] The forecast long Canada bond yield is based on the February 2007 *Consensus Forecast* of 10-year Canada bond yields for February 2008 of 4.4% and the October 2006 *Consensus Forecast* of 10-year Canada bond yields for all of 2008 of 4.8%. The two forecasts indicate an average 10-year Canada bond yield for 2008 in the range of 4.5-4.75% for 2008.

At present, the yield curve is essentially flat; the yields on 10- and 30-year bonds at February 28, 2007 were only 5 basis points apart. On average, historically, the spread has been a positive 30 basis points, reflecting a normal upward sloping yield curve. For purposes of applying the equity risk premium test for the test period, I have estimated the 30-year Canada bond yield at approximately 4.75-5.0%, reflecting a return to the typical upward sloping yield curve.

3. <u>Risk-Adjusted Equity Market Risk Premium Test</u>

a. <u>Conceptual and Empirical Considerations</u>

The risk-adjusted equity market risk premium approach to estimating the required utility equity risk premium entails (1) estimating the equity risk premium for the equity market as a whole; (2) estimating the relative risk adjustment required for a benchmark Canadian utility; and (3) applying the relative risk adjustment to the equity market risk premium, to arrive at the equity risk premium required for a benchmark Canadian utility. The cost of equity is thus estimated as:

$$\begin{array}{c}\text{Risk-}\\\text{Free}\\\text{Rate}\end{array} + \left\{ \begin{array}{c}\text{Relative}\\\text{Risk}\\\text{Adjustment}\end{array} \times \begin{array}{c}\text{Market}\\\text{Risk}\\\text{Premium}\end{array} \right\}$$

[29] There is no consensus forecast of 30-year Canadian bond yields.

The risk-adjusted equity market risk premium test is a variant of the Capital Asset Pricing Model (CAPM). The CAPM attempts to measure what an equity investor should require as a return within the context of a diversified portfolio. Its focus is on the minimum return that will allow a company to attract equity capital. In its simplest form, the CAPM posits the following relationship between the required return on the risk-free investment and the required return on an individual equity security (or portfolio of equity securities):

$$R_E = R_F + b_e (R_M - R_F)$$

where,

R_E = Required return on individual equity security

R_F = Risk-free rate

R_M = Required return on the equity market as a whole

b_e = Beta on individual equity security.

The CAPM relies on the premise that an investor requires compensation for non-diversifiable risks only. Non-diversifiable risks are those risks that are related to overall market factors (e.g., interest rate changes, economic growth). Company-specific risks, according to the CAPM, can be diversified away by investing in a portfolio of securities; therefore, the shareholder requires no compensation to bear those risks.

In the CAPM, non-diversifiable risk is captured in the beta, which, in principle, is a forward-looking (expectational) measure of the volatility of a particular stock or portfolio of stocks, relative to the market. Specifically, the beta is equal to:

$$\frac{\text{Covariance } (R_E, R_M)}{\text{Variance } (R_M)}$$

The variance of the market return is intended to capture the uncertainty related to economic events as they impact the market as a whole. The covariance between the return on a particular stock and that of the market reflects how responsive the required return on an individual security is to changes in events that also change the required return on the market.

In practice, the beta is a calculation of the historical correlation between the overall equity market, as proxied in Canada by the S&P/TSX Composite, and individual stocks or portfolios of stocks.

The CAPM, framed in an elegant, simple construct, has an intuitive appeal. However, in addition to its restrictive premises, the CAPM does have disadvantages that caution against placing sole reliance on it for purposes of determining a fair return on equity. The disadvantages are summarized in Appendix B. Included in these disadvantages are weaknesses associated with beta as a measure of risk and a predictor of the required equity return. Thus, the estimation of the relative risk adjustment should also include a measure of relative total market risk. Moreover, given the disadvantages of CAPM, it is important to consider multiple tests in estimating a fair return on equity.

b. Equity Market Risk Premium

i. Factors to Consider

(a) Globalization

My estimate of the expected/required equity market risk premium was made by reference to an analysis of historic (experienced) market risk premiums. Analysis of historic risk premiums should not be limited to the Canadian experience, but should also take into account the U.S. equity market as a relevant benchmark for estimating the equity risk premium from the perspective of Canadian investors.

As discussed in Appendix B, the historic Canadian equity and government bond returns incorporate various factors that make them questionable as a good representation of future risk premiums (e.g., capital held captive in Canada as a matter of policy, lack of equity market liquidity and diversity, and the higher risk of Government of Canada bond market historically, which has since dissipated).

Of particular importance has been the historic impact of the Foreign Property Rule (FPR), which capped the proportion of foreign investment that could be held by individuals (in RRSPs) and by pension funds. The combination of mediocre returns and small size of the Canadian market relative to the total global market (approximately 2%) put pressure on the government to increase and finally eliminate the cap on foreign investment that could be held in RRSPs and pension funds. This cap has been as low as 10% of the book value of assets (from 1971 to 1990) and was at 30% when it was removed entirely in August 2005, effective January 2005.[30] Historic Canadian equity returns therefore are likely to understate investor return requirements.

Equity investment outside of Canada has grown rapidly as the barriers to foreign investment (in terms of transactions and information costs as well as the foreign investment cap) have declined.[31] Foreign stock purchases by Canadians have increased over seven-fold over the past decade. Purchases in 1995 were $83 billion; in 2005 and 2006, they were $610 and $570 billion respectively.[32] In 2005, although the total percentage of foreign assets in the top 100 Canadian pension funds was only approximately 29%, the percentage of foreign equity to total equity was

[30] From 1957 to 1971 no more than 10% of income could come from foreign sources.

[31] The IFIC's report *Year 2002 in Review* stated,

> During the period of 1991-1998, the percentage of sales in equity mutual funds that were comprised of non-domestic equities has hovered around the 41-58% range. This has significantly increased in 1999 and onwards. While performance in the markets is the major factor affecting such an increase, these figures can also be attributed to increases in foreign content limits in registered retirement savings plans as well as increased interest and availability of foreign clone funds.

[32] Statistics Canada, *Canada's International Transactions in Securities*, December 2006.

over 50%.[33] While the FPR was in effect, pension funds concentrated their foreign investment allocations to the equity markets, with the preponderance of their fixed income allocations in domestic bonds.

The relevance of the U.S. experience to the estimation of the risk premium from a Canadian perspective has increased as the relationship between Canadian and U.S. interest rates has changed. From 1947-2006, the achieved risk premiums in Canada were 140-150 basis points lower than in the U.S. Of that amount approximately 70 basis points are accounted for by historically higher bond yields in Canada. With the vastly improved economic fundamentals in Canada (particularly the fiscal health), the risk of investing in Canadian government bonds has declined. Consequently, the differential between Canadian and U.S. government bonds that existed historically, on average, is not expected to persist in the future.

The most recent consensus of long-term forecasts of government bond yields anticipates that yields will be slightly lower in Canada than in the U.S. in the future. Consensus Economics, *Consensus Forecasts,* October 2006 anticipates an average 10-year government bond yield over the period 2008-2016 of 5.1% for Canada and 5.3% for the U.S.[34] With lower interest rates in Canada, the differential between equity and bond returns in the two countries should, *ceteris paribus*, be closer in the future than it was historically. Consequently, the U.S. historic equity market risk premium is a relevant benchmark in the estimation of the forward-looking equity market risk premium for Canadian investors.

[33] Benefits Canada, *2006 Top 100 Pension Funds*, May 2006.
[34] Blue Chip *Financial Forecasts* (December 2006), which canvasses economic forecasters at over 50 North American financial institutions, also anticipates a 10-year U.S. Treasury yield of 5.3% from 2008-2017.

On the equity side of the equation, the Canadian equity market composite is dominated by two sectors, financial services and energy. These two sectors alone accounted for approximately 60% of the total market capitalization of the S&P/TSX Composite at the end of 2006. In contrast to the S&P/TSX Composite, the historic U.S. equity returns have been generated by a more diversified and liquid market. In addition, the U.S. equity market has historically been the principal alternative to domestic equity investments. Over 50% of Canadian portfolio investment in foreign equities at the end of 2005 was in the U.S.[35] The diversified nature of the U.S. equity market, as well as the close relationship between the Canadian and U.S. capital markets and economies, warrant giving significant weight to U.S. historical equity risk premiums in the estimation of the required equity risk premium for a benchmark Canadian utility.

(b) The Post-World War II Period

The estimation of the expected/required market risk premium from achieved market risk premiums is premised on the notion that investors' return expectations and requirements are linked to their past experience. Basing calculations of achieved risk premiums on the longest periods available reflects the notion that it is necessary to reflect as broad a range of event types as possible to avoid overweighting periods that represent "unusual" circumstances. On the other hand, the objective of the analysis is to assess investor expectations in the current economic and capital market environment. Consequently, I focused on post-World War II returns, that is, 1947-2006, a period more closely aligned with what today's investors are likely to anticipate over the longer-term.[36]

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[35] Statistics Canada, *Canada's International Investment Position – Third Quarter 2006*. Of the remaining 48%, the next largest allocation of foreign portfolio equity investment is the U.K., which accounts for 12%.

[36] Key structural economic changes have occurred since the end of World War II, including:

1. The globalization of the North American economies, which has been facilitated by the reduction in trade barriers of which GATT (1947) was a key driver;

ii. Historic Risk Premiums

As previously indicated, in arriving at an estimation of the market risk premium, my point of departure was both Canadian and U.S. historic returns and risk premiums during the post-World War II period. The average U.S. and Canadian historic risk premiums during that period were as follows:

Table 6

Historic Average Risk Premiums (1947-2006)		
	Arithmetic	**Geometric**
Canada	5.5%	4.7%
U.S.	7.0%	6.1%

Source: Schedule 8.

In light of the increase in Canadian investors' purchases of U.K. equities,[37] I also looked at the historic U.K. indicated market risk premiums over the same period. The U.K. historic premiums were in the range of 6.0% to 6.3% (geometric and arithmetic averages respectively) from 1947-2006 (see Schedule 8).

2. Demographic changes, specifically suburbanization and the rise of the middle class, which have impacted on the patterns of consumption;
3. Transition from a resource-oriented/manufacturing economy to a service-oriented economy;
4. Technological change, particularly in the areas of telecommunications and computerization, which have facilitated both market globalization and rising productivity.

[37] In 1995, U.K. equities represented only 4.5% of all foreign equities purchased by Canadian investors. In 2005, they represented 53%. Purchases of U.S. and U.K. equities, in total, accounted for 76% of all foreign equities purchased by Canadian investors in 2006. While purchases of UK securities dropped sharply in 2006, to 22% of total purchases, in favour of U.S. equities (54% of total), the UK remained the second largest destination for Canadian portfolio investment in foreign equities (Statistics Canada, *International Transactions in Securities,* December 2006 and *International Investment Position, Third Quarter 2006,* December 2006).

iii. Superiority of Arithmetic Averages

When historic risk premiums are used as a basis for estimating the expected risk premium, arithmetic averages, not geometric (compound) averages, should be used. Expressed simply, the arithmetic average recognizes the uncertainty in the stock market; the geometric average removes the uncertainty by smoothing over annual differences. (See Appendix B)

iv. Future vs. Historic Risk Premiums

The equity market "bubble and bust" over the period 1998-2002 spawned a number of studies of the equity market risk premium that have speculated that the U.S. market risk premium will be lower in the future than in the past. The speculation stems in part from the hypothesis that the magnitude of the achieved risk premiums is due to an increase in price/earnings ratios. That is, the historic U.S. equity market returns reflect appreciation in the value of stocks in excess of that supported by the underlying growth in earnings or dividends. The increase in P/E ratios, it has been argued, reflects a decline in the rate at which investors are discounting future earnings, i.e., a lower cost of capital.

I have analyzed the trends in P/E ratios, equity market returns, and bond returns.[38] Briefly, that analysis demonstrates:

- ♦ The increase in price/earnings ratios experienced during the market bubble of the 1990s has not resulted in a higher and unsustainable level of equity market returns. The arithmetic average equity returns in both Canada and the U.S. from 1947-1989 (prior to the "bubble") are actually higher than the average returns for the full 1947-2006 period.

[38] See Appendix B for further discussion.

- An analysis of decade-by-decade equity returns reveals no upward or downward trend in equity market returns in Canada or the U.S. over the post World War II period.
- The observed decline in the experienced risk premium is due to the unsustainable increase in bond returns, not a decline in equity returns. The observed historic bond returns are significantly higher than a reasonable estimate of future bond returns (that is, forecast yields of long Canada bond yields).

Given the absence of any upward or downward trend in the historic equity market returns, a reasonable expected value of the future equity market return is a range of 11.5-12.5%, based on both the Canadian and U.S. equity market returns (see Appendix B). Based on the 2008 forecast for long Canada bond yields of 4.75-5.0%, and an expected equity market return of 11.5-12.5%, the indicated Canadian equity market risk premium would be in the range of 6.75-7.5%. Based on the longer-term forecast for long Canada bond yields of 5.5%, the indicated market risk premium is 6.0-7.0%.

v. Estimate of Equity Market Risk Premium

Based on the analysis of the historic risk premiums, primarily in Canada and the U.S., with focus on the arithmetic averages, and with consideration given to trends in the equity and government bond markets in both countries, a reasonable estimate of the expected value of the equity market risk premium at the forecast levels of long-term government bond yields is approximately 6.5%. The 6.5% estimate of the equity market risk premium explicitly recognizes the expected value of the equity market return developed from historic values in conjunction with the current and forecast low levels of interest rates.

c. Relative Risk Adjustment

i. Total Market Risk

The market risk premium result needs to be adjusted to recognize the relatively lower risk of utilities. The relative risk adjustment that is applicable to a benchmark Canadian utility is approximately 0.65, based on total risk as measured by standard deviations of market returns and adjusted betas.

My analysis of the relative risk adjustment starts with a recognition that investors are not perfectly diversified and that they expect some compensation for assuming company-specific risk. It also recognizes that, while investors can diversify their portfolios, the stand-alone utility to which the allowed return is applied cannot. Thus, a risk measurement which reflects those considerations is relevant. These considerations point to a focus on total market risk, rather than solely the non-diversifiable risk which beta attempts to measure. The infirmities of beta as a measure of risk, as well as the absence of an observable relationship between "raw" betas[39] and the achieved market returns on equity, provide further support for reliance on measures of risk other than beta (see Appendix B).

The standard deviation of market returns is the principal measurement of total market risk. To compare the relative total risk of Canadian utilities, I calculated the monthly standard deviations of total market returns for the S&P/TSX Index and for each of the 10 major Sectors of the S&P/TSX Index, over recent five-year periods (Schedule 11).

To translate the standard deviation of market returns into a relative risk adjustment, utility standard deviations must be related to those of the overall

[39] The "raw" beta refers to the simple regression between the monthly percentage changes in the price of a utility or utility index and the corresponding percentage change in the price of the equity market index (the S&P/TSX Composite).

market. The <u>relative</u> market volatility of Canadian utility stocks was measured by comparing the standard deviations of the Utilities Index to the standard deviations of the S&P/TSX Index and the simple mean and median of the standard deviations of the 10 Sectors. Schedule 11 shows the ratios of the standard deviations of the Utilities Index to those of the S&P/TSX Index and the 10 S&P/TSX Sectors. The ratio of the standard deviation of the Utilities Index to the mean and median standard deviations of the 10 major Sector Indices suggests a relative risk adjustment for a benchmark Canadian utility of approximately in the range of 0.55-0.74, with a central tendency of approximately 0.65-0.70.

ii. Historic Raw Betas

Since beta remains the risk measure that underpins the application of the Capital Asset Pricing Model (CAPM) (of which the risk-adjusted equity market risk premium test is a variant), I also considered betas in arriving at the estimated relative risk adjustment for a benchmark utility. Schedule 13 summarizes "raw" betas for individual publicly-traded Canadian regulated electric and gas companies, the TSE Gas/Electric Index, and the S&P/TSX Utilities Sector over five-year periods ending 1993 through 2006.[40]

As Schedule 13 indicates, there was a significant decline in calculated "raw" betas between 1993-1998 and 1999-2005 (from approximately 0.50-0.60 to 0.0 and slightly negative) followed by an increase in 2006 to the 0.25 to 0.35 range. The observed levels of "raw" utility betas in 1999-2006 can be traced to three factors: (1) the technology sector bubble and subsequent bust; (2) the dominance in the TSE 300 of two firms during the early part of the "bubble and bust" period, Nortel Networks and BCE; (3) the negative impact of rising interest rates on utility stock

[40] The S&P/TSX Utilities Sector was created in 2002 (with historic data calculated from year-end 1987), when the TSE 300 was revamped to create the S&P/TSX Composite. The Utilities Sector was essentially an amalgamation of the former TSE 300 Gas/Electric and Pipeline sub-indices. In May 2004, the pipelines were moved to the Energy Sector, and no longer comprise a separate sub-index.

prices while the equity market composite is otherwise increasing (e.g., during the "bubble" of 1999 and early 2000 and during the first half of 2006).

Chart 1 in the Statistical Exhibit graphically demonstrates the "decoupling" between utility stocks and the S&P/TSX Composite between 1999 and mid-2002 period, when the equity market "bubble and bust" was most prevalent. As a result, the disparate movements in utility equities relative to the S&P/TSX Composite during this period produced lower measured utility betas.

Chart 1 also shows that, beginning in mid-2002, the equity market composite and the utility equities began to once again exhibit a correlation that, graphically, resembled more closely the typical relationship observed prior to the market "bubble and bust". Utility betas calculated over recent periods that largely eliminate the "bubble and bust" period are higher than those that include data from this period. However, rising interest rates in early 2006 and the resulting negative impact on utility stock prices has again reduced the calculated "raw" utility betas (Schedule 14).[41]

The decoupling between utility shares and the rest of the market during both the technology "bubble and bust" and the first half of 2006 should not be interpreted as a change in the relative riskiness of utility shares,[42] but rather as an indication of the weakness of beta as the sole measure of the relative equity return requirement, particularly within the Canadian equity market context.[43]

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[41] Calculated with Nortel excluded from the Composite to remove any lingering effects on the behaviour of the Composite.

[42] Schedule 12 shows that utilities were not the only companies whose betas were negatively impacted by the speculative bubble and subsequent market decline. To illustrate, the 60-month beta ending 1997 of the Consumer Staples Sector was 0.62; the corresponding betas ending 2003 and 2004 were -0.08 and -0.07 respectively. In contrast, over the same periods, the beta of the Information Technology Sector rose from 1.57 to 2.87.

[43] For example, with the rise in energy stock prices the 60-month betas for the S&P/TSX Energy Sector rose from 0.17 in 2004, to 0.48 in 2005 to over 1.0 in 2006 suggesting a five-fold increase in risk for these companies.

iii. Impact of Interest Sensitivity on Relative Risk

Utilities are interest-sensitive stocks and thus tend to move with interest rates, which frequently move counter to the equity market. Consequently, utility equity price movements are correlated not only with the stock market, but also with movements in the bond market. Thus, the interest-sensitivity of utility shares is not fully captured in the calculated "raw" betas, which simply measure the covariability between a stock and the equity market composite.[44] An analysis of the relative historic sensitivity of utility shares to both interest rates and the equity market indicates a relative risk adjustment of close to 80% (See Appendix B).

iv. Use of Adjusted Beta

The deficiencies in "raw" betas can be mitigated by using adjusted betas. Adjusting betas entails moving betas above and below the market mean of 1.0 toward the market mean. The adjustment that is used by the major commercial suppliers of betas uses a formula that gives approximately two-thirds weight to the stock's own beta and one-third weight to the market mean beta of 1.0.[45] Use of adjusted betas implicitly recognizes that "raw" utility betas are not adequate explanators of utility returns. For example, as illustrated above, "raw" betas do not capture utilities' interest rate sensitivity. Further, the objective of the relative risk adjustment is to predict the investors' required return. Adjusted betas have been better predictors of utility returns than "raw" betas.

Table 7 below summarizes the average of the adjusted five-year betas ending in 1993 to 1999 (pre-"Nortel effect") and those calculated over both the 30-month

[44] In theory, the beta should be measured against the entire "capital market" including short-term debt securities, bonds, real estate, etc. In practice, it is measured using the equity market only.

[45] *Value Line*, Bloomberg and Merrill Lynch, major sources of financial information for investors, all publish adjusted betas. Their formulas for adjusting the calculated raw betas are slightly different, but all give approximately two-thirds weight to the "raw" beta of the specific stock and one-third weight to the market beta of 1.0.

period ended 12/31/05 and the longest possible post-market "bubble and bust" period (7/2002-12/2006).[46]

Table 7

Canadian Utility Adjusted Betas			
Periods	**Individual Canadian Utilities Median**	**TSE 300 Gas/Electric Utility Index**	**S&P/TSX Utilities Index**
Five-Year Betas ended 1993 to 1998 (Average)	0.65	0.66	0.73
42-Month Betas (7/2002 to 12/2005)	0.67	N/A	0.69
30-Month Betas (7/2003 to 12/2005)	0.67	N/A	0.70
54-Month Betas (7/2002 to 12/2006)	0.58	N/A	0.56

Source: Schedules 13 and 14.

The adjusted betas indicate a relative risk adjustment of approximately 0.60-0.70.

v. Relative Risk Adjustment

Based on the preceding analysis of standard deviations of market returns, interest sensitivity and betas, in my opinion, the relative risk adjustment for a benchmark Canadian utility is approximately 0.65-0.70.

d. <u>Benchmark Utility Equity Risk Premium</u>

I previously estimated the equity market risk premium at the long Canada yield of 4.75-5.0%, at approximately 6.5%. At an equity market risk premium of 6.5% and a relative risk adjustment of 0.65-0.70, the indicated benchmark utility equity risk premium is approximately 4.25-4.50%.

[46] Adjusted utility beta = 2/3 ("raw" beta) + 1/3 (market beta of 1.0).

4. Utility-Specific Equity Risk Premium Analysis

The risk-adjusted equity market risk premium test (discussed above) estimates the required utility equity risk premium indirectly. That is, it estimates an equity risk premium for the equity market as a whole, then adjusts it for the relative risk of a benchmark utility. The following analyses estimate the equity risk premium for a benchmark utility directly, by analyzing utility equity return data. The analyses below focus on both long-term historic utility equity risk premiums and an equity risk-premium test derived from forward-looking monthly estimates of the required utility equity return.

The following two sections provide the results of that analysis.

a. Historic Utility Equity Risk Premiums

The historic experienced returns for utilities provide an additional perspective on a reasonable expectation for the forward-looking utility equity risk premium. Reliance on achieved equity risk premiums for utilities as an indicator of what investors expect for the future is based on the proposition that over the longer term, investors' expectations and experience converge. The more stable an industry, the more likely it is that this convergence will occur.

Over the longer-term (1956-2006),[47] achieved utility equity risk premiums were 3.7-4.8% for Canadian electric and gas utilities, based on both geometric and arithmetic average returns.[48] For U.S. electric utilities, the corresponding historic equity risk premiums averaged approximately 4.0-5.2% over the entire post-World War II period (1947-2006). The corresponding risk premiums for U.S. gas utilities were 4.9-6.1% (Schedule 15).

[47] The longest period for which Canadian utility data are available from the TSE.
[48] Based on the Gas/Electric Index of the TSE 300 (from 1956 to 1987) and on the S&P/TSX Utilities Index from 1988-2005.

Similar to the risk premiums for the market composite, the magnitude of achieved utility risk premiums is a function of both the equity returns and the bond returns, as summarized for Canadian utilities in the table below.

Table 8

Average	Canadian Utility Risk Premiums		
	Utility Equity Returns	**Bond Returns**	**Achieved Risk Premiums**
Arithmetic	12.6%	7.8%	4.8%
Geometric	11.5%	7.8%	3.7%

Source: Schedule 15.

An analysis of the underlying data indicates there has been no upward or downward trend in the utility equity returns (Schedule 16); the utility returns in both the U.S and Canada have clustered in the approximate range of 11.0-12.0%. However, as noted in Appendix B, the bond returns have risen over the fifty-year period to a level that cannot persist, given the low level of interest rates. The best estimate of the expected bond return is the forecast yields on long Canadas, which are in the range of 5.0-5.5%, based on both near-term and long-term forecasts. When that yield is compared to a utility equity return of 11.0-12.0%, the indicated equity risk premium is approximately 5.0-5.5%.

Focusing on the arithmetic average risk premiums, and recognizing that historic bond returns overstate the expected bond return, the experience of Canadian and U.S. utilities supports an expected equity risk premium estimate for a benchmark Canadian utility in the approximate range of 5.0-5.5%.

b. DCF-Based Equity Risk Premium Test

A forward-looking equity risk premium test was also performed, using the discounted cash flow model (DCF) to estimate expected utility returns over time. Monthly cost of equity estimates were constructed for the period 1993-2006[49] using the DCF model and a sample of low risk U.S. electric and gas utilities as a proxy for a benchmark Canadian utility.[50] The reasons for choosing U.S. utilities are as follows:

First, there are an insufficient number of forward-looking estimates of long-term growth rates for Canadian utilities that would permit the creation of a consistent series of DCF costs of equity and corresponding risk premiums from Canadian data. A consensus estimate of investors' growth expectations is key to the application of the discounted cash flow model. The availability of a consensus of analysts' forecasts means that the resulting growth estimate reflects the market view.

Second, U.S. and Canadian utilities are reasonable proxies for one another, particularly in today's global capital market. Although there may be company-specific differences in business and financial risk, the impact of those differences is minimized by selecting only relatively pure-play U.S. utilities with similar debt ratings to the typical Canadian utility. The selected U.S. utilities are of relatively low business risk; the sample, which is limited to utilities with debt ratings in the A category, is of similar total risk to a benchmark Canadian utility.

[49] The period 1993-2006 covers a full business cycle. It also represents the period of Open Access (implemented via FERC Order 636) for gas distributors which make up close to 50% of the utility sample.
[50] The selection criteria for the proxy utilities and the construction of the DCF estimates are described in Appendix C.

The DCF costs of equity were estimated as the sum of the consensus of analysts' forecasts of long-term normalized earnings growth,[51] plus the expected dividend yield. The equity risk premium is equal to the difference between the average DCF cost of equity for the sample and the corresponding 30-year Treasury yield for the period.

For the sample of U.S. utilities, the DCF-based equity risk premium test indicates an average risk premium over the 1993-2006 period of 3.9% (Schedule 17); the corresponding average long-term government bond yield was 5.9%, a full percentage point higher than the test period forecast yield on long Canadas of 4.75-5.0%. I also looked at the average risk premium over the period 1998-2006, representing the period subsequent to open access for electric utilities in the U.S.[52] The average risk premium over that period was 4.4%, with a corresponding government bond yield of 5.3%.

The data suggest that there has been an inverse relationship between the risk-free rate (as proxied by the long-term government bond yield) and utility equity risk premiums. To test the relationship between interest rates and risk premiums, a simple regression analysis between the monthly 30-year Treasury yields and the corresponding equity risk premiums over the entire 1993-2006 period was conducted.[53] At the forecast 30-year government bond yield of 4.75-5.0%, the indicated utility equity risk premium is approximately 4.5%.

The magnitude of the spread between corporate bond yields and government bond yields is frequently used as a proxy for changes in investors' perception of risk.[54] Thus, I also tested the relationship between the spreads between long-term utility

[51] The consensus forecasts are obtained from I/B/E/S, a leading provider of earnings expectations data. The data are collected from over 7,000 analysts at over 1,000 institutions worldwide, and cover companies in more than 60 countries.

[52] Open access for electric utilities was implemented via FERC Order 888 in 1997.

[53]

Equity Risk premium	=	7.31 – 0.59 (30-Year Treasury yield)
t-statistic	=	-9.23
R^2	=	34%

[54] Or, alternatively, willingness to take risks.

and government bond yields in conjunction with the change in the yield on long-term government bond yields.

To estimate this relationship, I performed a regression analysis over the 1993-2006 period using the utility risk premium[55] as the dependent variable, with the corresponding long-term government bond yield and spread between long-term high grade utility[56] and government bond yields as the two independent variables.[57] The analysis indicated that, while the utility risk premium has been negatively related to the level of government bond yields, it has been positively related to the spread between utility bond yields and government bond yields. The spread between long-term Canadian A-rated utility bonds and 30-year Canada bond yields was approximately 120 basis points at the end of January 2007, compared to the average Moody's A-rated utility/30-year Treasury spread of 140 basis points over the entire 1993-2006 period. Using a forecast long Canada yield of 4.75-5.0% and an A-rated utility bond/long Canada spread of 120 basis points, the indicated utility risk premium is 4.0%.

Based on both the one and two independent variable approaches, the DCF-based equity risk premium test results indicate a utility equity risk premium in the range of approximately 4.0-4.5%, or a mid-point of approximately 4.25%, at a long-term Canada bond yield of 4.75-5.0%.

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[55] Measured, as in the prior analysis, as the DCF cost of equity minus the long-term government bond yield.

[56] Based on Moody's long-term A rated utility bond index.

[57]

Utility Risk Premium	=	4.4 - .36 TY + 1.17 Spread
Where,		
TY	=	30-year Treasury Yield
Spread	=	Spread between A-rated Utility Bond Yields and 30-year Treasury Yields
R^2	=	70%
t-statistics:		
Long term bond yield	=	-8.1
Utility/government bond yield spread	=	14.4

5. Equity Risk Premium Test "Bare-Bones" Cost of Equity

The estimated equity risk premiums for a benchmark Canadian utility based on the three methodologies are as follows:

Risk Premium Test	Risk Premium
Risk-Adjusted Equity Market	4.25-4.50%
Historic Utility	5.00-5.50%
DCF-Based	4.25%

On balance, the three risk premium tests indicate an equity risk premium applicable to a benchmark Canadian utility in the range of 4.25-5.25%, or approximately 4.75%. At a forecast long Canada yield of 4.75-5.0%, the "bare-bones" cost of equity is 9.0-10.25%.

C. DISCOUNTED CASH FLOW TEST[58]

The discounted cash flow approach proceeds from the proposition that the price of a common stock is the present value of the future expected cash flows to the investor, discounted at a rate that reflects the riskiness of those cash flows. If the price of the security is known (can be observed), and if the expected stream of cash flows can be estimated, it is possible to approximate the investor's required return (or capitalization rate) as the rate that equates the price of the stock to the discounted value of future cash flows.

Although the DCF test, like the equity risk premium test, has flaws, it has one distinct advantage over risk premium estimates, particularly those made using the CAPM. It allows the analyst to directly estimate the utility cost of equity. In

[58] See Appendix D for a more detailed discussion.

contrast, the CAPM indirectly estimates the cost of equity. The DCF model provides a widely used alternative to the CAPM; it is the principal model utilized by U.S. regulators.

There are multiple versions of the discounted cash flow model available to estimate the investor's required return. An analyst can employ a constant growth model or a multiple period model to estimate the cost of equity. The constant growth model rests on the assumption that investors expect cash flows to grow at a constant rate throughout the life of the stock. Similarly, a multiple period model rests on the assumption that growth rates will change over the life of the stock. In determining the DCF cost of equity for a benchmark utility, I utilized both a constant growth and a two-stage model.[59] In both cases, the discounted cash flow test was applied to a sample of low risk U.S. "pure-play" electric and gas distributors that are intended to serve as a proxy for a benchmark Canadian utility.[60]

The growth component of the DCF model is an estimate of what investors expect over the longer-term. For a regulated utility, whose growth prospects are tied to allowed returns, the estimate of growth expectations is subject to circularity because the analyst is, in some measure, attempting to project what returns the regulator will allow, and the extent to which the utilities will exceed or fall short of those returns. To mitigate that circularity, it is important to rely on a sample of proxies, rather than the subject company. (When the subject company does not have traded shares, a sample of proxies is required.)

Further, to the extent feasible, one should rely on estimates of longer-term growth readily available to investors, rather than superimpose on the analysis one's own view of what growth should be. Thus, in applying the DCF test, I relied solely on published forecast growth rates that are readily available to investors. The

[59] The two-stage model is a form of multiple period model; see Appendix D for discussion of the DCF models used; the sample selection is described in Appendix C.
[60] Reliance on U.S. utilities was explained in the discussion of the DCF-based equity risk premium test.

constant growth model uses the consensus of analysts' earnings growth rate forecasts as the proxy for investors' long-term growth expectations. The two-stage model is based on the premise that investors expect the growth rate for the utilities to be equal to the analysts' forecasts (which are five year projections) for the first five years, but, in the longer-term (from year 6 onward) to equal the expected long-run rate of nominal growth in the economy.

The results of the constant growth and two-stage DCF models indicate a required "bare-bones" return on equity of approximately 8.75-9.0% (Appendix D and Schedules 19 and 20). It is important to recognize that the 8.75-9.0% DCF cost represents the return investors expect to earn on the <u>current market value</u> of their utility common equity investments. It is not, however, the return that investors expect the utilities to earn on the book value of their common equity. *Value Line*, which publishes its projections of utility ROEs quarterly, anticipates that the return on average common equity for the sample of low risk U.S. utilities over the period 2009-2011 will be approximately 11.8-12.0% (Schedule 18).

D. ALLOWANCE FOR FINANCING FLEXIBILITY[61]

The financing flexibility allowance is an integral part of the cost of capital as well as a required element of the concept of a fair return. The allowance is intended to cover three distinct aspects: (1) flotation costs, comprising financing and market pressure costs arising at the time of the sale of new equity; (2) a margin, or cushion, for unanticipated capital market conditions; and (3) a recognition of the "fairness" principle.

The fairness principle recognizes the ability of competitive firms to maintain the real value of their assets in excess of book value and thus would not preclude utilities from achieving a degree of financial integrity that would be anticipated under competition.

[61] See Appendix F for a more complete discussion.

At a minimum, the financing flexibility allowance should be adequate to allow a utility to maintain its market value, notionally, at a slight premium to book value, i.e., in the range of 1.05-1.10. At this level, a utility will be able to recover actual financing costs, as well as be in a position to raise new equity (under most market conditions) without impairing its financial integrity. A financing flexibility allowance adequate to maintain a market/book in the range of 1.05-1.10 is approximately 50 basis points.

The concept of a financing flexibility or flotation cost allowance has been accepted by most Canadian regulators, and a 50 basis point allowance has been adopted by a number of them. The addition of an allowance for financing flexibility of 50 basis points to the "bare-bones" return on equity estimate of 9.25-9.75%, derived from the equity risk premium and DCF tests, results in an estimate of the fair return on equity of 9.75-10.25%.

E. COMPARABLE EARNINGS TEST

The comparable earnings test provides a measure of the fair return based on the concept of opportunity cost. Specifically, the test arises from the notion that capital should not be committed to a venture unless it can earn a return commensurate with that available prospectively in alternative ventures of comparable risk. Since regulation is a surrogate for competition, the opportunity cost principle entails permitting utilities the opportunity to earn a return commensurate with the levels achievable by competitive firms facing similar risk. The comparable earnings test, which measures returns in relation to book value, is the only test that can be directly applied to the equity component of an original cost rate base without an adjustment to correct for the discrepancy between book values and current market values. Neither the equity risk premium results nor the DCF results, if left without adjustment, recognizes the discrepancy. The 50 basis point financing flexibility adjustment only minimally addresses the discrepancy.

The comparable earnings test is an implementation of the comparable earnings standard, as distinguished from the cost of attracting capital standard. The comparable earnings standard recognizes that utility costs are measured in vintaged dollars and that rates are based on accounting costs, not economic costs. In contrast, the cost of attracting capital standard relies on costs expressed in dollars of current purchasing power, i.e., a market-related cost of capital. In the absence of experienced inflation, the two concepts would be quite similar, but the impact of inflation has rendered them dissimilar and distinct.

The concept that regulation is a surrogate for competition may be interpreted to mean that the combination of an original cost rate base and a fair return should result in a value to investors commensurate with that of competitive ventures of similar risk. The fact that an original cost rate base provides a starting point for the application of a fair return does not mean that the original cost of the assets is a measure of their fair value. The concept that regulation is a surrogate for competition implies that the regulatory application of a fair return to an original cost rate base should result in a value to investors commensurate with that of similar risk competitive ventures. The comparable earnings standard, as well as the principle of fairness, suggests that, if competitive industrial firms facing a level of total risk similar to utilities are able to maintain the value of their assets considerably above book value, the return allowed to utilities should not seek to maintain the value of utility assets at book value. It is critical that the regulator recognize the comparable earnings standard when setting a just and reasonable return.

The comparable earnings test remains the only test that explicitly recognizes that, in the North American regulatory framework, the return is applied to an original cost (book value) rate base. The persistence of moderate inflation continues to create systematic deviations between book and market values. Application of a market-derived cost of capital to book value ignores that distinction. To illustrate, if the market value of an investment is $15 and the required return is 10%, the return, in dollars, expected by investors is $1.50. However, regulatory convention applies the market-derived return to the book value of the investment. If the book value of the investment is $10.00, application of a 10% return to the book value will result in a return, in dollars, of only $1.00. The cost of attracting capital tests, i.e., equity risk premium and discounted cash flow, do not make any allowance for the discrepancy between the return on market value and the corresponding fair return on book value. The comparable earnings test, however, does. It applies "apples to apples", i.e., a book value-measured return is applied to a book value-measured equity investment.

The principal issues in the application of the comparable earnings test are:[62]

- The selection of a sample of industrials of reasonably comparable risk to a benchmark Canadian utility.
- The selection of an appropriate time period over which returns are to be measured in order to estimate prospective returns.
- The need for any adjustment to the "raw" comparable earnings results if the selected industrials are not of precisely equivalent risk to the benchmark utility.
- The need for a downward adjustment for the industrials' market/book ratios.

The application of the comparable earnings test first requires the selection of a sample of industrials of reasonably comparable risk to a benchmark Canadian utility. The selection should conform to investor perceptions of the risk characteristics of utilities, which are generally characterized by relative stability of earnings, dividends and market prices. These were the principal criteria for the selection of samples of industrial companies (from consumer-oriented industries).

[62] Full discussion in Appendix E.

The criteria for selecting comparable unregulated low risk companies include industry, size, dividend history, stock and bond ratings and betas. (Appendix E)

Since the universe of Canadian industrial companies is sufficiently large to produce a representative sample of adequate size, the focus of the comparable earnings analysis was on Canadian firms. However a sample of U.S. companies was also used as a check on the reasonableness of the Canadian sample results. The application of the selection criteria to the Canadian universe produced a sample of 17 companies.

Next, since industrials' returns on equity tend to be cyclical, the selection of an appropriate period for measuring industrial returns must be determined. The period selected should encompass an entire business cycle, covering years of both expansion and decline. That cycle should be representative of a future normal cycle, e.g., similar in terms of inflation and real economic growth.[63] The period 1994-2005 provides a reasonable proxy for a future business cycle. The experienced returns on equity of the sample of 17 industrials over this period were in the approximate range of 12.5-12.75% (see Appendix E and Schedule 26).

The next step is to assess whether or not there is a need to adjust the "raw" comparable earnings results to reflect the differential risk of a benchmark Canadian utility relative to the selected industrials. The comparative risk data indicate, on balance, the Canadian industrials are of slightly higher risk than a benchmark utility. To recognize the industrials' marginally higher risk, the comparable earnings test, applied to a benchmark Canadian utility, should be interpreted as indicating a return at the lower end of the range, i.e., at approximately 12.5%.

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[63] Returns on equity during earlier periods may not be comparable as the economic fundamentals that impact achievable returns (e.g., inflation) were not comparable)

Since the Canadian sample while adequate is relatively small, in large part a function of the size and make-up of the Canadian equity market, I also selected a sample of low risk U.S. industrials to serve as a check on the reasonableness of the Canadian results. The selection criteria were similar to those used for the Canadian industrial sample. The greater breadth of the U.S. market allowed the selection of a sample of close to 160 companies in the same stable industries used to select the Canadian industrials. The experienced returns of the U.S. industrials were in the range of 13.5-14.5% (see Schedule 28). The comparative risk data indicate that the U.S. industrials are of somewhat higher risk than the Canadian utilities. When used as a check against the unregulated Canadian firms, the returns of the significantly larger U.S. sample of industrials underscore the reasonableness of the comparable earnings results for the sample of Canadian industrials.

The final step is to assess the need for a market/book adjustment to the comparable earnings results. The sample results would warrant such an adjustment if their market/book ratios relative to the overall market indicated an ability to exert market power. In other words, a relatively high market/book ratio would point to returns on equity that were higher than the levels achievable if market power were not present. The average market/book ratio of the sample of Canadian comparables over the 1994-2005 period was 1.8 times. By comparison, over the same period, the market/book ratio of the average market/book ratio of the S&P/TSX composite was in excess of two times (see Appendix E). For the U.S. sample, the average market/book ratio for 1994-2005 was approximately 2.2 times, compared to 3.4 times for the S&P 500. The lower market/book ratios of the proxy samples relative to the market composites indicate no evidence of market power and thus no rationale for a downward adjustment. As a result, a fair return for a benchmark Canadian utility based on the comparable earnings test is approximately 12.5%.

F. FAIR RETURN ON EQUITY FOR A BENCHMARK CANADIAN UTILITY

The results of the three tests used to estimate a reasonable return on equity for a benchmark Canadian utility are summarized below:

Table 9

Test	"Bare-Bones" Cost of Equity	Fair Return on Equity
Equity Risk Premium	9.0-10.25%	9.5-10.75%
Discounted Cash Flow	8.75%-9.0%	9.25%-9.5%
Comparable Earnings	N/A	12.5%

In arriving at a reasonable return for a benchmark utility, I have given primary weight to the cost of attracting capital, as measured by both the equity risk premium and DCF tests. The "bare-bones" cost of attracting capital based on these two tests is in the range of 9.25-9.75%. Including the allowance for financing flexibility, the indicated return on equity is 9.75-10.25%. However, the results of the comparable earnings test are also entitled to significant weight when setting a fair return that balances both ratepayer and shareholder interests. Based on all three test results, a fair return for a benchmark Canadian utility, and for NP, is 10.25-10.50%.

VI. REASONABLENESS OF RECOMMENDATION

My determination of a return on equity (10.25-10.50%) for NP is independent of what other regulators allow. Nevertheless, the capital structures and returns allowed for other utilities can provide a perspective on the reasonableness of the return recommended.

As indicated in Section III.F of this testimony, there have been, over the past several years, concerns expressed by the debt rating agencies regarding the low level of allowed returns in Canada and the disparity between allowed returns in Canada and the U.S. Representative comments of both DBRS and S&P are documented in Section III.F.

In the National Energy Board's (NEB) August 2005 *Canadian HydroCarbon System Report*, pension funds had indicated to the Board that the basic financial parameters (allowed return on equity and deemed capital structure) in its regulatory scheme should be improved. In its 2006 report of the same name, the NEB reported that a number of analysts felt that the ROE generated by the NEB formula and by other Canadian regulators' formulas "were a little too low" and not supportive of dividend growth or credit metrics. A number of analysts commented that where they have "Buy" recommendations on utility stocks, the recommendations tend to reflect the prospects of the unregulated operations.[64] Analysts also commented that companies have reduced costs and taken other steps to improve profitability and dividend growth for several years, and wondered how long that could continue.

[64] In many cases, the ROEs achieved by the entity whose shares are traded have been materially higher than the ROEs allowed under the formulas. The allowed ROE generated by the NEB formula averaged 9.6% over the period 2002 to 2005; the ROE reported for TransCanada Pipelines Ltd by DBRS over that same period was 12.7%. For Terasen Gas, its allowed ROE averaged 9.2%; Terasen Inc.'s ROE (as reported by DBRS) averaged 11.1%. DBRS reported an average ROE of 13.0% for Canadian Utilities Ltd., compared to its regulated subsidiaries' allowed ROEs of approximately 9.6%.

Recent equity analyst commentary on the level of allowed ROEs in Canada expresses the view that the current level of allowed ROEs, expected to be approximately 8.6% in 2007, is now confiscatory.[65]

With respect to returns allowed for U.S. utilities, Schedule 5, page 3 shows that Canadian allowed utility returns were at similar levels to U.S. utility returns from 1994-1997. However, while allowed Canadian returns have declined by over 200 basis points from 11.5% to under 9.0%, the decline in U.S. returns allowed by state regulators for both electric and gas utilities has been more moderate (from about 11.5% to 10.25-10.5%). Over the last five years, with relatively similar levels of interest rates, the effective equity risk premium embedded in Canadian utilities' recent allowed equity returns has averaged approximately 1.25 percentage points lower than that of U.S. utilities.

The possibility that gas and electric utilities in the U.S. face higher business/regulatory risks than the typical Canadian utility is offset by significantly higher allowed common equity ratios in the U.S. The average allowed common equity ratio for the major Canadian electric and gas utilities is approximately 37%. In contrast, the average allowed common equity ratio for U.S. electric and gas utilities over the last five years (1999-2006) has been approximately 48% (Schedule 5, page 4).

The difference in equity ratios between Canadian and U.S. utilities can be quantified, that is, translated into a further differential in equity returns. The approximately ten percentage point differential between the average allowed common equity ratios for the U.S. and Canadian utilities translates into approximately 150 basis points in equity return compensation in favor of U.S. utilities. The indicated differential is based on the inverse relationship between equity ratios and equity returns.[66]

In sum, the returns available to comparable U.S. utilities are materially higher than the returns that are allowed to Canadian utilities, the returns allowed for Canadian utilities

[65] Taylor, Karen, BMO, "Pipelines/Gas & Electric Utilities: 2007 ROEs Decline to Unprecedented Levels; Ontario Gets Reprieve", December 7, 2006.
[66] Using approaches outlined in Schedule 23.

are generally regarded as too low, and the returns that investors expect and are achieving from the traded entities in Canada are considerably higher than the returns that have been allowed by regulators. These factors are legitimate considerations to be taken into account in setting a fair and reasonable return for NP.[67] These factors underscore the reasonableness of the 10.25-10.5% return on equity I am recommending for NP.

[67] The Conference Board of Canada has pointed out the importance of competitive returns for electricity transmission in Canada. In its May 2004 Briefing entitled, *Electricity Restructuring: Opening Power Markets*, the Conference Board stated,

> Investors are discouraged by limitations on the regulated cost recovery for transmission upgrading. Transmission companies are simply not seeing favourable risk/return ratios on their investments, and know that they can realize better returns in the United States, where regulated rates of return are much higher. Rates of return to Canadian firms for transmission projects are around 9 to 10 per cent, well below the 13 to 14 per cent available to U.S. companies. These lower rates discourage investment in Canadian utilities. Moreover, investors are additionally deterred by the fact that existing cost-of-service rates do not reflect the economic value of the transmission grid.

These comments are no less applicable to all Canadian utility investments.

APPENDIX A

THE CAPITAL ATTRACTION AND COMPARABLE EARNINGS STANDARDS

Two standards for a fair return have arisen from the legal precedents for establishing a fair return, the capital attraction and comparable earnings standard. The principal Court cases in Canada and the U.S. establishing the standards include *Northwestern Utilities Ltd.* v. *Edmonton (City)*, [1929] S.C.R. 186; *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679, 692 (1923)*; and, *Federal Power Commission v. Hope Natural Gas Company (320 U.S. 591 (1944))*.

In *Northwestern*, Mr. Justice Lamont stated

> The duty of the Board was to fix fair and reasonable rates; rates which, under the circumstances, would be fair to the consumer on the one hand, and which, on the other hand, would secure to the company a fair return for the capital invested. By a fair return is meant that the company will be allowed as large a return on the capital invested in its enterprise (which will be net to the company) as it would receive if it were investing the same amount in other securities possessing an attractiveness, stability and certainty equal to that of the company's enterprise.

In *Bluefield*, the criteria for a fair return were described as follows:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.

In *Hope*, Justice Douglas stated,

> By that standard the return on equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

The fact that the allowed return is applied to an original cost rate base is key to distinguishing between the capital attraction and comparable earnings standards. The base to which the return is applied determines the dollar earnings stream to the utility, which, in turn, generates the return to the shareholder (dividends plus capital appreciation). In the early years of rate of return regulation in North America, there was considerable debate over how to measure the investment base. The controversy arose from the objective that the price for a public utility service should allow a fair return on the fair value of the capital invested in the business. The debate focused on what constituted fair value: Was it historic cost, reproduction cost, or market value? Ultimately, *Hope* opted for the "reasonableness of the end result" rather than the specification of a particular method of rate base determination. The use of a historic cost rate base became the norm because it provided an objective, measurable point of departure to which the return would be applied. There is no prescription, however, that the historic cost rate base itself constitutes the "fair value" of the investment.

Nevertheless, regulators' application of a capital market-derived "cost of attracting capital" to a historic rate base in principle will result in the market value of the investment trending toward the historic cost based on the erroneous assumption that this equates to "fair value". The "fair value equals original cost" result arises from the way "cost" has typically been interpreted and applied in determining other cost elements in the regulation of North American utilities. For most utilities, rates are set on the basis of book costs; that concept has been applied to the cost of debt and depreciation expense, as well as to all operating and maintenance expenses.

For economists, the theoretically appropriate definition of cost is marginal or incremental cost. For regulated utilities historic costs have been substituted for marginal or incremental costs for two reasons: first, as a practical matter, long-run incremental costs are difficult to measure; second, for the capital intensive utility industries, pricing on the basis of short-run marginal costs would not cover total costs incurred.

The determination of the return on common equity for regulated companies has traditionally been a "hybrid" concept. The cost of equity is a forward-looking measure of the equity investors' required return. It is, therefore, an incremental cost concept. The required equity return is not, however, applied to a similarly determined rate base (that is, current cost). It is applied to an original cost rate base. When there is a significant difference between the historic original cost rate base and the corresponding current cost of the investment, application of a current cost of attracting capital to an original cost rate base produces an earnings stream that is significantly lower than that which is implied by the application of that same cost rate to market value. The divergence between the earnings stream implied by the application of the return to book value rather than market value is magnified as a result of the long lives of utility assets.

The current cost of attracting capital is measured by reference to market values. The discounted cash flow test, for example, measures the return that investors require on the market value of the equity. For a utility regulated on the basis of original cost book value, the current cost of attracting equity capital is only equivalent to the return investors require on book value when the market value of the common stock is equal to its book value. As the market value of the equity of regulated utilities increases above its book value, the application of a market-value derived cost of equity to the book value of that equity increasingly understates investors' return requirements (in dollar terms).

Some would argue that the market value of utility shares should be equal to book value. However, economic principles do not support that conclusion. A basic economic principle establishes the expected relationship between market value and replacement cost which provides support for market prices in excess of original cost book value. That economic principle holds that, in the longer-run, in the aggregate for an industry, market value should equal replacement cost of the assets. The principle is based on the notion that, if the market value of firms exceeds the replacement cost of the productive capacity, there is an incentive to establish new firms. The existence of additional firms would lower prices of goods and services, lower profits and thus reduce market values of all the firms in the industry. In the opposite circumstance, there is an incentive to disinvest, i.e., to not replace depreciated assets. The disappearance of firms would push up prices of goods and services; raise the profits of the remaining firms, thereby raising the market values of the remaining firms. In equilibrium, market value should equal replacement cost. In the presence of inflation, even at moderate levels, absent significant technological advances, replacement cost should exceed the original cost book value of assets. Consequently, the market value of utility shares should be expected to exceed their book value.

Therefore, when the allowed return on original cost book value is set, a market-derived cost of attracting capital must be converted to a fair and reasonable return on book equity. The conversion of a market-derived cost of capital to a fair return on book value ensures that the stream of dollar earnings on book value equates to the investors' dollar return requirements on market value.

APPENDIX B

RISK-ADJUSTED EQUITY MARKET RISK PREMIUM TEST

CONCEPTUAL UNDERPINNINGS OF THE CAPITAL ASSET PRICING MODEL

The Capital Asset Pricing Model (CAPM) is a theoretical, formal model of the equity risk premium test which posits that the investor requires a return on a security equal to:

$$\mathbf{R_F} \quad + \quad \boldsymbol{\beta}(\mathbf{R_M} - \mathbf{R_F}),$$

Where:

$\mathbf{R_F}$	=	risk-free rate
$\boldsymbol{\beta}$	=	covariability of the security with the market (M)
$\mathbf{R_M}$	=	return on the market.

The model is based on restrictive assumptions, including:

1. Perfect, or efficient, markets exist where,

    a) each investor assumes he has no effect on security prices;
    b) there are no taxes or transaction costs;
    c) all assets are publicly traded and perfectly divisible;
    d) there are no constraints on short-sales; and,
    e) the same risk-free rate applies to both borrowing and lending.

2. Investors are identical with respect to their holding period, their expectations and the fact that all choices are made on the basis of risk and return.

The CAPM relies on the premise that an investor requires compensation for non-diversifiable risks only. Non-diversifiable risks are those risks that are related to overall market factors (e.g., interest rate changes, economic growth). Company-specific risks, according to the CAPM, can be diversified away by investing in a portfolio of securities whose expected returns are not perfectly correlated. Therefore, a shareholder requires no compensation to bear company-specific risks.

In the CAPM, non-diversifiable risk is captured in the beta, which, in principle, is a forward-looking (expectational) measure of the volatility of a particular stock or portfolio of stocks, relative to the market. Specifically, the beta is equal to:

$$\frac{\text{Covariance } (R_E, R_M)}{\text{Variance } (R_M)}$$

The variance of the market return is intended to capture the uncertainty related to economic events as they impact the market as a whole. The covariance between the return on a particular stock and that of the market reflects how responsive the required return on an individual security is to changes in events that also change the required return on the market.

RISK-FREE RATE

1. The theoretical CAPM assumes that the risk-free rate is uncorrelated with the return on the market. In other words, the assumption is that there is no relationship between the risk-free rate and the equity market return (i.e., the risk-free rate has a zero beta). However, the application of the model typically assumes that the return on the market is <u>highly</u> correlated with the risk-free rate, that is, that the equity market return and the risk-free rate move in tandem.

2. The theoretical CAPM calls for using a risk-free rate, whereas the typical application of the model in the regulatory context employs a long-term government bond yield as a proxy for the risk-free rate. Long-term government bond yields may reflect various factors that render them problematic as an estimate of the "true" risk-free rate, including:

a) The yield on long-term government bonds reflects the impact of monetary and fiscal policy; e.g., the potential existence of a scarcity premium. The Canadian federal government has been in a surplus position for nine years, which has reduced its financing requirements. However, the demand for long-term government securities by institutions (e.g., pension funds) that match assets and liabilities has not declined. The pension funds, which are key purchasers of long-term government bonds, are typically buy and hold investors, which means that the government bonds in their portfolios do not trade. Thus, there is the potential not only for a scarcity premium in prices due to the demand for long-term government bonds, but also potential illiquidity in the market.

b) Yields on long-term government bonds may reflect shifting degrees of investors' risk aversion; e.g., "flight to quality". An increase in the equity risk premium arising from a reduction in bond yields due to a "flight to quality" is not likely to be captured in the typical application of the CAPM which focuses on a long-term average market risk premium.

c) Long-term government bond yields are not risk-free; they are subject to interest rate risk. The size of the equity market risk premium at a given point in time depends in part on how risky long-term government bond yields are relative to the overall equity market. The need to capture and measure changes in the risk of the so-called risk-free security introduces a further complication in the application of the CAPM.

EQUITY MARKET RISK PREMIUM

1. Equity Risk Premium and Historic Data

The equity market risk premium is typically measured largely by reference to historic data. Adjustments are then made to capture (a) changes that have occurred in the underlying markets over time, or (b) perceived differences between what investors actually achieved and what they may have expected on an *ex ante* basis. There are a wide range of views on what constitutes an appropriate period for estimating the historic risk premium, on what constitutes the appropriate averaging technique, and on whether various time-specific or country-specific outcomes diminish the reliability of history as a predictor of the future (expected) risk premium. In summary, the link between the historic and the expected risk premium is subject to considerable judgment.

2. Issues Specific to Canadian Historic Risk Premium Data

a) The Canadian equity market has undergone significant structural changes over the periods typically used to measure historic risk premiums. The historic market returns reflect in considerable measure a resource-based economy. At the end of 1980, no less than 46% of the market value of the TSE 300 was resource-based stocks.[68] By comparison, at the end of 2000, the resource-based percentage of the S&P/TSX Composite had declined to 18.4%. The influence of technology-intensive and service-related sectors on the index, in comparison had risen markedly. In particular, financial

[68] As measured by the oil and gas, gold and precious minerals, metals/minerals, and pulp and paper products sectors. Excludes "the conglomerates sector", which also contained stocks with significant commodity exposure.

services had become a key sector of the equity composite. Table B-1, which compares the year-end 1980 and 2000 market weightings of the financial services and technology sectors, highlights the changes that occurred between 1980 and 2000.

Table B-1

	1980	**2000**
Biotechnology/ Health Care/ Pharmaceuticals	0.0%	2.8%
Information Technology	0.9%	24.1%
Telecommunication Services	4.8%	6.5%
Media & Entertainment	0.6%	4.1%
Financial Services	13.5%	24.1%
Total	**19.8%**	**61.1%**

Source: *TSE Review*, December 1980 and December 2000.

By the end of December 2006, with the run-up in commodity prices since mid-2004, (and, to a lesser extent, with the implosion of the information technology sector in 2001), the resource-based sectors (Energy and Materials) once again have become a dominant component of the equity market, accounting for 44.0% of the total market value of the S&P/TSX Composite.

b) The Canadian market has, to some extent, had characteristics of market sectors, rather than of a diversified portfolio. At the end of 2006, approximately 75% of the S&P/TSX Composite's market value was in three sectors, Energy (27.9%), Materials (16.1%) and Financials (31.9%).

By comparison, the U.S. market is significantly more balanced among industry sectors. A comparison of market weights in Canada and the U.S. of the major sectors at December 31, 2006 demonstrates the difference.

Table B-2

Sector	Canada S&P/TSX Composite	U.S. S&P 500
Consumer Discretionary	5.2%	10.6%
Consumer Staples	2.6%	9.3%
Energy	27.9%	9.8%
Financials	31.9%	22.3%
Health Care	0.8%	12.0%
Industrials	5.3%	10.8%
Information Technology	3.7%	15.1%
Materials	16.1%	3.0%
Telecommunication Services	5.0%	3.5%
Utilities	1.5%	3.6%

Source: *TSX Review*, December 2006 and Standardandpoors.com.

c) Even within the remaining 25% of the Canadian market (the non-resource and non-financial sectors), there are various sectors of the economy that are relatively underrepresented, e.g., pharmaceuticals, retailing and health care.

d) The historic average achieved returns of the TSE 300 Index have been significantly affected by the relatively mediocre performance of commodity-linked securities over the long-term. From 1956-2003 (the longest period for which consistent data exist for the individual TSE 300 sub-indices), the average returns of the commodity-based sectors were exceeded by the returns of virtually every other sector of the TSE 300.[69]

[69] The average (compound, or geometric) returns of the commodity-based sectors were as follows:

Metals/Minerals	7.8%
Gold	9.5%
Oil and Gas	9.5%
Paper/Forest	7.1%

Because the long-term returns of the various sectors are inconsistent with their relative risk, the achieved returns for the market composite may not accurately reflect what investors had expected.

e) In December 2005, the S&P/TSX Composite underwent a significant change with the inclusion of income trusts. Income trusts, which just five years ago, had a market capitalization of approximately $20 billion, had a market capitalization of approximately $189 billion at the end of 2006, accounting for 9.0% of the total market value of the TSX. Despite the change to the income tax treatment of income trusts announced in October 2006, income trusts significantly outperformed the "conventional" equity markets during the period for which income trust market data are readily available. The annual total return for the S&P/TSX Income Trust Index over the 1998-2006 period averaged 16.4%, compared to 9.4% for the S&P/TSX Composite Index. The exclusion of income trust returns from the S&P/TSX Composite Index prior to late 2005 means that the measured equity returns using the Composite Index understate the actual equity market returns achieved by Canadian investors.

f) The TSE 300 Index has been criticized for its lack of liquidity and for the quality and size of the stocks it has contained. In a speech in early 2002, Joseph Oliver, President and CEO of the Investment Dealers Association of Canada stated,

> Over the last 25 years, the TSE 300 has steadily declined as a relevant benchmark index. Part of the problem relates to the illiquidity of the smaller component companies and part to the departure of larger companies that were merged or acquired. Over the last two years, 120 Canadian companies have been deleted from the TSE 300.

By comparison, the corresponding simple average of the remaining sectors' returns over the same period was 10.3%.

> When a company disappears from a US index due to a merger or acquisition, that doesn't affect the U.S. market's liquidity. An ample supply of large cap, liquid U.S. companies can take its place. In Canada, when a company merges or is acquired by another company, it leaves the index and is replaced by a smaller, less liquid Canadian company. We have seen this over the last two years, -- notably in the energy sector. Over the next few years, we are likely to see it in financial services, where further consolidation is inevitable. Over time, Canada's senior index has become less diversified, with more smaller component companies. As a result, as many as 75 of the TSE 300 will not qualify for inclusion in the new S&P/TSE Composite Index.

When the TSE 300 was overhauled (becoming the S&P/TSX Composite in May 2002), 275 companies were initially included, instead of the previous 300.[70] At December 31, 2006 there were 277 companies in the Composite, including seventy-five income trusts.

g) The performance of the Canadian equity market as the "market portfolio" has been unduly influenced by a small number of companies. In mid-2000, before the debacle in Nortel Networks' stock value, Nortel shares alone accounted for 34.6% of the total market value of the TSE 300. To put this in perspective, the largest stock in the S&P 500 at that time (General Electric) accounted for only 4% of the S&P 500's total market value. The undue influence of a small number of stocks requires caution in drawing conclusions from the history of the TSE 300 regarding the forward-looking market risk premium.

h) The returns in the Canadian market have historically been negatively impacted by the existence of restrictions on the foreign content of assets held in pension plans and tax deferred savings plans such as Registered Retirement Savings Plans (RRSPs). In 1957, when tax deferred savings plans were first established, no more than 10% of the income in pension

[70] The overhaul of the composite index, which included more stringent criteria for inclusion, did not require that a specific number of companies be included in the index.

plans or RRSPs could come from foreign sources. The Foreign Property Rule was instated in 1971 and limited foreign content to 10% of the book value of assets in the funds. The limit was raised to 20% in 2% increments between 1990 and 1994.

In 1999, the Investment Funds Institute of Canada (IFIC) estimated that raising the cap to 20% had increased returns by 1% and that a 30% limit would increase returns a further 0.5%.[71] The limit was raised to 30% in 5% increments between 2000 and 2001. In 2002, the Pension Investment Association of Canada (PIAC) and the Association of Canadian Pension Management (ACPM) published a report entitled *The Foreign Property Rule: A Cost-Benefit Analysis*,[72] which supported the removal of the cap.[73] The *Globe and Mail* reported that the removal of the foreign content cap is expected to "have the broadest long-term impact of any personal finance measure in the budget. Global stock markets, accessible to any investor through global equity mutual funds, have historically made higher returns than the Canadian market, which only accounts for just over 2 per cent of the world's stock market value."[74] The Foreign Property Rule was finally eliminated in August 2005 effective January 1, 2005.

i) The achieved equity market risk premiums in Canada have been squeezed by the performance of the government bond market. The radical change in Canada's fiscal performance over the past decade has contributed to a

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[71] *Paving the Way for Change to RRSP Foreign Content Rules*, Tom Hockin, President and CEO IFIC, January 31, 2000

[72] David Burgess and Joel Fried, *The Foreign Property Rule: A Cost-Benefit Analysis*, The University of Western Ontario, November 2002.

[73] The IFIC's report *Year 2002 in Review* stated,

> During the period of 1991-1998, the percentage of sales in equity mutual funds that were comprised of non-domestic equities has hovered around the 41-58% range. This has significantly increased in 1999 and onwards. While performance in the markets is the major factor affecting such an increase, these figures can also be attributed to increases in foreign content limits in registered retirement savings plans as well as increased interest and availability of foreign clone funds.

[74] Rob Carrick, *Finance: Your Bottom Line*, Globeandmail.com, February 23, 2005.

steady decline in interest rates and concomitant increases in total bond returns. The prevailing low level of interest rates relative to the historic total returns on bonds indicates that the historic returns on long-term Government of Canada bonds overstate likely future bond returns. Consequently the historic equity risk premium understates the future risk premium.

3. Use of Arithmetic Averages to Estimate the Equity Market Risk Premium

a) Rationale for the Use of Arithmetic Averages

In Robert F. Bruner, Kenneth M. Eades, Robert S. Harris, and Robert C. Higgins, "Best Practices in Estimating the Cost of Capital: Survey and Synthesis", *Financial Practice and Education*, Spring/Summer 1998, pp. 13-28, the authors found that 71% of the texts and tradebooks in their survey supported use of an arithmetic mean for estimation of the cost of equity. One such textbook, Richard A. Brealey and Stewart C. Myers, *Principles of Corporate Finance,* Boston: Irwin McGraw Hill, 2000 (p. 157), states, "Moral: If the cost of capital is estimated from historical returns or risk premiums, use arithmetic averages, not compound annual rates of return."

The appropriateness of using arithmetic averages, as opposed to geometric averages, for this purpose is succinctly explained in Ibbotson Associates; *Stocks, Bonds, Bills and Inflation*, *1998 Yearbook*, pp. 157-159:

> The expected equity risk premium should always be calculated using the arithmetic mean. The arithmetic mean is the rate of return which when compounded over multiple periods, gives the mean of the probability distribution of ending wealth values . . . in the investment markets, where returns are described by a probability distribution, the arithmetic mean is the measure that

> accounts for uncertainty, and is the appropriate one for estimating discount rates and the cost of capital.[75]

Triumph of the Optimists: 101 Years of Global Investment Returns by Elroy Dimson, Paul Marsh and Mike Staunton, Princeton: Princeton University Press, 2002 (p. 182), stated,

> The arithmetic mean of a sequence of different returns is always larger than the geometric mean. To see this, consider equally likely returns of +25 and –20 percent. Their arithmetic mean is 2½ percent, since (25 – 20)/2 = 2½. Their geometric mean is zero, since (1 + 25/100) x (1 – 20/100) – 1 = 0. But which mean is the right one for discounting risky expected future cash flows? For forward-looking decisions, the arithmetic mean is the appropriate measure.
>
> To verify that the arithmetic mean is the correct choice, we can use the 2½ percent required return to value the investment we just described. A $1 stake would offer equal probabilities of receiving back $1.25 or $0.80. To value this, we discount the cash flows at the arithmetic mean rate of 2½ percent. The present values are respectively $1.25/1.025 = $1.22 and $0.80/1.025 = $0.78, each with equal probability, so the value is $1.22 x ½ + $0.80 x ½ = $1.00. If there were a sequence of equally likely returns of +25 and –20 percent, the geometric mean return will eventually converge on zero. The 2½ percent forward-looking arithmetic mean is required to compensate for the year-to-year volatility of returns.

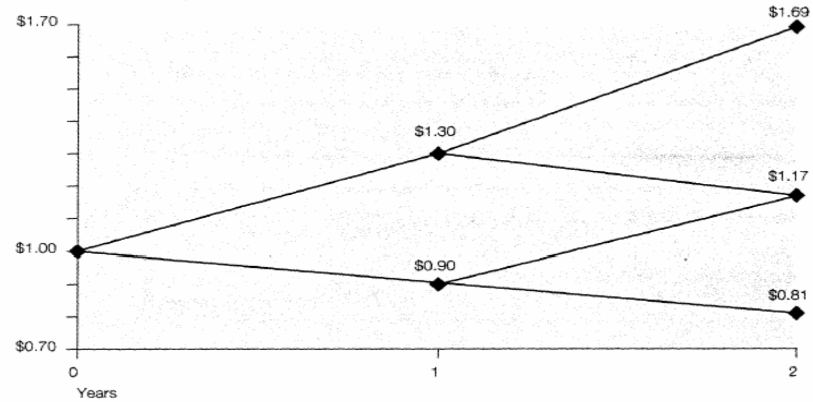
[75] An illustration from Ibbotson Associates demonstrating why the arithmetic average is more appropriate than the geometric average for estimating the expected risk premium is presented in Figure B-1.

b) Illustration of Why Arithmetic Average Should be Used

In Ibbotson Associates, *Stocks, Bonds, Bills and Inflation: Valuation Edition, 2006,* the following discussion was included:

> To illustrate how the arithmetic mean is more appropriate than the geometric mean in discounting cash flows, suppose the expected return on a stock is 10 percent per year with a standard deviation of 20 percent. Also assume that only two outcomes are possible each year – +30 percent and -10 percent (i.e., the mean plus or minus one standard deviation). The probability of occurrence for each outcome is equal. The growth of wealth over a two-year period is illustrated in Graph 5-4.

Graph 5-4
Growth of Wealth Example



> The most common outcome of $1.17 is given by the geometric mean of 8.2 percent. Compounding the possible outcomes as follows derives the geometric mean:

$$[(1+0.30)x(1-0.10)]^{½} - 1 = 0.082$$

However, the expected value is predicted by compounding the arithmetic, not the geometric, mean. To illustrate this, we need to look at the probability-weighted average of all possible outcomes:

$$\begin{array}{lll} & (0.25 \text{ x } \$1.69) = & \$0.4225 \\ + & (0.50 \text{ x } \$1.17) = & \$0.5850 \\ + & (0.25 \text{ x } \$0.81) = & \underline{\$0.2025} \\ & \text{Total} & \$1.2100 \end{array}$$

Therefore, \$1.21 is the probability-weighted expected value. The rate that must be compounded to achieve the terminal value of \$1.21 after 2 years is 10 percent, the arithmetic mean.

$$\$1 \text{ x } (1+0.10)^2 = \$1.21$$

The geometric mean, when compounded, results in the median of the distribution:

$$\$1 \text{ x } (1+0.0.082)^2 = \$1.17$$

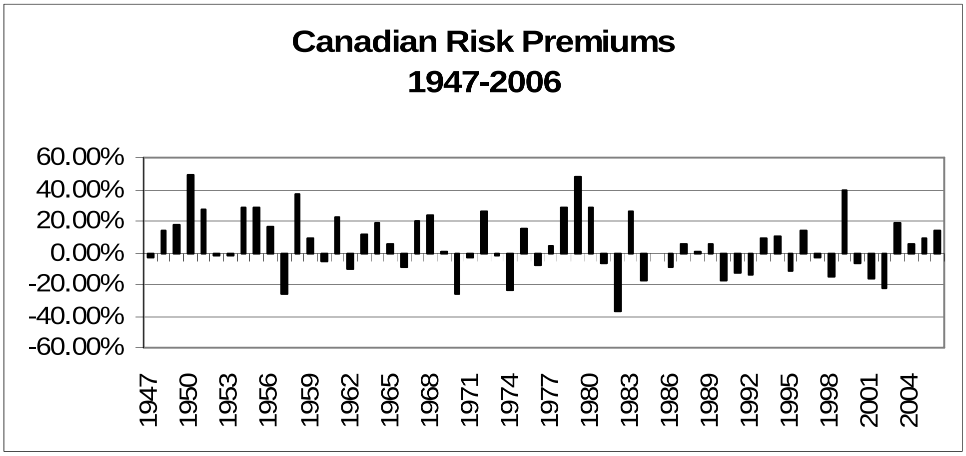
The arithmetic mean equates the expected future value with the present value; it is therefore the appropriate discount rate.

c) Randomness of Annual Equity Market Risk Premiums

The use of arithmetic averages is premised on the unpredictability of future risk premiums. The following figures illustrate the uncertainty in the future risk premiums by reference to the historic annual risk premiums. The figures for both Canada and the U.S. suggest that each year's actual risk premium has been random, that is, not serially correlated with the preceding year's risk premium.[76]

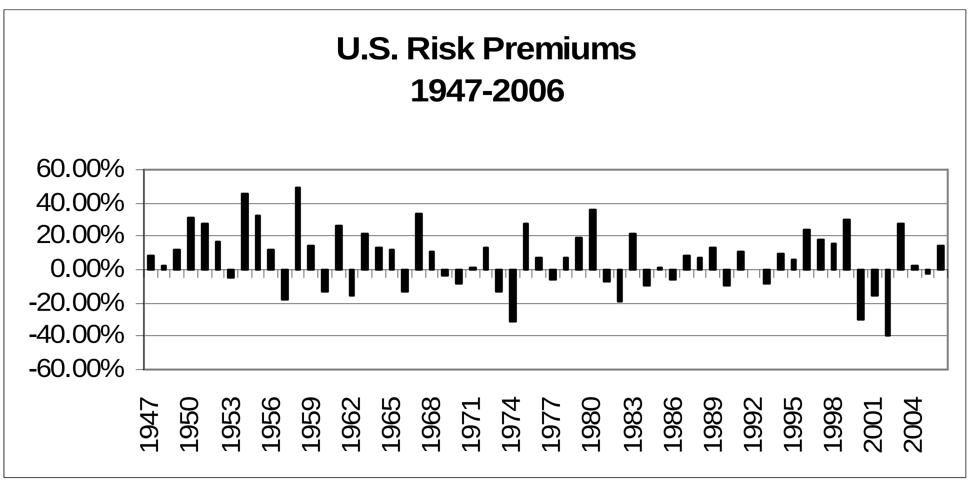
[76] A test for serial correlation between the year-to-year equity risk premiums shows that the serial correlation between the current year's risk premium and that of the prior year for the period 1947-2006 is 0.05 for Canada and -.05 for the U.S. If the current year's risk premium were predictable based on the prior year's risk premium the serial correlation would be close to positive or negative 1.0.

Figure B-1



Source: Canadian Institute of Actuaries, *Report on Canadian Economic Statistics, 1924-2006,* Bank of Canada and *TSX Review*.

Figure B-2



Source: Ibbotson Associates, Stocks, Bonds, Bills & Inflation, 2006 Yearbook, www.standardandpoors.com and U.S. Federal Reserve.

FUTURE VS. HISTORIC RISK PREMIUMS

1. Analysis of Trends in Canadian and U.S. Stock and Bond Returns

Table B-3 below compares the historic Canadian and U.S. stock returns, bond returns, and equity risk premiums, by decade.

Table B-3

Time Period	Stock Returns		Bond Returns		Risk Premiums	
	Canada	U.S.	Canada	U.S.	Canada	U.S.
1940s	10.0%	10.3%	3.9%	3.3%	6.0%	7.0%
1950s	17.0%	20.8%	0.4%	0.0%	16.5%	20.8%
1960s	10.8%	8.7%	2.9%	1.6%	7.9%	7.1%
1970s	12.1%	7.5%	6.1%	5.7%	6.0%	1.8%
1980s	13.1%	18.2%	13.7%	13.5%	-0.6%	4.7%
1990s	11.6%	19.0%	11.8%	9.5%	-0.2%	9.5%
1997-2006	11.0%	10.0%	8.6%	8.2%	2.4%	1.8%

Source: Canadian Institute of Actuaries, *Report on Canadian Economic Statistics, 1924-2005* and Ibbotson Associates, *Stocks, Bonds, Bills & Inflation, 2006 Yearbook*, *TSX Review*, the Bank of Canada and the U.S. Federal Reserve.

The decade-by-decade averages suggest that there has been no upward or downward trend in the stock returns. By comparison, the bond returns generally exhibit an increase over time. The pattern in the bond returns results from:

- ♦ low bond returns in the 1950s-1970s, as rising interest rates produced capital losses on bonds;

- ♦ high bond returns in the 1980s, corresponding to the high rates of inflation, which pushed up bond yields; and,

- ♦ high bond returns in the 1990s and first half of the 2000s, reflecting the decline in interest rates and resulting capital appreciation of bonds, leading to total returns well in excess of the yields.[77]

A similar conclusion regarding trends in the risk premium can be drawn from an analysis of rolling and cumulative averages of Canadian and U.S. stock and bond returns. The following averages were calculated for this analysis:

- ♦ Twenty-five year rolling arithmetic averages of Canadian and U.S. equity and long-term government bond returns (1947-2006).

- ♦ A series of cumulative average equity and bond returns for Canada and the U.S. The first average starts in 1947, covering 25 years (1947-1971). The second average incorporates 26 years, etc. The final average encompasses the full 1947-2006 period.

- ♦ A second series of cumulative average returns, where the first average includes the most recent 25 year period (1982-2006); each subsequent average includes an additional prior year.

The following table summarizes the resulting averages for the equity market returns.[78] The summary of the various averages indicates that the historic equity market returns have not exhibited a secular upward or downward trend, but are within the following ranges:

[77] The bond yield is, in fact, an estimate of the expected return.
[78] All of the averages appear on Schedule 9.

Table B-4

	Canada	U.S.
25-Year Rolling Averages:		
Range	9.6-14.5%	9.4-18.0%
Average of Averages	11.8%	12.5%
± 1 standard deviation	10.7-12.8%	10.4-14.6%
Increasing Averages (1947+):		
Range	11.4-13.6%	11.5-14.6%
Average of Averages	12.6%	13.1%
± 1 standard deviation	12.0-13.1%	12.4-13.8%
Increasing Averages (2006+):		
Range	10.8-13.3%	11.6-14.6%
Average of Averages	11.9%	12.8%
± 1 standard deviation	11.3-12.6 %	11.9-13.7%

Source: Schedule 9.

The analysis also shows achieved total bond returns have experienced an upward trend, similar to that identified in the decade-by-decade returns described earlier. That trend is unlikely to continue, as recent low levels of interest rates limit future capital gains; it is more likely, in an environment of rising interest rates that bonds would experience capital losses, and the achieved risk premiums will rise.

Given the absence of any upward or downward trend in the historic equity market returns, a reasonable expected value of the future equity market return is a range of 11.5-12.5%, based on both the Canadian and U.S. equity market returns. Based on the 2008 forecast for long Canada bond yields of 4.75-5.0%[79], and an expected equity market return of 11.5-12.5%, the indicated market risk premium would be in the range of 6.75-

[79] Based on the February 2007 *Consensus Forecasts* of 10-year Canada bond yields for February 2008 of 4.4% and the October 2006 *Consensus Forecasts* of 10-year Canada bond yields for all of 2008 of 4.8%. Assuming the historic spread between 10- and 30-year Canada bond yields of approximately 30 basis points is reestablished in the longer term, the forecast 30-year Canada bond yield is approximately 4.75-5.0%.

7.5%, or approximately 7.0-7.25%. Based on the longer-term forecast for long Canada bond yields of 5.5%,[80] the indicated market risk premium is 6.0-7.0%.

2. Trends in Price/Earnings Ratios

Several studies of historic and equity risk premiums conclude that past equity markets are unsustainable, since they were achieved through an increase in price/earnings ratios that cannot be perpetuated.

With respect to the U.S. equity market, the preponderance of the increase in price/earnings ratios occurred during the 1990s. The P/E ratio[81] of the S&P 500 averaged 14 times from 1926-1989, with no discernible upward trend.[82] From 14.7 in 1989, the P/E ratio rose to a high of 32.3 in 1998, and averaged 23 from 1990-2000. At the height of the equity market (1998 to mid-2000), frequently described as a "speculative bubble", investors believed the only risk they faced was not being in the equity market. In mid-2000, the bubble burst, as the U.S. economy began to lose steam. The events of September 11, 2001, the threat of war, the loss of credibility on Wall Street, accounting misrepresentations and outright fraud, led to a loss of confidence in the market and a sense of pessimism about the equity market. These events led to a heightened appreciation of the inherent risk of investing in the equity market, all of which translated into a "bearish" outlook for the U.S. equity market and sent retail investors to the sidelines.[83] Nevertheless, the P/E ratio for the S&P 500 remains above the average for 1947-1989, but within the historic range.[84]

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[80] Consensus Economics, *Consensus Forecasts*, October 9, 2006 anticipates the 10-year Canada bond yield to average 5.15% from 2008 to 2016. Adding the historic spread between 10- and 30-year Canada bond yields of approximately 30 basis points to the 5.15% forecast results in a forecast 30-year Canada bond yield of close to 5.5%.
[81] Coincident price and earnings.
[82] The average from 1947-1989 was 13.3 times.
[83] Lowered expectations for the public equity market have led investors to focus elsewhere for superior risk/reward opportunities, e.g., real estate, and private equity, suggesting the possibility that recent expectations for the public equity market may be out-of-line with return requirements. Investors' experiences during the equity market "bust" have been a key factor in explaining the recent burgeoning of the income trust market in Canada.
[84] At the end of December 2006, the S&P 500 P/E ratio was 18.0 times (*Barron's*, January 1, 2007).

To assess the impact of rising P/E ratios on achieved returns, I analyzed the equity returns of the S&P 500 achieved between 1947 and 1990, that is, prior to the observed upward trend in P/E ratios. The analysis indicates that the achieved equity returns for the S&P 500 averaged 12.3% (geometric average) to 13.5% (arithmetic average) from 1947-1989. The corresponding returns from 1947-2006 were 11.9% (geometric average) to 13.2% (arithmetic average). Hence, despite the increase in P/E ratios experienced during the 1990s, the average equity market returns were actually lower over the entire 1947-2006 period than over the 1947-1989 period. Stated differently, the increase in P/E ratios during the 1990s has not resulted in a higher and unsustainable level of equity market returns. Consequently, based on history, an expected value for the U.S. equity market return equal to the historic levels of 12.0-13.0% is not unreasonable. Relative to the consensus forecast yield for 30-year Treasury bonds over the longer term of approximately 5.5%,[85] the risk premium would be approximately 6.5-7.5%. Relative to the March 2007 consensus forecast of 30-year Treasury bond yields of 5.0% for the first two quarters of 2008,[86] the indicated market risk premium is approximately 7.0-8.0%.

My review of Canadian equity returns over the same period indicates similar results. The 1947-1989 returns for the Canadian equity market were 11.9% (geometric average) to 13.1% (arithmetic average), very similar to the U.S. returns, and higher than the average of the 1947-2006 returns of 11.2% (geometric average) and 12.4% (arithmetic average). In relation to the 2008 and long-term forecasts of the 30-year Canada bond yield, 4.75-5.0% and 5.5% respectively, and an equity market return in the pre-1990 range of 12.0-13.0%, the expected value for the equity risk premium would be approximately 7.0-7.5%.

The analysis of stock and bond returns in Canada and the U.S. over the 1947-2006 period reveals no upward or downward trend in market equity returns. Nevertheless, the achieved risk premiums have declined. The arithmetic average achieved risk premium in Canada from 1947-1989 was 7.6%; in the U.S., it was 8.5%. By comparison, the

[85] For 2008-2017; Blue Chip *Financial Forecasts*, December 1, 2006.
[86] Blue Chip *Financial Forecasts*, March 1, 2007.

corresponding 1947-2006 risk premiums were 5.5% and 7.0% respectively. An analysis of the data shows that high bond returns over the period 1990-2006 are the principal reason for the decline in experienced risk premiums, not a downward trend in stock returns. The average bond return from 1990-2006 was 11.1%, compared to the corresponding average yield on long-term Canada bonds of 6.8%.

Over the entire 1947-2006 period, the average return (income plus capital appreciation) on long Canada bonds was 6.9%. With long-term Canada bond yields at historically low levels (4.1% at February 28, 2007), and more likely to increase rather than decrease further, the 1947-2006 average bond return of 6.9% overstates the forward-looking expectation of bond returns, as embedded in both spot yields and long-term forecasts. The current low level of long-Canada bond yields limits the possibility of future capital gains, which arise from a decline in interest rates. Thus, a reasonable expected value of the long Canada bond return is the forecast long Canada yield, rather than the historic average total return.

RELATIVE RISK ADJUSTMENT

1. Beta

Impediments to reliance on beta as the sole relative risk measure, as the CAPM indicates, include:

a) The assumption that all risk for which investors require compensation can be captured and expressed in a single risk variable.

b) The only risk for which investors expect compensation is non-diversifiable equity market risk; no other risk is considered (and priced) by investors.

c) The assumption that the observed calculated betas (which are simply a calculation of how closely a stock's or portfolio's price changes have mirrored those of the overall equity market)[87] are a good measure of the relative return requirement.

d) Use of beta as the relative risk adjustment allows for the conclusion that the cost of equity capital for a firm can be lower than the risk-free rate, since stocks that have moved counter to the rest of the equity market could be expected to have betas that are negative. Gold stocks, for example, which are regarded as a quintessential counter-cyclical investment, could reasonably be expected to exhibit negative betas. In that case, the CAPM would posit that the cost of equity capital for a gold mining firm would be less than the risk-free rate, despite the fact that, on a total risk basis, the company's stock could be very volatile.

The body of evidence on CAPM leads to the conclusion that, while betas do measure relative volatility, the proportionate relationship between beta and return posited by the CAPM has not been established. A summary of various studies, published in a guide for practitioners, concluded,

> Empirical tests of the CAPM have, in retrospect, produced results that are often at odds with the theory itself. Much of the failure to find empirical support for the CAPM is due to our lack of ex ante, expectational data. This, combined with our inability to observe or properly measure the return on the true, complete, market portfolio, has contributed to the body of conflicting evidence about the validity of the CAPM. It is also possible that the CAPM does not describe investors' behavior in the marketplace.

[87] The beta is equal to:

$$\frac{\text{Covariance}\ (R_E, R_M)}{\text{Variance}\ (R_M)}$$

Betas are typically calculated by reference to historical relative volatility using simple regression analysis of the change in the market portfolio return and the corresponding change in an individual stock or portfolio of stock returns.

> Theoretically and empirically, one of the most troubling problems for academics and money managers has been that the CAPM's single source of risk is the market. They believe that the market is not the only factor that is important in determining the return an asset is expected to earn. (Diana R. Harrington, *Modern Portfolio Theory, The Capital Asset Pricing Model & Arbitrage Pricing Theory: A User's Guide*, Second Edition, Prentice-Hall, Inc., 1987, page 188.)

Fama and French in "The CAPM: Theory and Evidence", *Journal of Economic Perspectives*, Volume 18, Number 3 (Summer 2004), pp. 25-26:

> The attraction of the CAPM is that it offers powerful and intuitively pleasing predictions about how to measure risk and the relation between expected return and risk. Unfortunately, the empirical record of the model is poor – poor enough to invalidate the way it is used in applications. The CAPM's empirical problems may reflect theoretical failings, the result of many simplifying assumptions. But they may also be caused by difficulties in implementing valid tests of the model. For example, the CAPM says that the risk of a stock should be measured relative to a comprehensive 'market portfolio' that in principle can include not just traded financial assets, but also consumer durables, real estate and human capital. Even if we take a narrow view of the model and limit its purview to traded financial assets, is it legitimate to limit further the market portfolio to U.S. common stocks (a typical choice), or should the market be expanded to include bonds, and other financial assets, perhaps around the world? In the end, we argue that whether the model's problems reflect weaknesses in the theory or in its empirical implementation, the failure of the CAPM in empirical tests implies that most applications of the model are invalid.

Fama and French have developed an alternative model which incorporates two additional explanatory factors in an attempt to overcome the problems inherent in the single variable CAPM.[88]

[88] The additional factors are size and book to market.

To quote Burton Malkiel in *A Random Walk Down Wall Street*, New York: W. W. Norton & Co., 2003:

> Beta, the risk measure from the capital-asset pricing model, looks nice on the surface. It is a simple, easy-to-understand measure of market sensitivity. Alas, beta also has its warts. The actual relationship between beta and rate of return has not corresponded to the relationship predicted in theory during long periods of the twentieth century. Moreover, betas for individual stocks are not stable from period to period, and they are very sensitive to the particular market proxy against which they are measured.
>
> I have argued here that no single measure is likely to capture adequately the variety of systematic risk influences on individual stocks and portfolios. Returns are probably sensitive to general market swings, to changes in interest and inflation rates, to changes in national income, and, undoubtedly, to other economic factors such as exchange rates. And if the best single risk estimate were to be chosen, the traditional beta measure is unlikely to be everyone's first choice. The mystical perfect risk measure is still beyond our grasp. (page 240)

One of the key developers of the Arbitrage Pricing Model, Dr. Stephen Ross, has stated,

> Beta is not very useful for determining the expected return on a stock, and it actually has nothing to say about the CAPM. For many years, we have been under the illusion that the CAPM is the same as finding that beta and expected returns are related to each other. That is true as a theoretical and philosophical tautology, but pragmatically, they are miles apart.[89]

[89] Dr. Stephen A. Ross, "Is Beta Useful?" *The CAPM Controversy: Policy and Strategy Implications for Investment Management*, AIMR, 1993.

2. Relationship between Beta and Return in the Canadian Equity Market

To test the actual relationship between beta and return in a Canadian context, the betas (using monthly total return data) were calculated for various periods for each of the 15 major sub-indices of the “old” TSE 300 as were the corresponding actual geometric average total returns. Simple regressions of the betas on the achieved market returns were then conducted to determine if there was indeed the expected positive relationship. The regressions covered (a) 1956-2003, the longest period for which data for the TSE 300 and its sub-index components are available; (b) 1956-1997, which eliminates the major effects of the “technology bubble”, and (c) all potential non-overlapping 10-year periods from 2003 backwards.

The analysis showed the following:

Table B-5

Returns Measured Over:	Coefficient on Beta	R^2
1956-2003	-.088	47%
1956-1997	-.082	44%
1964-1973	-.020	1%
1974-1983	-.008	1%
1984-1993	-.056	11%
1994-2003	-.053	9%

Source: Schedule 10, page 1 of 2.

The analysis suggests that, over the longer term, the relationship between beta and return has been negative, rather than the positive relationship posited by the CAPM. For example, as indicated in Table B-5 above, for the period 1956-2003, the R^2 of 47% means that the betas explained 47% of the variation in returns among the key sectors of the TSE 300 index. However, since the coefficient on the beta was negative, this means that the higher beta companies actually earned lower returns than the low beta companies.

A series of regressions was also performed on the 10 major sectors of the S&P/TSX Composite. These regressions covered (a) 1988-2006, the longest period for which data for the new Composite and its sector components are available; (b) 1988-1997,[90] and (c) the most recent 10-year period ending 2006.

That analysis showed the following:

Table B-6

Returns Measured Over:	Coefficient on Beta	R^2
1988-2006	-.043	23%
1988-1997	-.017	1%
1997-2006	-.098	45%

Source: Schedule 10, page 2 of 2.

These analyses indicate that, historically, the relationship between beta and return in the Canadian equity market has been the reverse (higher beta = lower return) than the posited relationship.

3. Impact of Interest Sensitivity of Utility Shares on Relative Risk Adjustment

The single equity beta does not capture the interest sensitivity of utility shares. The following analysis demonstrates how explicitly incorporating interest sensitivity impacts the relative risk assessment.

[90] The use of this sub-period was intended to ensure elimination of the impacts of any anomalous market behavior during the technology "bubble and bust", which occurred mainly from 1999 through mid-2002.

A regression of the monthly returns on the TSE Gas/Electric Index against the TSE 300 over the period 1970-August 1999[91] shows the following:

$$\begin{array}{lcl} \text{Monthly TSE Gas/Electric Return} & = & 0.0054 + 0.58 \left\{ \text{Monthly TSE 300 Return} \right\} \\ \text{t-statistic} & = & \qquad\qquad 16.5 \\ R^2 & = & 43.3\% \end{array}$$

The relationship quantified in the above equation suggests a relative risk adjustment of close to 0.60. However, the R^2, which measures how much of the variability in utility stock prices is explained by volatility in the equity market as a whole, is only 43%. That means 57% of the volatility remains unexplained.

When the analysis is expanded to include Government of Canada bond returns, the following regression is produced:

$$\begin{array}{lcl} \text{Monthly TSE Gas/Electric Return} & = & 0.0018 + 0.48 \left\{ \text{Monthly TSE 300 Return} \right\} + .52 \left\{ \text{Monthly Long Canada Bond Return} \right\} \\ \text{t-statistics} & = & \qquad\qquad 14.5 \qquad\qquad\qquad\qquad\qquad 9.5 \\ R^2 & = & 55.0\% \end{array}$$

When interest rates (as proxied by government bond returns) are added as a further explanatory variable, more of the observed volatility in utility stock prices is explained (55% versus 43%).

The second regression equation suggests that utility shares have had approximately 50% of the volatility of the equity market as well as approximately 50% of the volatility of the bond market, consistent with utility common stocks' interest sensitivity. Using an expected equity market return of 11.5%, and a long Canada bond return equal to the 2008 forecast 30-year Canada yield of 4.75-5.0%, the equation indicates an expected utility return of 10.3%. When the 10.3% utility return is expressed as an equity risk premium

[91] Excludes the anomalous market "bubble and bust"/"Nortel effect" period.

relative to the 4.75-5.0% long Canada yield, the indicated relative risk adjustment is close to 82%.[92]

[92] $\dfrac{10.3\% - 4.875\%}{11.5\% - 4.875\%} = .82.$

APPENDIX C

DCF-BASED EQUITY RISK PREMIUM TEST

SELECTION OF PROXY UTILITIES

A sample of low risk U.S. utilities was selected, comprised of all electric utilities and gas distributors satisfying the following criteria:

(1) Classified by *Value Line* as an electric utility or a gas distributor;

(2) Standard & Poor's business risk profile score of "5" or less;

(3) Standard & Poor's debt rating of A- or higher; and,

(4) Not being acquired at time of selection.

The 13 utilities that met these criteria are listed on Schedule 17.

CONSTRUCTION OF THE DCF-BASED EQUITY RISK PREMIUM TEST

The constant growth DCF model was used to construct a monthly series of expected utility returns for each of the 13 utilities in the sample over the period 1993-2006.[93] The monthly DCF cost for each utility was estimated as the sum of the utilities' I/B/E/S mean earnings growth forecast (published monthly) **(g)** and the corresponding expected monthly dividend yield **(DY_e)**. The dividend yield **(DY)** was calculated as the most recent quarterly dividend paid, annualized, divided by the monthly closing price. The expected dividend yield was then calculated by adjusting the monthly dividend yield for one-half the I/B/E/S mean earnings growth forecast **(DY_e=DY*(1+.5g))**. The individual

[93] Subsequent to Open Access implemented via FERC Order 636.

utilities' monthly DCF estimates **(DY_e + g)** were then averaged to produce a time series of monthly DCF estimates **(DCF_s)** for the sample. The monthly equity risk premium **(ERP)** for the sample was calculated by subtracting the corresponding 30-year Treasury yield **(TY)** from the average DCF cost of equity **(ERP_s=DCF_s–TY)** (Schedule 17). The monthly sample average ERP_s were used to estimate the regression equations found in Section V.B of the testimony.

APPENDIX D

DISCOUNTED CASH FLOW TEST

DCF MODELS

CONSTANT GROWTH MODEL

The constant growth model rests on the assumption that investors expect cash flows to grow at a constant rate throughout the life of the stock. The assumption that investors expect a stock to grow at a constant rate over the long-term is most applicable to stocks in mature industries.

Growth rates in these industries will vary from year to year and over the business cycle, but will tend to deviate around a long-term expected value. As a pragmatic matter, the application of a constant growth model is compatible with the likelihood that investors do not forecast beyond five years. Hence, in that context the current market price and dividend yield would not explicitly anticipate any changes in the outlook for growth.

The constant growth model is expressed as follows:

$$\text{Cost of Equity } (\mathbf{k}) = \frac{\mathbf{D_1}}{\mathbf{P_o}} + \mathbf{g},$$

where,

$\mathbf{D_1}$ = next expected dividend[94]
$\mathbf{P_o}$ = current price
$\mathbf{g}$ = constant growth rate

[94]Alternatively expressed as $D_o (1 + g)$, where D_o is the most recently paid dividend.

This model, as set forth above, reflects a simplification of reality. First, it is based on the notion that investors expect all cash flows to be derived through dividends. Second, the underlying premise is that dividends, earnings, and price all grow at the same rate. However, it is likely that, in the near-term, investors expect growth in dividends to be lower than growth in earnings.

The model can be adapted to account for the potential disparity between earnings and dividend growth by recognizing that all investor returns must ultimately come from earnings. Hence, focusing on investor expectations of earnings growth will encompass all of the sources of investor returns (e.g., dividends and retained earnings).

TWO-STAGE MODEL

The two-stage model is based on the premise that investors expect the growth rate for the utilities to be equal to the company-specific growth rates for the near-term (Stage 1 Growth), but, in the longer-term (from Year 6 onward) to migrate to the expected long-run rate of growth in the economy (GDP Growth). All industries go through various stages in their life cycle. Utilities are considered to be the quintessential mature industry. Mature industries are those whose growth parallels that of the overall economy.

The use of forecast GDP growth as the long-term growth component is a widely utilized approach. For example, the Merrill Lynch discounted cash flow model for valuation utilizes nominal GDP growth as a proxy for long-term growth expectations. The Federal Energy Regulatory Commission relies on GDP growth to estimate expected long-term nominal GDP growth in its standard DCF models for gas and oil pipelines.

Using the two-stage DCF model, the DCF cost of equity is estimated as the internal rate of return that causes the price of the stock to equal the present value of all future cash flows to the investor.

The cash flow per share in Year 1 is equal to:

Last Paid Annualized Dividend x (1 + Stage 1 Growth)

For Years 2 through 5, cash flow is defined as:

Cash Flow $_{t-1}$ x (1 + Stage 1 Growth)

Cash flows from Year 6 onward are estimated as:

Cash Flow $_{t-1}$ x (1 + GDP Growth)

SELECTION OF PROXY UTILITIES

The same sample of utilities was used as for the DCF-based risk premium test. The selection criteria are described in Appendix C.

INVESTOR GROWTH EXPECTATIONS

The application of the constant growth model relies principally on the consensus of investment analysts' forecasts of long-term earnings growth compiled by I/B/E/S. It also relies on the *Value Line* forecasts of earnings growth as an alternative to the I/B/E/S estimates. The application of the two-stage model relies upon the I/B/E/S consensus earnings forecasts as the estimate of investor growth expectations during Stage 1. The expected nominal long-run rate of growth in the economy (GDP) is based on the consensus of economists' long-term forecasts (found in Blue Chip *Financial Forecasts* (December 1, 2006). The consensus forecast rate of growth in the long-term (2012-2017) is 5.3%.

Empirical studies that conclude that investment analysts' growth forecasts serve as a better surrogate for investors expectations than historic growth rates include: Lawrence D. Brown and Michael S. Rozeff, "The Superiority of Analyst Forecasts as Measures of Expectations: Evidence from Earnings", *The Journal of Finance*, Vol. XXXIII, No. 1, March 1978; Dov Fried and Dan Givoly, "Financial Analysts Forecasts of Earnings, A Better Surrogate for Market Expectations", *Journal of Accounting and Economics,* Vol. 4 (1982); R. Charles Moyer, Robert E. Chatfield, Gary D. Kelley, "The Accuracy of Long-Term Earnings Forecasts in the Electric Utility Industry", *International Journal of Forecasting* Vol. I (1985); Robert S. Harris, "Using Analysts' Growth Forecasts to Estimate Shareholder Required Rates of Return", *Financial Management*, Spring 1986, and, James H. Vander Weide and William T. Carleton, "Investor Growth Expectations: Analysts vs. History", *The Journal of Portfolio Management*, Spring 1988; David Gordon, Myron Gordon and Lawrence Gould, "Choice Among Methods of Estimating Share Yield," *The Journal of Portfolio Management*, Spring 1989.

The Vander Weide and Carleton study cited

> found overwhelming evidence that the consensus analysts' forecast of future growth is superior to historically oriented growth measures in predicting the firm's stock price [and that these results] also are consistent with the hypothesis that investors use analysts' forecasts, rather than historically oriented growth calculations, in making stock buy-and-sell decisions.

The Gordon, Gordon and Gould study concluded,

> …the superior performance by KFRG [forecasts of [earnings] growth by securities analysts] should come as no surprise. All four estimates [securities analysts' forecasts plus past growth in earnings and dividends and historic retention growth rates] rely upon past data, but in the case of KFRG a larger body of past data is used, filtered through a group of security analysts who adjust for abnormalities that are not considered relevant for future growth.

In the application of the DCF, the reliability of the earnings growth forecasts as a measure of investor expectations has been questioned by some Canadian regulators. The issue of reliability arises because of the documented optimism of analysts' forecasts historically. However, as long as investors have believed the forecasts, and have priced the securities accordingly, the resulting DCF costs of equity are an unbiased estimate of investors' expected returns. That proposition can be tested indirectly. For the sample of utilities used in the DCF test (as well as the DCF-based equity risk premium test), the average expected long-term growth rate, as estimated using analysts' forecasts, for the entire 1993-2006 period of analysis was 4.7%. That growth rate is lower than the expected long-term nominal growth in the economy as a whole over the same period.[95] An expected growth rate that is close to that of the economy as a whole would not be out-of-line with the level of growth investors in the relatively mature utility industries could reasonably expect over the longer-term.

I also tested the potential bias of the I/B/E/S long-term consensus forecasts of earnings growth for U.S. utilities by comparing the I/B/E/S estimates to the *Value Line* forecasts of earnings growth for all utilities with forecasts from each firm. As an independent research firm, *Value Line* has no incentive to "inflate" its estimates of earnings growth in an attempt to make stocks more attractive to investors, as analysts associated with investment banking firms might have. Both I/B/E/S and *Value Line* publish 3-5 year growth forecasts. I/B/E/S releases the consensus forecast monthly; *Value Line* updates and releases its forecasts quarterly. For each utility that has both an I/B/E/S and *Value Line* earnings forecasts, the average long-term earnings forecasts for each utility from each of the two firms published in calendar 2006 were calculated. The following table compares the average and median long-term growth forecasts from each firm. This comparison suggests no upward bias in the I/B/E/S forecasts.

	Value Line	**I/B/E/S**
Average	6.1	5.8
Median	5.4	5.2

[95] The average expected long-term nominal rate of growth in the U.S. economy, based on consensus forecasts (Blue Chip *Economic Indicators*, March editions, 1993-2006), has been 5.3% over the same period covered by the DCF-based equity risk premium test.

APPLICATION OF THE DCF MODELS

CONSTANT GROWTH MODEL

The constant growth DCF model was applied to the sample of U.S. gas and electric utilities using the following inputs to calculate the dividend yield:

(1) the most recent annualized dividend paid as of February 28, 2007 as D_o; and,

(2) the average of the daily close prices for February 2007 as P_o.

For the expected growth rates, the most recent I/B/E/S (February 2007) consensus (mean) earnings growth forecasts were used to estimate "g" in the growth component for each utility and to adjust the current dividend yield to the expected dividend yield. The DCF estimates of the cost of equity based on the constant growth model were in the range of 8.5-8.7% (See Schedule 19).

TWO-STAGE MODEL

The two-stage model relies on the I/B/E/S consensus of analysts' earnings forecasts for the first five years (Stage 1), and forecast growth in the economy thereafter (Stage 2). The consensus long-run (2012-2017) expected nominal rate of growth in GDP, as noted above, is 5.3%.

The two-stage DCF model estimates of the cost of equity for the utility sample (Schedule 20) are as follows:

Mean	9.2%
Median	9.2%

RESULTS OF THE CONSTANT GROWTH AND TWO-STAGE MODELS

The results of the two models indicate a required “bare-bones” return on equity of approximately 8.75-9.0%

APPENDIX E

COMPARABLE EARNINGS TEST

SELECTION OF CANADIAN INDUSTRIALS

The selection process starts with the recognition that industrials generally are exposed to higher business risk, but lower financial risk, than a benchmark Canadian utility. The selection of industrials focuses on total investment risk, i.e., the combined business and financial risks. The comparable earnings test is based on the premise that industrials' higher business risks are offset by a more conservative capital structure, i.e., higher equity ratios, thus permitting selection of industrial samples of reasonably comparable investment risk to a benchmark Canadian utility.

As a point of departure, the selection was limited to industries that are characterized by relatively stable demand characteristics, as well as consistent dividend payments and relatively low earnings and share price volatility. The initial universe consisted of all firms on the TSX in Global Industry Classification Standard (GICS) sectors 20-30. The sectors represented by the GICS codes in this range are: Industrials, Consumer Discretionary and Consumer Staples.[96] The resulting universe contained 473 firms. From this group of 473 companies, all firms with missing book equity or negative common equity during the period 1994-2005 as well as 2005 equity below $50 million were removed (88 companies remaining). Next, all companies that paid no dividends in any year 2001-2006 were removed (55 companies remaining). To remove small and/or thinly traded companies, all companies that traded fewer than 125,000 shares in 2005 were eliminated, as were those companies with fewer than five years of market data available (leaving 51 companies).[97] To ensure that relatively low risk unregulated

[96] Included in these sectors are major industries such as: Food Retail, Food Distributors, Tobacco, Packaged Foods, Soft Drinks, Distillers, Household Appliances, Aerospace and Defense, Electrical Components & Equipment, Industrial Machinery, Publishing & Printing, Department Stores, and General Merchandise.

[97] SNC-Lavalin was removed due to its purchase of regulated electric transmission assets in Alberta; Canadian Pacific Railway was also eliminated due to its reorganization in 2000, which rendered its historic

companies were selected; all companies with five-year "raw" betas ending September 2006 over 1.0 were removed. The resulting group contained 38 companies. Next, those companies whose 1995-2005 returns fall outside ± 1 standard deviation from the average were removed to eliminate companies whose earnings have been chronically depressed or which have been extraordinarily profitable (32 companies remaining). Finally, those companies whose stock was ranked "Higher Risk" or "Speculative" by the Canadian Business Service (CBS),[98] whose debt is rated non-investment grade i.e., BB+ or below by either DBRS or Standard & Poor's, or for which none of the agencies report a rating, were eliminated. The final sample of low risk Canadian industrials is comprised of 17 companies (Schedule 25).

TIME PERIOD FOR MEASURING RETURNS

Since industrials' returns on equity tend to be cyclical, the appropriate period for measuring industrial returns should encompass an entire business cycle, covering years of both expansion and decline. That cycle should be representative of a future normal cycle, e.g., similar in terms of inflation and real economic growth. Over the period 1994-2005, the experienced returns on equity of the sample of 17 industrials were as follows.

data series inconsistent; Canadian National Railway was removed as it was controlled by the Federal Government through November 1995; Foremost Income Fund and North West Co. Fund, were removed because they are income trusts.

[98] Canadian Business Service (CBS) ranks stocks "Very Conservative", "Conservative", "Average", "Higher Risk", or "Speculative".

Table E-1

Returns on Average Common Equity for Low Risk Canadian Industrials (1994-2005)	
Average	12.8%
Median	12.4%
Average of annual medians	12.7%

Source: Schedule 26.

Based on these data, the returns are in the approximate range of 12.5-12.75%.

The average nominal economic growth for Canada during the 1994-2005 business cycle was 5.4%, compared to the consensus forecast for real growth of approximately 2.7%, and for inflation (CPI) of 2.0% for the period (2008-2016)[99], which suggests nominal long-term GDP growth of 4.75%. With nominal growth expected to be only moderately lower relative to the past business cycle, the experienced returns on book equity, absent extraordinary events, provide a reasonable proxy for the future.

RELATIVE RISK COMPARISON

With respect to the investment risk of the Canadian industrials relative to a benchmark Canadian utility, comparisons of the various risk measures indicate that they are in a similar risk class. The median CBS stock rating for the industrials is "Conservative", compared to the median of "Very Conservative" for the investor-owned Canadian utilities with publicly-traded stock. The median S&P and DBRS debt ratings for the industrials are A-/BBB+ and A(low)/BBB(high) respectively, compared to the Canadian utilities' median ratings of A- and A (See Schedules 1 and 25). The median adjusted beta for the industrials was 0.57 for the five year period ending December 2006 (see Schedule

[99] Consensus Economics, *Consensus Forecasts*, October 9, 2006.

25), compared to my estimate of the relative risk adjustment factor for a benchmark Canadian utility of approximately 0.65-0.70.

The estimate of a normal cycle average level of returns for low risk Canadian industrials is in the approximate range of 12.5-12.75%. The comparative risk data indicate, on balance, the Canadian industrials are somewhat riskier than the utilities. To recognize the industrials' marginally higher risk, the comparable earnings test, applied to a benchmark Canadian utility, should be interpreted as indicating a return at the bottom end of the range, i.e., at approximately 12.5%.

SELECTION OF U.S. INDUSTRIALS

The U.S. industrials were selected using similar criteria to the selection of Canadian industrials. The initial universe consisted of all firms actively traded in the U.S. from S&P's Research Insight database in Global Industry Classification Standard (GICS) sectors 20-30. The sectors represented by the GICS codes in this range are: Industrials, Consumer Discretionary and Consumer Staples.[100] The resulting universe contained 2,682 firms. All non-U.S. companies were then removed, leaving 2,396. From this group of 2,396 companies, all firms with missing or negative common equity during the period 1994-2005 or with 2005 common equity less than $50 million were removed (733 companies remaining). To remove thinly traded companies, all companies that traded fewer than 125,000 shares in 2005 were eliminated (leaving 703 companies). Next, all companies that paid no dividends in any year 2001-2006 were removed (323 companies remaining).[101] To ensure that low risk companies were selected, all companies with five year "raw" betas ending September 2006 over 1.0 were removed (218 companies). Next, those companies whose 1995-2005 returns were greater than ± 1 standard deviation from the average were removed to eliminate companies whose earnings have been chronically

[100] Included in these sectors are major industries such as: Food Retail, Food Distributors, Tobacco, Packaged Foods, Soft Drinks, Distillers, Household Appliances, Aerospace and Defense, Electrical Components & Equipment, Industrial Machinery, Publishing & Printing, Department Stores, and General Merchandise.
[101] Molson Coors was removed due to its recent merger.

depressed or which have been extraordinarily profitable (182 companies). Finally, those companies whose debt is rated non-investment grade i.e., BB+ or below by Standard and Poor's, or for which the *Value Line* Safety Rank was equal to "4" or "5",[102] were eliminated. The final sample of low risk U.S. industrials is comprised of 159 companies (Schedule 27). The returns for the sample of U.S. industrials are summarized in Table E-2 following.

Table E-2

Returns on Average Common Equity for Low Risk U.S. Industrials (1994-2005)

Average	14.6%
Median	13.7%
Average of annual medians	14.4%

Source: Schedule 28

Based on these data, the returns are in the approximate range of 13.5-14.5%.

Comparisons of the U.S. industrials' and utilities' risk measures indicate that the U.S industrials are of somewhat higher risk than the utilities. The median and mean *Value Line* Safety Ranks for the U.S. industrials are "3" and "2" respectively, compared to the Safety Rank of "2" for TransCanada Corporation, the one regulated Canadian company with *Value Line* rankings.[103] The industrials' median and mean S&P debt ratings are BBB+ and A-, respectively, compared to the major Canadian utilities' median and mean

[102] *Value Line*'s Safety Rank is a measurement of potential risk associated with individual common stocks. The Safety Rank is computed by averaging two other *Value Line* indexes – the Price Stability Index and the Financial Strength Rank. Safety Ranks range from "1" (highest) to "5" (lowest).

[103] The mean and median Safety Ranks for the proxy sample of U.S. electric and gas utilities used to perform the DCF-based equity risk premium and discounted cash flow tests are "2" and "1" respectively; See Schedule 18.

ratings of A- and to the benchmark low risk U.S. utilities' median and mean debt ratings of A (see Schedules 1, 18 and 27). The most recent median *Value Line* and adjusted Research Insight betas of 0.90 and 0.78 respectively for the U.S. industrials compare to the similarly calculated betas of 0.85 and 0.57 of the benchmark low risk U.S. utilities (see Schedule 27). A downward adjustment to the U.S industrial returns for the difference in betas indicates a risk-adjusted return of approximately 12.5-13.0%. The returns for the U.S. industrials as adjusted for relative risk then supports the reasonableness of the comparable earnings results as applied to the Canadian industrials.

The returns for the relatively low risk competitive U.S. firms confirm that the results of the comparable earnings test applied to unregulated Canadian firms are reasonable.

MARKET TO BOOK RATIOS

In prior testimony before the PUB, the expert witness for the Consumer Advocate, Dr. Basil Kalymon, has argued that the comparable earnings results require a market/book adjustment. In arriving at its recent decision for Terasen Gas (March 2006), the British Columbia Utilities Commission stated that it did not believe comparable earnings had outlived its usefulness, and that it may yet play a role in future ROE hearings. Nevertheless, the BCUC concluded that there was insufficient evidence before it regarding whether or not a market/book ratio adjustment was merited and, if so, how it might be accomplished.

The rationale for a market/book ratio adjustment to the comparable earnings test results has arisen on two grounds:

1. The market/book ratio of utility common shares should be approximately 1.0 times, i.e., that the fair market value of utility shares is equal to their book value.

2. Market/book ratios of unregulated firms well in excess of 1.0 times is evidence that the companies are earning returns in excess of their cost of capital, and thus are exerting market power.

With respect to the notion that the market/book ratio of utility shares should be approximately 1.0 times, that conclusion is incompatible with the standard of comparable returns. The comparable returns standard requires that a utility have the opportunity to earn a return commensurate with returns on investments in other enterprises having corresponding risks.

Regulation is intended to be a surrogate for competition. If unregulated competitive enterprises of corresponding risks to utilities are able to maintain market/book ratios in excess of 1.0, it would be patently contrary to the to the objective of regulation and to the comparable earnings standard to reduce the returns of unregulated comparable firms in order to target a particular market/book ratio for a utility.

With respect to the second rationale, the question that needs to be addressed is whether the market/book ratios of the sample of comparable unregulated companies are evidence of market power.

To address this question, the first issue is whether the market/book ratios of competitive companies should, in principle, trend toward 1.0. Regulation is intended to be a surrogate for competition. The competitive model indicates that equity market values tend to gravitate toward the replacement cost of the underlying assets. This is due to the economic proposition that, if the discounted present value of expected returns (market value) exceeds the cost of adding capacity, firms will expand until an equilibrium is reached, i.e., when the market value equals the replacement cost of the productive capacity of the assets.

The ratio of market value to replacement cost is called the "Q Ratio", a term coined by the Nobel Prize winning economist James Tobin in the late 1960s.[104] Essentially, the economic theory is that the market value of assets in the aggregate should equate to their replacement cost, that is, the "Q Ratio" (market value/replacement cost) should trend toward 1.0.

The "Q Ratio" has since gained stature as an investment tool,[105] whose importance was underscored in a March 2002 *New York Times* article which stated, referring to Tobin's obituaries:

Great emphasis was placed on how revolutionary his insights were three, four or five decades ago. Yet most were relatively silent on how those insights can lead us to be more successful investors today. It is a shame. Investors greatly handicap themselves if they ignore Dr. Tobin's work.

> Consider Tobin's Q, the ratio for which Dr. Tobin, at least at one time, was most famous among investors. This is the ratio of a company's total market capitalization to the replacement value of that company's total assets. <u>While the Q ratio – as Tobin's Q is often called – is conceptually similar to the price-to-book ratio, it avoids the myriad accounting difficulties associated with book value. For example, while book value carries assets at depreciated original cost, replacement value focuses on how much it would cost to buy those assets today</u>. [emphasis added]

Absent inflation and technological change, the market value and replacement cost of firms operating in a competitive environment would tend to equal their book value or cost. However, the fact that inflation has occurred, and continues to occur, renders that relationship invalid. With inflation, under competition, the market value of a firm trends toward the current cost of its assets. The book value of the assets, in contrast, reflects the historic depreciated cost of the assets. Since there have been moderate to relatively high

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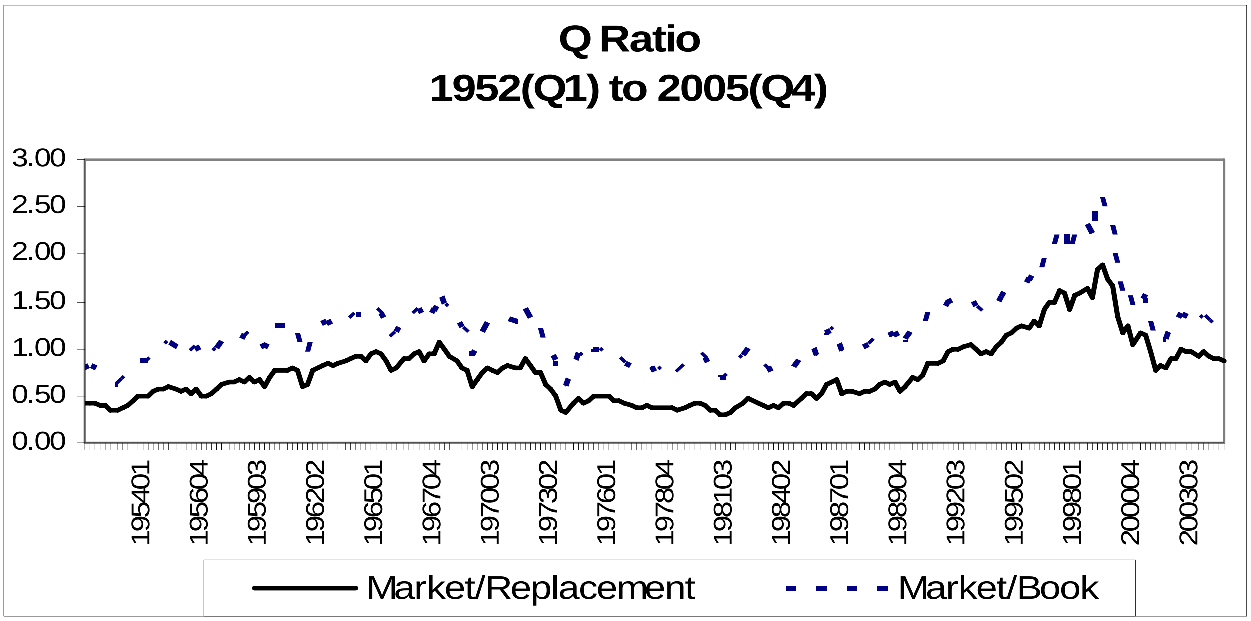
[104] The general idea had been expressed decades earlier by the economist John Keynes.

[105] The Federal Reserve Board tracks the "Q Ratio" of the U.S. equity market. It was the level of the "Q Ratio", along with the price/dividend ratio, that led Fed Chairman Alan Greenspan to warn of a speculative bubble in the equity market as early as 1996.

levels of inflation over the past twenty-five years, it is reasonable to expect market values to exceed the book value of those assets.

As indicated in Figure E-1 below, market/replacement cost ratios, as derived from the flow of funds accounts, have been systematically higher than the market to original cost ratios. For the U.S., the market/replacement cost ratio for corporations[106] has averaged approximately 60% higher than the market/book ratio.

Figure E-1

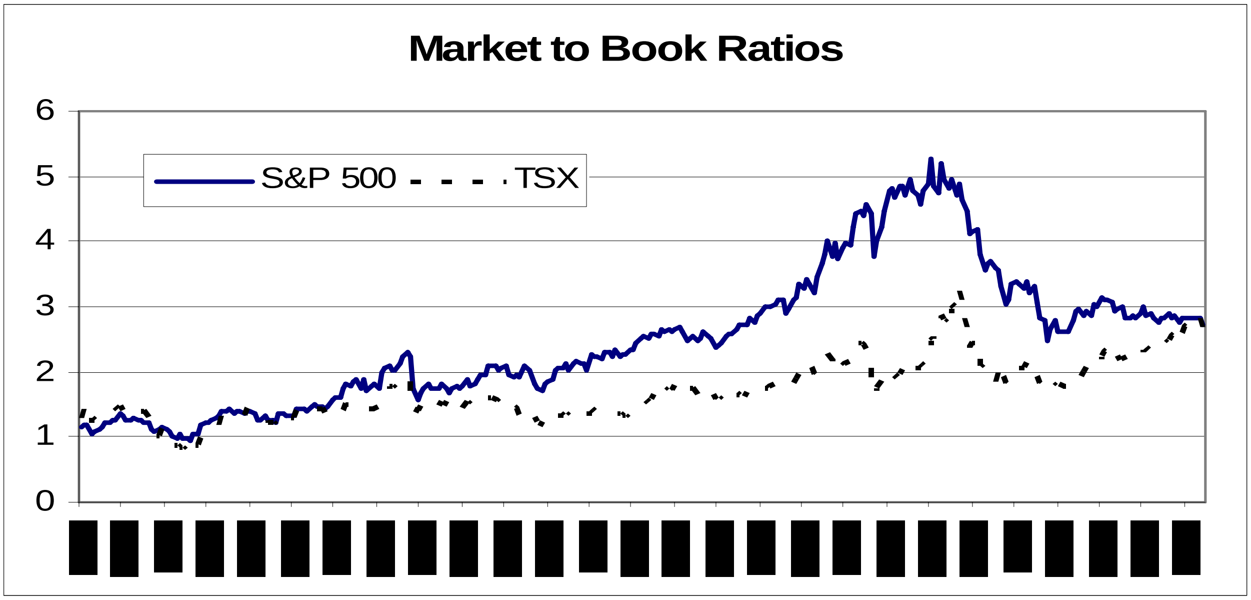


Source: US Federal Reserve Flow of Funds (B102).

To test the potential for market power in the achieved returns of the two samples of low risk unregulated firms used in the comparable earnings test, their market/book ratios were compared to those of the respective Canadian and U.S. market composites. The figure on the following page tracks the market/book values for the S&P/TSX Composite and the S&P 500 from 1980-2005.

[106] Based on non-farm, non-financial corporate businesses.

Figure E-2



Source: RBC Capital Markets

The data from which the figure was created indicate that the market/book ratio for the overall Canadian equity market has averaged approximately 1.7 times from 1980-2005, and approximately 2.1 times from 1994-2005, the period over which the comparable earnings test was conducted. Based on twenty-five years of data, the market/book ratio for the Canadian equity market has varied around an average of close to 1.7 times, not 1.0 times. By comparison to the equity market composite's 2.1 times average over the 1994-2005 period, the market/book ratio for the sample of comparable Canadian unregulated companies averaged 2.0 times. For the S&P 500, the market/book ratios were approximately 2.5 and 3.4 times, respectively, over the same two periods. For the sample of low risk U.S. unregulated firms, the average market/book ratio was 2.7 times from 1994-2005. The lower average market/book ratios of the low risk samples relative to the overall equity market composites permit the inference that the sample average returns are not characterized by market power.

In summary, the comparable earnings results do not warrant an adjustment for market/book ratios.

APPENDIX F

FINANCING FLEXIBILITY ADJUSTMENT

An adjustment to the equity risk premium and discounted cash flow test results for financing flexibility is required because the measurement of the return requirement based on market data results in a "bare-bones" cost. It is “bare-bones” in the sense that, theoretically, if this return is applied to (and earned on) the book equity of the rate base (assuming the expected return corresponds to the approved return), the market value of the utility would be kept close to book value.

The financing flexibility allowance is an integral part of the cost of capital as well as a required element of the concept of a fair return. The allowance is intended to cover three distinct aspects: (1) flotation costs, comprising financing and market pressure costs arising at the time of the sale of new equity; (2) a margin, or cushion, for unanticipated capital market conditions; and (3) a recognition of the "fairness" principle. Fairness dictates that regulation should not seek to keep the market value of a utility stock close to book value when industrials of comparable investment risk have been able to consistently maintain the real value of their assets considerably above book value.

The financing flexibility allowance recognizes that return regulation remains, fundamentally, a surrogate for competition. Competitive industrials of reasonably similar risk to utilities have consistently been able to maintain the real value of their assets significantly in excess of book value, consistent with the proposition that, under competition, market value will tend to equal the replacement cost, not the book value, of assets.

Utility return regulation should not seek to target the market/book ratios achieved by such industrials, but, at the same time, it should not preclude utilities from achieving a level of financial integrity that gives some recognition to the longer run tendency for the market value of industrials to equate to the replacement cost of their productive capacity. This is warranted not only on grounds of fairness, but also on economic grounds, to avoid misallocation of capital resources. To ignore these principles in determining an appropriate financing flexibility allowance is to ignore the basic premise of regulation. The adjustment for financing flexibility recognizes that the market return derived from the equity risk premium test needs to be translated into a return that is fair and reasonable when applied to book value.

This premise was recognized by the Independent Assessment Team (IAT), retained by the Alberta Department of Resource Development to determine the cost parameters for the Power Purchase Arrangement (PPAs) for existing regulated generating plants, concluded in its 1999 report, regarding flotation costs,

> This is sometimes associated with flotation costs but is more properly regarded as providing a financial cushion which is particularly applicable given the use of historic cost book values in traditional rate of return regulation in Canada. No such adjustment has ever been made in UK utility regulation cases which tend to use market values or current cost values. [107]

The Report of the IAT was accepted by the Alberta Energy and Utilities Board in Decision U99113 (December 1999).

Further, the financing flexibility allowance should also recognize that both the equity risk premium and DCF cost of equity estimates are derived from market values of equity capital. The cost of capital reflects the market value of the firms' capital, both debt and equity. The market value capital structures may be quite different from the book value capital structures. When the market value common equity ratio is higher (lower) than the book value common equity ratio, the market is attributing less (more) financial risk to the firm than is "on the books" as measured by the book value capital structure. Higher financial risk leads to a higher cost of common equity, all other things equal.

[107] *Independent Assessment Team Power Purchase Arrangement Report*, July 1999, page XLV, footnote 99.

To put this concept in common sense terms, assume that I purchased my home 10 years ago for $100,000. My home is currently worth $250,000. If I were applying for a loan, the bank would consider my net worth (equity) to be $150,000, not the "book value" of my home, which reflects the original purchase price less the mortgage loan amount. It is the market value of my home that determines my financial risk to the bank, not the original purchase price. The same principle applies when the cost of common equity is estimated. The book value of the common equity shares is not the relevant measure of financial risk to equity investors; it is their market value, that is, the value at which the shares could be sold.

Regulatory convention applies the allowed equity return to a book value capital structure. When the market value equity ratios of the proxy utilities are well in excess of their book value common equity ratios, application of an unadjusted market-derived cost of equity to the book value capital structure fails to recognize the higher financial risk and the higher cost of equity implied by the book value capital structures.

Two approaches can be used to quantify the range of the impact of a change in financial risk on the cost of equity. The first approach is based on the theory that the overall cost of capital does not change materially over a relatively broad range of capital structures. The second approach is based on the theoretical model which assumes that the overall cost of capital declines as the debt ratio rises due to the income tax shield on interest expense.[108]

Schedules 23 and 24 provide the formulas and inputs for estimating the change in the cost of equity under each of the two approaches. The schedules show that a recognition of the difference in financial risk between the market value and book value capital structures of the publicly-traded Canadian utilities and the low risk U.S. utilities results in an increase

[108] The second approach does not account for any of the factors that offset the corporate income tax advantage of debt, including the costs of bankruptcy/loss of financing flexibility, the impact of personal income taxes on the attractiveness of issuing debt, or the flow-through of the benefits of interest expense deductibility to ratepayers. Thus, the results of applying the second approach will over-estimate the impact of leverage on the overall cost of capital and understate the impact of increasing financial leverage on the cost of equity.

in the cost of equity in the range of 0.90 to 1.90 percentage points. A minimal recognition of the higher financial risk in the book value capital structures supports a financing flexibility adjustment of no less than 50 basis points.

At a minimum, the financing flexibility allowance should be adequate to allow a utility to maintain its market value, notionally, at a slight premium to book value, i.e., in the range of 1.05-1.10. At this level, a utility will be able to recover actual financing costs, as well as be in a position to raise new equity (under most market conditions) without impairing its financial integrity. A financing flexibility allowance adequate to maintain a market/book in the range of 1.05-1.10 is approximately 50 basis points.[109]

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[109] The financing flexibility allowance is estimated using the following formula developed from the discounted cash flow formula:

$$\text{Return on Book Equity} = \frac{\text{Market/Book Ratio x “bare-bones” cost of equity}}{1 + [\text{retention rate (M/B} - 1.0)]}$$

For a market/book ratio of 1.075 (mid-point of 1.05 and 1.10), assuming a dividend payout ratio of 65% and a cost of equity of 9.25%, the indicated ROE is:

$$\text{ROE} = \frac{1.075 \times 9.25\%}{1 + [.35\ (1.075 - 1.0)]}$$

$$\text{ROE} = 9.7\%$$

The difference between the ROE and the “bare-bones” cost of equity of approximately 50 basis points is the financing flexibility allowance.

APPENDIX G

QUALIFICATIONS OF KATHLEEN C. McSHANE

Kathleen McShane is the President of and a senior consultant with Foster Associates, Inc., where she has been employed since 1981. She holds an M.B.A. degree in Finance from the University of Florida, and M.A. and B.A. degrees from the University of Rhode Island. She has been a CFA charterholder since 1989.

Ms. McShane worked for the University of Florida and its Public Utility Research Center, functioning as a research and teaching assistant, before joining Foster Associates. She taught both undergraduate and graduate classes in financial management and assisted in the preparation of a financial management textbook.

At Foster Associates, Ms. McShane has worked in the areas of financial analysis, energy economics and cost allocation. Ms. McShane has presented testimony in more than 150 proceedings on rate of return and capital structure before federal, state, provincial and territorial regulatory boards, on behalf of U.S. and Canadian telephone companies, gas pipelines and distributors, and electric utilities. These testimonies include the assessment of the impact of business risk factors (e.g., competition, rate design, contractual arrangements) on capital structure and equity return requirements. She has also testified on various ratemaking issues, including deferral accounts, rate stabilization mechanisms, excess earnings accounts, cash working capital, and rate base issues. Ms. McShane has provided consulting services for numerous U.S. and Canadian companies on financial and regulatory issues, including financing, dividend policy, corporate structure, cost of capital, automatic adjustments for return on equity, form of regulation (including performance-based regulation), unbundling, corporate separations, stand-alone cost of debt, regulatory climate, income tax allowance for partnerships, change in fiscal year end, treatment of inter-corporate financial transactions, and the impact of weather normalization on risk.

Ms. McShane was principal author of a study on the applicability of alternative incentive regulation proposals to Canadian gas pipelines. She was instrumental in the design and preparation of a study of the profitability of 25 major U.S. gas pipelines, in which she developed estimates of rate base, capital structure, profit margins, unit costs of providing services, and various measures of return on investment. Other studies performed by Ms. McShane include a comparison of municipal and privately owned gas utilities, an analysis of the appropriate capitalization and financing for a new gas pipeline, risk/return analyses of proposed water and gas distribution companies and an independent power project, pros and cons of performance-based regulation, and a study on pricing of a competitive product for the U.S. Postal Service. She has also conducted seminars on cost of capital for regulated utilities, with focus on the Canadian regulatory arena.

Publications, Papers and Presentations

- "Utility Cost of Capital Canada vs. U.S.", presented at the CAMPUT Conference, May 2003.

- "The Effects of Unbundling on a Utility's Risk Profile and Rate of Return", (co-authored with Owen Edmondson, Vice President of ATCO Electric), presented at the Unbundling Rates Conference, New Orleans, Louisiana sponsored by Infocast, January 2000.

- Atlanta Gas Light's Unbundling Proposal: More Unbundling Required?" presented at the 24th Annual Rate Symposium, Kansas City, Missouri, sponsored by several commissions and universities, April 1998.

- "Incentive Regulation: An Alternative to Assessing LDC Performance", (co-authored with Dr. William G. Foster), presented at the Natural Gas Conference, Chicago, Illinois sponsored by the Center for Regulatory Studies, May 1993.

- "Alternative Regulatory Incentive Mechanisms", (co-authored with Stephen F. Sherwin), prepared for the National Energy Board, Incentive Regulation Workshop, October 1992.

Expert Testimony/Opinions

On

Rate of Return & Capital Structure

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Ameren (Central Illinois Light Company)	2005
Ameren (Illinois Power)	2004, 2005
Ameren (Union Electric)	2000 (2 cases), 2002 (2 cases), 2003, 2006 (2 cases)
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Expert Testimony/Opinions

on

Other Issues

Client	**Issue**	**Date**
Heritage Gas	Revenue Deficiency Account	2006
Hydro Québec	Cash Working Capital	2005
Nova Scotia Power	Cash Working Capital	2005
Ontario Electricity Distributors	Stand-Alone Income Taxes	2005
Caisse Centrale de Réassurance	Collateral Damages	2004
Enbridge Gas New Brunswick	AFUDC	2004
Heritage Gas	Deferral Accounts	2004
ATCO Electric	Carrying Costs on Deferral Account	2001
Newfoundland & Labrador Hydro	Rate Base, Cash Working Capital	2001
Gazifère Inc.	Cash Working Capital	2000
Maritime Electric	Rate Subsidies	2000
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Enbridge Gas Distribution	Unbundling/Regulatory Compact	1998
Maritime Electric	Form of Regulation	1995
Northwest Territories Power	Rate Stabilization Fund	1995
Canadian Western Natural Gas	Cash Working Capital/ Compounding Effect	1989
Gaz Metro/ Province of Québec	Cost Allocation/ Incremental vs. Rolled-In Tolling	1984

NEWFOUNDLAND POWER

STATISTICAL EXHIBIT

to accompany

DIRECT TESTIMONY

Prepared by

KATHLEEN C. McSHANE

FOSTER ASSOCIATES, INC.

March 2007

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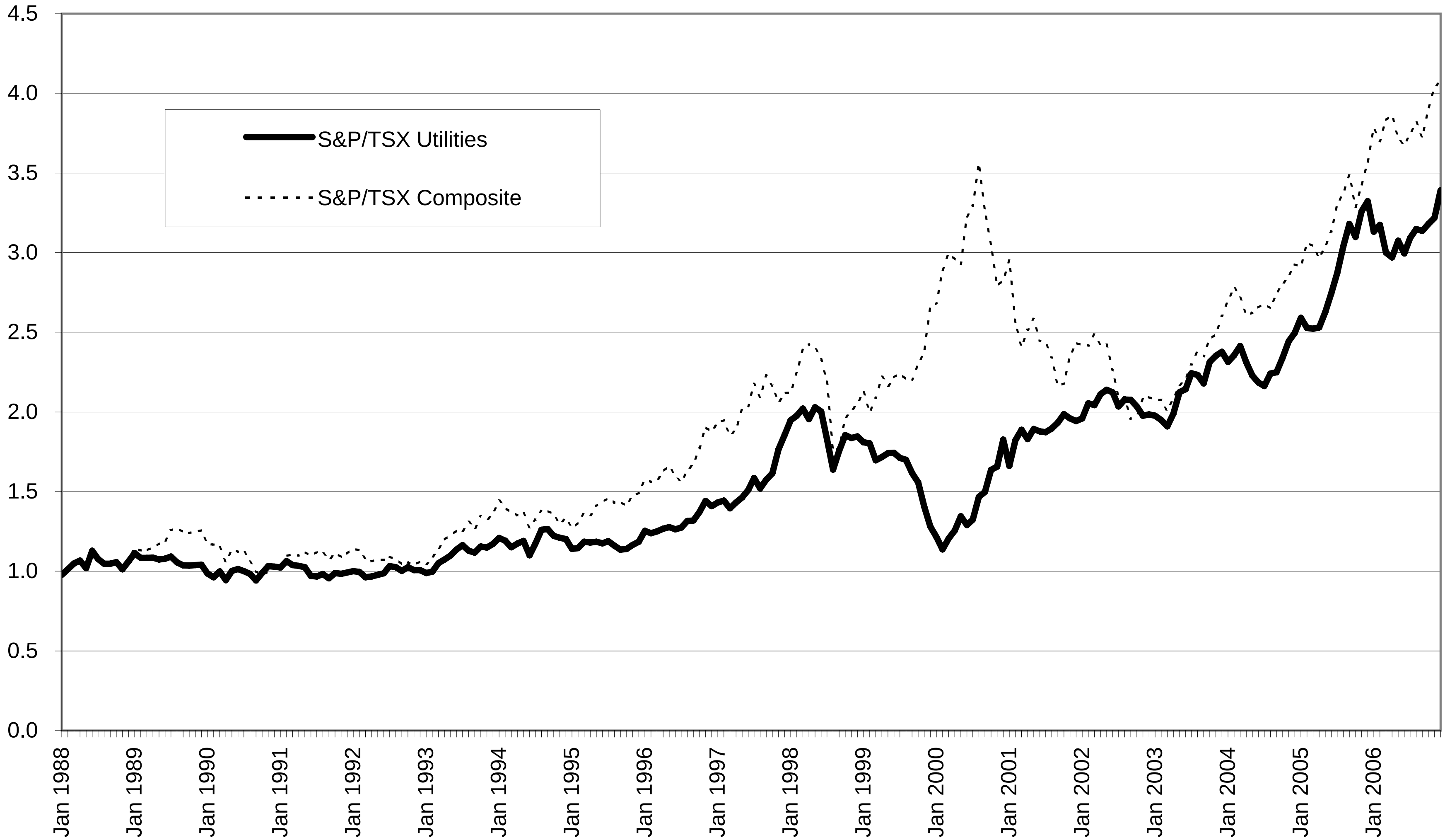
TREND IN S&P/TSX UTILITIES AND S&P/TSX PRICE INDICES
(January 1988 to December 2006)



Source: <u>TSX Review</u>

DEBT AND COMMON STOCK QUALITY RATINGS
OF CANADIAN UTILITIES

Company	Debt Rated	DBRS Bond Rating	Moody's Bond Rating	S&P Bond Rating	CBS Stock Ranking
AltaLink L.P.	Senior Secured	A		A-	NR
CU Inc.	Senior Unsecured	A(high)		A	Very conservative
Enbridge Gas Distribution	Senior Unsecured	A		A-	Very conservative
Enbridge Pipelines	Senior Unsecured	A(high)		A-	Very conservative
ENMAX	Unsecured Debentures (DBRS) Issuer (S&P)	A		A-	
Enersource	Issuer	A			
EPCOR Utilities Inc	Senior Unsecured	A(low)	Baa2	BBB+	NR
FortisAlberta Inc.	Senior Unsecured	A(low)	Baa1		Very conservative
FortisBC Inc	Secured Debentures	BBB(high)	Baa3		Very conservative
Gaz Metropolitain	Senior Secured	A		A	NR
Hydro One	Senior Unsecured	A(high)	Aa3	A	NR
Hydro Ottawa Holding Inc.	Senior Unsecured	A (low)		A-	
Maritime Electric	Senior Secured	NR		A-	Very conservative
Newfoundland Power	First Mortgage	A	Baa1	NR [1/]	Very conservative
NOVA Gas Transmission	Senior Unsecured	A	A2	A-	Very conservative
Nova Scotia Power	Senior Unsecured	A(low)	Baa1	BBB	Very conservative
Pacific Northern Gas	Senior Secured	BBB(low)		NR [2/]	Average
Terasen Gas	Senior Secured Senior Unsecured	A A	A2 A3	A- BBB	NR [3/]
Toronto Hydro	Senior Unsecured	A		A-	
TransCanada PipeLines	Senior Secured Senior Unsecured	A A	 A2	A A-	Very conservative
Union Gas Limited	Senior Unsecured	A		BBB	Very conservative
Veridian Corp.	Issuer	A			
Westcoast Energy	Senior Unsecured	A(low)		BBB	Very conservative
Mean		**A**	**A3**	**A-**	**Very conservative**
Median		**A**	**Baa1**	**A-**	**Very conservative**

[1/] Withdrawn by company; A- (First Mortgage Bonds) prior to withdrawal.
[2/] Withdrawn by company; BBB- prior to withdrawal.
[3/] "Very Conservative" for Terasen Inc. prior to purchase by Kinder Morgan Inc.

Note: Debt ratings are for utility; Stock rankings are for parent.

Source: DBRS Bond Ratings, Moodys.com, Standard & Poor's, The Blue Book of CBS Stock Reports.

CAPITAL STRUCTURE RATIOS OF CANADIAN UTILITIES (2005)

Company	Long-term Debt 1/	Short-Term Debt	Preferred Stock 2/	Common Stock Equity 3/
Electric Utilities				
AltaLink L.P.	61.8	0.0	0.0	38.2
CU Inc.	55.3	0.0	6.7	38.0
Enersource Corp.	59.0	0.0	0.0	41.0
ENMAX Corp.	15.2	0.0	0.0	84.8
EPCOR Utilities Inc.	49.4	0.7	8.2	41.7
FortisAlberta Inc.	58.5	0.0	0.0	41.5
FortisBC Inc.	60.4	0.0	0.0	39.6
Hydro One Inc.	51.7	0.1	3.3	44.9
Hydro Ottawa Holding Inc.	0.0	49.9	0.0	50.1
Maritime Electric	42.4	14.9	0.0	42.7
Newfoundland Power	52.7	1.6	1.3	44.4
Nova Scotia Power	53.7	0.2	9.1	37.0
Toronto Hydro	59.5	0.0	0.0	40.5
Veridian Corp.	0.0	42.8	0.0	57.2
Gas Distributors				
Enbridge Gas Distribution	38.1	25.0	2.1	34.7
Gaz Metropolitain	58.8	1.3	0.0	39.9
Pacific Northern Gas	46.7	5.8	2.9	44.6
Terasen Gas	53.8	12.5	0.0	33.7
Union Gas	59.5	4.6	3.0	32.9
Pipelines				
Enbridge Pipelines	44.5	7.7	0.0	47.7
Nova Gas Transmission Ltd.	58.9	1.7	0.0	39.4
TransCanada PipeLines Ltd. 4/	55.4	5.0	2.0	37.5
Westcoast Energy Inc.	55.6	2.2	4.9	37.3
Medians				
Electric T&D	**52.7**	**0.0**	**0.0**	**44.4**
Electric Integrated	**53.7**	**0.2**	**6.7**	**39.6**
All Electric	**53.2**	**0.1**	**0.0**	**41.6**
Gas Distributors	**53.8**	**5.8**	**2.1**	**34.7**
All Companies	**53.8**	**1.6**	**0.0**	**40.5**

1/ Includes current portion of long-term debt and preferred securities classified as debt.

2/ Includes minority interest in preferred shares of subsidiary companies and preferred securities.

3/ Includes minority interest in common shares of subsidiary companies.

4/ Excludes non-recourse debt

Source: Reports to Shareholders, DBRS (Veridian)

FINANCIAL METRICS
FOR CANADIAN UTILITIES
(Average of 2003-2005)

Company	EBIT Coverage	FFO Coverage [1/]	FFO/ Total Debt
Electric Utilities			
AltaLink L.P.	2.2	3.0	11.9
CU Inc.	2.9	3.7	19.9
Enersource Corp. [2]	2.0	3.6	15.8
ENMAX Corp.	7.4	3.3	63.7
EPCOR Utilities Inc.	2.8	3.2	15.9
FortisAlberta Inc.	2.6	3.0	15.7
FortisBC Inc.	2.2	2.8	22.3
Hydro One Inc.	3.1	4.1	19.8
Hydro Ottawa Holding Inc.	2.1	4.0	18.8
Maritime Electric	2.5	2.8	15.0
Newfoundland Power	2.4	2.8	18.4
Nova Scotia Power	2.3	3.4	14.8
Toronto Hydro	2.8	3.4	17.7
Veridian Corp. [2/]	2.2	3.7	22.9
Gas Distributors			
Enbridge Gas Distribution	2.6	3.5	16.0
Gaz Metropolitain	2.6	4.8	25.8
Pacific Northern Gas	2.4	3.5	24.4
Terasen Gas	1.9	2.3	9.4
Union Gas [2/]	2.1	2.5	12.1
Pipelines			
Enbridge Pipelines [2/]	2.4	3.1	15.2
Nova Gas Transmission Ltd. [2/]	2.4	2.8	15.4
TransCanada PipeLines Ltd.	2.4	2.8	15.6
Westcoast Energy Inc.	2.0	2.9	15.4
Medians			
Electric T&D	**2.6**	**3.3**	**18.4**
Electric Integrated	**2.5**	**3.2**	**15.9**
All Electric	**2.5**	**3.3**	**18.1**
Gas Distributors	**2.4**	**3.5**	**16.0**
All Companies	**2.4**	**3.2**	**15.9**

[1/] S&P defines Funds from Operations as follows:
FFO = (income from continuing operations + depreciation & amortization + deferred income taxes – AFUDC).

[2/] Data for 2002-2004

Source: Annual Reports to Shareholders, DBRS and Standard and Poor's

BUSINESS PROFILE SCORES AND FINANCIAL STATISTICS FOR SELECTED US REGULATED TRANSMISSION & DISTRIBUTION ELECTRIC UTILITIES

			S&P Financial Metrics: Average 2003-2005				
	S&P Debt Rating	Business Profile Score	Total Debt/Capital	EBIT Coverage	FFO Coverage	FFO/Total Debt	Common Equity Ratio [1/]
Central Hudson Gas & Electric Co.	**A**	**3**	**54.1**	**3.7**	**3.6**	**19.8**	**43.0**
Consolidated Edison Inc.	**A**	**2**	**56.2**	**2.5**	**3.8**	**17.3**	**46.5**
Consolidated Edison Co. of New York Inc.	A	2					48.6
Orange and Rockland Utilities Inc.	A	2					48.8
National Grid USA	**A**	**2**	**42.7**	**3.1**	**3.9**	**21.2**	**61.3**
Massachusetts Electric Co.	A	1					55.0
Niagara Mohawk Power Corp.	A	3					54.9
NSTAR	**A+**	**1**	**60.6**	**3.6**	**4.4**	**24.3**	**34.0**
NSTAR Electric Co.	A+	1					42.7
PPL Electric Utilities Corp.	**A-**	**3**	**58.4**	**3.4**	**3.4**	**54.3**	**50.0**
Public Service Co. of North Carolina Inc.[1/]	**A-**	**2**	**59.7**	**2.5**	**4.5**	**21.4**	**58.7**
Median	**A**	**2**	**57.3**	**3.2**	**3.9**	**21.3**	**48.8**

[1/] S&P financial metrics for parent, Scana Corp.

Source: Standard and Poor's Credit Stats, "Utility and Power Ranking List" (January 26, 2007); and S&P reports for National Grid USA and PPL Electric Utilities Corp.

EQUITY RETURN AWARDS AND CAPITAL STRUCTURES ADOPTED BY REGULATORY BOARDS FOR CANADIAN UTILITIES (Percentages)

	Decision Date	Regulator	Order/ File Number	Debt	Preferred Stock	Common Stock Equity	Equity Return	Forecast 30-Year Bond Yield
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Electric Utilities								
AltaLink	7/04; 11/06	EUB	2004-052; U2006-292	65.00	0.00	35.00 [1/]	8.51	4.22
ATCO Electric		EUB						
Transmission	7/04; 11/06		2004-052; U2006-292	61.00	6.00	33.00	8.51	4.22
Distribution	7/04; 11/06		2004-052; U2006-292	56.10	6.90	37.00	8.51	4.22
EPCOR		EUB						
Transmission	7/04; 11/06		2004-052; U2006-292	65.00	0.00	35.00	8.51	4.22
Distribution	7/04; 11/06		2004-052; U2006-292	61.00	0.00	39.00	8.51	4.22
FortisAlberta Inc.	7/04; 11/06	EUB	2004-052; U2006-292	63.00	0.00	37.00	8.51	4.22
FortisBC Inc.	3/06; 12/06	BCUC	G-14-06; L-75-06	60.00	0.00	40.00	8.77	4.22
Maritime Electric	6/06	IRAC	UE20934	57.31	0.00	42.69	10.25	na
Newfoundland Power	6/03;12/06	NLPub	PU 19(2003); PU 40(2006)	54.06	1.39	44.55	8.60	4.16
Nova Scotia Power	1/05;2/07	UARB	2005 NSUARB 27; 2007 NSUARB 8	53.30	9.20	37.50	9.55	na
Gas Distributors								
ATCO Gas	7/04; 11/06	EUB	2004-052; U2006-292	55.10	6.90	38.00	8.51	4.22
Enbridge Gas Distribution Inc	1/04; 1/07	OEB	RP-2002-0158; EB-2006-0034	62.23	2.77	35.00	8.39	4.23
Gaz Metropolitain	9/06	Régie	D-2006-140	54.00	7.50	38.50	8.73	4.55
Pacific Northern Gas	8/06; 3/06; 11/06	BCUC	G-99-04; G-14-06; L-75-06	58.18	3.82	40.00	9.02	4.22
Terasen Gas	3/06; 12/06	BCUC	G-14-06; L-75-06	65.00	0.00	35.00	8.37	4.22
Union Gas	1/04; 3/04; 5/06	OEB	RP-2002-0158; RP-2003-0063; EB-2005-0520	60.60	3.40	36.00	8.54	4.23
Gas Pipelines								
Alberta Natural Gas	11/06; 2/06	NEB	RH-2-94;TG-02-2006	64.00	0.00	36.00	8.46	4.22
Foothills Pipe Lines (Yukon) Ltd.	11/06; 12/05	NEB	RH-2-94;TG-08-2005	64.00	0.00	36.00	8.46	4.22
TransCanada PipeLines	11/06; 4/05	NEB	RH-2-94/RH-2-2004	64.00	0.00	36.00	8.46	4.22
Trans Quebec & Maritimes Pipeline	11/06	NEB	RH-2-94	70.00	0.00	30.00	8.46	4.22
Westcoast Energy	11/06; 12/06	NEB	RH-2-94;TG-05-2006	65.00	0.00	36.00	8.46	4.22

[1/] EUB 2004-052 set the equity ratio at 35% (33% for transmission plus 2% in recognition of AltaLink's tax status).

Source: Board Decisions.

**RATES OF RETURN ON COMMON EQUITY ADOPTED BY
REGULATORY BOARDS FOR INVESTOR-OWNED CANADIAN UTILITIES**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Electric Utilities																		
AltaLink	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	9.40	9.60	9.50	8.93	8.51
ATCO Electric	13.50	13.50	13.25	11.88	NA	NA	11.25	[1/]	[1/]	[1/]	[1/]	[1/]	[1/]	9.40	9.60	9.50	8.93	8.51
FortisAlberta Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	9.50	9.50	9.60	9.50	8.93	8.51
FortisBC Inc.	13.50	NA	11.75	11.50	11.00	12.25	11.25	10.50	10.25	9.50	10.00	9.75	9.53	9.82	9.55	9.43	9.20	8.77
Newfoundland Power	13.95	13.25	NA	NA	NA	NA	11.00	NA	9.25	9.25	9.59	9.59	9.05	9.75	9.75	9.24	9.24	8.60
Nova Scotia Power	NA	NA	NA	11.75	NA	NA	10.75	NA	NA	NA	NA	NA	10.15	NA	NA	9.55	9.55	NA
TransAlta Utilities	13.50	13.50	13.25	11.88	NA	12.25	11.25	[1/]	[2/]	9.25	9.25	NA	9.40	NA	NA	NA	NA	NA
Mean of Electric Utilities	**13.61**	**13.42**	**12.75**	**11.75**	**11.00**	**12.25**	**11.10**	**10.50**	**9.75**	**9.33**	**9.61**	**9.67**	**9.53**	**9.57**	**9.62**	**9.45**	**9.13**	**8.58**
Gas Distributors																		
ATCO Gas	13.25	13.25	12.25	12.25	NA	NA	NA	10.50	9.38	NA	NA	9.75	9.75	9.50	9.50	9.50	8.93	8.51
Enbridge Gas Distribution	13.25	13.13	13.13	12.30	11.60	11.65	11.88	11.50	10.30	9.51	9.73	9.54	9.66	9.69	NA	9.57	8.74	8.39
Gaz Metro	14.25	14.25	14.00	12.50	12.00	12.00	12.00	11.50	10.75	9.64	9.72	9.60	9.67	9.89	9.45	9.69	8.95	8.73
Pacific Northern Gas	15.00	14.00	13.25	NA	11.50	12.75	11.75	11.00	10.75	10.00	10.25	10.00	9.88	10.17	9.80	9.68	9.45	9.02
Terasen Gas	NA	NA	12.25	NA	10.65	12.00	11.00	10.25	10.00	9.25	9.50	9.25	9.13	9.42	9.15	9.03	8.80	8.37
Union Gas	13.75	13.50	13.50	13.00	12.50	11.75	11.75	11.00	10.44	9.61	9.95	9.95	9.95	9.95	9.62	9.62	9.62	8.54
Mean of Gas Distributors	**13.90**	**13.63**	**13.06**	**12.51**	**11.65**	**12.03**	**11.68**	**10.96**	**10.27**	**9.60**	**9.83**	**9.68**	**9.67**	**9.77**	**9.50**	**9.52**	**9.08**	**8.59**
Gas Pipelines (NEB)																		
TransCanada PipeLines	13.25	13.50	13.25	12.25	11.25	12.25	11.25	10.67	10.21	9.58	9.90	9.61	9.53	9.79	9.56	9.46	8.88	8.46
Westcoast Energy	13.25	13.75	12.50	12.25	11.50	12.25	11.25	10.67	10.21	9.58	9.90	9.61	9.53	9.79	9.56	9.46	8.88	8.46
Mean of Gas Pipelines	**13.25**	**13.63**	**12.88**	**12.25**	**11.38**	**12.25**	**11.25**	**10.67**	**10.21**	**9.58**	**9.90**	**9.61**	**9.53**	**9.79**	**9.56**	**9.46**	**8.88**	**8.46**
Mean of All Companies	**13.68**	**13.56**	**12.94**	**12.16**	**11.50**	**12.13**	**11.36**	**10.84**	**10.15**	**9.52**	**9.78**	**9.67**	**9.59**	**9.70**	**9.56**	**9.48**	**9.07**	**8.57**

Note: A rate freeze was in effect for BC Gas (now Terasen Gas) in 1990 and 1991, BCUC regulation resumed in late 1991.
Nova Scotia Power was privatized in 1992.

[1/] Negotiated settlement, details not available.
[2/] Negotiated settlement, implicit ROE made public is 10.5%.

Source: Regulatory Decisions

COMPARISON BETWEEN ALLOWED EQUITY RISK PREMIUMS FOR CANADIAN AND U.S. UTILITIES

	Canadian Utilities			U.S. Utilities		
Year	Allowed ROE	Average Long Canada Yield	Equity Risk Premium	Allowed ROE	Average Long Treasury Yield	Equity Risk Premium
1990	13.66	10.69	2.97	12.69	8.61	4.08
1991	13.58	9.72	3.86	12.51	8.14	4.37
1992	12.99	8.68	4.31	12.06	7.67	4.39
1993	12.19	7.86	4.33	11.37	6.59	4.78
1994	11.54	8.69	2.85	11.34	7.39	3.95
1995	12.13	8.41	3.72	11.51	6.85	4.66
1996	11.36	7.75	3.61	11.29	6.73	4.56
1997	10.88	6.66	4.22	11.34	6.58	4.76
1998	10.20	5.59	4.61	11.59	5.54	6.05
1999	9.52	5.72	3.80	10.74	5.91	4.83
2000	9.78	5.71	4.07	11.41	5.88	5.53
2001	9.67	5.77	3.90	11.04	5.50	5.54
2002	9.59	5.67	3.92	11.10	5.41	5.69
2003	9.70	5.31	4.39	10.98	5.03	5.95
2004	9.56	5.11	4.45	10.73	5.08	5.65
2005	9.48	4.38	5.10	10.50	4.52	5.98
2006	9.04	4.33	4.71	10.38	4.93	5.45
Means:						
1990-1993	**13.10**	**9.24**	**3.87**	**12.16**	**7.75**	**4.41**
1994-1998	**11.22**	**7.42**	**3.80**	**11.41**	**6.62**	**4.80**
1999-2006	**9.54**	**5.25**	**4.29**	**10.86**	**5.28**	**5.58**

Note: For U.S. Treasury yields, 30-year maturities used through January 2002; theoretical 30-year yield from February 2002 to January 2005; 30-year maturities February 2002 forward.

Sources: Regulatory Research Associates; www.snl.com; Various Canadian Regulatory Decisions; Bank of Canada; Federal Reserve; U.S. Treasury.

ALLOWED EQUITY RATIOS FOR U.S. UTILITIES

Year	Electric	Gas	Total [1/]
1990	42.4	47.2	44.4
1991	43.8	47.2	45.3
1992	44.7	46.6	45.4
1993	47.4	46.2	46.7
1994	45.2	48.1	46.6
1995	45.9	50.0	47.3
1996	44.3	47.7	47.4
1997	48.8	47.8	48.3
1998	46.1	49.5	48.0
1999	45.1	49.1	46.5
2000	48.9	48.6	48.7
2001	47.2	44.0	46.3
2002	46.3	48.3	47.3
2003	49.4	49.9	49.7
2004	46.8	45.9	46.3
2005	46.2	48.7	47.4
2006	50.1	47.9	49.1
Means:			
1990-1993	**44.6**	**46.8**	**45.4**
1994-1998	**46.1**	**48.6**	**47.5**
1999-2006	**47.5**	**47.8**	**47.7**

1/ Weighted by number of cases.

Sources: Regulatory Focus, Regulatory Research Associates, www.snl.com

TREND IN INTEREST RATES AND OUTSTANDING BOND YIELDS
(Percent Per Annum)

Year		Government Securities: T-BILLS Canadian	T-BILLS U.S. [1/]	10 Year Canadian	10 Year U.S.	Long-Term Canadian	Long-Term U.S. [2/]	Canada Bonds Over 10 Years [3/]	Canadian Inflation Indexed Bonds	Scotia Capital Long-Term Corporates	Canadian A-Rated Utility Bonds [4/]	Moody's U.S. Utility Long-Term A-Rated Bonds	Exchange Rates (Canadian dollars in U.S. funds)
1993	q1	5.84	2.96	7.65	6.28	8.27	6.98	8.38	4.57	9.54	9.54	8.07	0.79
	q2	4.91	3.01	7.46	5.99	8.11	6.87	8.12	4.39	9.16	9.35	7.81	0.79
	q3	4.52	3.02	6.99	5.62	7.63	6.29	7.58	4.21	8.50	8.84	7.28	0.77
	q4	4.11	3.09	6.76	5.61	7.42	6.19	7.31	3.94	8.20	8.58	7.22	0.75
1994	q1	4.29	3.42	7.09	6.07	7.67	6.74	7.48	3.80	8.33	8.79	7.53	0.75
	q2	6.28	3.96	8.49	7.08	8.69	7.33	8.67	4.38	9.52	10.09	8.29	0.72
	q3	5.48	4.61	8.99	7.33	9.13	7.55	9.14	4.67	9.92	10.11	8.51	0.73
	q4	6.11	5.36	9.12	7.84	9.25	7.94	9.23	4.80	10.00	10.24	8.87	0.73
1995	q1	7.99	5.73	8.89	7.48	9.01	7.61	8.99	4.86	9.80	9.99	8.54	0.71
	q2	7.34	5.58	8.00	6.62	8.32	6.91	8.19	4.48	8.93	9.38	7.93	0.73
	q3	6.47	5.32	8.05	6.32	8.45	6.71	8.28	4.76	8.97	9.30	7.72	0.74
	q4	5.76	5.15	7.39	5.89	7.85	6.18	7.66	4.61	8.37	8.44	7.37	0.74
1996	q1	5.11	4.92	7.39	5.91	7.95	6.37	7.71	4.78	8.40	8.41	7.44	0.73
	q2	4.70	5.04	7.75	6.72	8.17	6.95	7.99	4.87	8.60	8.58	7.98	0.73
	q3	4.14	5.13	7.37	6.78	7.88	7.00	7.65	4.71	8.22	8.23	7.96	0.73
	q4	2.89	5.08	6.30	6.34	6.99	6.60	6.67	4.07	7.23	7.19	7.62	0.74
1997	q1	2.96	5.11	6.54	6.64	7.24	6.91	6.94	4.19	7.50	7.52	7.76	0.74
	q2	3.00	5.12	6.49	6.64	7.03	6.90	6.80	4.26	7.28	7.30	7.88	0.72
	q3	3.18	5.06	5.85	6.18	6.39	6.45	6.16	4.06	6.64	6.59	7.49	0.72
	q4	3.89	5.14	5.55	5.84	5.98	6.07	5.79	4.07	6.38	6.34	7.25	0.71
1998	q1	4.44	5.08	5.41	5.63	5.76	5.93	5.60	4.07	6.25	6.22	7.11	0.70
	q2	4.82	4.99	5.39	5.58	5.63	5.80	5.53	3.90	6.09	6.05	7.12	0.69
	q3	4.92	4.76	5.36	5.12	5.59	5.35	5.50	4.00	6.31	6.23	6.99	0.66
	q4	4.75	4.34	5.02	4.72	5.38	5.10	5.23	4.12	6.25	6.16	6.97	0.65
1999	q1	4.73	4.41	5.07	5.03	5.34	5.41	5.23	4.13	6.13	6.15	7.11	0.66
	q2	4.55	4.53	5.34	5.56	5.54	5.80	5.50	4.07	6.40	6.34	7.48	0.68
	q3	4.92	4.76	5.36	5.12	5.59	5.35	5.50	4.00	6.31	6.23	6.99	0.66
	q4	4.75	4.34	5.02	4.72	5.38	5.10	5.23	4.12	6.25	6.16	6.97	0.65
2000	q1	5.09	5.59	6.22	6.38	5.98	6.16	6.10	3.91	7.14	7.07	8.29	0.69
	q2	5.54	5.68	6.01	6.18	5.72	5.96	5.96	3.74	7.21	7.05	8.45	0.68
	q3	5.58	6.05	5.79	5.86	5.58	5.78	5.82	3.64	7.07	7.09	8.20	0.67
	q4	5.57	6.09	5.54	5.46	5.56	5.62	5.67	3.48	7.10	7.15	8.03	0.65
2001	q1	4.96	4.64	5.44	5.01	5.76	5.45	5.69	3.41	7.05	7.18	7.74	0.65
	q2	4.36	4.42	5.78	5.40	5.95	5.77	6.00	3.56	7.25	7.40	7.93	0.65
	q3	3.64	3.10	5.48	4.84	5.82	5.44	5.86	3.67	7.13	7.24	7.64	0.64
	q4	2.11	1.86	5.22	4.72	5.53	5.32	5.58	3.68	6.95	7.20	7.61	0.63
2002	q1	2.10	1.78	5.52	5.12	5.78	5.66	5.81	3.71	6.97	7.23	7.63	0.63
	q2	2.57	1.74	5.51	5.02	5.83	5.72	5.81	3.52	6.99	7.14	7.48	0.65
	q3	2.83	1.66	5.07	4.09	5.56	5.13	5.52	3.36	7.01	7.26	7.14	0.63
	q4	2.69	1.33	4.98	3.99	5.48	5.11	5.45	3.39	6.95	7.23	7.12	0.64
2003	q1	2.96	1.17	5.01	3.85	5.49	4.93	5.43	3.09	6.92	7.22	6.84	0.67
	q2	3.14	1.05	4.59	3.60	5.17	4.71	5.09	3.04	6.42	6.72	6.37	0.72
	q3	2.70	0.96	4.75	4.30	5.30	5.28	5.26	3.11	6.40	6.69	6.61	0.72
	q4	2.62	0.95	4.78	4.31	5.29	5.22	5.24	2.90	6.24	6.47	6.34	0.77
2004	q1	2.12	0.94	4.41	4.00	5.09	4.96	4.99	2.50	5.92	6.17	6.06	0.76
	q2	1.98	1.13	4.74	4.60	5.29	5.35	5.22	2.38	6.25	6.48	6.45	0.74
	q3	2.23	1.58	4.66	4.26	5.14	5.08	5.13	2.29	6.19	6.37	6.11	0.77
	q4	2.53	2.11	4.40	4.22	4.92	4.93	4.87	2.18	5.90	6.09	5.95	0.83
2005	q1	2.47	2.67	4.27	4.33	4.72	4.70	4.69	2.05	5.67	5.86	5.72	0.82
	q2	2.46	3.01	3.93	4.05	4.39	4.36	4.35	1.86	5.23	5.59	5.43	0.81
	q3	2.73	3.50	3.88	4.21	4.20	4.39	4.19	1.75	5.15	5.32	5.49	0.84
	q4	3.25	4.00	4.07	4.49	4.19	4.63	4.21	1.59	5.22	5.36	5.82	0.85
2006	q1	3.70	4.57	4.18	4.65	4.23	4.70	4.25	1.53	5.31	5.43	5.92	0.87
	q2	4.17	4.84	4.51	5.11	4.54	5.19	4.57	1.81	5.69	5.75	6.41	0.90
	q3	4.14	5.00	4.14	4.79	4.21	4.91	4.23	1.67	5.37	5.47	6.09	0.89
	q4	4.17	5.00	4.00	4.59	4.07	4.70	4.08	1.68	5.21	5.27	5.79	0.87
Annual													
	1990	12.81	7.49	10.76	8.55	10.69	8.61	10.85		11.91	12.13	9.86	0.86
	1991	8.73	5.38	9.42	7.86	9.72	8.14	9.76		10.80	11.00	9.36	0.84
	1992	6.59	3.43	8.05	7.01	8.68	7.67	8.77	4.62	9.90	10.01	8.64	0.82
	1993	4.84	3.02	7.22	5.87	7.86	6.59	7.85	4.28	8.85	9.08	7.59	0.77
	1994	5.54	4.34	8.43	7.08	8.69	7.39	8.63	4.41	9.44	9.81	8.30	0.73
	1995	6.89	5.44	8.08	6.58	8.41	6.85	8.28	4.68	9.02	9.29	7.89	0.73
	1996	4.21	5.04	7.20	6.44	7.75	6.73	7.50	4.61	8.11	8.38	7.75	0.73
	1997	3.26	5.11	6.11	6.32	6.66	6.58	6.42	4.14	6.95	7.19	7.60	0.72
	1998	4.73	4.79	5.30	5.26	5.59	5.54	5.47	4.02	6.22	6.38	7.04	0.68
	1999	4.69	4.71	5.55	5.68	5.72	5.91	5.69	4.07	6.64	6.92	7.62	0.67
	2000	5.45	5.85	5.89	5.98	5.71	5.88	5.89	3.69	7.13	7.02	8.24	0.67
	2001	3.78	3.34	5.49	4.99	5.77	5.50	5.76	3.59	7.09	7.25	7.73	0.65
	2002	2.55	1.63	5.27	4.56	5.67	5.41	5.65	3.49	6.98	7.22	7.35	0.64
	2003	2.86	1.03	4.78	4.02	5.31	5.03	5.26	3.04	6.50	6.78	6.54	0.72
	2004	2.21	1.44	4.55	4.27	5.11	5.08	5.05	2.34	6.06	6.28	6.14	0.77
	2005	2.73	3.29	4.04	4.27	4.38	4.52	4.36	1.81	5.32	5.53	5.62	0.83
	2006	4.16	4.95	4.22	4.83	4.27	4.93	4.29	1.72	5.42	5.50	6.10	0.89

1/ Rates on new issues.
2/ 20-year constant maturities for 1974-1978; 30-year maturities, 1978-January 2002. Theoretical 30-year yield, February 2002 to January 2006.
3/ Terms to maturity of l0 years or more.
4/ Series is comprised of the CBRS Utilities Index through 1995; CBRS 30-year Utilities Index from 1996- August 2000; a series of liquid long-term utility bonds maintained by Foster Associates from September 2000 forward.

Source: Bank of Canada Review; CBRS; Globe and Mail; Annual Statistical Digest (Federal Reserve System); Federal Reserve Bulletin (various issues), U.S. Treasury website.

TREND IN INTEREST RATES AND OUTSTANDING BOND YIELDS
(Percent Per Annum)

		Government Securities											
		T-BILLS		10 Year		Long-Term		Canada Bonds Over 10 Years [3]	Canadian Inflation Indexed Bonds	Scotia Capital Long-Term Corporates	Canadian A-Rated Utility Bonds [4]	Moody's U.S. Utility Long-Term A-Rated Bonds	Exchange Rates (Canadian dollars in U.S. funds)
Year		Canadian	U.S. [1]	Canadian	U.S.	Canadian	U.S. [2]						
2003	Jan	2.82	1.18	5.02	4.00	5.47	4.99	5.43	3.21	6.85	7.13	7.03	0.66
	Feb	2.92	1.20	4.94	3.71	5.44	4.82	5.38	3.00	6.81	7.17	6.82	0.67
	Mar	3.14	1.14	5.08	3.83	5.55	4.98	5.48	3.05	7.09	7.35	6.68	0.68
	Apr	3.19	1.13	4.90	3.89	5.41	4.93	5.34	3.13	6.70	6.96	6.54	0.70
	May	3.17	1.11	4.41	3.37	5.00	4.50	4.89	2.96	6.35	6.64	6.26	0.73
	June	3.07	0.90	4.45	3.54	5.09	4.70	5.04	3.04	6.22	6.57	6.32	0.74
	July	2.85	0.96	4.84	4.49	5.44	5.51	5.39	3.17	6.48	6.85	6.88	0.71
	Aug	2.68	0.98	4.86	4.45	5.35	5.31	5.31	3.12	6.54	6.76	6.71	0.72
	Sept	2.58	0.95	4.55	3.96	5.14	5.01	5.09	3.03	6.19	6.45	6.23	0.74
	Oct	2.64	0.96	4.83	4.33	5.35	5.25	5.30	3.00	6.39	6.65	6.40	0.76
	Nov	2.66	0.93	4.84	4.34	5.33	5.22	5.28	2.92	6.27	6.51	6.35	0.77
	Dec	2.57	0.95	4.66	4.27	5.20	5.18	5.14	2.79	6.07	6.26	6.28	0.77
2004	Jan	2.25	0.92	4.53	4.16	5.17	5.07	5.09	2.59	6.03	6.26	6.11	0.76
	Feb	2.12	0.96	4.36	3.99	5.05	4.95	4.94	2.52	5.87	6.13	6.08	0.75
	Mar	1.98	0.95	4.33	3.86	5.04	4.87	4.94	2.39	5.85	6.11	6.01	0.76
	Apr	1.92	0.98	4.62	4.53	5.24	5.36	5.15	2.46	6.15	6.41	6.46	0.73
	May	2.00	1.08	4.78	4.66	5.31	5.29	5.22	2.31	6.25	6.43	6.53	0.73
	June	2.01	1.33	4.83	4.62	5.33	5.41	5.30	2.37	6.36	6.60	6.36	0.75
	Jul	2.07	1.45	4.75	4.50	5.24	5.31	5.24	2.31	6.34	6.49	6.36	0.75
	Aug	2.17	1.59	4.60	4.13	5.09	4.97	5.08	2.24	6.17	6.33	6.02	0.76
	Sep	2.44	1.71	4.63	4.14	5.08	4.97	5.06	2.33	6.05	6.29	5.96	0.79
	Oct	2.57	1.91	4.47	4.05	4.94	4.87	4.91	2.26	5.99	6.17	5.89	0.82
	Nov	2.55	2.23	4.44	4.36	4.98	5.07	4.93	2.21	5.88	6.16	6.07	0.84
	Dec	2.48	2.22	4.30	4.24	4.83	4.86	4.77	2.07	5.82	5.94	5.99	0.83
2005	Jan	2.43	2.51	4.21	4.14	4.71	4.62	4.67	2.03	5.66	5.84	5.65	0.81
	Feb	2.46	2.76	4.28	4.36	4.75	4.71	4.71	2.09	5.62	5.86	5.76	0.81
	Mar	2.52	2.73	4.32	4.50	4.71	4.76	4.68	2.03	5.73	5.87	5.75	0.83
	Apr	2.45	2.90	4.14	4.21	4.58	4.53	4.54	1.90	5.04	5.79	5.54	0.80
	May	2.45	2.99	3.92	4.00	4.37	4.36	4.31	1.83	5.46	5.59	5.41	0.80
	Jun	2.48	3.13	3.74	3.94	4.21	4.19	4.20	1.85	5.20	5.40	5.35	0.82
	Jul	2.59	3.42	3.86	4.28	4.27	4.42	4.27	1.90	5.25	5.42	5.53	0.82
	Aug	2.72	3.52	3.81	4.02	4.12	4.23	4.09	1.74	5.04	5.23	5.30	0.84
	Sep	2.87	3.55	3.96	4.34	4.22	4.53	4.21	1.61	5.15	5.33	5.65	0.86
	Oct	3.06	3.98	4.17	4.57	4.35	4.73	4.36	1.66	5.34	5.49	5.91	0.85
	Nov	3.31	3.95	4.06	4.52	4.18	4.66	4.20	1.65	5.24	5.35	5.85	0.86
	Dec	3.39	4.08	3.98	4.39	4.05	4.51	4.06	1.45	5.09	5.23	5.69	0.86
2006	Jan	3.51	4.47	4.17	4.53	4.26	4.69	4.26	1.53	5.30	5.43	5.84	0.88
	Feb	3.74	4.62	4.12	4.55	4.17	4.51	4.17	1.47	5.27	5.37	5.77	0.88
	Mar	3.86	4.61	4.26	4.86	4.26	4.89	4.32	1.58	5.37	5.49	6.14	0.86
	Apr	4.04	4.65	4.51	5.07	4.52	5.17	4.57	1.72	5.67	5.70	6.37	0.89
	May	4.18	4.86	4.45	5.12	4.50	5.21	4.51	1.83	5.60	5.68	6.43	0.91
	Jun	4.30	5.01	4.58	5.15	4.61	5.19	4.63	1.88	5.81	5.86	6.43	0.90
	Jul	4.15	5.10	4.31	4.99	4.37	5.07	4.39	1.73	5.60	5.62	6.29	0.88
	Aug	4.12	5.02	4.11	4.74	4.19	4.88	4.20	1.62	5.33	5.42	6.07	0.90
	Sep	4.16	4.89	3.99	4.64	4.08	4.77	4.09	1.67	5.18	5.30	5.90	0.89
	Oct	4.17	5.08	4.02	4.61	4.08	4.72	4.10	1.69	5.33	5.28	5.84	0.89
	Nov	4.17	5.03	3.90	4.46	3.99	4.56	4.00	1.60	5.11	5.18	5.68	0.88
	Dec	4.15	5.02	4.08	4.71	4.14	4.81	4.15	1.75	5.18	5.34	5.95	0.86

[1] Rates on new issues.
[2] 20-year constant maturities for 1974-1978; 30-year maturities, 1978-January 2002. Theoretical 30-year yield, February 2002 to January 2006.
[3] Terms to maturity of l0 years or more.
[4] Series is comprised of the CBRS Utilities Index through 1995; CBRS 30-year Utilities Index from 1996- August 2000;
a series of liquid long-term utility bonds maintained by Foster Associates from September 2000 forward.

Note: Monthly data reflect rate in effect at end of month.

Source: Bank of Canada Review; CBRS; Globe and Mail; Annual Statistical Digest (Federal Reserve System);
Federal Reserve Bulletin (various issues), U.S. Treasury website.

SELECTED INDICATORS OF ECONOMIC ACTIVITY
(1989 = 100)

		Canada					United States				
		Gross Domestic Product			GDP	Consumer	Gross Domestic Product			Implicit	Consumer
		Constant	Current	Industrial	Deflator	Price	Constant	Current	Industrial	Price	Price
Year		Dollars	Dollars	Production	Index	Index	Dollars	Dollars	Production	Index a/	Index
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(I0)
1989		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1990		100.2	103.4	97.2	103.2	104.8	101.9	105.8	101.0	103.9	105.4
1991		98.1	104.2	93.5	106.2	110.7	101.7	109.3	99.5	107.5	109.8
1992		99.0	106.5	94.5	107.6	112.3	105.1	115.6	102.4	110.0	113.2
1993		101.3	110.6	98.8	109.2	114.4	107.9	121.4	105.8	112.5	116.5
1994		106.1	117.2	105.1	110.4	114.6	112.2	129.0	111.6	114.9	119.5
1995		109.1	122.7	109.9	112.9	117.1	115.0	134.9	117.2	117.3	122.9
1996		110.9	126.8	111.8	114.7	118.9	119.3	142.5	122.2	119.5	126.5
1997		115.6	133.5	118.0	116.1	120.8	124.7	151.4	131.1	121.5	129.5
1998		120.3	139.2	122.2	115.6	122.0	129.9	159.5	139.1	122.8	131.5
1999		127.0	149.4	129.8	117.6	124.1	135.7	169.0	145.6	124.6	134.4
2000		133.6	163.5	139.6	122.5	127.5	140.6	179.0	152.2	127.3	138.9
2001		136.0	168.5	134.6	123.9	130.8	141.7	184.7	146.9	130.4	142.8
2002		140.0	175.3	137.5	125.2	133.7	143.9	190.9	146.9	132.6	145.1
2003		142.5	184.5	137.8	129.4	137.4	147.6	199.9	148.5	135.4	148.4
2004		147.2	196.2	140.3	133.3	139.9	153.3	213.6	152.2	139.3	152.3
2005		151.6	208.5	141.6	137.5	143.0	158.3	227.1	157.1	143.5	157.5
2001	1Q	135.7	169.6	137.1	125.0	129.4	141.5	182.7	150.0	129.2	141.7
	2Q	135.8	169.8	136.2	125.0	131.5	141.9	184.7	147.9	130.2	143.2
	3Q	135.6	167.6	133.3	123.6	131.6	141.4	184.8	145.8	130.7	143.4
	4Q	136.8	167.0	132.0	122.1	130.5	141.9	186.5	143.9	131.4	143.0
2002	1Q	138.4	170.2	135.5	122.9	131.3	142.9	188.4	144.9	131.8	143.5
	2Q	139.3	174.3	138.1	125.2	133.3	143.7	190.1	147.1	132.3	145.0
	3Q	140.6	176.7	138.5	125.7	134.7	144.5	192.0	148.0	132.8	145.6
	4Q	141.6	180.0	137.8	127.2	135.4	144.6	193.1	147.8	133.6	146.1
2003	1Q	142.3	183.9	137.4	129.3	137.2	145.0	195.2	148.7	134.6	147.6
	2Q	141.8	182.1	136.2	128.5	137.0	146.3	197.5	147.5	135.0	148.1
	3Q	142.4	185.0	137.8	130.0	137.6	148.9	202.1	148.4	135.7	148.8
	4Q	143.7	186.8	139.7	130.1	137.8	149.9	204.6	149.5	136.5	148.9
2004	1Q	145.1	190.6	139.7	131.4	138.4	151.3	208.4	150.7	137.7	150.2
	2Q	146.7	195.3	140.6	133.1	140.0	152.9	212.4	151.7	139.0	152.4
	3Q	148.2	198.4	140.9	133.9	140.3	154.0	215.1	152.4	139.7	152.9
	4Q	149.0	200.6	140.0	134.7	140.9	155.0	218.3	154.0	140.8	153.8
2005	1Q	149.8	202.6	140.0	135.3	141.4	156.3	222.0	155.7	142.0	154.8
	2Q	151.0	205.6	141.0	136.1	142.7	157.6	225.1	156.8	142.9	156.9
	3Q	152.2	210.8	142.3	138.4	144.0	159.2	229.3	157.1	144.0	158.8
	4Q	153.2	215.0	143.3	140.3	144.1	159.9	232.1	158.9	145.2	159.6
2006	1Q	154.6	217.0	142.7	140.3	144.8	162.1	237.2	160.9	146.3	160.4
	2Q	155.4	217.8	141.3	140.2	146.4	163.1	240.6	163.4	147.5	163.1
	3Q	156.1	219.1	141.9	140.4	146.5	163.9	242.9	165.1	148.2	164.1

Note: Data are based on Chain Weighted Indexes.

Source: Statistics Canada,U.S. Bureau of Economic Analysis, Federal Reserve

TREND IN AFTER-TAX CORPORATE PROFITS IN CANADA AND THE UNITED STATES

Year		Canada: Millions of Dollars [1/]	Canada: As Percent of GDP	United States: Billions of Dollars	United States: As Percent of GDP
		(1)	(2)	(3)	(4)
1989		41,095	6.3%	238	4.3%
1990		28,102	4.1%	264	4.6%
1991		17,905	2.6%	284	4.7%
1992		18,131	2.6%	312	4.9%
1993		24,839	3.4%	346	5.2%
1994		46,122	6.0%	383	5.4%
1995		54,132	6.7%	456	6.2%
1996		54,096	6.5%	501	6.4%
1997		55,682	6.3%	552	6.6%
1998		55,332	6.0%	470	5.4%
1999		71,359	7.3%	517	5.6%
2000		87,803	8.1%	508	5.2%
2001		71,359	8.2%	504	5.0%
2002		87,803	8.6%	576	5.5%
2003		106,629	8.7%	705	6.1%
2004		128,724	9.9%	788	7.2%
2005		140,941	10.3%	1,119	9.0%
2001	1Q	99,592	8.9%	532	5.3%
	2Q	97,376	8.7%	537	5.3%
	3Q	85,728	7.8%	474	4.7%
	4Q	80,188	7.3%	472	4.6%
2002	1Q	90,276	8.1%	519	5.0%
	2Q	98,724	8.6%	554	5.3%
	3Q	103,984	8.9%	590	5.6%
	4Q	104,948	8.9%	641	6.1%
2003	1Q	111,800	9.2%	625	5.8%
	2Q	98,420	8.2%	622	5.7%
	3Q	103,928	8.5%	673	6.1%
	4Q	108,504	8.8%	739	6.6%
2004	1Q	119,796	9.6%	810	7.1%
	2Q	129,608	10.1%	842	7.2%
	3Q	128,840	9.9%	828	7.0%
	4Q	130,520	9.9%	897	7.5%
2005	1Q	132,684	10.0%	1,091	9.0%
	2Q	136,060	10.1%	1,116	9.0%
	3Q	143,060	10.3%	1,097	8.7%
	4Q	151,960	10.7%	1,174	9.2%
2006	1Q	145,848	10.2%	1,284	9.9%
	2Q	146,764	10.2%	1,335	10.1%
	3Q	150,724	10.5%	1,363	10.2%

[1/] Corporation profits before taxes less direct taxes (corporate and government business enterprises - Total).

Source: Statistics Canada, U.S. Bureau of Economic Analysis

HISTORIC EQUITY MARKET RISK PREMIUMS

Canada (1947-2006)

Average	Stock Return	Bond Return	Risk Premium
Arithmetic	12.4	6.9	5.5
Geometric	11.2	6.5	4.7

United States (1947-2006)

Average	Stock Return	Bond Return	Risk Premium
Arithmetic	13.2	6.2	7.0
Geometric	11.9	5.7	6.1

United Kingdom (1947-2006)

Average	Stock Return	Bond Return	Risk Premium
Arithmetic	15.0	8.7	6.3
Geometric	12.3	6.3	6.0

Source: Ibbotson Associates, Stocks, Bonds, Bills and Inflation: 2006 Yearbook Market Results for 1926-2005; Standardandpoors.com; U.S. Federal Reserve; Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005; Bank of Canada; TSX Review, www.statistics.gov.uk

25-YEAR ROLLING AVERAGE MARKET RETURNS FOR CANADA AND THE U.S.

	Canada		U.S.	
	Stock Returns	Long Government Bond Returns	Stock Returns	Long Government Bond Returns
1947-1971	12.7%	2.9%	13.7%	2.0%
1948-1972	13.8%	2.8%	14.3%	2.3%
1949-1973	13.3%	3.0%	13.5%	2.1%
1950-1974	11.3%	2.7%	11.7%	2.0%
1951-1975	10.1%	2.8%	11.9%	2.4%
1952-1976	9.6%	3.7%	11.9%	3.2%
1953-1977	10.1%	3.9%	10.8%	3.2%
1954-1978	11.2%	3.8%	11.1%	3.0%
1955-1979	11.4%	3.3%	9.8%	2.6%
1956-1980	11.5%	3.4%	9.8%	2.5%
1957-1981	10.6%	3.4%	9.4%	2.8%
1958-1982	11.6%	4.9%	10.6%	4.1%
1959-1983	11.8%	5.5%	9.8%	4.4%
1960-1984	11.5%	6.3%	9.6%	5.1%
1961-1985	12.4%	7.0%	10.8%	5.8%
1962-1986	11.5%	7.3%	10.5%	6.7%
1963-1987	12.0%	7.2%	11.1%	6.4%
1964-1988	11.8%	7.4%	10.8%	6.7%
1965-1989	11.6%	7.8%	11.4%	7.3%
1966-1990	10.8%	7.9%	10.8%	7.5%
1967-1991	11.5%	8.8%	12.4%	8.1%
1968-1992	10.8%	9.4%	11.8%	8.8%
1969-1993	11.2%	10.4%	11.7%	9.6%
1970-1994	11.2%	10.0%	12.1%	9.4%
1971-1995	11.9%	10.2%	13.5%	10.2%
1972-1996	12.7%	10.3%	13.8%	9.7%
1973-1997	12.2%	11.0%	14.4%	10.1%
1974-1998	12.2%	11.5%	16.1%	10.6%
1975-1999	14.5%	11.3%	18.0%	10.1%
1976-2000	14.0%	11.7%	16.2%	10.6%
1977-2001	13.1%	11.1%	14.7%	10.1%
1978-2002	12.2%	11.3%	14.1%	10.8%
1979-2003	12.0%	11.5%	15.0%	10.9%
1980-2004	10.8%	12.0%	14.7%	11.3%
1981-2005	10.6%	12.4%	13.6%	11.8%
1982-2006	11.7%	12.7%	14.5%	11.8%
Min	**9.6%**	**2.7%**	**9.4%**	**2.0%**
Max	**14.5%**	**12.7%**	**18.0%**	**11.8%**
Mean	**11.8%**	**7.6%**	**12.5%**	**6.8%**
Stdev.	**1.1%**	**3.5%**	**2.1%**	**3.5%**
+1 Std	**12.8%**	**11.0%**	**14.6%**	**10.3%**
-1 Std dev.	**10.7%**	**4.1%**	**10.4%**	**3.4%**

Source: Ibbotson Associates; Stocks, Bonds, Bills and Inflation: 2006 Yearbook Market Results for 1926-2005, Standardandpoors.com; Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005

CUMULATIVE AVERAGE MARKET RETURNS FOR CANADA AND THE U.S.
(1947 Forward)

	Canada		U.S.	
	Stock Returns	**Long Government Bond Returns**	**Stock Returns**	**Long Government Bond Returns**
1947-1971	12.7%	2.8%	13.7%	2.0%
1947-1972	13.2%	2.8%	13.9%	2.1%
1947-1973	12.8%	2.6%	12.9%	2.0%
1947-1974	11.4%	2.6%	11.5%	2.1%
1947-1975	11.6%	3.2%	12.4%	2.3%
1947-1976	11.6%	3.3%	12.7%	2.8%
1947-1977	11.6%	3.2%	12.1%	2.7%
1947-1978	12.1%	3.0%	11.9%	2.6%
1947-1979	13.1%	3.0%	12.1%	2.5%
1947-1980	13.6%	2.8%	12.7%	2.3%
1947-1981	12.9%	3.9%	12.2%	2.3%
1947-1982	12.7%	4.1%	12.5%	3.3%
1947-1983	13.4%	4.4%	12.7%	3.2%
1947-1984	12.9%	4.9%	12.6%	3.6%
1947-1985	13.3%	5.2%	13.1%	4.3%
1947-1986	13.1%	5.1%	13.2%	4.8%
1947-1987	13.0%	5.2%	13.0%	4.6%
1947-1988	12.9%	5.5%	13.1%	4.7%
1947-1989	13.1%	5.4%	13.5%	5.0%
1947-1990	12.5%	5.9%	13.2%	5.0%
1947-1991	12.5%	6.0%	13.5%	5.4%
1947-1992	12.2%	6.4%	13.4%	5.4%
1947-1993	12.6%	6.0%	13.3%	5.7%
1947-1994	12.3%	6.4%	13.1%	5.4%
1947-1995	12.4%	6.6%	13.6%	6.0%
1947-1996	12.7%	6.8%	13.8%	5.8%
1947-1997	12.7%	7.0%	14.2%	6.0%
1947-1998	12.5%	6.7%	14.4%	6.1%
1947-1999	12.8%	6.8%	14.6%	5.9%
1947-2000	12.7%	6.8%	14.1%	6.1%
1947-2001	12.3%	6.8%	13.7%	6.1%
1947-2002	11.8%	6.8%	13.0%	6.3%
1947-2003	12.1%	6.9%	13.3%	6.2%
1947-2004	12.1%	6.9%	13.2%	6.3%
1947-2005	12.3%	6.9%	13.1%	6.3%
1947-2006	12.4%	6.9%	13.2%	6.2%
Min	**11.4%**	**2.6%**	**11.5%**	**2.0%**
Max	**13.6%**	**7.0%**	**14.6%**	**6.3%**
Mean	**12.6%**	**5.2%**	**13.1%**	**4.4%**
Stdev.	**0.5%**	**1.6%**	**0.7%**	**1.6%**
+1 Std	**13.1%**	**6.8%**	**13.8%**	**6.1%**
-1 Std dev.	**12.0%**	**3.5%**	**12.4%**	**2.8%**

Source: Ibbotson Associates; Stocks, Bonds, Bills and Inflation: 2006 Yearbook Market Results for 1926-2005, Standardandpoors.com; Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005

CUMULATIVE AVERAGE MARKET RETURNS FOR CANADA AND THE U.S.
(2006 Backward)

	Canada		U.S.	
	Stock Returns	**Long Government Bond Returns**	**Stock Returns**	**Long Government Bond Returns**
1947-2006	12.4%	6.9%	13.2%	6.2%
1948-2006	12.6%	7.0%	13.3%	6.4%
1949-2006	12.6%	7.1%	13.4%	6.4%
1950-2006	12.5%	7.2%	13.3%	6.4%
1951-2006	11.8%	7.3%	13.0%	6.5%
1952-2006	11.6%	7.5%	12.8%	6.7%
1953-2006	11.8%	7.6%	12.7%	6.8%
1954-2006	12.0%	7.7%	12.9%	6.9%
1955-2006	11.5%	7.6%	12.2%	6.9%
1956-2006	11.2%	7.8%	11.8%	7.1%
1957-2006	11.1%	8.0%	11.9%	7.3%
1958-2006	11.8%	8.1%	12.4%	7.3%
1959-2006	11.4%	8.4%	11.7%	7.6%
1960-2006	11.5%	8.6%	11.7%	7.8%
1961-2006	11.7%	8.7%	12.0%	7.7%
1962-2006	11.3%	8.6%	11.6%	7.8%
1963-2006	11.7%	8.8%	12.1%	7.8%
1964-2006	11.6%	8.9%	11.8%	8.0%
1965-2006	11.2%	8.9%	11.7%	8.1%
1966-2006	11.4%	9.1%	11.7%	8.3%
1967-2006	11.8%	9.3%	12.3%	8.4%
1968-2006	11.7%	9.6%	12.0%	8.8%
1969-2006	11.4%	9.9%	12.0%	9.1%
1970-2006	11.7%	10.2%	12.5%	9.5%
1971-2006	12.1%	9.9%	12.8%	9.4%
1972-2006	12.2%	9.8%	12.7%	9.3%
1973-2006	11.8%	10.1%	12.5%	9.4%
1974-2006	12.1%	10.3%	13.4%	9.7%
1975-2006	13.3%	10.7%	14.6%	9.9%
1976-2006	13.2%	10.9%	13.9%	9.9%
1977-2006	13.2%	10.7%	13.6%	9.7%
1978-2006	13.3%	10.8%	14.3%	10.0%
1979-2006	12.7%	11.2%	14.5%	10.4%
1980-2006	11.6%	11.7%	14.4%	10.9%
1981-2006	10.8%	12.1%	13.7%	11.4%
1982-2006	11.7%	12.7%	14.5%	11.8%
Min	**10.8%**	**6.9%**	**11.6%**	**6.2%**
Max	**13.3%**	**12.7%**	**14.6%**	**11.8%**
Mean	**11.9%**	**9.2%**	**12.8%**	**8.4%**
Stdev.	**0.7%**	**1.5%**	**0.9%**	**1.5%**
+1 Std	**12.6%**	**10.7%**	**13.7%**	**9.9%**
-1 Std dev.	**11.3%**	**7.6%**	**11.9%**	**6.9%**

Source: Ibbotson Associates; Stocks, Bonds, Bills and Inflation: 2006 Yearbook Market Results for 1926-2005, Standardandpoors.com; Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005

TSE 300 SUB-INDEX COMPOUND RETURNS AND BETAS

	Compound Returns						Betas					
	56-03	56-97	64-73	74-83	84-93	94-03	56-03	56-97	64-73	74-83	84-93	94-03
Metals/Minerals	0.08	0.08	0.07	0.11	0.07	0.07	1.15	1.23	1.14	1.22	1.37	0.87
Gold/Precious Metals	0.10	0.10	0.16	0.16	0.11	-0.03	0.85	0.96	0.36	1.31	1.24	0.64
Oil and Gas	0.10	0.08	0.15	0.12	0.05	0.15	1.06	1.20	1.25	1.40	0.98	0.52
Paper/Forest Products	0.07	0.07	0.05	0.12	0.10	0.03	1.02	1.07	1.15	1.00	1.27	0.85
Consumer Products	0.11	0.12	0.10	0.14	0.11	0.10	0.83	0.86	0.84	0.90	0.89	0.73
Industrial Products	0.07	0.10	0.08	0.11	0.06	0.01	1.17	1.02	1.11	0.87	1.08	1.69
Real Estate [1/]	0.05	0.05	0.01	0.17	-0.02	0.01	1.00	1.18	1.21	1.28	1.06	0.46
Transportation/Environmental	0.10	0.11	0.13	0.18	0.03	0.09	0.94	1.04	0.94	1.08	1.22	0.62
Pipelines	0.12	0.12	0.05	0.14	0.14	0.13	0.68	0.85	0.80	0.92	0.76	0.02
Utilities	0.11	0.11	0.03	0.18	0.11	0.16	0.54	0.48	0.50	0.47	0.40	0.79
Communications/Media	0.13	0.15	0.19	0.15	0.13	0.07	0.77	0.77	0.96	0.69	0.95	0.80
Merchandising	0.10	0.11	0.11	0.12	0.09	0.07	0.78	0.86	0.93	0.84	0.83	0.46
Finance	0.12	0.13	0.12	0.12	0.12	0.18	0.83	0.85	0.95	0.71	0.93	0.77
Conglomerates	0.11	0.11	0.13	0.15	0.09	0.14	0.94	1.03	1.26	0.97	1.20	0.68
Intercept							**0.18**	**0.18**	**0.12**	**0.15**	**0.14**	**0.12**
Adjusted R Square							**47%**	**44%**	**1%**	**1%**	**11%**	**9%**
Beta							**-0.088**	**-0.082**	**-0.020**	**-0.008**	**-0.056**	**-0.053**

[1/] Data only available starting July 1961

Source: TSX Review

S&P/TSX COMPOSITE SECTOR COMPOUND RETURNS AND BETAS

	Compound Returns [1/]			Betas		
	88-06	88-97	97-06	88-06	88-97	97-06
Consumer Discretionary	0.086	0.102	0.078	0.787	0.904	0.731
Consumer Staples	0.135	0.127	0.178	0.348	0.727	0.165
Energy	0.129	0.084	0.167	0.656	0.765	0.580
Financials	0.160	0.183	0.170	0.784	1.039	0.677
Health Care	0.053	0.155	-0.056	0.871	0.807	0.955
Industrials	0.066	0.083	0.061	0.969	1.131	0.864
Information Technology	0.077	0.218	-0.021	1.799	1.213	2.167
Materials	0.066	0.034	0.057	0.919	1.257	0.722
Telecommunication Services	0.144	0.154	0.160	0.738	0.578	0.866
Utilities	0.116	0.115	0.140	0.232	0.624	0.052
Intercept				**0.14**	**0.14**	**0.17**
Adjusted R Square				**23%**	**1%**	**45%**
Beta				**-0.043**	**-0.017**	**-0.098**

[1/] Data only available starting December 1987

Source: TSX Review

Schedule 11

FIVE-YEAR STANDARD DEVIATIONS OF MARKET RETURNS
FOR 10 SECTOR INDICES OF S&P/TSX COMPOSITE
FOR FIVE YEAR PERIODS ENDING:

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
S&P / TSX Composite	**3.57**	**4.68**	**4.84**	**5.40**	**5.87**	**5.83**	**4.97**	**4.59**	**4.04**	**3.24**	**4.70**
10 Sector Indices											
Consumer Discretionary	3.69	4.36	4.62	4.99	5.38	5.73	5.35	5.00	4.35	3.69	4.72
Consumer Staples	3.57	4.01	3.70	4.04	4.17	4.76	4.45	4.37	4.05	3.88	4.10
Energy	5.60	6.16	7.31	7.97	8.30	8.10	6.98	5.72	5.56	5.46	6.72
Financials	4.27	5.89	5.92	6.22	6.17	6.06	4.58	4.23	3.77	3.36	5.05
Health Care	6.62	7.73	8.19	9.38	9.00	9.39	8.93	8.68	6.98	6.57	8.15
Industrials	4.13	4.93	4.69	5.12	6.50	7.18	6.92	6.87	6.48	5.16	5.80
Information Technology	7.99	9.17	10.35	12.27	15.16	17.12	16.64	17.09	15.81	13.36	13.50
Materials	5.87	6.98	7.22	7.29	7.40	7.25	5.89	5.65	5.67	5.88	6.51
Telecommunication Services	3.66	5.82	7.37	7.87	8.46	8.71	7.54	5.74	4.97	4.64	6.48
Utilities	3.12	3.80	4.00	4.80	5.06	4.88	4.49	4.09	3.36	3.13	4.07
Mean	**4.85**	**5.89**	**6.34**	**7.00**	**7.56**	**7.92**	**7.18**	**6.75**	**6.10**	**5.51**	**6.51**
Median	**4.20**	**5.85**	**6.57**	**6.76**	**6.95**	**7.21**	**6.41**	**5.68**	**5.27**	**4.90**	**5.98**

Ratios of Standard Deviations

S&P/TSX Utilities Index as a Percent of:											
10 Sector Indices (Mean)	0.64	0.65	0.63	0.69	0.67	0.62	0.63	0.61	0.55	0.57	0.62
10 Sector Indices (Median)	0.74	0.65	0.61	0.71	0.73	0.68	0.70	0.72	0.64	0.64	0.68

Source: TSX Review

5-YEAR PRICE BETAS FOR S&P/TSX SECTOR INDICES

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Consumer Discretionary	0.91	0.81	0.82	0.82	0.80	0.73	0.69	0.68	0.73	0.74	0.80	0.83	0.86
Consumer Staples	0.75	0.68	0.65	0.62	0.60	0.44	0.23	0.10	0.08	-0.08	-0.07	0.07	0.37
Energy	0.68	0.93	0.92	0.97	0.85	0.90	0.66	0.49	0.43	0.26	0.17	0.48	1.03
Financials	1.14	0.93	1.02	0.94	1.12	1.00	0.78	0.66	0.66	0.38	0.39	0.56	0.68
Health Care	0.84	0.35	0.39	0.60	1.01	1.00	1.09	0.98	0.99	0.85	0.82	0.72	0.85
Industrials	1.15	1.20	1.10	0.97	0.93	0.78	0.72	0.82	0.86	0.91	1.05	1.13	1.06
Information Technology	1.12	1.26	1.36	1.57	1.41	1.55	1.78	2.13	2.28	2.74	2.87	2.68	2.07
Materials	1.26	1.39	1.27	1.32	1.12	1.04	0.74	0.60	0.57	0.43	0.41	0.77	1.32
Telecommunication Services	0.61	0.56	0.64	0.64	0.92	1.11	0.92	0.94	0.93	0.83	0.58	0.74	0.52
Utilities	0.63	0.67	0.65	0.53	0.55	0.30	0.14	-0.03	-0.06	-0.25	-0.13	0.00	0.25

Source: TSX Review

BETAS FOR REGULATED CANADIAN UTILITIES

"Raw" Betas
Five Year Period Ending:

COMPANY	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Canadian Utilities	0.46	0.54	0.48	0.55	0.63	0.62	0.54	0.38	0.27	0.19	0.05	0.03	0.20	0.32
Emera	na	na	na	0.52	0.40	0.55	0.41	0.27	0.20	0.15	-0.05	0.01	0.07	0.12
Enbridge	0.35	0.53	0.46	0.44	0.43	0.48	0.26	0.07	-0.10	-0.18	-0.37	-0.32	-0.19	0.22
Fortis	0.35	0.44	0.51	0.37	0.30	0.49	0.33	0.23	0.14	0.13	-0.06	0.01	0.21	0.48
PNG	0.51	0.56	0.42	0.30	0.39	0.55	0.47	0.44	0.42	0.44	0.37	0.49	0.54	0.54
Terasen Inc [1/]	0.40	0.53	0.59	0.53	0.46	0.48	0.36	0.25	0.18	0.12	0.02	-0.02	0.06	na
TransCanada Pipelines	0.40	0.57	0.56	0.52	0.36	0.55	0.21	0.15	-0.08	-0.09	-0.38	-0.16	-0.15	0.34
Mean	**0.41**	**0.53**	**0.50**	**0.46**	**0.42**	**0.53**	**0.37**	**0.26**	**0.14**	**0.11**	**-0.06**	**0.01**	**0.11**	**0.34**
Median	**0.40**	**0.54**	**0.50**	**0.52**	**0.40**	**0.55**	**0.36**	**0.25**	**0.18**	**0.13**	**-0.05**	**0.01**	**0.07**	**0.33**
TSE Gas/Electric Index	0.42	0.48	0.52	0.52	0.46	0.55	0.38	0.21	0.17	0.14	NA	NA	NA	NA
S&P/TSX Utilities	0.55	0.63	0.67	0.65	0.53	0.55	0.30	0.14	-0.03	-0.06	-0.25	-0.13	0.00	0.25

Adjusted Betas [2/]
Five Year Period Ending:

COMPANY	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Canadian Utilities	0.64	0.69	0.65	0.70	0.75	0.75	0.69	0.58	0.51	0.46	0.37	0.35	0.47	0.54
Emera	NA	NA	NA	0.68	0.60	0.70	0.60	0.51	0.46	0.43	0.29	0.33	0.38	0.41
Enbridge	0.56	0.69	0.64	0.62	0.62	0.65	0.50	0.38	0.26	0.21	0.08	0.12	0.21	0.48
Fortis	0.57	0.62	0.67	0.58	0.53	0.66	0.55	0.48	0.42	0.41	0.29	0.34	0.47	0.65
PNG	0.67	0.71	0.61	0.53	0.59	0.70	0.65	0.63	0.61	0.63	0.58	0.66	0.69	0.69
Terasen Inc	0.60	0.69	0.72	0.69	0.64	0.65	0.57	0.50	0.45	0.41	0.35	0.32	0.37	na
TransCanada Pipelines	0.60	0.71	0.71	0.68	0.57	0.70	0.47	0.43	0.28	0.27	0.08	0.22	0.23	0.56
Mean	**0.61**	**0.68**	**0.67**	**0.64**	**0.61**	**0.69**	**0.58**	**0.50**	**0.43**	**0.40**	**0.29**	**0.33**	**0.40**	**0.56**
Median	**0.60**	**0.69**	**0.66**	**0.68**	**0.60**	**0.70**	**0.57**	**0.50**	**0.45**	**0.41**	**0.29**	**0.33**	**0.38**	**0.55**
TSE Gas/Electric Index	0.61	0.65	0.68	0.68	0.64	0.70	0.59	0.47	0.44	0.42	NA	NA	NA	NA
S&P/TSX Utilities	0.70	0.76	0.78	0.77	0.69	0.70	0.53	0.42	0.31	0.29	0.16	0.24	0.33	0.50

[1/] Due to its purchase by Kinder Morgan, Terasen betas are calculated through November 2005.

[2/] Adjusted beta = "raw" beta * 67% + market beta of 1.0 * 33%.

Source: Standard and Poor's Research Insight and TSX Review.

RECENT SUB-PERIOD BETAS FOR REGULATED CANADIAN UTILITIES

Including Nortel in the Market Index

"Raw" Betas

	Jan 00 to June 02	July 00 to Dec 02	Jan 01 to June 03	July 01 to Dec 03	Jan 02 to June 04	July 02 to Dec 04	Jan 03 to June 05	July 03 to Dec 05	July 02 to Dec 05	July 02 to Dec 06
Canadian Utilities	-0.09	-0.07	0.08	0.33	0.42	0.52	0.72	0.46	0.55	0.36
Emera	-0.04	-0.01	0.00	0.06	0.13	0.16	0.48	0.20	0.20	0.14
Enbridge	-0.52	-0.42	-0.46	0.13	0.28	0.35	0.33	0.38	0.30	0.25
Fortis	-0.12	-0.06	0.06	0.17	0.33	0.44	0.46	0.70	0.64	0.53
PNG	0.32	0.57	0.71	0.95	0.99	0.96	0.84	0.60	0.74	0.57
Terasen Inc [1/]	-0.07	-0.11	-0.06	-0.02	0.17	0.18	0.41	0.30	0.25	0.25
TransCanada Pipelines	-0.34	-0.08	-0.39	0.12	0.35	0.47	0.59	0.43	0.47	0.43
Mean	**-0.12**	**-0.03**	**-0.01**	**0.25**	**0.38**	**0.44**	**0.55**	**0.44**	**0.45**	**0.36**
Median	**-0.09**	**-0.07**	**0.00**	**0.13**	**0.33**	**0.44**	**0.48**	**0.43**	**0.47**	**0.36**
S&P/TSX Utilities	-0.30	-0.16	-0.22	0.18	0.33	0.44	0.50	0.48	0.47	0.29

Adjusted Betas

	Jan 00 to June 02	July 00 to Dec 02	Jan 01 to June 03	July 01 to Dec 03	Jan 02 to June 04	July 02 to Dec 04	Jan 03 to June 05	July 03 to Dec 05	July 02 to Dec 05	July 02 to Dec 06
Canadian Utilities	0.27	0.28	0.38	0.55	0.61	0.68	0.81	0.64	0.70	0.57
Emera	0.31	0.32	0.33	0.37	0.42	0.43	0.65	0.47	0.46	0.42
Enbridge	-0.02	0.05	0.02	0.41	0.52	0.56	0.55	0.59	0.53	0.50
Fortis	0.25	0.29	0.37	0.44	0.55	0.62	0.64	0.80	0.76	0.69
PNG	0.55	0.72	0.80	0.96	0.99	0.98	0.89	0.73	0.82	0.71
Terasen Inc [1/]	0.28	0.26	0.29	0.32	0.44	0.45	0.61	0.53	0.50	0.50
TransCanada Pipelines	0.10	0.28	0.07	0.41	0.56	0.65	0.72	0.61	0.65	0.62
Mean	**0.25**	**0.31**	**0.32**	**0.50**	**0.58**	**0.62**	**0.70**	**0.62**	**0.63**	**0.57**
Median	**0.27**	**0.28**	**0.33**	**0.41**	**0.55**	**0.62**	**0.65**	**0.61**	**0.65**	**0.57**
S&P/TSX Utilities	0.13	0.22	0.18	0.45	0.55	0.62	0.67	0.65	0.64	0.52

Excluding Nortel from the Market Index

"Raw" Betas

	Jan 00 to June 02	July 00 to Dec 02	Jan 01 to June 03	July 01 to Dec 03	Jan 02 to June 04	July 02 to Dec 04	Jan 03 to June 05	July 03 to Dec 05	July 02 to Dec 05	July 02 to Dec 06
Canadian Utilities	0.06	0.14	0.18	0.37	0.41	0.45	0.57	0.38	0.51	0.31
Emera	0.00	0.03	0.02	0.09	0.15	0.18	0.40	0.17	0.21	0.15
Enbridge	-0.33	-0.16	-0.31	0.19	0.50	0.58	0.58	0.56	0.45	0.37
Fortis	-0.11	0.04	0.16	0.25	0.26	0.36	0.31	0.56	0.59	0.48
PNG	0.96	1.21	1.21	1.03	1.12	0.96	0.77	0.51	0.71	0.54
Terasen Inc [1/]	0.13	0.06	0.04	0.04	0.37	0.37	0.55	0.45	0.38	0.38
TransCanada Pipelines	-0.29	0.10	-0.28	0.16	0.48	0.57	0.66	0.51	0.53	0.47
Mean	**0.06**	**0.21**	**0.14**	**0.31**	**0.47**	**0.50**	**0.55**	**0.45**	**0.48**	**0.39**
Median	**0.00**	**0.06**	**0.04**	**0.19**	**0.41**	**0.45**	**0.57**	**0.51**	**0.51**	**0.38**
S&P/TSX Utilities	-0.14	0.06	-0.09	0.23	0.47	0.54	0.58	0.56	0.54	0.34

Adjusted Betas

	Jan 00 to June 02	July 00 to Dec 02	Jan 01 to June 03	July 01 to Dec 03	Jan 02 to June 04	July 02 to Dec 04	Jan 03 to June 05	July 03 to Dec 05	July 02 to Dec 05	July 02 to Dec 06
Canadian Utilities	0.37	0.43	0.45	0.58	0.61	0.63	0.71	0.58	0.67	0.54
Emera	0.33	0.35	0.34	0.39	0.43	0.45	0.60	0.44	0.47	0.43
Enbridge	0.11	0.22	0.12	0.46	0.66	0.72	0.72	0.71	0.63	0.58
Fortis	0.26	0.36	0.44	0.50	0.51	0.57	0.53	0.70	0.72	0.65
PNG	0.97	1.14	1.14	1.02	1.08	0.97	0.84	0.67	0.80	0.69
Terasen Inc [1/]	0.42	0.37	0.35	0.36	0.58	0.58	0.70	0.63	0.59	0.58
TransCanada Pipelines	0.14	0.40	0.14	0.44	0.65	0.71	0.77	0.68	0.69	0.64
Mean	**0.37**	**0.47**	**0.43**	**0.53**	**0.65**	**0.66**	**0.70**	**0.63**	**0.65**	**0.59**
Median	**0.33**	**0.37**	**0.35**	**0.46**	**0.61**	**0.63**	**0.71**	**0.67**	**0.67**	**0.58**
S&P/TSX Utilities	0.23	0.37	0.27	0.49	0.64	0.69	0.72	0.70	0.69	0.56

[1/] Due to its purchase by Kinder Morgan, Terasen betas are calculated through November 2005.

Source: Standard and Poor's Research Insight and TSX Review

HISTORIC UTILITY EQUITY RISK PREMIUMS

Canada (1956-2006)

Average	Utilities Index Return	Bond Return	Risk Premium
Arithmetic	12.6	7.8	4.8
Geometric	11.5	7.8	3.7

United States (1947-2006)

Average	S&P/Moody's Electric Index Return	Bond Return	Risk Premium
Arithmetic	11.4	6.2	5.2
Geometric	10.2	6.2	4.0

Average	S&P / Moody's Gas Distribution Index Return	Bond Return	Risk Premium
Arithmetic	12.3	6.2	6.1
Geometric	11.1	6.2	4.9

Note: The Canadian Utilities Index is based on the Gas/Electric Index of the TSE 300 (from 1956 to 1987) and on the S&P/TSX Utilities Index from 1988-2005.

The S&P/Moody's Electric Index reflects S&P's Electric Index from 1947 to 2001. The 2002 to 2006 data were estimated using simple average of the prices and dividends for the utilities included in Moody's Electric Index as of the end of 2001. These utilities include American Electric Power, Centerpoint Energy, CH Energy, Cinergy, Consolidated Edison, Constellation, Dominion Resources, DPL, DTE Energy, Duke Energy, Energy East, Exelon, FirstEnergy, IDACORP, Nisource, OGE Energy, Pepco Holdings, PPL, Progress Energy, Public Service Enterprise Grp., Southern Co., Teco and Xcel Energy.

The S&P/Moody's Gas Distribution Index reflects S&P's Natural Gas Distributors Index from 1947 to 1984, when S&P eliminated its gas distribution index. The 1984-2001 data are for Moody's Gas index. The index was terminated in July 2002. The 2002-2006 returns were estimated using simple averages of the prices and dividends for the utilities that were included in Moody's Gas Index as of the end of 2001. These LDCs include AGL Resources, Keyspan Corp., Laclede Group, Northwest Natural, Peoples Energy and WGL Holdings.

Sources: TSX Review, Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005, Standard & Poor's Analysts' Handbook, Ibbotson Associates, Stocks, Bonds, Bills and Inflation: 2006 Yearbook, Mergent Corporate News Reports, and U.S. Federal Reserve

**25-YEAR ROLLING AVERAGE RETURNS FOR
CANADIAN & U.S. UTILITIES AND GOVERNMENT BONDS**

	Canada		U.S.		
	S&P/TSX Utilities Returns	Long Government Bond Returns	S&P/Moody's Electric Returns	S&P/Moody's Gas Distributors Returns	Long Government Bond Returns
1947-1971			9.7%	10.7%	2.0%
1948-1972			10.3%	11.3%	2.3%
1949-1973			9.5%	10.2%	2.1%
1950-1974			7.5%	9.0%	2.0%
1951-1975			9.3%	9.9%	2.4%
1952-1976			9.6%	11.1%	3.2%
1953-1977			9.1%	11.0%	3.2%
1954-1978			8.6%	10.8%	3.0%
1955-1979			7.7%	11.1%	2.6%
1956-1980	12.3%	3.4%	7.5%	12.0%	2.5%
1957-1981	10.9%	3.4%	8.2%	11.1%	2.8%
1958-1982	12.3%	4.9%	9.2%	11.0%	4.1%
1959-1983	11.5%	5.5%	8.2%	10.8%	4.4%
1960-1984	11.7%	6.3%	9.0%	11.4%	5.1%
1961-1985	11.6%	7.0%	9.1%	11.4%	5.8%
1962-1986	11.4%	7.3%	9.1%	11.1%	6.7%
1963-1987	12.3%	7.2%	8.8%	10.9%	6.4%
1964-1988	12.3%	7.4%	9.0%	11.3%	6.7%
1965-1989	12.2%	7.8%	9.7%	12.6%	7.3%
1966-1990	11.0%	7.9%	9.7%	12.6%	7.5%
1967-1991	11.7%	8.8%	11.1%	13.9%	8.1%
1968-1992	11.3%	9.4%	11.4%	14.3%	8.8%
1969-1993	11.4%	10.4%	11.6%	14.2%	9.6%
1970-1994	12.2%	10.0%	11.6%	14.4%	9.4%
1971-1995	11.6%	10.2%	12.4%	14.3%	10.2%
1972-1996	12.2%	10.3%	12.3%	14.7%	9.7%
1973-1997	13.4%	11.0%	13.2%	15.0%	10.1%
1974-1998	14.1%	11.5%	14.8%	15.6%	10.6%
1975-1999	13.1%	11.3%	15.2%	15.5%	10.1%
1976-2000	14.3%	11.7%	15.5%	15.6%	10.6%
1977-2001	13.4%	11.1%	14.4%	13.6%	10.1%
1978-2002	12.9%	11.3%	13.6%	13.4%	10.8%
1979-2003	13.3%	11.5%	14.5%	14.3%	10.9%
1980-2004	12.5%	12.0%	15.1%	13.4%	11.3%
1981-2005	13.1%	12.4%	15.1%	12.0%	11.8%
1982-2006	13.7%	12.7%	15.1%	13.4%	11.8%
Min	**10.9%**	**3.4%**	**7.5%**	**9.0%**	**2.0%**
Max	**14.3%**	**12.7%**	**15.5%**	**15.6%**	**11.8%**
Mean	**12.4%**	**9.0%**	**11.0%**	**12.5%**	**6.8%**
Stdev.	**0.9%**	**2.7%**	**2.6%**	**1.8%**	**3.5%**
+1 Std	**13.3%**	**11.7%**	**13.6%**	**14.3%**	**10.3%**
-1 Std dev.	**11.4%**	**6.3%**	**8.4%**	**10.7%**	**3.4%**

Sources: TSX Review, Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005, Standard & Poor's Analysts' Handbook, Ibbotson Associates, Stocks, Bonds, Bills and Inflation: 2006 Yearbook, Mergent Corporate News Reports,Standard and Poor's Research Insight and U.S. Federal Reserve

**CUMULATIVE AVERAGE RETURNS FOR
CANADIAN & U.S. UTILITIES AND GOVERNMENT BONDS**

(Forward)

	Canada			**U.S.**		
	S&P/TSX Utilities Returns	Long Government Bond Returns		S&P/Moody's Electric Returns	S&P/Moody's Gas Distributors Returns	Long Government Bond Returns
			1947-1971	9.7%	10.7%	2.0%
			1947-1972	9.4%	10.8%	2.1%
			1947-1973	8.4%	9.7%	2.0%
			1947-1974	7.2%	9.4%	2.1%
			1947-1975	8.7%	9.9%	2.3%
			1947-1976	9.2%	11.2%	2.8%
			1947-1977	9.2%	11.2%	2.7%
			1947-1978	8.8%	10.7%	2.6%
			1947-1979	8.5%	11.5%	2.5%
1956-1980	12.3%	3.4%	1947-1980	8.5%	12.1%	2.3%
1956-1981	10.9%	3.1%	1947-1981	8.8%	11.5%	2.3%
1956-1982	12.3%	4.6%	1947-1982	9.6%	11.1%	3.3%
1956-1983	11.5%	4.8%	1947-1983	9.7%	11.7%	3.2%
1956-1984	11.7%	5.1%	1947-1984	10.1%	11.9%	3.6%
1956-1985	11.6%	5.8%	1947-1985	10.5%	12.0%	4.3%
1956-1986	11.4%	6.2%	1947-1986	10.9%	12.4%	4.8%
1956-1987	12.3%	6.0%	1947-1987	10.4%	11.9%	4.6%
1956-1988	12.3%	6.1%	1947-1988	10.6%	12.1%	4.7%
1956-1989	12.2%	6.4%	1947-1989	11.1%	12.8%	5.0%
1956-1990	11.0%	6.3%	1947-1990	10.9%	12.5%	5.0%
1956-1991	11.7%	6.8%	1947-1991	11.4%	12.7%	5.4%
1956-1992	11.3%	7.0%	1947-1992	11.3%	12.8%	5.4%
1956-1993	11.4%	7.4%	1947-1993	11.3%	12.9%	5.7%
1956-1994	12.2%	7.0%	1947-1994	10.8%	12.4%	5.4%
1956-1995	11.6%	7.5%	1947-1995	11.2%	12.7%	6.0%
1956-1996	12.2%	7.6%	1947-1996	11.0%	12.7%	5.8%
1956-1997	13.4%	7.9%	1947-1997	11.3%	12.8%	6.0%
1956-1998	14.1%	8.0%	1947-1998	11.5%	12.5%	6.1%
1956-1999	13.1%	7.7%	1947-1999	11.0%	12.3%	5.9%
1956-2000	14.3%	7.8%	1947-2000	11.8%	12.5%	6.1%
1956-2001	13.4%	7.7%	1947-2001	11.5%	12.3%	6.1%
1956-2002	12.9%	7.8%	1947-2002	11.1%	12.2%	6.3%
1956-2003	13.3%	7.8%	1947-2003	11.3%	12.3%	6.2%
1956-2004	12.5%	7.8%	1947-2004	11.3%	12.3%	6.3%
1956-2005	13.1%	7.9%	1947-2005	11.3%	12.1%	6.3%
1956-2006	13.7%	7.8%	1947-2006	11.4%	12.3%	6.2%
Min	**10.9%**	**3.1%**	**Min**	**7.2%**	**9.4%**	**2.0%**
Max	**14.3%**	**8.0%**	**Max**	**11.8%**	**12.9%**	**6.3%**
Mean	**12.4%**	**6.6%**	**Mean**	**10.3%**	**11.9%**	**4.4%**
Stdev.	**0.9%**	**1.4%**	**Stdev.**	**1.2%**	**0.9%**	**1.6%**
+1 Std	**13.3%**	**8.0%**	**+1 Std**	**11.5%**	**12.8%**	**6.1%**
-1 Std dev.	**11.4%**	**5.2%**	**-1 Std dev.**	**9.1%**	**10.9%**	**2.8%**

Sources: TSX Review, Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005, Standard & Poor's Analysts' Handbook, Ibbotson Associates, Stocks, Bonds, Bills and Inflation: 2006 Yearbook, Mergent Corporate News Reports,Standard and Poor's Research Insight and U.S. Federal Reserve

CUMULATIVE AVERAGE RETURNS FOR
CANADIAN & U.S. UTILITIES AND GOVERNMENT BONDS
(2006 Backward)

	Canada		**U.S.**		
	S&P/TSX Utilities Returns	Long Government Bond Returns	S&P/Moody's Electric Returns	S&P/Moody's Gas Distributors Returns	Long Government Bond Returns
1947-2006			11.4%	12.3%	6.2%
1948-2006			11.8%	12.5%	6.4%
1949-2006			12.0%	12.6%	6.4%
1950-2006			11.8%	12.2%	6.4%
1951-2006			11.9%	12.4%	6.5%
1952-2006			11.8%	12.3%	6.7%
1953-2006			11.7%	12.3%	6.8%
1954-2006			11.7%	12.5%	6.9%
1955-2006			11.5%	12.2%	6.9%
1956-2006	12.6%	7.8%	11.5%	12.2%	7.1%
1957-2006	12.3%	8.0%	11.6%	12.2%	7.3%
1958-2006	12.5%	8.1%	11.7%	12.5%	7.3%
1959-2006	12.2%	8.4%	11.1%	11.9%	7.6%
1960-2006	12.2%	8.6%	11.2%	12.1%	7.8%
1961-2006	11.9%	8.7%	11.0%	12.0%	7.7%
1962-2006	11.9%	8.6%	10.6%	11.5%	7.8%
1963-2006	12.5%	8.8%	10.8%	11.8%	7.8%
1964-2006	12.6%	8.9%	10.8%	11.9%	8.0%
1965-2006	12.7%	8.9%	10.7%	11.9%	8.1%
1966-2006	12.2%	9.1%	10.9%	12.2%	8.3%
1967-2006	12.9%	9.3%	11.3%	12.8%	8.4%
1968-2006	12.8%	9.6%	11.6%	12.9%	8.8%
1969-2006	12.6%	9.9%	11.7%	12.8%	9.1%
1970-2006	13.3%	10.2%	12.4%	13.6%	9.5%
1971-2006	13.2%	9.9%	12.4%	13.1%	9.4%
1972-2006	13.3%	9.8%	12.7%	13.4%	9.3%
1973-2006	13.5%	10.1%	12.9%	13.4%	9.4%
1974-2006	14.3%	10.3%	13.9%	14.4%	9.7%
1975-2006	14.8%	10.7%	15.1%	14.8%	9.9%
1976-2006	14.6%	10.9%	14.0%	14.5%	9.9%
1977-2006	14.1%	10.7%	13.7%	13.3%	9.7%
1978-2006	13.9%	10.8%	13.8%	13.4%	10.0%
1979-2006	13.8%	11.2%	14.4%	14.0%	10.4%
1980-2006	13.2%	11.7%	15.0%	13.2%	10.9%
1981-2006	12.9%	12.1%	15.3%	12.5%	11.4%
1982-2006	13.7%	12.7%	15.1%	13.4%	11.8%
Min	**11.9%**	**7.8%**	**10.6%**	**11.5%**	**6.2%**
Max	**14.8%**	**12.7%**	**15.3%**	**14.8%**	**11.8%**
Mean	**13.1%**	**9.8%**	**12.3%**	**12.7%**	**8.4%**
Stdev.	**0.8%**	**1.3%**	**1.4%**	**0.8%**	**1.5%**
+1 Std	**13.9%**	**11.0%**	**13.7%**	**13.5%**	**9.9%**
-1 Std dev.	**12.2%**	**8.5%**	**10.9%**	**11.9%**	**6.9%**

Sources: TSX Review, Canadian Institute of Actuaries, Report on Canadian Economic Statistics 1924-2005, Standard & Poor's Analysts' Handbook, Ibbotson Associates, Stocks, Bonds, Bills and Inflation: 2006 Yearbook, Mergent Corporate News Reports,Standard and Poor's Research Insight and U.S. Federal Reserve

DCF-BASED EQUITY RISK PREMIUM STUDY FOR BENCHMARK US ELECTRIC AND GAS UTILITIES (Quarterly Averages of Monthly Data)

		Expected Dividend Yield [1/]	I/B/E/S EPS Growth Forecast	DCF Cost of Equity	Long Treasury Yield	Risk Premium
1993	q1	5.5	4.7	10.2	7.0	3.2
	q2	5.4	4.7	10.1	6.9	3.3
	q3	5.2	4.8	9.9	6.3	3.7
	q4	5.4	4.5	9.9	6.2	3.7
1994	q1	5.8	4.2	10.1	6.7	3.3
	q2	6.1	4.3	10.4	7.3	3.1
	q3	6.2	4.3	10.5	7.6	2.9
	q4	6.4	4.0	10.4	7.9	2.5
1995	q1	6.2	3.9	10.1	7.6	2.5
	q2	6.1	4.0	10.0	6.9	3.1
	q3	5.9	3.9	9.9	6.7	3.1
	q4	5.5	4.0	9.5	6.2	3.3
1996	q1	5.4	4.0	9.4	6.4	3.0
	q2	5.7	4.0	9.7	7.0	2.8
	q3	5.7	4.1	9.8	7.0	2.8
	q4	5.5	4.1	9.6	6.6	3.0
1997	q1	5.6	4.2	9.8	6.9	2.9
	q2	5.7	4.3	10.0	6.9	3.1
	q3	5.4	4.3	9.7	6.5	3.3
	q4	4.8	4.3	9.1	6.1	3.1
1998	q1	4.6	4.4	9.0	5.9	3.1
	q2	4.6	4.6	9.2	5.8	3.4
	q3	4.7	4.6	9.4	5.4	4.0
	q4	4.4	4.5	9.0	5.1	3.9
1999	q1	5.1	4.6	9.8	5.4	4.3
	q2	5.0	4.7	9.7	5.8	3.9
	q3	5.0	4.8	9.9	6.1	3.7
	q4	5.4	4.9	10.3	6.4	3.9
2000	q1	5.8	4.9	10.7	6.2	4.5
	q2	5.7	5.1	10.9	6.0	4.9
	q3	5.6	5.4	11.0	5.8	5.2
	q4	4.9	5.4	10.2	5.6	4.6
2001	q1	4.9	5.4	10.3	5.4	4.9
	q2	4.9	5.9	10.8	5.8	5.0
	q3	5.0	5.5	10.6	5.4	5.1
	q4	4.9	5.7	10.6	5.3	5.3
2002	q1	4.8	5.8	10.6	5.7	4.9
	q2	4.6	5.8	10.4	5.7	4.7
	q3	5.1	5.7	10.8	5.1	5.7
	q4	4.9	5.6	10.6	5.1	5.5
2003	q1	5.1	5.5	10.6	4.9	5.7
	q2	4.7	5.2	9.9	4.7	5.2
	q3	4.7	4.9	9.6	5.3	4.3
	q4	4.5	4.7	9.3	5.2	4.0
2004	q1	4.4	4.5	8.9	5.0	4.0
	q2	4.6	4.5	9.1	5.4	3.8
	q3	4.5	4.5	9.0	5.1	3.9
	q4	4.3	4.4	8.7	4.9	3.7
2005	q1	4.2	4.5	8.7	4.7	4.0
	q2	4.1	4.4	8.4	4.4	4.1
	q3	3.9	4.2	8.1	4.4	3.7
	q4	4.2	4.6	8.8	4.6	4.2
2006	q1	4.2	4.9	9.2	4.7	4.5
	q2	4.4	5.0	9.4	5.2	4.2
	q3	4.1	4.9	9.1	4.9	4.2
	q4	3.9	4.6	8.6	4.7	3.9
Means for Long Treasury Yields:						
Under 5.0		**4.3**	**4.7**	**9.0**	**4.7**	**4.3**
5.0-5.99		**4.8**	**5.1**	**9.9**	**5.4**	**4.5**
6.0-6.99		**5.4**	**4.4**	**9.9**	**6.4**	**3.4**
7.0 and above		**6.0**	**4.2**	**10.2**	**7.4**	**2.8**
1993-2006		**5.1**	**4.7**	**9.8**	**5.9**	**3.9**
1998-2006		**4.7**	**5.0**	**9.7**	**5.3**	**4.4**

[1/] Dividend Yield is adjusted for half of I/B/E/S/ growth
Source: Standard & Poor's Research Insight, I/B/E/S and U.S. Federal Reserve

INDIVIDUAL COMPANY RISK DATA FOR BENCHMARK SAMPLE OF US ELECTRIC AND GAS UTILITIES

	Value Line										S & P		Moody's	Average
	Safety	Earnings Predictability	Financial Strength	Forecast Common Equity Ratio 2009-2011	Forecast Return On Average Common Equity 2009-2011	Dividend Payout Forecast 2009-2011	Beta	Long-Term Earnings Growth	Research Insight Beta [1/]	Common Equity Ratio 2005	Business Profile	Debt Rating	Debt Rating [2/]	Market/ Book Ratio 1994-2005
AGL Resources	2	75	B++	51.5%	11.8%	60.3%	0.95	4.0	0.57	41.2%	4	A-	A3	1.75
Consol. Edison	1	85	A++	50.0%	9.2%	78.0%	0.75	2.0	0.43	46.5%	2	A	A2	1.49
FPL Group	1	80	A+	53.0%	12.7%	46.7%	0.85	8.5	0.68	44.5%	4	A	A2	1.86
New Jersey Resources	1	100	A	67.5%	12.4%	50.7%	0.80	4.5	0.36	47.0%	2	A+	A1	2.19
NICOR Inc.	3	80	A	69.0%	12.5%	72.1%	1.30	4.0	0.94	42.0%	3	AA	A3	2.27
Northwest Nat. Gas	1	75	A	53.0%	11.4%	59.6%	0.75	7.0	0.42	47.2%	1	AA-	A3	1.53
NSTAR	1	95	A	51.5%	14.9%	60.0%	0.80	7.5	0.65	34.0%	1	A+	A2	1.69
Piedmont Natural Gas	2	80	B++	55.0%	12.9%	66.9%	0.80	6.0	0.57	51.9%	2	A	A3	1.98
SCANA Corp.	2	90	A	53.0%	11.4%	58.5%	0.85	3.5	0.66	42.1%	4	A-	A3	1.64
Southern Co.	1	95	A	43.5%	14.0%	72.0%	0.70	3.5	0.29	40.7%	4	A	A3	2.05
Vectren Corp.	2	70	A	48.5%	11.1%	73.2%	0.90	3.0	0.66	42.4%	4	A-	Baa1	1.92
WGL Holdings Inc.	1	60	A	61.0%	11.3%	63.0%	0.85	1.5	0.51	56.0%	3	AA-	A2	1.72
WPS Resources	2	70	B++	52.5%	9.9%	58.8%	0.85	2.0	0.58	52.4%	5	A	A1	1.62
Mean	**2**	**81**	**A**	**54.5%**	**12.0%**	**63.1%**	**0.86**	**4.4**	**0.56**	**45.2%**	**3**	**A**	**A2**	**1.82**
Median	**1**	**80**	**A**	**53.0%**	**11.8%**	**60.3%**	**0.85**	**4.0**	**0.57**	**44.5%**	**3**	**A**	**A2**	**1.75**

1/ Calculated using monthly data against the S&P 500 (60 months ending December 2006); adjusted towards the market mean of 1.0.
2/ Rating for WGL Holdings is Washington Gas Light.

Source: Standard and Poor's Research Insight, Value Line (December 2006), www.Moodys.com and Standard and Poor's, *Issuer Ranking: U.S. Utility And Power Ranking* (January 27, 2007).

DCF COST OF EQUITY FOR BENCHMARK SAMPLE OF US ELECTRIC AND GAS UTILITIES (BASED ON ANALYSTS' EARNINGS GROWTH FORECASTS)

Company	Annualized Last Paid Dividend	Average Daily Closing Prices February 2007	Expected Dividend Yield [1/]	I/B/E/S Long-Term EPS Forecasts	DCF Cost of Equity [2/]
	(1)	(2)	(3)	(4)	(5)
AGL Resources	1.48	41.57	3.7	4.1	7.8
Consol. Edison	2.30	48.81	4.9	3.0	7.8
FPL Group	1.50	59.10	2.7	8.1	10.8
New Jersey Resources	1.52	48.75	3.3	5.3	8.6
NICOR Inc.	1.86	46.58	4.1	3.6	7.7
Northwest Nat. Gas	1.42	42.52	3.5	4.9	8.4
NSTAR	1.86	34.37	5.7	5.7	11.4
Piedmont Natural Gas	0.96	26.33	3.8	4.2	8.0
SCANA Corp.	1.68	42.03	4.2	4.4	8.5
Southern Co.	1.55	36.33	4.5	4.4	8.8
Vectren Corp.	1.26	28.37	4.6	4.0	8.6
WGL Holdings Inc.	1.35	32.05	4.4	3.5	7.9
WPS Resources	2.30	55.70	4.3	5.0	9.3
Mean	**1.62**	**41.73**	**4.1**	**4.6**	**8.7**
Median	**1.52**	**42.03**	**4.2**	**4.4**	**8.5**

[1/] Expected Dividend Yield = (Col (1) / Col (2)) * (1 + Col (4))
[2/] Expected Dividend Yield (Col (3)) + I/B/E/S Growth Forecast (Col (4))

Source: Standard and Poor's Research Insight, Yahoo.com and I/B/E/S (February 2007)

DCF COST OF EQUITY FOR BENCHMARK SAMPLE OF US ELECTRIC AND GAS UTILITIES (TWO STAGE MODEL)

Company	Annualized Last Paid Dividend	Average Daily Closing Prices February 2007	I/B/E/S Long-Term EPS Forecasts	Stage 2 GDP Growth [1/]	DCF Cost of Equity [2/]
	(1)	(2)	(3)	(4)	(5)
AGL Resources	1.48	41.57	4.1	5.3	8.7
Consolidated Edison Inc.	2.30	48.81	3.0	5.3	9.7
FPL Group	1.50	59.10	8.1	5.3	8.1
New Jersey Resources	1.52	48.75	5.3	5.3	8.4
Nicor Inc.	1.86	46.58	3.6	5.3	9.1
Northwest Natural Gas	1.42	42.52	4.9	5.3	8.6
NSTAR	1.86	34.37	5.7	5.3	11.1
Piedmont Natural Gas	0.96	26.33	4.2	5.3	8.8
SCANA Corp.	1.68	42.03	4.4	5.3	9.2
Southern Co.	1.55	36.33	4.4	5.3	9.5
Vectren Corp.	1.26	28.37	4.0	5.3	9.6
WGL Holdings Inc.	1.35	32.05	3.5	5.3	9.3
WPS Resources	2.30	55.70	5.0	5.3	9.5
Mean	**1.62**	**41.73**	**4.6**	**5.3**	**9.2**
Median	**1.52**	**42.03**	**4.4**	**5.3**	**9.2**

[1/] Consensus forecast nominal rate of GDP growth, 2008-17

[2/] Internal Rate of Return: I/B/E/S EPS forecast growth rate applies for first 5 years; GDP growth thereafter.

Source: Standard and Poor's Research Insight, Yahoo.com, Blue Chip *Economic Indicators* (October 2006) and I/B/E/S (January 2007)

ESTIMATE OF MARKET VALUE CAPITAL STRUCTURES FOR CANADIAN UTILITIES

Company	Stock Price (Average Monthly High/Low 7/2002-12/2006) (1)	Book Value Per Share Average 2002-2005 (2)	Market/Book Ratio (3) = (1)/(2)	Book Value Permanent Capital Common Equity Ratio 2002-2005 (4)	Market Value Common Equity Ratio (Debt at Par) (5)=[(4)*(3)]/[(4)*(3)+(1-(4))]	Market Value Debt Ratio 1.0-Col.(7)
CANADIAN UTILITIES -CL A	32.27	16.01	2.02	37.4%	54.6%	45.4%
EMERA INC	18.24	12.29	1.48	46.1%	55.9%	44.1%
ENBRIDGE INC	29.08	10.61	2.74	34.1%	58.7%	41.3%
FORTIS INC	17.77	9.86	1.80	34.4%	48.6%	51.4%
PNG	18.09	20.29	0.89	45.2%	42.4%	57.6%
TERASEN INC [1/]	24.47	13.62	1.80	39.9%	54.4%	45.6%
TRANSCANADA CORP	29.14	13.58	2.15	38.2%	57.0%	43.0%
Mean				**39.3%**	**53.1%**	**46.9%**

1/ Terasen price is through November 2005 due to Kinder Morgan acquisition.

Sources: Standard & Poor's Research Insight

ESTIMATE OF MARKET VALUE CAPITAL STRUCTURES FOR BENCHMARK SAMPLE OF US ELECTRIC AND GAS UTILITIES

Company	Stock Price (Average Daily Closing February 2007) (1)	Book Value Per Share (End 2006) [1/] (2)	Market/Book Ratio (3) = (1)/(2)	Book Value Permanent Capital Common Equity Ratio 2005 (4)	Market Value Common Equity Ratio (Debt at Par) (5)=[(4)*(3)]/[(4)*(3)+(1-(4))]	Market Value Debt Ratio 1.0-Col.(7)
AGL Resources	48.81	20.40	2.39	48.1%	69.0%	31.0%
Consolidated Edison Inc.	47.92	30.65	1.56	48.9%	59.9%	40.1%
FPL Corp.	54.95	23.65	2.32	51.4%	71.1%	28.9%
New Jersey Resources	47.24	22.50	2.10	58.0%	74.4%	25.6%
Nicor Inc.	45.40	19.35	2.35	62.5%	79.6%	20.4%
Northwest Natural Gas	41.04	22.10	1.86	53.0%	67.6%	32.4%
NSTAR	33.69	14.80	2.28	38.6%	58.8%	41.2%
Piedmont Natural Gas	26.34	11.90	2.21	58.6%	75.8%	24.2%
SCANA Corp.	40.70	24.65	1.65	46.6%	59.1%	40.9%
Southern Co.	36.60	15.10	2.42	44.3%	65.8%	34.2%
Vectren Corp.	27.95	15.30	1.83	48.8%	63.5%	36.5%
WGL Holdings Inc.	31.70	18.25	1.74	59.3%	71.7%	28.3%
WPS Resources	53.78	35.95	1.50	58.7%	68.0%	32.0%
Mean				**52.1%**	**68.0%**	**32.0%**

[1/] Value Line 2006 estimate.

Sources: Schedule 19 for stock prices, Standard & Poor's Research Insight and Value Line (December 2006)

QUANTIFICATION OF IMPACT ON EQUITY RETURN REQUIREMENT FOR DIFFERENCE BETWEEN MARKET VALUE AND BOOK VALUE CAPITAL STRUCTURES
CANADIAN UTILITIES

Formula for After-Tax Weighted Average Cost of Capital:

$WACC_{AT}$ = (Debt Cost)(1-tax rate)(Debt Ratio) + (Equity Cost)(Equity Ratio)

APPROACH 1:

The after-tax weighted average cost of capital ($WACC_{AT}$) is invariant to changes in the capital structure. The cost of equity rises as leverage (debt ratio) rises, but the $WACC_{AT}$ stays the same.

$WACC_{AT(LL)}$ = $WACC_{AT(ML)}$

Where LL = less levered (lower debt ratio)

ML = more levered (higher debt ratio)

ASSUMPTIONS:

Debt Cost	=	Current Cost of Long Term Debt for A rated utility
	=	6.00%[1]
Equity Cost	=	Cost of Equity[2]
	=	9.625%
Tax Rate	=	36.0%[3]

STEPS:

1. Estimate $WACC_{AT}$ for the less levered sample (average market value common equity ratio of 53%)

$WACC_{AT}$ = (6.00%)(1-.36)(47%) + (9.625%)(53%)

= 6.91%

2. Estimate Cost of Equity for sample at 39% book value common equity ratio with $WACC_{AT}$ unchanged at 6.91%

$WACC_{AT}$ = (Debt Cost)(1-tax rate)(Debt Ratio) + (Equity Cost)(Equity Ratio)

6.910% = (6.00%)(1-.36)(61%)+(X)(39%)

Cost of Equity at 39% Equity Ratio = 11.70%

3. Difference between Equity Return at 39% and 53% common equity ratios:

11.70% - 9.625% = 2.08% (208 basis points)

[1] Forecast Long Canada plus spread on A-rated utility debt.
[2] Based on the mid-point of Equity Risk Premium and DCF tests.
[3] Combined Federal/Ontario tax rate.

APPROACH 2:

After-Tax Cost of Capital Declines as Debt Ratio Rises; Cost of Equity Rises

$$WACC_{AT(ML)} = WACC_{AT(LL)} \times \frac{(1\text{-}tD_{ML})}{(1\text{-}tD_{LL})}$$

Where LL,ML as before
t = tax rate
D = debt ratio

ASSUMPTIONS:

Debt Cost	=	Current Cost of Long Term Debt for A rated utility
	=	6.00%
Equity Cost	=	Cost of Equity
	=	9.625%
Tax Rate	=	36.00%

STEPS:

1. Estimate $WACC_{AT}$ for less levered sample (average market value common equity ratio of 53%)

   $WACC_{AT}$ = (6.00%)(1-.36)(47%) + (9.625%)(53%)
   = 6.91%

2. Estimate $WACC_{AT}$ for more levered firm (book value common equity ratio of 39%)

   $WACC_{AT(ML)} = WACC_{AT(LL)}$ x (1-t x Debt Ratio_{ML})/(1-t x Debt Ratio_{LL})

   $$WACC_{AT(ML)} = 6.91\% \times \frac{(1-.36 \times 61\%)}{(1-.36 \times 47\%)}$$

   $WACC_{AT(ML)}$ = 6.49%

3. Estimate Cost of Equity at new $WACC_{AT}$ for more levered firm:

   $WACC_{AT(ML)}$ = (Debt Cost)(1-tax rate)(Debt Ratio_{ML}) + (Equity Cost)(Equity Ratio_{ML})
   6.49% = (6.00%)(1-.36)(61%) + (X)(39%)

   Cost of Equity at 39% equity ratio = 10.627%

4. Difference between Equity Return at 39% and 53% common equity ratios:

   10.627% - 9.625% = 1.00% (100 basis points)

ESTIMATE OF IMPACT OF CHANGE IN CAPITAL STRUCTURE ON COST OF EQUITY
100 - 208 BASIS POINTS

QUANTIFICATION OF IMPACT ON EQUITY RETURN REQUIREMENT FOR DIFFERENCE BETWEEN MARKET VALUE AND BOOK VALUE CAPITAL STRUCTURES BENCHMARK LOW RISK U.S. GAS & ELECTRIC UTILITIES

Formula for After-Tax Weighted Average Cost of Capital:

$WACC_{AT}$ = (Debt Cost)(1-tax rate)(Debt Ratio) + (Equity Cost)(Equity Ratio)

APPROACH 1:

The after-tax weighted average cost of capital ($WACC_{AT}$) is invariant to changes in the capital structure. The cost of equity rises as leverage (debt ratio) rises, but the $WACC_{AT}$ stays the same.

$WACC_{AT(LL)}$ = $WACC_{AT(ML)}$

Where LL = less levered (lower debt ratio)

ML = more levered (higher debt ratio)

ASSUMPTIONS:

Debt Cost	=	Current Cost of Long Term Debt for A rated utility
	=	6.00%[1]
Equity Cost	=	Cost of Equity[2]
	=	9.625%
Tax Rate	=	36.0%[3]

STEPS:

1. Estimate $WACC_{AT}$ for the less levered sample (average market value common equity ratio of 68%)

$WACC_{AT}$ = (6.00%)(1-.36)(32%) + (9.625%)(68%)
= 7.77%

2. Estimate Cost of Equity for sample at 52% book value common equity ratio with $WACC_{AT}$ unchanged at 7.77%

$WACC_{AT}$ = (Debt Cost)(1-tax rate)(Debt Ratio) + (Equity Cost)(Equity Ratio)
7.77% = (6.00%)(1-.36)(48%)+(X)(52%)
Cost of Equity at 52% Equity Ratio = 11.41%

3. Difference between Equity Return at 52% and 687% common equity ratios:

11.41% - 9.625% = 1.78% (178 basis points)

[1] Forecast Long Canada plus spread on A-rated utility debt.
[2] Based on the mid-point of Equity Risk Premium and DCF tests.
[3] Combined Federal/Ontario tax rate.

APPROACH 2:

After-Tax Cost of Capital Declines as Debt Ratio Rises; Cost of Equity Rises

$$WACC_{AT(ML)} = WACC_{AT(LL)} \times \frac{(1-tD_{ML})}{(1-tD_{LL})}$$

Where LL,ML as before
t = tax rate
D = debt ratio

ASSUMPTIONS:

Debt Cost	=	Current Cost of Long Term Debt for A rated utility
	=	6.00%
Equity Cost	=	Cost of Equity
	=	9.625%
Tax Rate	=	36.00%

STEPS:

1. Estimate $WACC_{AT}$ for less levered sample (average market value common equity ratio of 67%)

   $WACC_{AT}$ = (6.00%)(1-.36)(32%) + (9.625%)(68%)
   = 7.77%

2. Estimate $WACC_{AT}$ for more levered firm (book value common equity ratio of 52%)

   $WACC_{AT(ML)} = WACC_{AT(LL)}$ x (1-t x Debt $Ratio_{ML}$)/(1-t x Debt $Ratio_{LL}$)

   $$WACC_{AT(ML)} = 7.77\% \times \frac{(1-.36 \times 48\%)}{(1-.36 \times 323\%)}$$

   $WACC_{AT(ML)}$ = 7.274%

3. Estimate Cost of Equity at new $WACC_{AT}$ for more levered firm:

   $WACC_{AT(ML)}$ = (Debt Cost)(1-tax rate)(Debt $Ratio_{ML}$) + (Equity Cost)(Equity $Ratio_{ML}$)
   7.274% = (6.00%)(1-.36)(48%) + (X)(52%)

   Cost of Equity at 52% equity ratio = 10.43%

4. Difference between Equity Return at 52% and 67% common equity ratios:

   10.43% - 9.625% = .81% (81 basis points)

ESTIMATE OF IMPACT OF CHANGE IN CAPITAL STRUCTURE ON COST OF EQUITY
81 -178 BASIS POINTS

RISK MEASURES FOR 17 LOW RISK CANADIAN INDUSTRIALS

Company Name	Debt Ratings S&P	Debt Ratings DBRS	CBS Stock Rating	Beta Five Years Ending 12/06 Raw	Beta Five Years Ending 12/06 Adjusted	2005 Equity Ratio Based On Total Capital
ALGOMA CENTRAL CORP			Average	0.26	0.50	87.7%
ARBOR MEMORIAL SERVICES-CL B			Conservative	0.26	0.50	69.4%
ASTRAL MEDIA INC -CL A			Conservative	0.88	0.92	100.0%
CANADA BREAD CO LTD			Conservative	0.44	0.63	94.3%
CANADIAN TIRE CORP -CL A	BBB+	A(low)	Very Conservative	0.69	0.79	64.6%
EMPIRE CO LTD -CL A		BBB	Very Conservative	0.54	0.69	68.3%
FINNING INTERNATIONAL INC	BBB+	BBB(high)	Conservative	0.65	0.76	53.4%
LEON'S FURNITURE LTD			Average	0.29	0.53	99.8%
LOBLAW COMPANIES LTD	A-	A	Very Conservative	0.35	0.57	55.0%
MAPLE LEAF FOODS INC			Very Conservative	0.31	0.54	46.6%
REITMANS (CANADA) -CL A			Average	0.31	0.54	95.8%
THOMSON CORP	A-	A(low)	Very Conservative	0.50	0.66	69.2%
TORSTAR CORP -CL B		BBB	Very Conservative	0.26	0.50	71.2%
TRANSCONTINENTAL INC -CL A	BBB	BBB(high)	Very Conservative	0.51	0.67	69.1%
TVA GROUP INC -CL B			Average	0.72	0.82	61.4%
UNI-SELECT INC			Average	0.33	0.55	79.4%
WESTON (GEORGE) LTD	BBB+	A(low)	Very Conservative	0.35	0.57	34.9%
Mean	**BBB+**	**A(low)/BBB(high)**	**Conservative**	**0.45**	**0.63**	**71.8%**
Median	**A-/BBB+**	**A(low)/BBB(high)**	**Conservative**	**0.35**	**0.57**	**69.2%**

Source: Standard and Poor's Research Insight, DBRS and The Blue Book of CBS Stock Reports.

RETURNS ON AVERAGE COMMON STOCK EQUITY FOR
17 LOW RISK CANADIAN INDUSTRIALS

Company Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1994-2005
ALGOMA CENTRAL CORP	19.0	13.3	12.3	52.7	8.5	3.8	1.1	14.8	9.3	4.7	9.2	11.2	13.3
ARBOR MEMORIAL SERVICES-CL B	8.1	7.1	7.3	7.5	7.6	2.2	7.5	5.1	14.5	19.7	13.0	10.6	9.2
ASTRAL MEDIA INC -CL A	7.0	1.3	-9.5	7.1	7.8	6.4	4.4	8.2	10.0	10.0	10.9	12.1	6.3
CANADA BREAD CO LTD	14.5	12.6	12.8	14.2	1.3	2.7	7.4	8.6	13.9	9.6	14.3	14.5	10.5
CANADIAN TIRE CORP -CL A	0.5	10.2	10.4	11.4	13.0	11.2	10.6	11.5	11.9	12.8	13.6	13.9	10.9
EMPIRE CO LTD -CL A	9.4	3.9	11.9	17.9	21.7	13.3	69.1	16.4	11.4	11.6	11.4	16.2	17.8
FINNING INTERNATIONAL INC	14.9	16.3	16.0	16.2	0.5	8.7	10.5	14.1	15.5	14.0	10.1	12.0	12.4
LEON'S FURNITURE LTD	15.3	14.0	13.4	15.1	16.7	21.1	19.3	17.3	17.1	16.5	18.9	19.2	17.0
LOBLAW COMPANIES LTD	12.4	13.3	14.2	15.3	12.8	13.7	15.7	16.8	18.9	19.1	19.1	13.2	15.4
MAPLE LEAF FOODS INC	7.5	-6.7	14.8	14.7	-6.3	17.9	8.0	10.3	12.2	4.8	13.0	9.9	8.3
REITMANS (CANADA) -CL A	9.0	6.2	0.8	8.9	9.4	30.1	10.2	12.6	10.5	15.4	22.0	23.5	13.2
THOMSON CORP	14.6	22.4	14.2	12.9	34.7	8.0	17.9	10.2	7.3	8.8	10.3	9.3	14.2
TORSTAR CORP -CL B	7.9	6.7	11.3	38.4	-0.7	12.8	5.4	-14.6	21.3	17.8	14.6	14.5	11.3
TRANSCONTINENTAL INC -CL A	8.1	9.3	0.8	10.6	11.2	11.4	13.7	4.0	18.9	17.5	13.9	13.3	11.1
TVA GROUP INC -CL B	0.3	9.2	10.4	15.0	20.5	19.8	16.4	-49.5	27.0	23.7	20.9	12.9	10.6
UNI-SELECT INC	24.7	21.4	19.9	20.7	20.6	18.7	15.2	16.1	16.7	19.2	15.5	16.3	18.8
WESTON (GEORGE) LTD	8.7	12.9	15.1	14.5	37.3	14.0	17.4	18.5	18.3	19.4	10.2	16.2	16.9
Mean	**10.7**	**10.2**	**10.4**	**17.3**	**12.7**	**12.7**	**14.7**	**7.1**	**15.0**	**14.4**	**14.2**	**14.1**	**12.8**
Median	**9.0**	**10.2**	**12.3**	**14.7**	**11.2**	**12.8**	**10.6**	**11.5**	**14.5**	**15.4**	**13.6**	**13.3**	**12.4**
Average of Annual Medians													**12.7**

Source: Standard and Poor's Research Insight.

RISK MEASURES FOR 159 LOW RISK US INDUSTRIALS

Company Name	S&P Debt Rating	Value Line Safety	Value Line Beta	Research Insight "Raw" Beta	Research Insight Adjusted Beta	2005 Equity Ratio Based on Total Capital
AARON RENTS INC		3	0.70	0.30	0.53	76.3%
ABM INDUSTRIES INC		3	0.80	0.81	0.87	100.0%
ALAMO GROUP INC		3	0.60	0.72	0.81	88.3%
ALBANY INTL CORP -CL A		3	1.00	0.87	0.91	70.6%
ALBERTO-CULVER CO	BBB+	1	nmf	0.16	0.43	91.5%
ALEXANDER & BALDWIN INC	A-	3	0.95	0.84	0.89	78.7%
AMERON INTERNATIONAL CORP		3	1.05	1.06	1.04	74.9%
AMPCO-PITTSBURGH CORP		3	0.75	1.01	1.01	90.6%
ANDERSONS INC		3	0.65	0.31	0.54	42.3%
APOGEE ENTERPRISES INC		3	1.05	0.88	0.92	83.5%
APPLEBEES INTL INC		3	0.85	0.67	0.78	93.3%
APPLIED INDUSTRIAL TECH INC		3	1.05	0.64	0.76	81.4%
ARCHER-DANIELS-MIDLAND CO	A	3	0.80	0.81	0.87	57.6%
AVERY DENNISON CORP	A-	2	0.95	0.48	0.65	56.1%
BADGER METER INC		3	0.85	0.56	0.71	63.0%
BALDOR ELECTRIC CO		2	1.00	0.54	0.69	73.2%
BARNES GROUP INC		3	0.90	0.64	0.76	56.1%
BELO CORP -SER A COM	BBB-	3	1.00	0.73	0.82	58.2%
BLACK & DECKER CORP	BBB	3	0.95	0.67	0.78	52.8%
BLOCK H & R INC	BBB+	3	1.10	0.15	0.43	65.2%
BOB EVANS FARMS		3	0.85	0.68	0.79	71.7%
BOEING CO	A+	2	0.95	0.73	0.82	48.1%
BRINKS CO	BBB+	3	1.10	0.67	0.78	73.4%
BROWN-FORMAN -CL B	A	1	0.75	0.33	0.55	67.5%
BRUNSWICK CORP	BBB+	3	1.15	0.90	0.94	69.8%
BURLINGTON NORTHERN SANTA FE	BBB+	2	0.95	0.83	0.89	58.8%
CARLISLE COS INC	BBB	2	1.00	0.75	0.83	68.6%
CASEYS GENERAL STORES INC		3	0.90	0.85	0.90	75.7%
CATO CORP -CL A		3	1.00	0.59	0.73	90.6%
CHURCHILL DOWNS INC		3	0.75	0.52	0.68	49.5%
CIRCUIT CITY STORES INC		3	1.30	0.43	0.62	99.4%
CLAIRES STORES INC		3	1.10	0.72	0.81	100.0%
CLARCOR INC		2	0.95	0.64	0.76	94.6%
COACHMEN INDUSTRIES INC		3	1.30	0.79	0.86	83.6%
COCA-COLA ENTERPRISES INC	A	3	0.70	0.40	0.60	32.6%
CONAGRA FOODS INC	BBB+	2	0.70	0.41	0.60	52.1%
CON-WAY INC	BBB	3	1.05	0.34	0.56	47.8%
CSX CORP	BBB	3	0.95	0.98	0.98	48.2%
CUBIC CORP		3	1.35	0.96	0.98	78.6%
CURTISS-WRIGHT CORP		3	0.80	0.22	0.48	62.7%
DANAHER CORP	A+	2	0.95	0.68	0.78	77.4%
DARDEN RESTAURANTS INC	BBB+	3	0.85	0.42	0.61	66.2%
DEB SHOPS INC		3	0.80	0.36	0.57	100.0%
DELTA & PINE LAND CO		2	0.70	0.29	0.52	90.4%
DOLLAR GENERAL CORP	BBB-	3	1.00	1.02	1.01	86.1%
DONNELLEY (R R) & SONS CO	BBB+	2	0.95	0.70	0.80	69.1%
EDO CORP		3	0.90	0.62	0.75	60.6%
ELKCORP		3	1.10	0.74	0.82	57.8%
ENNIS INC		3	0.80	0.51	0.67	67.0%
EW SCRIPPS -CL A	A	2	0.80	0.48	0.65	79.7%

RISK MEASURES FOR 159 LOW RISK US INDUSTRIALS

Company Name	S&P Debt Rating	Value Line Safety	Value Line Beta	Research Insight "Raw" Beta	Research Insight Adjusted Beta	2005 Equity Ratio Based on Total Capital
EXPEDITORS INTL WASH INC		3	0.85	0.44	0.62	99.7%
FAMILY DOLLAR STORES		3	0.85	0.71	0.80	100.0%
FARMER BROS CO		3	0.55	0.10	0.40	100.0%
FASTENAL CO		3	1.15	0.70	0.80	100.0%
FEDEX CORP	BBB	3	1.05	0.52	0.68	77.4%
FLEXSTEEL INDS		3	0.40	0.61	0.74	79.3%
FLUOR CORP	A-	3	1.20	0.98	0.99	73.7%
FORTUNE BRANDS INC	BBB	1	0.75	0.66	0.77	62.0%
FRANKLIN ELECTRIC CO INC		3	0.90	0.70	0.80	94.0%
FREDS INC		3	1.10	0.91	0.94	92.7%
FRISCH'S RESTAURANTS INC		3	0.60	0.42	0.61	69.6%
G&K SERVICES INC -CL A		3	1.05	0.48	0.65	67.1%
GANNETT CO	A-	1	0.85	0.36	0.57	63.9%
GENERAL DYNAMICS CORP	A	1	0.85	0.68	0.78	68.6%
GENERAL ELECTRIC CO	AAA	1	1.15	0.82	0.88	23.0%
GENUINE PARTS CO		1	0.85	0.69	0.79	83.5%
GORMAN-RUPP CO		3	1.05	0.81	0.87	100.0%
GRAINGER (W W) INC	AA+	2	1.10	0.76	0.84	99.5%
HARLAND (JOHN H.) CO		3	0.70	-0.01	0.32	73.1%
HARLEY-DAVIDSON INC	A+	3	0.85	0.91	0.94	71.3%
HARTE HANKS INC		1	0.90	0.35	0.57	98.3%
HEICO CORP		3	0.80	0.58	0.72	93.2%
HNI CORP		2	0.85	0.64	0.76	99.4%
HORMEL FOODS CORP	A	1	0.75	0.37	0.57	78.8%
HUBBELL INC -CL B	A+	2	1.10	0.99	0.99	76.0%
ILLINOIS TOOL WORKS	AA	1	1.00	0.88	0.92	87.2%
INTERNATIONAL ALUMINUM CORP		3	0.65	1.08	1.06	99.8%
INTL SPEEDWAY CORP -CL A	BBB-	3	0.65	0.14	0.43	70.1%
JOHNSON CONTROLS INC	A-	2	0.95	0.73	0.82	66.1%
KAMAN CORP	BBB-	3	1.20	0.31	0.54	86.7%
KELLY SERVICES INC -CL A		3	1.15	0.81	0.87	95.0%
KIMBERLY-CLARK CORP	AA-	1	0.65	0.40	0.60	65.4%
LANCASTER COLONY CORP		1	0.80	0.16	0.44	100.0%
LANCE INC		3	0.80	0.60	0.73	83.0%
LAWSON PRODUCTS		3	0.95	0.65	0.76	99.1%
LEE ENTERPRISES INC		2	0.80	0.61	0.74	80.4%
LEGGETT & PLATT INC	A+	2	0.95	0.95	0.97	65.3%
LENNAR CORP	BBB	3	1.20	0.47	0.65	58.1%
LIFETIME BRANDS INC		3	0.75	1.11	1.07	78.5%
LINCOLN ELECTRIC HLDGS INC		2	1.00	0.98	0.99	77.5%
LINDSAY CORP		3	0.80	0.67	0.78	100.0%
LIZ CLAIBORNE INC	BBB	1	0.90	0.79	0.86	77.0%
LOCKHEED MARTIN CORP	BBB+	1	0.80	-0.21	0.19	57.8%
LONGS DRUG STORES CORP		3	0.75	0.60	0.73	81.5%
LOWE'S COMPANIES INC	A+	2	0.95	0.77	0.84	75.8%
LSI INDUSTRIES INC		3	1.20	0.71	0.80	91.8%
MARCUS CORP		3	0.90	0.54	0.69	71.3%
MASCO CORP	BBB+	2	1.00	0.91	0.94	56.0%
MATTEL INC	BBB-	3	0.75	0.68	0.78	79.4%
MATTHEWS INTL CORP -CL A		3	0.80	0.32	0.54	81.4%
MCCLATCHY CO -CL A	BBB	1	0.75	0.21	0.47	84.2%
MCCORMICK & COMPANY INC	A	2	0.50	0.46	0.64	58.2%
MCGRAW-HILL COMPANIES		1	0.85	0.49	0.65	99.8%
MDC HOLDINGS INC	BBB-	3	1.25	0.77	0.84	61.7%
MEDIA GENERAL -CL A	BBB-	3	0.90	0.74	0.83	68.9%

RISK MEASURES FOR 159 LOW RISK US INDUSTRIALS

Company Name	S&P Debt Rating	Value Line Safety	Value Line Beta	Research Insight "Raw" Beta	Research Insight Adjusted Beta	2005 Equity Ratio Based on Total Capital
MEREDITH CORP		1	0.75	0.46	0.64	66.2%
MET-PRO CORP		2	0.60	0.51	0.67	91.9%
MINE SAFETY APPLIANCES CO		3	0.95	0.44	0.63	85.3%
MOVADO GROUP INC		3	1.00	0.92	0.95	87.6%
NATIONAL PRESTO INDS INC		3	0.75	0.72	0.81	100.0%
NEW YORK TIMES CO -CL A	BBB+	1	0.90	0.61	0.74	56.9%
NEWELL RUBBERMAID INC	BBB+	3	0.95	0.72	0.81	40.1%
NIKE INC -CL B	A+	1	0.85	0.57	0.71	88.1%
NORDSON CORP		3	1.05	0.85	0.90	68.6%
NORFOLK SOUTHERN CORP	BBB+	3	1.00	0.74	0.82	51.5%
NORTHROP GRUMMAN CORP	BBB+	2	0.80	0.08	0.38	75.2%
PENTAIR INC	BBB	3	1.05	0.84	0.89	66.3%
PEPSIAMERICAS INC	A	3	0.80	0.53	0.68	58.3%
RAVEN INDUSTRIES INC		3	1.00	0.80	0.86	99.9%
RAYTHEON CO	BBB+	2	0.95	0.79	0.86	67.2%
ROBBINS & MYERS INC		3	0.95	0.72	0.81	62.5%
ROLLINS INC		3	0.80	0.36	0.57	100.0%
RUBY TUESDAY INC		3	0.95	0.61	0.74	69.3%
RUDDICK CORP		3	0.85	0.80	0.87	76.5%
RYDER SYSTEM INC	BBB+	3	1.15	0.57	0.71	45.9%
SERVICEMASTER CO	BBB-	3	0.85	0.71	0.81	55.2%
SHERWIN-WILLIAMS CO	A-	2	1.00	0.92	0.95	69.1%
SKYLINE CORP		3	0.90	0.68	0.78	100.0%
SMITH (A O) CORP		3	0.80	0.42	0.61	67.8%
SMUCKER (JM) CO		2	0.70	0.24	0.49	77.8%
STANDEX INTERNATIONAL CORP		3	0.95	0.84	0.89	59.9%
STANLEY WORKS	A	3	0.90	0.93	0.95	67.6%
STRIDE RITE CORP		3	0.70	0.56	0.71	100.0%
SUPERIOR INDUSTRIES INTL		3	0.95	0.35	0.57	100.0%
SUPERIOR UNIFORM GROUP INC		3	0.65	0.25	0.50	92.3%
TELEFLEX INC		2	1.05	0.84	0.89	58.5%
TENNANT CO		3	0.95	0.88	0.92	95.2%
TOOTSIE ROLL INDUSTRIES INC		1	0.75	0.73	0.82	85.1%
TORO CO	BBB-	2	0.95	0.70	0.80	69.2%
TREDEGAR CORP		3	0.95	0.62	0.74	82.3%
TWIN DISC INC		3	0.70	0.63	0.75	73.3%
TYSON FOODS INC -CL A	BBB-	3	0.70	0.51	0.67	56.1%
UNIFIRST CORP		3	0.75	0.01	0.34	67.3%
UNION PACIFIC CORP	BBB	1	0.90	0.69	0.79	60.9%
UNITED PARCEL SERVICE INC	AAA	1	0.75	0.42	0.61	78.6%
UNITED TECHNOLOGIES CORP	A	1	1.00	0.65	0.76	71.5%
UNIVERSAL CORP/VA	BBB-	2	0.80	0.65	0.77	37.1%
VF CORP	A-	2	0.90	0.70	0.80	71.0%
WALGREEN CO	A+	1	0.75	0.39	0.59	96.7%
WAL-MART STORES	AA	1	0.75	0.57	0.71	61.1%
WASHINGTON POST -CL B	A+	1	0.70	0.31	0.54	82.9%
WASTE MANAGEMENT INC	BBB	2	0.90	0.85	0.90	41.1%
WATSCO INC		3	0.95	1.04	1.02	87.0%
WATTS WATER TECHNOLOGIES INC	BBB	3	0.95	0.67	0.78	72.6%
WEIS MARKETS INC		1	0.80	0.37	0.58	100.0%
WERNER ENTERPRISES INC		3	1.10	0.85	0.90	100.0%
WEYCO GROUP INC		3	0.80	-0.17	0.21	91.3%
WOLVERINE WORLD WIDE		3	0.95	0.90	0.93	91.3%
WOODWARD GOVERNOR CO		2	0.80	0.93	0.96	80.2%
Average	A-	2	0.89	0.62	0.74	75.7%
Median	BBB+	3	0.90	0.67	0.78	75.8%

Note: Value Line betas as of January 26, 2007 and Research Insight betas for 5 years ending December 2006.

Source: Standard & Poor's Research Insight and Value Line

**RETURNS ON AVERAGE COMMON STOCK EQUITY FOR
159 LOW RISK US INDUSTRIALS**

Company Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1994-2005
AARON RENTS INC	15.6	11.2	15.5	16.4	15.1	14.5	13.9	5.8	11.0	12.1	15.1	14.3	13.4
ABM INDUSTRIES INC	12.5	13.3	13.9	14.8	15.4	15.2	14.8	9.6	12.5	21.8	6.9	12.6	13.6
ALAMO GROUP INC	20.0	16.5	9.3	13.4	3.9	5.7	9.7	9.1	5.1	5.9	8.8	7.0	9.5
ALBANY INTL CORP -CL A	9.3	15.0	15.4	14.6	9.7	9.4	11.7	10.4	15.3	11.3	1.9	12.8	11.4
ALBERTO-CULVER CO	14.1	15.1	15.8	18.5	16.1	15.6	17.1	16.1	17.2	16.9	11.9	14.8	15.8
ALEXANDER & BALDWIN INC	12.2	8.7	9.8	11.6	4.4	9.2	11.5	15.8	8.1	10.6	11.8	13.1	10.6
AMERON INTERNATIONAL CORP	9.0	9.6	11.0	13.0	13.0	12.9	14.1	14.3	13.5	12.8	5.0	11.3	11.6
AMPCO-PITTSBURGH CORP	8.3	8.4	10.7	13.3	11.5	10.3	10.3	-0.6	3.4	-1.5	-1.9	11.1	6.9
ANDERSONS INC	25.4	15.5	9.2	5.6	12.6	10.0	11.5	9.8	10.7	10.6	15.3	17.8	12.8
APOGEE ENTERPRISES INC	10.9	13.5	16.9	-36.2	21.0	9.1	10.5	16.4	17.1	-3.2	9.6	12.6	8.2
APPLEBEES INTL INC	19.2	18.3	16.9	16.9	17.3	19.7	23.6	21.6	23.1	22.0	23.2	22.4	20.4
APPLIED INDUSTRIAL TECH INC	8.9	10.7	13.2	13.7	12.0	6.8	10.5	9.2	4.8	6.5	9.7	15.1	10.1
ARCHER-DANIELS-MIDLAND CO	9.8	14.6	11.6	6.2	6.4	4.4	4.9	6.2	7.8	6.5	6.7	12.9	8.2
AVERY DENNISON CORP	15.1	18.6	21.4	24.5	26.7	26.2	34.6	27.7	25.9	22.6	19.5	14.8	23.1
BADGER METER INC	11.6	12.1	14.9	16.7	18.5	21.4	16.1	7.8	16.0	14.7	16.2	19.3	15.4
BALDOR ELECTRIC CO	15.3	16.3	17.1	18.2	17.6	16.5	17.6	8.6	8.9	9.2	12.9	14.8	14.4
BARNES GROUP INC	20.4	23.3	22.8	23.9	18.7	15.5	18.7	9.6	13.3	12.5	10.1	16.5	17.1
BELO CORP -SER A COM	18.9	17.3	23.1	9.8	5.0	13.5	11.0	-0.2	9.6	8.6	8.3	8.1	11.1
BLACK & DECKER CORP	12.1	21.2	15.2	13.3	-63.8	43.7	37.8	15.0	34.0	40.5	37.9	35.3	20.2
BLOCK H & R INC	15.4	20.5	4.7	33.5	17.9	22.1	23.1	34.2	38.2	39.6	32.4	23.9	25.5
BOB EVANS FARMS	14.4	7.3	8.7	10.4	12.4	11.8	11.5	13.8	13.9	12.1	5.8	8.1	10.8
BOEING CO	9.2	4.0	10.5	-1.5	8.9	19.4	18.9	25.9	25.0	9.1	19.3	22.9	14.3
BRINKS CO	14.0	21.5	20.9	21.2	18.8	8.6	-33.3	3.3	5.8	6.7	20.8	19.6	10.7
BROWN-FORMAN -CL B	30.1	27.5	25.1	24.2	23.5	22.2	20.9	18.3	22.8	26.8	25.7	22.3	24.1
BRUNSWICK CORP	15.0	13.0	16.6	12.0	14.2	2.9	-8.1	7.8	9.4	11.2	17.8	20.9	11.1
BURLINGTON NORTHERN SANTA FE	23.2	5.1	16.1	13.8	15.8	14.3	12.5	9.6	9.6	9.5	8.9	16.3	12.9
CARLISLE COS INC	15.2	16.9	19.2	21.5	22.5	21.6	18.7	4.6	13.2	15.0	12.0	14.9	16.3
CASEYS GENERAL STORES INC	13.5	13.9	12.3	13.5	14.2	12.9	10.8	8.9	10.2	8.6	8.1	12.4	11.6
CATO CORP -CL A	13.5	8.3	4.7	11.2	14.5	18.7	19.7	19.5	18.2	13.5	17.2	19.9	14.9
CHURCHILL DOWNS INC	15.6	14.0	17.1	18.1	17.7	14.7	11.3	10.5	9.3	9.6	3.6	28.5	14.2
CIRCUIT CITY STORES INC	21.1	18.5	10.6	7.1	8.5	10.2	6.9	7.9	4.3	-3.9	2.9	7.0	8.4
CLAIRES STORES INC	21.5	22.5	26.0	26.1	22.0	24.7	16.3	4.9	17.2	20.3	20.6	21.2	20.3
CLARCOR INC	18.6	17.7	18.0	17.0	17.9	17.8	17.8	16.2	15.8	15.9	16.0	16.8	17.1
COACHMEN INDUSTRIES INC	21.8	21.2	21.1	13.8	16.7	14.1	1.0	-1.9	4.8	3.5	7.0	-12.6	9.2
COCA-COLA ENTERPRISES INC	5.3	5.9	7.5	10.6	6.8	2.1	8.2	-0.8	16.1	17.6	12.2	9.3	8.4
CONAGRA FOODS INC	20.0	7.6	26.0	23.9	12.6	13.2	19.9	18.9	17.3	17.5	13.3	11.2	16.8
CON-WAY INC	6.4	6.7	3.1	19.4	18.2	20.9	12.8	-48.8	14.9	11.8	-16.8	27.5	6.3
CSX CORP	18.9	15.5	18.5	14.9	9.2	0.9	9.6	4.8	7.6	3.0	5.1	15.5	10.3
CUBIC CORP	1.5	3.4	6.8	7.1	0.5	7.9	0.4	11.4	14.6	15.6	13.3	3.9	7.2
CURTISS-WRIGHT CORP	12.9	11.0	9.1	14.4	13.4	16.0	15.0	19.6	11.9	11.7	12.3	12.4	13.3
DANAHER CORP	19.4	20.4	30.0	18.0	16.1	17.1	17.8	14.3	17.7	16.1	18.0	18.5	18.6

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Company Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1994-2005
DANAHER CORP	19.4	20.4	30.0	18.0	16.1	17.1	17.8	14.3	17.7	16.1	18.0	18.5	18.6
DARDEN RESTAURANTS INC	4.1	6.2	-7.9	9.7	14.2	18.4	19.7	22.0	20.0	19.2	23.7	27.0	14.7
DEB SHOPS INC	-2.8	-5.1	-5.1	8.7	18.1	23.6	19.6	15.9	15.1	7.0	9.6	15.7	10.0
DELTA & PINE LAND CO	24.6	25.9	27.0	9.7	2.3	8.8	66.0	18.5	15.4	13.1	2.3	22.5	19.7
DOLLAR GENERAL CORP	25.9	23.1	24.9	26.5	27.3	26.4	7.9	21.8	22.7	21.0	21.1	20.6	22.4
DONNELLEY (R R) & SONS CO	14.1	14.4	-8.3	8.1	20.4	25.3	22.5	2.4	15.8	18.6	7.4	3.6	12.0
EDO CORP	-106.5	11.5	19.2	24.7	21.7	2.6	0.8	12.3	8.2	8.3	14.5	11.6	2.4
ELKCORP	18.2	10.7	10.5	12.1	15.4	19.2	20.0	5.4	8.9	12.9	10.0	19.3	13.5
ENNIS INC	31.2	25.2	16.9	12.5	17.1	17.6	14.7	16.0	15.8	17.3	12.0	14.2	17.5
EW SCRIPPS -CL A	12.6	11.7	14.7	15.8	12.4	13.2	13.4	10.5	13.1	16.2	15.5	11.4	13.4
EXPEDITORS INTL WASH INC	14.0	15.9	18.9	24.8	24.4	23.7	25.8	25.0	24.0	20.9	21.5	25.4	22.0
FAMILY DOLLAR STORES	17.9	14.9	14.2	15.8	19.2	22.1	23.1	21.6	20.5	20.1	19.5	15.7	18.7
FARMER BROS CO	5.3	9.5	10.4	7.0	12.8	10.3	12.5	11.1	8.5	6.4	4.0	-2.0	8.0
FASTENAL CO	31.8	33.8	29.5	28.0	27.6	26.2	25.2	17.9	16.2	15.6	20.8	22.7	24.6
FEDEX CORP	14.3	12.8	13.0	14.5	14.6	14.6	10.9	11.7	12.0	10.9	16.4	17.1	13.6
FLEXSTEEL INDS	9.3	7.2	6.1	8.1	9.9	13.0	14.3	5.4	6.6	9.1	10.4	5.9	8.8
FLUOR CORP	17.0	17.5	17.3	8.6	14.4	6.7	7.8	1.6	19.6	17.1	15.4	15.3	13.2
FORTUNE BRANDS INC	16.5	12.8	13.2	2.7	7.2	-26.2	-5.7	18.3	23.9	23.1	26.8	18.4	10.9
FRANKLIN ELECTRIC CO INC	32.3	21.3	23.9	26.5	26.9	28.5	20.9	22.7	23.3	19.9	17.8	18.3	23.5
FREDS INC	7.5	2.4	4.9	7.9	6.6	7.6	9.7	10.4	12.0	12.5	9.2	8.0	8.2
FRISCH'S RESTAURANTS INC	3.7	3.6	1.8	7.9	8.4	11.2	13.9	13.5	14.9	14.1	17.1	9.4	10.0
G&K SERVICES INC -CL A	15.5	16.7	17.5	18.7	17.5	17.1	14.9	11.8	11.9	9.4	8.8	8.9	14.1
GANNETT CO	25.0	24.1	37.2	22.2	26.8	22.3	35.3	15.3	18.3	15.8	15.9	15.8	22.8
GENERAL DYNAMICS CORP	19.1	22.3	16.5	17.4	17.6	32.7	25.8	22.6	18.9	18.1	18.7	19.1	20.7
GENERAL ELECTRIC CO	18.1	23.5	24.0	25.0	25.4	26.3	27.4	26.8	25.5	21.8	17.7	14.9	23.0
GENUINE PARTS CO	19.4	19.5	19.5	19.1	18.2	17.9	17.4	12.9	16.4	15.9	16.3	16.7	17.4
GORMAN-RUPP CO	15.7	14.7	14.2	14.1	14.5	14.9	14.3	14.0	8.1	8.6	7.8	8.8	12.5
GRAINGER (W W) INC	13.0	16.9	15.8	16.8	18.5	13.1	12.8	11.1	14.4	12.9	14.7	15.9	14.7
HARLAND (JOHN H.) CO	26.5	21.6	-6.8	9.2	-11.6	25.8	16.9	20.9	24.1	22.9	20.8	25.4	16.3
HARLEY-DAVIDSON INC	27.5	24.2	28.7	23.4	23.0	24.4	27.1	27.7	29.1	29.3	28.8	30.5	27.0
HARTE HANKS INC	24.9	24.9	19.4	82.2	12.0	12.6	14.5	14.4	16.7	16.1	17.3	20.2	22.9
HEICO CORP	5.6	9.4	27.6	13.9	16.5	15.8	17.0	8.8	7.7	5.7	8.8	8.8	12.1
HNI CORP	29.1	20.0	29.1	27.4	25.2	18.1	19.8	12.8	14.7	14.5	16.5	21.8	20.7
HORMEL FOODS CORP	19.2	17.3	10.5	13.8	17.2	19.8	19.9	19.5	17.9	15.7	17.5	17.0	17.1
HUBBELL INC -CL B	18.3	19.1	20.1	16.6	20.3	17.2	17.0	6.4	14.7	14.6	17.4	17.0	16.6
ILLINOIS TOOL WORKS	19.8	22.4	22.5	22.6	21.9	20.6	18.8	14.1	14.7	14.1	17.3	19.7	19.0
INTERNATIONAL ALUMINUM CORP	7.3	12.4	6.6	5.1	10.0	8.2	1.2	3.7	0.0	2.5	6.0	11.2	6.2
INTL SPEEDWAY CORP -CL A	23.6	23.9	20.5	18.8	13.9	8.9	5.4	8.8	12.8	15.6	19.4	16.6	15.7
JOHNSON CONTROLS INC	13.9	14.9	16.1	17.7	18.4	19.6	19.4	17.2	18.6	17.7	17.4	16.1	17.3
KAMAN CORP	-10.6	10.5	12.1	31.6	10.7	8.0	11.4	3.5	-10.7	6.5	-4.0	4.7	6.1
KELLY SERVICES INC -CL A	14.9	15.3	14.7	15.0	15.4	15.2	14.5	2.7	3.0	0.8	3.4	5.9	10.1

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Company Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1994-2005
KIMBERLY-CLARK CORP	21.2	1.1	34.5	20.5	27.3	36.6	33.2	28.2	29.8	27.3	26.9	25.9	26.0
LANCASTER COLONY CORP	27.9	27.4	25.3	25.7	24.7	23.1	23.9	20.6	19.1	21.5	14.1	15.9	22.4
LANCE INC	11.2	-3.2	12.9	16.2	14.8	13.5	12.4	13.5	11.1	10.1	13.0	9.2	11.2
LAWSON PRODUCTS	15.1	16.6	15.9	15.9	13.8	16.3	18.2	5.5	7.7	9.6	12.1	14.6	13.4
LEE ENTERPRISES INC	21.9	21.1	14.3	19.9	19.5	20.2	22.3	58.3	11.5	10.1	10.3	8.5	19.8
LEGGETT & PLATT INC	20.2	19.8	18.3	19.7	19.0	18.8	15.4	10.3	12.1	10.1	12.9	11.0	15.6
LENNAR CORP	13.6	12.3	13.5	14.9	25.0	21.6	21.7	28.9	28.0	27.4	25.8	29.1	21.8
LIFETIME BRANDS INC	17.1	11.8	14.0	12.5	14.6	4.4	4.2	3.8	2.9	10.2	9.5	12.1	9.8
LINCOLN ELECTRIC HLDGS INC	28.4	23.5	20.6	20.6	20.2	15.7	17.4	17.7	14.4	12.0	15.3	19.9	18.8
LINDSAY MANUFACTURING CO	18.2	17.1	22.7	24.5	26.4	14.7	16.5	10.0	12.4	13.2	8.6	4.4	15.7
LIZ CLAIBORNE INC	8.4	12.9	15.5	19.0	17.8	20.4	21.3	20.3	19.7	19.5	18.5	16.6	17.5
LOCKHEED MARTIN CORP	26.4	11.8	22.8	-10.5	17.7	11.8	-6.3	-14.9	8.1	16.7	18.4	24.5	10.6
LONGS DRUG STORES CORP	9.5	8.8	10.9	10.1	10.4	10.3	6.5	6.7	4.4	4.2	5.1	9.9	8.1
LOWE'S COMPANIES INC	19.5	14.7	15.1	14.8	16.8	17.2	15.9	16.8	19.6	20.2	19.9	21.4	17.7
LSI INDUSTRIES INC	19.2	23.1	16.1	14.5	17.2	18.9	15.6	8.1	10.6	5.9	6.8	11.0	13.9
MARCUS CORP	11.8	18.2	11.7	9.8	7.5	7.1	6.6	6.5	5.7	6.4	22.4	7.1	10.1
MASCO CORP	9.4	-23.4	16.9	18.8	19.2	19.4	18.0	5.3	14.5	15.0	16.4	18.3	12.3
MATTEL INC	26.4	30.0	27.7	17.1	17.8	-4.6	-25.6	19.8	26.0	25.6	24.9	18.6	17.0
MATTHEWS INTL CORP -CL A	21.2	19.5	21.4	19.0	21.6	22.9	23.1	23.4	23.5	20.5	19.8	18.5	21.2
MCCLATCHY CO -CL A	11.3	7.4	9.2	12.9	8.9	9.8	9.7	5.9	12.8	13.2	11.8	10.7	10.3
MCCORMICK & COMPANY INC	12.8	19.3	10.3	23.3	26.6	26.8	37.1	35.7	34.1	31.6	26.1	25.4	25.8
MCGRAW-HILL COMPANIES	23.4	23.3	41.4	20.8	22.9	26.3	27.3	20.9	28.7	29.1	27.3	27.7	26.6
MDC HOLDINGS INC	10.5	8.7	9.9	10.9	19.5	26.0	28.3	27.4	23.0	23.4	32.1	30.0	20.8
MEDIA GENERAL -CL A	41.9	15.0	17.3	12.3	15.8	97.6	4.3	1.6	4.8	6.2	7.0	7.9	19.3
MEREDITH CORP	10.0	16.0	21.5	32.4	23.6	25.3	19.2	17.2	19.1	18.1	20.3	20.7	20.3
MET-PRO CORP	12.5	14.6	16.2	16.9	15.9	15.7	17.0	12.7	11.1	10.9	7.8	11.2	13.5
MINE SAFETY APPLIANCES CO	5.9	7.4	9.4	9.2	7.6	6.8	10.0	13.4	13.1	22.1	20.9	21.7	12.3
MOVADO GROUP INC	16.9	9.8	11.2	12.7	13.4	8.7	13.5	10.3	9.8	8.9	8.9	8.3	11.1
NATIONAL PRESTO INDS INC	9.0	7.7	6.0	6.8	7.8	8.2	6.1	2.6	3.7	6.4	6.2	7.3	6.5
NEW YORK TIMES CO -CL A	13.6	8.6	5.2	15.6	17.6	20.8	29.1	36.6	24.8	22.7	21.0	18.2	19.5
NEWELL RUBBERMAID INC	18.6	18.3	18.4	18.1	21.8	4.1	16.4	10.8	13.9	-2.3	-6.1	14.8	12.2
NIKE INC -CL B	21.6	25.2	28.5	12.5	13.7	17.9	17.8	18.2	18.9	21.6	23.2	23.3	20.2
NORDSON CORP	22.8	23.7	22.3	21.5	9.6	21.8	23.3	9.6	8.3	12.4	18.0	21.3	17.9
NORFOLK SOUTHERN CORP	14.4	15.0	15.7	13.8	12.9	4.0	2.9	6.3	7.3	6.2	12.3	14.8	10.5
NORTHROP GRUMMAN CORP	2.7	18.3	13.0	17.1	7.1	15.8	16.9	7.2	4.3	5.7	6.7	8.4	10.3
PENTAIR INC	13.2	17.0	14.3	15.9	16.6	12.5	5.7	3.2	12.3	11.9	12.6	12.3	12.3
PEPSIAMERICAS INC	19.3	22.6	22.0	0.7	14.3	-1.2	6.2	1.3	9.0	10.5	11.4	12.2	10.7
RAVEN INDUSTRIES INC	14.1	13.1	14.5	13.6	10.0	11.6	12.5	17.7	20.3	22.2	27.0	32.2	17.4
RAYTHEON CO	14.5	19.3	17.1	7.0	8.1	4.2	1.3	-6.8	-1.3	4.0	3.8	8.2	6.6

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Company Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1994-2005
ROBBINS & MYERS INC	11.6	18.6	25.2	26.7	22.7	7.8	11.2	10.8	6.3	5.2	3.3	-0.1	12.5
ROLLINS INC	28.0	19.3	11.3	0.9	5.8	9.4	12.7	20.6	30.8	31.2	38.0	30.6	19.9
RUBY TUESDAY INC	26.6	-1.3	11.9	13.3	16.8	16.2	23.0	18.8	23.6	23.6	18.9	18.5	17.5
RUDDICK CORP	11.2	12.9	12.9	13.1	11.8	11.9	11.1	-0.2	11.5	12.6	12.4	11.8	11.1
RYDER SYSTEM INC	14.5	13.1	-2.7	16.2	14.8	36.9	7.2	1.5	9.6	11.1	15.1	15.1	12.7
SERVICEMASTER CO	46.9	32.6	31.8	24.7	25.7	16.1	15.6	13.3	13.6	-22.1	36.6	19.4	21.2
SHERWIN-WILLIAMS CO	17.9	17.7	17.5	17.4	16.5	17.8	1.0	17.8	22.0	23.7	25.3	27.4	18.5
SKYLINE CORP	8.8	10.8	11.6	11.1	13.6	7.8	5.8	6.3	3.1	3.1	2.8	7.4	7.7
SMITH (A O) CORP	19.7	17.9	16.4	37.3	11.1	10.2	6.8	3.2	10.7	9.6	6.1	7.7	13.1
SMUCKER (JM) CO	14.7	11.0	10.9	12.2	12.1	8.3	11.3	11.7	13.7	9.5	8.9	8.4	11.1
STANDEX INTERNATIONAL CORP	22.6	30.5	23.0	19.5	14.0	20.3	16.9	14.8	11.6	8.3	6.5	13.9	16.8
STANLEY WORKS	17.6	8.0	12.8	-6.0	21.6	21.4	26.4	20.2	20.4	11.7	35.3	20.2	17.5
STRIDE RITE CORP	6.7	-3.0	0.9	7.9	8.7	10.7	10.1	7.4	9.4	9.8	10.0	9.6	7.3
SUPERIOR INDUSTRIES INTL	29.9	24.7	19.5	20.6	17.5	21.3	21.2	13.1	16.0	13.1	7.5	-1.2	16.9
SUPERIOR UNIFORM GROUP INC	14.5	5.4	12.1	12.0	10.0	11.2	9.0	7.9	6.5	6.9	6.3	1.5	8.6
TELEFLEX INC	14.2	14.7	15.0	16.1	16.5	16.7	16.9	15.3	14.8	11.1	0.9	12.3	13.7
TENNANT CO	17.5	18.7	17.3	18.4	19.1	14.9	19.3	3.0	5.4	8.9	7.9	12.5	13.6
TOOTSIE ROLL INDUSTRIES INC	16.8	15.7	16.1	18.3	18.1	17.2	17.0	13.6	12.8	12.2	11.6	13.0	15.2
TORO CO	14.2	20.7	18.2	16.1	1.6	12.9	15.2	15.3	17.0	20.3	24.7	29.0	17.1
TREDEGAR CORP	22.7	14.1	23.5	24.1	23.6	15.4	25.6	2.0	-0.5	-5.8	6.3	3.4	12.9
TWIN DISC INC	6.9	8.1	8.8	10.4	12.0	-1.4	5.2	9.0	3.5	-4.4	10.4	11.0	6.6
TYSON FOODS INC -CL A	-0.2	15.9	5.8	11.7	1.4	11.2	7.0	3.2	10.9	8.9	9.8	8.3	7.8
UNIFIRST CORP	13.4	13.0	13.7	14.1	14.3	9.6	7.5	8.3	9.0	9.1	9.6	11.1	11.1
UNION PACIFIC CORP	10.9	16.5	12.4	5.3	-8.1	10.5	10.1	10.6	13.3	11.4	4.8	7.8	8.8
UNITED PARCEL SERVICE INC	22.0	21.3	20.7	15.2	26.3	9.0	26.4	24.3	28.7	21.2	21.3	23.3	21.6
UNITED TECHNOLOGIES CORP	15.3	18.6	21.0	24.8	28.9	26.1	24.0	23.8	26.4	23.3	21.7	20.4	22.9
UNIVERSAL CORP/VA	9.7	6.7	17.7	22.7	27.8	23.4	22.0	21.5	18.7	14.8	12.1	1.0	16.5
VF CORP	16.5	8.8	15.8	18.0	19.4	17.0	12.1	6.1	19.3	21.9	21.2	19.4	16.3
WALGREEN CO	19.1	19.1	19.4	19.7	20.6	19.7	20.1	18.8	17.8	17.5	17.6	18.3	19.0
WAL-MART STORES	22.8	19.9	19.2	19.8	22.4	23.8	22.0	20.1	21.6	21.8	22.1	21.9	21.4
WASHINGTON POST -CL B	15.3	16.5	17.6	22.4	30.0	15.2	9.5	14.4	12.2	12.3	14.8	12.4	16.1
WASTE MANAGEMENT INC	17.2	11.8	4.2	14.4	-21.9	-9.0	-2.1	9.9	15.4	13.2	16.1	19.6	7.4
WATSCO INC	12.7	14.2	14.8	10.6	10.1	10.2	6.3	7.8	8.8	10.1	12.6	16.4	11.2
WATTS WATER TECHNOLOGIES INC	11.8	11.9	-13.9	15.8	15.1	9.4	7.7	11.0	12.0	9.1	10.1	10.8	9.2
WEIS MARKETS INC	10.2	10.2	9.8	9.4	9.6	8.8	7.9	6.8	11.0	9.7	10.0	10.8	9.5
WERNER ENTERPRISES INC	13.9	12.4	12.3	13.0	13.7	12.8	9.3	8.5	10.0	10.9	11.8	12.0	11.7
WEYCO GROUP INC	10.1	11.0	13.1	14.4	14.9	16.6	15.3	13.1	16.7	18.7	18.6	15.1	14.8
WOLVERINE WORLD WIDE	13.5	14.3	14.8	15.9	14.3	10.2	3.2	12.7	12.9	12.9	14.8	16.2	13.0
WOODWARD GOVERNOR CO	-1.6	6.1	10.9	8.7	10.0	13.3	18.2	17.9	13.4	3.5	8.4	13.7	10.2
Average	**15.3**	**14.9**	**15.5**	**15.7**	**14.9**	**15.5**	**14.5**	**12.5**	**14.3**	**13.4**	**14.1**	**15.1**	**14.6**
Median	**15.1**	**15.0**	**15.6**	**15.4**	**15.8**	**15.2**	**14.8**	**11.7**	**13.6**	**12.5**	**13.2**	**15.0**	**13.7**
Average of Annual Medians													**14.4**

Source: Standard & Poor's Research Insight

JTBrowne
Consulting

Newfoundland Power

Regulatory Accounting Issues Related to 2007 Rate Application

May 4, 2007

Costing &
Regulatory Consulting

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INTRODUCTION

Newfoundland Power ("NP") is making an application to the Newfoundland & Labrador Board of Commissioners of Public Utilities ("Board") for new rates to be effective on January 1, 2008.

As part of its application, NP is proposing a number of changes to its regulatory accounting policies and presenting an estimate of its cash working capital. NP has asked me as a Chartered Accountant and economist with experience in addressing regulatory issues[1] to address, from a regulatory perspective, a number of questions concerning the appropriateness of these changes and the calculation of its cash working capital. These questions deal with the following six issues which can be grouped into three categories:

Future Employee Benefits:

- Recovery of Other Post Employment Benefits (OPEBs)
- Tax Effecting Future Employee Benefits

Amortization of Deferrals and Reserves:

- Amortization of Regulatory Deferrals
- Amortization of Reserve Balances

Transition to Asset Rate Base Method:

- Adjustments to Rate Base
- Cash Working Capital

In addressing NP's questions, I will be referring to established regulatory principles. A discussion of the relevant regulatory principles is presented in Exhibit JTBC-2.

In preparing this report, I have relied on financial data and other information about NP that was provided to me by the utility. My mandate dealt solely with accounting and regulatory principles and policies and the application of those principles and policies. As a result, I was not asked, and did not perform, any audit or other verification procedures on data and information provided to me by NP.

The following sections address the questions related to each of the six issues noted above. In each section, the underlying issues and the relevant background are set out, the utility's proposal is summarized and analysed, and a response is provided.

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[1] A copy of my resume has been attached as Exhibit JTBC-1.

RECOVERY OF OTHER POST EMPLOYMENT BENEFITS

INTRODUCTION

NP's future employee benefits include both pensions and other post employment benefits ("OPEBs"). The latter are composed of health, medical and life insurance for retirees and their dependents, as well as employee retirement allowances. For regulatory purposes, NP recognizes its pension expense on an accrual basis but its OPEB expense on a cash basis.

Beginning on January 1, 2008, NP is proposing to recognize its OPEB expense on an accrual basis for regulatory purposes. It is also proposing that treatment of its OPEB Regulatory Asset (i.e., the cumulative difference between the OPEB costs accrued under GAAP and what it has been allowed to recover under the cash basis) be deferred until a future date.

NP has asked me if its proposal to adopt accrual accounting for its OPEB expense and defer treatment of its OPEB Regulatory Asset at December 31, 2007 is consistent with established regulatory principles and appropriate in the context of NP.

BACKGROUND

Section 3461 of the CICA Handbook "Employee Future Benefits" sets out how companies must report their future employee benefit costs for financial reporting purposes[2]. Prior to the issuance of Section 3461, there was no specific guidance in Canada on how to account for future employee benefits other than pensions. Many companies applied the pay-as-you-go, or cash approach, whereby the cost of the benefits is expensed as the payments are made.

Section 3461 replaced Section 3460. Whereas Section 3460 dealt only with pensions, Section 3461 deals with all future employee benefits. Section 3461 is applicable to fiscal years beginning on or after January 1, 2000.

With Section 3461, companies must account for the cost of OPEBs in the same way as they account for pensions. The expense must be accrued and can no longer be recognized on a cash basis, at least for financial reporting purposes. The accrual method results in a better matching of costs to the periods for which the costs were incurred. With the cash basis, costs may be recognized years, if not decades, after the period for which they were incurred.

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[2] For general purpose financial reporting, companies must follow generally accepted accounting principles ("GAAP"). In setting regulatory accounting policies, regulators often follow GAAP but are usually not required to do so.

As a result of Section 3461, a number of utilities and their regulators have reviewed the method for recovering OPEB costs and switched from the cash to the accrual method.[3]

Where the OPEBs are provided through a defined benefit plan, as is the case with NP, Section 3461 requires that the calculation of the OPEB expense include:

- the current service cost;
- plus interest on the accrued benefit obligation;
- less the return on any plan assets that have been invested to fund the future liability;
- plus / less the amortization of any actuarial gain or loss; and
- plus / less the amortization of any transitional asset or obligation .[4]

The current service cost is the present value of the future OPEB payments as a result of employee services provided in the current period – i.e., the amount that if invested today would grow with interest to equal the future OPEB payments as a result of services provided in the current period.

The accrued benefit obligation is the present value of the future OPEB payments as a result of past employee services. The current service cost plus the future interest on the related accrued benefit obligation are intended to accumulate to an amount equal to the future OPEB payments due to current service.

Unlike pension plans, companies generally do not fund their OPEB plans. As a result, they have no interest income on plan assets and tend to have an accrued benefit liability. This liability represents the difference between what has been expensed and what has been paid out.

Actuarial gains and losses arise because the expense for a defined benefit plan is based on assumptions. Where actual results differ from what was assumed or there is a change in assumptions related to past periods, the result is recognized as an actuarial gain or loss.

Adoption of Section 3461 usually resulted in a transitional obligation. Before amortization, it would have equalled the cumulative difference between what should have been expensed in the past under Section 3461 and what was actually expensed[5]. For NP

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3 This is supported by a survey completed by NP and discussed in the Company's "Application And Company Evidence" under Section 3.6 "Employee Future Benefits"

4 Section 3461 sets out other potential components of the expense for a defined benefit plan. However, they are not applicable to NP's OPEBs.

5 The definition of a "transitional obligation" is set out in the CICA Handbook in paragraph 034 of Section 3461 "Future Employee Benefits".

and most other utilities, it equalled the cumulative difference between the accrual and cash basis at the time they adopted Section 3461 for financial reporting purposes.

For financial reporting purposes, NP adopted Section 3461 as of January 1, 2000. It applied the new section prospectively, amortizing the resulting transitional obligation on a straight-line basis over almost 18 years, the expected average remaining service period of the plan members at that time.

It should be noted that Section 3461 establishes what is required under GAAP which sets out financial statement accounting and reporting requirements. However GAAP is designed for financial reporting purposes, not rate setting. Although it often provides useful guidance for regulators in setting rates, regulators can and do deviate from GAAP where they believe it is appropriate in setting just and reasonable rates.

Although NP adopted accrual accounting for financial reporting purposes in accordance with GAAP, it continued to recognize its OPEB expense on a cash basis for regulatory purposes. The main reason for maintaining the cash basis was the impact on rates from a change to the accrual method.

In a report prepared for NP's last general rate application ("GRA"), I wrote:

> *From the perspective of the principle of intergenerational equity, the accrual method for recovering OPEB costs is preferable to the pay-as-you-go method proposed by NP. However, the NP proposal is a practical approach that recognizes the impact of dealing with the transition from one method to the other.*[6]

In its decision following that application, the Board accepted the continued use of the cash basis:

> *To avoid rate impact on consumers the Board is prepared to accept NP's proposal to continue with using the cash basis for recognizing expenses for other employee future benefits.*[7]

At least one other regulator has recognized the need to consider the impact on rates of a change from the cash to the accrual basis. In a 2003 decision, the British Columbia Utilities Commission ("BCUC") approved the continued use of the accrual method for BC Gas while noting that it had approved the "pay-as-you-go" method for two other utilities to avoid rate shock.

> *While the Commission has approved the "pay-as-you-go" method for Pacific Northern Gas Ltd. and Aquila Networks Canada (British Columbia) Ltd., it did so to*

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[6] John T Browne; Newfoundland Power - Accounting and Regulatory Issues Related to Future Employee Benefits and the Hydro Production Equalization Reserve; October 11, 2002; pg. 13.

[7] Newfoundland & Labrador Board Of Commissioners Of Public Utilities; Order No. P.U. 19 (2003); June 20, 2003; pg. 83.

> *avoid rate shock at the time of the Orders. This situation does not exist for BC Gas.* ***The Commission accepts the continuation of the accrual basis of accounting for OPEB for the 2003 Revenue Requirements.***[8]

Although the Board accepted NP's continued use of the cash basis, in its 2003 decision it went on to require NP to develop a plan for moving towards the accrual method:

> *The Board is concerned about the potential liability for employee future benefits and is of the view that NP should explore using the accrual method of accounting for these benefits. The Board recognizes that there are significant transitional obligations associated with this change in accounting policy but once the transitional obligation has been met these costs should decrease. … The Board will direct NP to propose a plan at its next general rate application for moving towards the accrual method of accounting for employee future benefits as recommended by CICA. The Board emphasizes such a plan should be presented to the Board as an alternative to the existing method and should address the transitional impact with a view to fulfilling NP's obligation to its employees while at the same time moderating its impact on rates…*[9]

Since it has been expected that the Board will allow NP to recover in future rates the difference between its GAAP expense for OPEBs (i.e., determined in accordance with Section 3461) and what it was allowed to recover in rates, NP has recognized a regulatory asset for financial reporting purposes equal to the cumulative difference (i.e., OPEB Regulatory Asset).

NP'S PROPOSAL

For rate setting purposes, NP is proposing to adopt the accrual basis for recognizing its OPEB costs, beginning on January 1, 2008. With this proposal, NP's OPEB expense for regulatory purposes would be exactly the same as the expense determined under GAAP.

The change to the accrual basis raises the issue of how to deal with the transitional costs – i.e., the cumulative difference between the costs that would have been expensed in the past under the accrual basis and the costs that were actually expensed under the cash basis. If NP were to continue with the cash basis, these costs would be recoverable in the period in which payment is made. It should be noted that the lower expense in past periods due to the use of the cash basis did not benefit NP but its customers who paid lower rates.

The transitional costs fall into two categories with some overlap: the transitional obligation and the OPEB Regulatory Asset. The first amount arose from adoption of

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8 BCUC; BC Gas Utility Ltd. 2003 Revenue Requirements Application; February 4, 2003; pg. 37.

9 Newfoundland & Labrador Board Of Commissioners Of Public Utilities; Order No. P.U. 19 (2003); June 20, 2003; pg. 83.

Section 3461 while the second arose from the continued use of the cash basis for regulatory purposes.

- The transitional obligation was determined at the time NP adopted Section 3461 for financial reporting purposes (i.e., January 1, 2000). It equals the cumulative difference between what NP would have expensed under the accrual method in accordance with Section 3461 and the actual amount it had expensed under the cash basis. Consistent with Section 3461, this amount is being amortized for financial reporting purposes on a straight-line basis over 17.6 years - the estimated remaining service life of the covered employees at the time Section 3461 was adopted. At January 1, 2000, the transitional obligation was $25.1 million. At January 1, 2008, the amount of the transitional obligation that will have been amortized and included in the OPEB Regulatory Asset will be $11.4 million, leaving an unamortized balance of $13.7 million

- The OPEB Regulatory Asset represents the cumulative difference between what NP has accrued for financial reporting purposes in accordance with GAAP and what it has recognized for regulatory purposes using the cash basis. Since NP was using the cash basis for financial reporting purposes prior to 2000, this difference has arisen over the period since January 1, 2000. At December 31, 2007, the OPEB Regulatory Asset is expected to be $34.1 million, which will include the $11.4 million of the transitional obligation that will have been amortized for financial reporting purposes.

In the case of the transitional obligation that has not been amortized for financial reporting purposes at January 1, 2008 (i.e., $13.7 million), NP is proposing to recover this amount in rates through the use of the GAAP expense. The GAAP expense includes amortization of the transitional obligation – about 1/18 of the original balance each year.

In the case of the OPEB Regulatory Asset, which includes the portion of the transitional obligation that will have been accrued for financial reporting purposes on January 1, 2008, NP is proposing that the decision on its amortization be deferred until a future date. This is being done to enhance rate stability.

As discussed in a later section, NP is also proposing to tax effect it future employee benefit expenses, including its OPEB expense. This will reduce the impact on rates of changing from the cash to the accrual method.

Table 1 sets out the impact of NP's proposal on its revenue requirement in 2008. With the accrual method, NP's OPEB expense is expected to be $7.5 million.

Adopting the accrual method will affect NP's rate base. The OPEB expense, and the amount NP is allowed to recover from customers, will exceed its current OPEB payments. The cumulative difference will equal the difference between its OPEB Liability and its OPEB Regulatory Asset. As discussed in a later section, where NP is allowed to recover costs prior to payment, the amounts should be deducted from rate base

Table 1

Impact on Revenue Requirement of Recognizing OPEB Expense on Accrual Basis 2008 ($ million)	
OPEB Expense - Accrual Basis	7.5
Reduction in Allowed Return	(0.3)
	7.2
Recovery of Additional Taxes	3.3
Rev. Req. W/O Tax Effecting	10.5
Impact of Tax Effecting	
Decrease in Tax Expense	(3.1)
Increase in Financing Costs	0.1
	(3.0)
Total Revenue Requirement	7.5
OPEB Expense - Cash Basis	1.1
Increase in Revenue Requirement	6.4

until payment is made. Accordingly, NP is proposing to reduce its rate base by what NP is referring to as its Accrued OPEB Liability[10] – this amount will equal the cumulative difference between the amount of OPEBs NP has expensed and what it has paid out on account of its OPEBs (i.e., the amount by which the OPEB Liability in its financial statements exceeds the OPEB Regulatory Asset in its financial statements).

The reduction in rate base will reduce NP's financing costs. In 2008, this decrease is estimated to be $0.3 million. NP's Accrued Benefit Liability is expected to rise in future years resulting in further reductions in its rate base and financing costs.

[10] This issue is addressed in the section "Adjustments to Rate Base".

NP currently uses the flow-through method in recognizing the tax deductions related to future employee benefits. With this method, the change to the accrual basis for recognizing OPEB expense would increase the amount included in NP's revenue requirement to cover its income taxes. There are three components to this net increase

- NP receives a tax deduction for only the cash payments it makes on account of OPEBs. Since the revenue required to cover the accrual expense is greater than its cash payments, NP's taxable income will increase by the difference.

- A portion of NP's allowed return consists of return on equity which is taxable. Reducing NP's allowed return will reduce its equity return and the associated income taxes.

- Increasing rates to cover an increase in income tax costs will further increase NP's taxable income resulting in a further increase in its income tax costs.

It is expected that the net effect would be an increase in its income tax costs of $3.3 million in 2008.

NP's proposal to tax effect its post employment benefit expenses will result in a decrease in the amount of tax it recovers through current rates on account of its OPEB expense. Since this will reduce taxable income, there will be a further reduction in NP's revenue requirement. The overall impact is expected to be a reduction in revenue requirements of about $3.1 million in 2008.

Tax effecting NP's OPEB expense will tend to increase its financing costs. With tax effecting, NP will pay more in taxes than it recovers in current rates with the expectation that it will recover the difference through future rates. The difference must be financed until NP has an opportunity to recover the costs from customers, and therefore, should be included it its rate base. This will result in an increase in the allowed return included in its revenue requirement. Since a portion of the allowed return consists of equity return that is taxable, this will result in a further increase in the income tax cost included in its revenue requirement. In 2008, the overall impact will be small and is expected to be $0.1 million.

Considering all of the above, under the accrual basis, the total revenue requirement due to OPEBs will be $7.5 million in 2008

Under the cash basis, the impact of OPEBs on NP's revenue requirement would equal its OPEB payments less the amount capitalized, which are expected to be $1.1 million in 2008. Therefore the net effect on NP's revenue requirement from changing to the accrual basis is forecast to be $6.4 million in 2008.

As noted above, changing to the accrual basis will have impacts on NP's rate base. The impacts are set out in Table 2.

Table 2

Impact on Rate Base of Recognizing OPEB Expense on Accrual Basis 2008 ($ million)	
Accrued OPEB Liability	(6.3)
Future Tax Asset	2.0
Capital Assets	(0.1)
Change in Rate Base	(4.4)
Change in Average Rate Base	(2.2)

At January 1, 2008, both the OPEB Regulatory Asset and the OPEB Liability will be $34.1 million. However, with OPEB expense exceeding OPEB payments, the OPEB liability will increase over time while the OPEB Regulatory Asset will remain the same[11]. The difference will represent the amount that NP has had an opportunity to recover in rates on account of future payments. The net effect (i.e., the Accrued OPEB Liability) will be a decrease in rate base of $6.3 million in 2008.

Tax effecting the OPEB expense will result in a future tax asset that is expected to be $2.0 million in 2008.

The overall impact for 2008 is expected to be a decrease of $4.4 million in NP's year-end rate base and $2.2 million in its average rate base.

ANALYSIS

In determining whether to shift to the accrual method for recognizing OPEBs, the key regulatory principles are the cost of service standard, the principle of intergenerational equity and the principle of rate stability and predictability. Other factors to consider are general regulated utility practice and consistency in the treatment of future employee benefits.

[11] Until such time as the Board decides that it should be amortized and recovered through rates.

Cost of Service

Consistent with the cost of service standard, NP's proposal will allow it to recover only its cost of service.

NP's proposal changes the period in which it recognizes its OPEB costs, but not the amount. By advancing the recovery of OPEB costs, it will reduce its financing costs, but NP is proposing that the net reduction in its financing costs be used to reduce its revenue requirement.

Intergenerational Equity

The principle of intergenerational equity supports the use of the accrual method. Consistent with this principle, the accrual method results in a better matching of costs to the periods for which the costs are incurred. It results in current customers paying for the future OPEB costs resulting from providing service in the current period. With the cash method, customers pay for the OPEB costs as they are incurred, even though those costs may result for providing service to customer years, or even decades, earlier.

This principle has been recognized by other regulatory tribunals in approving the accrual basis for recognizing OPEB's. For example, in a 2004 decision dealing with BC Hydro, the British Columbia Utilities Commission ("BCUC") stated:

> *The Commission Panel finds that the accrual method does provide a better matching of costs to the period in which the service was provided. The Commission Panel further notes that the requested change from the cash basis to the accrual basis of accounting for post retirement benefits will not, in this instance, have a significant affect on rates. … **The Commission Panel approves the accounting change from the cash method to the accrual method for post-retirement benefits.*** [12]

In a 2001 decision dealing with Union Gas, the Ontario Energy Board stated:

> *The Board recognizes that Union's proposal to change from a cash basis to an accrual basis for accounting for pensions and post-retirement benefits reflects a change in GAAP that has been adopted by the CICA and accomplishes the objective of matching the costs to the period in which the obligations arose. There was limited opposition to this change and further, in the Board's view, this may remove some potential variation in this expense. The Board accepts this changed practice for rate-making purposes.* [13]

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[12] BCUC; British Columbia Hydro And Power Authority 2004/05 to 2005/06 Revenue Requirements Application and British Columbia Transmission Corporation Application for Deferral Accounts; October 29, 2004; pg. 168.

[13] Ontario Energy Board; Decision With Reasons - RP-1999-0017; July 21, 2001; pg. 69.

Changing to the accrual method will result in transitional costs which raises issues of intergenerational equity. The transitional costs must be recovered prospectively although they relate to services provided in past periods.

Intergenerational equity would normally require that costs related to past periods be recovered as quickly as is reasonable so that the customers that eventually pay for the costs are the same as those that benefited from their incurrence.

In the case of the transitional costs associated with the transitional obligation, the costs accumulated over a long period ending on December 31, 1999. In this case, many of the customers of the periods that gave rise to the costs are no longer around and intergenerational equity is better met by spreading the cost over an extended period so as to minimize the burden placed on the customers of any one period.

NP's treatment of the transitional obligation that will be unamortized for financial reporting purposes on January 1, 2008, is consistent with the above. The balance will be amortized on a straight-line basis over a ten-year period – i.e., approximately 1/18 of the transitional obligation will be amortized in each year. Before considering the impact on financing costs, it will increase NP's revenue requirement by $2.2 million per year ($1.4 million of amortization plus the effect on income taxes).

In the cases of the costs associated with the OPEB Regulatory Asset less the amortization of the transitional obligation, the costs arose over a relatively recent period. Accordingly, the principle of intergenerational equity would require that they be recovered as soon as is practical. However, as discussed below, consideration should be given to the impact on rates and the principle of rate stability and predictability.

Rate Stability & Predictability

NP's reluctance to implement the accrual method at an earlier date has been due to concerns over rate stability. Although NP is proposing to change to the accrual method and to begin to deal with the transitional costs, it is still concerned about rate stability and the impact on customers. As a result it is proposing that amortization of the OPEB Regulatory Asset be deferred until a future date.

NP's proposal will require a rate increase of 5.3%. With inflation in the range of 2% to 2.5%, the proposed increase is higher than inflation, but not unduly. However, further deferring the shift to the accrual method will increase the OPEB Regulatory Asset and the amount of deferred costs that will have to be recovered from future customers.

If NP were to amortize the OPEB Regulatory Asset over the remaining period that the transitional obligation is being amortized (i.e., 10 years), it would require an additional $3.2 million in revenue before considering the impact on taxes, and $5.0 million after[14]. This translates into an additional rate increase of almost one percentage point.

[14] Both amounts reflect a small decrease in financing costs.

Also, with the accrual method, the OPEB expense will exceed the OPEB payments resulting in a reduction in rate base and the cost of financing the rate base. Primarily due to the decrease in financing costs, the impact of OPEBs on NP's revenue requirement is expected to fall by about a half million dollars per year. These decreases will help to create room to deal with the OPEB Regulatory Asset in the future.

Industry Practice

A noted above, with the issuance of section 3461 and the requirement to recognize OPEB costs on an accrual basis for financial reporting purposes, several Canadian utilities have adopted the accrual basis for rate setting purposes.

Consistency

NP's proposal will result in all of its future employee benefits being treated on a consistent basis – i.e., OPEBs and pension costs.

CONCLUSION

NP's proposal to change from cash to the accrual basis in recognizing OPEB costs for regulatory purposes is consistent with the cost of service standard since it will allow NP to recover its costs of providing service, but only its costs of providing service.

The change from the cash to the accrual basis results in a better matching of costs to the periods in which the related services are provided. The change is therefore supported by the principle of intergenerational equity.

A change to the accrual method gives rise to transitional costs: the unamortized transitional obligation and the OPEB Regulatory Asset. Amortizing the remaining unamortized transitional obligation over approximately 10 years is consistent with the principle of intergenerational equity. On its own, the principle of intergenerational equity would support the amortization of most of the OPEB Regulatory Asset over a short period. However, this would have a significant impact on rates. In addition, the impact of changing to the accrual method will decrease over time, making it easier to accommodate the amortization of the OPEB Regulatory Asset at a future date. NP's proposal to defer the amortization of its OPEB Regulatory Asset is a practical solution that recognizes the principle of rate stability and predictability.

Although there are utilities that still use the cash basis, a significant number of the major Canadian utilities now employ the accrual basis. Also, adopting the accrual basis will result in a consistent treatment of all NP's future employee benefits.

Therefore, NP's proposal to adopt accrual accounting for its OPEB expense but defer treatment of its OPEB Regulatory Asset at December 31, 2007 is consistent with established regulatory principles and appropriate in the context of NP.

TAX EFFECTING POST EMPLOYMENT BENEFITS

With both NP's pension and OPEB expense, the associated tax deduction (and related impact on income taxes) is currently recognized for regulatory purposes when it is received and used to reduce NP's tax payments (i.e., flow-through method). This occurs when the cash is paid to fund or pay the future employee liabilities.

NP is proposing to tax effect its post employment expenses effective January 1, 2008. This means that it would recognize the tax savings associated with the future employee benefits on an accrual basis, i.e., when the related expense is recognized.

NP has asked me if its proposal to tax effect its future employee benefits is consistent with established regulatory principles and appropriate in the context of NP.

BACKGROUND

The tax authorities do not always recognize revenues and expenses in the same period as accountants. For example, capital cost allowance (i.e., depreciation for tax purposes) is usually recognized on a different basis than depreciation. Capital cost allowance ("CCA") is usually higher than depreciation in the early years of an asset's life, but this is offset by lower CCA in the later years. The total amount deducted for both CCA and depreciation is the same, what is different is the amount deducted in a given period.

With these timing differences, a portion of taxable income is recognized in a different period than the associated accounting income, resulting in some taxes being payable in a period other than the period in which the related income is considered earned for accounting purposes.

Even though the total amount expensed for tax and accounting purposes is the same, timing difference produce a financial benefit or cost. Where the payment of taxes is deferred, a utility has the use of the funds it would otherwise pay in taxes until the taxes are actually paid. This decreases its financing costs. Where the payment of taxes is accelerated, a utility's funding requirements are increased over the period that payment is accelerated. This increases its financing costs.

Under GAAP, most companies must report their income tax expense on an accrual basis. This means that companies report their income tax expense related to the income earned in the current period, regardless of when the taxes become payable. For example, where CCA on a new asset exceeds the current depreciation expense, current taxable income and the related taxes are reduced but this is offset by an increase in future taxable income and related taxes. Under the accrual method, the increase in future income taxes is recognized as a liability and expensed in the current period.

It is a common practice for Canadian energy utilities to employ the flow-through method for recognizing their income tax expense for regulatory purposes. With this method, income tax expense is recognized in the period that it becomes payable, regardless of the period to which it relates.

Although energy utilities tend to use the flow-through method, there are cases where Canadian energy utilities use, or partially use, the accrual method. Also the Canadian Radio-television and Telecommunications Commission ("CRTC") held the view that the telecommunications companies regulated by it should use the accrual method. The CRTC had considered the flow-through method, but rejected it[15].

NP currently uses a combination of the accrual and the flow-through methods. It uses the flow-through method except that it recognizes timing differences related to:

- its reserves; and
- capital assets, excluding GEC, so long as the timing differences do not result in a tax asset.

At the current time, the CICA Handbook allows regulated utilities to uses the flow-through method for financial reporting purposes where they use that method in setting rates and certain conditions are met. It is expected that this exception will soon be removed and all companies will have to use the accrual method for financial reporting purposes. However, this change will not affect reported income. Utilities currently using the flow through method for financial reporting purposes will recognize a regulatory asset equal to their future income tax liability arising from the accrual method, or a regulatory liability equal to their future income tax asset[16].

NP'S PROPOSAL

NP is proposing to tax effect its future employee benefit expenses – i.e., apply the accrual method to the recognition of income tax savings related to its pension and OPEB expenses. On a going forward basis, tax deductions would be recognized in the same period the related future employee benefit expenses are recognized.

There is the issue of past timing differences that have not been recognized and that have not yet reversed. NP is proposing that the impact of these past timing differences on future income taxes recoverable be recognized as they normally would under the flow through method – i.e., they would be recovered on the same basis as they would under the current accounting policy.

On a going forward basis, where an expense is less than the related income tax deduction due to a timing difference, current income taxes payable would be less that the current income tax expense – i.e., NP would pay less for income tax than it had an opportunity to

15 CRTC; Telecom Decision CRTC 89-9 - Deferred Tax Liability; July 17, 1989.

16 At the current time, utilities essentially net their future income tax liabilities and future income tax assets against their related regulatory assets and liabilities.

recover from customers in that period. This difference would be credited to its future tax liability (an increase) or future tax asset (a decrease) as appropriate.

Where the expense exceeds the deduction due to a timing difference, current income taxes payable would exceed the current income tax expense – i.e., NP would pay more income tax than it had an opportunity to recover from customers in that period. This difference would be debited to its future tax liability (a decrease) or future tax asset (an increase) as appropriate.

Any future tax liability would equal the amount NP had an opportunity to collect from customers to pay for future income taxes. It would represent funds supplied by customers that were available to finance NP's rate base. Accordingly, the future tax liability would be deducted in determining NP's rate base. Any future tax asset would represent a cost paid by NP that it had not yet had an opportunity to recover from customers. Accordingly, it would be added in determining NP's rate base.

Table 3 sets out the expected impact in 2008 from tax effecting NP's future employee benefits.

In the case of pensions, the expense will be less than the current deduction. Therefore, NP's proposal will increase its revenue requirement related to pensions. The increase is expected to be $0.5 million. Since the recovery of future income taxes will increase its current taxable income, there will be a further increase in its tax expense of $0.3 million. It will also contribute to the build up of its future income tax liability that will reduce its rate base and financing costs. This will result in a reduction of $30,000.

In the case of the OPEBs, the expense will exceed the current tax deduction. Therefore, NP's proposal will reduce its revenue requirement related to OPEBs. The reduction is expected to be $2.0 million before considering income taxes and $3.1 million after. It will also result in a build-up of a future income tax asset which will increase its rate base and financing costs. This will result in an increase of $0.1 million.

The overall impact on NP's revenue requirement in 2008 is expected to be a decrease of $2.2 million.

Table 3

Impact on Revenue Requirement Tax Effecting Future Employee Benefits 2008 ($ million)	
Pension Costs	
Future Income Taxes	0.5
Tax effects	0.3
	0.8
Impact on Financing Costs	(0.0)
	0.8
OPEB Costs	
Future Income Taxes	(2.0)
Tax effects	(1.1)
	(3.1)
Impact on Financing Costs	0.1
	(3.0)
Total Revenue Requirement	(2.2)

ANALYSIS

In considering NP's proposal to employ the accrual method for recognizing income taxes related to its future employee benefits, the key regulatory principles are the cost of service standard, the principle of intergenerational equity and the principle of rate stability and predictability.

Cost of Service

The accrual method for recognizing income taxes is consistent with the cost of service standard – at least where the future tax assets and liabilities are included in the determination of rate base.

With the accrual method, a utility is allowed the opportunity to recover only its estimated income taxes.

With the accrual method, there may be additional financing costs, or reductions in financing costs, that should be passed on to customers in accordance with the cost of service standard.

- Where the tax expense that a utility is allowed to recover through rates is less than the expected tax payments, the utility will have to fund the difference until it is able to collect the difference from customers. This will increase the utility's investment and financing costs.

- Where the tax expense that a utility is allowed to recover through rates exceeds the expected tax payments, the utility will have the use of the difference until it has to pay the difference. This will decrease the utility's investment and financing costs.

By adding any future tax asset to its rate base and deducting any future tax liability, NP's proposal will result in any change in estimated financing costs being passed on to ratepayers in accordance with the cost of service standard.

Intergenerational Equity

The principle of intergenerational equity supports the use of the accrual method for recognizing income taxes. With the accrual method, tax savings are matched with their associated expense and reduce the net cost in the period that the related service is provided, regardless of the period in which the expense is deducted for tax purposes. With the flow-through method, the tax savings may be passed on to customers years before, or after, the period in which the related service is provided and the expense is recovered from customers.

Rate Stability & Predictability

NP's proposal to employ the accrual method for recognizing income taxes related to its post employment benefits will help to enhance rate stability and predictability. The resulting reduction in current income tax expense will help to offset the increase in revenue requirement required by adopting the accrual method for recognizing OPEB costs.

Counter Argument

It appears that the main reason for using the flow-through method is the belief that deferred taxes can be deferred indefinitely. For example, in "Principles of Public Utility Rates (Second Edition)", Bonbright et al. state:

> *The main argument for a commission's refusal to make any deferred-tax allowance in a rate case – for the flow-through principle – is that, as long as the tax law remains unchanged and as long as additions to depreciable corporate assets exceed*

retirements, the tax deferment will be continuous and hence amount, in effect to a permanent tax savings. [17]

It should be noted that a tax deferral associated with a particular cost is not indefinite. For example, in the case of the accelerated write off of capital assets for tax purposes, the CCA exceeds depreciation expense in the early years, but this will be reversed over the life of the asset[18]. The tax deferral can only be extended by acquiring new assets – i.e., offsetting the increase in taxes with deductions related to a new cost.

Even if it is accepted that future taxes can be permanently deferred, there is the issue of how the resulting benefits should be allocated to periods. Consider the case of the accelerated write-off of capital costs for tax purposes. With the flow-through method, the benefits flow to the customers only in the earlier years of an asset's life and only if there is a net increase in deferred taxes. In the later years of the asset's life, or over the life of the assets that are required to maintain the deferral, there is no benefit. This point was recognized by Bonbright et al.:

But under flow-through, the major benefit of the tax reduction would go to the earlier ratepayers, in the years in which the tax payments have been reduced, instead of being apportioned among ratepayers more nearly in proportion to their relative responsibility for payments for services resulting in eventual tax liabilities.

A claimed advantage for the flow-through method is that it tends to result in lower rates, at least as long as the timing differences result in the tax deductions exceeding the associated expense. However, in the case of the OPEB expense, the expense will exceed the tax deduction for the foreseeable future. As a result, the flow-through method will result in higher rates, at least as it relates to OPEBs.

CONCLUSION

Tax effecting future employee benefit expenses (i.e., the accrual basis) is consistent with the cost of service standard, the principle of intergenerational equity and the principle of rate stability and predictability.

The flow-through method for recognizing income taxes is widely used in setting the rates for Canadian rate regulated entities, especially energy utilities. However, this method is not universally applied and there are a number of examples where the accrual method has been used.

Therefore, NP's proposal to tax effect its future employee benefits is consistent with established regulatory principles and appropriate in the context of NP.

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[17] Bonbright et al.; Principles of Public Utility Rates (Second Edition); (Public Utilities Reports, Inc.; Arlington Virginia; 1988); Pg. 288-289.

[18] CCA is usually calculated on a declining balance basis. As a result, a portion of the timing difference will extend beyond the life of the asset.

AMORTIZATION OF REGULATORY DEFERRALS

NP is proposing to amortize certain deferred revenues and deferred costs ("Specified Deferrals") over a period of five years.

NP has asked me if its proposed amortization of the Specified Deferrals set out in Table 4 is consistent with established regulatory principles and is appropriate in the context of NP.

BACKGROUND

At the end of 2007, NP is expected to have the deferred revenues and deferred costs (i.e., the Specified Deferrals), which are set out in Table 4.

Table 4

Deferred Revenues & Costs December 31, 2007 ($ million)	
Deferred Revenues	
Unrecognized 2005 Unbilled Revenue	16.4
Municipal Tax Liability	4.1
	20.5
Deferred Costs	
Depreciation True-up Deferral	11.6
Replacement Energy Cost Deferral	1.1
	12.7
Net	7.8

The two deferred revenue balances are being treated as amounts collected from customers to meet future revenue requirements, and in effect, timing differences[19]. Instead of flowing to the benefit of shareholders, these amounts have been recognized as regulatory liabilities. The two deferred cost amounts represent costs of providing service that NP has not yet had an opportunity to recover from customers.

Unrecognized 2005 Unbilled Revenue

In 2005, the Board approved a change in NP's revenue recognition policy, from the billed to the accrual method[20], effective January 1, 2006. As a result of this change in policy, NP recognized its unbilled revenue at the end of 2005 ("UUR") as revenue collected to meet future revenue requirements. By the end of 2007, the unamortized UUR (i.e., the amount of the UUR that will not have been used to offset NP's revenue requirements) is expected to be $16.4 million.

NP had also used the billed method for tax purposes. As a result of an agreement with the Canadian Revenue Agency ("CRA"), NP was required to adopt the accrual basis for tax purposes effective January 1, 2006. As part of the agreement with CRA, NP was required to recognize its unbilled revenue at December 2005 as taxable income in equal instalments over a three year period beginning in 2006. The last instalment in 2008 is expected to require additional tax payments of $2.6 million.

Most of the UUR that will have been amortized by the end of 2007 will have been recognized to cover the income taxes related to the UUR.

Municipal Tax Liability

The municipal tax liability ("MTL") represents revenues collected on account of municipal taxes that are being treated as amounts collected from customers to meet future revenue requirements. These amounts are currently being used to reduce NP funding requirements and the related financing costs that are passed on to ratepayers.

Depreciation True-up Deferral

At NP's last GRA proceeding, it was determined that there was a depreciation reserve variance of $17.2 million. In Order No. P.U. 19 (2003), the Board approved the amortization of this variance over a three year period beginning in 2003, resulting in an annual reduction in NP's depreciation expense of $5.8 million per year. With the end of the amortization period, the Board allowed NP to defer recovery in each of 2006 and 2007 of the amount of depreciation previously covered by the amortization of the

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19 The amounts are timing differences in that the costs to be covered by the revenues will be incurred in a different period than the one in which the revenues where recovered.

20 Newfoundland & Labrador Board Of Commissioners Of Public Utilities; Order No. P.U. 40(2005); December 23, 2005; pg. 8.

depreciation reserve variance. By the end of 2007, these two deferrals will amount to $11.6 million.

Replacement Energy Cost Deferral

As a result of the refurbishment of the Rattling Brook hydroelectric plant in 2007, NP has estimated that it will have to spend an additional $1.8 million in purchasing power from Newfoundland & Labrador Hydro ("Hydro"), with an after-tax impact of $1.1 million. This additional costs had not been contemplated when NP's existing rates were set. As a result, in Order No. P.U. 39 (2006), the Board approved the deferred recovery of $1.1 million in after-tax replacement energy costs associated with the Rattling Brook hydroelectric plant.

NP'S PROPOSAL

NP is proposing that $2.6 million of the UUR be used to offset the income taxes payable in 2008 as a result of the UUR. It is proposing that the remaining deferred revenue and deferred cost balances discussed above be amortized in equal amounts over a five-year period beginning in 2008.

Excluding the amount of the UUR that will be used to offset income taxes in 2008, the net amortization will amount to $1 million per year. After considering the income taxes effects, this will decrease NP's revenue requirement in each of the five years by $1.2 million.[21]

ANALSYSIS

The key regulatory principles related to the treatment of the Specified Deferrals are the cost of service standard, the principle of intergenerational equity, and the principle of rate stability and predictability. Consideration should also be given to the impact of any amortization on NP's financial integrity.

Cost of Service

The cost of service standard requires that a utility be given the opportunity to recover its costs for providing regulated service, including a fair return on its investment devoted to regulated operations – no more, no less.

In the case of the deferred revenue balances, the amounts are being treated as revenue collected to meet future revenue requirements. Therefore, using these balances to reduce the cost of service recoverable from rates is consistent with the cost of service standard.

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[21] These savings will be partially offset by an increase in financing costs. The net effect of the amortizations will be to increase NP's rate base, and therefore, its financing costs.

In the case of the deferred cost balances, by January 1, 2008, the balances will represent costs that NP has incurred but not yet had an opportunity to recover, Therefore, in accordance with the cost of service standard, NP should be given an opportunity to recover these costs.

Intergenerational Equity

The principle of intergenerational equity helps to determine when costs should be recovered. It requires that customers in a given period should pay only the costs necessary to provide them with service in that period. If costs cannot be recovered in the period for which they were incurred, they should generally be recovered as close to the period for which they were incurred as is reasonable.

Where costs are not recovered in the period for which they were incurred, recovery within a period of three to five years is often viewed as reasonable. With three to five years, the customers who pay for the costs tend to be the same as those you benefited from the incurrence of the costs. It tends to mitigate the impact on rate stability and predictability (discussed below). It also spreads the burden over a number of periods. Since the costs apply to a past period, it may be deemed more equitable to spread the burden over several periods. Similar reasoning applies to an amortization period of three to five years for deferred revenues.

In 2008, NP must pay $2.6 million in taxes related to the UUR. Therefore it is consistent with the principle of intergenerational equity for NP to match part of the UUR with that payment and amortize an amount sufficient to cover it.

In the case of the remaining UUR, the amounts were built up over an extended period going back decades[22]. In the case the MTL, the effective timing difference arose almost 20 years ago. Since many of the customers who paid for the build-up of these deferred revenues are no longer customers, the issue of intergenerational equity is not as important as it would be if the build up were more recent. As a result, there could be an argument for a longer deferral and greater weight should be given the principle of rate stability and predictability; however, amortization over a three to five year period would not be inconsistent with the principle of intergenerational equity.

The deferred costs will be recent costs in 2008, having arisen in 2006 and 2007. Therefore, amortization over a three to five year period would be consistent the principle of intergenerational equity.

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[22] The revenue available to cover future revenue requirements due to the use of the billed method arose over the entire period that the billed method was used. Within each year, the net increase in the revenue available to meet future revenue requirements was equal to the difference between the unbilled revenue at the beginning and the unbilled revenue at the end of the year.

Rate Stability

The principle of rate stability and predictability requires that rates should be stable and predictable, at least to the extent practical.

The amortization of a portion of the UUR to cover taxes on the UUR would tend to enhance rate stability and predictability. It would offset a cost related to the UUR.

NP proposed amortization of the remaining net balance of the deferrals over a five year period beginning in 2008 would amount to about $1 million a year before taxes. After considering taxes, the impact would be $1.2 million, or 0.2% of NP's total revenue requirement. Therefore it would not have a material effect on rates during the amortization period nor require a significant increase in rates at the end of the amortization period.

Financial Integrity

Financial integrity is important not only for a utility but also its customers. Where it is reduced, a utility's cost of capital may rise, a cost that in accordance with cost of service standard should be passed on to customers. A reduction may even jeopardize a utility's ability to raise capital required to provide regulated services. A factor affecting a utility's financial integrity is its cash flow.

The net impact of NP's proposal will be a reduction in cash from rates. When a deferred revenue is amortized, part of a utility's revenue requirement is met through the amortization, which does not produce any cash, rather than rates charged to customers. The amortization of NP's deferred revenue balances will be partially offset by the amortization of the deferred cost balances. However, the net effect will be a reduction in its cash flow.

As set out in the evidence of the Company, NP believes that its proposals will allow it to maintain a reasonable level of financial integrity.

CONCLUSION

NP's proposed amortization of the Specified Deferrals (UUR, MTL, Depreciation True-up, and Replacement Energy Costs) is consistent with the cost of service standard, the principle of intergenerational equity, and the principle of rate stability and predictability. It is also expected that it will not have a material impact on its financial integrity.

Therefore, NP's proposed amortization of the Specified Deferrals is consistent with established regulatory principles and is appropriate in the context of NP.

AMORTIZATION OF RESERVE BALANCES

INTRODUCTION

At December 31, 2006, NP's Degree Day Normalization Reserve ("Degree Day Component") had a debit balance of $6.8 million and its Purchased Power Unit Cost Variance Reserve ("Unit Cost Reserve") had a credit balance of $1.3 million. NP is proposing to amortize these amounts over five years.

NP has asked me whether its proposed amortization of the balances in the Degree Day Component and the Unit Cost Reserve over a five-year period is consistent with generally accepted regulatory principles and appropriate in the context of NP.

BACKGROUND

Both the Degree Day Component and the Unit Cost Reserve reduce the variability in NP's income, and therefore the risk that the utility faces. This tends to reduce NP's cost of capital, which is passed on to customers through allowed rates.

Degree Day Normalization Reserve

The Weather Normalization Reserve reduces the volatility in NP's earnings due to variations in hydrology and weather, factors that are outside of NP's control. It has two components:

- the Hydro Production Equalization Reserve adjusts NP's purchase power costs for variations in hydro production due to precipitation levels that are either above or below normal in any given year; and
- the Degree Day Component adjusts NP's revenue and purchase power costs for the effects of abnormal weather conditions.

The intention is that the transfers to and from each of the reserves will net to zero over time; however, this may not be the case.

In 2005 there was a change in the pricing structure for the power that NP purchases from Hydro and more recently there was an increase in the marginal cost of that power. As a result of these changes, the Company believes that it is likely that the balance in the Degree Day Component will not reverse. Should the conditions that would normally result in a reversal arise, NP believes that it is likely that the balance would actually increase

In its last GRA, NP presented evidence that $5.6 million in its Hydro Production Equalization Reserve would not reverse. The Board accepted NP proposal to amortize the $5.6 million over five years, resulting in an annual amortization charge of $1.1 million. This five-year amortization period ends in 2007.

In accepting NP's proposed amortization period of five years, the Board stated:

> *… the Board accepts that five years is a reasonable recovery period which will allow NP to recover its costs while minimizing the impact on consumers. The Board is reluctant to extend recovery of any outstanding balance longer than necessary….*[23].

Purchased Power Unit Cost Variance Reserve

As noted above, in 2005 there was a change in the pricing structure for the power NP purchases from Hydro. Instead of a single energy charge rate, NP now pays a demand charge and a two-tier energy rate. The second tier rate is paid on energy purchases above a set level and reflects Hydro's marginal cost of production.

With this pricing structure, NP's cost of power per kwh can vary due to variations in both energy purchased and peak demand from the estimates used in setting NP's rates. This tends to increase the variability in NP's earnings and the risk that it faces. As a result of the change in pricing structure, the Board approved a reserve (i.e., the Unit Cost Reserve)[24].

The Unit Cost Reserve is charged with, or credited with, the energy cost variance in excess of a deadband. The energy cost variance is equal to the normalized actual amount of energy purchased in kwhs times the difference between the forecast cost of purchased power per kwh and the actual normalized cost.

At the end of 2006, there was a credit in the reserve account of $1.3 million. The entire balance arose in 2006.

NP'S PROPOSAL

NP believes that the Degree Day Component is still relevant and will tend to reverse itself on a going forward basis. However, due to changes in the rates charged by Hydro, the balance of $6.8 million in the reserve at the end of 2006 is not likely to reverse. It is therefore proposing to amortize this $6.8 million over a five-year period beginning in 2008. Five years was chosen because it is consistent with the amortization period that the Board approved for the amortization of the non-reversing portion of the Hydro Production Equalization Reserve.

NP is also proposing to amortize the credit balance in the Unit Cost Reserve of $1.3 million over five years.

Under NP's proposal, the net amount to be amortized for these two reserves would be $5.5 million (i.e., $6.8 million - $1.3 million = $5.5 million) and the net amount

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[23] Newfoundland & Labrador Board of Commissioners of Public Utilities; Order No. P.U. 19 (2003); June 20, 2003; pg. 79.

[24] Newfoundland Board of Commissioners of Public Utilities; P.U. 44(2004; pg. 13.

amortized each year would be $1.1 million a year. After accounting for income taxes, the impact on NP's revenue requirements would be $1.7 million per year.

The net addition to revenue requirements from the above amortizations would be offset by the end to the amortization related to the Hydro Production Equalization Reserve, which ends in 2007. This amortization is essentially equal to the net amount of the proposed amortizations (i.e., $1.7 million)

ANALYSIS

The key principles related to NP's proposed amortization of the balances in the Degree Day Component and the Unit Cost Reserve are the cost of service standard, the principle of intergenerational equity, and the principle of rate stability and predictability.

Cost of Service Standard

Rates are normally set prospectively. Consistent with the cost of service, rates are set so that a utility will have an opportunity to recover its expected costs.

Since rates are set prospectively, a utility normally bears the risk that actual costs may vary from what was expected in setting rates. However, as long as the possibility of recovering more than its costs is offset by the possibility of recovering less, and the utility is adequately compensated for the resulting risk, the cost of service standard is met.

Higher risk results in a higher cost of capital that should be passed on to customers in accordance with the cost of service standard. Therefore regulators often create variance accounts such as the Degree Day Component and the Unit Cost Reserve. The variances captured by these accounts, whether positive or negative, are included in the determination of future rates. This does not change the expected earnings of the utility, (other than reductions due to lower risk) but reduces the variability of its earnings and the risk that it bears.

Where costs are subject to a variance account, rates are set on the basis that any variance (or the portion of the variance covered by the account) will be recovered from or returned to customers. In return for avoiding the impact of a negative variance, a utility forgoes the opportunity to benefit from a positive variance. The inclusion of variances in the determination of future rates is part of the overall opportunity to recover the cost of service. Therefore, if a utility is not allowed an opportunity to recover charges to a variance account, it will not have an opportunity to recover its cost of service. Similarly, if a utility is allowed to retain a credit balance in a variance account for the benefit of its shareholders, it will have an opportunity to recover more than its cost of service.

The balance in the Degree Day Component represents a cost of providing regulated service that NP has not yet had an opportunity to recover. It was expected that the balance would be offset by credits in other periods; however, due to changes outside NP's control, it is now expected that $6.8 million in charges will not reverse. Presumably, if there were a non-reversing credit balance in the account, NP would not be allowed to flow the benefit through to its shareholders. In accordance with the cost of service standard, NP should have a reasonable opportunity to recover the balance through allowed rates.

The balance in the Unit Cost Reserve represents a positive variance and rates were set on the basis that any positive variance would be returned to customers. Therefore, consistent with the cost of service standard, the balances should be refunded to customers[25].

The issue is in what period should it recover the non-reversing amount in the Degree Day Component and refund the balance in the Unit Cost Reserve?

Intergenerational Equity

The non-reversing amount in the Degree Day Component represents costs of providing service in previous periods, with most of the build up of the reserve balance occurring in the last few years. Since it is not possible to adjust past rates, it would normally be appropriate to recover the balance through rates over as short a period as is reasonable, such as within a period of three to five years, so that the customers who eventually pay the additional costs are largely the same as those who benefited from the incurrence of the costs.

However, consideration of equity between periods would also support amortization of the balance in the Degree Day Component over a period greater than one or two years. The charges and credits to the reserve were expected to balance out. However, NP has found that there is a need for an adjustment. Although there may be a need for other adjustments in the future, these types of adjustments would tend to occur periodically and not annually. Since these types of adjustments are expected to occur only periodically, it would be more consistent with maintaining equity between the customers of different periods to spread the adjustments (whether a charge or a credit) over a period of time rather than having the full amount of the adjustment reflected in the rates for the customers of a single period.

The balance in the Unit Cost Reserve arose in 2006. Consistent with the principle of intergenerational equity, the amount should be returned to customers as quickly as is reasonable, which would normally be within a period of three to five years.

Therefore, NP's proposed amortization of the two amounts over five years is consistent with the principle of intergenerational equity.

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[25] This assumes that the possibility of refunding a positive balance and the possibility of recovering a negative balance where offsetting, at least under prudent management.

In allowing the Unit Cost Reserve, the Board stated that it would "retain the discretion to determine the disposition of the reserve, taking into account NP's response to the demand and energy rate to reduce system peak". However, it is assumed that it was expected that any variance would be charged to or returned to customers as long as NP acted prudently.

Rate stability & Predictability

NP is proposing to amortize the debit balance of $6.8 in the Degree Day Component and the credit balance in the Unit Cost Reserve of $1.3 million over a five-year period starting in 2008. After considering the impact on income taxes, this will result in an increase in revenue requirements of $1.7 million in each of the five years – about 0.3% of total revenue requirements, and this increase will be offset by the end of the amortization related to the Hydro Production Equalization Reserve. Moreover, the end of the amortization is unlikely to have a material impact on rates. Therefore, even considering the overall rate increase NP is seeking, NP proposals is consistent with the principle of rate stability and predictability.

CONCLUSION

NP's proposed amortization of the non-reversing balance in the Degree Day Component and the balance in the Unit Cost Reserve over a five-year period is consistent with the cost of service standard, the principle of intergenerational equity and the principle of rate stability and predictability.

Therefore, NP's proposed amortization of the balance in the Degree Day Component and the Unit Cost Reserve over a five-year period is consistent with generally accepted regulatory principles and appropriate in the context of NP.

ADJUSTMENTS TO RATE BASE

INTRODUCTION

In 2008, NP will complete its transition to a return on rate base methodology. Consistent with this change, NP is proposing to make a number of adjustments to the determination of its rate base.

NP has asked me if its proposed adjustments to the determination of its rate base are consistent with established regulatory principles and appropriate in the context of NP.

BACKGROUND

NP is moving to an asset rate base methodology from what was essentially a return on investment capital methodology.

With a return on rate base methodology, a utility's allowed return is calculated as its rate base times its weighted average cost of capital (i.e., allowed rate of return). If it is to have an opportunity to earn a fair return in accordance with the cost of service standard, the utility's rate base should reflect its investment in regulated operations[26]. This investment is essentially equal to the net amount of cash that the utility has had to pay out to provide regulated service but has not yet had an opportunity to recover through rates[27].

Under the old methodology for determining NP's allowed return, changes to rate base that were not reflected in invested capital had no impact on NP's return. For example, any increase in rate base was offset by a corresponding decrease in its allowed rate of return on rate base. At least this was the case where the allowed rate of return was being established for a test year within a general rate application ("GRA")[28].

In a 2003 decision related to NP's last GRA, the Board decided that NP should move to an asset rate base method:

> *The Board finds that the Asset Rate Base method should replace the Invested Capital approach currently used to calculate NP's rate base. The move to the Asset Rate Base method will begin in 2003 by incorporating deferred charges in rate base.*[29/30]

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[26] Where this is not the case, adjustment must be made to the allowed rate of return if a utility is to have an opportunity to earn a fair return.

[27] The rate base may also include allowed equity returns that the utility has not yet had an opportunity to recover through rates. For example, the cost of equity in the allowance for funds used during construction ("AFUDC") is included in the cost of the associated assets.

[28] For other years, this may not have been the case.

[29] Newfoundland and Labrador Board of Commissioners of Public Utilities; Order No. P.U. 19 (2003) - Newfoundland Power Inc. 2003 General Rate Application; June 20, 2003; pg. 71.

NP PROPOSAL

NP is proposing to add the assets in Table 5 to its rate base and to subtract the liabilities in Table 5. These adjustments are necessary if NP's rate base is to equal the net investment that it must finance.

Table 5

2008 Adjustments to Average Rate Base ($ million)	
Assets	
Customer Finance Program Receivables	1.7
Liabilities	
Accrued OPEB Liability	3.2
Accrued Pension Liability	3.0
Customer Security Deposits	0.7
Municipal Tax Liability	3.7
	10.6
Net	(8.9)

The description of the amounts in Table 5 is as follows:

Customer Finance Program Receivables:

> These receivables result from loans to customers related to energy management/conservation programs.

[30] Although not specifically defined in the decision, the "Asset Rate Base method" is assumed to be the return on rate base methodology described above.

Accrued OPEB Liability:

> This is the cumulative amount of OPEBs that NP will have expensed in excess of OPEB payments and is equal to the difference between the OPEB Regulatory Asset[31] and the OPEB Liability[32] appearing on NP's financial statements.

Accrued Pension Liability:

> This is the cumulative amount of pension costs that have been expensed for NP's pension uniformity plan ("PUP") and supplementary employee retirement plan (SERP") in excess of the related payments.

Customer Security Deposits:

> This is the amount of customer security deposits received from customers in accordance with the NP's Schedule of Rates, Rules and Regulations.

Municipal Tax Liability:

> This is the MTL discussed in the previous section. It represents amounts recognized as revenue collected to meet future revenue requirements.

In addition, NP is proposing that its unamortized Deferred Debt Issue Costs be removed from the determination of its rate base, and instead, be subtracted from the amount of debt used in calculating its average cost of debt. These costs arose in connection with the issuance of NP's debt and the amortization of these costs is currently included in the determination of the NP's cost of debt and WACC. NP is making this change so that the debt related amounts are consolidated.

ANALYSIS OF PROPOSAL

NP's proposed adjustments are consistent with the cost of service standard. With the return on rate base methodology, the allowed return is determined by multiplying the utility's rate base by its allowed rate of return. To meet the cost of service standard, the rate base must reflect what the utility must finance, unless there is an offsetting adjustment to the allowed rate of return.

As of January 1, 2008, the OPEB Regulatory Asset and the OPEB Liability will be the same. However, going forward, the amount by which the OPEB Liability exceeds the OPEB Regulatory Asset (i.e., the Accrued OPEB Liability) will represent that amount

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[31] The OPEB Regulatory Asset is cumulative amount of OPEB costs that has been accrued for financial reporting purposes (in accordance with GAAP) in excess of what has been expensed for regulatory purposes.

[32] The OPEB Liability is the cumulative amount that has been accrued for financial reporting purposes (in accordance with GAAP) in excess of OPEB payments.

that NP has had an opportunity to recover from its customers for OPEBs in excess of what it has paid out. It will therefore represent amounts available to finance its operations and should be deducted in determining its rate base.

The Customer Finance Program Receivables represents amounts that NP has paid out but not yet recovered from customers. Accordingly, it represents an amount that must be financed by NP and should be added to rate base.

The Accrued Pension Liability, Customer Security Deposits and the Municipal Tax Liability represent amounts that NP has had the opportunity to recover from its customers to cover costs that it has not yet paid out. They represent amounts that are available to finance its operations and therefore should be subtracted in determining NP's rate base.

The Deferred Debt Issue Costs are a cost of financing NP's operations. Until the costs are amortized and NP has an opportunity to recover them from customers, they must be funded by NP. Therefore it is appropriate to include the unamortized balance in its rate base. However, removing the unamortized balance from both rate base and the debt used in calculating the weighted average cost of capital has essentially the same effect on NP's allowed return[33]. It reduces the rate base on which the allowed return is calculated but this is offset by an increase in WACC.

CONCLUSION

NP's proposed adjustments are consistent with the cost of service standard. Except for the deferred issuance costs, the adjustments either add to rate base amounts NP has paid but not had an opportunity to collect from customers or subtract amounts NP has had an opportunity to collect from customers but has not yet had to pay out. These adjustments are necessary if NP's rate base is to reflect the amounts that must be financed to provide regulated service.

In the case of Deferred Debt Issue Costs, removing the unamortized amounts from both rate base and the amount of debt included in the calculation of WACC should have no material impact on its revenue requirement.

Therefore, NP's proposed adjustments to the determination of its rate base are consistent with established regulatory principles and appropriate in the context of NP.

[33] Where rate base is the same as invested capital, the effect would be exactly the same. This is demonstrated using an example in Exhibit JTBC-3.

CASH WORKING CAPITAL

INTRODUCTION

NP has included an allowance for cash working capital in its rate base. To support the determination of this allowance, it completed a lead-lag study based on 2005 data.

NP has asked me whether the methodology it employed for establishing its cash working capital allowance is consistent with established regulatory practice and appropriate in the context of NP.

BACKGROUND

Cash working capital is part of a utility's investment in regulated operations. In most cases, a utility must pay for its cash operating expenses before it collects from customers the revenues intended to cover those costs. From the time the cash is paid out till the time a utility recovers the related revenues, the amount of the costs must be financed by the utility. Therefore it is appropriate to include an allowance for cash working capital in a utility's rate base[34].

In discussing the calculation of working capital, Bonbright et al. state:

> *None of the methods for calculating the working capital allowance will produce a result that is precisely correct. The purpose of the calculation should be to arrive at an amount that is reasonable and contains no obvious defects, and which is not so time consuming to compute that the costs exceeds the benefit. To determine working capital in a retail rate case, a utility may combine cash working capital determined by a lead-lag study, plus average balances of the investment in materials and supplies ….*[35]

As traditionally defined, a utility's working capital allowance considers only cash working capital plus inventories[36], where cash working capital is defined as the investment required to finance cash operating expenses from the time they are paid until the time they are recovered from customers. As a result, it considers only payables associated with cash operating expenses and receivables associated with the revenues intended to recover these costs. Although not a cash operating expenses, it is common practice to consider the financing related to sales taxes such as the HST.

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[34] Where the revenues related to a cost are recovered before payment is made for the costs, there is a reduction in the net investment in regulated operations. This net reduction should be subtracted in determining a utility's rate base.

[35] Bonbright et al.; Principles of Public Utility Rates (Second Edition); (Public Utilities Reports, Inc.; Arlington Virginia; 1988); pg. 243-244.

[36] There may be some other miscellaneous items. For example, where appropriate, there may be an allowance for minimum cash balances.

Most major utilities use a lead-lag study to establish their cash working capital. Other approaches include the balance sheet method and the formula approach, but they are generally viewed as less accurate measurements of the net investment in cash working capital.

With the lead-lag method, a utility determines the average time from payment of cash operating expenses to the time those costs are recovered from customers. This time period is usually broken down into two periods: the revenue lag – which represents the time from the provision of service to the time the related revenues are collected from customers; and the expense lag – which represents the time from the provision of service to the time the related cash operating expenses are paid for. The difference between these two periods is divided by 365 to establish the average amount of cash working capital required per dollar of cash operating expense. The result is applied to the estimated amount of cash operating expenses to determine the cash working capital that should be included in the utility's rate base.

NP'S PROPOSAL

NP is proposing to include $9.3 million in its rate base on account of cash working capital. This amount reflects the traditional definition of cash working capital and is based on a lead-lag study.

NP completed a lead-lag study using data from 2005, the last year for which complete financial data was available. Before calculating the leads and lags, it removed non-recurring and non cash items. It then applied the resulting leads and lags to the estimated revenues, cash operating expenses and HST for 2008 to establish its cash working capital for 2008.

ANALYSIS

My mandate was to review the methodology employed in establishing NP's cash working capital allowance and did not include a review of the related calculations and studies supporting the calculations (e.g., the review of invoice payments). As a result, the review on which my conclusion is based consisted of, and was limited to, the methodology that NP stated that it employed.

CONCLUSION

Based my review as noted above, the methodology described by NP in establishing its cash working capital allowance is consistent with established regulatory practice and appropriate in the context of NP.

RESUME - JOHN T. BROWNE

Summary: John Browne has been providing costing and regulatory consulting services to utilities and telecommunications companies for 23 years.

He has directed and worked on a wide range of studies for regulated companies dealing with accounting and cost allocation principles, cost of service determination, product costing/pricing, rate of return, capital structure, and methods of regulation.

He has appeared as an expert witness on accounting, costing and financial issues before the following regulatory tribunals: Canadian Radio-television and Telecommunications Commission, Canadian Transport Commission, the Alberta Public Utilities Board / the Alberta Energy and Utilities Board, the Manitoba Public Utilities Board, Newfoundland and Labrador Board of Commissioners of Public Utilities and the Nova Scotia Board of Commissioners of Public Utilities.

Education / Professional Qualifications:

- Bachelor of Commerce - Queen's University
- Master of Arts (Economics) - Queen's University
- completed the course work and comprehensive exam requirements of the doctorate program in economics
- Chartered Accountant

Committees/ Publications: Mr. Browne was Chairman of the Canadian Institute of Chartered Accountants (“CICA”) Study Group that produced the CICA research report “Financial Reporting By Rate Regulated Enterprises”. He also co-authored the CA Magazine articles “A Matter Of Principles - Part I” and “A Matter Of Principles - Part II” that dealt with accounting by rate-regulated enterprises.

He co-authored the Deloitte & Touche publication “Basics of Canadian Rate Regulation” and authored the Deloitte & Touche monograph “The Contractual Pitfalls of Relying on GAAP”.

He wrote and distributed the monograph “Fundamentals of Rate Regulation”, an update of “Basics of Canadian Rate Regulation” and has written and distributed a number of comment papers dealing with various regulatory issues.

Key Clients: Mr. Browne's major clients have included: Newfoundland Power Inc., Nova Scotia Power Inc., New Brunswick Power Corporation, Hydro Quebec, Ontario Hydro, Manitoba Hydro, SaskPower, Edmonton Power/EPCOR, Enmax, Ottawa Hydro, Canadian Electricity Association, Ontario Energy Board, Atco Gas, Enbridge, Newfoundland Telephone Company Ltd., Bell Canada, Manitoba Telephone System, Saskatchewan Telecommunications, AGT/TELUS, Teleglobe, Telesat Canada, Southwestern Bell Telephone Company, New York Telephone and The Telecommunication Authority of Singapore.

Selected Assignments:

- Completed a survey of Canadian regulators to determine what they viewed as their objectives and how they interpreted those objectives.

- Provided a one-day workshop on regulatory issues to an electric utility with both distribution and transmission operations. The key focus was on performance-based regulation and affiliate transactions.

- Advised an electric utility on issues related to the calculation of cash working capital.

- Prepared and delivered a half day seminar on accounting for the effects of rate regulation for a Canadian electric utility.

- Assisted Hydro-Québec by researching issues related to the determination of rate base for a first time rate application and preparing a report that recommended how the utility's rate base should be established at its initial rate hearing.

- Researched and analysed the issue of a deferral plan for the introduction of a new plant into rate base. Prepared evidence on the issue for Nova Scotia Power and appeared as an expert witness. Subsequently prepared evidence and appeared as an expert witness on changes to the deferral of the costs on the plant due to changes in circumstances.

- Assisted Newfoundland Power by providing an opinion on regulatory accounting policies including: relationship of regulatory accounting policies to GAAP, the use of the accrual vs. billed method for recognizing revenue, the treatment of unrecognized unbilled revenue and policies related to the utility's transition to an asset rate base methodology. The opinion was submitted to the utility's regulator and expert testimony was provided.

- Prepared a report for Hydro-Québec TransÉnergie that addressed regulatory issues related to the transfer of assets into the utility's regulated rate base.

- Researched and analysed the methodology for calculating working capital for Edmonton Power. Prepared evidence on the issue and appeared as an expert witness.

- Researched, analysed and presented a recommendation that an electric utility should be allowed to defer tax costs so that the utility could avoid a rate increase followed by a rate decrease.

- Reviewed various regulatory issues as part of the due diligence for the Altalink's purchase of TransAlta's transmission assets in Alberta.

- Provided a written opinion for Nova Scotia Power on its regulatory treatment of amounts related to an income tax dispute. The report dealt with past taxes that had not been recovered in allowed rates and future taxes that may not be payable.

- Prepared a report for SaskPower, an integrated electric utility, that addressed the issues related to including or excluding non-core operations from the scope of rate regulation and the regulatory implications for any dealings between these types of operations and its core regulated operations.

- Provided a written opinion for Newfoundland Power on accounting and regulatory issues related to future employee benefits and the company's hydro production equalization reserve. The opinion was included in the company's rate submission.

- Reviewed a utility's lead-lag study to determine whether the methodology was reasonable and adequately supported the net cash working capital that should be included in its rate base.

- Researched and analysed the issues of phase-in and risk sharing for Edmonton Power's Genesee plant and prepared a recommendation that was submitted to the utility's regulator. Expert testimony was also provided.

- Completed a study for New Brunswick Power that identified and evaluated the options for restructuring the electric power industry in New Brunswick and privatizing all or part of the Company. As part of the assignment, reviewed the developments occurring throughout the world with a focus on North America.

- Provided a written opinion for Nova Scotia Power that addressed whether its proposal to change from market value to market related value in determining its pension expense was consistent with generally accepted accounting principles and established regulatory principles.

- Assisted a diversified energy company by reviewing its transfer prices to and from regulated operations and recommending changes.

- Assisted a telecommunications company in developing and supporting a position on working capital for a regulatory hearing.

- Prepared evidence for a hearing before the Newfoundland Board of Commissioners of Public Utilities that dealt with regulatory control, regulatory reporting, return for a public sector utility and the accounting issues of inter-corporate charges and employee future benefits.

- Prepared a report that dealt with the corporate charges from a parent company to a regulated gas utility. The report evaluated the consistency of the charges with the past decisions of the OEB and its Affiliate Relationships Code for Gas Distributors. The report was submitted to the OEB.

- Assisted Ontario Hydro Services Company (now Hydro One), in understanding its regulatory options by researching and providing advice on a number of regulatory issues related to transfer pricing, structural organization, accounting for income taxes, relationships with affiliated companies, performance-based regulation, etc.

- Researched and evaluated options for the regulation of Nova Scotia Power. A recommendation was submitted to the utility's regulator and expert testimony provided.

- Analysed the issue of the appropriate accounting and regulatory treatment of Nova Scotia Power's defeasance program. Prepared evidence and appeared as an expert witness on the issue.

- Researched and evaluated the appropriateness of Newfoundland Power Inc.'s inter-corporate charges. A recommendation with support was submitted to the Newfoundland and Labrador Board of Commissioners of Public Utilities.

- Prepared an opinion for SaskPower on the proper accounting for its capital reconstruction charge that recognized its position as an electric utility with rates set on a cost recovery basis.

- Assisted the Ontario Energy Board Staff in identifying the parameters for a costing study to be completed by a gas distribution utility regulated by the Board.

- Assisted New Brunswick Electric Power in addressing various accounting issues related to its first rate hearing.

- Researched, analysed and prepared a recommendation on the issue of whether Nova Scotia Power should recover a purchase premium paid by the utility on the purchase of a distribution utility.

- Completed a study and prepared a report for Edmonton Power recommending an appropriate capital structure for regulatory purposes that formed part of the utility's 1996 submission to the Alberta Energy and Utility Board.

- Advised Manitoba Hydro on the development of appropriate financial targets and prepared evidence on the issue for submission to the utility's regulator. The assignment required researching and analysing the issue of appropriate financial targets for a government owned utility.

- Researched and analysed various issues dealing with the introduction of price-cap regulation for a telecommunications company and prepared position papers for the company.

- Analysed and recommended an appropriate capital structure for Ottawa Hydro (a municipally owned utility) in the context of the restructuring of the Ontario electric power industry.

- Advised the business unit of a major telecommunications company on the appropriate basis for establishing the transfer prices to be charged to other business units within the company.

- Assessed the feasibility of a co-generation power project proposed by one of Ontario Hydro's customers. The study was required before the utility could offer discounted rates to the customer to dissuade it from proceeding with the project.

- Evaluated the ability of a telecommunications company's existing costing systems to meet CRTC Phase III costing requirements and provided an opinion on whether the methodology would be defensible.

REGULATORY PRINCIPLES

Regulators must review and set rates in accordance with their empowering legislation. However, this legislation seldom contains detailed guidance on how to set rates and often states little more than that rates must be just and reasonable.

The lack of detailed guidance means that regulatory boards not only have the opportunity to exercise a significant amount of judgment in setting or approving rates, they are required to do so. To assist them in exercising their judgment, they frequently refer to established regulatory principles to guide them in determining what is appropriate in a particular case.

No single authority sets regulatory principles. Instead, principles become established through their general acceptance by regulators, and in some cases, reflect court decisions. Unfortunately, the principles may sometimes be in conflict and tradeoffs are required.

In the context of the issues on which NP has requested an opinion, the following principles are relevant:

- just and reasonable;
- cost of service standard;
- prudence standard;
- fair return;
- intergenerational equity; and
- rate stability and predictability.

JUST & REASONABLE

The primary regulatory principle, and the one most likely to be incorporated into regulatory legislation, is that rates should be just and reasonable. “Just and reasonable” applies to both ratepayers and regulated entities. It requires a weighting of the legitimate interests of both parties.

This principle is consistent with the declared policy of the Province of Newfoundland and Labrador. For example, paragraph 3 of the “Electric Power Control Act, 1994” states that it is the declared policy of the province that the rates to be charged, either generally or under specific contracts, for the supply of power within the province should be reasonable and not unjustly discriminatory.

Unfortunately, “just and reasonable” is a vague and subjective concept. It provides an overall direction to regulators but little specific guidance.

COST OF SERVICE STANDARD

At the heart of rate regulation is the cost of service standard, sometimes referred to as the revenue requirement standard.

Under this standard, a regulated entity is permitted to set rates that allow it the opportunity to recover its costs for regulated operations, including a fair rate of return on its investment devoted to regulated operations – no more, no less.

This standard does not require that a regulated entity be guaranteed a fair return, only that it have an opportunity to earn it. In most cases, rates are set prospectively, based on estimated future costs. If the entity over-recovers, it normally keeps the excess. If it under-recovers, it bears the deficiency.

The opportunity to earn a fair return implies that the possibilities of under and over-earning are offsetting. Using more technical language, allowed rates should provide an expected rate of return equal to the fair rate of return, where the expected rate of return is equal to the average of the possible rates of return weighted by the probability of their occurrence[1].

The cost of service standard is consistent with what is expected to occur in a competitive market, where the prices for goods and services tend to equal the cost of providing them, including a fair return. This is important since it is often argued that rate regulation is a proxy for competition[2] and it tends to be withdrawn where there is adequate competition to protect ratepayers.

The standard also reflects fairness and the necessity to offer adequate incentives for providing regulated services:

- In fairness, an entity's investors should have the opportunity to recover their costs, including a fair return, just as they would if they were to invest in a non-regulated entity of similar risk. However, ratepayers should not have to provide investors with the opportunity to earn more than they could expect from investing in non-regulated operations of similar risk.

- From an incentive viewpoint, unless investors have a reasonable opportunity to recover their costs, it will be difficult to attract the investment necessary to provide regulated operations. However, the opportunity to recover costs, including a fair return, should provide an adequate incentive to attract those funds.

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[1] For example, if there is a 40% probability of an 8% return, and a 60% probability of a 12% return, the expected return is 10.4%: (8% x 40%) + (12% x 60%) = 10.4%.

[2] For example, in a 2001 decision the Ontario Energy Board ("OEB") stated: *The Board notes that the general role of the regulator is to act as a proxy for competition….* (OEB; ; RP-2001-0032; December 13, 2002 para. 5.11.49)

The cost of service standard is applicable to all regulatory methodologies, including performance-based methods such as price cap regulation. A regulated utility may earn more or less than a fair return, and performance based methods increase the possibility of realized earnings deviating from a fair return. However, the issue is that a regulated entity should have a reasonable opportunity to earn a fair return, which implies that the possibilities of under and over earning are offsetting.

PRUDENCE STANDARD

The prudence standard modifies the cost of service standard. Under this standard, ratepayers should be charged only for prudently incurred costs. This recognizes the fact that regulated entities have a responsibility to manage themselves in a prudent manner.

Prudency is determined by considering whether management decisions were consistent with what a reasonable person with appropriate competence might have decided in a similar situation. This should not be done in hindsight. A regulated entity's management can be expected to rely only on information reasonably available to it when it makes its decisions. In addition, it is generally assumed that management has acted prudently unless evidence exists to the contrary.

In a recent decision, the Ontario Energy Board ("OEB") set out four principles that are reflective of the common interpretation of the prudence standard:

- *Decisions made by the utility's management should generally be presumed to be prudent unless challenged on reasonable grounds.*

- *To be prudent, a decision must have been reasonable under the circumstances that were known or ought to have been known to the utility at the time the decision was made.*

- *Hindsight should not be used in determining prudence, although consideration of the outcome of the decision may legitimately be used to overcome the presumption of prudence.*

- *Prudence must be determined in a retrospective factual inquiry, in that the evidence must be concerned with the time the decision was made and must be based on facts about the elements that could or did enter into the decision at the time.*[3]

[3] OEB; Enbridge Consumers Gas Distribution Inc., RP-2001-0032; December 13, 2001; para. 3.12.2.

FAIR RATE OF RETURN

Under the cost of service standard, a regulated entity should have an opportunity to recover its costs for regulated operations, including a fair rate of return. To be considered fair, the return must be:

- Commensurate with returns on investments of similar risk;
- Sufficient to assure financial integrity; and
- Sufficient to attract necessary capital.

The first standard is consistent with the economic definition of the cost of equity and the goal of treating equity investors fairly. From an economic perspective, the cost of making an investment is the return foregone by not investing in an alternative investment of similar risk. In fairness, investors should have the opportunity to earn a return commensurate with what they could expect to earn from non-regulated investments of similar risk.

The second and third standards reflect both investor and customer interests. A regulated entity must be financially viable and have adequate returns to attract necessary capital if it is to be able to service ratepayers. Generally, if the first standard is met, so will the others.

The basis for these criteria is found in two US Supreme Court decisions frequently quoted in regulatory proceedings:

- Bluefield Water Works & Improvement Company v. Public Service Commission of the State of West Virginia et al. (262 US 679, 1923); and
- Federal Power Commission et al. v. Hope Natural Gas Co. (320 US 591, 1944).

The first standard was also set out by the Supreme Court of Canada (in Northwestern Utilities Limited v. The City of Edmonton and Alberta Public Utilities Board; 1929, SCR 186, 193), which defined a fair return as meaning:

> *The company will be allowed as large a return on the capital invested in its enterprise (which will be net to the company) as it would receive if it were investing the same amount in other securities possessing an attractiveness, stability and certainty equal to that of the company's enterprise.*

INTERGENERATIONAL EQUITY

The principle of intergenerational equity deals with how the cost of service should be recovered from ratepayers. Under this principle, ratepayers in a given period should pay only the costs necessary to provide them with service in that period. They should not have to pay for any costs incurred to provide service to ratepayers in another period. This principle is consistent with setting just and reasonable rates within each period.

For example, a regulated entity is usually not allowed to earn a return on projects under construction. It’s incurring this cost to provide service to future ratepayers, not ratepayers in the current period. Instead, the return is capitalized and recovered through depreciation over the period in which the assets are used to provide service.

Combined with the cost of service standard, the principle of intergenerational equity requires that rates within a period should cover the costs of providing service in that period.

This principle’s importance depends on the periods involved. Customers in one year tend to be the same as those in the next and their relative usage generally doesn’t vary that much from year to year. Having customers in one year pay more as a result of costs incurred to provide service in the previous year would not be as serious a breach of this principle as it would be if they had to pay more because of service provided to customers 10 years earlier. In the first case, it is more likely that the costs will be borne by those that benefited from their incurrence, and in proportion to the benefits they received.

If costs can’t be recovered in the period for which they were incurred, it’s generally best to recover them in a period as close as possible to the one for which they were incurred.

RATE STABILITY AND PREDICTABILITY

Another principle that deals with how the cost of service should be recovered is the principle of rate stability and predictability. It requires rates to remain stable and predictable – at least to the extent practical.

This principle recognizes that it is usually easier for ratepayers to deal with gradual and predictable rate increases. It may justify smoothing out changes in rates to avoid sharp rate climbs or temporary fluctuations.

The principle's intent is to establish only when costs are recovered, not the amount actually recovered. In practice, it does affect the amounts recovered because the timing of cost recovery affects financing costs. Where costs are deferred, the deferred amount must be financed, and regulated entities are entitled to recover the additional financing costs under the cost of service standard.

The principle of rate stability and predictability may require costs to be collected from ratepayers in periods other than those for which they were incurred. Therefore, it is inconsistent with the principle of intergenerational equity. Despite that, it’s justified because it recognizes the adverse consequences where ratepayers must adjust to significant rate increases or short-term rate fluctuations.

As time passes, the makeup and usage of a customer group changes. Therefore, the longer the period that costs are deferred, the more serious the breach of the intergenerational equity principle. As a result, when the principle of rate stability and predictability is applied, cost deficiencies should be recovered over as short a period as is reasonable, so the customer group that eventually pays for the costs is similar to the one benefiting from the costs. Similarly, if, to avoid a sharp rate increase, costs are recovered before a period for which they will be incurred, the intervening period should also be as short as reasonably possible.

CHANGES TO RATE BASE & INVESTED CAPITAL

The following demonstrates that, where invested capital equals rate base, reducing both invested capital and rate base by the same amount will have not impact on a utility's allowed return.

In the example presented below, invested capital and rate base are both initially equal to $1,000 and the return on rate base is equal to the total financing costs of $100. After reducing both invested capital and rate base by $150, the return on rate base is still $100. Although there is a reduction in rate base, this is offset by an increase in the weighted average cost of capital ("WACC").

Impact of Reducing Both Rate Base and Invested Capital	
Basic Assumptions:	
Financing costs:	$100
Initial:	
Invested Capital	$1,000
Initial Rate Base	$1,000
With $150 Reduction:	
Invested Capital	$1,000 - $150 = $850
Initial Rate Base	$1,000 - $150 = $850
Initial Return on Rate Base:	
WACC	$100 / $1,000 = 10%
Return on Rate Base	10% * $1,000 = $100
Return on Rate Base With Reductions:	
WACC	$100 / $850 = 11.765%
Return on Rate Base	11.765% * $850 = $100

Depreciation Study
Calculated Annual Depreciation Accruals
Related to Electric Plant at December 31, 2005

NEWFOUNDLAND POWER INC.

ST. JOHN'S, NEWFOUNDLAND

DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC PLANT AT DECEMBER 31, 2005

Gannett Fleming
Valuation and Rate Division

Harrisburg, Pennsylvania   Calgary, Alberta   Valley Forge, Pennsylvania

NEWFOUNDLAND POWER INC.
St. John's, Newfoundland

DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS

RELATED TO ELECTRIC PLANT

AT DECEMBER 31, 2005

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION

Harrisburg, Pennsylvania

Gannett Fleming

GANNETT FLEMING, INC.
P.O. Box 67100
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August 31, 2006

Newfoundland Power Inc.
55 Kenmount Road
St. John's, Newfoundland A1B 3P6

Attention Robert Meyers, Treasurer

Ladies and Gentlemen:

Pursuant to your request, we have conducted a depreciation study related to the electric plant of Newfoundland Power Inc. as of December 31, 2005. The attached report presents a description of the methods used in the estimation of depreciation and the summary of annual and accrued depreciation.

A separately bound volume includes appendices which set forth the statistical support for the life and net salvage estimates and the detailed tabulations of annual and accrued depreciation.

We gratefully acknowledge the assistance of Newfoundland Power Inc. personnel in the conduct of the study.

Respectfully submitted,

GANNETT FLEMING, INC.
VALUATION AND RATE DIVISION

John F. Wiedmayer

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Project Manager, Depreciation Studies

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PART I. INTRODUCTION

NEWFOUNDLAND POWER INC.

DEPRECIATION STUDY

CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO ELECTRIC PLANT
AT DECEMBER 31, 2005

PART I. INTRODUCTION

PLAN OF REPORT

This report sets forth the results of the depreciation study for Newfoundland Power Inc., to determine the annual depreciation accrual rates and amounts for book purposes applicable to the original cost of electric plant at December 31, 2005. Part I Introduction, contains statements with respect to the plan of the report, the basis of the study, the study and a brief summary of the study results. Part II Methods Used in the Estimation of Depreciation, presents the methods used in the estimation of average service lives, survivor curves and salvage and in the calculation of depreciation. Part III Results of Study, presents summaries by depreciable group of annual and accrued depreciation. The statistical analyses of service live and net salvage and the detailed tabulations of annual and accrued depreciation are set forth in a separately bound volume "Appendices to Depreciation Study."

BASIS OF THE STUDY

For most accounts, the annual and accrued depreciation were calculated by the straight line method using the equal life group procedure. For certain General and Communication Plant accounts, the annual and accrued depreciation are based on amortization accounting. Both types of calculations were based on original cost, attained ages, and estimates of service lives and salvage. Variances between the calculated accrued depreciation or amortization and the book accumulated depreciation which exceed five percent of the calculated accrued depreciation are amortized over the composite remaining life of the assets. Accounts for which the composite remaining lives are less than five years, the amortization period used to minimize the reserve variance was set at five years which is the period of time between depreciation studies. This was done to reduce the annual fluctuations to depreciation expense related to the reserve variance amortizations for accounts with short composite remaining lives.

The straight line equal life group method has been used by the Company for a number of years and we recommend its continued use. The equal life group procedure provides for a better match of depreciation expense and loss in service value than the average service life procedure.

Amortization accounting for certain General and Communication accounts was approved in 1996 by Newfoundland and Labrador Board of Commissioners of Public Utilities ("Board"). Amortization accounting for these accounts is appropriate because of the disproportionate plant accounting effort required when compared to the minimal original cost of the large number of items in these accounts. Many electric utilities in North America have received approval to adopt amortization accounting for these accounts. An explanation of the calculation of annual and accrued amortization is presented beginning on page II-33 of the report.

The service life and salvage estimates used in the depreciation and amortization calculations were based on judgment which incorporated analyses of available historical data, a review of policies and outlook with management, a general knowledge of the electric utility industry, and comparisons of the service life and salvage estimates from studies of other electric utilities. The use of survivor curves to reflect the expected dispersion of retirement provides a consistent method of estimating depreciation for electric plant. Iowa type survivor curves were used to depict the estimated survivor curves. For life span groups, the estimates of survivor curves are consistent because the calculations of the lives of the units within each group are obtained by using a single probable retirement date for the entire group. The estimates of net salvage are expressed as the average net salvage percent of the investment to be incurred or recovered upon its retirement.

CHANGES SUBSEQUENT TO THE PRIOR DEPRECIATION STUDY REPORT

The depreciation calculations included in the prior depreciation study report submitted to the Board were based on electric plant in service as of December 31, 2001. The depreciation calculations included with this report are based on electric plant in service as of December 31, 2005. The annual accrual rate calculations were based on the same group procedures and bases as those used in the prior depreciation report.

The calculated accrued depreciation as of December 31, 2005 is $475.9 million and the book accumulated depreciation is $476.9 million, a difference of $1 million or .21 percent. The calculated accrued depreciation is used as a measure to assess the adequacy of the Company's book accumulated depreciation amount. The calculated accrued depreciation should not be viewed in exact terms as the correct reserve amount. Rather it should be viewed as a benchmark or a tool used by the depreciation professional to assess the standing of the book accumulated depreciation amount based on the most recent available information. The current reserve variance of approximately $1.0 million or .21 percent is among the smallest variance that I've encountered in the twenty years of conducting depreciation studies for electric utilities. The reserve variance that exceeds the 5 percent tolerance threshold is approximately $0.7 million and is set forth on Schedule 2, column 7 in Part III of the report. Gannett Fleming recommends that Newfoundland Power amortize the reserve variance in excess of the five percent tolerance threshold over a period equal to the composite remaining life of the assets. This is the industry's most commonly used method for adjusting depreciation. Also it decreases the probability of large fluctuations in depreciation expense that can occur with relatively short amortization periods, such as five years, and is the method that Gannett Fleming considers appropriate for Newfoundland Power. The remaining lives of the various accounts range from a few years to over forty years. An explanation of the monitoring of the accumulated depreciation reserve and the calculation of the reserve variance amortization is presented beginning on page II-34 of the report.

SUMMARY

Summaries of the study results by plant account are presented in the schedules in Part III of the report. The continued use of annual accrual rates and the maintenance and monitoring of the accumulated depreciation reserve by plant account is appropriate for Newfoundland Power.

The following summary of composite whole life accrual rates at the functional level is provided only for purposes of comparing the results of the current and previous study. The amortization of the reserve variance has not been incorporated in the rates below.

Function	Composite Annual Accrual Rates 2000 Study	Previous Study	Current
Hydro Production	2.03	2.03	2.17
Other Production	3.75	3.91	4.73
Substation	2.58	2.60	2.63
Transmission	3.25	3.27	3.28
Distribution	3.27	3.29	3.14
General			
Computer - Hardware	20.00	20.00	20.00
Computer - Software	10.00	10.00	10.00
Transportation	9.30	9.44	10.28
Other	3.03	2.99	2.94
Communications	6.44	7.16	6.18

PART II. METHODS USED IN THE ESTIMATION OF DEPRECIATION

PART II. METHODS USED IN THE ESTIMATION OF DEPRECIATION

DEPRECIATION

Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authority.

Depreciation as used in accounting is a method of distributing fixed capital costs, less net salvage, over a period of time by allocating annual amounts to expense. Each annual amount of such depreciation expense is part of that year's total cost of providing utility service. Normally, the period of time over which the fixed capital cost is allocated to the cost of service is equal to the period of time over which an item renders service, that is, the item's service life. The most prevalent method of allocation is to distribute an equal amount of cost to each year of service life. This method is known as the straight line method of depreciation.

The calculation of annual depreciation based on the straight line method requires the estimation of average life and salvage. These subjects are discussed in the sections which follow.

SERVICE LIFE AND NET SALVAGE ESTIMATION

Average Service Life

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units, or by constructing a survivor curve by plotting the number of units which survive at successive ages. A discussion of the general concept of survivor curves is presented. Also, the Iowa type survivor curves are reviewed.

Survivor Curves

The survivor curve graphically depicts the amount of property existing at each age throughout the life of an original group. From the survivor curve, the average life of the group, the remaining life expectancy, the probable life, and the frequency curve can be calculated. In Figure 1 a typical smooth survivor curve and the derived curves are illustrated. The average life is obtained by calculating the area under the survivor curve, from age zero to the maximum age, and dividing this area by the ordinate at age zero. The remaining life expectancy at any age can be calculated by obtaining the area under the curve, from the observation age to the maximum age, and dividing this area by the percent surviving at the observation age. For example, in Figure 1 the remaining life at age 30 years is equal to the crosshatched area under the survivor curve divided by 29.5 percent surviving at age 30. The probable life at any age is developed by adding the age and remaining life. If the probable life of the property is calculated for each year of age, the probable life curve shown in the chart can be developed. The frequency curve presents the number of units retired in each age interval and is derived by obtaining the differences between the amount of property surviving at the beginning and at the end of each interval.

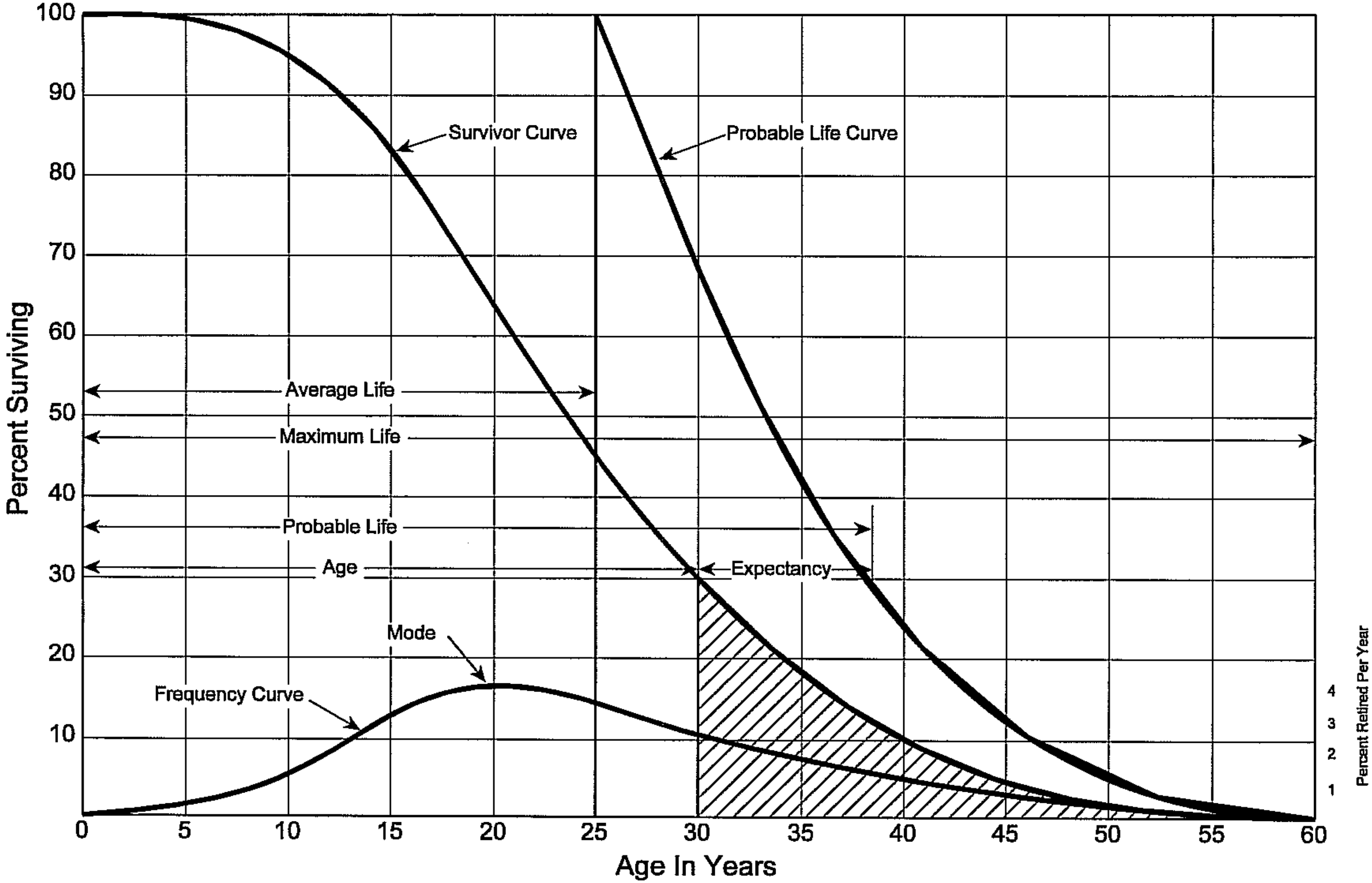

Figure 1. A Typical Survivor Curve and Derived Curves

Iowa Type Curves. The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements in relationship to the average life and the relative height of the modes. The left moded curves, presented in Figure 2, are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical moded curves, presented in Figure 3, are those in which the greatest frequency of retirement occurs at average service life. The right moded curves, presented in Figure 4, are those in which the greatest frequency of retirement occurs to the right of, or after, average service life. The origin moded curves, presented in Figure 5, are those in which the greatest frequency of retirement occurs at the origin, or immediately after age zero. The letter designation of each family of curves (L, S, R or O) represents the location of the mode of the associated frequency curve with respect to the average service life. The numerical subscripts represent the relative heights of the modes of the frequency curves within each family.

The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observation and classification of the ages at which industrial property had been retired. A report of the study which resulted in the classification of property survivor characteristics into 18 type curves, which constitutes

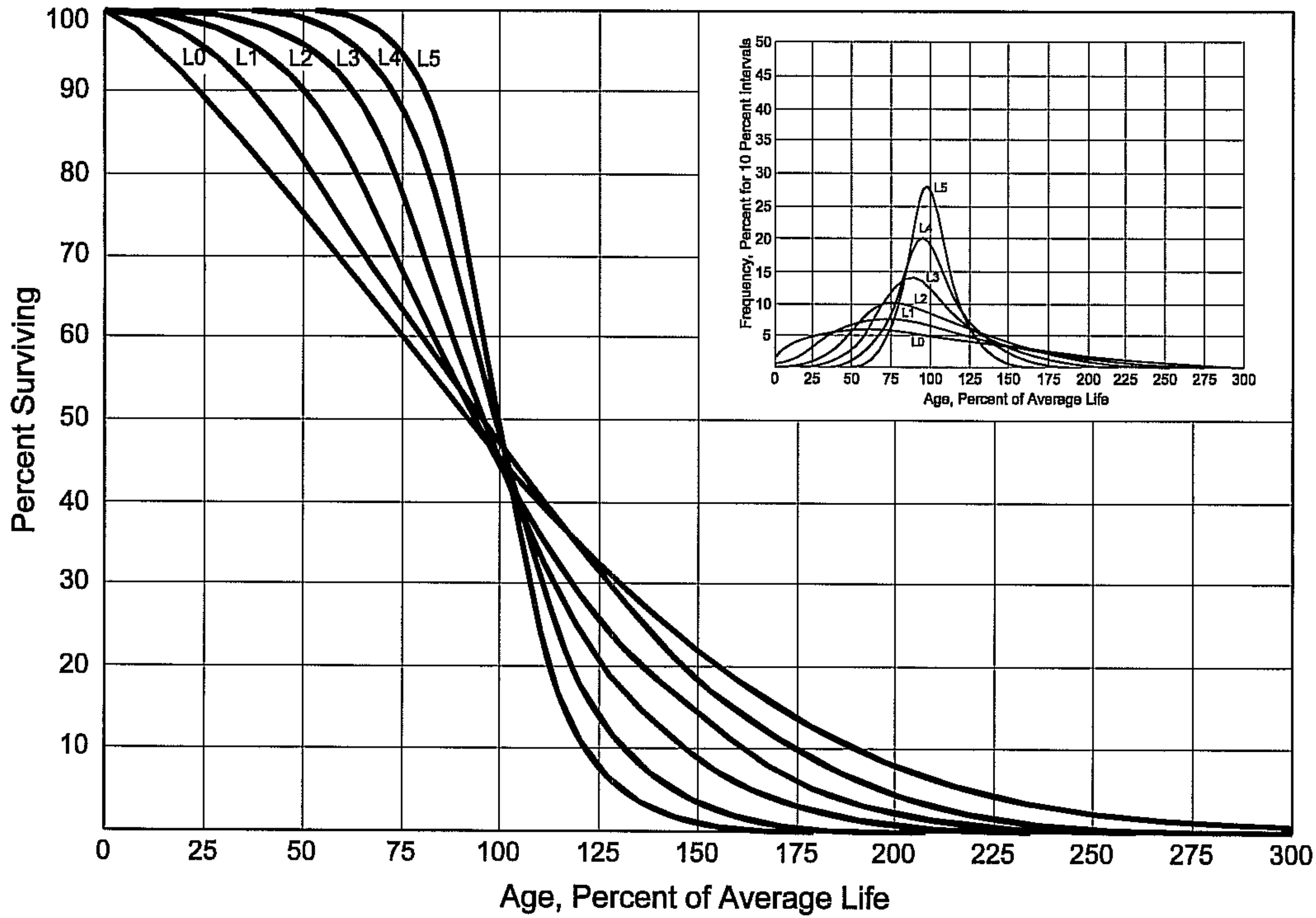

Figure 2. Left Modal or "L" Iowa Type Survivor Curves

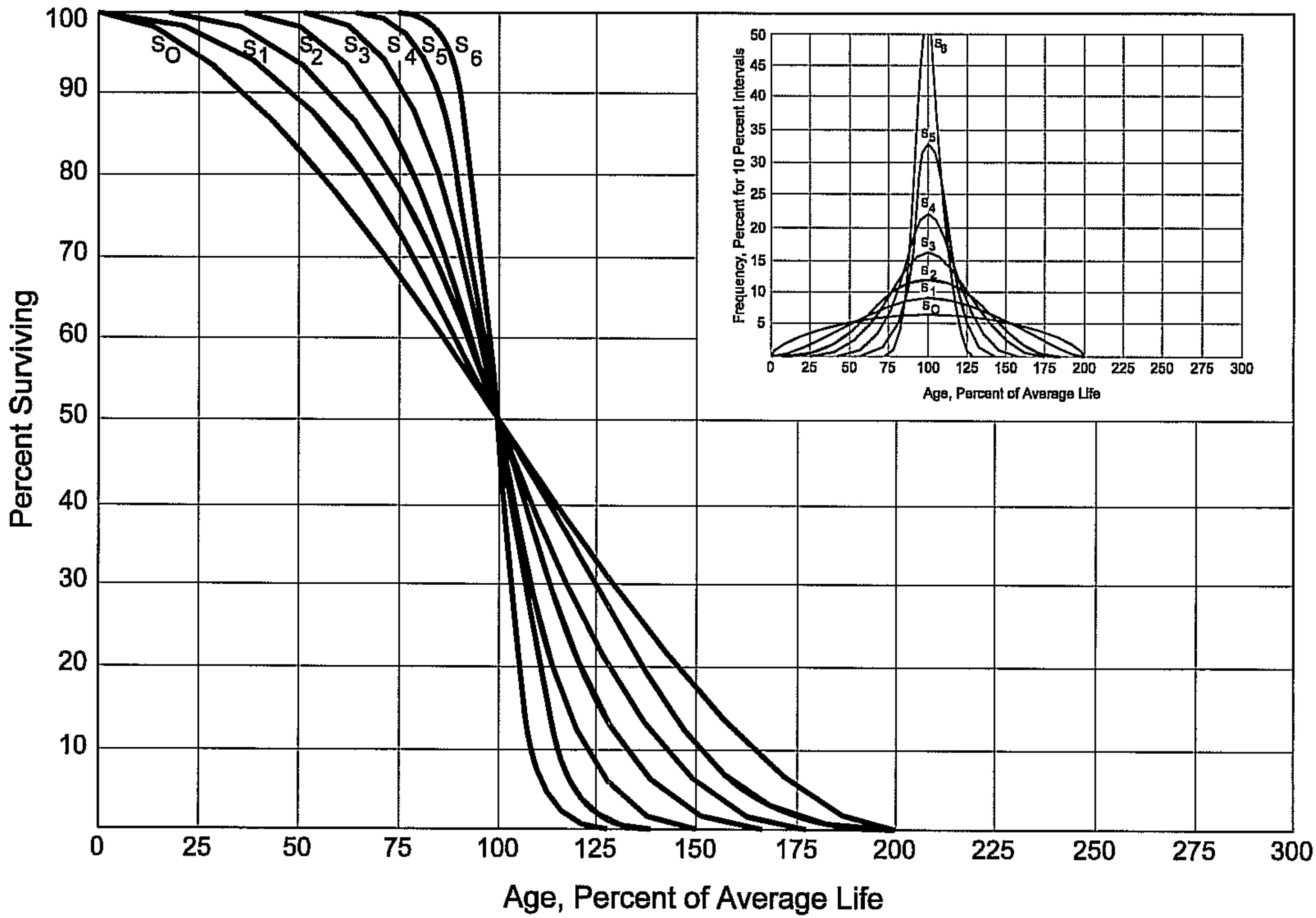

Figure 3. Symmetrical or "S" Iowa Type Survivor Curves

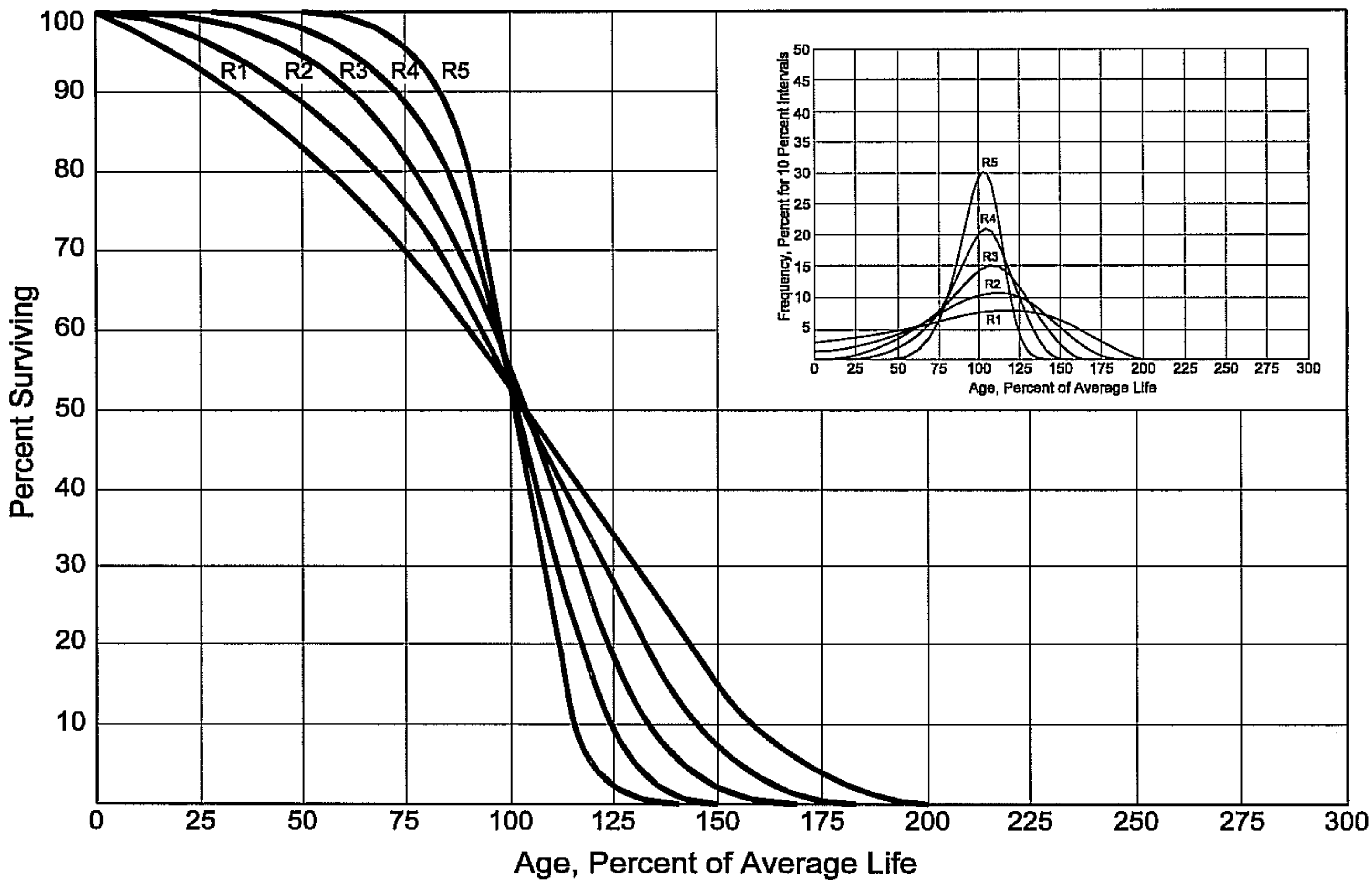

Figure 4. Right Modal or "R" Iowa Type Survivor Curves

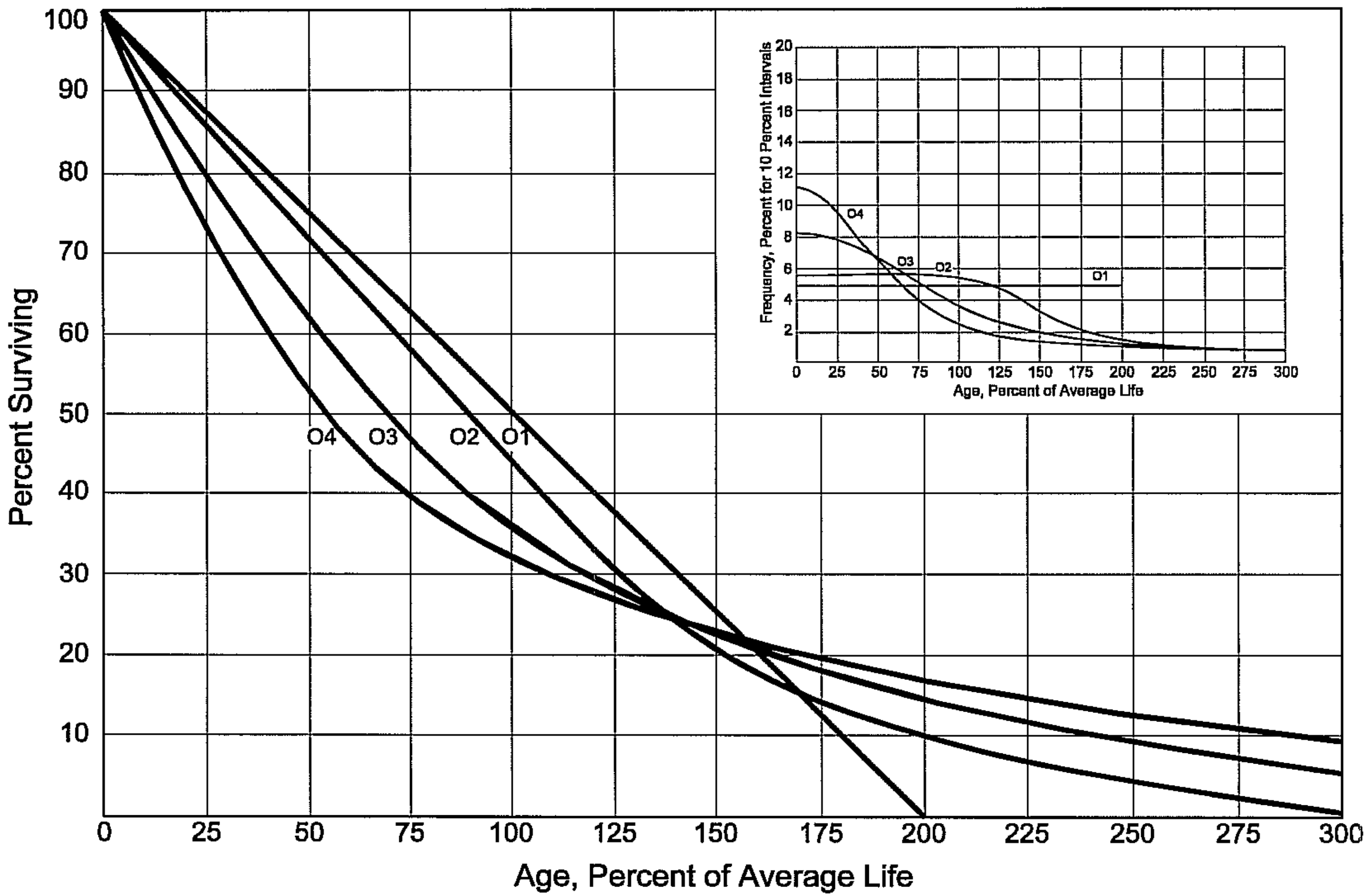

Figure 5. Origin Modal or "O" Iowa Type Survivor Curves

three of the four families, was published in 1935 in the form of the Experiment Station's Bulletin 125.[1] These type curves have also been presented in subsequent Experiment Station bulletins and in the text, "Engineering Valuation and Depreciation."[2] In 1957, Frank V. B. Couch, Jr., an Iowa State College graduate student, submitted a thesis[3] presenting his development of the fourth family consisting of the four O type survivor curves.

Retirement Rate Method of Analysis

The retirement rate method is an actuarial method of deriving survivor curves using the average rates at which property of each age group is retired. The method relates to property groups for which aged accounting experience is available or for which aged accounting experience is developed by statistically aging unaged amounts and is the method used to develop the original stub survivor curves in this study. The method (also known as the annual rate method) is illustrated through the use of an example in the following text, and is also explained in several publications, including "Statistical Analyses of Industrial Property Retirements,"[4] "Engineering Valuation and Depreciation,"[5] and "Depreciation Systems."[6]

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[1]Winfrey, Robley. Statistical Analyses of Industrial Property Retirements. Iowa State College, Engineering Experiment Station, Bulletin 125. 1935.

[2]Marston, Anson, Robley Winfrey and Jean C. Hempstead. Engineering Valuation and Depreciation, 2nd Edition. New York, McGraw-Hill Book Company. 1953.

[3]Couch, Frank V. B., Jr. "Classification of Type O Retirement Characteristics of Industrial Property." Unpublished M.S. thesis (Engineering Valuation). Library, Iowa State College, Ames, Iowa. 1957.

[4]Winfrey, Robley, Supra Note 1.

[5]Marston, Anson, Robley Winfrey, and Jean C. Hempstead, Supra Note 2.

[6]Wolf, Frank K. and W. Chester Fitch. Depreciation Systems. Iowa State University Press. 1994

The average rate of retirement used in the calculation of the percent surviving for the survivor curve (life table) requires two sets of data: first, the property retired during a period of observation, identified by the property's age at retirement; and second, the property exposed to retirement at the beginning of the age intervals during the same period. The period of observation is referred to as the experience band, and the band of years which represent the installation dates of the property exposed to retirement during the experience band is referred to as the placement band. An example of the calculations used in the development of a life table follows on pages II-12 and II-13. The example includes schedules of annual aged property transactions, a schedule of plant exposed to retirement, a life table, and illustrations of smoothing the stub survivor curve.

Schedules of Annual Transactions in Plant Records. The property group used to illustrate the retirement rate method is observed for the experience band 1992-2001 during which there were placements during the years 1987-2001. In order to illustrate the summation of the aged data by age interval, the data were compiled in the manner presented in Tables 1 and 2 on pages II-12 and II-13. In Table 1, the year of installation (year placed) and the year of retirement are shown. The age interval during which a retirement occurred is determined from this information. In the example which follows, $10,000 of the dollars invested in 1987 were retired in 1992. The $10,000 retirement occurred during the age interval between 4½ and 5½ years on the basis that approximately one-half of the amount of property was installed prior to and subsequent to July 1 of each year. That is, on the average, property installed during a year is placed in service at the midpoint of the year for the purpose of the analysis. All retirements also are stated as

TABLE 1. RETIREMENTS FOR EACH YEAR 1996 -2005
SUMMARIZED BY AGE INTERVAL

Experience Band 1996-2005

Placement Band 1991-2005

Year Placed (1)	Retirements, Thousands of Dollars During Year 1996 (2)	1997 (3)	1998 (4)	1999 (5)	2000 (6)	2001 (7)	2002 (8)	2003 (9)	2004 (10)	2005 (11)	Total During Age Interval (12)	Age Interval (13)
1991	10	11	12	13	14	16	23	24	25	26	26	13½-14½
1992	11	12	13	15	16	18	20	21	22	19	44	12½-13½
1993	11	12	13	14	16	17	19	21	22	18	64	11½-12½
1994	8	9	10	11	11	13	14	15	16	17	83	10½-11½
1995	9	10	11	12	13	14	16	17	19	20	93	9½-10½
1996	4	9	10	11	12	13	14	15	16	20	105	8½-9½
1997		5	11	12	13	14	15	16	18	20	113	7½-8½
1998			6	12	13	15	16	17	19	19	124	6½-7½
1999				6	13	15	16	17	19	19	131	5½-6½
2000					7	14	16	17	19	20	143	4½-5½
2001						8	18	20	22	23	146	3½-4½
2002							9	20	22	25	150	2½-3½
2003								11	23	25	151	1½-2½
2004									11	24	153	½-1½
2005										13	80	0-½
Total	53	68	86	106	128	157	196	231	273	308	1,606	

TABLE 2. OTHER TRANSACTIONS FOR EACH YEAR 1996-2005
SUMMARIZED BY AGE INTERVAL

Experience Band 1996-2005 | Placement Band 1991-2005

Year Placed (1)	1996 (2)	1997 (3)	1998 (4)	1999 (5)	2000 (6)	2001 (7)	2002 (8)	2003 (9)	2004 (10)	2005 (11)	Total During Age Interval (12)	Age Interval (13)
	Acquisitions, Transfers, and Sales, Thousands of Dollars During Year											
1991	-	-	-	-	-	-	60[a]	-	-	-	-	13½-14½
1992	-	-	-	-	-	-	-	-	-	-	-	12½-13½
1993	-	-	-	-	-	-	-	-	-	-	-	11½-12½
1994	-	-	-	-	-	-	-	(5)[b]	-	-	60	10½-11½
1995	-	-	-	-	-	-	-	6[a]	-	-	-	9½-10½
1996		-	-	-	-	-	-	-	-	-	(5)	8½-9½
1997		-	-	-	-	-	-	-	-	-	6	7½-8½
1998			-	-	-	-	-	-	-	-	-	6½-7½
1999				-	-	-	-	(12)[b]	-	-	-	5½-6½
2000					-	-	-	-	22[a]	-	-	4½-5½
2001						-	-	(19)[b]	-	-	10	3½-4½
2002							-	-	-	-	-	2½-3½
2003								-	-	(102)[c]	(121)	1½-2½
2004									-	-	-	½-1½
2005											-	0-½
Total	-	-	-	-	-	-	60	(30)	22	(102)	(50)	

[a] Transfer Affecting Exposures at Beginning of Year
[b] Transfer Affecting Exposures at End of Year
[c] Sale with Continued Use
Parentheses denote Credit amount

occurring at the midpoint of a one-year age interval of time, except the first age interval which encompasses only one-half year.

The total retirements occurring in each age interval in a band are determined by summing the amounts for each transaction year-installation year combination for that age interval. For example, the total of $143,000 retired for age interval 4½-5½ is the sum of the retirements entered on Table 1 immediately above the stairstep line drawn on the table beginning with the 1992 retirements of 1987 installations and ending with the 2001 retirements of the 1996 installations. Thus, the total amount of 143 for age interval 4½-5½ equals the sum of:

$$10 + 12 + 13 + 11 + 13 + 13 + 15 + 17 + 19 + 20.$$

In Table 2, other transactions which affect the group are recorded in a similar manner. The entries illustrated include transfers and sales. The entries which are credits to the plant account are shown in parentheses. The items recorded on this schedule are not totaled with the retirements but are used in developing the exposures at the beginning of each age interval.

Schedule of Plant Exposed to Retirement. The development of the amount of plant exposed to retirement at the beginning of each age interval is illustrated in Table 3 on page II-15.

The surviving plant at the beginning of each year from 1992 through 2001 is recorded by year in the portion of the table headed "Annual Survivors at the Beginning of the Year." The last amount entered in each column is the amount of new plant added to the group during the year. The amounts entered in Table 3 for each successive year following the beginning balance or addition are obtained by adding or subtracting the net

TABLE 3. PLANT EXPOSED TO RETIREMENT
JANUARY 1 OF EACH YEAR 1985-1994
SUMMARIZED BY AGE INTERVAL

Experience Band 1996-2005 | Placement Band 1991-2005

Year Placed	Exposures, Thousands of Dollars: Annual Survivors at the Beginning of the Year 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total at Beginning of Age Interval	Age Interval
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1991	255	245	234	222	209	195	239	216	192	167	167	13½-14½
1992	279	268	256	243	228	212	194	174	153	131	323	12½-13½
1993	307	296	284	271	257	241	224	205	184	162	531	11½-12½
1994	338	330	321	311	300	289	276	262	242	226	823	10½-11½
1995	376	367	357	346	334	321	307	297	280	261	1,097	9½-10½
1996	420[a]	416	407	397	386	374	361	347	332	316	1,503	8½-9½
1997		460[a]	455	444	432	419	405	390	374	356	1,952	7½-8½
1998			510[a]	504	492	479	464	448	431	412	2,463	6½-7½
1999				580[a]	574	561	546	530	501	482	3,057	5½-6½
2000					660[a]	653	639	623	628	609	3,789	4½-5½
2001						750[a]	742	724	685	663	4,332	3½-4½
2002							850[a]	841	821	799	4,955	2½-3½
2003								960[a]	949	926	5,719	1½-2½
2004									1,080[a]	1,069	6,579	½-1½
2005										1,220[a]	7,490	0-½
Total	1,975	2,382	2,824	3,318	3,872	4,494	5,247	6,017	6,852	7,799	44,780	

[a]Additions during the year.

entries shown on Tables 1 and 2. For the purpose of determining the plant exposed to retirement, transfers-in are considered as being exposed to retirement in this group at the beginning of the year in which they occurred, and the sales and transfers-out are considered to be removed from the plant exposed to retirement at the beginning of the following year. Thus, the amounts of plant shown at the beginning of each year are the amounts of plant from each placement year considered to be exposed to retirement at the beginning of each successive transaction year. For example, the exposures for the installation year 1997 are calculated in the following manner:

Exposures at age 0	= amount of addition	= $750,000
Exposures at age ½	= $750,000 - $ 8,000	= $742,000
Exposures at age 1½	= $742,000 - $18,000	= $724,000
Exposures at age 2½	= $724,000 - $20,000 - $19,000	= $685,000
Exposures at age 3½	= $685,000 - $22,000	= $663,000

For the entire experience band 1992-2001, the total exposures at the beginning of an age interval are obtained by summing diagonally in a manner similar to the summing of the retirements during an age interval (Table 1). For example, the figure of 3,789, shown as the total exposures at the beginning of age interval 4½ -5½, is obtained by summing:

255 + 268 + 284 + 311 + 334 + 374 + 405 + 448 + 501 + 609.

Original Life Table. The original life table, illustrated in Table 4 on page II-17, is developed from the totals shown on the schedules of retirements and exposures, Tables 1 and 3, respectively. The exposures at the beginning of the age interval are obtained from the corresponding age interval of the exposure schedule, and the retirements during the age interval are obtained from the corresponding age interval of the retirement schedule. The retirement ratio is the result of dividing the retirements during the age

TABLE 4. ORIGINAL LIFE TABLE
CALCULATED BY THE RETIREMENT RATE METHOD

Experience Band 1996-2005 Placement Band 1991-2005

(Exposure and Retirement Amounts are in Thousands of Dollars)

Age at Beginning of Interval (1)	Exposures at Beginning of Age Interval (2)	Retirements During Age Interval (3)	Retirement Ratio (4)	Survivor Ratio (5)	Percent Surviving at Beginning of Age Interval (6)
0.0	7,490	80	0.0107	0.9893	100.00
0.5	6,579	153	0.0233	0.9767	98.93
1.5	5,719	151	0.0264	0.9736	96.62
2.5	4,955	150	0.0303	0.9697	94.07
3.5	4,332	146	0.0337	0.9663	91.22
4.5	3,789	143	0.0377	0.9623	88.15
5.5	3,057	131	0.0429	0.9571	84.83
6.5	2,463	124	0.0503	0.9497	81.19
7.5	1,952	113	0.0579	0.9421	77.11
8.5	1,503	105	0.0699	0.9301	72.65
9.5	1,097	93	0.0848	0.9152	67.57
10.5	823	83	0.1009	0.8991	61.84
11.5	531	64	0.1205	0.8795	55.60
12.5	323	44	0.1362	0.8638	48.90
13.5	167	26	0.1557	0.8443	42.24
					35.66
Total	44,780	1,606			

Column 2 from Table 3, Column 12, Plant Exposed to Retirement.
Column 3 from Table 1, Column 12, Retirements for Each Year.
Column 4 = Column 3 divided by Column 2.
Column 5 = 1.0000 minus Column 4.
Column 6 = Column 5 multiplied by Column 6 as of the Preceding Age Interval.

interval by the exposures at the beginning of the age interval. The percent surviving at the beginning of each age interval is derived from survivor ratios, each of which equals one minus the retirement ratio. The percent surviving is developed by starting with 100% at age zero and successively multiplying the percent surviving at the beginning of each interval by the survivor ratio, i.e., one minus the retirement ratio for that age interval. The calculations necessary to determine the percent surviving at age 5½ are as follows:

Percent surviving at age 4½	=	88.15				
Exposures at age 4½	=	3,789,000				
Retirements from age 4½ to 5½	=	143,000				
Retirement Ratio	=	143,000	÷	3,789,000	=	0.0377
Survivor Ratio	=	1.000	-	0.0377	=	0.9623
Percent surviving at age 5½	=	(88.15)	x	(0.9623)	=	84.83

The totals of the exposures and retirements (columns 2 and 3) are shown for the purpose of checking with the respective totals in Tables 1 and 3. The ratio of the total retirements to the total exposures, other than for each age interval, is meaningless.

The original survivor curve is plotted from the original life table (column 6, Table 4). When the curve terminates at a percent surviving greater than zero, it is called a stub survivor curve. Survivor curves developed from retirement rate studies generally are stub curves.

Smoothing the Original Survivor Curve. The smoothing of the original survivor curve eliminates any irregularities and serves as the basis for the preliminary extrapolation to zero percent surviving of the original stub curve. Even if the original survivor curve is complete from 100% to zero percent, it is desirable to eliminate any irregularities as there is still an extrapolation for the vintages which have not yet lived to the age at which the curve reaches zero percent. In this study, the smoothing of the original curve with established type curves was used to eliminate irregularities in the original curve.

The Iowa type curves are used in this study to smooth those original stub curves which are expressed as percents surviving at ages in years. Each original survivor curve was compared to the Iowa curves using visual and mathematical matching in order to determine the better fitting smooth curves. In Figures 6, 7, and 8 the original curve developed in Table 4 is compared with the L, S, and R Iowa type curves which most nearly fit the original survivor curve. In Figure 6 the L1 curve with an average life between 12 and 13 years appears to be the best fit. In Figure 7 the S0 type curve with a 12-year average life appears to be the best fit and appears to be better than the L1 fitting. In Figure 8 the R1 type curve with a 12-year average life appears to be the best fit and appears to be better than either the L1 or the S0. In Figure 9 the three fittings, 12-L1, 12-S0, and 12-R1 are drawn for comparison purposes. It is probable that the 12-R1 Iowa curve would be selected as the most representative of the plotted survivor characteristics of the group, assuming no contrary relevant factors external to the analysis of historical data.

Service Life Considerations

The service life estimates were based on judgment which considered a number of factors. The primary factors were the statistical analyses of data; current Company policies and outlook as determined during field reviews of the property and other conversations with management; and the survivor curve estimates from previous studies of this Company and other electric companies.

Several subaccounts were combined and analyzed as a single depreciable group based on discussions with operating and management personnel. These subaccounts

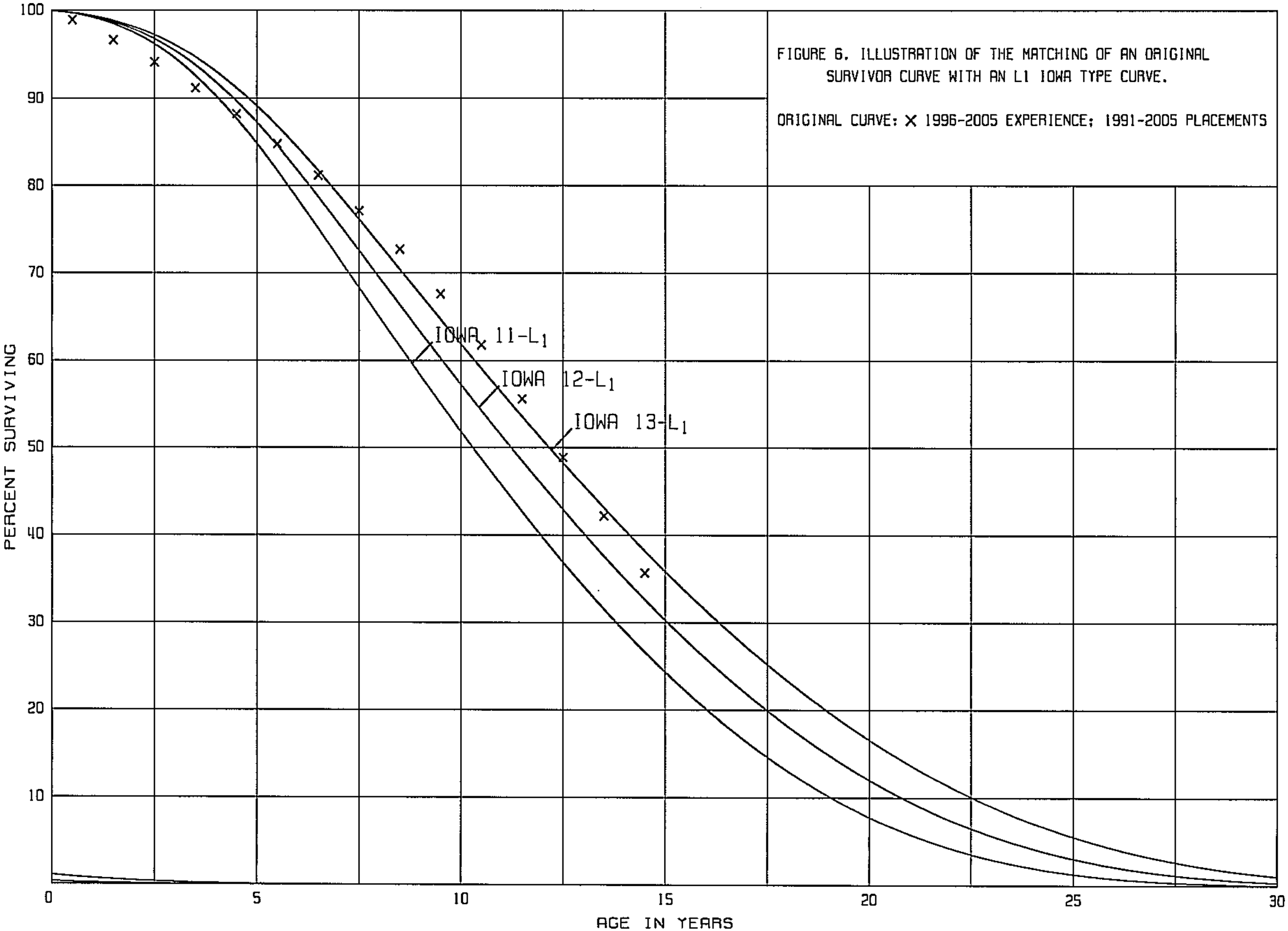


FIGURE 6. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN L1 IOWA TYPE CURVE.

ORIGINAL CURVE: X 1996-2005 EXPERIENCE; 1991-2005 PLACEMENTS

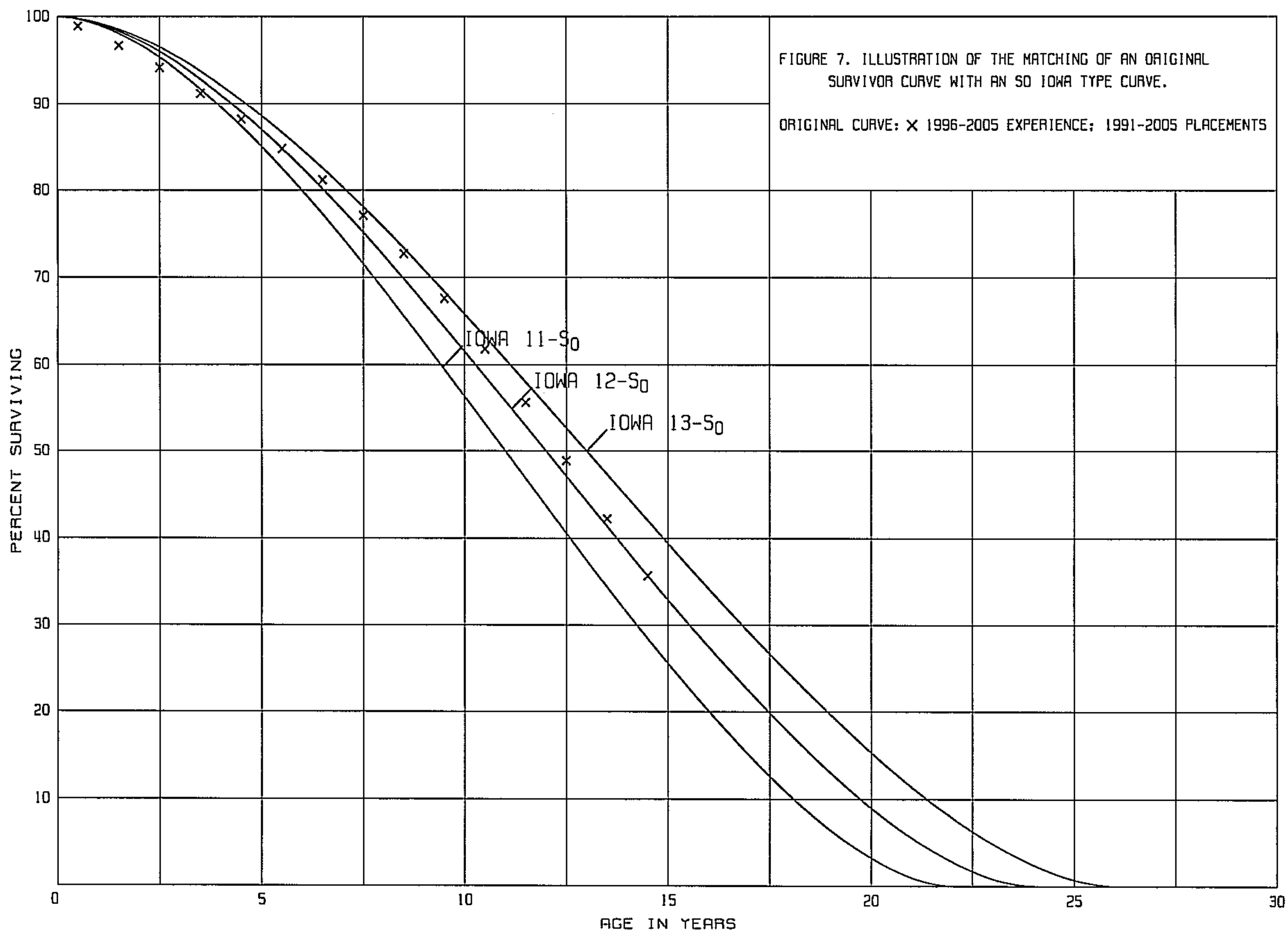


FIGURE 7. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN SO IOWA TYPE CURVE.
ORIGINAL CURVE: × 1996-2005 EXPERIENCE; 1991-2005 PLACEMENTS
IOWA 11-S_0
IOWA 12-S_0
IOWA 13-S_0
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30

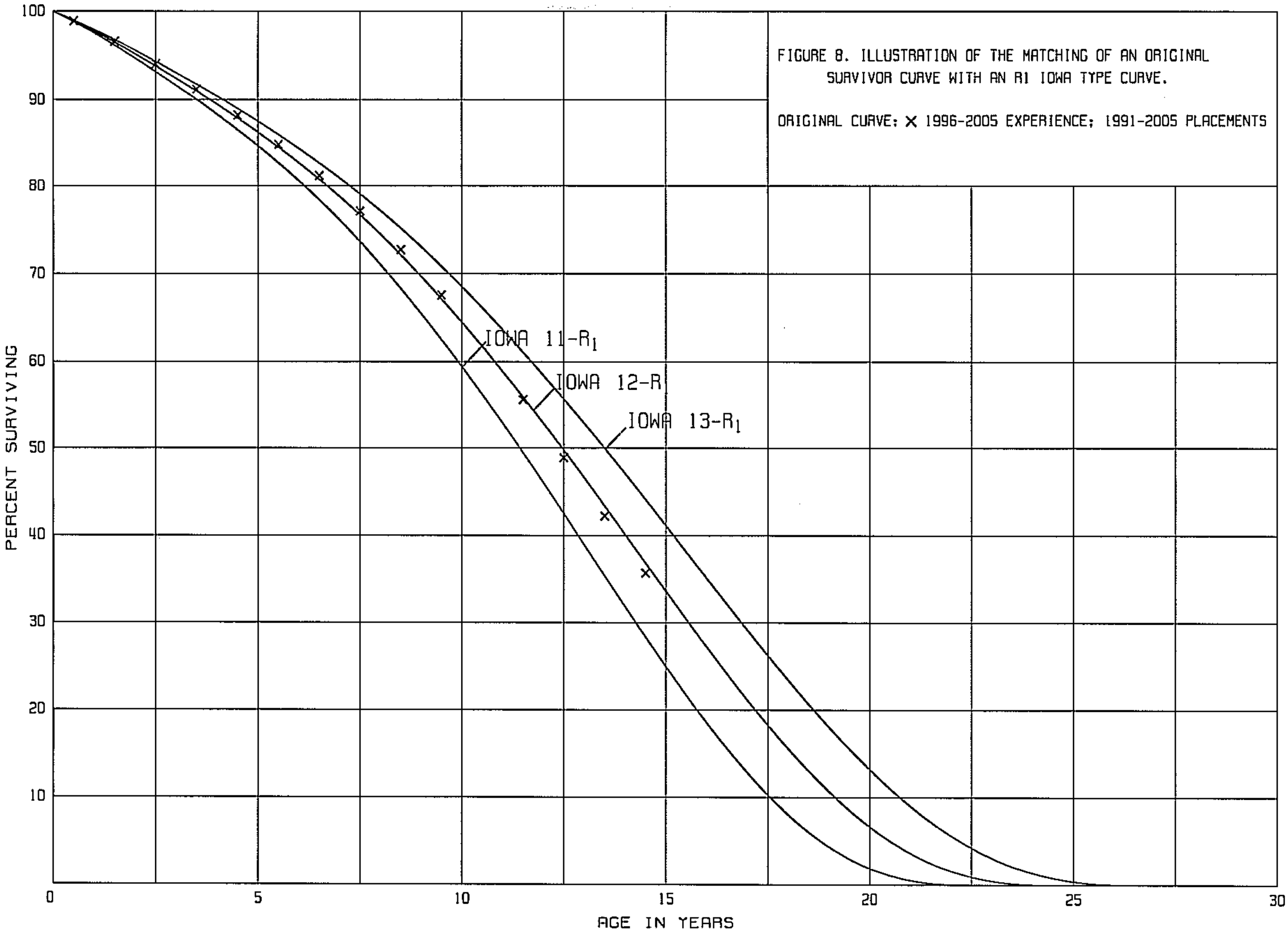


FIGURE 8. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN R1 IOWA TYPE CURVE.

ORIGINAL CURVE: × 1996-2005 EXPERIENCE; 1991-2005 PLACEMENTS

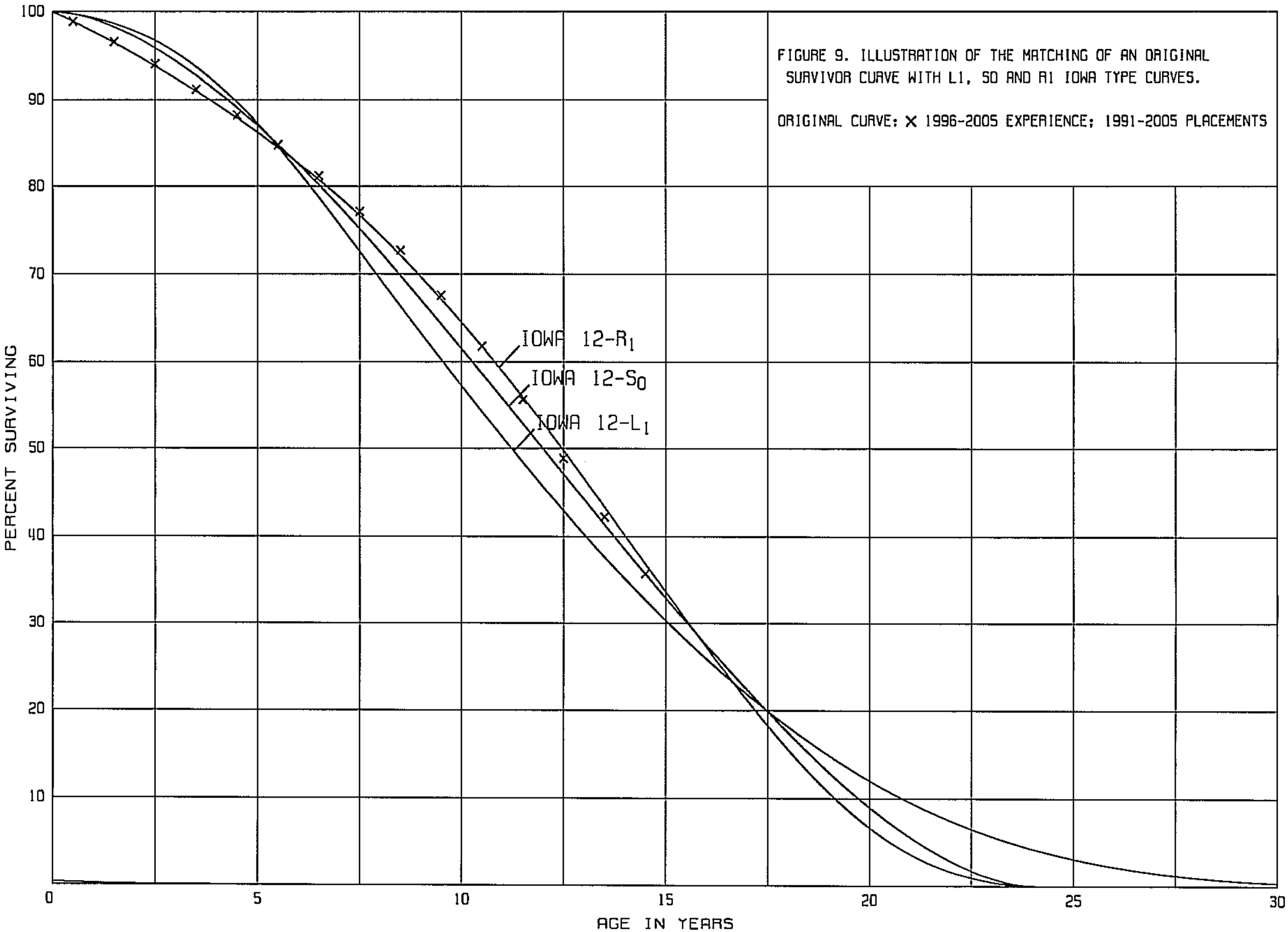


FIGURE 9. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH L1, S0 AND R1 IOWA TYPE CURVES.
ORIGINAL CURVE: × 1996-2005 EXPERIENCE; 1991-2005 PLACEMENTS
IOWA 12-R1
IOWA 12-S0
IOWA 12-L1
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30

include assets which have similar service life characteristics or which perform similar or related operating functions. The following is a list of subaccounts that were combined and analyzed as a single depreciable group:

Account No.	Account Description
355.1 and 355.2	Poles and Pole Fixtures
361.14 and 361.30	Aerial Cable and Special Insulated Copper Cable
361.20 and 367.20	U/G Cable and U/G Switches and Switchgear
362.1, 362.2, and 361.1	Poles - Wood - All Sizes and O/H Conductor - Bare
364.10, 364.11, 364.20, 364.30 and 364.40	Line Transformers - All Ratings, Voltage Regulators Capacitor Banks and Reclosers
365.1, 361.11 and 361.15	O/H Services, W/P Copper and Duplex, Triplex and Quadruplex
366.3 and 366.4	Instrument Transformers and Metering Tanks
378.31 and 378.4	Transportation Equipment - Cab and Chassis and Large Trucks with Line and Stake Bodies

For most of the mass plant accounts and subaccounts, the statistical analyses resulted in good to excellent indications of complete survivor patterns. Generally, the information external to the statistics led to no significant departure from the indicated survivor curves for the accounts listed below. The statistical support for the service life estimates is presented in Appendix A.

HYDRO PRODUCTION

321	Roads, Trails and Bridges
323	Canals, Penstocks, Surge Tanks and Tailraces
324	Dams and Reservoirs
325	Prime Movers, Generators and Auxiliaries
326	Switching, Metering and Control Equipment

SUBSTATION

342	Equipment

TRANSMISSION

353.1	Overhead Conductors
355.1	Poles
355.2	Pole Fixtures
355.3	Insulators

DISTRIBUTION

361.10	Overhead Conductors - Bare Copper
361.11	Overhead Conductors - Weather-Proof Copper
361.12	Overhead Conductors - Bare Aluminum
361.13	Overhead Conductors - Weather-Proof Aluminum
361.14	Overhead Conductors - Aerial Cable
361.15	Overhead Conductors - Duplex, Triplex, and Quadruplex
361.2	Underground Cables
361.3	Special Insulated Copper Cable
362.1	Poles and Fixtures - Wood - Under 35 ft.
362.2	Poles and Fixtures - Wood - 35 ft. and Over
362.3	Poles and Fixtures - Concrete and Steel
363	Street Lights
364.10	Transformers and Mountings - Up to and Including 15 kVA
364.11	Transformers and Mountings - Over 15 kVA
364.2	Voltage Regulators
364.3	Capacitor Banks
364.4	Reclosers
365.1	Services Overhead
366.1	Meters - Watt-Hour
366.2	Meters - Demand
366.3	Meters - Instrument Transformers
366.4	Meters - Metering Tanks
367.2	Underground Switches and Switchgear

GENERAL PROPERTY

371.1	Buildings and Structures - Small
378.1	Transportation - Sedans and Station Wagons
378.2	Transportation - Pick-Up Trucks, Window Vans
378.31	Transportation - Cab and Chassis
378.32	Transportation - Equipment
378.4	Transportation - Trucks with Line and Stake Bodies
378.5	Transportation - Miscellaneous

COMMUNICATIONS

382	Radio Sites

Accounts 355.1, Poles and Account 355.2, Pole Fixtures, are used to illustrate the manner in which the study was conducted for the group of accounts in the preceding list. These depreciable groups were combined for life analysis purposes. Aged plant accounting

data have been compiled for the years 1948 through 2005. These data have been coded in the course of the Company's normal recordkeeping according to account or property group, type of transaction, year in which the transaction took place, and year in which the electric plant was placed in service. The retirements, other plant transactions, and plant additions were analyzed by the retirement rate method.

Discussions with management indicated the primary causes of retirements have been inadequacy, deterioration and pole relocations. That is, poles are retired for clearance issues, their inability to support heavier conductors, the requirements of others in addition to the degradation of the poles caused by natural forces, i.e., decay and wear and tear. These causes of retirement are expected to continue in the foreseeable future. The previous estimate was the Iowa 40-R2.5 for Poles and Pole Fixtures.

During the past 5 years many improvements and enhancements have been made to the NFP transmission system. Design and material standards are better, the maintenance program has improved and there is a greater focus on rebuilding deteriorated lines some of which were built before there were design standards for transmission poles. For instance, the use of larger class poles and fixtures in areas prone to high wind and severe ice loading that often exceed Canadian Standards Association criteria are expected to result in longer lives for poles and pole fixtures. This means stronger and longer lasting lines are being built. The survivor curve estimate for these accounts is the Iowa 44-R2.5 and is based on the statistical indication for the period 1975 through 2005. The Iowa 44-R2.5 is a good fit of the significant portion of the original survivor curve as set forth in Appendix A and is within the typical service life range of 35 to 50 years for transmission poles and fixtures.

For Other Production Plant accounts and General Plant, Large Buildings and Structures, the life span technique was employed in conjunction with the use of interim survivor curves. Interim survivor curves reflect retirements that occur prior to the ultimate retirement of the major unit or building. An interim survivor curve was estimated for each plant account, inasmuch as the rate of interim retirements differs from account to account. The interim survivor curves estimated for other production plant were based on the retirement rate method of life analysis which incorporated experienced aged retirements for the period 1948 through 2005. The statistical support for the interim rates of retirement for other production plant accounts are set forth in Appendix A.

The life span estimates for power generating stations were the result of considering experienced life spans of similar generating units, the age of surviving units, general operating characteristics of the units, major refurbishing, and discussions with management personnel, concerning the outlook for the units.

A summary of the year in service, probable retirement year for depreciation purposes, and life span for each power production facility follows:

Depreciable Group	Year in Service	Probable Retirement Year	Life Span
Other Production Plant			
Green Hill Gas Turbine	1975	2016	41
Wesleyville Gas Turbine	1969/2003	2026	57/23
Portable Gas Turbine	1974/2003	2026	52/23
Port Union Diesel	1972	2006	34
Port Aux Basques Diesel	1969	2016	47
Mobile Diesel #3	2004	2036	32

The Wesleyville Gas Turbine and Portable Gas Turbine were significantly refurbished to like-new condition in 2003. In the table above, the year of major refurbishment and the life span from the year of major refurbishment to its expected terminal date also are presented for these two units.

Amortization accounting is used for certain General and Communication Plant accounts that represent numerous units of property, but a small portion of the depreciable electric plant in service. A discussion of the basis for the amortization periods is presented in the section "Calculation of Annual and Accrued Amortization."

Generally, the survivor curve estimates for the remaining accounts, were based on judgments which considered the nature of the plant and equipment, reviews of available historical data, and a general knowledge of service lives for similar equipment in other electric companies.

Salvage Analysis

The estimates of net salvage were based in part on historical data compiled for the years 1976 through 2005. Cost of removal and salvage were expressed as percents of the original cost of plant retired, both on annual and three-year moving average bases. The most recent five-year average also was calculated for consideration. The net salvage estimates are expressed as a percent of the original cost of plant retired.

The experienced net salvage data were available by account for Distribution, General and Communication Plant accounts. The historical net salvage data through 1995 for the two Substation accounts and the six Transmission accounts were available only in total for the function as is typical when the depreciation reserve is maintained by function.

For Distribution Plant, there were several depreciable groups where the net salvage data were not readily available at the depreciable group level as it is impractical to segregate salvage receipts between such groups. The following presents the depreciable groups for which net salvage was analyzed as one group in order to develop historical indications of net salvage.

Account Number	Account Description
361.10, 361.11, 361.14 and 361.3	O/H Conductors - Bare Copper, Weather-Proof Copper, Aerial Cable and Special Insulated Copper Cable
361.12, 361.13 and 361.15	O/H Conductors - Bare Aluminum, Weather-Proof Aluminum and Duplex, Triplex and Quadruplex

Account Number	Account Description
361.2 and 361.4	U/G Cable and Submarine Cable
362.10 and 362.20	Poles - Under 35 ft. and Poles - 35 ft. and Over
364.10, 364.11, 364.2, 364.3, and 364.4	Line Transformers (Includes all groups in Account 364)
365.10 and 365.20	O/H Service and U/G Services
366.1, 366.2, 366.3 and 366.4	Watt-Hour Meters, Demand Meters, Instrument Transformers, Metering Tanks
378.31 and 378.4	Transportation Equipment - Trucks with Derricks - Cab and Chassis and Transportation Equipment - Trucks with Line and Stake Bodies

Net Salvage Considerations

The estimates of salvage were based primarily on judgment which considered a number of factors. The primary factors were the analyses of historical data; the net salvage characteristics of other electric utility properties, a knowledge of management's plans and operating policies; and net salvage estimates from previous studies of this Company and other electric companies. The accounts for which the historical analyses were representative of expectations for future net salvage levels are presented below:

SUBSTATION
All Accounts as a Group.

TRANSMISSION
All Accounts as a Group.

DISTRIBUTION

361.12	Overhead Conductors - Bare Aluminum
361.13	Overhead Conductors - Weather-Proof Aluminum
361.15	Overhead Conductors - Duplex, Triplex, and Quadruplex
363	Street Lights
364.10	Transformers and Mountings - Up to and Including 15 kVA
364.11	Transformers and Mountings - Over 15 kVA
364.2	Voltage Regulators
364.3	Capacitor Banks
364.4	Reclosers

DISTRIBUTION

365.1	Services - Overhead
365.2	Services - Underground
366.1	Meters - Watt-Hour
366.2	Meters - Demand
366.3	Meters - Instrument Transformers
366.4	Meters - Metering Tanks

GENERAL PROPERTY

378.1	Transportation - Sedans and Station Wagons
378.2	Transportation - Pick-Up Trucks, Window Vans
378.31	Transportation - Cab and Chassis
378.4	Transportation - Trucks with Line and Stake Bodies
378.5	Transportation - Miscellaneous

Account 361.12, Overhead Conductors - Bare Aluminum, are used to illustrate the manner in which the study was conducted for the group of accounts in the preceding list. Depreciation reserve accounting data were compiled for the years 1976 through 2005. These data include the retirements, cost of removal and salvage.

Discussions with management indicated that overhead conductors are removed for a variety of reasons based on their age, condition and capacity. The removed overhead lines are mostly sold for scrap although at times can be reused. The previous estimate of net salvage for Account 361.12, Overhead Conductors - Bare Aluminum was negative 20 percent. The range of typical net salvage estimates for overhead conductors and devices is negative 20 percent to negative 50 percent.

The net salvage estimate for Account 361.12, Overhead Conductors - Bare Aluminum, is negative 30 percent and is based on the experienced net salvage data for the years 1976 through 2005. The three-year moving average for cost of removal remained fairly level during the period 1976 through 2005 ranging from negative 30 percent to negative 60 percent while the three-year moving average for gross salvage ranged from positive 5 percent to positive 25 percent. The midpoint of these two ranges, i.e., negative 45 percent for cost of removal and positive 15 percent for gross salvage, results in net salvage of negative 30 percent. The overall net salvage percent experienced by Newfoundland Power during the period 1976 through 2005 was negative 29 percent as shown in the tabulation in Appendix B. The net salvage estimate of negative 30 percent is appropriate for Account 361.12, Overhead Conductors - Bare Aluminum, since it is consistent with company experience and is within typical industry range.

The net salvage estimates for production plant reflect estimated decommissioning costs associated with each generating station. The decommissioning cost estimate for each location was based on the results of a decommissioning study conducted by the Company's engineering department. The Company's decommissioning cost estimates were stated in current (2005) dollars. The decommissioning of the hydroelectric, gas turbines and diesel units are projected to occur at various dates in the future. The decommissioning cost estimates were adjusted for the effect of inflation between 2005 and the projected retirement date to develop the net salvage percent estimate as shown in the table on the following page. Amortization accounting is used for certain General and Communication Plant accounts. Future gross salvage and removal cost for these accounts will be recorded as revenue and expense, respectively. Inasmuch as there will be no depreciation reserve entries related to salvage, the estimate of net salvage for accounts subject to amortization is zero percent.

Generally, the net salvage estimates for the remaining accounts were based on judgments which considered the nature of the plant and equipment, the Company's accounting policies and practices, reviews of available historical data, and a general knowledge of net salvage percents for similar equipment, in other electric companies.

NEWFOUNDLAND POWER INC.

Summary of the Calculation of Net Salvage Percent Related to Production Plant Facilities

Plant (1)	Decommissioning Costs Stated in 2005 Dollars (2)	Average Remaining Life (3)	Inflation Factor (4)	Decommissioning Costs Inflated to the Probable Retirement Date (5) = (2)*(4)	Original Cost at 12/31/05 (6)	Net Salvage Percent (7)=(5)/(6)
Hydroelectric Plant	(13,898,050)	40.7	2.24	(31,131,520)	112,581,622	(27.65)
Diesel Plants	(156,800)	9.1	1.20	(188,160)	891,817	(21.10)
Gas Turbines	(513,000)	14.3	1.33	(682,290)	15,075,886	(4.53)

Column (4) = (1.0 + .02)**Column (3)

CALCULATION OF ANNUAL AND ACCRUED AMORTIZATION

Amortization is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized. Normally, the distribution of the amount is in equal amounts to each year of the amortization period.

The calculation of annual and accrued amortization requires the selection of an amortization period. The amortization periods used in this report were the same as those presented and approved in the previous depreciation report. The amortization periods were based on judgment which incorporated a consideration of the period during which the assets will render most of their service, the amortization period and service lives used by other utilities, and the service life estimates previously used under depreciation accounting.

Amortization accounting is used for certain General and Communication Plant accounts that represent numerous units of property, but a very small portion of depreciable electric plant in service. The accounts and their amortization periods are as follows:

	Account	Amortization Period, Years
372	Furniture and Equipment	25
373	Stores Equipment	25
374	Shop Equipment	25
375	Laboratory and Testing Equipment	25
376	Miscellaneous Equipment	15
377	Engineering Equipment	25
379.1	Computer Equipment - Hardware	5
379.2	Computer Equipment - Software	10
381	Mobile Radio	15
383	Radio Equipment	15

The calculated accrued amortization is equal to the original cost multiplied by the ratio of the vintage's age to its amortization period. The annual amortization amount is determined by dividing the original cost by the period of amortization for the account.

MONITORING OF BOOK ACCUMULATED DEPRECIATION

The calculated accrued depreciation or amortization represents that portion of the depreciable cost which will not be allocated to expense through future depreciation accruals, if current forecasts of service life characteristics and net salvage materialize and are used as a basis for depreciation accounting. Thus, the calculated accrued depreciation provides a measure of the book accumulated depreciation. The use of this measure is recommended in the amortization of book accumulated depreciation variances to insure complete recovery of capital over the life of the property.

The reserve variance amortization developed in this study is based on the variance between the book accumulated depreciation and the calculated accrued depreciation where the variance exceeds five percent of the calculated accrued depreciation and an amortization period equal to the composite remaining life for each property group. The calculated accrued depreciation or theoretical reserve is based on the mid-year convention. This accounting convention assumes that property is in service for six months in the year it is installed.

The composite remaining life for use in reducing accumulated depreciation variances is derived by compositing the individual equal life group remaining lives in accordance with the following equation:

$$\textit{Composite Remaining Life} = \frac{\left(\frac{\textit{Book Cost}}{\textit{Life}} \times \textit{Remaining Life}\right)}{\frac{\textit{Book Cost}}{\textit{Life}}}.$$

The book costs and lives of the several equal life groups which are summed in the foregoing equation are defined by the estimated future survivor curve.

Inasmuch as book cost divided by life equals the whole life annual accrual, the foregoing equation reduces to the following form:

$$\textit{Composite Remaining Life} = \frac{\textit{Whole Life Future Accruals}}{\textit{Whole Life Annual Accruals}}$$

or

$$\textit{Composite Remaining Life} = \frac{\textit{Book Cost} \quad \textit{Calc. Reserve}}{\textit{Whole Life Annual Accrual}}.$$

PART III. RESULTS OF STUDY

PART III. RESULTS OF STUDY

QUALIFICATION OF RESULTS

The calculated annual and accrued depreciation and the annual provision for true-up (a.k.a., amortization of the accumulated depreciation variance) are the principal results of the study. Continued surveillance and periodic revisions are normally required to maintain continued use of appropriate annual depreciation accrual rates. An assumption that accrual rates can remain unchanged over a long period of time implies a disregard for the inherent variability in service lives and salvage and for the change of the composition of property in service. The annual accrual rates and the accrued depreciation were calculated in accordance with the straight line equal life group method of depreciation based on estimates which reflect considerations of current historical evidence and expected future conditions.

The calculated accrued depreciation represents that portion of the depreciable cost which will not be allocated to future annual expense through depreciation accruals, if current forecasts of service life and salvage materialize and are used as a basis for straight line equal life group depreciation accounting.

DESCRIPTION OF STATISTICAL SUPPORT

The service life and salvage estimates were based on judgment which incorporated statistical analyses of retirement data, discussions with management, the previous estimates used for Newfoundland Power and consideration of estimates made for other electric utility companies. The results of the statistical analyses of service life are presented in Appendix A of the companion volume to this report.

The estimated survivor curves for each account are presented in graphical form. The charts depict the estimated smooth survivor curve and original survivor curve(s), when applicable, related to each specific group. For groups where the original survivor curve was plotted, the calculation of the original life table is also presented.

The analyses of salvage data are presented in Appendix B titled, "Net Salvage Statistics." The tabulations present annual cost of removal and salvage data, three-year moving averages and the most recent five-year average. Data are shown in dollars and as percentages of original costs retired.

DESCRIPTION OF DEPRECIATION TABULATIONS

Summaries of the results of the study, as applied to the original cost of electric plant at December 31, 2005, are presented on pages III-4 through III-17 of this report. Schedules 1 through 2 present the study results. Schedule 1 is a summary of the calculated annual and accrued depreciation by account based on the straight line whole life method of depreciation. Schedule 2 compares the calculated accrued depreciation with the book depreciation reserve and calculates amortization amounts that correct the variance.

The tables of the calculated annual and accrued depreciation are presented in account sequence in Appendix C of the companion volume. The tables indicate the estimated survivor curve and salvage percent for the account and set forth for each installation year the original cost, the calculated annual accrual rate and amount, and the calculated accrued depreciation factor and amount.

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation
Related to Original Cost of Electric Plant at December 31, 2005

Depreciable Group (1)		Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
DEPRECIABLE PLANT								
Steam Production					0	0		0
Hydro Production								
320	Land and Land Clearing		75 - R2.5	0	993,693	14,618	1.47	299,107
321	Roads, Trails, and Bridges		55 - R3	(10)	2,733,792	57,508	2.10	999,032
322	Buildings and Structures		75 - R2.5	(20)	6,531,660	114,359	1.75	2,555,826
323	Canals, Penstocks, Surge Tanks & Tailraces		60 - L2.5	(20)	40,812,268	920,126	2.25	13,416,377
324	Dams and Reservoirs		70 - S0.5	(20)	27,053,440	547,615	2.02	9,849,287
325	Prime Movers, Generators and Auxiliaries		70 - R2	(20)	25,805,687	515,766	2.00	8,396,904
326	Switching, Metering and Control Equipment		45 - S0.5	(20)	8,249,961	264,472	3.21	2,775,768
327	Miscellaneous Power Plant Equipment		50 - R2	(20)	401,122	9,272	2.31	283,788
	Total Hydro Production				**112,581,622**	**2,443,736**	**2.17**	**38,576,089**
Other Production								
331	*Buildings and Structures*							
	St. John's Diesel							
	Salt Pond Diesel							
	Gander Diesel							
	Aguathuna Diesel							
	Port Aux Basques Diesel	6-2016	60 - S0	(25)	234,847	10,040	4.28	194,643
	Portable Gas Turbine							
	Green Hill Gas Turbine	6-2016	60 - S0	(3)	317,773	14,171	4.46	186,412
	Salt Pond Gas Turbine							
	Wesleyville Gas Turbine	6-2026	60 - S0	(3)	73,725	2,677	3.63	27,673
	Total Account 331				*626,345*	*26,888*		*408,728*

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation
Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group (1)	Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
332	*Electrical Plant*							
	St. John's Diesel							
	Salt Pond Diesel							
	Port Union Diesel							
	Gander Diesel							
	Aguathuna Diesel							
	Port Aux Basques Diesel	6-2016	70 - L0	(25)	108,312	4,360	4.03	92,626
	Green Hill Gas Turbine	6-2016	70 - L0	(3)	667,974	46,794	7.01	227,711
	Salt Pond Gas Turbine							
	Wesleyville Gas Turbine	6-2026	70 - L0	(3)	1,952,839	116,281	5.95	91,345
	Mobile Diesel #3	6-2036	70 - L0	0	1,355,188	57,460	4.24	86,190
	Total Account 332				*4,084,314*	*224,895*		*497,872*
333	*Prime Movers, Generators and Auxiliaries*							
	St. John's Diesel							
	Salt Pond Diesel				0	0		0
	Port Union Diesel	6-2006	50 - L1	(25)	52,594	1,728	3.29	64,806
	Gander Diesel				0	0		0
	Aguathuna Diesel				0	0		0
	Port Aux Basques Diesel	6-2016	50 - L1	(25)	455,975	21,589	4.73	360,256
	Portable Diesel #1							
	Portable Gas Turbine	6-2026	50 - L1	0	2,367,719	106,968	4.52	465,500
	Green Hill Gas Turbine	6-2016	50 - L1	(3)	5,860,378	259,756	4.43	3,507,025
	Portable Diesel #2							
	Salt Pond Gas Turbine							
	Wesleyville Gas Turbine	6-2026	50 - L1	(3)	5,555,641	256,337	4.61	1,166,154
	Mobile Diesel #3	6-2036	50 - L1	0	615,295	24,527	3.99	39,329
	Total Account 333				*14,907,602*	*670,905*		*5,603,070*

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation
Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group (1)	Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
334	*Fuel Holders*							
	St. John's Diesel							
	Salt Pond Diesel							
	Port Union Diesel	6-2006	Square	(25)	17,545	1,687	9.62	21,088
	Gander Diesel							
	Aguathuna Diesel							
	Port Aux Basques Diesel	6-2016	Square	(25)	15,646	1,012	6.47	8,934
	Green Hill Gas Turbine	6-2016	Square	(3)	446,145	27,379	6.14	172,022
	Salt Pond Gas Turbine							
	Wesleyville Gas Turbine	6-2026	Square	(3)	201,410	7,990	3.97	43,808
	Total Account 334				*680,746*	*38,068*		*245,852*
335	*Miscellaneous Power Plant Equipment*							
	St. John's Diesel							
	Salt Pond Diesel				0	0		0
	Gander Diesel				0	0		0
	Aguathuna Diesel				0	0		0
	Port Aux Basques Diesel	6-2016	Square	(25)	6,898	148	2.15	7,071
	Total Account 335				*6,898*	*148*		*7,071*
	Total Other Production				**20,305,905**	**960,904**	**4.73**	**6,762,593**
Substation								
341	Buildings and Structures		50 - R2.5	(10)	5,012,381	116,567	2.33	2,275,205
342	Equipment		46 - R2	(10)	116,985,533	3,092,270	2.64	45,942,987
	Total Substation				**121,997,914**	**3,208,837**	**2.63**	**48,218,192**

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation
Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group (1)	Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
Transmission								
350	Land and Land Rights		65 - S2.5	0	10,084,113	165,133	1.64	4,216,047
353.1	Overhead Conductors		53 - R3	(35)	19,030,163	507,021	2.66	10,632,870
353.2	Underground Cables		50 - SQ	(15)	965,569	22,208	2.30	618,700
355.1	Poles		44 - R2.5	(35)	19,668,680	639,379	3.25	10,791,677
355.2	Pole Fixtures		44 - R2.5	(35)	20,678,571	672,936	3.25	11,117,177
355.3	Insulators		31 - S0.5	(35)	18,341,840	901,248	4.91	9,032,302
	Total Transmission				**88,768,936**	**2,907,925**	**3.28**	**46,408,773**
Distribution								
360.0	Land and Land Rights		65 - R5	0	905,599	13,998	1.55	526,819
	Overhead Conductors and Underground Cables							
361.1	Bare Copper		45 - R1.5	(45)	892,247	24,240	2.72	898,894
361.11	Weather-Proof Copper		39 - S1.5	(45)	1,880,404	54,438	2.90	2,202,324
361.12	Bare Aluminum		50 - R2.5	(30)	85,049,356	2,436,778	2.87	35,371,501
361.13	Weather-Proof Aluminum		31 - R1.5	(30)	22,379,473	990,636	4.43	12,859,911
361.14	Aerial Cable		25 - R1	(45)	698,066	37,044	5.31	565,032
361.15	Duplex, Triplex, and Quadruplex		39 - S1.5	(30)	2,857,126	104,279	3.65	1,270,695
361.2	Underground Cables		40 - R3	0	17,604,685	459,700	2.61	7,309,606
361.3	Special Insulated Copper Cable		25 - R1	(45)	102,076	4,541	4.45	108,915
361.4	Submarine Cable		40 - R3	0	3,447,631	90,107	2.61	1,510,510
	Total Account 361				*134,911,064*	*4,201,763*		*62,097,388*
	Poles and Fixtures							
362.1	Wood - Under 35 ft.		45 - R1.5	(10)	71,894,576	1,951,299	2.71	28,729,905
362.2	Wood - 35 ft. and Over		45 - R1.5	(10)	263,622,864	7,387,753	2.80	95,478,359
362.3	Concrete and Steel		37 - R2.5	(20)	5,727,061	195,623	3.42	2,874,598
362.4	Steel Towers		45 - R3	0	184,774	4,102	2.22	104,601
	Total Account 362				*341,429,275*	*9,538,777*		*127,187,463*

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation
Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group (1)	Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
363	Street Lights		16 - O1	(5)	17,994,589	1,054,609	5.86	10,978,290
364.1	*Transformers and Mountings*							
	Up to and Including 15 kVA		36 - S0	5	8,292,964	255,164	3.08	2,791,225
	Over 15 kVA		36 - S0	5	73,414,339	2,318,682	3.16	22,684,654
	Total Account 364.1				*81,707,303*	*2,573,846*		*25,475,879*
364.2	Voltage Regulators		36 - S0	5	3,017,551	79,199	2.62	1,433,172
364.3	Capacitor Banks		36 - S0	5	203,002	6,505	3.20	57,250
364.4	Reclosers		36 - S0	5	982,527	33,145	3.37	230,920
365.1	Services Overhead		39 - S1.5	(60)	62,038,069	2,740,744	4.42	40,002,504
365.2	Services Underground		45 - R3	(5)	5,368,041	134,003	2.50	1,916,497
	Meters							
366.1	Watt-hour		32 - S0.5	0	12,940,503	435,824	3.37	5,416,616
366.2	Demand		25 - S0.5	0	4,773,756	194,777	4.08	2,277,033
366.3	Instrument Transformers		35 - R3	0	1,861,926	53,756	2.89	916,129
366.4	Metering Tanks		35 - R3	0	1,107,351	30,889	2.79	649,174
	Total Account 366				*20,683,536*	*715,246*		*9,258,952*
367.1	Underground Ducts and Manholes		60 - R4	0	4,879,037	84,342	1.73	1,876,744
367.2	Underground Switches and Switchgear		40 - R3	0	1,664,226	45,876	2.76	345,492
	Total Distribution				**675,783,819**	**21,222,053**	**3.14**	**281,387,370**

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation Related to Original Cost of Electric Plant at December 31, 2005

Depreciable Group (1)	Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
General Property							
371.1 Buildings and Structures - Small		35 - S0	(5)	1,782,475	48,803	2.74	1,072,290
371.2 *Buildings and Structures - Large*							
Topsail Road - Former System Control Center							
Topsail Road - Transformer Storage	6-2026	70 - R1	0	1,173,734	38,144	3.25	483,640
Topsail Road - System Control Center	6-2054	70 - R1	0	1,146,382	28,568	2.49	174,269
Kenmount Road	6-2046	70 - R1	0	6,068,367	121,096	2.00	2,356,517
Duffy Place	6-2060	70 - R1	0	11,342,182	225,208	1.99	3,044,268
O'Leary Avenue							
Carbonear - Office/Warehouse	6-2030	70 - R1	0	1,777,920	45,463	2.56	797,853
Whitbourne	6-2033	70 - R1	0	591,322	13,742	2.32	266,601
Salt Pond	6-2023	70 - R1	0	702,711	21,781	3.10	355,704
Clarenville Regional Building	6-2042	70 - R1	0	1,877,894	42,396	2.26	635,973
Gander	6-2023	70 - R1	0	1,414,735	49,431	3.49	622,187
Grand Falls Office Building	6-2006	70 - R1	48	380,428	0	0.00	197,823
Grand Falls Service Building	6-2041	70 - R1	0	814,324	16,973	2.08	331,368
Corner Brook - West Street Office	6-2009	70 - R1	0	762,112	33,807	4.44	645,041
Corner Brook - Maple Valley Service Buildings	6-2034	70 - R1	0	767,820	18,773	2.44	315,061
Stephenville Office and Service Build	6-2028	70 - R1	0	1,018,990	27,747	2.72	469,340
Port Aux Basques	6-2026	70 - R1	0	269,706	6,844	2.54	142,940
Total Account 371.2				*30,108,627*	*689,973*		*10,838,585*

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group	Probable Retirement Year	Estimated Survivor Curve	Net Salvage Percent	Original Cost at 12/31/05	Annual Accrual Amount	Annual Accrual Rate	Calculated Accrued Depreciation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)=(6)/(5)	(8)
372	Office Equipment		25 - SQ	0	6,774,948	268,951	4.00 *	3,344,346
373	Store Equipment		25 - SQ	0	644,129	25,602	4.00 *	344,438
374	Shop Equipment		25 - SQ	0	711,921	28,374	4.00 *	344,846
375	Laboratory and Testing Equipment		25 - SQ	0	4,996,803	196,460	4.00 *	2,165,437
376	Miscellaneous Equipment		15 - SQ	0	2,044,719	123,066	6.67 *	886,586
377	Engineering Equipment		25 - SQ	0	295,645	10,542	4.00 *	221,267
	Transportation							
378.1	Sedans and Station Wagons		5 - R1.5	16	349,640	69,247	19.81	97,080
378.2	Pick-up Trucks, Window Vans		6 - S2.5	17	5,032,267	711,445	14.14	1,899,072
	Large Trucks with Hydraulic Derricks							
378.31	Cab and Chassis		10 - S1.5	10	4,380,567	419,009	9.57	1,608,705
378.32	Equipment		10 - S1.5	10	5,933,427	547,536	9.23	2,474,492
378.4	Large Trucks with Line and Stake Bodies		10 - S1.5	10	3,591,036	318,633	8.87	1,599,641
378.5	Miscellaneous		18 - L1	20	1,480,913	68,252	4.61	555,353
	Total Account 378				*20,767,849*	*2,134,122*		*8,234,343*
379.1	Computers - Hardware		5 - SQ	0	11,030,634	1,717,477	20.00 *	6,655,242
379.2	Computers - Software		10 - SQ	0	27,375,730	2,686,796	10.00 *	12,475,204
	Total General Property				**106,533,479**	**7,930,166**	**7.44**	**46,582,584**

NEWFOUNDLAND POWER INC.

Schedule 1. Summary of Service Life and Net Salvage Estimates and Calculated Annual Depreciation
Related to Original Cost of Electric Plant at December 31, 2005

Depreciable Group (1)		Probable Retirement Year (2)	Estimated Survivor Curve (3)	Net Salvage Percent (4)	Original Cost at 12/31/05 (5)	Annual Accrual Amount (6)	Annual Accrual Rate (7)=(6)/(5)	Calculated Accrued Depreciation (8)
Telecommunications								
381.1	Mobile Radios		15 - SQ	0	412,784	23,577	6.67 *	221,077
381.2	Portable Radios		15 - SQ	0	234,774	12,340	6.67 *	155,173
381.3	Base Stations		15 - SQ	0	102,131	5,001	6.67 *	96,646
382.1	Radio Sites - Roads		30 - R4	0	109,734	3,519	3.21	77,668
382.2	Radio Sites - Buildings		30 - R4	(5)	385,914	13,190	3.42	276,203
383	Radio Equipment		15 - SQ	0	1,587,869	106,024	6.67 *	1,070,128
384	Communication Cables		25 - R3	(10)	2,411,613	110,341	4.58	1,101,724
386	SCADA Equipment		14 - L2	0	5,793,071	377,060	6.51	3,447,827
389.1	Telephone and Data Collection Equipment		10 - L2.5	0	1,339,030	118,744	8.87	949,999
389.2	Fax Machines							
389.3	Telephone Equipment							
390	Power Line Carrier		15 - SQ	0	21,848	589	6.67 *	19,199
391	Communication Test Equipment		15 - R3	0	721,543	40,231	5.58	593,777
	Total Telecommunications				**13,120,310**	**810,616**	**6.18**	**8,009,421**
	TOTAL DEPRECIABLE PLANT				**1,139,091,986**	**39,484,237**		**475,945,022**
	TOTAL NONDEPRECIABLE PLANT				**9,516,842**			
	TOTAL ELECTRICAL PLANT				**1,148,608,828**			

* Amortization Rate applicable to vintages that are not fully amortized. (Amortization Rate=1/Amortization Period, Years)

NEWFOUNDLAND POWER INC.

Schedule 2. Calculated Accrued Depreciation, Book Accumulated Depreciation and Determination of Reserve Variance Amortizations Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group	Original Cost at 12/31/05	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Reserve Variance Amount	Accumulated Reserve Variance Percent	Accumulated Reserve Variance Amount > Threshold	Probable Remaining Life	Reserve Variance Amortization
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)/(3)	(7)=(3)-(4) (e)	(8)	(9)=(5)/(8)
DEPRECIABLE PLANT									
Steam Production		0	0	18,285	(18,285)				0 (a)
Hydro Production									
320	Land and Land Clearing	993,693	299,107	309,052	(9,945)	(3.3)	0	47.5	0 (b)
321	Roads, Trails, and Bridges	2,733,792	999,032	1,000,520	(1,488)	(0.1)	0	34.9	0 (b)
322	Buildings and Structures	6,531,660	2,555,826	2,421,069	134,757	5.3	134,757	46.2	2,917
323	Canals, Penstocks, Surge Tanks and Tailraces	40,812,268	13,416,377	12,395,966	1,020,411	7.6	1,020,411	38.7	26,367
324	Dams and Reservoirs	27,053,440	9,849,287	10,154,770	(305,483)	(3.1)	0	41.3	0 (b)
325	Prime Movers, Generators and Auxiliaries	25,805,687	8,396,904	7,620,094	776,810	9.3	776,810	43.8	17,735
326	Switching, Metering and Control Equipment	8,249,961	2,775,768	2,111,245	664,523	23.9	664,523	26.9	24,703
327	Miscellaneous Power Plant Equipment	401,122	283,788	306,373	(22,585)	(8.0)	(22,585)	21.3	(1,060)
	Total Hydro Production	**112,581,623**	**38,576,089**	**36,319,089**	**2,257,000**		**2,573,916**		**70,662**
Other Production									
331	*Buildings and Structures*								
	St. John's Diesel			(3,612)	3,612		3,612		722 (d)
	Salt Pond Diesel			0	0				
	Gander Diesel			0	0				
	Aguathuna Diesel			0	0				
	Port Aux Basques Diesel	234,847	194,643	190,132	4,511	2.3	0	9.9	0 (b)
	Portable Gas Turbine			0	0				
	Green Hill Gas Turbine	317,773	186,412	181,042	5,370	2.9	0	9.9	0 (b)
	Salt Pond Gas Turbine			98,017	(98,017)		(98,017)		(19,603) (d)
	Wesleyville Gas Turbine	73,725	27,673	44,390	(16,717)	(60.4)	(16,717)	16.0	(929)
	Total Account 331	*626,345*	*408,728*	*509,969*	*(101,241)*		*(111,122)*		*(19,810)*
332	*Electrical Plant*								
	St. John's Diesel			(4,565)	4,565		4,565		913 (d)
	Salt Pond Diesel			0	0				
	Port Union Diesel			9,790	(9,790)		(9,790)		(1,958) (d)
	Gander Diesel			8,824	(8,824)		(8,824)		(1,765) (d)
	Aguathuna Diesel			0	0				
	Port Aux Basques Diesel	108,312	92,626	83,246	9,380	10.1	9,380	9.8	957
	Green Hill Gas Turbine	667,974	227,711	123,751	103,960	45.7	103,960	9.8	10,608
	Salt Pond Gas Turbine			(13,152)	13,152		13,152		2,630 (d)
	Wesleyville Gas Turbine	1,952,839	91,345	73,278	18,067	19.8	18,067	16.5	1,095
	Mobile Diesel #3	1,355,188	86,190	98,202	(12,012)	(13.9)	(12,012)	22.1	(544)
	Total Account 332	*4,084,313*	*497,872*	*379,374*	*118,498*		*118,498*		*11,936*

NEWFOUNDLAND POWER INC.

Schedule 2. Calculated Accrued Depreciation, Book Accumulated Depreciation and Determination of Reserve Variance Amortizations Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group	Original Cost at 12/31/05	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Reserve Variance Amount	Accumulated Reserve Variance Percent	Accumulated Reserve Variance Amount > Threshold	Probable Remaining Life	Reserve Variance Amortization
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)/(3)	(7)=(3)-(4) (e)	(8)	(9)=(5)/(8)
333	*Prime Movers, Generators and Auxiliaries*								
	St. John's Diesel			11,974	(11,974)		(11,974)		(2,395) (d)
	Salt Pond Diesel			0	0				
	Port Union Diesel	52,594	64,806	57,569	7,237	11.2	7,237	0.5	1,447 (c)
	Gander Diesel			39,192	(39,192)		(39,192)		(7,838) (d)
	Aguathuna Diesel			0	0				
	Port Aux Basques Diesel	455,975	360,256	326,434	33,822	9.4	33,822	9.7	3,487
	Portable Diesel #1			17,309	(17,309)		(17,309)		(3,462) (d)
	Portable Gas Turbine	2,367,719	465,500	373,523	91,977	19.8	91,977	17.8	5,167
	Green Hill Gas Turbine	5,860,378	3,507,025	3,280,883	226,142	6.4	226,142	9.7	23,314
	Portable Diesel #2			0	0				
	Salt Pond Gas Turbine			0	0				
	Wesleyville Gas Turbine	5,555,641	1,166,154	932,928	233,226	20.0	233,226	17.8	13,103
	Mobile Diesel #3	615,295	39,329	31,410	7,919	20.1	7,919	23.5	337
	Total Account 333	*14,907,602*	*5,603,070*	*5,071,222*	*531,848*		*531,848*		*33,160*
334	*Fuel Holders*								
	St. John's Diesel			5,516	(5,516)		(5,516)		(1,103) (d)
	Salt Pond Diesel			0	0				
	Port Union Diesel	17,545	21,088	17,592	3,496	16.6	3,496	0.5	699 (c)
	Gander Diesel			0	0				
	Aguathuna Diesel			0	0				
	Port Aux Basques Diesel	15,646	8,934	6,811	2,123	23.8	2,123	10.5	202
	Green Hill Gas Turbine	446,145	172,022	10,072	161,950	94.1	161,950	10.5	15,424
	Salt Pond Gas Turbine			(50,925)	50,925		50,925		10,185 (d)
	Wesleyville Gas Turbine	201,410	43,808	51,876	(8,068)	(18.4)	(8,068)	20.5	(394)
	Total Account 334	*680,746*	*245,852*	*40,942*	*204,910*		*204,910*		*25,013*
335	*Miscellaneous Power Plant Equipment*								
	St. John's Diesel			0	0				
	Salt Pond Diesel			0	0				
	Gander Diesel			0	0				
	Aguathuna Diesel			0	0				
	Port Aux Basques Diesel	6,898	7,071	6,448	623	8.8	623	10.5	59
	Total Account 335	*6,898*	*7,071*	*6,448*	*623*		*623*		*59*
	Total Other Production	20,305,904	6,762,593	6,007,955 2	754,638		744,757		50,358
Substation									
341	Buildings and Structures	5,012,381	2,275,205	2,411,535	(136,330)	(6.0)	(136,330)	27.8	(4,904)
342	Equipment	116,985,533	45,942,987	46,139,223	(196,236)	(0.4)	0	26.8	0 (b)
	Total Substation	121,997,914	48,218,192	48,550,758	(332,566)		(136,330)		(4,904)

NEWFOUNDLAND POWER INC.

Schedule 2. Calculated Accrued Depreciation, Book Accumulated Depreciation and Determination of Reserve Variance Amortizations Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group	Original Cost at 12/31/05	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Reserve Variance Amount	Accumulated Reserve Variance Percent	Accumulated Reserve Variance Amount > Threshold	Probable Remaining Life	Reserve Variance Amortization
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)/(3)	(7)=(3)-(4) (e)	(8)	(9)=(5)/(8)
Transmission									
350	Land and Land Rights	10,084,113	4,216,047	4,487,561	(271,514)	(6.4)	(271,514)	35.5	(7,648)
353.1	Overhead Conductors	19,030,163	10,632,870	10,148,483	484,387	4.6	0	29.7	0 (b)
353.2	Underground Cables	965,569	618,700	623,173	(4,473)	(0.7)	0	22.1	0 (b)
355.1	Poles	19,668,680	10,791,677	11,067,624	(275,947)	(2.6)	0	24.7	0 (b)
355.2	Pole Fixtures	20,678,571	11,117,177	11,786,766	(669,589)	(6.0)	(669,589)	25.0	(26,784)
355.3	Insulators	18,341,840	9,032,302	8,221,104	811,198	9.0	811,198	17.5	46,354
	Total Transmission	**88,768,936**	**46,408,773**	**46,334,711**	**74,062**		**(129,905)**		**11,922**
Distribution									
360.0	Land and Land Rights	905,599	526,819	628,275	(101,456)	(19.3)	(101,456)	27.1	(3,744)
	Overhead Conductors and Underground Cables								
361.1	Bare Copper	892,247	898,894	781,238	117,656	13.1	117,656	16.3	7,218
361.11	Weather-Proof Copper	1,880,404	2,202,324	2,408,571	(206,247)	(9.4)	(206,247)	9.6	(21,484)
361.12	Bare Aluminum	85,049,356	35,371,501	35,628,110	(256,609)	(0.7)	0	30.9	0 (b)
361.13	Weather-Proof Aluminum	22,379,473	12,859,911	11,231,968	1,627,943	12.7	1,627,943	16.4	99,265
361.14	Aerial Cable	698,066	565,032	611,306	(46,274)	(8.2)	(46,274)	12.1	(3,824)
361.15	Duplex, Triplex, and Quadruplex	2,857,126	1,270,695	1,363,045	(92,350)	(7.3)	(92,350)	23.4	(3,947)
361.2	Underground Cables	17,604,685	7,309,606	7,447,527	(137,921)	(1.9)	0	22.4	0 (b)
361.3	Special Insulated Copper Cable	102,076	108,915	118,124	(9,209)	(8.5)	(9,209)	8.6	(1,071)
361.4	Submarine Cable	3,447,631	1,510,510	1,487,579	22,931	1.5	0	21.5	0 (b)
	Total Account 361	*134,911,064*	*62,097,388*	*61,077,468*	*1,019,920*		*1,391,519*		*76,157*
	Poles and Fixtures								
362.1	Wood - Under 35 ft.	71,894,576	28,729,905	27,785,863	944,042	3.3	0	25.8	0 (b)
362.2	Wood - 35 ft. and Over	263,622,864	95,478,359	95,811,312	(332,953)	(0.3)	0	26.3	0 (b)
362.3	Concrete and Steel	5,727,061	2,874,598	3,101,422	(226,824)	(7.9)	(226,824)	20.4	(11,119)
362.4	Steel Towers	184,774	104,601	105,010	(409)	(0.4)	0	19.5	0 (b)
	Total Account 362	*341,429,275*	*127,187,463*	*126,803,607*	*383,856*		*(226,824)*		*(11,119)*
363	Street Lights	17,994,589	10,978,290	9,100,224	1,878,066	17.1	1,878,066	7.5	250,409
364.1	*Transformers and Mountings*								
	Up to and Including 15 kVA	8,292,964	2,791,225	2,801,722	(10,497)	(0.4)	0	19.9	0 (b)
	Over 15 kVA	73,414,339	22,684,654	23,450,714	(766,060)	(3.4)	0	20.3	0 (b)
	Total Account 364.1	*81,707,303*	*25,475,879*	*26,252,436*	*(776,557)*		*0*		*0*

NEWFOUNDLAND POWER INC.

Schedule 2. Calculated Accrued Depreciation, Book Accumulated Depreciation and Determination of Reserve Variance Amortizations Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group	Original Cost at 12/31/05	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Reserve Variance Amount	Accumulated Reserve Variance Percent	Accumulated Reserve Variance Amount > Threshold	Probable Remaining Life	Reserve Variance Amortization
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)/(3)	(7)=(3)-(4) (e)	(8)	(9)=(5)/(8)
364.2	Voltage Regulators	3,017,551	1,433,172	1,354,019	79,153	5.5	79,153	18.1	4,373
364.3	Capacitor Banks	203,002	57,250	66,038	(8,788)	(15.4)	(8,788)	20.9	(420)
364.4	Reclosers	982,527	230,920	141,612	89,308	38.7	89,308	21.2	4,213
365.1	Services Overhead	62,038,069	40,002,504	45,791,371	(5,788,867)	(14.5)	(5,788,867)	21.6	(268,003)
365.2	Services Underground	5,368,041	1,916,497	2,169,656	(253,159)	(13.2)	(253,159)	27.8	(9,106)
	Meters								
366.1	Watt-hour	12,940,503	5,416,616	4,676,391	740,225	13.7	740,225	17.3	42,788
366.2	Demand	4,773,756	2,277,033	2,609,618	(332,585)	(14.6)	(332,585)	12.8	(25,983)
366.3	Instrument Transformers	1,861,926	916,129	933,734	(17,605)	(1.9)	0	17.6	0 (b)
366.4	Metering Tanks	1,107,351	649,174	653,988	(4,814)	(0.7)	0	14.8	0 (b)
	Total Account 366	*20,683,536*	*9,258,952*	*8,873,731*	*385,221*		*407,640*		*16,805*
367.1	Underground Ducts and Manholes	4,879,037	1,876,744	1,855,328	21,416	1.1	0	35.6	0 (b)
367.2	Underground Switches and Switchgear	1,664,226	345,492	213,753	131,739	38.1	131,739	28.8	4,574
	Total Distribution	**675,783,819**	**281,387,370**	**284,327,518**	**(2,940,148)**		**(2,401,669)**		**64,139**
General Property									
371.1	Buildings and Structures - Small	1,782,475	1,072,290	960,183	112,107	10.5	112,107	16.4	6,836
371.2	*Buildings and Structures - Large*								
	Topsail Road - Former System Control Center			90,419	(90,419)		(90,419)		(18,084) (d)
	Topsail Road - Transformer Storage	1,173,734	483,640	550,484	(66,844)	(13.8)	(66,844)	18.1	(3,693)
	Topsail Road - System Control Center	1,146,382	174,269	161,128	13,141	7.5	13,141	34.0	387
	Kenmount Road	6,068,367	2,356,517	2,511,923	(155,406)	(6.6)	(155,406)	30.7	(5,062)
	Duffy Place	11,342,182	3,044,268	2,731,773	312,495	10.3	312,495	36.9	8,469
	O'Leary Avenue			0	0				
	Carbonear - Office/Warehouse	1,777,920	797,853	965,180	(167,327)	(21.0)	(167,327)	21.6	(7,747)
	Whitbourne	591,322	266,601	301,881	(35,280)	(13.2)	(35,280)	23.6	(1,495)
	Salt Pond	702,711	355,704	435,543	(79,839)	(22.4)	(79,839)	15.9	(5,021)
	Clarenville Regional Building	1,877,894	635,973	594,493	41,480	6.5	41,480	29.3	1,416
	Gander	1,414,735	622,187	810,946	(188,759)	(30.3)	(188,759)	16.0	(11,797)
	Grand Falls Office Building	360,428	197,823	198,096	(273)	(0.1)	0	0.0	0 (b)
	Grand Falls Service Building	814,324	331,368	692,551	(361,183)	(109.0)	(361,183)	28.5	(12,673)
	Corner Brook - West Street Office	762,112	645,041	630,278	14,763	2.3	0	3.5	0 (b)
	Corner Brook - Maple Valley Service Buildings	767,820	315,061	301,732	13,329	4.2	0	24.1	0 (b)
	Stephenville Office and Service Building	1,018,990	469,340	491,328	(21,988)	(4.7)	0	19.8	0 (b)
	Port Aux Basques	269,706	142,940	160,804	(17,864)	(12.5)	(17,864)	18.5	(966)
	Total Account 371.2	*30,108,627*	*10,838,585*	*11,628,559*	*(789,974)*		*(795,805)*		*(56,266)*

NEWFOUNDLAND POWER INC.

Schedule 2. Calculated Accrued Depreciation, Book Accumulated Depreciation and Determination of Reserve Variance Amortizations Related to Original Cost of Electric Plant at December 31, 2005

	Depreciable Group	Original Cost at 12/31/05	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Reserve Variance: Amount	Accumulated Reserve Variance: Percent	Accumulated Reserve Variance: Amount > Threshold	Probable Remaining Life	Reserve Variance Amortization
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)/(3)	(7)=(3)-(4) (e)	(8)	(9)=(5)/(8)
372	Office Equipment	6,774,948	3,344,346	3,330,215	14,131	0.4	0	12.8	0 (b)
373	Store Equipment	644,129	344,438	340,768	3,670	1.1	0	11.7	0 (b)
374	Shop Equipment	711,921	344,846	360,370	(15,524)	(4.5)	0	12.9	0 (b)
375	Laboratory and Testing Equipment	4,996,803	2,165,437	2,059,633	105,804	4.9	0	14.4	0 (b)
376	Miscellaneous Equipment	2,044,719	886,586	836,117	50,469	5.7	50,469	9.4	5,369
377	Engineering Equipment	295,645	221,267	202,724	18,543	8.4	18,543	7.1	2,612
	Transportation								
378.1	Sedans and Station Wagons	349,640	97,080	72,103	24,977	25.7	24,977	2.8	4,995 (c)
378.2	Pick-up Trucks, Window Vans	5,032,267	1,899,072	2,166,086	(267,014)	(14.1)	(267,014)	3.2	(53,403) (c)
	Large Trucks with Hydraulic Derricks								
378.31	Cab and Chassis	4,380,567	1,608,705	2,093,283	(484,578)	(30.1)	(484,578)	5.6	(86,532)
378.32	Equipment	5,933,427	2,474,492	2,058,944	415,548	16.8	415,548	5.2	79,913
378.4	Large Trucks with Line and Stake Bodies	3,591,036	1,599,641	1,258,751	340,890	21.3	340,890	5.1	66,841
378.5	Miscellaneous	1,480,913	555,353	490,954	64,399	11.6	64,399	9.2	7,000
	Total Account 378	*20,767,850*	*8,234,343*	*8,140,121*	*94,222*		*94,222*		*18,814*
379.1	Computers - Hardware	11,030,634	6,655,242	6,789,334	(134,092)	(2.0)	0	2.6	0 (b)
379.2	Computers - Software	27,375,730	12,475,204	11,891,898	583,306	4.7	0	5.6	0 (b)
	Total General Property	**106,533,481**	**46,582,584**	**46,539,922**	**42,662**		**(520,464)**		**(22,635)**

NEWFOUNDLAND POWER INC.

Schedule 2. Calculated Accrued Depreciation, Book Accumulated Depreciation and Determination of Reserve Variance Amortizations Related to Original Cost of Electric Plant at December 31, 2005

Depreciable Group		Original Cost at 12/31/05	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Reserve Variance Amount	Accumulated Reserve Variance Percent	Accumulated Reserve Variance Amount > Threshold	Probable Remaining Life	Reserve Variance Amortization
(1)		(2)	(3)	(4)	(5)=(3)-(4)	(6)=(5)/(3)	(7)=(3)-(4) (e)	(8)	(9)=(5)/(8)
Telecommunications									
381.1	Mobile Radios	412,784	221,077	212,820	8,257	3.7	0	8.1	0 (b)
381.2	Portable Radios	234,774	155,173	162,663	(7,490)	(4.8)	0	6.5	0 (b)
381.3	Base Stations	102,131	96,646	96,688	(42)	0.0	0	1.1	0 (b)
382.1	Radio Sites - Roads	109,734	77,668	80,169	(2,501)	(3.2)	0	9.1	0 (b)
382.2	Radio Sites - Buildings	385,914	276,203	279,656	(3,453)	(1.3)	0	9.6	0 (b)
383	Radio Equipment	1,587,869	1,070,128	1,069,496	632	0.1	0	4.9	0 (b)
384	Communication Cables	2,411,613	1,101,724	791,522	310,202	28.2	310,202	14.1	22,000
386	SCADA Equipment	5,793,071	3,447,827	4,747,007	(1,299,180)	(37.7)	(1,299,180)	6.2	(209,545)
389.1	Telephone and Data Collection Equipment	1,339,030	949,999	739,966	210,033	22.1	210,033	3.3	42,007 (c)
389.2	Fax Machines			0	0				
389.3	Telephone Equipment			0	0				
390	Power Line Carrier	21,848	19,199	(21,802)	41,001	213.6	41,001	4.5	8,200 (c)
391	Communication Test Equipment	721,543	593,777	681,058	(87,281)	(14.7)	(87,281)	3.2	(17,456) (c)
	Total Telecommunications	13,120,311	8,009,421	8,839,243	(829,822)		(825,225)		(154,794)
	TOTAL DEPRECIABLE PLANT	1,139,091,988	475,945,022	476,937,482	(992,459)		(694,920)		14,748

(a) Future dismantling costs expected. No reserve variance amortization incurred.
(b) No reserve variance amortization calculated when reserve variance is less than five percent.
(c) Reserve variance is allocated over five years for those accounts with a composite remaining life of less than 5 years.
(d) No assets remain in this account and no future dismantling costs expected. Reserve variance is amortized over 5 years.
(e) The reserve variance for accounts that exceed the 5% tolerance threshold are listed.

NEWFOUNDLAND POWER INC.

ST. JOHN'S, NEWFOUNDLAND

APPENDICES TO

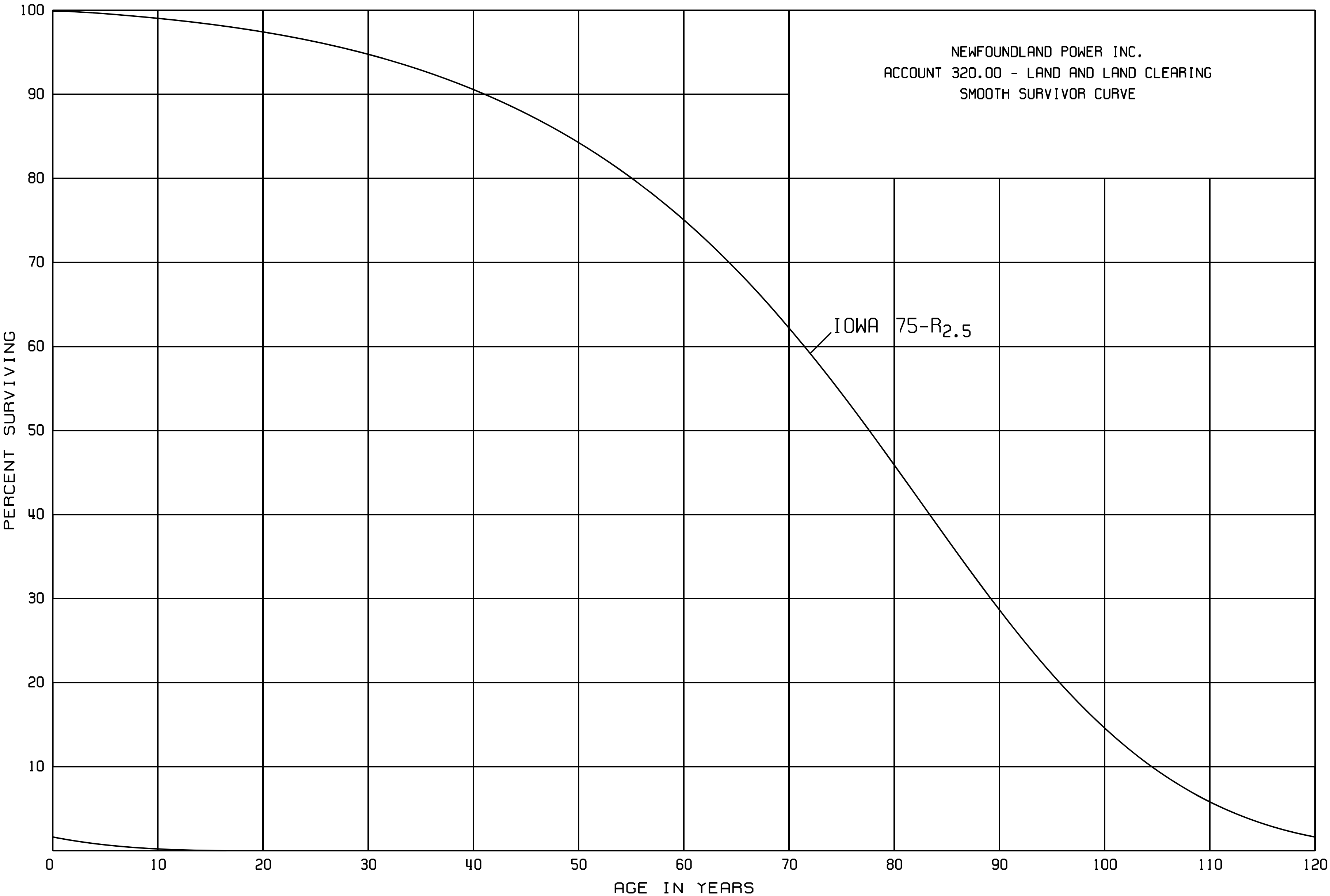
DEPRECIATION STUDY

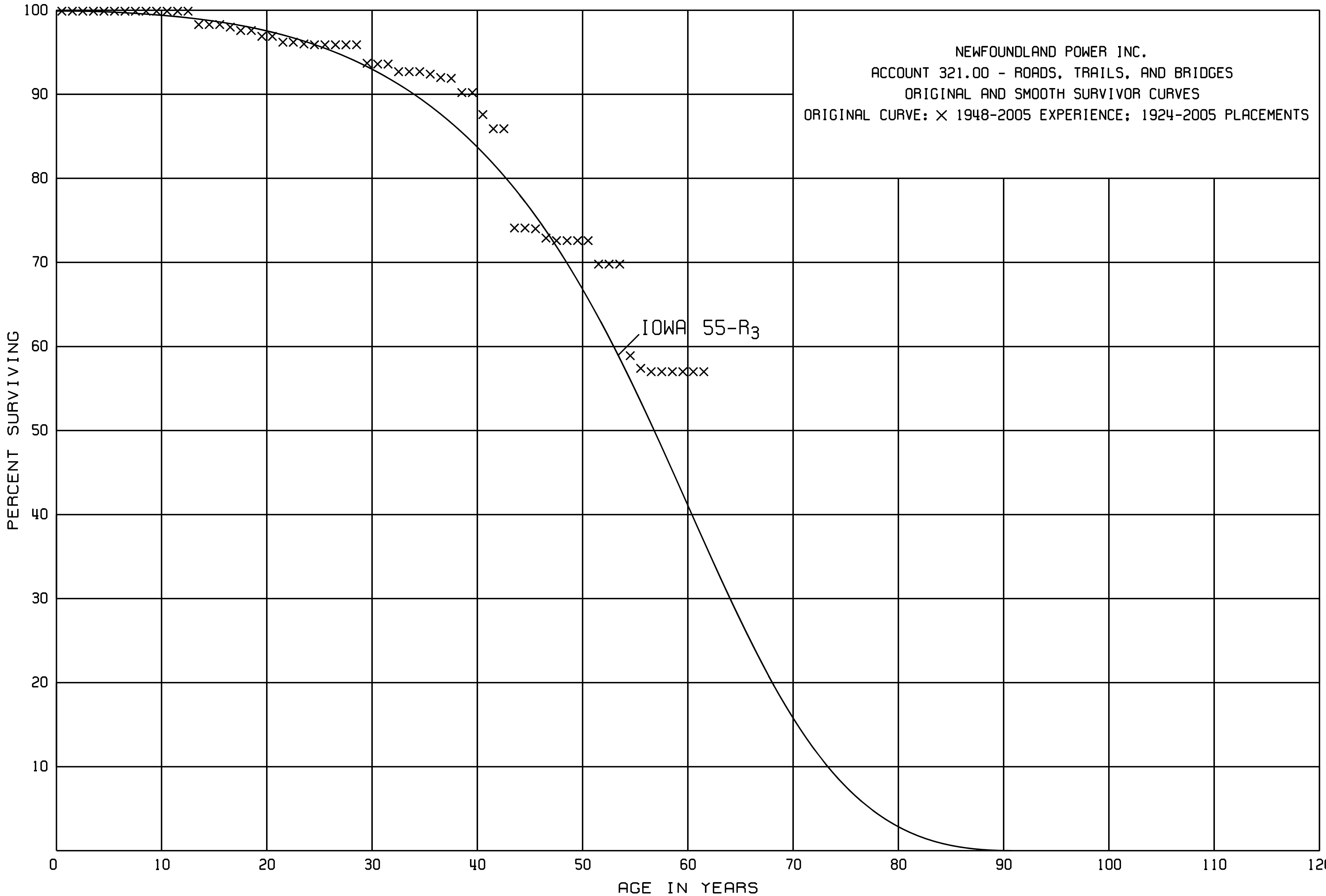
CALCULATED ANNUAL DEPRECIATION ACCRUALS
RELATED TO ELECTRIC PLANT
AT DECEMBER 31, 2005

Gannett Fleming
Valuation and Rate Division

Harrisburg, Pennsylvania **Calgary, Alberta** **Valley Forge, Pennsylvania**

APPENDIX A — SERVICE LIFE STATISTICS


NEWFOUNDLAND POWER INC.
ACCOUNT 320.00 - LAND AND LAND CLEARING
SMOOTH SURVIVOR CURVE
IOWA 75-R2.5
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120



NEWFOUNDLAND POWER INC.
ACCOUNT 321.00 - ROADS, TRAILS, AND BRIDGES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1924-2005 PLACEMENTS
IOWA 55-R3
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 321.00 - ROADS, TRAILS, AND BRIDGES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1924-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	2,025,842		0.0000	1.0000	100.00
0.5	1,981,468		0.0000	1.0000	100.00
1.5	1,937,563		0.0000	1.0000	100.00
2.5	1,774,292		0.0000	1.0000	100.00
3.5	1,774,722		0.0000	1.0000	100.00
4.5	1,802,172		0.0000	1.0000	100.00
5.5	1,709,355		0.0000	1.0000	100.00
6.5	1,733,757		0.0000	1.0000	100.00
7.5	1,778,737		0.0000	1.0000	100.00
8.5	1,075,619		0.0000	1.0000	100.00
9.5	1,112,319		0.0000	1.0000	100.00
10.5	1,117,974		0.0000	1.0000	100.00
11.5	1,117,974		0.0000	1.0000	100.00
12.5	1,106,259	18,445	0.0167	0.9833	100.00
13.5	971,611		0.0000	1.0000	98.33
14.5	967,746	600	0.0006	0.9994	98.33
15.5	967,146	2,994	0.0031	0.9969	98.27
16.5	967,161	4,000	0.0041	0.9959	97.97
17.5	963,161		0.0000	1.0000	97.57
18.5	913,330	6,105	0.0067	0.9933	97.57
19.5	914,762		0.0000	1.0000	96.92
20.5	909,152	7,000	0.0077	0.9923	96.92
21.5	903,133		0.0000	1.0000	96.17
22.5	886,490	1,571	0.0018	0.9982	96.17
23.5	927,280	1,220	0.0013	0.9987	96.00
24.5	926,060		0.0000	1.0000	95.88
25.5	915,985		0.0000	1.0000	95.88
26.5	915,985		0.0000	1.0000	95.88
27.5	915,985		0.0000	1.0000	95.88
28.5	915,985	20,900	0.0228	0.9772	95.88
29.5	895,085	1,104	0.0012	0.9988	93.69
30.5	897,781		0.0000	1.0000	93.58
31.5	897,781	8,825	0.0098	0.9902	93.58
32.5	832,140		0.0000	1.0000	92.66
33.5	832,140		0.0000	1.0000	92.66
34.5	830,235	2,000	0.0024	0.9976	92.66
35.5	828,235	4,412	0.0053	0.9947	92.44
36.5	823,823	610	0.0007	0.9993	91.95
37.5	842,540	15,778	0.0187	0.9813	91.89
38.5	826,762		0.0000	1.0000	90.17

NEWFOUNDLAND POWER INC.

ACCOUNT 321.00 - ROADS, TRAILS, AND BRIDGES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1924-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	824,806	23,912	0.0290	0.9710	90.17
40.5	800,894	15,530	0.0194	0.9806	87.56
41.5	783,849		0.0000	1.0000	85.86
42.5	696,956	95,916	0.1376	0.8624	85.86
43.5	601,040		0.0000	1.0000	74.05
44.5	601,040	251	0.0004	0.9996	74.05
45.5	599,142	9,316	0.0155	0.9845	74.02
46.5	500,480	2,000	0.0040	0.9960	72.87
47.5	457,500		0.0000	1.0000	72.58
48.5	446,218		0.0000	1.0000	72.58
49.5	425,818		0.0000	1.0000	72.58
50.5	391,990	15,000	0.0383	0.9617	72.58
51.5	265,563		0.0000	1.0000	69.80
52.5	229,680		0.0000	1.0000	69.80
53.5	196,024	30,517	0.1557	0.8443	69.80
54.5	158,965	4,100	0.0258	0.9742	58.93
55.5	154,865	990	0.0064	0.9936	57.41
56.5	153,875		0.0000	1.0000	57.04
57.5	145,788		0.0000	1.0000	57.04
58.5	145,788		0.0000	1.0000	57.04
59.5	140,478		0.0000	1.0000	57.04
60.5	140,478		0.0000	1.0000	57.04
61.5	140,478		0.0000	1.0000	57.04
62.5	108,375		0.0000	1.0000	57.04
63.5	97,164		0.0000	1.0000	57.04
64.5	74,679		0.0000	1.0000	57.04
65.5	74,679		0.0000	1.0000	57.04
66.5	74,679		0.0000	1.0000	57.04
67.5	74,679		0.0000	1.0000	57.04
68.5	74,679	1,500	0.0201	0.9799	57.04
69.5	73,179		0.0000	1.0000	55.89
70.5	69,379		0.0000	1.0000	55.89
71.5	69,379		0.0000	1.0000	55.89
72.5	69,379		0.0000	1.0000	55.89
73.5	69,379		0.0000	1.0000	55.89
74.5	51,434		0.0000	1.0000	55.89
75.5	51,434		0.0000	1.0000	55.89
76.5	51,434		0.0000	1.0000	55.89
77.5	34,107		0.0000	1.0000	55.89
78.5	34,107		0.0000	1.0000	55.89

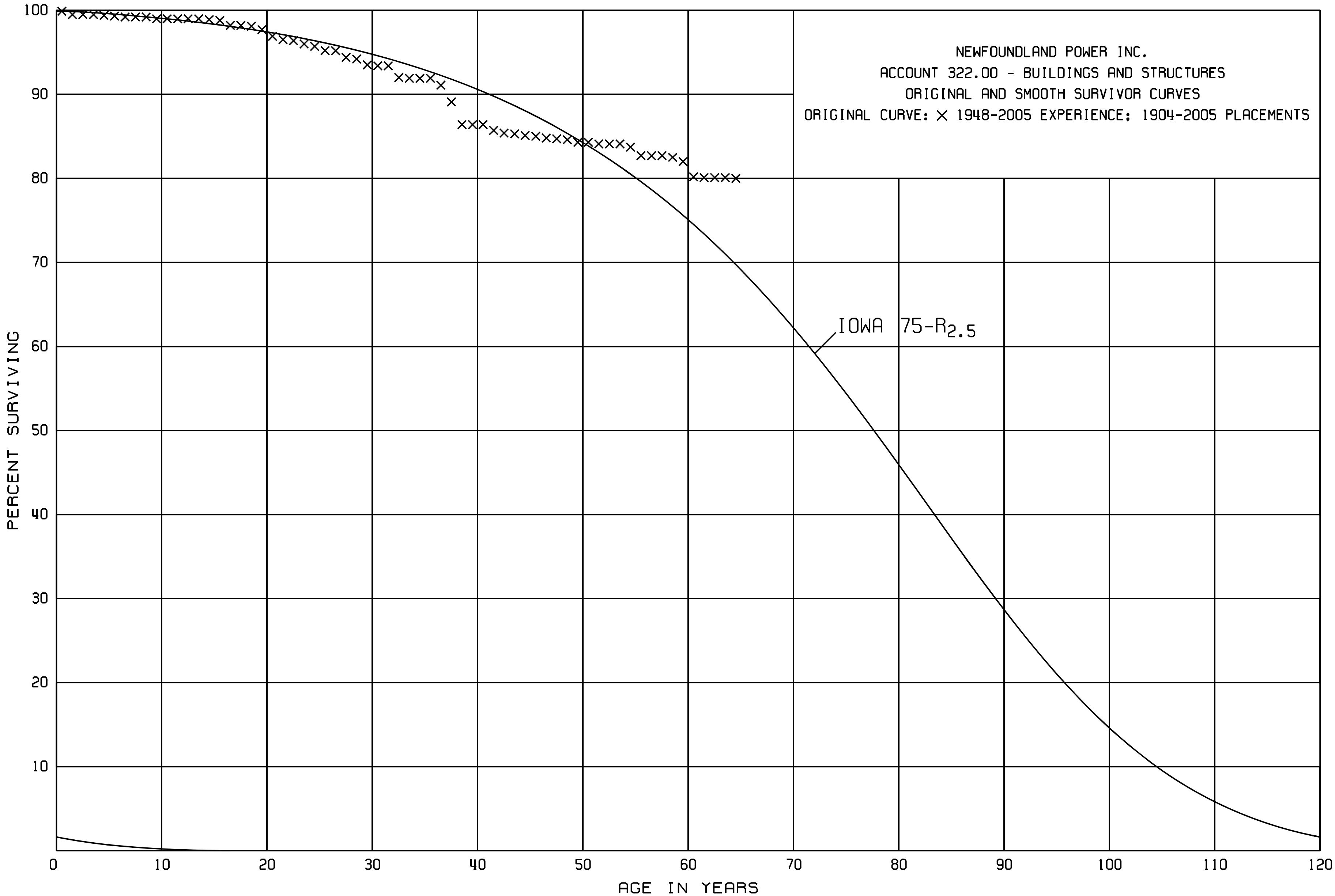
NEWFOUNDLAND POWER INC.

ACCOUNT 321.00 - ROADS, TRAILS, AND BRIDGES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1924-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	34,107		0.0000	1.0000	55.89
80.5	34,107		0.0000	1.0000	55.89
81.5					55.89


NEWFOUNDLAND POWER INC.
ACCOUNT 322.00 - BUILDINGS AND STRUCTURES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1904-2005 PLACEMENTS
IOWA 75-R2.5
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 322.00 - BUILDINGS AND STRUCTURES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1904-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,686,027		0.0000	1.0000	100.00
0.5	3,527,244	17,199	0.0049	0.9951	100.00
1.5	3,399,159	648	0.0002	0.9998	99.51
2.5	3,281,311		0.0000	1.0000	99.49
3.5	3,123,226	2,702	0.0009	0.9991	99.49
4.5	3,019,871	3,966	0.0013	0.9987	99.40
5.5	2,666,140	1,200	0.0005	0.9995	99.27
6.5	3,048,984	741	0.0002	0.9998	99.22
7.5	3,111,935		0.0000	1.0000	99.20
8.5	3,257,987	5,159	0.0016	0.9984	99.20
9.5	3,331,130	108	0.0000	1.0000	99.04
10.5	3,326,139		0.0000	1.0000	99.04
11.5	3,325,031	75	0.0000	1.0000	99.04
12.5	3,324,956		0.0000	1.0000	99.04
13.5	3,332,364	4,245	0.0013	0.9987	99.04
14.5	3,263,533	4,571	0.0014	0.9986	98.91
15.5	3,231,253	18,404	0.0057	0.9943	98.77
16.5	3,313,968	308	0.0001	0.9999	98.21
17.5	3,242,748	3,095	0.0010	0.9990	98.20
18.5	3,205,110	13,791	0.0043	0.9957	98.10
19.5	3,251,188	27,227	0.0084	0.9916	97.68
20.5	3,176,090	12,100	0.0038	0.9962	96.86
21.5	2,922,012	4,221	0.0014	0.9986	96.49
22.5	2,261,991	9,426	0.0042	0.9958	96.35
23.5	2,416,410	6,500	0.0027	0.9973	95.95
24.5	2,325,838	11,535	0.0050	0.9950	95.69
25.5	2,238,079	484	0.0002	0.9998	95.21
26.5	2,205,590	17,435	0.0079	0.9921	95.19
27.5	2,182,974	5,000	0.0023	0.9977	94.44
28.5	2,171,685	16,242	0.0075	0.9925	94.22
29.5	2,152,852	2,227	0.0010	0.9990	93.51
30.5	2,143,135	362	0.0002	0.9998	93.42
31.5	2,118,370	32,360	0.0153	0.9847	93.40
32.5	2,086,010	723	0.0003	0.9997	91.97
33.5	2,111,773	1,992	0.0009	0.9991	91.94
34.5	2,109,306	50	0.0000	1.0000	91.86
35.5	2,108,361	17,040	0.0081	0.9919	91.86
36.5	2,115,321	47,705	0.0226	0.9774	91.12
37.5	2,067,025	61,269	0.0296	0.9704	89.06
38.5	2,005,756	200	0.0001	0.9999	86.42

NEWFOUNDLAND POWER INC.

ACCOUNT 322.00 - BUILDINGS AND STRUCTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1904-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	2,005,431		0.0000	1.0000	86.41
40.5	2,002,841	17,350	0.0087	0.9913	86.41
41.5	1,926,040	6,250	0.0032	0.9968	85.66
42.5	1,868,248	2,950	0.0016	0.9984	85.39
43.5	1,881,352	2,942	0.0016	0.9984	85.25
44.5	1,883,989	3,500	0.0019	0.9981	85.11
45.5	1,882,259	4,100	0.0022	0.9978	84.95
46.5	1,405,642	500	0.0004	0.9996	84.76
47.5	1,318,744	2,700	0.0020	0.9980	84.73
48.5	1,198,410	3,100	0.0026	0.9974	84.56
49.5	1,106,110		0.0000	1.0000	84.34
50.5	1,106,110	3,000	0.0027	0.9973	84.34
51.5	803,676		0.0000	1.0000	84.11
52.5	803,676		0.0000	1.0000	84.11
53.5	803,676	3,500	0.0044	0.9956	84.11
54.5	700,344	8,840	0.0126	0.9874	83.74
55.5	691,504		0.0000	1.0000	82.68
56.5	691,504		0.0000	1.0000	82.68
57.5	691,504	1,500	0.0022	0.9978	82.68
58.5	690,004	4,138	0.0060	0.9940	82.50
59.5	631,956	13,982	0.0221	0.9779	82.01
60.5	617,560	1,027	0.0017	0.9983	80.20
61.5	638,433		0.0000	1.0000	80.06
62.5	626,733		0.0000	1.0000	80.06
63.5	616,483	300	0.0005	0.9995	80.06
64.5	430,146	5,966	0.0139	0.9861	80.02
65.5	424,180		0.0000	1.0000	78.91
66.5	424,180	5,400	0.0127	0.9873	78.91
67.5	418,780		0.0000	1.0000	77.91
68.5	418,114	4,858	0.0116	0.9884	77.91
69.5	413,256	2,300	0.0056	0.9944	77.01
70.5	410,956	1,000	0.0024	0.9976	76.58
71.5	409,956	4,700	0.0115	0.9885	76.40
72.5	405,256		0.0000	1.0000	75.52
73.5	389,005	14,940	0.0384	0.9616	75.52
74.5	293,883		0.0000	1.0000	72.62
75.5	293,883	4,000	0.0136	0.9864	72.62
76.5	273,383	500	0.0018	0.9982	71.63
77.5	272,883	500	0.0018	0.9982	71.50
78.5	272,383		0.0000	1.0000	71.37

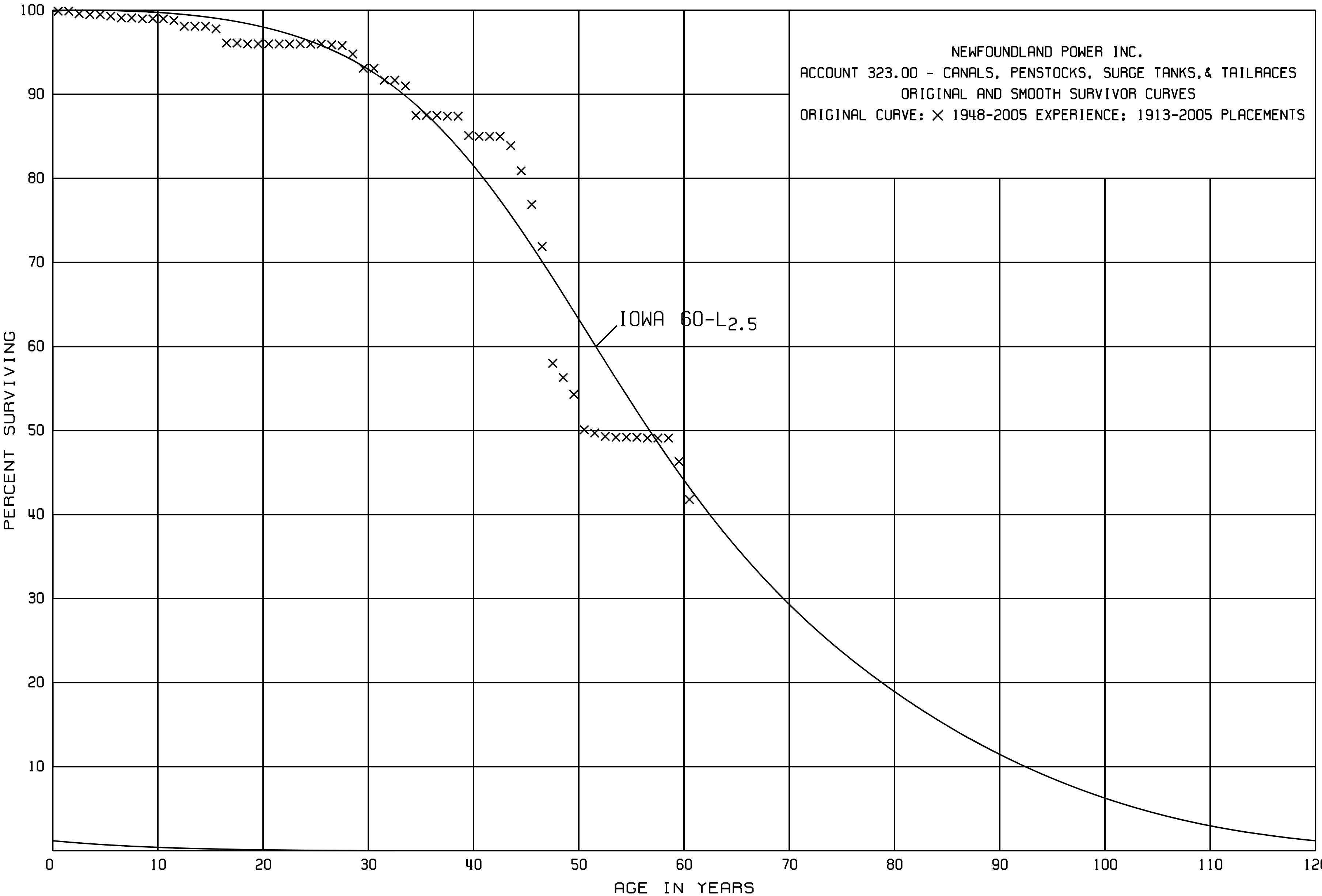
NEWFOUNDLAND POWER INC.

ACCOUNT 322.00 - BUILDINGS AND STRUCTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1904-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	272,383		0.0000	1.0000	71.37
80.5	272,383		0.0000	1.0000	71.37
81.5	86,070		0.0000	1.0000	71.37
82.5	41,150		0.0000	1.0000	71.37
83.5	41,150		0.0000	1.0000	71.37
84.5	35,139	500	0.0142	0.9858	71.37
85.5	34,639		0.0000	1.0000	70.36
86.5	34,639		0.0000	1.0000	70.36
87.5	34,639		0.0000	1.0000	70.36
88.5	16,500		0.0000	1.0000	70.36
89.5	16,500		0.0000	1.0000	70.36
90.5	16,500		0.0000	1.0000	70.36
91.5	16,500		0.0000	1.0000	70.36
92.5	16,500		0.0000	1.0000	70.36
93.5	16,500		0.0000	1.0000	70.36
94.5	16,500		0.0000	1.0000	70.36
95.5	16,500		0.0000	1.0000	70.36
96.5	16,500		0.0000	1.0000	70.36
97.5	16,500	1,000	0.0606	0.9394	70.36
98.5	15,500		0.0000	1.0000	66.10
99.5	15,500		0.0000	1.0000	66.10
100.5	15,500		0.0000	1.0000	66.10
101.5					66.10


NEWFOUNDLAND POWER INC.
ACCOUNT 323.00 - CANALS, PENSTOCKS, SURGE TANKS,& TAILRACES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1913-2005 PLACEMENTS
IOWA 60-L2.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

A-11

NEWFOUNDLAND POWER INC.

ACCOUNT 323.00 - CANALS, PENSTOCKS, SURGE TANKS,& TAILRACES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1913-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	50,663,016		0.0000	1.0000	100.00
0.5	50,569,057	31,906	0.0006	0.9994	100.00
1.5	48,087,552	167,543	0.0035	0.9965	99.94
2.5	46,918,896	45,818	0.0010	0.9990	99.59
3.5	44,121,248		0.0000	1.0000	99.49
4.5	42,004,355	96,939	0.0023	0.9977	99.49
5.5	38,481,255	47,796	0.0012	0.9988	99.26
6.5	34,305,387		0.0000	1.0000	99.14
7.5	21,366,608	27,399	0.0013	0.9987	99.14
8.5	21,695,196		0.0000	1.0000	99.01
9.5	21,954,979		0.0000	1.0000	99.01
10.5	21,894,806	52,793	0.0024	0.9976	99.01
11.5	21,826,270	139,426	0.0064	0.9936	98.77
12.5	21,501,237		0.0000	1.0000	98.14
13.5	21,760,791	2,534	0.0001	0.9999	98.14
14.5	21,146,345	74,904	0.0035	0.9965	98.13
15.5	17,976,155	316,329	0.0176	0.9824	97.79
16.5	16,234,205		0.0000	1.0000	96.07
17.5	16,235,255	10,983	0.0007	0.9993	96.07
18.5	15,287,382	4,122	0.0003	0.9997	96.00
19.5	15,257,449		0.0000	1.0000	95.97
20.5	13,267,791	2,000	0.0002	0.9998	95.97
21.5	12,689,664		0.0000	1.0000	95.95
22.5	11,804,556		0.0000	1.0000	95.95
23.5	12,245,444		0.0000	1.0000	95.95
24.5	9,917,107		0.0000	1.0000	95.95
25.5	9,810,007	2,166	0.0002	0.9998	95.95
26.5	9,289,799	9,819	0.0011	0.9989	95.93
27.5	9,270,663	98,896	0.0107	0.9893	95.82
28.5	9,172,151	162,400	0.0177	0.9823	94.79
29.5	9,030,023		0.0000	1.0000	93.11
30.5	9,030,023	134,900	0.0149	0.9851	93.11
31.5	8,893,460		0.0000	1.0000	91.72
32.5	8,906,160	73,550	0.0083	0.9917	91.72
33.5	8,957,740	342,275	0.0382	0.9618	90.96
34.5	8,586,561		0.0000	1.0000	87.49
35.5	8,463,164	135	0.0000	1.0000	87.49
36.5	8,463,029	11,588	0.0014	0.9986	87.49
37.5	8,451,441		0.0000	1.0000	87.37
38.5	8,451,441	225,183	0.0266	0.9734	87.37

NEWFOUNDLAND POWER INC.

ACCOUNT 323.00 - CANALS, PENSTOCKS, SURGE TANKS,& TAILRACES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1913-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	8,226,258	472	0.0001	0.9999	85.05
40.5	7,540,017	5,832	0.0008	0.9992	85.04
41.5	7,548,608	1,834	0.0002	0.9998	84.97
42.5	7,060,055	84,060	0.0119	0.9881	84.95
43.5	6,975,995	251,039	0.0360	0.9640	83.94
44.5	6,723,773	336,074	0.0500	0.9500	80.92
45.5	6,381,388	411,103	0.0644	0.9356	76.87
46.5	4,425,464	854,714	0.1931	0.8069	71.92
47.5	3,427,125	100,981	0.0295	0.9705	58.03
48.5	3,356,377	123,646	0.0368	0.9632	56.32
49.5	2,864,880	219,900	0.0768	0.9232	54.25
50.5	2,644,980	19,078	0.0072	0.9928	50.08
51.5	1,712,608	13,350	0.0078	0.9922	49.72
52.5	1,728,538	4,000	0.0023	0.9977	49.33
53.5	1,690,124	500	0.0003	0.9997	49.22
54.5	1,392,247		0.0000	1.0000	49.21
55.5	1,378,407	1,910	0.0014	0.9986	49.21
56.5	1,376,497		0.0000	1.0000	49.14
57.5	1,193,674	1,600	0.0013	0.9987	49.14
58.5	1,192,074	68,137	0.0572	0.9428	49.08
59.5	1,042,687	100,283	0.0962	0.9038	46.27
60.5	942,404		0.0000	1.0000	41.82
61.5	942,404	500	0.0005	0.9995	41.82
62.5	661,204		0.0000	1.0000	41.80
63.5	572,114		0.0000	1.0000	41.80
64.5	308,819		0.0000	1.0000	41.80
65.5	308,819		0.0000	1.0000	41.80
66.5	308,819	7,518	0.0243	0.9757	41.80
67.5	301,301	1,626	0.0054	0.9946	40.78
68.5	299,291	5,000	0.0167	0.9833	40.56
69.5	294,291		0.0000	1.0000	39.88
70.5	294,291	1,475	0.0050	0.9950	39.88
71.5	279,362		0.0000	1.0000	39.68
72.5	278,092		0.0000	1.0000	39.68
73.5	276,588	1,345	0.0049	0.9951	39.68
74.5	170,881	19,208	0.1124	0.8876	39.49
75.5	144,751		0.0000	1.0000	35.05
76.5	144,751		0.0000	1.0000	35.05
77.5	144,751	9,000	0.0622	0.9378	35.05
78.5	135,751		0.0000	1.0000	32.87

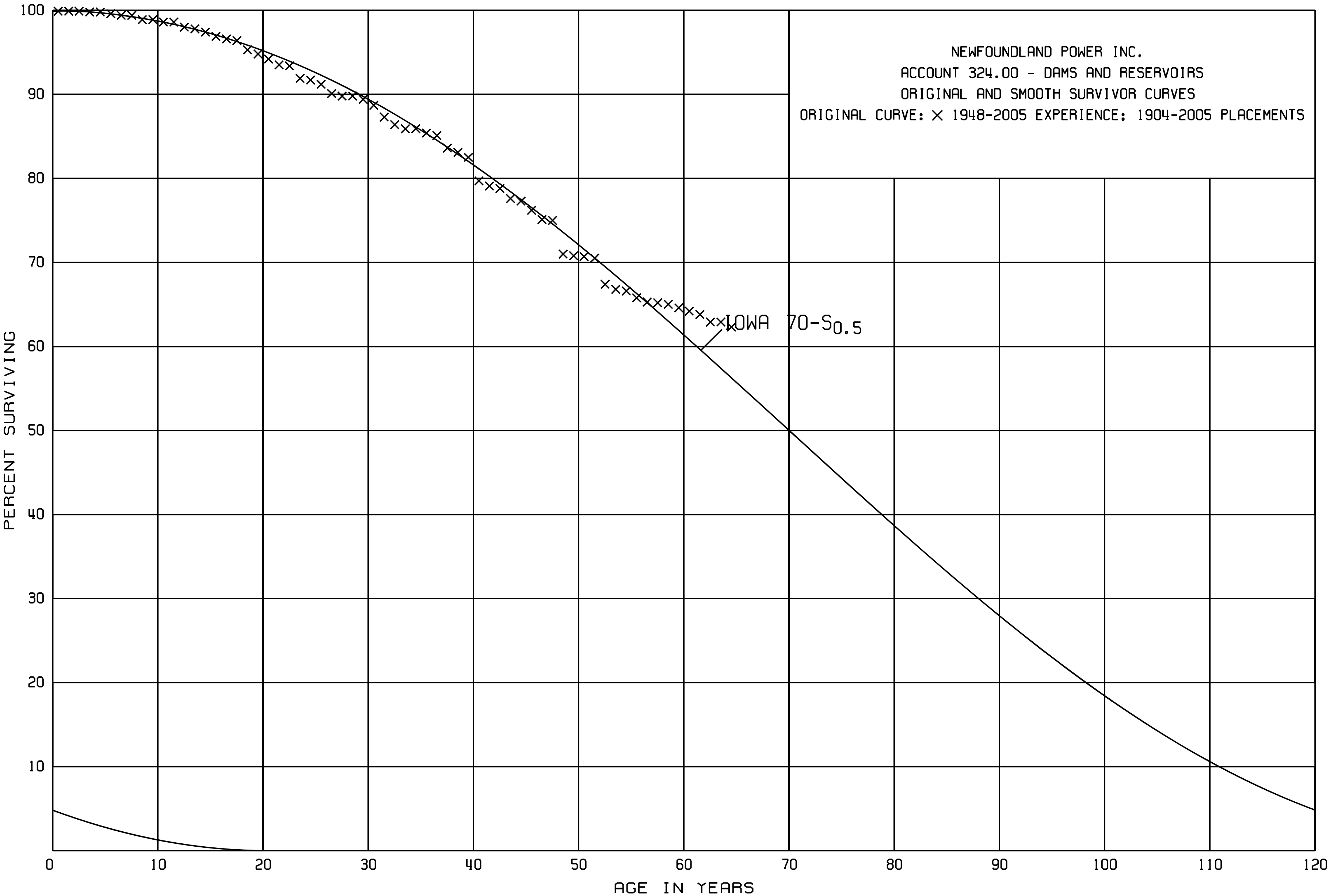
NEWFOUNDLAND POWER INC.

ACCOUNT 323.00 - CANALS, PENSTOCKS, SURGE TANKS,& TAILRACES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1913-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	135,751		0.0000	1.0000	32.87
80.5	135,751		0.0000	1.0000	32.87
81.5	74,726		0.0000	1.0000	32.87
82.5	74,726		0.0000	1.0000	32.87
83.5	74,726		0.0000	1.0000	32.87
84.5	74,726		0.0000	1.0000	32.87
85.5	72,326	9,750	0.1348	0.8652	32.87
86.5	62,576		0.0000	1.0000	28.44
87.5	62,576		0.0000	1.0000	28.44
88.5	33,500		0.0000	1.0000	28.44
89.5	33,500		0.0000	1.0000	28.44
90.5	33,500		0.0000	1.0000	28.44
91.5	33,500		0.0000	1.0000	28.44
92.5					28.44



NEWFOUNDLAND POWER INC.
ACCOUNT 324.00 - DAMS AND RESERVOIRS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1904-2005 PLACEMENTS
IOWA 70-S0.5
PERCENT SURVIVING
AGE IN YEARS

NEWFOUNDLAND POWER INC.

ACCOUNT 324.00 - DAMS AND RESERVOIRS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1904-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	20,962,304		0.0000	1.0000	100.00
0.5	20,238,122	31,087	0.0015	0.9985	100.00
1.5	19,983,423		0.0000	1.0000	99.85
2.5	19,183,349	8,892	0.0005	0.9995	99.85
3.5	19,194,742		0.0000	1.0000	99.80
4.5	19,171,602	37,579	0.0020	0.9980	99.80
5.5	18,490,442	40,000	0.0022	0.9978	99.60
6.5	17,224,147		0.0000	1.0000	99.38
7.5	17,088,851	89,175	0.0052	0.9948	99.38
8.5	17,653,231		0.0000	1.0000	98.86
9.5	17,511,300	44,252	0.0025	0.9975	98.86
10.5	15,988,706	10,380	0.0006	0.9994	98.61
11.5	15,263,360	84,902	0.0056	0.9944	98.55
12.5	14,443,673	32,644	0.0023	0.9977	98.00
13.5	11,930,072	50,924	0.0043	0.9957	97.77
14.5	11,864,561	53,822	0.0045	0.9955	97.35
15.5	11,353,402	41,639	0.0037	0.9963	96.91
16.5	11,035,325	12,379	0.0011	0.9989	96.55
17.5	10,406,067	127,071	0.0122	0.9878	96.44
18.5	9,941,552	43,762	0.0044	0.9956	95.26
19.5	9,603,255	68,076	0.0071	0.9929	94.84
20.5	9,072,308	63,783	0.0070	0.9930	94.17
21.5	8,843,856	10,976	0.0012	0.9988	93.51
22.5	8,466,957	140,718	0.0166	0.9834	93.40
23.5	7,505,351	8,886	0.0012	0.9988	91.85
24.5	7,317,407	41,079	0.0056	0.9944	91.74
25.5	7,025,241	90,904	0.0129	0.9871	91.23
26.5	6,943,126	19,940	0.0029	0.9971	90.05
27.5	6,803,220	3,000	0.0004	0.9996	89.79
28.5	6,883,220	29,533	0.0043	0.9957	89.75
29.5	6,853,432	49,977	0.0073	0.9927	89.36
30.5	6,905,797	107,000	0.0155	0.9845	88.71
31.5	6,865,393	76,789	0.0112	0.9888	87.33
32.5	6,800,468	38,143	0.0056	0.9944	86.35
33.5	6,782,212	899	0.0001	0.9999	85.87
34.5	6,893,383	38,247	0.0055	0.9945	85.86
35.5	6,855,136	24,696	0.0036	0.9964	85.39
36.5	6,943,440	122,201	0.0176	0.9824	85.08
37.5	6,934,619	38,151	0.0055	0.9945	83.58
38.5	6,896,468	53,112	0.0077	0.9923	83.12

NEWFOUNDLAND POWER INC.

ACCOUNT 324.00 - DAMS AND RESERVOIRS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1904-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	6,842,765	232,641	0.0340	0.9660	82.48
40.5	6,558,406	46,902	0.0072	0.9928	79.68
41.5	6,460,703	26,507	0.0041	0.9959	79.11
42.5	5,897,406	87,945	0.0149	0.9851	78.79
43.5	5,732,796	27,384	0.0048	0.9952	77.62
44.5	5,726,772	81,936	0.0143	0.9857	77.25
45.5	5,656,703	81,007	0.0143	0.9857	76.15
46.5	4,668,849	6,958	0.0015	0.9985	75.06
47.5	4,714,163	250,430	0.0531	0.9469	74.95
48.5	3,498,980	6,543	0.0019	0.9981	70.97
49.5	3,132,676	5,000	0.0016	0.9984	70.84
50.5	3,116,770	9,500	0.0030	0.9970	70.73
51.5	2,031,958	90,120	0.0444	0.9556	70.52
52.5	1,941,421	16,510	0.0085	0.9915	67.39
53.5	1,883,205	5,730	0.0030	0.9970	66.82
54.5	1,736,775	21,690	0.0125	0.9875	66.62
55.5	1,714,166	12,157	0.0071	0.9929	65.79
56.5	1,702,009	2,455	0.0014	0.9986	65.32
57.5	1,695,254	7,071	0.0042	0.9958	65.23
58.5	1,715,183	8,800	0.0051	0.9949	64.96
59.5	1,639,683	11,457	0.0070	0.9930	64.63
60.5	1,628,226	10,480	0.0064	0.9936	64.18
61.5	1,460,546	21,000	0.0144	0.9856	63.77
62.5	1,240,556		0.0000	1.0000	62.85
63.5	1,198,056	10,000	0.0083	0.9917	62.85
64.5	935,950	2,824	0.0030	0.9970	62.33
65.5	931,246	922	0.0010	0.9990	62.14
66.5	930,324	10,866	0.0117	0.9883	62.08
67.5	919,458	11,626	0.0126	0.9874	61.35
68.5	829,253	1,160	0.0014	0.9986	60.58
69.5	828,093		0.0000	1.0000	60.50
70.5	828,093	28,835	0.0348	0.9652	60.50
71.5	784,608		0.0000	1.0000	58.39
72.5	784,608	5,000	0.0064	0.9936	58.39
73.5	774,002	56,725	0.0733	0.9267	58.02
74.5	435,296	2,520	0.0058	0.9942	53.77
75.5	432,776	19,412	0.0449	0.9551	53.46
76.5	325,046	550	0.0017	0.9983	51.06
77.5	261,351		0.0000	1.0000	50.97
78.5	261,351	20,017	0.0766	0.9234	50.97

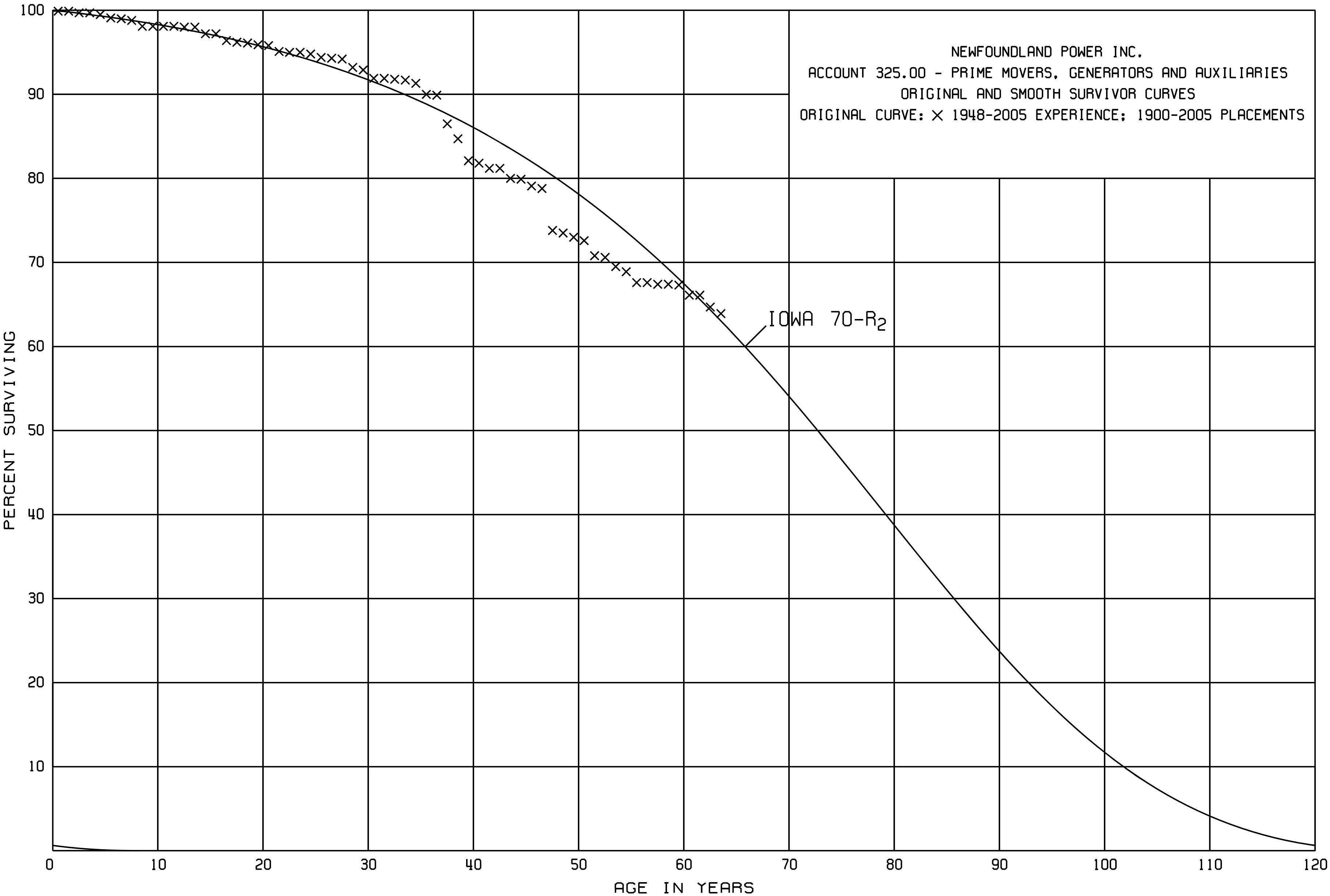
NEWFOUNDLAND POWER INC.

ACCOUNT 324.00 - DAMS AND RESERVOIRS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1904-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	241,334		0.0000	1.0000	47.07
80.5	241,334		0.0000	1.0000	47.07
81.5	86,579		0.0000	1.0000	47.07
82.5	86,579		0.0000	1.0000	47.07
83.5	86,579		0.0000	1.0000	47.07
84.5	62,923		0.0000	1.0000	47.07
85.5	49,375		0.0000	1.0000	47.07
86.5	49,375		0.0000	1.0000	47.07
87.5	29,356		0.0000	1.0000	47.07
88.5	22,000		0.0000	1.0000	47.07
89.5	22,000		0.0000	1.0000	47.07
90.5	22,000		0.0000	1.0000	47.07
91.5	22,000		0.0000	1.0000	47.07
92.5	22,000		0.0000	1.0000	47.07
93.5	22,000		0.0000	1.0000	47.07
94.5	22,000		0.0000	1.0000	47.07
95.5	22,000		0.0000	1.0000	47.07
96.5	22,000		0.0000	1.0000	47.07
97.5	22,000		0.0000	1.0000	47.07
98.5	22,000		0.0000	1.0000	47.07
99.5	22,000		0.0000	1.0000	47.07
100.5	22,000		0.0000	1.0000	47.07
101.5					47.07


NEWFOUNDLAND POWER INC.
ACCOUNT 325.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1900-2005 PLACEMENTS
IOWA 70-R2
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 325.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1900-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	24,965,028	34,600	0.0014	0.9986	100.00
0.5	23,622,978		0.0000	1.0000	99.86
1.5	21,638,794	32,026	0.0015	0.9985	99.86
2.5	18,636,507	4,306	0.0002	0.9998	99.71
3.5	16,546,002	38,255	0.0023	0.9977	99.69
4.5	16,343,685	52,446	0.0032	0.9968	99.46
5.5	15,708,250	18,140	0.0012	0.9988	99.14
6.5	15,553,605	35,513	0.0023	0.9977	99.02
7.5	15,660,371	115,234	0.0074	0.9926	98.79
8.5	14,870,747	200	0.0000	1.0000	98.06
9.5	14,113,412	150	0.0000	1.0000	98.06
10.5	13,902,731		0.0000	1.0000	98.06
11.5	13,109,957	3,540	0.0003	0.9997	98.06
12.5	12,951,207		0.0000	1.0000	98.03
13.5	12,746,525	108,824	0.0085	0.9915	98.03
14.5	12,333,849		0.0000	1.0000	97.20
15.5	11,906,341	95,296	0.0080	0.9920	97.20
16.5	11,920,314	24,326	0.0020	0.9980	96.42
17.5	11,811,818	15,309	0.0013	0.9987	96.23
18.5	11,469,750	24,661	0.0022	0.9978	96.10
19.5	9,391,570	8,821	0.0009	0.9991	95.89
20.5	8,842,019	62,075	0.0070	0.9930	95.80
21.5	7,375,179	13,952	0.0019	0.9981	95.13
22.5	5,043,142		0.0000	1.0000	94.95
23.5	5,093,824	9,580	0.0019	0.9981	94.95
24.5	5,084,244	19,070	0.0038	0.9962	94.77
25.5	4,678,275	5,000	0.0011	0.9989	94.41
26.5	4,633,863	7,500	0.0016	0.9984	94.31
27.5	4,626,363	49,000	0.0106	0.9894	94.16
28.5	4,558,371	15,141	0.0033	0.9967	93.16
29.5	4,536,925	46,087	0.0102	0.9898	92.85
30.5	4,490,838	1,500	0.0003	0.9997	91.90
31.5	4,468,959	5,000	0.0011	0.9989	91.87
32.5	4,463,959	1,500	0.0003	0.9997	91.77
33.5	4,539,721	23,597	0.0052	0.9948	91.74
34.5	4,507,460	60,930	0.0135	0.9865	91.26
35.5	4,369,355	5,872	0.0013	0.9987	90.03
36.5	4,341,029	163,802	0.0377	0.9623	89.91
37.5	4,266,591	89,413	0.0210	0.9790	86.52
38.5	4,143,710	125,150	0.0302	0.9698	84.70

NEWFOUNDLAND POWER INC.

ACCOUNT 325.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1900-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	4,018,486	17,100	0.0043	0.9957	82.14
40.5	4,075,171	29,600	0.0073	0.9927	81.79
41.5	4,224,375	1,500	0.0004	0.9996	81.19
42.5	3,765,787	56,282	0.0149	0.9851	81.16
43.5	3,604,666	1,858	0.0005	0.9995	79.95
44.5	3,599,663	36,068	0.0100	0.9900	79.91
45.5	3,555,355	14,500	0.0041	0.9959	79.11
46.5	2,507,835	160,381	0.0640	0.9360	78.79
47.5	2,641,338	7,990	0.0030	0.9970	73.75
48.5	2,558,403	16,882	0.0066	0.9934	73.53
49.5	2,440,921	13,777	0.0056	0.9944	73.04
50.5	2,427,144	60,304	0.0248	0.9752	72.63
51.5	1,903,265	7,500	0.0039	0.9961	70.83
52.5	1,935,765	30,081	0.0155	0.9845	70.55
53.5	1,905,491	15,000	0.0079	0.9921	69.46
54.5	1,597,030	30,000	0.0188	0.9812	68.91
55.5	1,566,134		0.0000	1.0000	67.61
56.5	1,566,134	5,600	0.0036	0.9964	67.61
57.5	1,560,534		0.0000	1.0000	67.37
58.5	1,560,534	1,000	0.0006	0.9994	67.37
59.5	1,559,534	27,400	0.0176	0.9824	67.33
60.5	1,532,134	400	0.0003	0.9997	66.14
61.5	1,531,734	33,540	0.0219	0.9781	66.12
62.5	1,498,194	17,648	0.0118	0.9882	64.67
63.5	1,434,956	7,000	0.0049	0.9951	63.91
64.5	1,063,921		0.0000	1.0000	63.60
65.5	1,063,921		0.0000	1.0000	63.60
66.5	1,032,389		0.0000	1.0000	63.60
67.5	1,032,389		0.0000	1.0000	63.60
68.5	1,032,389	18,900	0.0183	0.9817	63.60
69.5	1,013,489	15,000	0.0148	0.9852	62.44
70.5	998,489		0.0000	1.0000	61.52
71.5	998,489	200	0.0002	0.9998	61.52
72.5	998,489	2,274	0.0023	0.9977	61.51
73.5	961,615		0.0000	1.0000	61.37
74.5	869,286		0.0000	1.0000	61.37
75.5	869,286		0.0000	1.0000	61.37
76.5	869,286		0.0000	1.0000	61.37
77.5	869,286		0.0000	1.0000	61.37
78.5	869,286	77,572	0.0892	0.9108	61.37

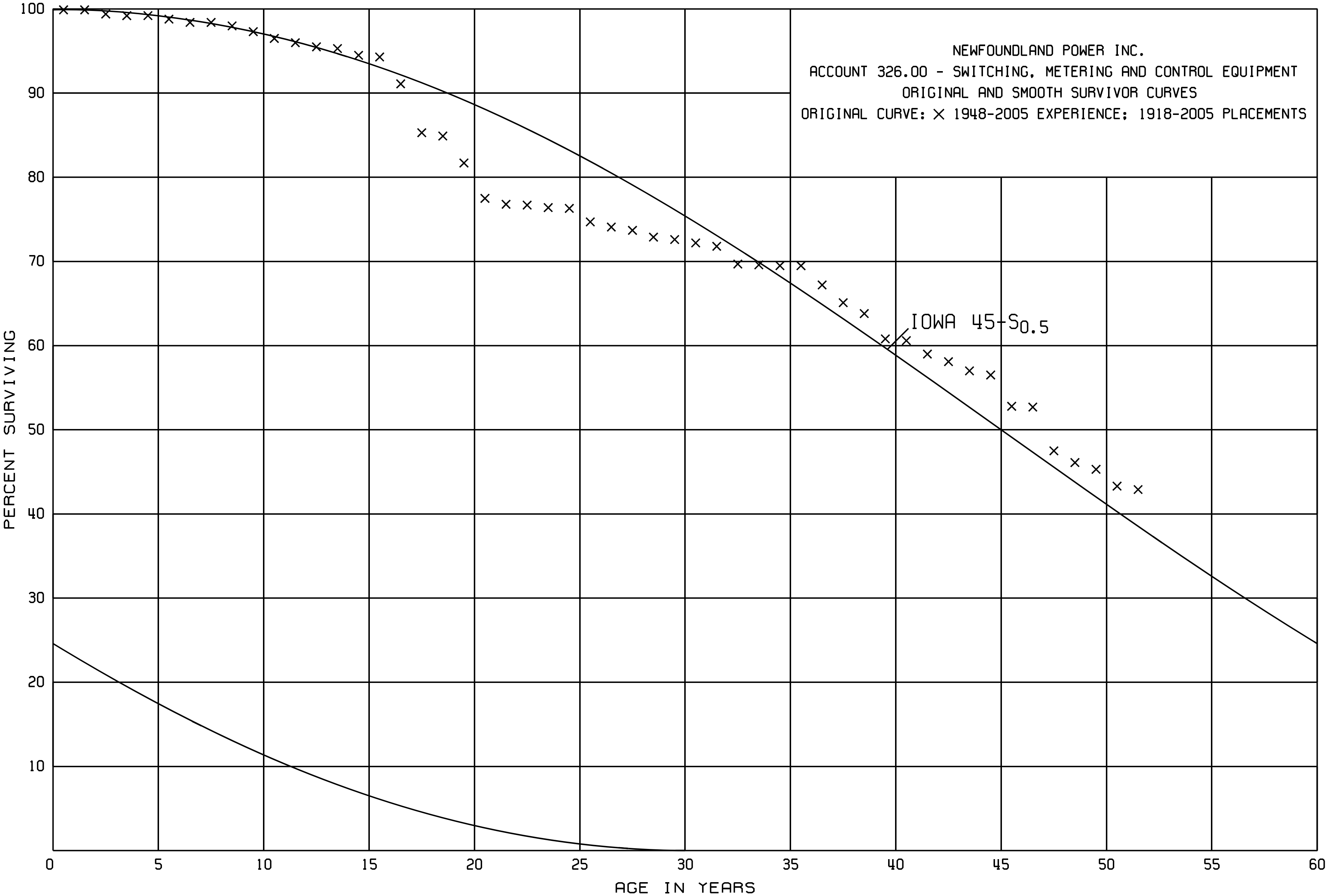
NEWFOUNDLAND POWER INC.

ACCOUNT 325.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1900-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	791,714		0.0000	1.0000	55.90
80.5	791,714		0.0000	1.0000	55.90
81.5	583,696		0.0000	1.0000	55.90
82.5	583,696		0.0000	1.0000	55.90
83.5	583,696		0.0000	1.0000	55.90
84.5	583,696		0.0000	1.0000	55.90
85.5	583,696		0.0000	1.0000	55.90
86.5	583,696		0.0000	1.0000	55.90
87.5	583,696		0.0000	1.0000	55.90
88.5	522,076		0.0000	1.0000	55.90
89.5	522,076		0.0000	1.0000	55.90
90.5	522,076	382	0.0007	0.9993	55.90
91.5	521,694		0.0000	1.0000	55.86
92.5	495,976		0.0000	1.0000	55.86
93.5	495,976		0.0000	1.0000	55.86
94.5	495,976		0.0000	1.0000	55.86
95.5	429,494		0.0000	1.0000	55.86
96.5	429,494		0.0000	1.0000	55.86
97.5	429,494		0.0000	1.0000	55.86
98.5	417,584		0.0000	1.0000	55.86
99.5	417,584		0.0000	1.0000	55.86
100.5	417,584		0.0000	1.0000	55.86
101.5	417,584		0.0000	1.0000	55.86
102.5	417,584		0.0000	1.0000	55.86
103.5	417,584		0.0000	1.0000	55.86
104.5	417,584		0.0000	1.0000	55.86
105.5					55.86



NEWFOUNDLAND POWER INC.
ACCOUNT 326.00 - SWITCHING, METERING AND CONTROL EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1918-2005 PLACEMENTS
IOWA 45-S0.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

NEWFOUNDLAND POWER INC.

ACCOUNT 326.00 - SWITCHING, METERING AND CONTROL EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1918-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	7,591,927		0.0000	1.0000	100.00
0.5	6,830,593	7,728	0.0011	0.9989	100.00
1.5	5,049,486	24,225	0.0048	0.9952	99.89
2.5	5,425,311	9,125	0.0017	0.9983	99.41
3.5	5,801,355	3,067	0.0005	0.9995	99.24
4.5	5,293,608	18,373	0.0035	0.9965	99.19
5.5	5,247,975	22,779	0.0043	0.9957	98.84
6.5	5,409,826	2,355	0.0004	0.9996	98.41
7.5	5,275,018	18,672	0.0035	0.9965	98.37
8.5	5,315,919	42,561	0.0080	0.9920	98.03
9.5	5,157,515	38,620	0.0075	0.9925	97.25
10.5	4,957,255	28,747	0.0058	0.9942	96.52
11.5	4,882,120	21,362	0.0044	0.9956	95.96
12.5	4,809,250	14,137	0.0029	0.9971	95.54
13.5	4,527,219	37,347	0.0082	0.9918	95.26
14.5	4,267,964	7,838	0.0018	0.9982	94.48
15.5	4,270,552	147,799	0.0346	0.9654	94.31
16.5	3,864,562	244,668	0.0633	0.9367	91.05
17.5	3,515,210	15,496	0.0044	0.9956	85.29
18.5	3,167,073	121,138	0.0382	0.9618	84.91
19.5	2,701,550	138,681	0.0513	0.9487	81.67
20.5	2,497,193	22,195	0.0089	0.9911	77.48
21.5	2,213,719	3,996	0.0018	0.9982	76.79
22.5	1,625,677	5,271	0.0032	0.9968	76.65
23.5	1,620,149	3,200	0.0020	0.9980	76.40
24.5	1,591,149	31,645	0.0199	0.9801	76.25
25.5	1,435,009	12,867	0.0090	0.9910	74.73
26.5	1,416,799	6,647	0.0047	0.9953	74.06
27.5	1,251,778	13,045	0.0104	0.9896	73.71
28.5	896,295	4,578	0.0051	0.9949	72.94
29.5	891,717	4,657	0.0052	0.9948	72.57
30.5	884,348	4,465	0.0050	0.9950	72.19
31.5	904,783	27,180	0.0300	0.9700	71.83
32.5	870,284	1,142	0.0013	0.9987	69.68
33.5	760,012	1,149	0.0015	0.9985	69.59
34.5	755,763	400	0.0005	0.9995	69.49
35.5	761,763	24,977	0.0328	0.9672	69.46
36.5	736,786	22,715	0.0308	0.9692	67.18
37.5	714,700	14,850	0.0208	0.9792	65.11
38.5	699,850	32,545	0.0465	0.9535	63.76

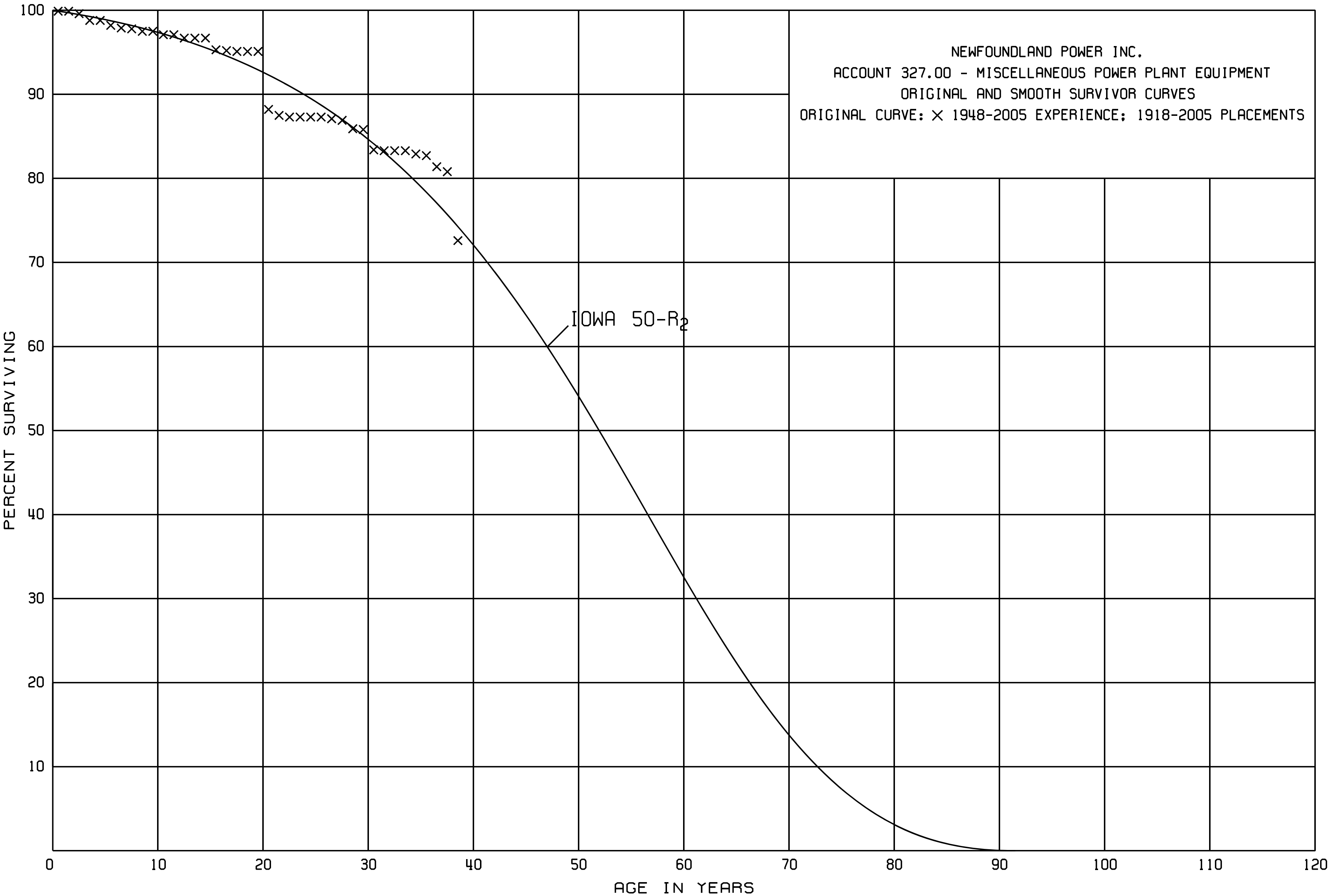
NEWFOUNDLAND POWER INC.

ACCOUNT 326.00 - SWITCHING, METERING AND CONTROL EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1918-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	667,305	1,980	0.0030	0.9970	60.80
40.5	652,875	18,000	0.0276	0.9724	60.62
41.5	634,386	8,964	0.0141	0.9859	58.95
42.5	553,780	11,000	0.0199	0.9801	58.12
43.5	520,270	3,800	0.0073	0.9927	56.96
44.5	516,290	34,527	0.0669	0.9331	56.54
45.5	483,362	600	0.0012	0.9988	52.76
46.5	305,748	30,490	0.0997	0.9003	52.70
47.5	279,168	7,750	0.0278	0.9722	47.45
48.5	245,356	4,350	0.0177	0.9823	46.13
49.5	201,136	8,760	0.0436	0.9564	45.31
50.5	192,376	1,960	0.0102	0.9898	43.33
51.5	81,064	600	0.0074	0.9926	42.89
52.5	79,253	4,800	0.0606	0.9394	42.57
53.5	74,453	28,437	0.3819	0.6181	39.99
54.5	18,324		0.0000	1.0000	24.72
55.5	18,208		0.0000	1.0000	24.72
56.5	18,208		0.0000	1.0000	24.72
57.5	18,208		0.0000	1.0000	24.72
58.5	18,208		0.0000	1.0000	24.72
59.5	18,208		0.0000	1.0000	24.72
60.5	18,208		0.0000	1.0000	24.72
61.5	18,208		0.0000	1.0000	24.72
62.5	18,208		0.0000	1.0000	24.72
63.5	18,208	716	0.0393	0.9607	24.72
64.5	15,077		0.0000	1.0000	23.75
65.5	15,077		0.0000	1.0000	23.75
66.5	15,077		0.0000	1.0000	23.75
67.5	15,077	8,770	0.5817	0.4183	23.75
68.5	6,307		0.0000	1.0000	9.93
69.5	6,307		0.0000	1.0000	9.93
70.5	6,307		0.0000	1.0000	9.93
71.5	6,307		0.0000	1.0000	9.93
72.5	6,307		0.0000	1.0000	9.93
73.5	6,307		0.0000	1.0000	9.93
74.5	5,200		0.0000	1.0000	9.93
75.5	5,200		0.0000	1.0000	9.93
76.5	5,200		0.0000	1.0000	9.93
77.5	5,200	5,200	1.0000	0.0000	9.93
78.5					0.00



NEWFOUNDLAND POWER INC.
ACCOUNT 327.00 - MISCELLANEOUS POWER PLANT EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1918-2005 PLACEMENTS
IOWA 50-R2
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

A-26

NEWFOUNDLAND POWER INC.

ACCOUNT 327.00 - MISCELLANEOUS POWER PLANT EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1918-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,431,720	1,328	0.0009	0.9991	100.00
0.5	1,465,311	832	0.0006	0.9994	99.91
1.5	1,435,928	3,118	0.0022	0.9978	99.85
2.5	829,244	6,868	0.0083	0.9917	99.63
3.5	825,587	337	0.0004	0.9996	98.80
4.5	825,587	5,083	0.0062	0.9938	98.76
5.5	775,596	2,245	0.0029	0.9971	98.15
6.5	538,349	651	0.0012	0.9988	97.87
7.5	521,704	1,492	0.0029	0.9971	97.75
8.5	553,099		0.0000	1.0000	97.47
9.5	521,819	2,188	0.0042	0.9958	97.47
10.5	523,590		0.0000	1.0000	97.06
11.5	523,589	2,073	0.0040	0.9960	97.06
12.5	521,516	93	0.0002	0.9998	96.67
13.5	520,739		0.0000	1.0000	96.65
14.5	520,739	7,313	0.0140	0.9860	96.65
15.5	498,127	724	0.0015	0.9985	95.30
16.5	497,877	229	0.0005	0.9995	95.16
17.5	469,309		0.0000	1.0000	95.11
18.5	460,509	88	0.0002	0.9998	95.11
19.5	454,320	32,701	0.0720	0.9280	95.09
20.5	421,619	3,636	0.0086	0.9914	88.24
21.5	417,983	960	0.0023	0.9977	87.48
22.5	316,772		0.0000	1.0000	87.28
23.5	317,972		0.0000	1.0000	87.28
24.5	285,596		0.0000	1.0000	87.28
25.5	273,397	551	0.0020	0.9980	87.28
26.5	260,991	700	0.0027	0.9973	87.11
27.5	259,584	2,862	0.0110	0.9890	86.87
28.5	249,255	474	0.0019	0.9981	85.91
29.5	243,263	6,588	0.0271	0.9729	85.75
30.5	235,956	300	0.0013	0.9987	83.43
31.5	221,888		0.0000	1.0000	83.32
32.5	221,888		0.0000	1.0000	83.32
33.5	224,608	1,047	0.0047	0.9953	83.32
34.5	221,623	623	0.0028	0.9972	82.93
35.5	220,955	3,600	0.0163	0.9837	82.70
36.5	215,316	1,376	0.0064	0.9936	81.35
37.5	213,940	21,896	0.1023	0.8977	80.83
38.5	192,044		0.0000	1.0000	72.56

NEWFOUNDLAND POWER INC.

ACCOUNT 327.00 - MISCELLANEOUS POWER PLANT EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1918-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	213,302	171	0.0008	0.9992	72.56
40.5	211,918	1,074	0.0051	0.9949	72.50
41.5	212,562		0.0000	1.0000	72.13
42.5	194,797		0.0000	1.0000	72.13
43.5	193,230		0.0000	1.0000	72.13
44.5	192,469		0.0000	1.0000	72.13
45.5	189,341		0.0000	1.0000	72.13
46.5	104,714		0.0000	1.0000	72.13
47.5	100,616	5,700	0.0567	0.9433	72.13
48.5	64,814	1,159	0.0179	0.9821	68.04
49.5	63,655		0.0000	1.0000	66.82
50.5	62,571	8,883	0.1420	0.8580	66.82
51.5	22,794		0.0000	1.0000	57.33
52.5	19,580	1,200	0.0613	0.9387	57.33
53.5	18,380		0.0000	1.0000	53.82
54.5	18,379		0.0000	1.0000	53.82
55.5	18,379		0.0000	1.0000	53.82
56.5	18,379		0.0000	1.0000	53.82
57.5	11,690		0.0000	1.0000	53.82
58.5	11,690		0.0000	1.0000	53.82
59.5	6,120		0.0000	1.0000	53.82
60.5	6,120		0.0000	1.0000	53.82
61.5	6,120		0.0000	1.0000	53.82
62.5	6,120		0.0000	1.0000	53.82
63.5	4,920		0.0000	1.0000	53.82
64.5	4,920		0.0000	1.0000	53.82
65.5	4,920		0.0000	1.0000	53.82
66.5	4,920		0.0000	1.0000	53.82
67.5	4,920		0.0000	1.0000	53.82
68.5	4,920		0.0000	1.0000	53.82
69.5	4,920		0.0000	1.0000	53.82
70.5	4,920		0.0000	1.0000	53.82
71.5	4,920		0.0000	1.0000	53.82
72.5	4,920		0.0000	1.0000	53.82
73.5	2,200		0.0000	1.0000	53.82
74.5	2,200		0.0000	1.0000	53.82
75.5	2,200		0.0000	1.0000	53.82
76.5	2,200		0.0000	1.0000	53.82
77.5	2,200	2,000	0.9091	0.0909	53.82
78.5	200		0.0000	1.0000	4.89

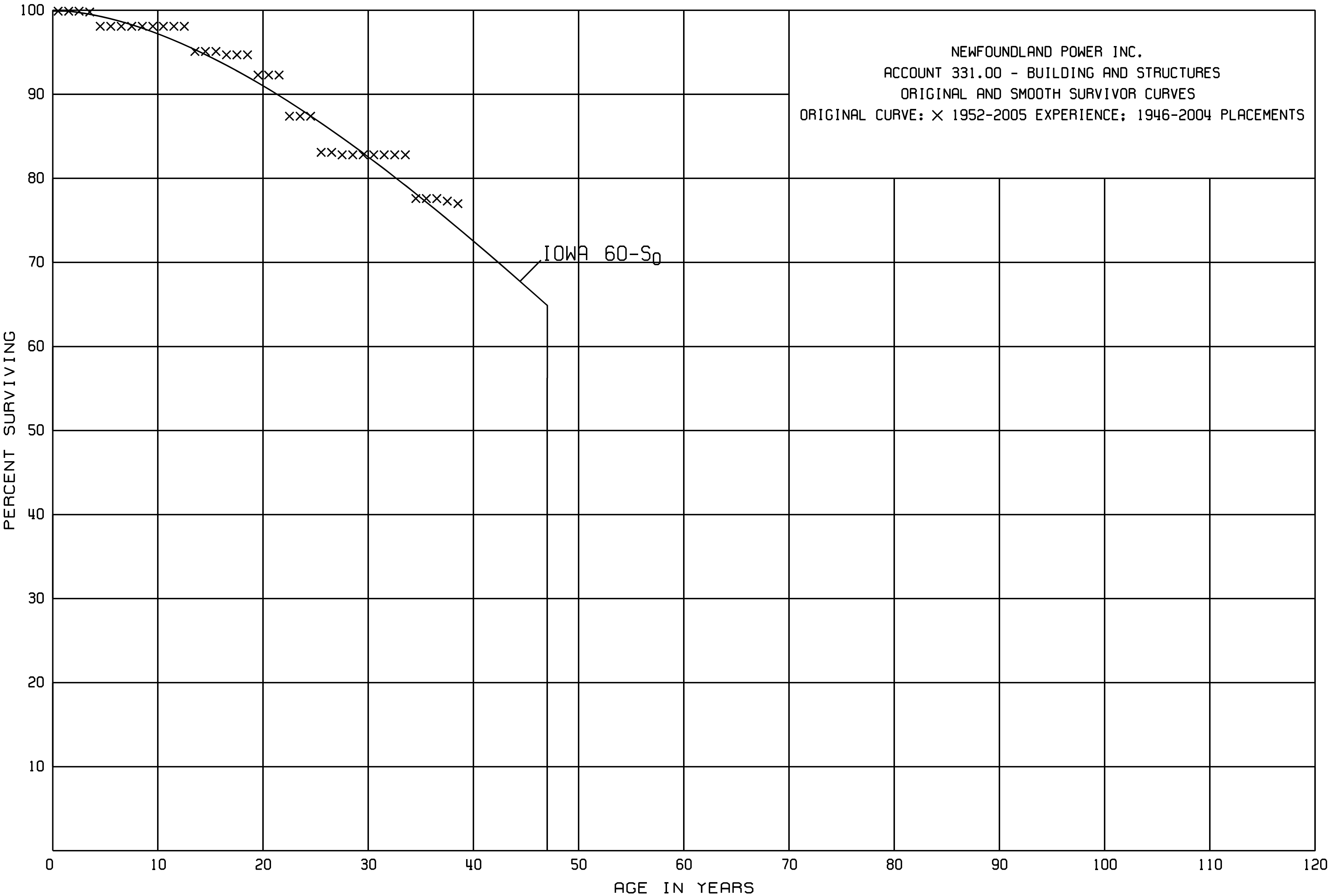
NEWFOUNDLAND POWER INC.

ACCOUNT 327.00 - MISCELLANEOUS POWER PLANT EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1918-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	200		0.0000	1.0000	4.89
80.5	200		0.0000	1.0000	4.89
81.5					4.89


NEWFOUNDLAND POWER INC.
ACCOUNT 331.00 - BUILDING AND STRUCTURES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1952-2005 EXPERIENCE; 1946-2004 PLACEMENTS
IOWA 60-S0
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 331.00 - BUILDING AND STRUCTURES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1946-2004 EXPERIENCE BAND 1952-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,394,751		0.0000	1.0000	100.00
0.5	1,348,162		0.0000	1.0000	100.00
1.5	1,402,337		0.0000	1.0000	100.00
2.5	1,474,737	2,795	0.0019	0.9981	100.00
3.5	1,504,058	25,142	0.0167	0.9833	99.81
4.5	1,473,228		0.0000	1.0000	98.14
5.5	1,466,953		0.0000	1.0000	98.14
6.5	1,452,730		0.0000	1.0000	98.14
7.5	1,396,071		0.0000	1.0000	98.14
8.5	1,396,071		0.0000	1.0000	98.14
9.5	1,088,162		0.0000	1.0000	98.14
10.5	1,039,707		0.0000	1.0000	98.14
11.5	976,619		0.0000	1.0000	98.14
12.5	976,619	30,000	0.0307	0.9693	98.14
13.5	946,619		0.0000	1.0000	95.13
14.5	896,790		0.0000	1.0000	95.13
15.5	857,826	3,758	0.0044	0.9956	95.13
16.5	857,115		0.0000	1.0000	94.71
17.5	838,703		0.0000	1.0000	94.71
18.5	828,004	20,945	0.0253	0.9747	94.71
19.5	828,420		0.0000	1.0000	92.31
20.5	784,118	340	0.0004	0.9996	92.31
21.5	780,164	40,935	0.0525	0.9475	92.27
22.5	708,882		0.0000	1.0000	87.43
23.5	696,295		0.0000	1.0000	87.43
24.5	696,295	34,569	0.0496	0.9504	87.43
25.5	661,726		0.0000	1.0000	83.09
26.5	661,726	2,000	0.0030	0.9970	83.09
27.5	659,726		0.0000	1.0000	82.84
28.5	659,726		0.0000	1.0000	82.84
29.5	656,726		0.0000	1.0000	82.84
30.5	499,338		0.0000	1.0000	82.84
31.5	499,338		0.0000	1.0000	82.84
32.5	499,338		0.0000	1.0000	82.84
33.5	499,338	31,864	0.0638	0.9362	82.84
34.5	465,192		0.0000	1.0000	77.55
35.5	456,071		0.0000	1.0000	77.55
36.5	438,885	1,178	0.0027	0.9973	77.55
37.5	332,875	1,500	0.0045	0.9955	77.34
38.5	265,701		0.0000	1.0000	76.99

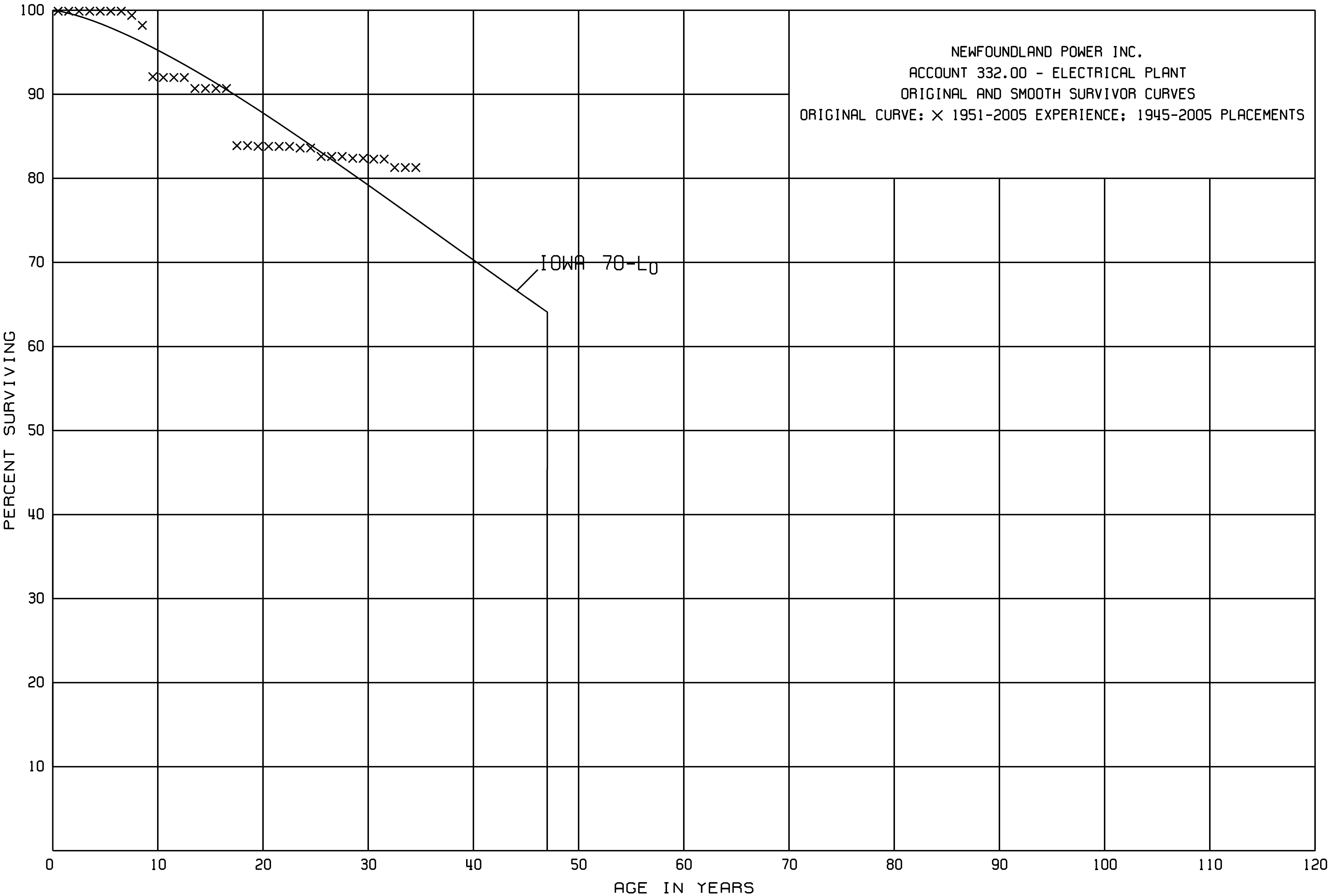
NEWFOUNDLAND POWER INC.

ACCOUNT 331.00 - BUILDING AND STRUCTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1946-2004 EXPERIENCE BAND 1952-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	217,483		0.0000	1.0000	76.99
40.5	217,483		0.0000	1.0000	76.99
41.5	170,160	100	0.0006	0.9994	76.99
42.5	170,060		0.0000	1.0000	76.94
43.5	170,060		0.0000	1.0000	76.94
44.5	170,060		0.0000	1.0000	76.94
45.5	170,060		0.0000	1.0000	76.94
46.5	170,060		0.0000	1.0000	76.94
47.5	170,060		0.0000	1.0000	76.94
48.5	170,060	5,000	0.0294	0.9706	76.94
49.5	165,060		0.0000	1.0000	74.68
50.5	165,060		0.0000	1.0000	74.68
51.5	137,000	101,220	0.7388	0.2612	74.68
52.5	35,780		0.0000	1.0000	19.51
53.5	35,780		0.0000	1.0000	19.51
54.5	35,780		0.0000	1.0000	19.51
55.5	35,780	150	0.0042	0.9958	19.51
56.5	35,630		0.0000	1.0000	19.43
57.5	35,630		0.0000	1.0000	19.43
58.5	35,630		0.0000	1.0000	19.43
59.5					19.43


NEWFOUNDLAND POWER INC.
ACCOUNT 332.00 - ELECTRICAL PLANT
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1951-2005 EXPERIENCE; 1945-2005 PLACEMENTS
IOWA 70-L0
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 332.00 - ELECTRICAL PLANT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1945-2005 EXPERIENCE BAND 1951-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	3,604,325		0.0000	1.0000	100.00
0.5	2,419,074		0.0000	1.0000	100.00
1.5	960,666	1,060	0.0011	0.9989	100.00
2.5	833,547		0.0000	1.0000	99.89
3.5	819,840		0.0000	1.0000	99.89
4.5	480,129		0.0000	1.0000	99.89
5.5	483,139		0.0000	1.0000	99.89
6.5	463,938	2,509	0.0054	0.9946	99.89
7.5	453,419	5,468	0.0121	0.9879	99.35
8.5	410,815	25,352	0.0617	0.9383	98.15
9.5	379,523	200	0.0005	0.9995	92.09
10.5	379,323		0.0000	1.0000	92.04
11.5	381,918		0.0000	1.0000	92.04
12.5	327,378	4,700	0.0144	0.9856	92.04
13.5	261,749		0.0000	1.0000	90.71
14.5	247,858		0.0000	1.0000	90.71
15.5	247,858		0.0000	1.0000	90.71
16.5	247,858	18,669	0.0753	0.9247	90.71
17.5	245,989		0.0000	1.0000	83.88
18.5	240,989	161	0.0007	0.9993	83.88
19.5	246,821		0.0000	1.0000	83.82
20.5	248,831		0.0000	1.0000	83.82
21.5	248,831	170	0.0007	0.9993	83.82
22.5	242,644	440	0.0018	0.9982	83.76
23.5	238,275		0.0000	1.0000	83.61
24.5	238,275	3,029	0.0127	0.9873	83.61
25.5	235,246		0.0000	1.0000	82.55
26.5	235,246		0.0000	1.0000	82.55
27.5	235,246	479	0.0020	0.9980	82.55
28.5	234,767		0.0000	1.0000	82.38
29.5	234,767	200	0.0009	0.9991	82.38
30.5	209,007		0.0000	1.0000	82.31
31.5	209,007	2,540	0.0122	0.9878	82.31
32.5	206,219		0.0000	1.0000	81.31
33.5	206,219		0.0000	1.0000	81.31
34.5	190,157		0.0000	1.0000	81.31
35.5	150,221		0.0000	1.0000	81.31
36.5	110,212		0.0000	1.0000	81.31
37.5	110,212		0.0000	1.0000	81.31
38.5	110,212		0.0000	1.0000	81.31

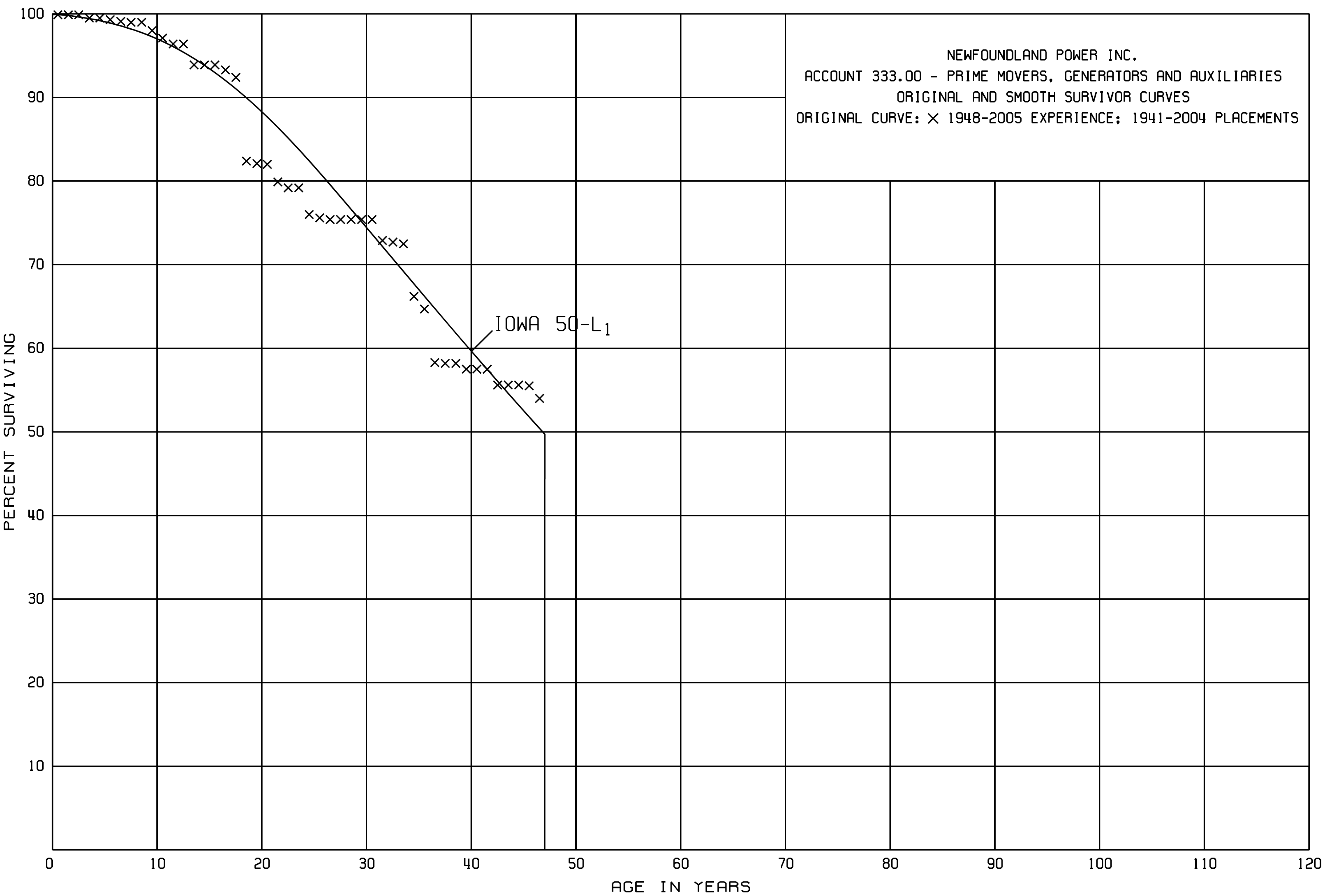
NEWFOUNDLAND POWER INC.

ACCOUNT 332.00 - ELECTRICAL PLANT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1945-2005 EXPERIENCE BAND 1951-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	106,495		0.0000	1.0000	81.31
40.5	104,575		0.0000	1.0000	81.31
41.5	100,335		0.0000	1.0000	81.31
42.5	100,335	242	0.0024	0.9976	81.31
43.5	95,074	500	0.0053	0.9947	81.11
44.5	94,574		0.0000	1.0000	80.68
45.5	94,574		0.0000	1.0000	80.68
46.5	29,749		0.0000	1.0000	80.68
47.5	29,749		0.0000	1.0000	80.68
48.5	29,749		0.0000	1.0000	80.68
49.5	29,749		0.0000	1.0000	80.68
50.5	29,749		0.0000	1.0000	80.68
51.5	27,154	15,785	0.5813	0.4187	80.68
52.5	11,370		0.0000	1.0000	33.78
53.5	11,370		0.0000	1.0000	33.78
54.5	11,370		0.0000	1.0000	33.78
55.5	11,370		0.0000	1.0000	33.78
56.5	11,370		0.0000	1.0000	33.78
57.5	11,370		0.0000	1.0000	33.78
58.5	9,670		0.0000	1.0000	33.78
59.5					33.78


NEWFOUNDLAND POWER INC.
ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1941-2004 PLACEMENTS
IOWA 50-L1
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1941-2004 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	18,940,275	230	0.0000	1.0000	100.00
0.5	18,612,361	300	0.0000	1.0000	100.00
1.5	17,340,393	10,149	0.0006	0.9994	100.00
2.5	12,787,776	54,672	0.0043	0.9957	99.94
3.5	11,384,434	1,043	0.0001	0.9999	99.51
4.5	10,993,643	27,599	0.0025	0.9975	99.50
5.5	10,799,476	14,989	0.0014	0.9986	99.25
6.5	10,542,422	15,083	0.0014	0.9986	99.11
7.5	10,512,294	350	0.0000	1.0000	98.97
8.5	10,412,508	106,332	0.0102	0.9898	98.97
9.5	9,362,240	83,342	0.0089	0.9911	97.96
10.5	9,218,812	62,160	0.0067	0.9933	97.09
11.5	8,599,633	3,000	0.0003	0.9997	96.44
12.5	8,638,180	223,966	0.0259	0.9741	96.41
13.5	7,719,172	1,869	0.0002	0.9998	93.91
14.5	7,706,988		0.0000	1.0000	93.89
15.5	7,368,864	47,181	0.0064	0.9936	93.89
16.5	7,350,833	70,642	0.0096	0.9904	93.29
17.5	7,196,702	779,009	0.1082	0.8918	92.39
18.5	6,417,692	23,997	0.0037	0.9963	82.39
19.5	6,443,632	11,000	0.0017	0.9983	82.09
20.5	6,451,232	158,078	0.0245	0.9755	81.95
21.5	6,364,068	55,795	0.0088	0.9912	79.94
22.5	6,308,452	6,413	0.0010	0.9990	79.24
23.5	6,236,427	249,437	0.0400	0.9600	79.16
24.5	6,114,421	34,200	0.0056	0.9944	75.99
25.5	6,074,156	9,697	0.0016	0.9984	75.56
26.5	6,064,459	5,000	0.0008	0.9992	75.44
27.5	6,059,459		0.0000	1.0000	75.38
28.5	6,059,459	2,063	0.0003	0.9997	75.38
29.5	6,060,396	607	0.0001	0.9999	75.36
30.5	3,384,099	111,462	0.0329	0.9671	75.35
31.5	3,090,181	8,835	0.0029	0.9971	72.87
32.5	3,081,346	4,894	0.0016	0.9984	72.66
33.5	3,073,452	267,100	0.0869	0.9131	72.54
34.5	2,802,107	64,662	0.0231	0.9769	66.24
35.5	2,676,201	266,400	0.0995	0.9005	64.71
36.5	1,534,676	2,000	0.0013	0.9987	58.27
37.5	1,532,676		0.0000	1.0000	58.19
38.5	1,532,676	18,600	0.0121	0.9879	58.19

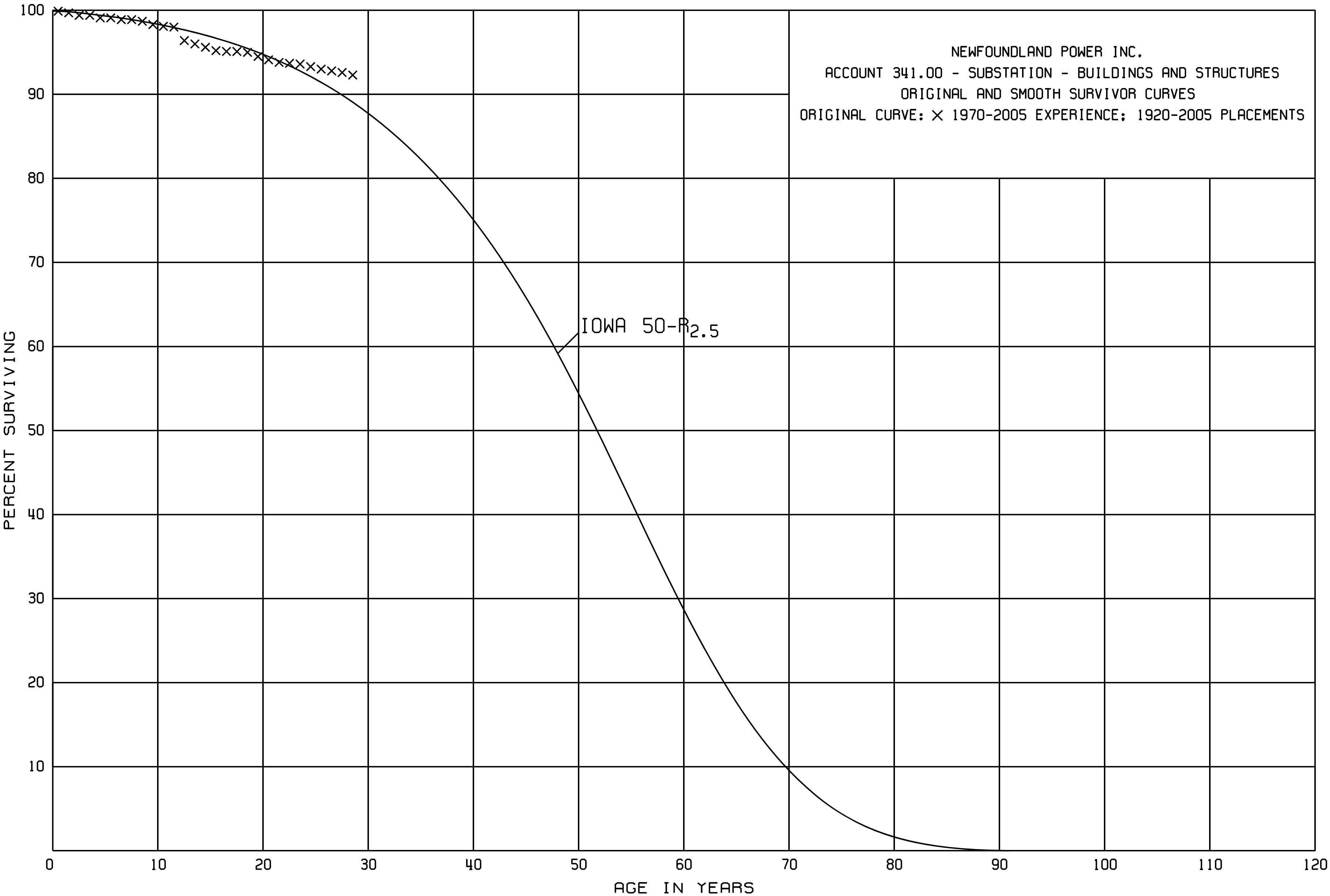
NEWFOUNDLAND POWER INC.

ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1941-2004 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,513,376		0.0000	1.0000	57.49
40.5	1,511,376		0.0000	1.0000	57.49
41.5	1,309,132	43,185	0.0330	0.9670	57.49
42.5	1,265,946		0.0000	1.0000	55.59
43.5	1,216,036	130	0.0001	0.9999	55.59
44.5	1,215,906	2,830	0.0023	0.9977	55.58
45.5	1,014,067	25,950	0.0256	0.9744	55.45
46.5	988,117	24,120	0.0244	0.9756	54.03
47.5	963,997		0.0000	1.0000	52.71
48.5	963,997	3,544	0.0037	0.9963	52.71
49.5	960,453		0.0000	1.0000	52.51
50.5	757,444	16,767	0.0221	0.9779	52.51
51.5	740,677	538,246	0.7267	0.2733	51.35
52.5	202,561		0.0000	1.0000	14.03
53.5	202,561		0.0000	1.0000	14.03
54.5	202,561		0.0000	1.0000	14.03
55.5	202,561		0.0000	1.0000	14.03
56.5	202,561		0.0000	1.0000	14.03
57.5	130		0.0000	1.0000	14.03
58.5	130		0.0000	1.0000	14.03
59.5	130		0.0000	1.0000	14.03
60.5	130		0.0000	1.0000	14.03
61.5	130		0.0000	1.0000	14.03
62.5	130		0.0000	1.0000	14.03
63.5					14.03


NEWFOUNDLAND POWER INC.
ACCOUNT 341.00 - SUBSTATION - BUILDINGS AND STRUCTURES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1970-2005 EXPERIENCE; 1920-2005 PLACEMENTS
IOWA 50-R2.5
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 341.00 - SUBSTATION - BUILDINGS AND STRUCTURES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1920-2005 EXPERIENCE BAND 1970-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	4,779,606	75	0.0000	1.0000	100.00
0.5	4,491,919	12,248	0.0027	0.9973	100.00
1.5	5,216,323	18,273	0.0035	0.9965	99.73
2.5	5,930,058		0.0000	1.0000	99.38
3.5	6,455,666	17,618	0.0027	0.9973	99.38
4.5	6,293,925	3,268	0.0005	0.9995	99.11
5.5	5,779,928	8,821	0.0015	0.9985	99.06
6.5	5,591,922	3,591	0.0006	0.9994	98.91
7.5	5,379,160	7,900	0.0015	0.9985	98.85
8.5	4,653,913	20,025	0.0043	0.9957	98.70
9.5	3,941,515	5,899	0.0015	0.9985	98.28
10.5	3,952,420	5,725	0.0014	0.9986	98.13
11.5	3,782,198	60,635	0.0160	0.9840	97.99
12.5	3,719,499	15,705	0.0042	0.9958	96.42
13.5	3,632,656	17,599	0.0048	0.9952	96.02
14.5	3,605,788	12,973	0.0036	0.9964	95.56
15.5	3,488,437	3,475	0.0010	0.9990	95.22
16.5	3,239,018		0.0000	1.0000	95.12
17.5	2,495,281	3,485	0.0014	0.9986	95.12
18.5	2,481,040	12,087	0.0049	0.9951	94.99
19.5	2,336,422	11,080	0.0047	0.9953	94.52
20.5	2,239,441	7,205	0.0032	0.9968	94.08
21.5	2,192,039	1,250	0.0006	0.9994	93.78
22.5	2,122,326	3,010	0.0014	0.9986	93.72
23.5	1,922,514	5,779	0.0030	0.9970	93.59
24.5	1,842,972	5,945	0.0032	0.9968	93.31
25.5	1,806,369	3,899	0.0022	0.9978	93.01
26.5	1,804,622	4,618	0.0026	0.9974	92.81
27.5	1,832,111	5,638	0.0031	0.9969	92.57
28.5	1,827,791	11,050	0.0060	0.9940	92.28
29.5	737,651	6,341	0.0086	0.9914	91.73
30.5	714,428	936	0.0013	0.9987	90.94
31.5	655,555	1,606	0.0024	0.9976	90.82
32.5	591,992	393	0.0007	0.9993	90.60
33.5	481,070	7,215	0.0150	0.9850	90.54
34.5	466,566		0.0000	1.0000	89.18
35.5	449,120	1,240	0.0028	0.9972	89.18
36.5	392,230	3,000	0.0076	0.9924	88.93
37.5	339,563		0.0000	1.0000	88.25
38.5	328,416	800	0.0024	0.9976	88.25

NEWFOUNDLAND POWER INC.

ACCOUNT 341.00 - SUBSTATION - BUILDINGS AND STRUCTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1920-2005 EXPERIENCE BAND 1970-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	286,667		0.0000	1.0000	88.04
40.5	283,487		0.0000	1.0000	88.04
41.5	317,394	6,000	0.0189	0.9811	88.04
42.5	292,961		0.0000	1.0000	86.38
43.5	281,867		0.0000	1.0000	86.38
44.5	273,722	75	0.0003	0.9997	86.38
45.5	260,084		0.0000	1.0000	86.35
46.5	213,963	6,000	0.0280	0.9720	86.35
47.5	138,106	5,444	0.0394	0.9606	83.93
48.5	121,519	4,889	0.0402	0.9598	80.62
49.5	117,980		0.0000	1.0000	77.38
50.5	117,980		0.0000	1.0000	77.38
51.5	103,016	600	0.0058	0.9942	77.38
52.5	102,416	2,611	0.0255	0.9745	76.93
53.5	98,341		0.0000	1.0000	74.97
54.5	96,526	2,000	0.0207	0.9793	74.97
55.5	91,465		0.0000	1.0000	73.42
56.5	91,181	284	0.0031	0.9969	73.42
57.5	90,897		0.0000	1.0000	73.19
58.5	90,897		0.0000	1.0000	73.19
59.5	90,897		0.0000	1.0000	73.19
60.5	90,897		0.0000	1.0000	73.19
61.5	89,169		0.0000	1.0000	73.19
62.5	89,169		0.0000	1.0000	73.19
63.5	61,602		0.0000	1.0000	73.19
64.5	61,602		0.0000	1.0000	73.19
65.5	61,602		0.0000	1.0000	73.19
66.5	61,602		0.0000	1.0000	73.19
67.5	61,602		0.0000	1.0000	73.19
68.5	61,602		0.0000	1.0000	73.19
69.5	61,602		0.0000	1.0000	73.19
70.5	61,602		0.0000	1.0000	73.19
71.5	61,602		0.0000	1.0000	73.19
72.5	61,602		0.0000	1.0000	73.19
73.5	61,602		0.0000	1.0000	73.19
74.5	54,102	465	0.0086	0.9914	73.19
75.5	53,637		0.0000	1.0000	72.56
76.5	53,637		0.0000	1.0000	72.56
77.5	885		0.0000	1.0000	72.56
78.5	885		0.0000	1.0000	72.56

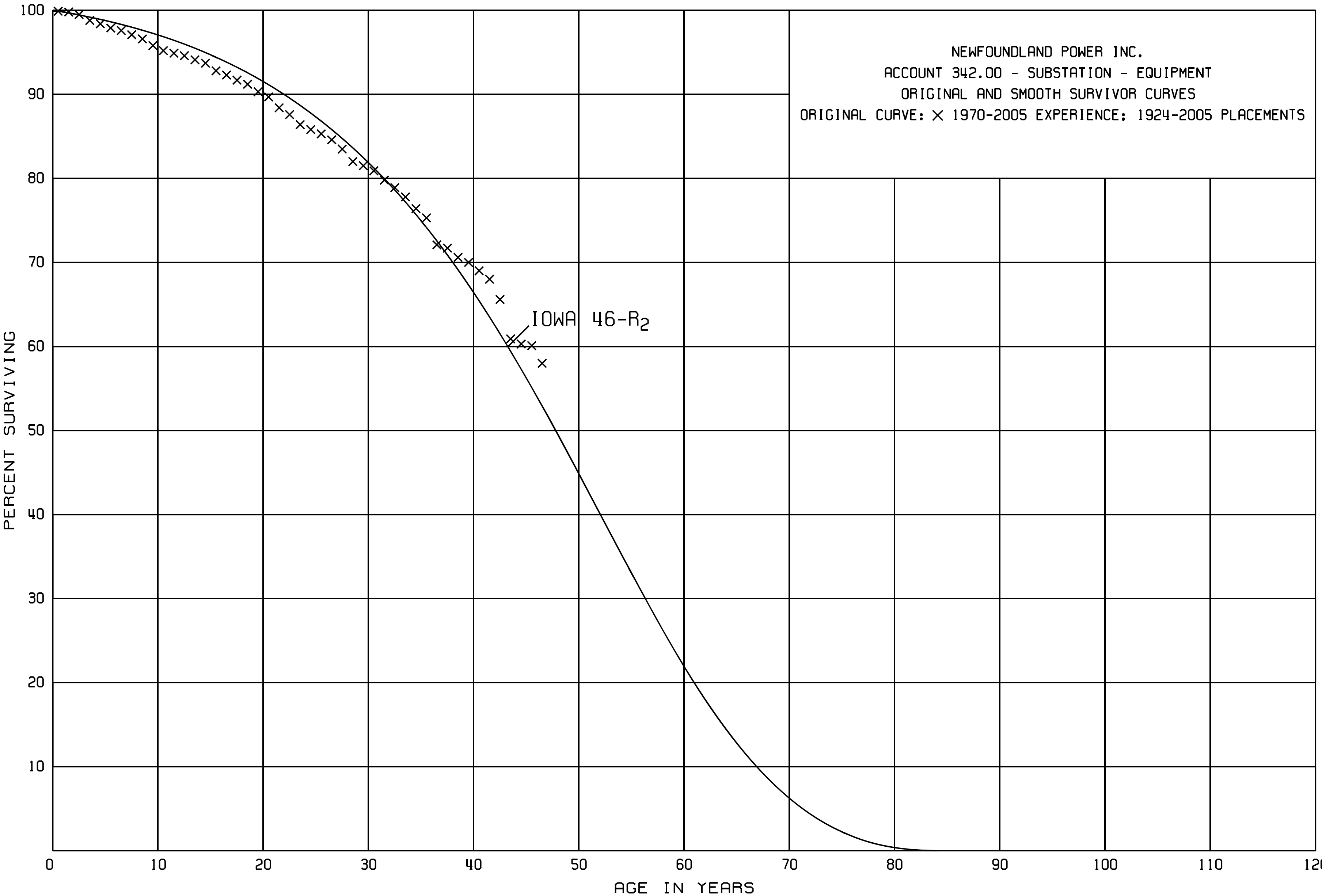
NEWFOUNDLAND POWER INC.

ACCOUNT 341.00 - SUBSTATION - BUILDINGS AND STRUCTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1920-2005 EXPERIENCE BAND 1970-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
79.5	885		0.0000	1.0000	72.56
80.5	885		0.0000	1.0000	72.56
81.5	885		0.0000	1.0000	72.56
82.5	885		0.0000	1.0000	72.56
83.5	885		0.0000	1.0000	72.56
84.5	885		0.0000	1.0000	72.56
85.5					72.56



NEWFOUNDLAND POWER INC.
ACCOUNT 342.00 - SUBSTATION - EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1970-2005 EXPERIENCE; 1924-2005 PLACEMENTS
IOWA 46-R2
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 342.00 - SUBSTATION - EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1924-2005 EXPERIENCE BAND 1970-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	122,286,594	69,665	0.0006	0.9994	100.00
0.5	119,670,150	220,309	0.0018	0.9982	99.94
1.5	112,041,271	259,762	0.0023	0.9977	99.76
2.5	104,388,728	816,446	0.0078	0.9922	99.53
3.5	97,887,884	374,044	0.0038	0.9962	98.75
4.5	93,776,395	464,149	0.0049	0.9951	98.37
5.5	89,592,102	251,817	0.0028	0.9972	97.89
6.5	86,547,618	462,657	0.0053	0.9947	97.62
7.5	83,927,284	457,055	0.0054	0.9946	97.10
8.5	82,319,055	693,017	0.0084	0.9916	96.58
9.5	80,605,271	444,628	0.0055	0.9945	95.77
10.5	79,157,279	276,301	0.0035	0.9965	95.24
11.5	78,306,441	216,602	0.0028	0.9972	94.91
12.5	75,686,612	448,700	0.0059	0.9941	94.64
13.5	72,308,341	327,904	0.0045	0.9955	94.08
14.5	67,855,169	610,620	0.0090	0.9910	93.66
15.5	59,556,358	336,446	0.0056	0.9944	92.82
16.5	55,799,831	389,045	0.0070	0.9930	92.30
17.5	52,949,986	277,812	0.0052	0.9948	91.65
18.5	50,649,743	489,483	0.0097	0.9903	91.17
19.5	49,441,890	313,424	0.0063	0.9937	90.29
20.5	47,653,220	700,723	0.0147	0.9853	89.72
21.5	45,131,914	411,678	0.0091	0.9909	88.40
22.5	42,241,513	596,848	0.0141	0.9859	87.60
23.5	39,360,113	273,068	0.0069	0.9931	86.36
24.5	37,844,247	206,096	0.0054	0.9946	85.76
25.5	37,042,679	293,955	0.0079	0.9921	85.30
26.5	35,265,043	475,935	0.0135	0.9865	84.63
27.5	31,746,959	567,674	0.0179	0.9821	83.49
28.5	26,088,628	154,521	0.0059	0.9941	82.00
29.5	18,085,325	130,816	0.0072	0.9928	81.52
30.5	12,992,593	182,023	0.0140	0.9860	80.93
31.5	11,159,851	131,249	0.0118	0.9882	79.80
32.5	9,896,146	128,069	0.0129	0.9871	78.86
33.5	8,331,861	150,681	0.0181	0.9819	77.84
34.5	7,085,327	105,225	0.0149	0.9851	76.43
35.5	6,605,272	280,229	0.0424	0.9576	75.29
36.5	5,310,791	30,804	0.0058	0.9942	72.10
37.5	4,865,793	75,650	0.0155	0.9845	71.68
38.5	3,958,457	32,705	0.0083	0.9917	70.57

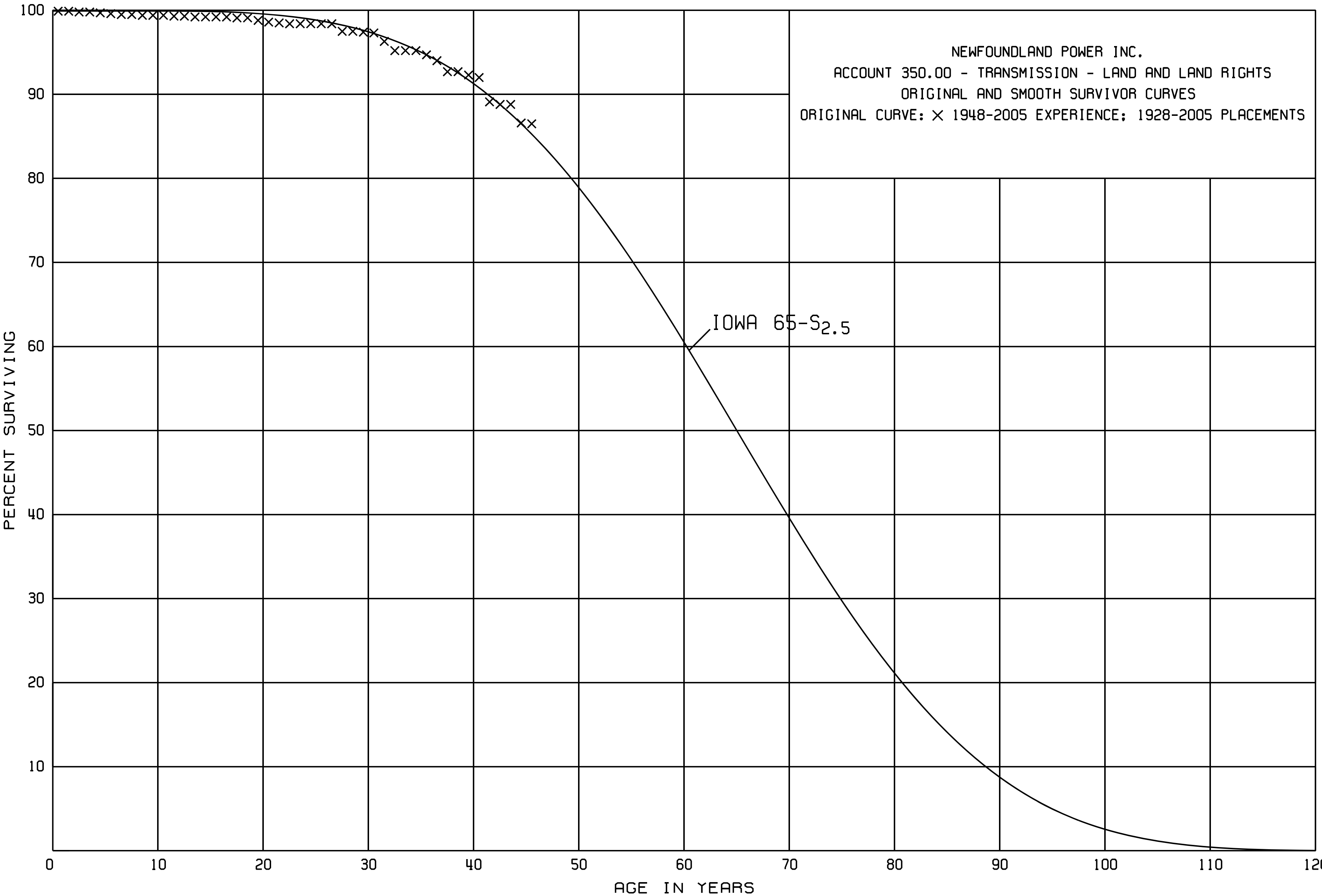
NEWFOUNDLAND POWER INC.

ACCOUNT 342.00 - SUBSTATION - EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1924-2005 EXPERIENCE BAND 1970-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	3,486,793	50,962	0.0146	0.9854	69.98
40.5	3,217,991	46,094	0.0143	0.9857	68.96
41.5	3,054,542	107,894	0.0353	0.9647	67.97
42.5	2,421,808	171,058	0.0706	0.9294	65.57
43.5	2,040,902	23,243	0.0114	0.9886	60.94
44.5	1,637,590	3,685	0.0023	0.9977	60.25
45.5	1,572,614	54,904	0.0349	0.9651	60.11
46.5	1,049,813	3,581	0.0034	0.9966	58.01
47.5	762,531	95,098	0.1247	0.8753	57.81
48.5	664,699	13,266	0.0200	0.9800	50.60
49.5	482,677	24,005	0.0497	0.9503	49.59
50.5	458,672	6,230	0.0136	0.9864	47.13
51.5	202,671	2,319	0.0114	0.9886	46.49
52.5	194,014	3,298	0.0170	0.9830	45.96
53.5	177,833	12,922	0.0727	0.9273	45.18
54.5	123,629	2,040	0.0165	0.9835	41.90
55.5	121,589		0.0000	1.0000	41.21
56.5	120,683	31,106	0.2577	0.7423	41.21
57.5	100,670	2,251	0.0224	0.9776	30.59
58.5	98,419	14,256	0.1449	0.8551	29.90
59.5	90,296		0.0000	1.0000	25.57
60.5	90,296		0.0000	1.0000	25.57
61.5	90,285	1,278	0.0142	0.9858	25.57
62.5	63,366		0.0000	1.0000	25.21
63.5					25.21


NEWFOUNDLAND POWER INC.
ACCOUNT 350.00 - TRANSMISSION - LAND AND LAND RIGHTS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1928-2005 PLACEMENTS
IOWA 65-S2.5
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 350.00 - TRANSMISSION - LAND AND LAND RIGHTS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1928-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	8,686,390		0.0000	1.0000	100.00
0.5	7,903,671	4,970	0.0006	0.9994	100.00
1.5	8,977,287	13,679	0.0015	0.9985	99.94
2.5	9,778,084	855	0.0001	0.9999	99.79
3.5	9,716,911	12,265	0.0013	0.9987	99.78
4.5	9,735,522	3,815	0.0004	0.9996	99.65
5.5	9,817,947	13,982	0.0014	0.9986	99.61
6.5	9,867,304		0.0000	1.0000	99.47
7.5	9,698,433	8,080	0.0008	0.9992	99.47
8.5	9,514,016	3,787	0.0004	0.9996	99.39
9.5	9,498,607		0.0000	1.0000	99.35
10.5	9,464,386	3,351	0.0004	0.9996	99.35
11.5	9,475,623	1,434	0.0002	0.9998	99.31
12.5	9,432,886	7,704	0.0008	0.9992	99.29
13.5	9,291,380		0.0000	1.0000	99.21
14.5	9,197,461	2,448	0.0003	0.9997	99.21
15.5	9,109,195	914	0.0001	0.9999	99.18
16.5	9,005,359	3,203	0.0004	0.9996	99.17
17.5	8,868,447		0.0000	1.0000	99.13
18.5	8,793,018	32,568	0.0037	0.9963	99.13
19.5	8,778,759	15,576	0.0018	0.9982	98.76
20.5	8,454,590	5,447	0.0006	0.9994	98.58
21.5	8,122,291	10,012	0.0012	0.9988	98.52
22.5	7,390,434	957	0.0001	0.9999	98.40
23.5	6,489,852	2,205	0.0003	0.9997	98.39
24.5	5,460,063		0.0000	1.0000	98.36
25.5	5,158,360		0.0000	1.0000	98.36
26.5	4,882,254	42,381	0.0087	0.9913	98.36
27.5	4,473,059	1,104	0.0002	0.9998	97.50
28.5	4,064,742	4,191	0.0010	0.9990	97.48
29.5	2,790,687	3,534	0.0013	0.9987	97.38
30.5	2,327,857	23,556	0.0101	0.9899	97.25
31.5	1,906,978	21,611	0.0113	0.9887	96.27
32.5	1,740,608		0.0000	1.0000	95.18
33.5	1,520,206		0.0000	1.0000	95.18
34.5	1,404,243	7,635	0.0054	0.9946	95.18
35.5	1,283,329	9,150	0.0071	0.9929	94.67
36.5	1,132,348	16,270	0.0144	0.9856	94.00
37.5	978,844		0.0000	1.0000	92.65
38.5	942,892	3,480	0.0037	0.9963	92.65

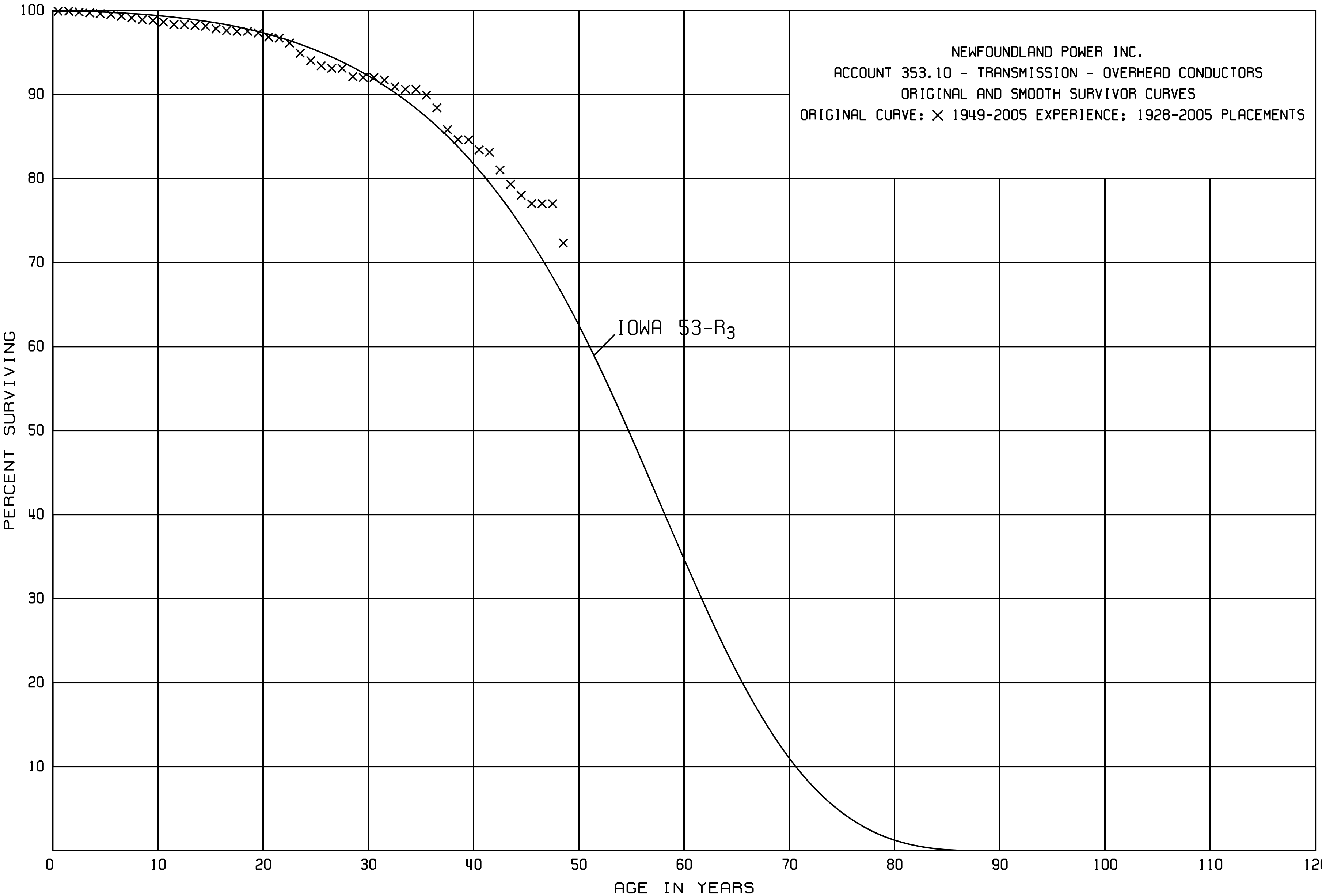
NEWFOUNDLAND POWER INC.

ACCOUNT 350.00 - TRANSMISSION - LAND AND LAND RIGHTS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1928-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	872,840	2,700	0.0031	0.9969	92.31
40.5	661,461	21,099	0.0319	0.9681	92.02
41.5	632,808	1,906	0.0030	0.9970	89.08
42.5	522,409		0.0000	1.0000	88.81
43.5	513,738	12,638	0.0246	0.9754	88.81
44.5	495,790	890	0.0018	0.9982	86.63
45.5	430,744		0.0000	1.0000	86.47
46.5	310,163		0.0000	1.0000	86.47
47.5	257,917		0.0000	1.0000	86.47
48.5	204,628		0.0000	1.0000	86.47
49.5	216,100	8,220	0.0380	0.9620	86.47
50.5	178,914	9,888	0.0553	0.9447	83.18
51.5	155,178		0.0000	1.0000	78.58
52.5	154,024		0.0000	1.0000	78.58
53.5	146,267	10,194	0.0697	0.9303	78.58
54.5	136,073		0.0000	1.0000	73.10
55.5	136,073		0.0000	1.0000	73.10
56.5	136,073	28,280	0.2078	0.7922	73.10
57.5	100,577		0.0000	1.0000	57.91
58.5	81,520		0.0000	1.0000	57.91
59.5	24,357		0.0000	1.0000	57.91
60.5	24,357		0.0000	1.0000	57.91
61.5	24,357		0.0000	1.0000	57.91
62.5	24,357		0.0000	1.0000	57.91
63.5	24,357		0.0000	1.0000	57.91
64.5	24,357		0.0000	1.0000	57.91
65.5	24,357		0.0000	1.0000	57.91
66.5	24,357		0.0000	1.0000	57.91
67.5	24,357		0.0000	1.0000	57.91
68.5	24,357		0.0000	1.0000	57.91
69.5	24,357		0.0000	1.0000	57.91
70.5	24,357		0.0000	1.0000	57.91
71.5	24,357		0.0000	1.0000	57.91
72.5	24,357	4,450	0.1827	0.8173	57.91
73.5	19,907		0.0000	1.0000	47.33
74.5					47.33



NEWFOUNDLAND POWER INC.
ACCOUNT 353.10 - TRANSMISSION - OVERHEAD CONDUCTORS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1949-2005 EXPERIENCE; 1928-2005 PLACEMENTS
IOWA 53-R3
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 353.10 - TRANSMISSION - OVERHEAD CONDUCTORS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1928-2005 EXPERIENCE BAND 1949-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	15,611,612	40	0.0000	1.0000	100.00
0.5	15,484,074	1,781	0.0001	0.9999	100.00
1.5	16,374,870	26,029	0.0016	0.9984	99.99
2.5	17,017,003	16,249	0.0010	0.9990	99.83
3.5	17,410,161	17,108	0.0010	0.9990	99.73
4.5	16,919,103	19,767	0.0012	0.9988	99.63
5.5	16,855,392	44,454	0.0026	0.9974	99.51
6.5	16,877,562	29,675	0.0018	0.9982	99.25
7.5	16,929,925	34,753	0.0021	0.9979	99.07
8.5	16,603,887	13,269	0.0008	0.9992	98.86
9.5	16,568,012	25,978	0.0016	0.9984	98.78
10.5	16,162,099	50,134	0.0031	0.9969	98.62
11.5	15,647,029	7,935	0.0005	0.9995	98.31
12.5	15,226,823	11,543	0.0008	0.9992	98.26
13.5	14,555,297	6,698	0.0005	0.9995	98.18
14.5	14,361,786	53,812	0.0037	0.9963	98.13
15.5	13,799,602	21,477	0.0016	0.9984	97.77
16.5	13,377,058	15,132	0.0011	0.9989	97.61
17.5	13,246,279	6,611	0.0005	0.9995	97.50
18.5	13,186,189	18,243	0.0014	0.9986	97.45
19.5	12,821,529	63,806	0.0050	0.9950	97.31
20.5	12,324,789	19,955	0.0016	0.9984	96.82
21.5	12,008,808	66,117	0.0055	0.9945	96.67
22.5	11,303,921	143,629	0.0127	0.9873	96.14
23.5	10,516,467	102,006	0.0097	0.9903	94.92
24.5	8,758,786	52,841	0.0060	0.9940	94.00
25.5	8,360,539	27,035	0.0032	0.9968	93.44
26.5	8,202,375	5,527	0.0007	0.9993	93.14
27.5	7,591,463	81,248	0.0107	0.9893	93.07
28.5	6,942,021	5,294	0.0008	0.9992	92.07
29.5	4,239,829	589	0.0001	0.9999	92.00
30.5	3,736,283	13,736	0.0037	0.9963	91.99
31.5	3,297,267	28,301	0.0086	0.9914	91.65
32.5	2,952,733	7,155	0.0024	0.9976	90.86
33.5	2,537,363	2,202	0.0009	0.9991	90.64
34.5	2,466,836	18,578	0.0075	0.9925	90.56
35.5	2,386,362	38,587	0.0162	0.9838	89.88
36.5	2,069,052	61,728	0.0298	0.9702	88.42
37.5	1,867,621	26,194	0.0140	0.9860	85.79
38.5	1,731,007	911	0.0005	0.9995	84.59

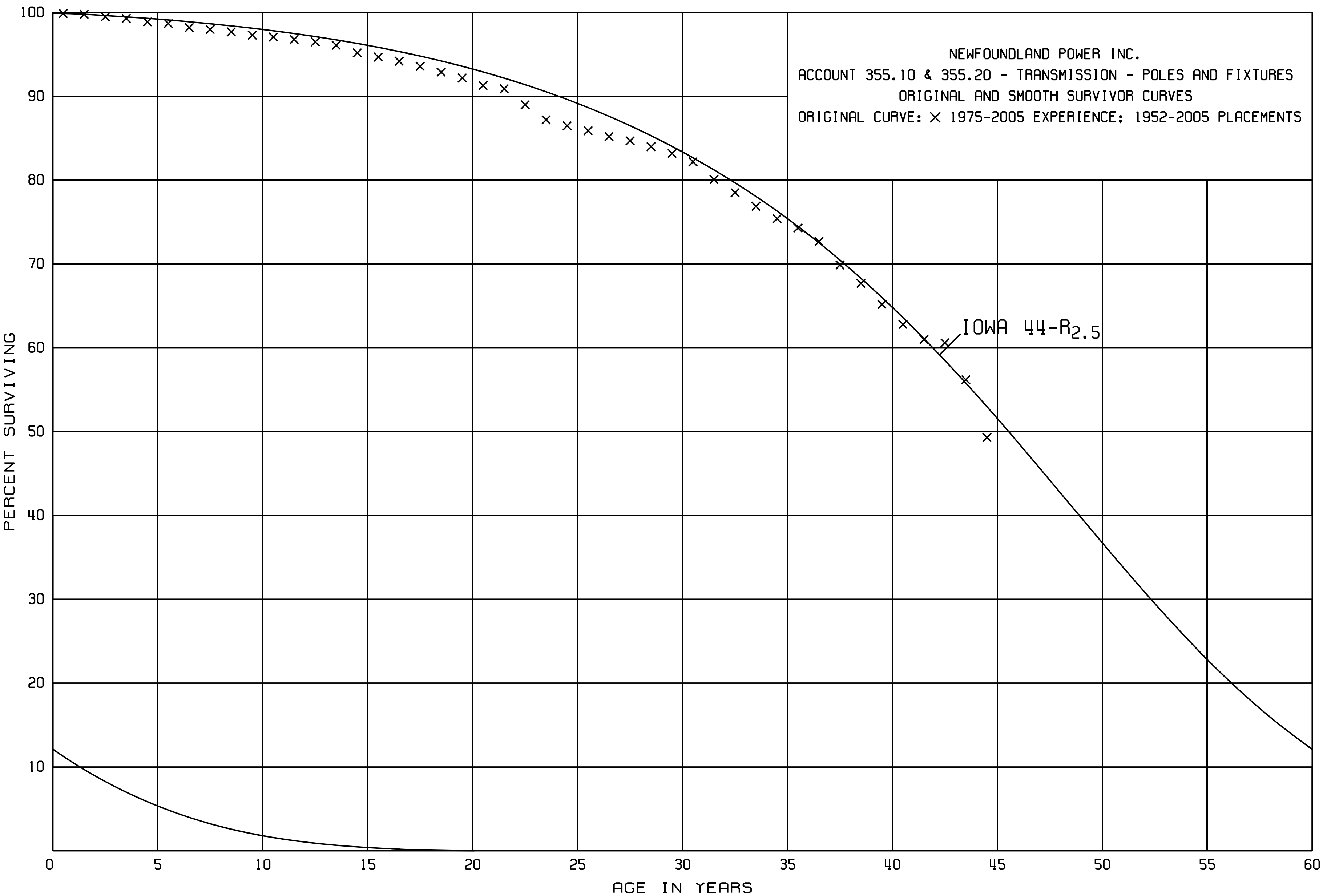
NEWFOUNDLAND POWER INC.

ACCOUNT 353.10 - TRANSMISSION - OVERHEAD CONDUCTORS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1928-2005 EXPERIENCE BAND 1949-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,629,231	22,314	0.0137	0.9863	84.55
40.5	1,047,330	3,938	0.0038	0.9962	83.39
41.5	1,041,075	25,488	0.0245	0.9755	83.07
42.5	808,227	17,623	0.0218	0.9782	81.03
43.5	731,502	11,829	0.0162	0.9838	79.26
44.5	661,717	8,572	0.0130	0.9870	77.98
45.5	548,102		0.0000	1.0000	76.97
46.5	415,649		0.0000	1.0000	76.97
47.5	383,596	23,147	0.0603	0.9397	76.97
48.5	358,067	9,593	0.0268	0.9732	72.33
49.5	414,550	3,189	0.0077	0.9923	70.39
50.5	411,361	139,407	0.3389	0.6611	69.85
51.5	216,583		0.0000	1.0000	46.18
52.5	210,124		0.0000	1.0000	46.18
53.5	186,977		0.0000	1.0000	46.18
54.5	186,977		0.0000	1.0000	46.18
55.5	186,977		0.0000	1.0000	46.18
56.5	186,937	124,770	0.6674	0.3326	46.18
57.5	62,167		0.0000	1.0000	15.36
58.5	62,167	618	0.0099	0.9901	15.36
59.5	39,625		0.0000	1.0000	15.21
60.5	39,625		0.0000	1.0000	15.21
61.5	39,625		0.0000	1.0000	15.21
62.5	39,625	10,247	0.2586	0.7414	15.21
63.5	39,625		0.0000	1.0000	11.28
64.5	39,625		0.0000	1.0000	11.28
65.5	39,625		0.0000	1.0000	11.28
66.5	39,625		0.0000	1.0000	11.28
67.5	39,625		0.0000	1.0000	11.28
68.5	39,625		0.0000	1.0000	11.28
69.5	39,625		0.0000	1.0000	11.28
70.5	39,625		0.0000	1.0000	11.28
71.5	39,625	2,750	0.0694	0.9306	11.28
72.5	36,875		0.0000	1.0000	10.50
73.5	36,875		0.0000	1.0000	10.50
74.5					10.50


NEWFOUNDLAND POWER INC.
ACCOUNT 355.10 & 355.20 - TRANSMISSION - POLES AND FIXTURES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1975-2005 EXPERIENCE; 1952-2005 PLACEMENTS
IOWA 44-R2.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

NEWFOUNDLAND POWER INC.

ACCOUNT 355.10 & 355.20 - TRANSMISSION - POLES AND FIXTURES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1952-2005 EXPERIENCE BAND 1975-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	43,930,208	6,106	0.0001	0.9999	100.00
0.5	43,490,693	80,118	0.0018	0.9982	99.99
1.5	40,386,415	142,680	0.0035	0.9965	99.81
2.5	37,181,975	78,570	0.0021	0.9979	99.46
3.5	34,824,795	122,675	0.0035	0.9965	99.25
4.5	33,533,932	71,045	0.0021	0.9979	98.90
5.5	33,491,192	172,644	0.0052	0.9948	98.69
6.5	32,125,471	66,559	0.0021	0.9979	98.18
7.5	31,230,413	86,107	0.0028	0.9972	97.97
8.5	30,561,742	126,796	0.0041	0.9959	97.70
9.5	30,473,720	74,502	0.0024	0.9976	97.30
10.5	29,484,351	82,447	0.0028	0.9972	97.07
11.5	28,745,736	86,375	0.0030	0.9970	96.80
12.5	28,056,391	131,718	0.0047	0.9953	96.51
13.5	26,688,787	237,880	0.0089	0.9911	96.06
14.5	26,195,976	153,489	0.0059	0.9941	95.21
15.5	24,494,927	114,615	0.0047	0.9953	94.65
16.5	23,652,066	154,731	0.0065	0.9935	94.21
17.5	22,857,317	178,178	0.0078	0.9922	93.60
18.5	21,989,191	157,385	0.0072	0.9928	92.87
19.5	21,060,055	208,112	0.0099	0.9901	92.20
20.5	19,997,189	95,974	0.0048	0.9952	91.29
21.5	19,286,406	387,784	0.0201	0.9799	90.85
22.5	17,219,949	358,538	0.0208	0.9792	89.02
23.5	15,408,586	128,481	0.0083	0.9917	87.17
24.5	12,925,528	83,386	0.0065	0.9935	86.45
25.5	12,124,126	94,044	0.0078	0.9922	85.89
26.5	11,642,306	78,364	0.0067	0.9933	85.22
27.5	10,744,118	83,593	0.0078	0.9922	84.65
28.5	9,697,427	91,532	0.0094	0.9906	83.99
29.5	6,074,113	72,951	0.0120	0.9880	83.20
30.5	4,908,723	124,386	0.0253	0.9747	82.20
31.5	4,081,359	85,241	0.0209	0.9791	80.12
32.5	3,543,952	70,430	0.0199	0.9801	78.45
33.5	2,899,842	55,846	0.0193	0.9807	76.89
34.5	2,710,633	40,567	0.0150	0.9850	75.41
35.5	2,525,737	52,936	0.0210	0.9790	74.28
36.5	2,126,062	81,815	0.0385	0.9615	72.72
37.5	1,818,505	57,651	0.0317	0.9683	69.92
38.5	1,593,307	59,720	0.0375	0.9625	67.70

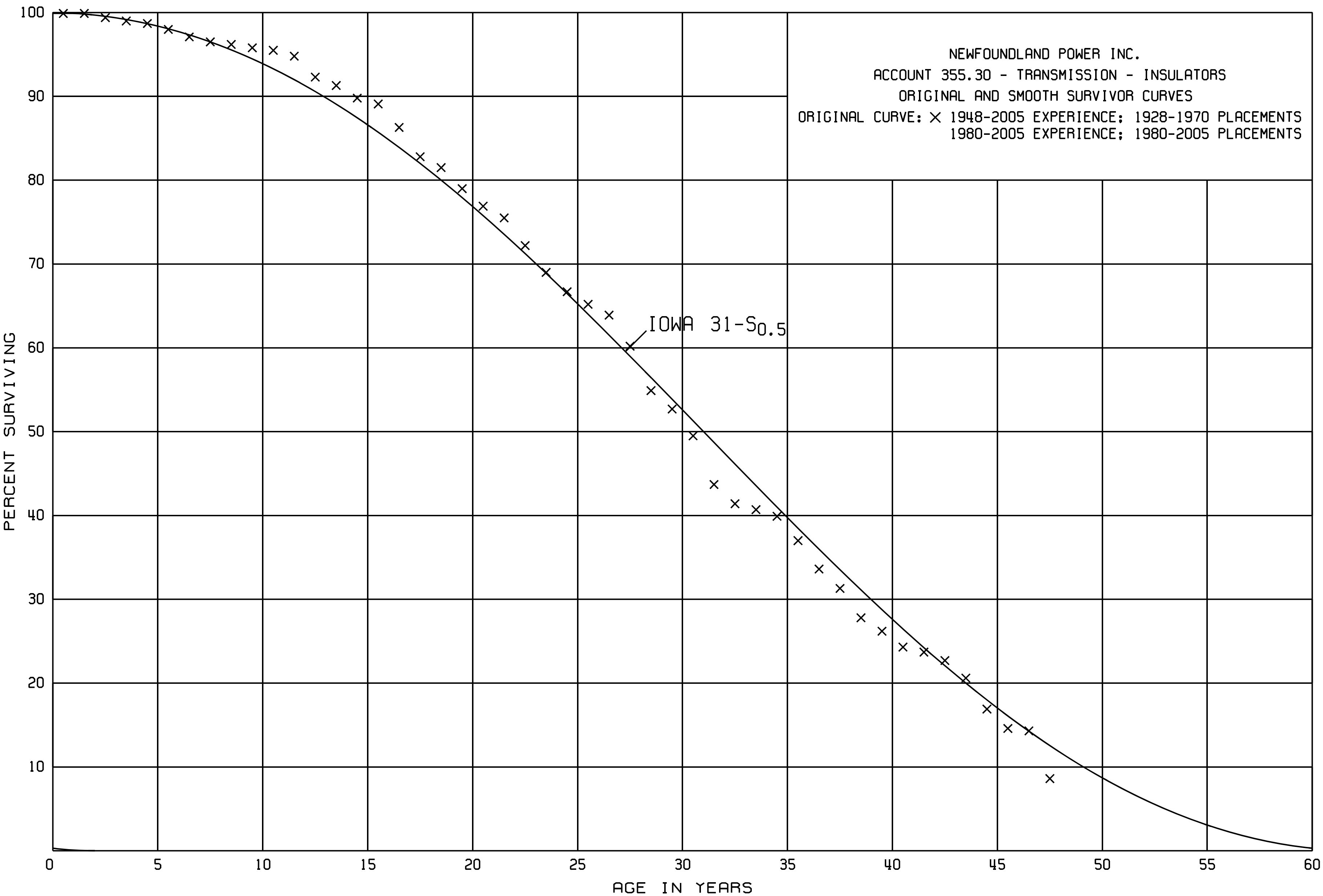
NEWFOUNDLAND POWER INC.

ACCOUNT 355.10 & 355.20 - TRANSMISSION - POLES AND FIXTURES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1952-2005 EXPERIENCE BAND 1975-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,375,942	49,082	0.0357	0.9643	65.16
40.5	799,646	23,486	0.0294	0.9706	62.83
41.5	770,623	4,734	0.0061	0.9939	60.98
42.5	616,684	44,488	0.0721	0.9279	60.61
43.5	511,338	62,985	0.1232	0.8768	56.24
44.5	396,680	22,536	0.0568	0.9432	49.31
45.5	144,280	3,878	0.0269	0.9731	46.51
46.5	144,898	5,984	0.0413	0.9587	45.26
47.5	143,505	21,719	0.1513	0.8487	43.39
48.5	118,780	4,009	0.0338	0.9662	36.83
49.5	104,992	2,484	0.0237	0.9763	35.59
50.5	99,806	46,818	0.4691	0.5309	34.75
51.5	9,196-		0.0000	1.0000	18.45
52.5	22,384-		0.0000	1.0000	18.45
53.5					18.45


NEWFOUNDLAND POWER INC.
ACCOUNT 355.30 - TRANSMISSION - INSULATORS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1928-1970 PLACEMENTS
1980-2005 EXPERIENCE; 1980-2005 PLACEMENTS
IOWA 31-S0.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

NEWFOUNDLAND POWER INC.

ACCOUNT 355.30 - TRANSMISSION - INSULATORS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1928-1970 EXPERIENCE BAND 1948-2005
PLACEMENT BAND 1980-2005 EXPERIENCE BAND 1980-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	19,015,991	2,330	0.0001	0.9999	100.00
0.5	18,419,646	24,452	0.0013	0.9987	99.99
1.5	18,209,426	89,481	0.0049	0.9951	99.86
2.5	17,306,521	63,732	0.0037	0.9963	99.37
3.5	16,183,933	50,512	0.0031	0.9969	99.00
4.5	15,238,157	112,432	0.0074	0.9926	98.69
5.5	14,633,964	135,505	0.0093	0.9907	97.96
6.5	13,607,746	76,330	0.0056	0.9944	97.05
7.5	12,676,352	38,109	0.0030	0.9970	96.51
8.5	11,379,975	48,138	0.0042	0.9958	96.22
9.5	10,338,788	38,948	0.0038	0.9962	95.82
10.5	9,287,353	61,744	0.0066	0.9934	95.46
11.5	8,295,125	222,410	0.0268	0.9732	94.83
12.5	7,454,927	83,874	0.0113	0.9887	92.29
13.5	6,444,473	105,229	0.0163	0.9837	91.25
14.5	5,356,645	39,455	0.0074	0.9926	89.76
15.5	3,620,423	114,800	0.0317	0.9683	89.10
16.5	2,814,339	112,524	0.0400	0.9600	86.28
17.5	2,466,468	40,758	0.0165	0.9835	82.83
18.5	2,240,134	67,270	0.0300	0.9700	81.46
19.5	1,933,264	52,459	0.0271	0.9729	79.02
20.5	1,636,276	28,486	0.0174	0.9826	76.88
21.5	1,528,373	66,993	0.0438	0.9562	75.54
22.5	1,226,015	55,242	0.0451	0.9549	72.23
23.5	1,039,421	34,039	0.0327	0.9673	68.97
24.5	735,336	16,724	0.0227	0.9773	66.71
25.5	629,543	12,303	0.0195	0.9805	65.20
26.5	617,240	35,715	0.0579	0.9421	63.93
27.5	582,153	51,610	0.0887	0.9113	60.23
28.5	530,543	20,889	0.0394	0.9606	54.89
29.5	496,077	30,500	0.0615	0.9385	52.73
30.5	465,577	54,748	0.1176	0.8824	49.49
31.5	410,829	21,368	0.0520	0.9480	43.67
32.5	389,237	6,769	0.0174	0.9826	41.40
33.5	382,468	7,525	0.0197	0.9803	40.68
34.5	374,943	27,503	0.0734	0.9266	39.88
35.5	346,180	31,305	0.0904	0.9096	36.95
36.5	309,274	21,314	0.0689	0.9311	33.61
37.5	275,593	31,075	0.1128	0.8872	31.29
38.5	229,326	13,210	0.0576	0.9424	27.76

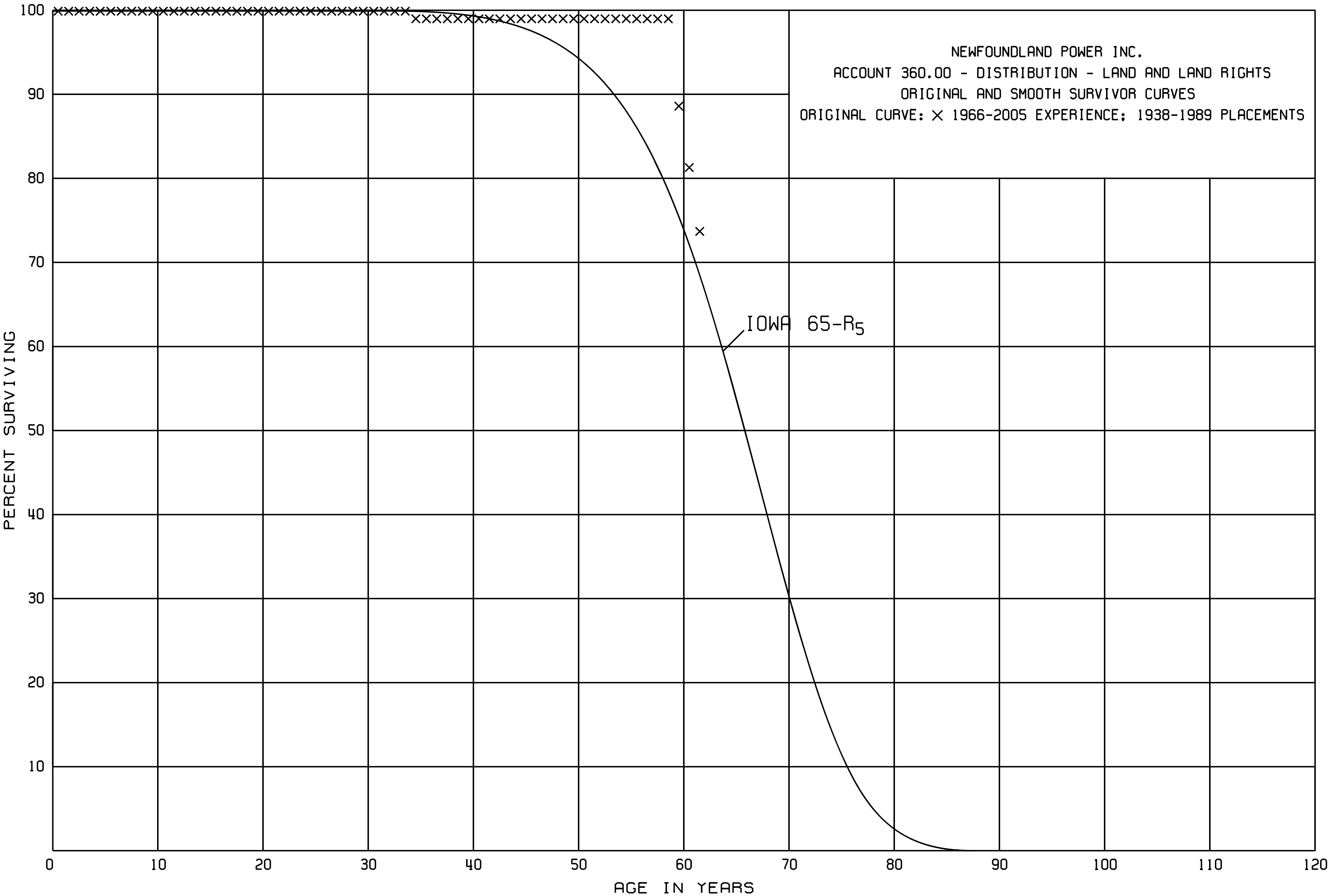
NEWFOUNDLAND POWER INC.

ACCOUNT 355.30 - TRANSMISSION - INSULATORS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1928-1970 EXPERIENCE BAND 1948-2005
PLACEMENT BAND 1980-2005 EXPERIENCE BAND 1980-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	172,463	12,326	0.0715	0.9285	26.16
40.5	106,737	2,682	0.0251	0.9749	24.29
41.5	99,742	4,080	0.0409	0.9591	23.68
42.5	77,064	7,258	0.0942	0.9058	22.71
43.5	60,814	10,923	0.1796	0.8204	20.57
44.5	58,898	7,837	0.1331	0.8669	16.88
45.5	51,061	1,035	0.0203	0.9797	14.63
46.5	50,026	20,120	0.4022	0.5978	14.33
47.5	30,170	3,143	0.1042	0.8958	8.57
48.5	27,978	520	0.0186	0.9814	7.68
49.5	36,204	12,730	0.3516	0.6484	7.54
50.5	23,474	21,195	0.9029	0.0971	4.89
51.5	6,486		0.0000	1.0000	0.47
52.5	5,808	336	0.0579	0.9421	0.47
53.5	11,660		0.0000	1.0000	0.44
54.5	11,660	973	0.0834	0.9166	0.44
55.5	10,687		0.0000	1.0000	0.40
56.5	11,537	6,106	0.5293	0.4707	0.40
57.5	5,431	135	0.0249	0.9751	0.19
58.5	5,296	693	0.1309	0.8691	0.19
59.5	4,603	176	0.0382	0.9618	0.17
60.5	4,427	43	0.0097	0.9903	0.16
61.5	4,384	38	0.0087	0.9913	0.16
62.5	4,346	607	0.1397	0.8603	0.16
63.5	4,332	135	0.0312	0.9688	0.14
64.5	4,197		0.0000	1.0000	0.14
65.5	4,197		0.0000	1.0000	0.14
66.5	4,197		0.0000	1.0000	0.14
67.5	4,197	143	0.0341	0.9659	0.14
68.5	4,054	3,641	0.8981	0.1019	0.14
69.5	413		0.0000	1.0000	0.01
70.5	413	413	1.0000	0.0000	0.01
71.5					0.00


NEWFOUNDLAND POWER INC.
ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1966-2005 EXPERIENCE; 1938-1989 PLACEMENTS
IOWA 65-R5
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1938-1989 EXPERIENCE BAND 1966-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	223,405		0.0000	1.0000	100.00
0.5	239,869		0.0000	1.0000	100.00
1.5	246,347		0.0000	1.0000	100.00
2.5	263,662		0.0000	1.0000	100.00
3.5	277,615		0.0000	1.0000	100.00
4.5	309,039		0.0000	1.0000	100.00
5.5	351,106		0.0000	1.0000	100.00
6.5	399,087		0.0000	1.0000	100.00
7.5	462,960		0.0000	1.0000	100.00
8.5	502,823		0.0000	1.0000	100.00
9.5	531,494		0.0000	1.0000	100.00
10.5	555,752		0.0000	1.0000	100.00
11.5	566,971	6	0.0000	1.0000	100.00
12.5	576,220		0.0000	1.0000	100.00
13.5	582,337		0.0000	1.0000	100.00
14.5	585,843		0.0000	1.0000	100.00
15.5	588,307		0.0000	1.0000	100.00
16.5	597,085		0.0000	1.0000	100.00
17.5	577,994		0.0000	1.0000	100.00
18.5	581,813		0.0000	1.0000	100.00
19.5	581,813		0.0000	1.0000	100.00
20.5	577,878		0.0000	1.0000	100.00
21.5	565,946		0.0000	1.0000	100.00
22.5	554,940		0.0000	1.0000	100.00
23.5	548,622		0.0000	1.0000	100.00
24.5	531,419		0.0000	1.0000	100.00
25.5	531,419		0.0000	1.0000	100.00
26.5	531,419		0.0000	1.0000	100.00
27.5	602,953		0.0000	1.0000	100.00
28.5	601,341		0.0000	1.0000	100.00
29.5	590,977		0.0000	1.0000	100.00
30.5	563,725	346	0.0006	0.9994	100.00
31.5	519,254		0.0000	1.0000	99.94
32.5	512,977		0.0000	1.0000	99.94
33.5	506,674	4,922	0.0097	0.9903	99.94
34.5	476,064		0.0000	1.0000	98.97
35.5	451,369		0.0000	1.0000	98.97
36.5	451,048		0.0000	1.0000	98.97
37.5	451,048		0.0000	1.0000	98.97
38.5	451,048		0.0000	1.0000	98.97

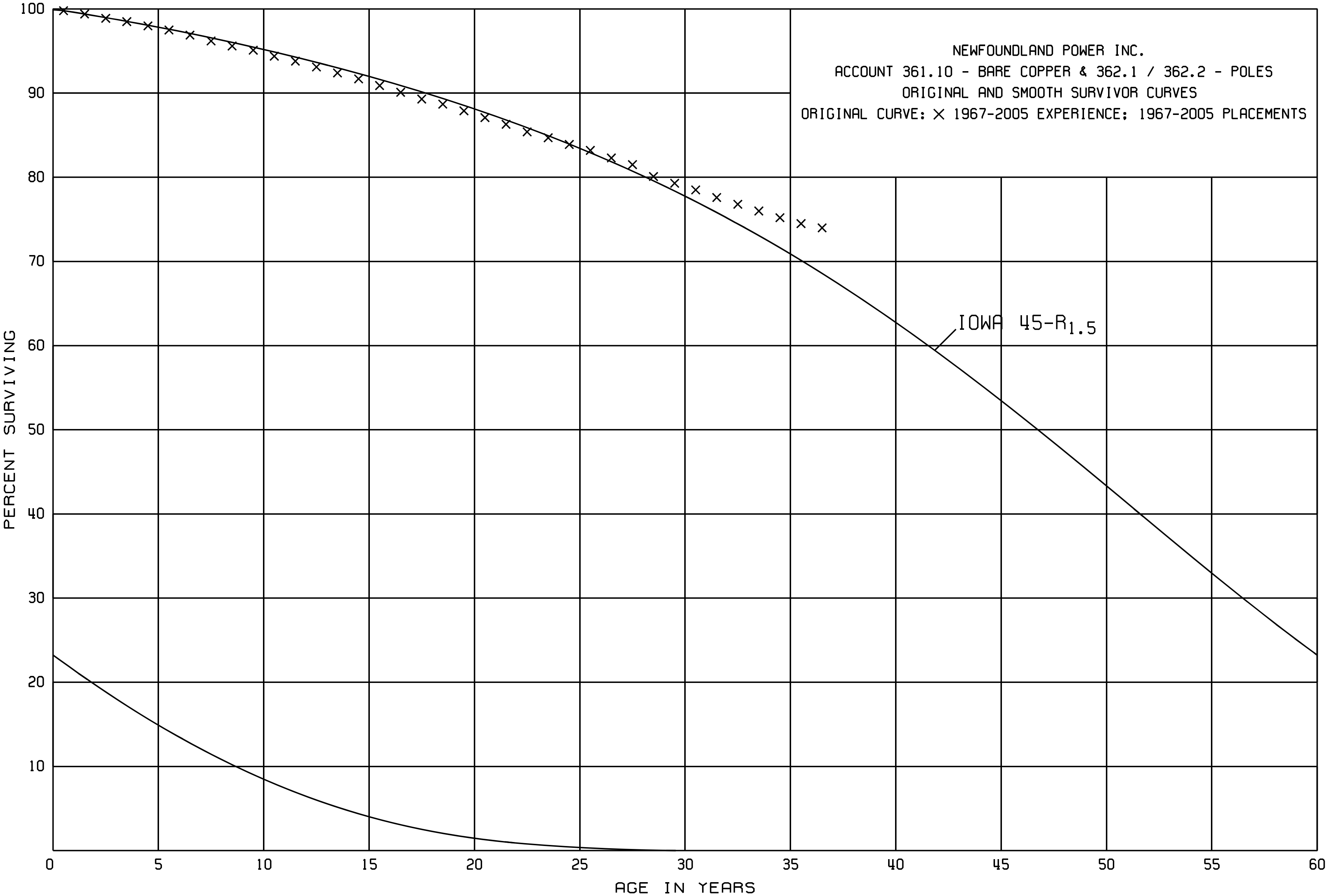
NEWFOUNDLAND POWER INC.

ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1938-1989 EXPERIENCE BAND 1966-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	444,332		0.0000	1.0000	98.97
40.5	427,868		0.0000	1.0000	98.97
41.5	421,390		0.0000	1.0000	98.97
42.5	408,232		0.0000	1.0000	98.97
43.5	403,358		0.0000	1.0000	98.97
44.5	367,777		0.0000	1.0000	98.97
45.5	325,710		0.0000	1.0000	98.97
46.5	273,572		0.0000	1.0000	98.97
47.5	209,699		0.0000	1.0000	98.97
48.5	169,836		0.0000	1.0000	98.97
49.5	141,067		0.0000	1.0000	98.97
50.5	116,809		0.0000	1.0000	98.97
51.5	105,590		0.0000	1.0000	98.97
52.5	96,335		0.0000	1.0000	98.97
53.5	90,564		0.0000	1.0000	98.97
54.5	87,379		0.0000	1.0000	98.97
55.5	84,915		0.0000	1.0000	98.97
56.5	77,837		0.0000	1.0000	98.97
57.5	77,837		0.0000	1.0000	98.97
58.5	77,837	8,126	0.1044	0.8956	98.97
59.5	69,711	5,796	0.0831	0.9169	88.64
60.5	63,915	5,938	0.0929	0.9071	81.27
61.5	57,977		0.0000	1.0000	73.72
62.5	57,977		0.0000	1.0000	73.72
63.5	57,977		0.0000	1.0000	73.72
64.5	51,674		0.0000	1.0000	73.72
65.5	51,674		0.0000	1.0000	73.72
66.5	51,674		0.0000	1.0000	73.72
67.5					73.72


NEWFOUNDLAND POWER INC.
ACCOUNT 361.10 - BARE COPPER & 362.1 / 362.2 - POLES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1967-2005 EXPERIENCE; 1967-2005 PLACEMENTS
IOWA 45-R1.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

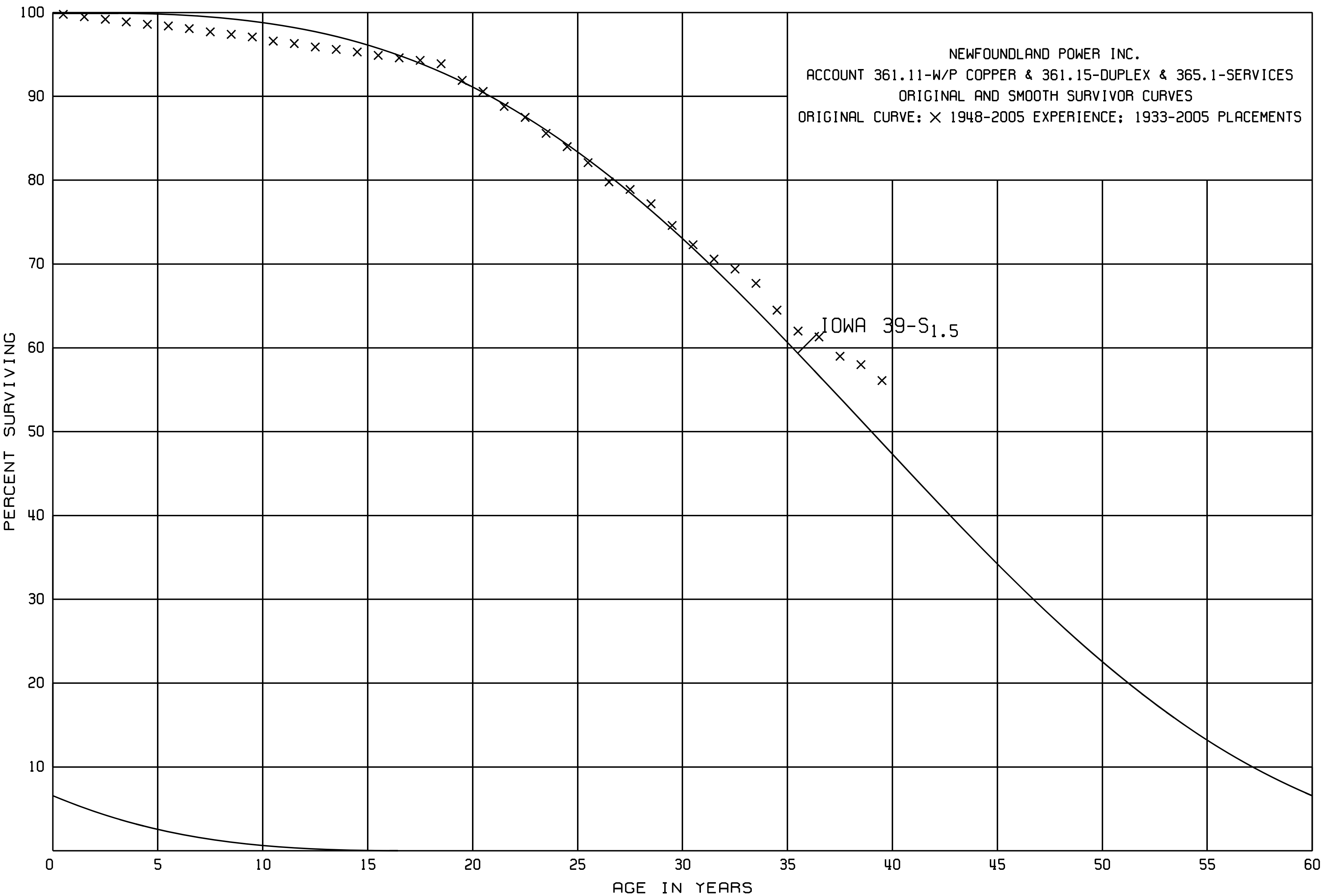
NEWFOUNDLAND POWER INC.

ACCOUNT 361.10 - BARE COPPER & 362.1 / 362.2 - POLES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1967-2005 EXPERIENCE BAND 1967-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	303,858,510	652,463	0.0021	0.9979	100.00
0.5	292,120,601	1,217,270	0.0042	0.9958	99.79
1.5	280,914,232	1,214,735	0.0043	0.9957	99.37
2.5	271,143,408	1,223,631	0.0045	0.9955	98.94
3.5	261,806,642	1,337,171	0.0051	0.9949	98.49
4.5	251,870,766	1,211,444	0.0048	0.9952	97.99
5.5	243,599,947	1,667,154	0.0068	0.9932	97.52
6.5	236,458,115	1,685,013	0.0071	0.9929	96.86
7.5	227,974,779	1,324,150	0.0058	0.9942	96.17
8.5	221,566,013	1,268,105	0.0057	0.9943	95.61
9.5	211,569,775	1,469,769	0.0069	0.9931	95.07
10.5	199,458,688	1,371,222	0.0069	0.9931	94.41
11.5	187,394,255	1,338,488	0.0071	0.9929	93.76
12.5	173,659,482	1,239,373	0.0071	0.9929	93.09
13.5	158,868,939	1,213,254	0.0076	0.9924	92.43
14.5	144,635,493	1,251,242	0.0087	0.9913	91.73
15.5	128,451,215	1,154,313	0.0090	0.9910	90.93
16.5	115,386,934	1,008,388	0.0087	0.9913	90.11
17.5	104,916,429	795,777	0.0076	0.9924	89.33
18.5	93,719,519	764,444	0.0082	0.9918	88.65
19.5	83,821,156	745,001	0.0089	0.9911	87.92
20.5	74,982,081	759,411	0.0101	0.9899	87.14
21.5	65,279,295	642,491	0.0098	0.9902	86.26
22.5	57,886,290	499,767	0.0086	0.9914	85.41
23.5	51,054,090	454,554	0.0089	0.9911	84.68
24.5	44,280,407	391,543	0.0088	0.9912	83.93
25.5	37,681,943	409,743	0.0109	0.9891	83.19
26.5	32,104,375	311,804	0.0097	0.9903	82.28
27.5	27,149,106	457,398	0.0168	0.9832	81.48
28.5	22,106,240	234,309	0.0106	0.9894	80.11
29.5	17,718,248	181,582	0.0102	0.9898	79.26
30.5	13,239,072	137,602	0.0104	0.9896	78.45
31.5	10,278,891	112,505	0.0109	0.9891	77.63
32.5	8,080,245	80,574	0.0100	0.9900	76.78
33.5	6,614,770	71,801	0.0109	0.9891	76.01
34.5	4,788,153	46,569	0.0097	0.9903	75.18
35.5	3,606,599	20,786	0.0058	0.9942	74.45
36.5	2,018,819	16,272	0.0081	0.9919	74.02
37.5	1,100,941	10,759	0.0098	0.9902	73.42
38.5					72.70


NEWFOUNDLAND POWER INC.
ACCOUNT 361.11-W/P COPPER & 361.15-DUPLEX & 365.1-SERVICES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1933-2005 PLACEMENTS
IOWA 39-S1.5
PERCENT SURVIVING
AGE IN YEARS
0 5 10 15 20 25 30 35 40 45 50 55 60
10 20 30 40 50 60 70 80 90 100

NEWFOUNDLAND POWER INC.

ACCOUNT 361.11-W/P COPPER & 361.15-DUPLEX & 365.1-SERVICES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1933-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	71,095,599	159,035	0.0022	0.9978	100.00
0.5	68,727,421	224,406	0.0033	0.9967	99.78
1.5	66,628,261	197,007	0.0030	0.9970	99.45
2.5	64,805,102	162,905	0.0025	0.9975	99.15
3.5	62,889,136	168,331	0.0027	0.9973	98.90
4.5	60,916,272	169,290	0.0028	0.9972	98.63
5.5	59,366,788	184,426	0.0031	0.9969	98.35
6.5	57,881,104	214,299	0.0037	0.9963	98.05
7.5	56,349,046	194,891	0.0035	0.9965	97.69
8.5	54,831,678	169,793	0.0031	0.9969	97.35
9.5	53,052,958	226,967	0.0043	0.9957	97.05
10.5	50,868,883	192,246	0.0038	0.9962	96.63
11.5	48,304,006	169,972	0.0035	0.9965	96.26
12.5	45,259,278	143,847	0.0032	0.9968	95.92
13.5	42,269,747	148,204	0.0035	0.9965	95.61
14.5	39,062,338	140,681	0.0036	0.9964	95.28
15.5	36,029,008	116,584	0.0032	0.9968	94.94
16.5	33,047,241	129,085	0.0039	0.9961	94.64
17.5	30,181,360	105,815	0.0035	0.9965	94.27
18.5	27,605,315	592,880	0.0215	0.9785	93.94
19.5	24,669,171	358,255	0.0145	0.9855	91.92
20.5	22,121,170	437,023	0.0198	0.9802	90.59
21.5	19,203,450	279,171	0.0145	0.9855	88.80
22.5	16,973,000	367,905	0.0217	0.9783	87.51
23.5	15,092,645	276,393	0.0183	0.9817	85.61
24.5	13,147,399	312,045	0.0237	0.9763	84.04
25.5	11,401,138	307,803	0.0270	0.9730	82.05
26.5	9,924,920	117,789	0.0119	0.9881	79.83
27.5	8,653,298	189,539	0.0219	0.9781	78.88
28.5	7,480,323	249,579	0.0334	0.9666	77.15
29.5	6,273,926	195,244	0.0311	0.9689	74.57
30.5	5,138,628	118,326	0.0230	0.9770	72.25
31.5	4,409,239	74,328	0.0169	0.9831	70.59
32.5	3,772,885	93,684	0.0248	0.9752	69.40
33.5	3,244,233	154,285	0.0476	0.9524	67.68
34.5	2,704,671	103,753	0.0384	0.9616	64.46
35.5	2,419,892	26,929	0.0111	0.9889	61.98
36.5	2,147,036	78,797	0.0367	0.9633	61.29
37.5	1,790,488	32,807	0.0183	0.9817	59.04
38.5	1,456,939	45,947	0.0315	0.9685	57.96

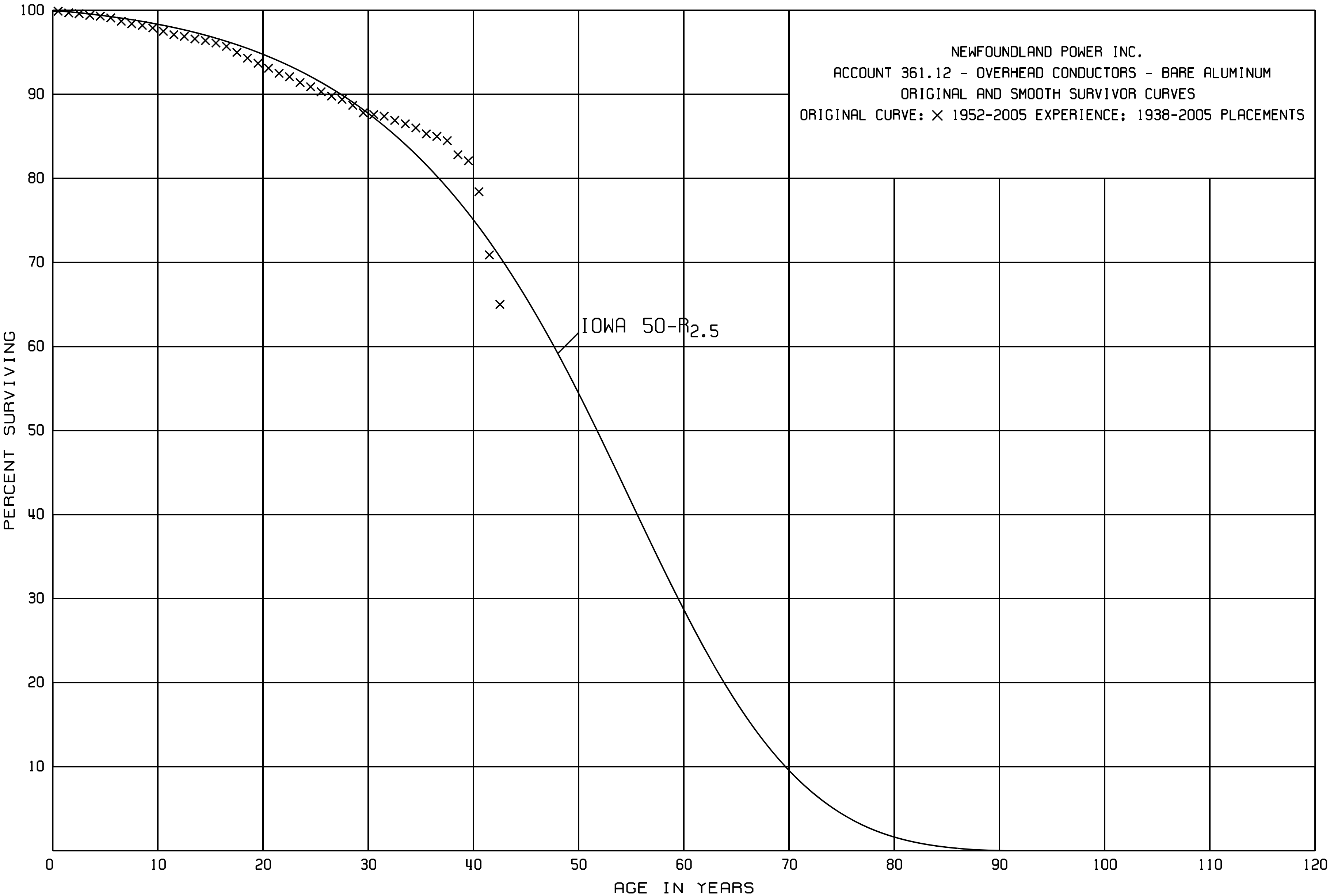
NEWFOUNDLAND POWER INC.

ACCOUNT 361.11-W/P COPPER & 361.15-DUPLEX & 365.1-SERVICES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1933-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,337,770	1,700	0.0013	0.9987	56.13
40.5	1,103,341	7,279	0.0066	0.9934	56.06
41.5	938,155	4,491	0.0048	0.9952	55.69
42.5	811,065	7,402	0.0091	0.9909	55.42
43.5	589,204	9,103	0.0154	0.9846	54.92
44.5	478,609	26,891	0.0562	0.9438	54.07
45.5	270,356	26,458	0.0979	0.9021	51.03
46.5	63,415	16,646	0.2625	0.7375	46.03
47.5	16,217		0.0000	1.0000	33.95
48.5	16,217	10,168	0.6270	0.3730	33.95
49.5	6,049	6,049	1.0000	0.0000	12.66
50.5					0.00


NEWFOUNDLAND POWER INC.
ACCOUNT 361.12 - OVERHEAD CONDUCTORS - BARE ALUMINUM
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1952-2005 EXPERIENCE; 1938-2005 PLACEMENTS
IOWA 50-R2.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 361.12 - OVERHEAD CONDUCTORS - BARE ALUMINUM

ORIGINAL LIFE TABLE

PLACEMENT BAND 1938-2005 EXPERIENCE BAND 1952-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	87,096,428	120,163	0.0014	0.9986	100.00
0.5	83,482,491	123,374	0.0015	0.9985	99.86
1.5	79,991,110	104,411	0.0013	0.9987	99.71
2.5	76,331,188	112,668	0.0015	0.9985	99.58
3.5	73,950,210	136,598	0.0018	0.9982	99.43
4.5	70,649,041	116,870	0.0017	0.9983	99.25
5.5	67,935,764	234,612	0.0035	0.9965	99.08
6.5	65,000,315	199,431	0.0031	0.9969	98.73
7.5	62,809,839	157,474	0.0025	0.9975	98.42
8.5	60,672,558	179,372	0.0030	0.9970	98.17
9.5	58,780,892	208,596	0.0035	0.9965	97.88
10.5	56,582,033	247,351	0.0044	0.9956	97.54
11.5	53,827,529	137,284	0.0026	0.9974	97.11
12.5	50,998,476	118,152	0.0023	0.9977	96.86
13.5	47,722,147	124,742	0.0026	0.9974	96.64
14.5	44,559,122	136,388	0.0031	0.9969	96.39
15.5	40,675,778	175,441	0.0043	0.9957	96.09
16.5	37,514,255	278,291	0.0074	0.9926	95.68
17.5	34,509,088	234,715	0.0068	0.9932	94.97
18.5	31,827,674	204,803	0.0064	0.9936	94.32
19.5	29,431,801	181,050	0.0062	0.9938	93.72
20.5	27,118,379	177,554	0.0065	0.9935	93.14
21.5	24,303,033	119,961	0.0049	0.9951	92.53
22.5	22,072,572	159,429	0.0072	0.9928	92.08
23.5	19,682,540	105,877	0.0054	0.9946	91.42
24.5	17,190,942	121,097	0.0070	0.9930	90.93
25.5	14,522,467	74,181	0.0051	0.9949	90.29
26.5	12,689,617	57,282	0.0045	0.9955	89.83
27.5	10,931,796	85,971	0.0079	0.9921	89.43
28.5	8,903,996	90,997	0.0102	0.9898	88.72
29.5	7,333,466	20,139	0.0027	0.9973	87.82
30.5	5,720,384	12,917	0.0023	0.9977	87.58
31.5	4,703,083	27,941	0.0059	0.9941	87.38
32.5	3,901,625	14,567	0.0037	0.9963	86.86
33.5	3,394,922	22,158	0.0065	0.9935	86.54
34.5	2,879,399	21,495	0.0075	0.9925	85.98
35.5	2,643,270	9,319	0.0035	0.9965	85.34
36.5	2,268,076	13,832	0.0061	0.9939	85.04
37.5	2,092,363	42,322	0.0202	0.9798	84.52
38.5	1,876,590	15,116	0.0081	0.9919	82.81

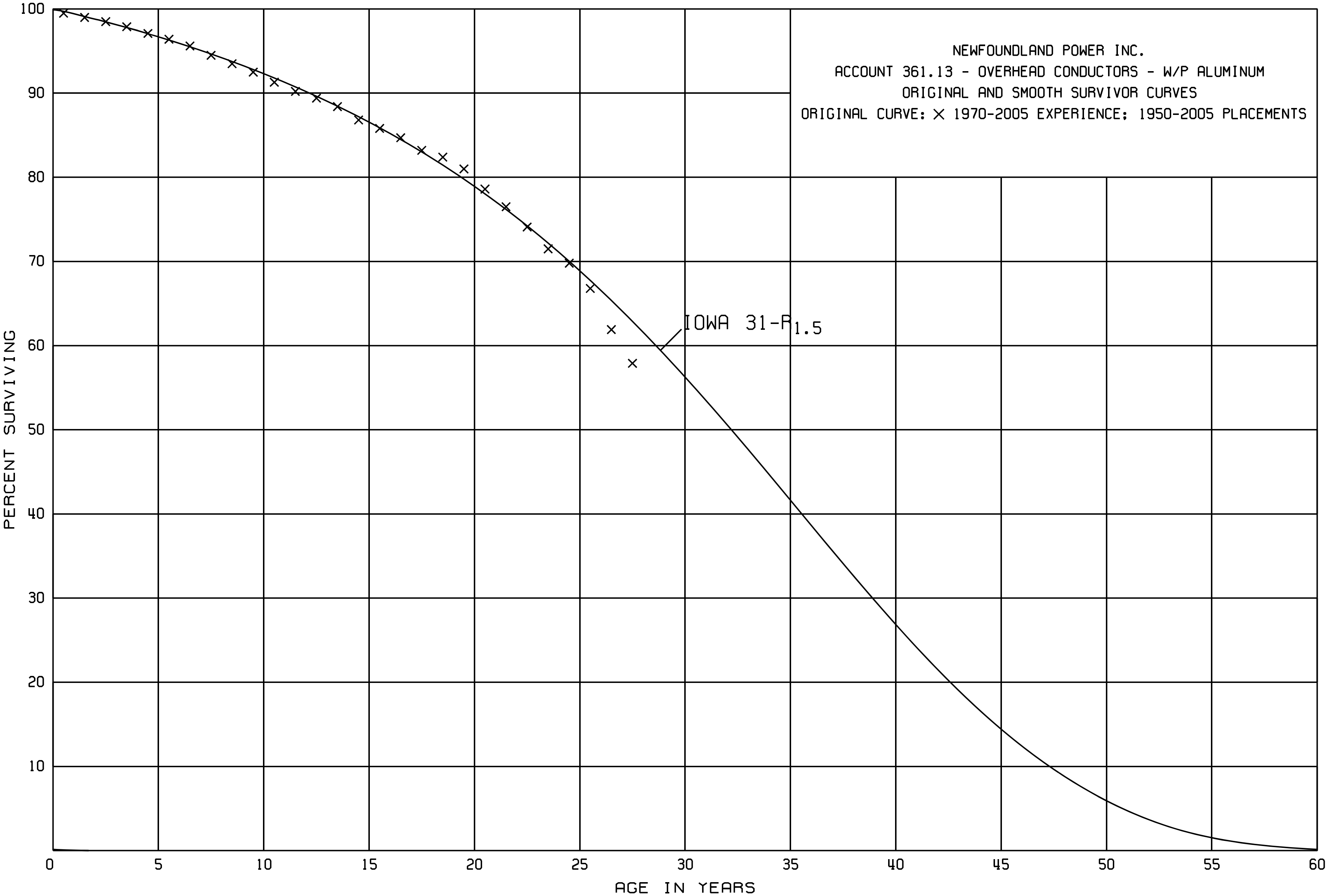
NEWFOUNDLAND POWER INC.

ACCOUNT 361.12 - OVERHEAD CONDUCTORS - BARE ALUMINUM

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1938-2005 EXPERIENCE BAND 1952-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,233,986	56,854	0.0461	0.9539	82.14
40.5	290,407	27,675	0.0953	0.9047	78.35
41.5	133,328	11,158	0.0837	0.9163	70.88
42.5	1-		0.0000	1.0000	64.95
43.5					64.95


NEWFOUNDLAND POWER INC.
ACCOUNT 361.13 - OVERHEAD CONDUCTORS - W/P ALUMINUM
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1970-2005 EXPERIENCE; 1950-2005 PLACEMENTS
IOWA 31-R1.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

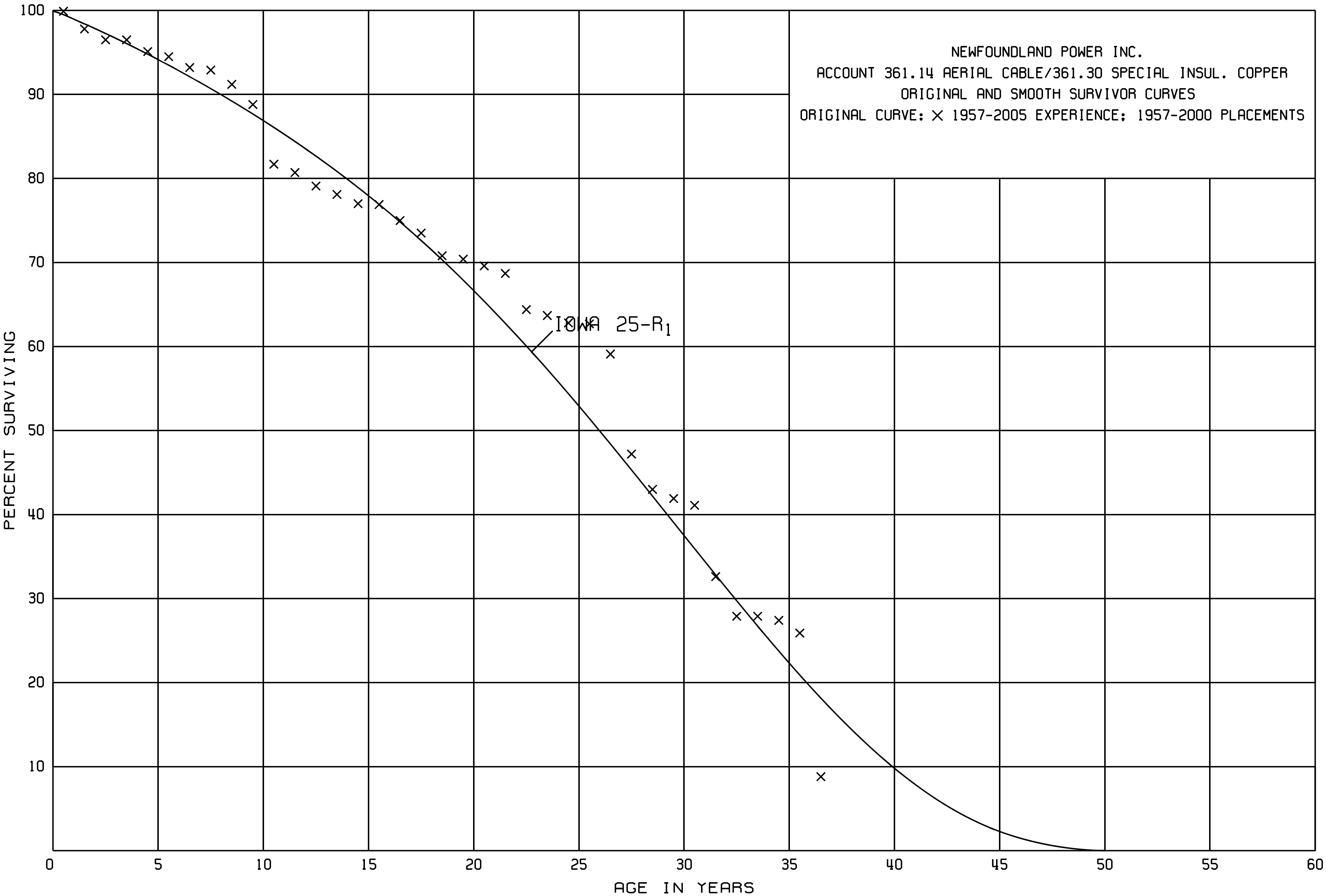
NEWFOUNDLAND POWER INC.

ACCOUNT 361.13 - OVERHEAD CONDUCTORS - W/P ALUMINUM

ORIGINAL LIFE TABLE

PLACEMENT BAND 1950-2005 EXPERIENCE BAND 1970-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	27,966,167	146,702	0.0052	0.9948	100.00
0.5	26,895,730	134,305	0.0050	0.9950	99.48
1.5	25,871,815	137,410	0.0053	0.9947	98.98
2.5	24,832,301	153,393	0.0062	0.9938	98.46
3.5	24,198,649	185,580	0.0077	0.9923	97.85
4.5	23,473,806	175,769	0.0075	0.9925	97.10
5.5	22,964,386	192,513	0.0084	0.9916	96.37
6.5	22,222,474	245,560	0.0111	0.9889	95.56
7.5	21,359,076	235,195	0.0110	0.9890	94.50
8.5	20,483,178	201,959	0.0099	0.9901	93.46
9.5	19,569,528	259,749	0.0133	0.9867	92.53
10.5	18,612,489	222,475	0.0120	0.9880	91.30
11.5	17,490,533	158,774	0.0091	0.9909	90.20
12.5	16,372,670	176,946	0.0108	0.9892	89.38
13.5	15,055,779	273,253	0.0181	0.9819	88.41
14.5	13,937,907	169,823	0.0122	0.9878	86.81
15.5	12,670,515	159,017	0.0126	0.9874	85.75
16.5	11,680,205	201,317	0.0172	0.9828	84.67
17.5	10,854,299	109,380	0.0101	0.9899	83.21
18.5	10,254,479	171,994	0.0168	0.9832	82.37
19.5	9,556,049	285,115	0.0298	0.9702	80.99
20.5	8,736,536	235,426	0.0269	0.9731	78.58
21.5	7,954,867	247,167	0.0311	0.9689	76.47
22.5	7,142,293	250,177	0.0350	0.9650	74.09
23.5	6,252,412	152,169	0.0243	0.9757	71.50
24.5	5,084,317	215,659	0.0424	0.9576	69.76
25.5	4,009,437	293,362	0.0732	0.9268	66.80
26.5	2,733,762	177,401	0.0649	0.9351	61.91
27.5	1,869,396	425,645	0.2277	0.7723	57.89
28.5	797,083	211,439	0.2653	0.7347	44.71
29.5	2		0.0000	1.0000	32.85
30.5		129			32.85
31.5		340			


NEWFOUNDLAND POWER INC.
ACCOUNT 361.14 AERIAL CABLE/361.30 SPECIAL INSUL. COPPER
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1957-2005 EXPERIENCE; 1957-2000 PLACEMENTS
IOWA 25-R1
PERCENT SURVIVING
AGE IN YEARS
0
5
10
15
20
25
30
35
40
45
50
55
60
10
20
30
40
50
60
70
80
90
100

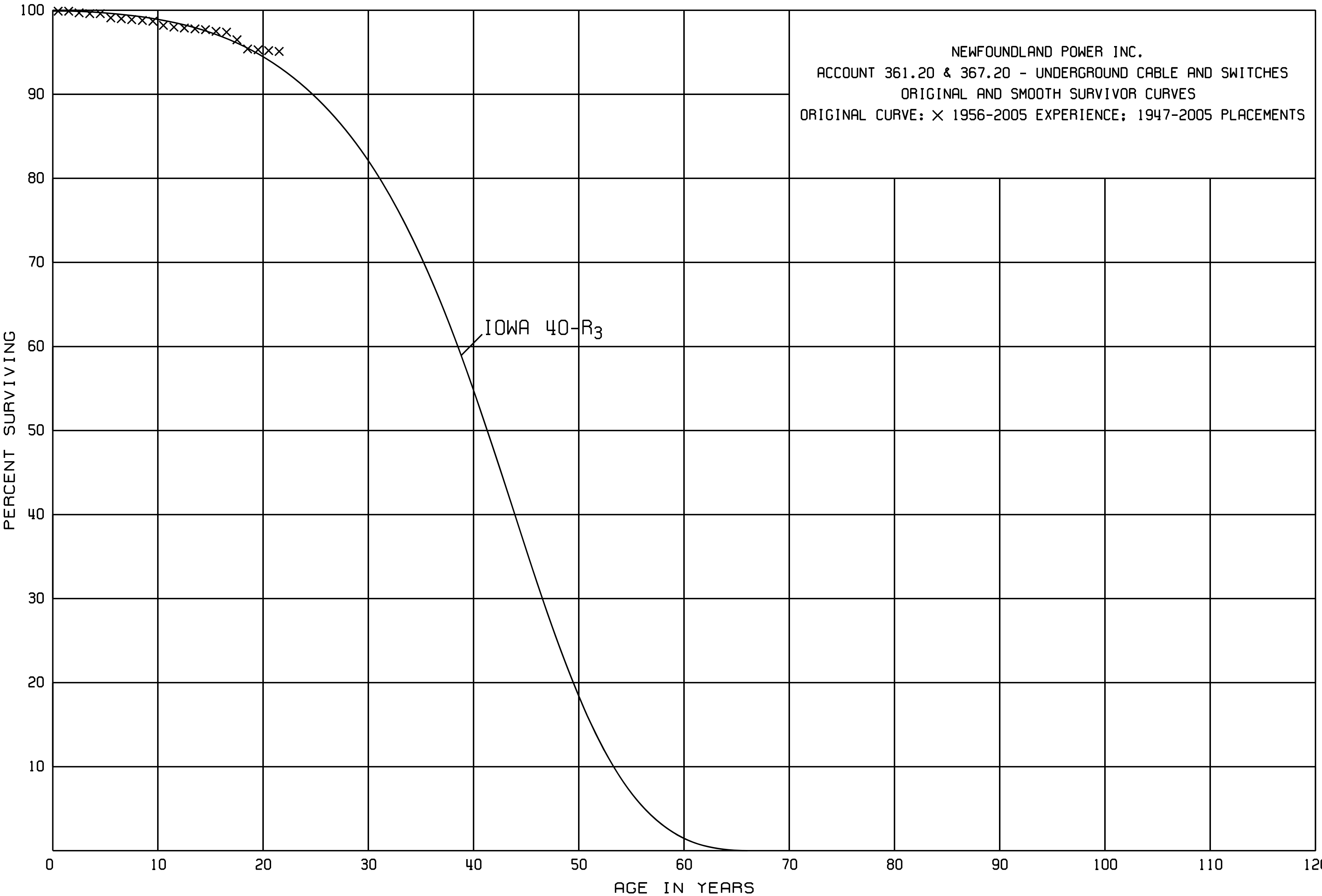
NEWFOUNDLAND POWER INC.

ACCOUNT 361.14 AERIAL CABLE/361.30 SPECIAL INSUL. COPPER

ORIGINAL LIFE TABLE

PLACEMENT BAND 1957-2000 EXPERIENCE BAND 1957-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,313,219		0.0000	1.0000	100.00
0.5	1,314,787	29,118	0.0221	0.9779	100.00
1.5	1,279,493	17,104	0.0134	0.9866	97.79
2.5	1,277,937	345	0.0003	0.9997	96.48
3.5	1,277,592	18,404	0.0144	0.9856	96.45
4.5	1,264,645	8,067	0.0064	0.9936	95.06
5.5	1,201,355	15,425	0.0128	0.9872	94.45
6.5	1,096,610	3,678	0.0034	0.9966	93.24
7.5	1,078,954	20,600	0.0191	0.9809	92.92
8.5	1,068,710	27,042	0.0253	0.9747	91.15
9.5	1,041,668	83,188	0.0799	0.9201	88.84
10.5	892,639	11,778	0.0132	0.9868	81.74
11.5	903,786	17,995	0.0199	0.9801	80.66
12.5	862,866	10,123	0.0117	0.9883	79.05
13.5	852,743	12,538	0.0147	0.9853	78.13
14.5	827,649	784	0.0009	0.9991	76.98
15.5	826,356	20,505	0.0248	0.9752	76.91
16.5	701,168	14,483	0.0207	0.9793	75.00
17.5	683,898	24,477	0.0358	0.9642	73.45
18.5	489,135	3,283	0.0067	0.9933	70.82
19.5	485,852	5,265	0.0108	0.9892	70.35
20.5	474,851	6,286	0.0132	0.9868	69.59
21.5	468,411	28,837	0.0616	0.9384	68.67
22.5	353,660	4,324	0.0122	0.9878	64.44
23.5	297,888	4,170	0.0140	0.9860	63.65
24.5	278,821	147	0.0005	0.9995	62.76
25.5	278,674	16,154	0.0580	0.9420	62.73
26.5	262,255	52,776	0.2012	0.7988	59.09
27.5	190,995	16,997	0.0890	0.9110	47.20
28.5	138,747	3,447	0.0248	0.9752	43.00
29.5	105,267	2,073	0.0197	0.9803	41.93
30.5	102,796	21,243	0.2067	0.7933	41.10
31.5	80,800	11,581	0.1433	0.8567	32.60
32.5	64,590	170	0.0026	0.9974	27.93
33.5	74,184	1,362	0.0184	0.9816	27.86
34.5	62,534	3,256	0.0521	0.9479	27.35
35.5	59,223	39,235	0.6625	0.3375	25.93
36.5	4,263		0.0000	1.0000	8.75
37.5	4,263		0.0000	1.0000	8.75
38.5					8.75


NEWFOUNDLAND POWER INC.
ACCOUNT 361.20 & 367.20 - UNDERGROUND CABLE AND SWITCHES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1956-2005 EXPERIENCE; 1947-2005 PLACEMENTS
IOWA 40-R3
PERCENT SURVIVING
AGE IN YEARS
0 10 20 30 40 50 60 70 80 90 100 110 120
10 20 30 40 50 60 70 80 90 100

NEWFOUNDLAND POWER INC.

ACCOUNT 361.20 & 367.20 - UNDERGROUND CABLE AND SWITCHES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1947-2005 EXPERIENCE BAND 1956-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	19,853,484	4,141	0.0002	0.9998	100.00
0.5	19,127,766	25,314	0.0013	0.9987	99.98
1.5	18,574,957	21,695	0.0012	0.9988	99.85
2.5	17,580,937	15,972	0.0009	0.9991	99.73
3.5	16,951,156	8,761	0.0005	0.9995	99.64
4.5	16,260,261	80,304	0.0049	0.9951	99.59
5.5	15,725,564	13,666	0.0009	0.9991	99.10
6.5	15,314,927	14,128	0.0009	0.9991	99.01
7.5	14,975,546	25,787	0.0017	0.9983	98.92
8.5	14,657,946	8,693	0.0006	0.9994	98.75
9.5	14,341,636	73,688	0.0051	0.9949	98.69
10.5	13,718,135	22,567	0.0016	0.9984	98.19
11.5	13,285,506	21,438	0.0016	0.9984	98.03
12.5	12,654,885	10,026	0.0008	0.9992	97.87
13.5	11,684,441	7,424	0.0006	0.9994	97.79
14.5	10,471,167	22,114	0.0021	0.9979	97.73
15.5	9,696,773	11,640	0.0012	0.9988	97.52
16.5	8,536,569	75,458	0.0088	0.9912	97.40
17.5	7,631,324	93,487	0.0123	0.9877	96.54
18.5	6,870,513	2,504	0.0004	0.9996	95.35
19.5	5,516,878	6,324	0.0011	0.9989	95.31
20.5	5,550,214	3,682	0.0007	0.9993	95.21
21.5	5,043,738	2,551	0.0005	0.9995	95.14
22.5	4,453,406	18,833	0.0042	0.9958	95.09
23.5	4,123,817	1,876	0.0005	0.9995	94.69
24.5	3,630,985	692	0.0002	0.9998	94.64
25.5	2,973,550		0.0000	1.0000	94.62
26.5	2,935,008	48	0.0000	1.0000	94.62
27.5	2,437,934	3,424	0.0014	0.9986	94.62
28.5	2,127,648	27,562	0.0130	0.9870	94.49
29.5	1,902,689	47,942	0.0252	0.9748	93.26
30.5	1,578,270		0.0000	1.0000	90.91
31.5	1,313,753	2,408	0.0018	0.9982	90.91
32.5	1,306,309	1,940	0.0015	0.9985	90.75
33.5	1,126,677	36,203	0.0321	0.9679	90.61
34.5	983,811	9,261	0.0094	0.9906	87.70
35.5	856,805	1,198	0.0014	0.9986	86.88
36.5	725,739	777	0.0011	0.9989	86.76
37.5	592,718	92,490	0.1560	0.8440	86.66
38.5	251,393		0.0000	1.0000	73.14

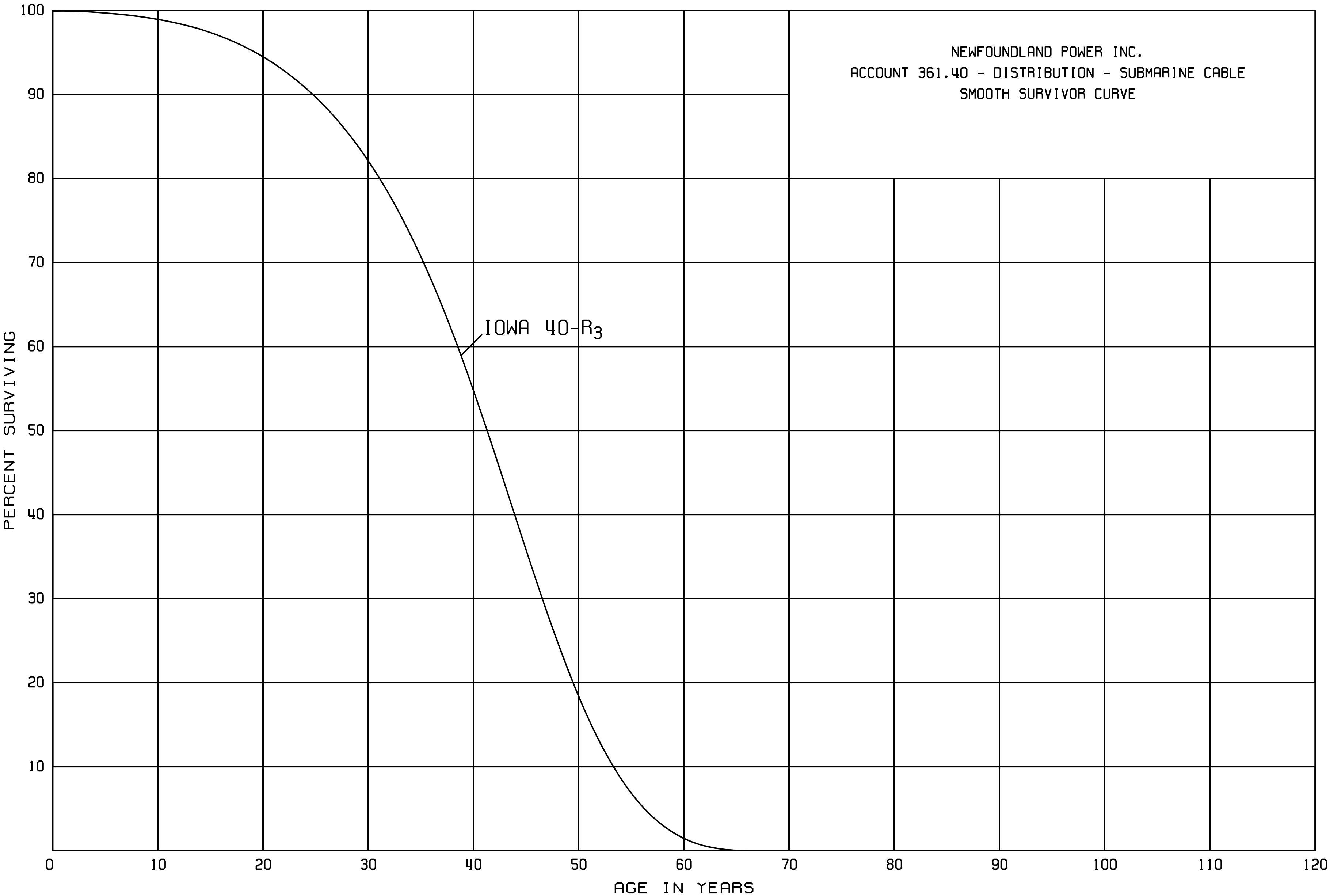
NEWFOUNDLAND POWER INC.

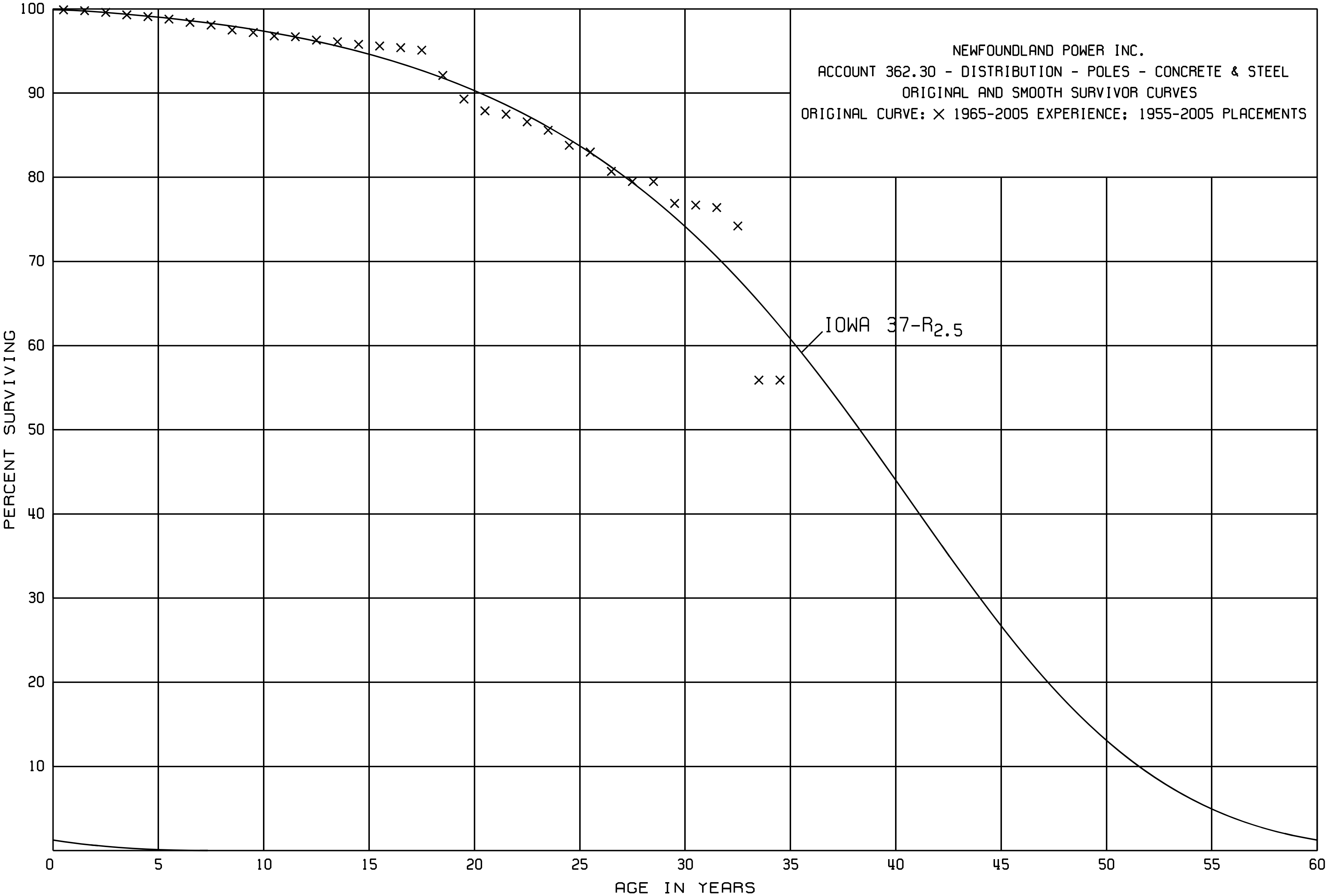
ACCOUNT 361.20 & 367.20 - UNDERGROUND CABLE AND SWITCHES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1947-2005 EXPERIENCE BAND 1956-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	100,736		0.0000	1.0000	73.14
40.5	100,736	1,097	0.0109	0.9891	73.14
41.5	99,639		0.0000	1.0000	72.34
42.5	10,818		0.0000	1.0000	72.34
43.5	10,818		0.0000	1.0000	72.34
44.5	10,818		0.0000	1.0000	72.34
45.5	825		0.0000	1.0000	72.34
46.5	825		0.0000	1.0000	72.34
47.5	825		0.0000	1.0000	72.34
48.5	825		0.0000	1.0000	72.34
49.5					72.34


NEWFOUNDLAND POWER INC.
ACCOUNT 361.40 - DISTRIBUTION - SUBMARINE CABLE
SMOOTH SURVIVOR CURVE
IOWA 40-R3
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120


NEWFOUNDLAND POWER INC.
ACCOUNT 362.30 - DISTRIBUTION - POLES - CONCRETE & STEEL
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1965-2005 EXPERIENCE; 1955-2005 PLACEMENTS
IOWA 37-R2.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

NEWFOUNDLAND POWER INC.

ACCOUNT 362.30 - DISTRIBUTION - POLES - CONCRETE & STEEL

ORIGINAL LIFE TABLE

PLACEMENT BAND 1955-2005 EXPERIENCE BAND 1965-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	6,400,719	1,484	0.0002	0.9998	100.00
0.5	6,145,340	9,439	0.0015	0.9985	99.98
1.5	5,896,339	13,718	0.0023	0.9977	99.83
2.5	5,740,043	17,162	0.0030	0.9970	99.60
3.5	5,590,579	10,914	0.0020	0.9980	99.30
4.5	5,507,096	17,004	0.0031	0.9969	99.10
5.5	5,321,807	19,794	0.0037	0.9963	98.79
6.5	5,218,152	16,665	0.0032	0.9968	98.42
7.5	5,085,343	33,038	0.0065	0.9935	98.11
8.5	4,899,995	13,409	0.0027	0.9973	97.47
9.5	4,678,137	18,198	0.0039	0.9961	97.21
10.5	4,473,709	8,480	0.0019	0.9981	96.83
11.5	4,220,031	13,339	0.0032	0.9968	96.65
12.5	3,885,285	10,556	0.0027	0.9973	96.34
13.5	3,577,414	10,322	0.0029	0.9971	96.08
14.5	3,352,578	8,748	0.0026	0.9974	95.80
15.5	3,118,893	5,646	0.0018	0.9982	95.55
16.5	2,780,977	9,164	0.0033	0.9967	95.38
17.5	2,517,562	78,531	0.0312	0.9688	95.07
18.5	2,228,944	67,510	0.0303	0.9697	92.10
19.5	1,842,206	29,587	0.0161	0.9839	89.31
20.5	1,666,915	7,291	0.0044	0.9956	87.87
21.5	1,438,898	13,951	0.0097	0.9903	87.48
22.5	1,405,725	16,111	0.0115	0.9885	86.63
23.5	1,274,875	26,634	0.0209	0.9791	85.63
24.5	963,123	9,467	0.0098	0.9902	83.84
25.5	870,303	23,946	0.0275	0.9725	83.02
26.5	773,586	11,986	0.0155	0.9845	80.74
27.5	682,615	186	0.0003	0.9997	79.49
28.5	601,584	19,648	0.0327	0.9673	79.47
29.5	485,663	896	0.0018	0.9982	76.87
30.5	342,653	1,673	0.0049	0.9951	76.73
31.5	281,094	8,003	0.0285	0.9715	76.35
32.5	199,392	49,255	0.2470	0.7530	74.17
33.5	92,273		0.0000	1.0000	55.85
34.5	43,782	2,141	0.0489	0.9511	55.85
35.5	17,691	2,804	0.1585	0.8415	53.12
36.5	14,887		0.0000	1.0000	44.70
37.5	14,887		0.0000	1.0000	44.70
38.5	14,635		0.0000	1.0000	44.70

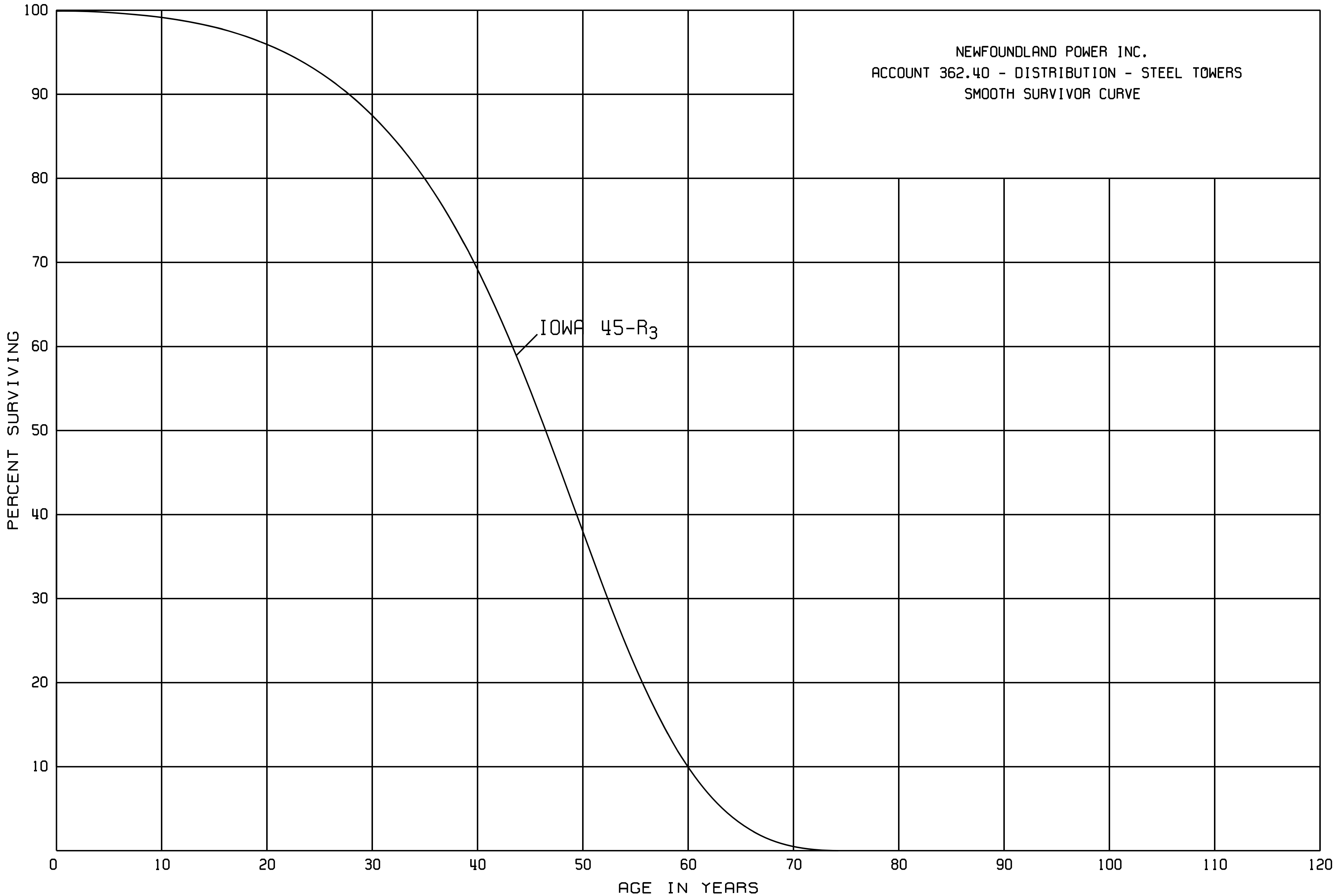
NEWFOUNDLAND POWER INC.

ACCOUNT 362.30 - DISTRIBUTION - POLES - CONCRETE & STEEL

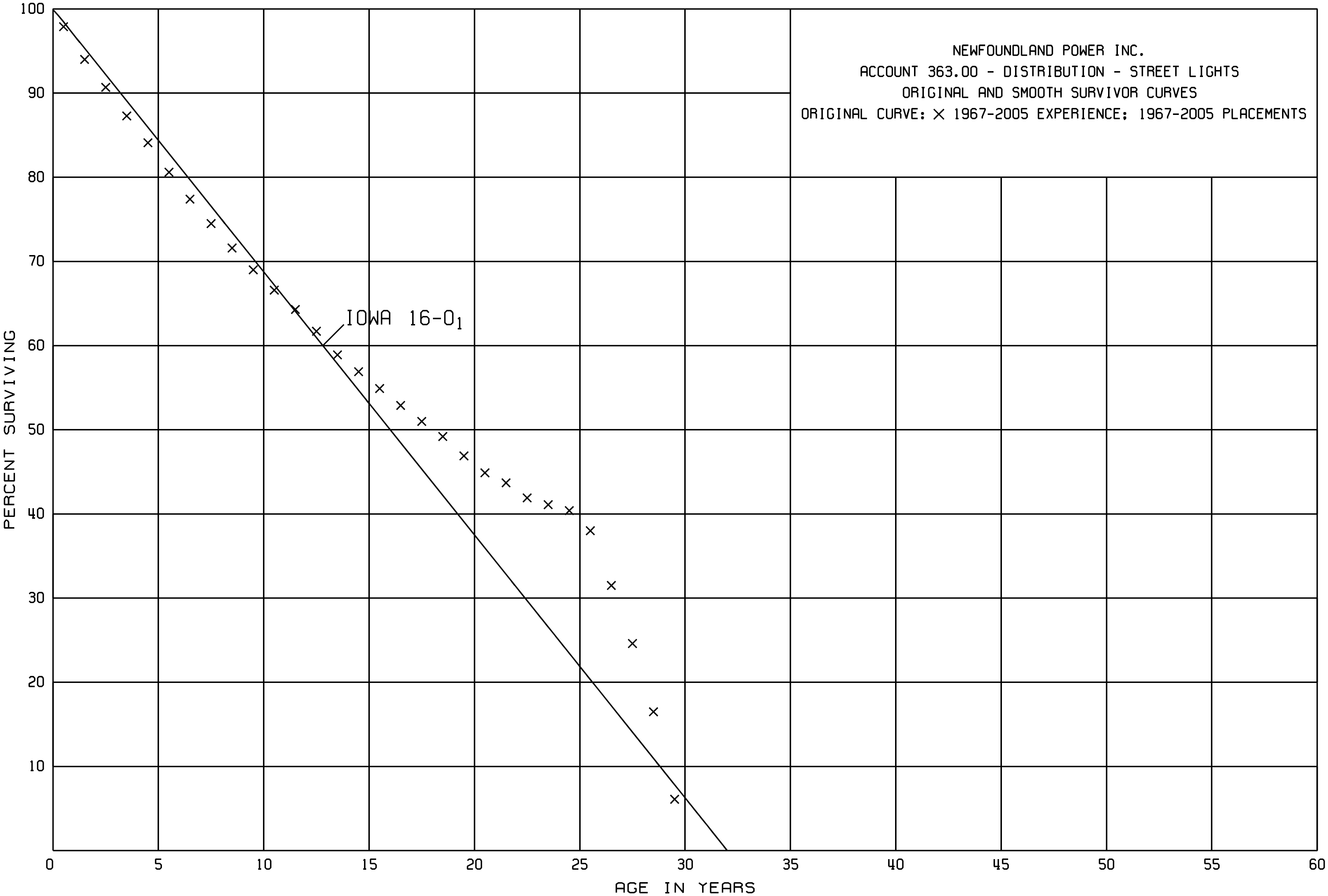
ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1955-2005 EXPERIENCE BAND 1965-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5					44.70



NEWFOUNDLAND POWER INC.
ACCOUNT 362.40 - DISTRIBUTION - STEEL TOWERS
SMOOTH SURVIVOR CURVE
IOWA 45-R3
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120


NEWFOUNDLAND POWER INC.
ACCOUNT 363.00 - DISTRIBUTION - STREET LIGHTS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1967-2005 EXPERIENCE; 1967-2005 PLACEMENTS
IOWA 16-O1
PERCENT SURVIVING
AGE IN YEARS
0
5
10
15
20
25
30
35
40
45
50
55
60
10
20
30
40
50
60
70
80
90
100

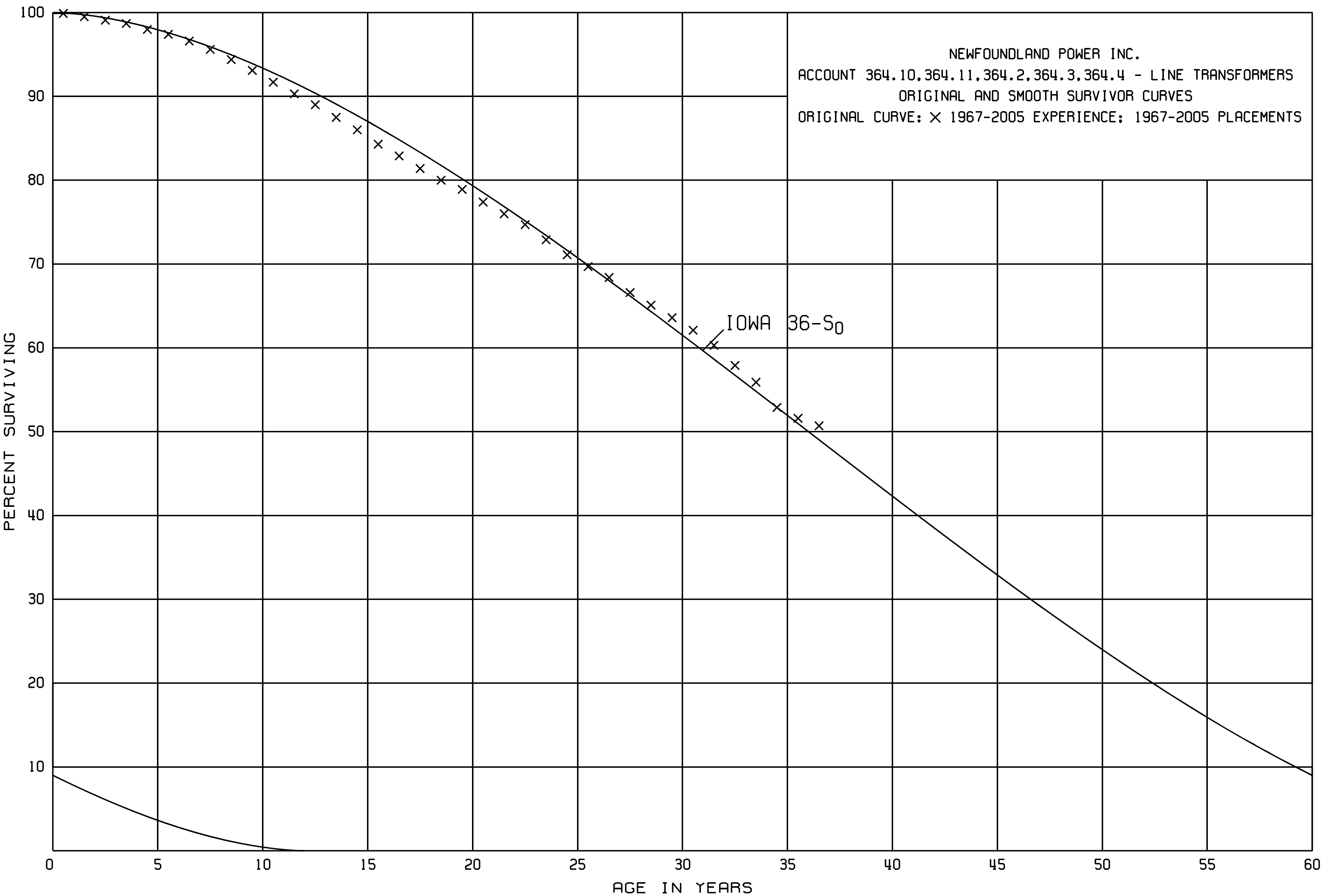
NEWFOUNDLAND POWER INC.

ACCOUNT 363.00 - DISTRIBUTION - STREET LIGHTS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1967-2005 EXPERIENCE BAND 1967-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	33,823,366	714,401	0.0211	0.9789	100.00
0.5	32,176,469	1,269,182	0.0394	0.9606	97.89
1.5	30,240,492	1,066,821	0.0353	0.9647	94.03
2.5	28,490,018	1,056,557	0.0371	0.9629	90.71
3.5	26,897,211	1,000,328	0.0372	0.9628	87.34
4.5	25,387,726	1,054,173	0.0415	0.9585	84.09
5.5	24,037,760	944,492	0.0393	0.9607	80.60
6.5	23,368,841	872,029	0.0373	0.9627	77.43
7.5	22,159,288	887,652	0.0401	0.9599	74.54
8.5	20,504,230	730,966	0.0356	0.9644	71.55
9.5	18,421,301	630,008	0.0342	0.9658	69.00
10.5	17,238,030	599,037	0.0348	0.9652	66.64
11.5	15,853,779	638,362	0.0403	0.9597	64.32
12.5	14,355,608	651,860	0.0454	0.9546	61.73
13.5	12,811,690	450,205	0.0351	0.9649	58.93
14.5	11,337,262	391,822	0.0346	0.9654	56.86
15.5	10,223,682	367,438	0.0359	0.9641	54.89
16.5	9,077,082	330,583	0.0364	0.9636	52.92
17.5	8,171,312	292,245	0.0358	0.9642	50.99
18.5	6,970,456	324,324	0.0465	0.9535	49.16
19.5	5,563,523	230,167	0.0414	0.9586	46.87
20.5	4,564,288	130,524	0.0286	0.9714	44.93
21.5	3,707,898	147,417	0.0398	0.9602	43.65
22.5	3,336,065	65,672	0.0197	0.9803	41.91
23.5	2,940,130	47,752	0.0162	0.9838	41.08
24.5	2,473,001	145,724	0.0589	0.9411	40.41
25.5	2,021,804	347,899	0.1721	0.8279	38.03
26.5	1,340,294	292,009	0.2179	0.7821	31.49
27.5	698,848	230,112	0.3293	0.6707	24.63
28.5	477,154	300,199	0.6291	0.3709	16.52
29.5	175,428	168,794	0.9622	0.0378	6.13
30.5	8,010	3,946	0.4926	0.5074	0.23
31.5	2,144	1,235	0.5760	0.4240	0.12
32.5	908	930	1.0242	0.0242-	0.05
33.5	4,875-		0.0000		
34.5	1,257-	22,288	7.7311-		
35.5	23,218-		0.0000		
36.5	22,288-		0.0000		
37.5					


NEWFOUNDLAND POWER INC.
ACCOUNT 364.10,364.11,364.2,364.3,364.4 - LINE TRANSFORMERS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1967-2005 EXPERIENCE; 1967-2005 PLACEMENTS
IOWA 36-S0
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

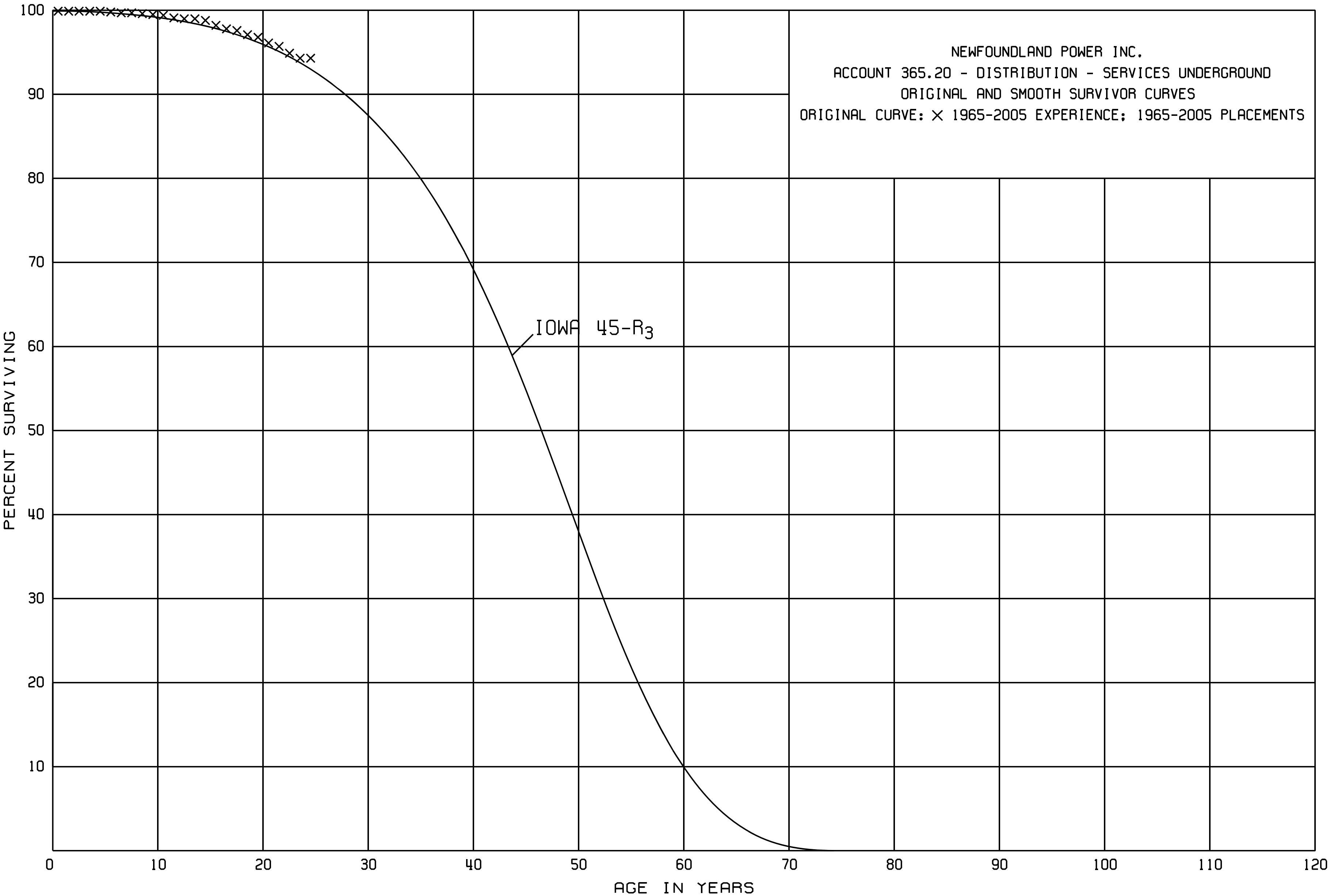
NEWFOUNDLAND POWER INC.

ACCOUNT 364.10,364.11,364.2,364.3,364.4 - LINE TRANSFORMERS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1967-2005 EXPERIENCE BAND 1967-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	99,003,890	128,582	0.0013	0.9987	100.00
0.5	93,352,003	366,425	0.0039	0.9961	99.87
1.5	87,454,297	328,899	0.0038	0.9962	99.48
2.5	81,348,191	337,961	0.0042	0.9958	99.10
3.5	75,534,180	490,492	0.0065	0.9935	98.68
4.5	69,589,226	458,407	0.0066	0.9934	98.04
5.5	63,956,826	540,883	0.0085	0.9915	97.39
6.5	59,941,645	582,557	0.0097	0.9903	96.56
7.5	55,103,360	719,086	0.0130	0.9870	95.62
8.5	52,245,466	717,528	0.0137	0.9863	94.38
9.5	49,823,628	723,406	0.0145	0.9855	93.09
10.5	47,340,164	737,770	0.0156	0.9844	91.74
11.5	45,123,829	666,726	0.0148	0.9852	90.31
12.5	42,933,276	710,205	0.0165	0.9835	88.97
13.5	40,683,369	710,543	0.0175	0.9825	87.50
14.5	37,075,977	712,777	0.0192	0.9808	85.97
15.5	32,286,802	560,973	0.0174	0.9826	84.32
16.5	28,670,390	495,726	0.0173	0.9827	82.85
17.5	25,994,717	467,206	0.0180	0.9820	81.42
18.5	23,312,346	306,982	0.0132	0.9868	79.95
19.5	20,897,749	403,954	0.0193	0.9807	78.89
20.5	19,424,066	339,816	0.0175	0.9825	77.37
21.5	17,782,523	320,280	0.0180	0.9820	76.02
22.5	16,674,576	397,807	0.0239	0.9761	74.65
23.5	14,829,089	356,661	0.0241	0.9759	72.87
24.5	13,550,801	266,355	0.0197	0.9803	71.11
25.5	12,068,787	235,251	0.0195	0.9805	69.71
26.5	11,421,646	291,131	0.0255	0.9745	68.35
27.5	10,287,004	234,990	0.0228	0.9772	66.61
28.5	9,102,080	215,677	0.0237	0.9763	65.09
29.5	6,784,700	157,759	0.0233	0.9767	63.55
30.5	4,072,481	119,207	0.0293	0.9707	62.07
31.5	2,926,066	113,135	0.0387	0.9613	60.25
32.5	2,023,361	69,178	0.0342	0.9658	57.92
33.5	1,505,257	81,915	0.0544	0.9456	55.94
34.5	1,143,894	28,670	0.0251	0.9749	52.90
35.5	1,013,941	17,975	0.0177	0.9823	51.57
36.5	671,952	10,331	0.0154	0.9846	50.66
37.5	333,244	3,187	0.0096	0.9904	49.88
38.5					49.40


NEWFOUNDLAND POWER INC.
ACCOUNT 365.20 - DISTRIBUTION - SERVICES UNDERGROUND
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1965-2005 EXPERIENCE; 1965-2005 PLACEMENTS
IOWA 45-R3
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 365.20 - DISTRIBUTION - SERVICES UNDERGROUND

ORIGINAL LIFE TABLE

PLACEMENT BAND 1965-2005 EXPERIENCE BAND 1965-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	5,276,140	3,167	0.0006	0.9994	100.00
0.5	5,092,343		0.0000	1.0000	99.94
1.5	4,840,774		0.0000	1.0000	99.94
2.5	4,553,789	1,312	0.0003	0.9997	99.94
3.5	4,402,120		0.0000	1.0000	99.91
4.5	4,329,461	3,107	0.0007	0.9993	99.91
5.5	4,151,289	7,543	0.0018	0.9982	99.84
6.5	4,151,788		0.0000	1.0000	99.66
7.5	4,149,582	1,137	0.0003	0.9997	99.66
8.5	3,878,833	4,565	0.0012	0.9988	99.63
9.5	3,498,167	4,815	0.0014	0.9986	99.51
10.5	3,291,845	8,160	0.0025	0.9975	99.37
11.5	3,041,997	2,838	0.0009	0.9991	99.12
12.5	2,822,527	284	0.0001	0.9999	99.03
13.5	2,675,193	7,128	0.0027	0.9973	99.02
14.5	2,512,939	13,989	0.0056	0.9944	98.75
15.5	2,221,627	10,243	0.0046	0.9954	98.20
16.5	1,949,910	3,490	0.0018	0.9982	97.75
17.5	1,726,216	8,266	0.0048	0.9952	97.57
18.5	1,593,880	4,360	0.0027	0.9973	97.10
19.5	1,545,966	12,656	0.0082	0.9918	96.84
20.5	1,398,808	4,975	0.0036	0.9964	96.05
21.5	1,269,341	11,324	0.0089	0.9911	95.70
22.5	1,188,834	6,459	0.0054	0.9946	94.85
23.5	1,003,232		0.0000	1.0000	94.34
24.5	920,052		0.0000	1.0000	94.34
25.5	785,604		0.0000	1.0000	94.34
26.5	732,433	458	0.0006	0.9994	94.34
27.5	697,399	229	0.0003	0.9997	94.28
28.5	587,510	915	0.0016	0.9984	94.25
29.5	467,455	229	0.0005	0.9995	94.10
30.5	182,559		0.0000	1.0000	94.05
31.5	107,556		0.0000	1.0000	94.05
32.5	107,555	49	0.0005	0.9995	94.05
33.5	107,506		0.0000	1.0000	94.00
34.5	107,506		0.0000	1.0000	94.00
35.5	93,561		0.0000	1.0000	94.00
36.5	80,001		0.0000	1.0000	94.00
37.5	60,374		0.0000	1.0000	94.00
38.5	15,968		0.0000	1.0000	94.00

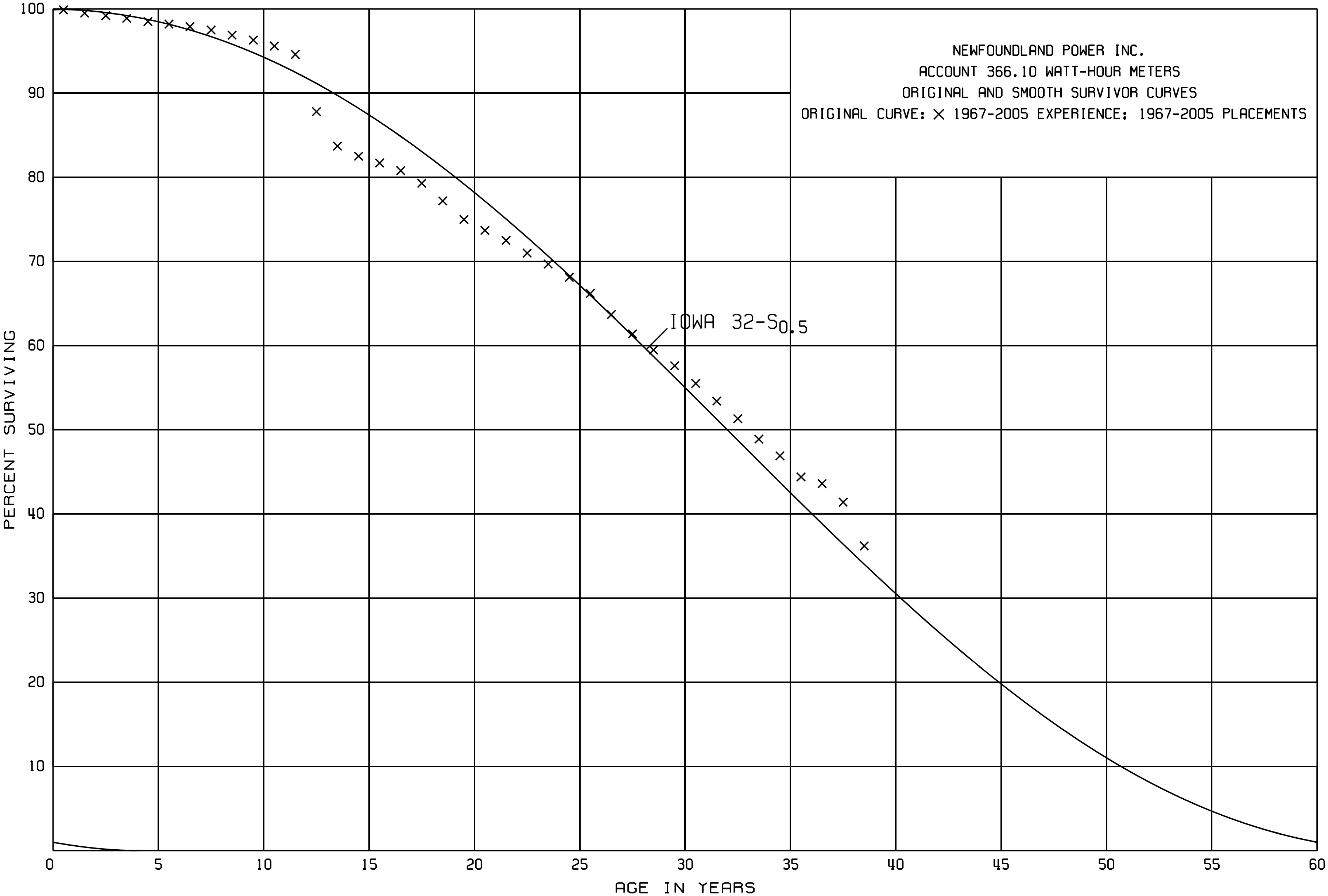
NEWFOUNDLAND POWER INC.

ACCOUNT 365.20 - DISTRIBUTION - SERVICES UNDERGROUND

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1965-2005 EXPERIENCE BAND 1965-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	5,690		0.0000	1.0000	94.00
40.5					94.00


NEWFOUNDLAND POWER INC.
ACCOUNT 366.10 WATT-HOUR METERS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1967-2005 EXPERIENCE; 1967-2005 PLACEMENTS
IOWA 32-S0.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

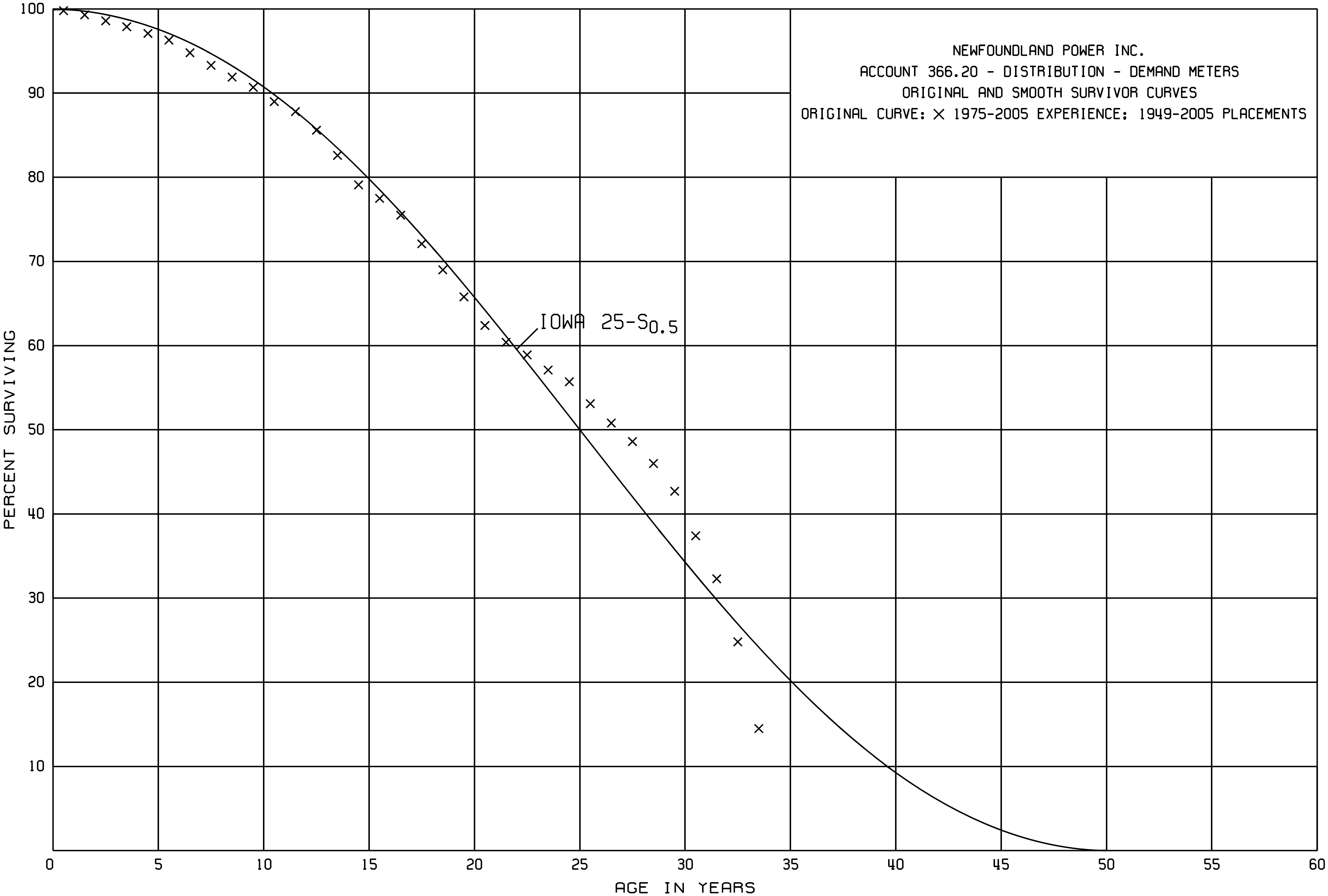
NEWFOUNDLAND POWER INC.

ACCOUNT 366.10 WATT-HOUR METERS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1967-2005 EXPERIENCE BAND 1967-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	16,665,328	18,230	0.0011	0.9989	100.00
0.5	15,608,632	62,832	0.0040	0.9960	99.89
1.5	14,563,019	48,251	0.0033	0.9967	99.49
2.5	14,078,742	42,363	0.0030	0.9970	99.16
3.5	13,601,577	43,620	0.0032	0.9968	98.86
4.5	13,292,720	42,231	0.0032	0.9968	98.54
5.5	12,841,883	46,983	0.0037	0.9963	98.22
6.5	12,335,657	46,937	0.0038	0.9962	97.86
7.5	12,005,530	66,724	0.0056	0.9944	97.49
8.5	11,710,737	74,566	0.0064	0.9936	96.94
9.5	11,365,863	87,367	0.0077	0.9923	96.32
10.5	10,932,089	112,714	0.0103	0.9897	95.58
11.5	10,345,895	748,158	0.0723	0.9277	94.60
12.5	9,278,371	431,873	0.0465	0.9535	87.76
13.5	8,544,690	119,159	0.0139	0.9861	83.68
14.5	7,921,945	78,742	0.0099	0.9901	82.52
15.5	7,301,019	76,549	0.0105	0.9895	81.70
16.5	6,754,797	131,411	0.0195	0.9805	80.84
17.5	6,102,143	161,485	0.0265	0.9735	79.26
18.5	5,851,354	166,958	0.0285	0.9715	77.16
19.5	5,335,518	93,431	0.0175	0.9825	74.96
20.5	4,784,074	77,765	0.0163	0.9837	73.65
21.5	4,314,879	86,711	0.0201	0.9799	72.45
22.5	3,799,647	71,459	0.0188	0.9812	70.99
23.5	3,456,011	75,656	0.0219	0.9781	69.66
24.5	3,024,374	87,755	0.0290	0.9710	68.13
25.5	2,700,919	100,280	0.0371	0.9629	66.15
26.5	2,423,304	89,430	0.0369	0.9631	63.70
27.5	2,171,083	65,584	0.0302	0.9698	61.35
28.5	1,814,711	58,816	0.0324	0.9676	59.50
29.5	1,502,485	53,087	0.0353	0.9647	57.57
30.5	1,239,057	48,158	0.0389	0.9611	55.54
31.5	927,740	36,771	0.0396	0.9604	53.38
32.5	734,072	33,783	0.0460	0.9540	51.27
33.5	566,254	23,100	0.0408	0.9592	48.91
34.5	457,356	24,056	0.0526	0.9474	46.91
35.5	387,747	7,701	0.0199	0.9801	44.44
36.5	247,259	12,522	0.0506	0.9494	43.56
37.5	177,759	22,016	0.1239	0.8761	41.36
38.5					36.24



NEWFOUNDLAND POWER INC.
ACCOUNT 366.20 - DISTRIBUTION - DEMAND METERS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1975-2005 EXPERIENCE; 1949-2005 PLACEMENTS
IOWA 25-S0.5
PERCENT SURVIVING
AGE IN YEARS

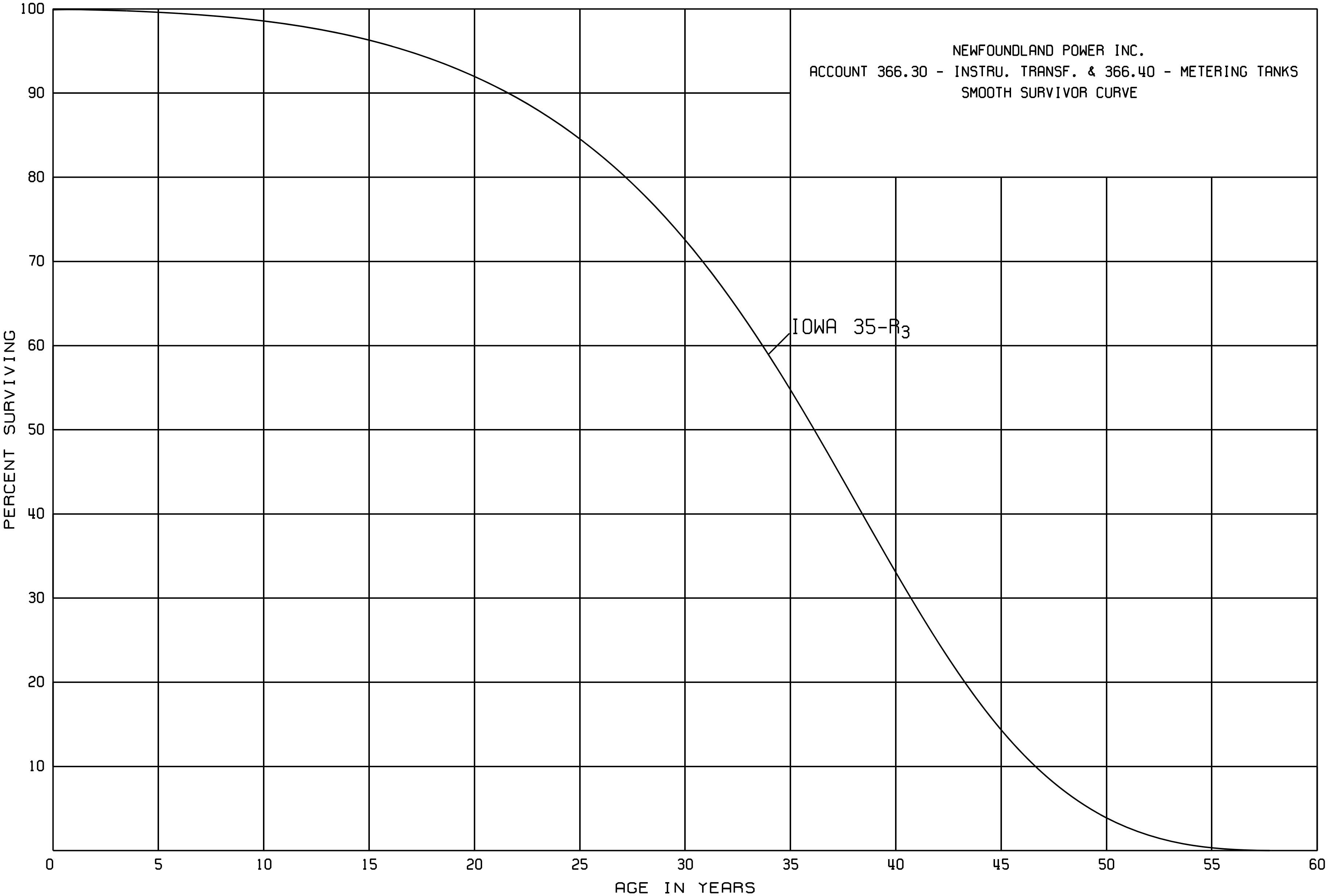
NEWFOUNDLAND POWER INC.

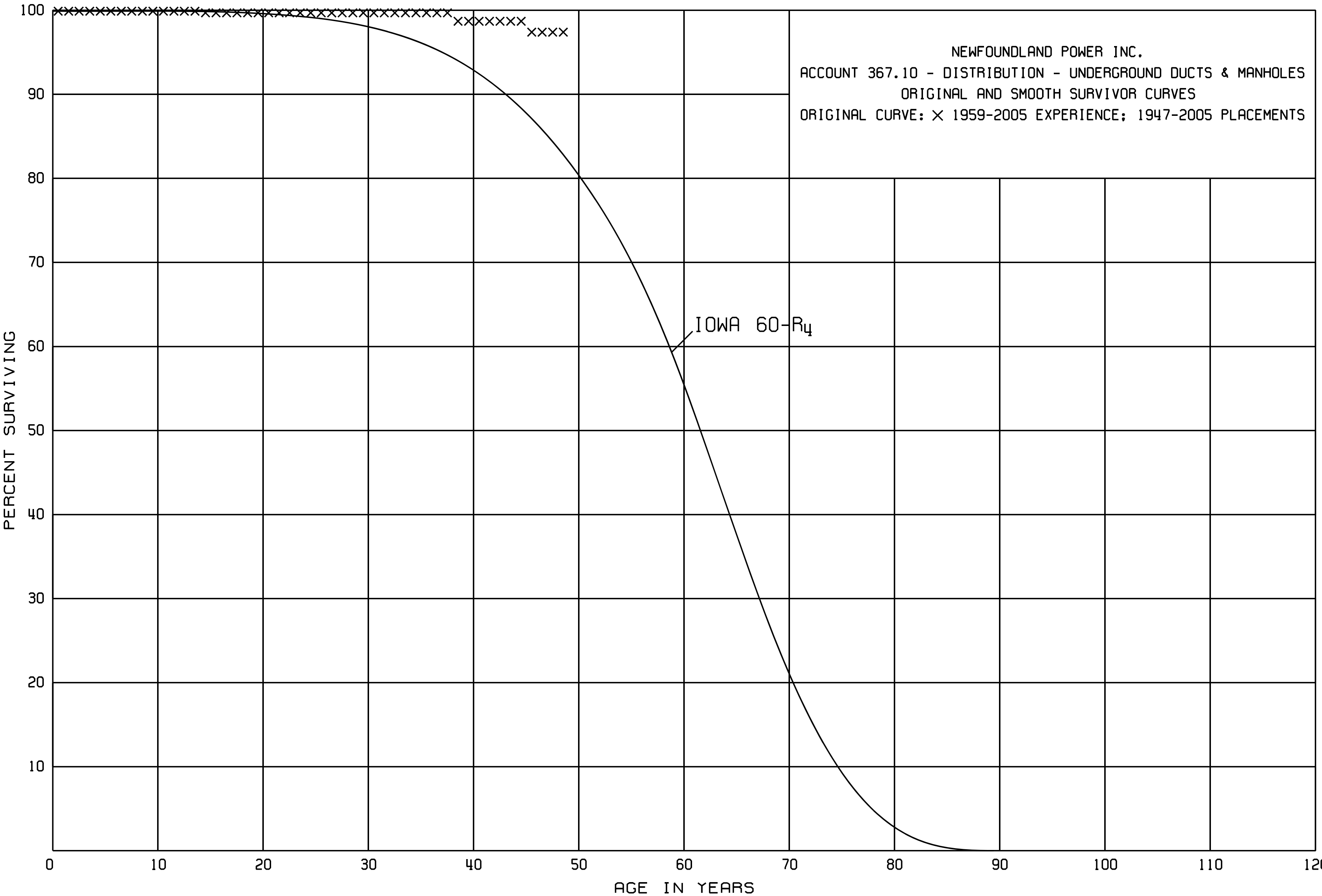
ACCOUNT 366.20 - DISTRIBUTION - DEMAND METERS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1949-2005 EXPERIENCE BAND 1975-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	6,009,094	10,067	0.0017	0.9983	100.00
0.5	5,857,141	32,837	0.0056	0.9944	99.83
1.5	5,612,263	35,701	0.0064	0.9936	99.27
2.5	5,169,669	41,015	0.0079	0.9921	98.63
3.5	5,029,299	36,949	0.0073	0.9927	97.85
4.5	4,831,683	43,138	0.0089	0.9911	97.14
5.5	4,679,229	72,475	0.0155	0.9845	96.28
6.5	4,565,738	73,295	0.0161	0.9839	94.79
7.5	4,460,847	65,178	0.0146	0.9854	93.26
8.5	4,392,484	58,737	0.0134	0.9866	91.90
9.5	4,321,098	80,794	0.0187	0.9813	90.67
10.5	4,168,535	53,309	0.0128	0.9872	88.97
11.5	4,077,968	104,502	0.0256	0.9744	87.83
12.5	3,893,802	133,600	0.0343	0.9657	85.58
13.5	3,712,499	157,277	0.0424	0.9576	82.64
14.5	3,513,194	74,211	0.0211	0.9789	79.14
15.5	3,366,501	85,844	0.0255	0.9745	77.47
16.5	3,212,981	144,569	0.0450	0.9550	75.49
17.5	2,933,919	124,605	0.0425	0.9575	72.09
18.5	2,458,979	115,240	0.0469	0.9531	69.03
19.5	2,116,525	110,577	0.0522	0.9478	65.79
20.5	1,922,312	60,944	0.0317	0.9683	62.36
21.5	1,798,657	45,011	0.0250	0.9750	60.38
22.5	1,586,543	47,275	0.0298	0.9702	58.87
23.5	1,447,333	36,499	0.0252	0.9748	57.12
24.5	1,158,241	54,571	0.0471	0.9529	55.68
25.5	924,575	39,471	0.0427	0.9573	53.06
26.5	766,485	32,777	0.0428	0.9572	50.79
27.5	612,688	33,166	0.0541	0.9459	48.62
28.5	466,525	33,003	0.0707	0.9293	45.99
29.5	281,351	35,409	0.1259	0.8741	42.74
30.5	188,482	25,577	0.1357	0.8643	37.36
31.5	102,514	23,711	0.2313	0.7687	32.29
32.5	55,701	23,189	0.4163	0.5837	24.82
33.5	16,836	9,560	0.5678	0.4322	14.49
34.5					6.26
35.5					


NEWFOUNDLAND POWER INC.
ACCOUNT 366.30 - INSTRU. TRANSF. & 366.40 - METERING TANKS
SMOOTH SURVIVOR CURVE
IOWA 35-R3
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60


NEWFOUNDLAND POWER INC.
ACCOUNT 367.10 - DISTRIBUTION - UNDERGROUND DUCTS & MANHOLES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1959-2005 EXPERIENCE; 1947-2005 PLACEMENTS
IOWA 60-R4
PERCENT SURVIVING
AGE IN YEARS
0
10
20
30
40
50
60
70
80
90
100
110
120

NEWFOUNDLAND POWER INC.

ACCOUNT 367.10 - DISTRIBUTION - UNDERGROUND DUCTS & MANHOLES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1947-2005 EXPERIENCE BAND 1959-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	4,731,869		0.0000	1.0000	100.00
0.5	4,718,725		0.0000	1.0000	100.00
1.5	4,636,182	1,547	0.0003	0.9997	100.00
2.5	4,330,243		0.0000	1.0000	99.97
3.5	4,136,427		0.0000	1.0000	99.97
4.5	4,089,260		0.0000	1.0000	99.97
5.5	4,005,946		0.0000	1.0000	99.97
6.5	4,111,799		0.0000	1.0000	99.97
7.5	4,111,799		0.0000	1.0000	99.97
8.5	4,111,799		0.0000	1.0000	99.97
9.5	4,087,165	2,079	0.0005	0.9995	99.97
10.5	4,085,086		0.0000	1.0000	99.92
11.5	4,067,515		0.0000	1.0000	99.92
12.5	4,032,620		0.0000	1.0000	99.92
13.5	3,771,619	9,712	0.0026	0.9974	99.92
14.5	3,160,873	219	0.0001	0.9999	99.66
15.5	3,117,363		0.0000	1.0000	99.65
16.5	3,085,794		0.0000	1.0000	99.65
17.5	3,085,794		0.0000	1.0000	99.65
18.5	3,031,334		0.0000	1.0000	99.65
19.5	2,599,070		0.0000	1.0000	99.65
20.5	2,634,219		0.0000	1.0000	99.65
21.5	2,622,232		0.0000	1.0000	99.65
22.5	2,582,137		0.0000	1.0000	99.65
23.5	2,497,025		0.0000	1.0000	99.65
24.5	2,259,241		0.0000	1.0000	99.65
25.5	1,538,535		0.0000	1.0000	99.65
26.5	1,451,041		0.0000	1.0000	99.65
27.5	1,407,896		0.0000	1.0000	99.65
28.5	982,496		0.0000	1.0000	99.65
29.5	942,576		0.0000	1.0000	99.65
30.5	833,472		0.0000	1.0000	99.65
31.5	574,287		0.0000	1.0000	99.65
32.5	573,438		0.0000	1.0000	99.65
33.5	569,109		0.0000	1.0000	99.65
34.5	561,158		0.0000	1.0000	99.65
35.5	557,566		0.0000	1.0000	99.65
36.5	557,566		0.0000	1.0000	99.65
37.5	557,566	5,340	0.0096	0.9904	99.65
38.5	467,414		0.0000	1.0000	98.69

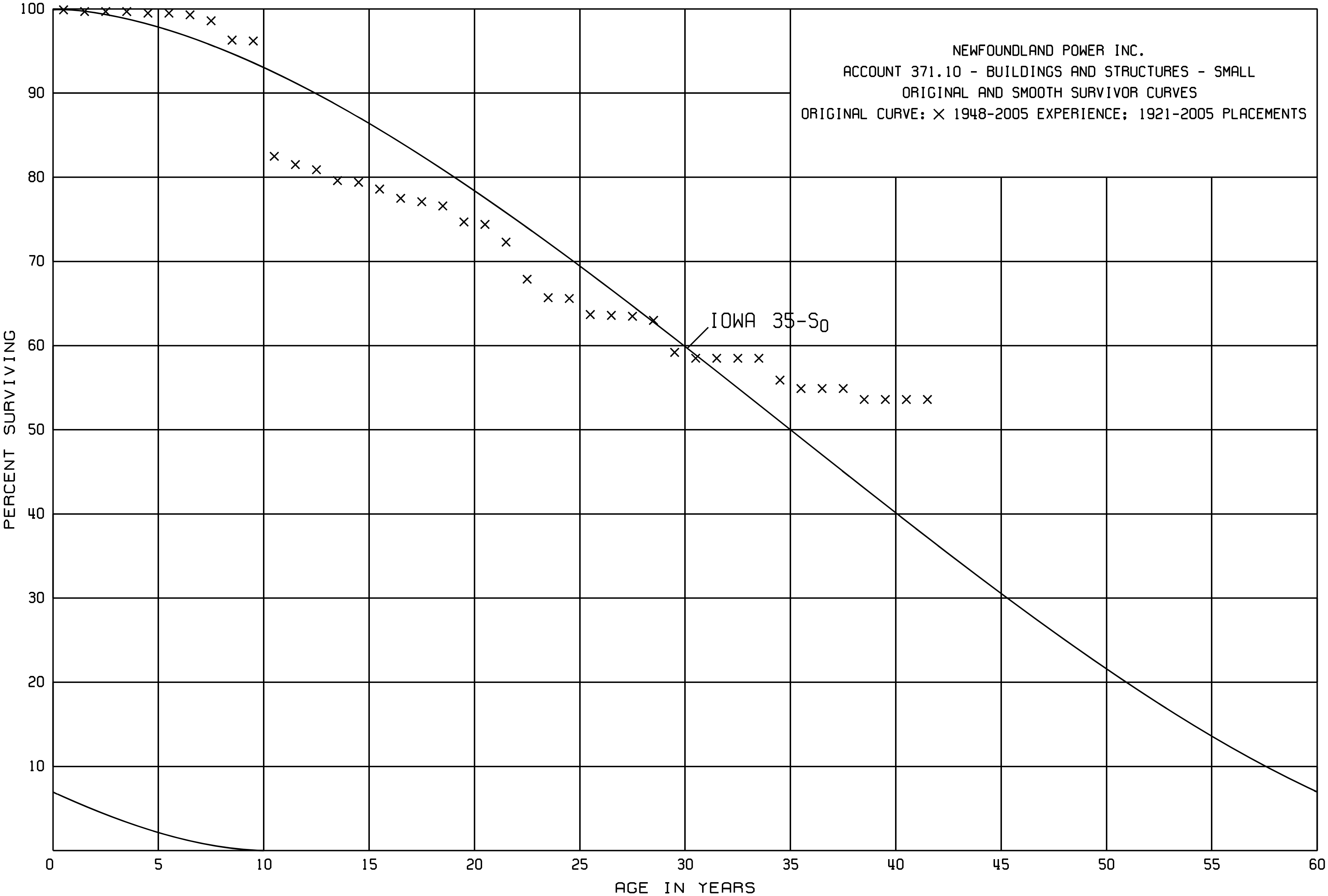
NEWFOUNDLAND POWER INC.

ACCOUNT 367.10 - DISTRIBUTION - UNDERGROUND DUCTS & MANHOLES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1947-2005 EXPERIENCE BAND 1959-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	206,796		0.0000	1.0000	98.69
40.5	176,477		0.0000	1.0000	98.69
41.5	176,477		0.0000	1.0000	98.69
42.5	176,477		0.0000	1.0000	98.69
43.5	176,477		0.0000	1.0000	98.69
44.5	176,477	2,304	0.0131	0.9869	98.69
45.5	174,173		0.0000	1.0000	97.40
46.5	168,015		0.0000	1.0000	97.40
47.5	168,015		0.0000	1.0000	97.40
48.5	168,015	538	0.0032	0.9968	97.40
49.5	99,263		0.0000	1.0000	97.09
50.5	99,263		0.0000	1.0000	97.09
51.5	99,263		0.0000	1.0000	97.09
52.5	99,263		0.0000	1.0000	97.09
53.5	99,263		0.0000	1.0000	97.09
54.5	99,263		0.0000	1.0000	97.09
55.5	99,263		0.0000	1.0000	97.09
56.5	99,263		0.0000	1.0000	97.09
57.5	99,263		0.0000	1.0000	97.09
58.5					97.09



NEWFOUNDLAND POWER INC.
ACCOUNT 371.10 - BUILDINGS AND STRUCTURES - SMALL
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1921-2005 PLACEMENTS
IOWA 35-S0
PERCENT SURVIVING
AGE IN YEARS

NEWFOUNDLAND POWER INC.

ACCOUNT 371.10 - BUILDINGS AND STRUCTURES - SMALL

ORIGINAL LIFE TABLE

PLACEMENT BAND 1921-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	2,112,418	200	0.0001	0.9999	100.00
0.5	2,110,959	6,000	0.0028	0.9972	99.99
1.5	1,989,248		0.0000	1.0000	99.71
2.5	1,814,571	1,100	0.0006	0.9994	99.71
3.5	1,832,754	2,470	0.0013	0.9987	99.65
4.5	1,815,833	873	0.0005	0.9995	99.52
5.5	1,761,848	2,617	0.0015	0.9985	99.47
6.5	1,759,328	13,211	0.0075	0.9925	99.32
7.5	1,917,458	43,530	0.0227	0.9773	98.58
8.5	1,832,932	2,218	0.0012	0.9988	96.34
9.5	2,163,442	308,532	0.1426	0.8574	96.22
10.5	1,870,298	22,743	0.0122	0.9878	82.50
11.5	1,848,519	14,082	0.0076	0.9924	81.49
12.5	1,838,860	29,534	0.0161	0.9839	80.87
13.5	1,809,326	4,884	0.0027	0.9973	79.57
14.5	1,761,889	17,460	0.0099	0.9901	79.36
15.5	1,718,096	23,659	0.0138	0.9862	78.57
16.5	1,687,664	9,047	0.0054	0.9946	77.49
17.5	1,583,904	8,980	0.0057	0.9943	77.07
18.5	1,528,363	37,559	0.0246	0.9754	76.63
19.5	1,450,124	6,319	0.0044	0.9956	74.74
20.5	1,307,608	37,918	0.0290	0.9710	74.41
21.5	1,201,420	73,131	0.0609	0.9391	72.25
22.5	973,348	31,505	0.0324	0.9676	67.85
23.5	892,957	173	0.0002	0.9998	65.65
24.5	876,245	25,930	0.0296	0.9704	65.64
25.5	846,053	961	0.0011	0.9989	63.70
26.5	842,345	2,483	0.0029	0.9971	63.63
27.5	775,960	4,981	0.0064	0.9936	63.45
28.5	520,241	31,999	0.0615	0.9385	63.04
29.5	451,480	5,100	0.0113	0.9887	59.16
30.5	434,082		0.0000	1.0000	58.49
31.5	329,256		0.0000	1.0000	58.49
32.5	298,502		0.0000	1.0000	58.49
33.5	262,304	11,631	0.0443	0.9557	58.49
34.5	219,418	3,867	0.0176	0.9824	55.90
35.5	165,719		0.0000	1.0000	54.92
36.5	142,631		0.0000	1.0000	54.92
37.5	120,903	2,821	0.0233	0.9767	54.92
38.5	174,167		0.0000	1.0000	53.64

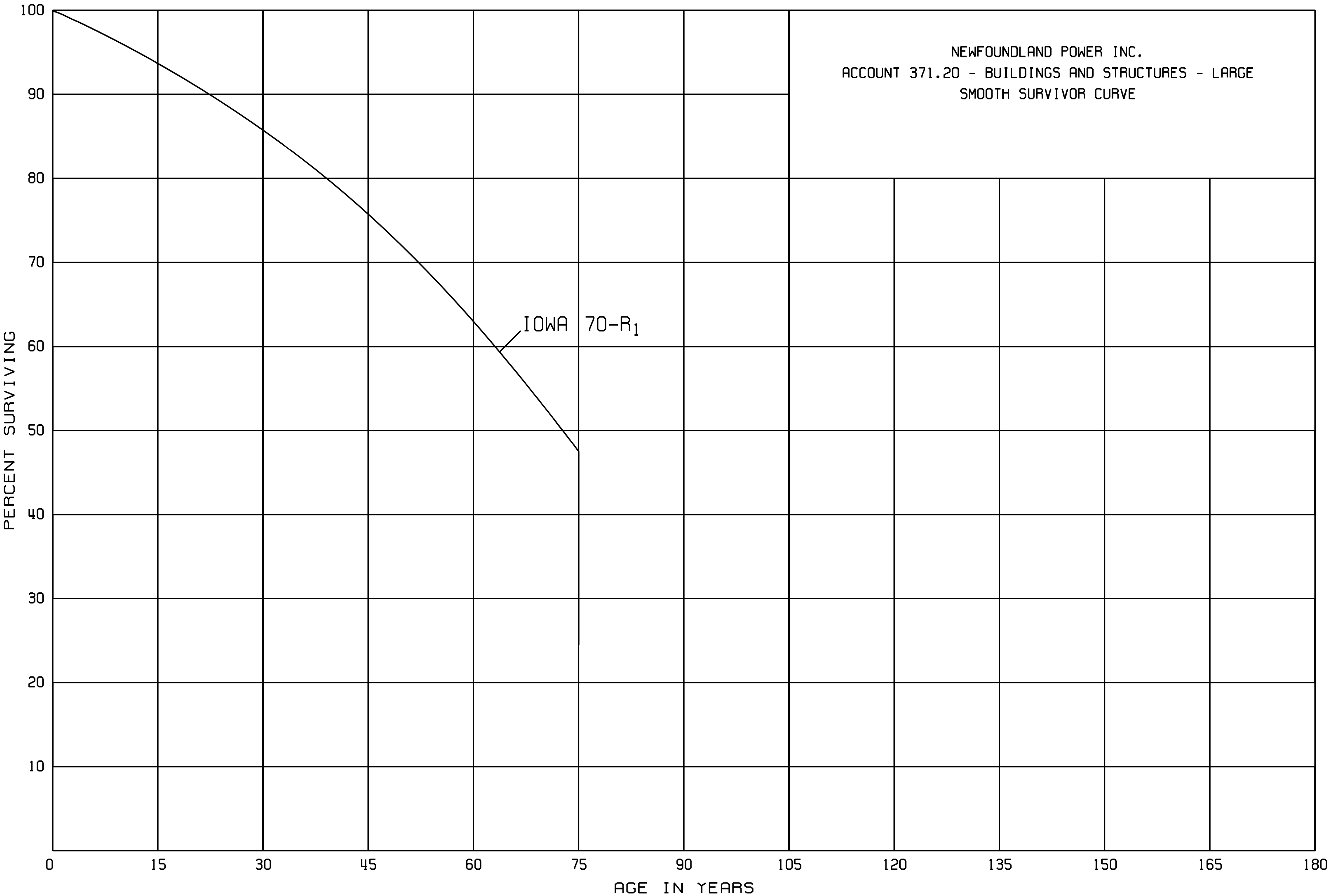
NEWFOUNDLAND POWER INC.

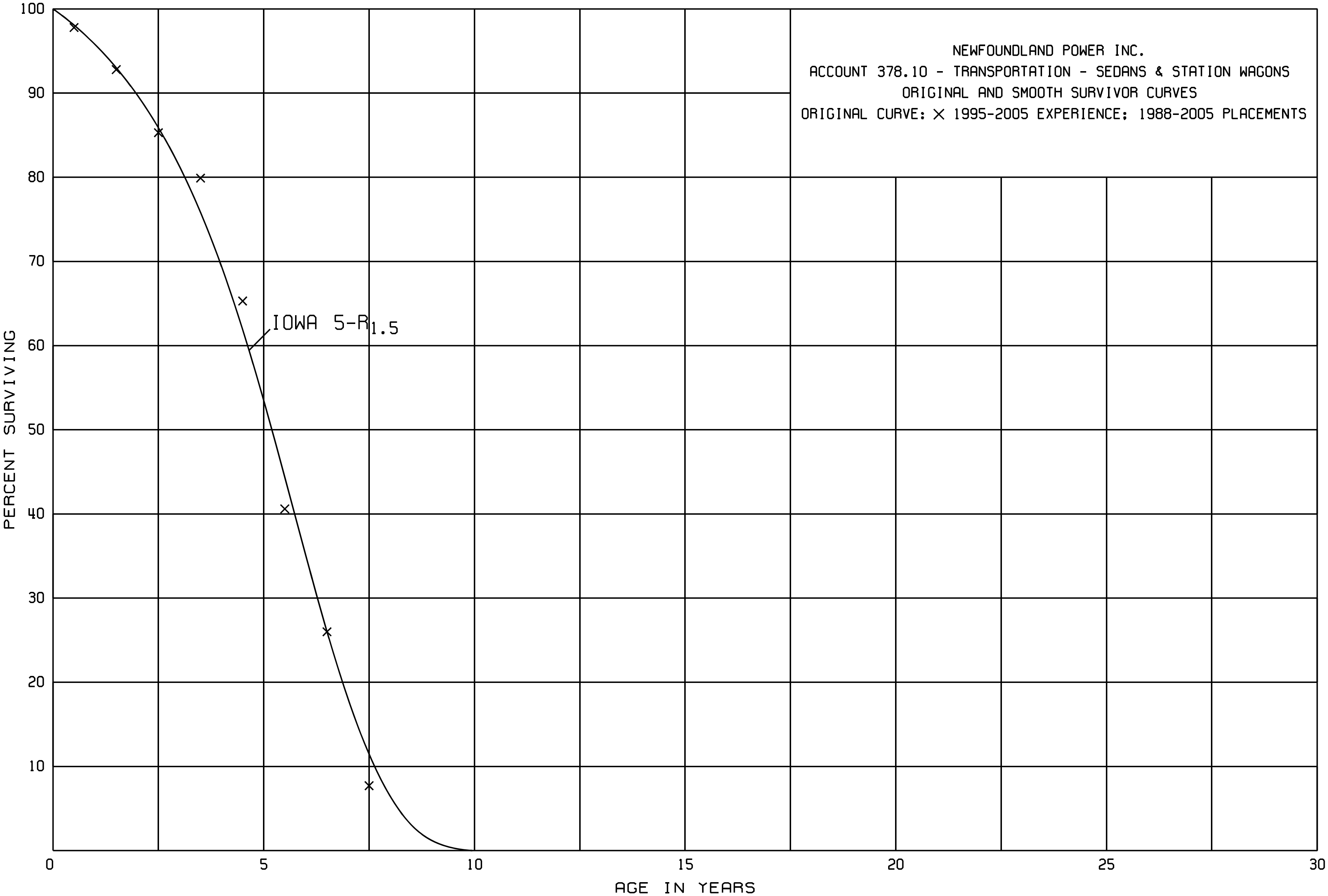
ACCOUNT 371.10 - BUILDINGS AND STRUCTURES - SMALL

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1921-2005 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	203,693		0.0000	1.0000	53.64
40.5	201,888		0.0000	1.0000	53.64
41.5	179,520	6,654	0.0371	0.9629	53.64
42.5	78,739	1,750	0.0222	0.9778	51.65
43.5	75,660		0.0000	1.0000	50.50
44.5	66,709	12,815	0.1921	0.8079	50.50
45.5	53,894		0.0000	1.0000	40.80
46.5	17,629		0.0000	1.0000	40.80
47.5	15,300		0.0000	1.0000	40.80
48.5	15,300		0.0000	1.0000	40.80
49.5	15,300		0.0000	1.0000	40.80
50.5	15,300		0.0000	1.0000	40.80
51.5	15,300		0.0000	1.0000	40.80
52.5	15,300		0.0000	1.0000	40.80
53.5	15,300		0.0000	1.0000	40.80
54.5	15,300		0.0000	1.0000	40.80
55.5	15,300		0.0000	1.0000	40.80
56.5	15,300	15,300	1.0000	0.0000	40.80
57.5					0.00


NEWFOUNDLAND POWER INC.
ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE
SMOOTH SURVIVOR CURVE
IOWA 70-R1
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
15
30
45
60
75
90
105
120
135
150
165
180


NEWFOUNDLAND POWER INC.
ACCOUNT 378.10 - TRANSPORTATION - SEDANS & STATION WAGONS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1995-2005 EXPERIENCE; 1988-2005 PLACEMENTS
IOWA 5-R1.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30

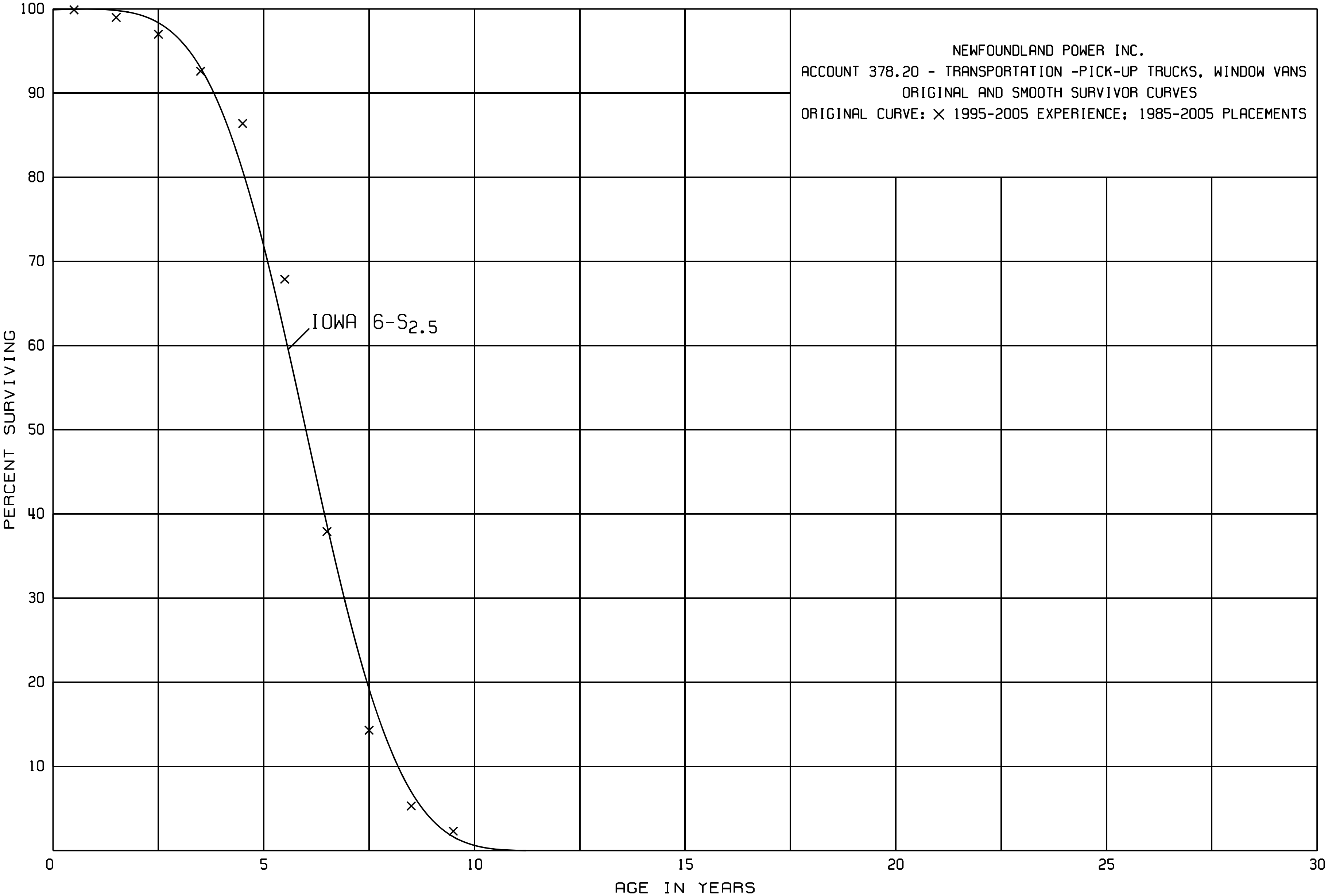
NEWFOUNDLAND POWER INC.

ACCOUNT 378.10 - TRANSPORTATION - SEDANS & STATION WAGONS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1988-2005 EXPERIENCE BAND 1995-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	1,623,199	35,297	0.0217	0.9783	100.00
0.5	1,302,223	66,654	0.0512	0.9488	97.83
1.5	1,145,081	92,472	0.0808	0.9192	92.82
2.5	942,282	59,543	0.0632	0.9368	85.32
3.5	947,057	173,019	0.1827	0.8173	79.93
4.5	821,742	311,153	0.3787	0.6213	65.33
5.5	584,311	209,647	0.3588	0.6412	40.59
6.5	456,681	322,488	0.7062	0.2938	26.03
7.5	134,193	63,826	0.4756	0.5244	7.65
8.5	70,367	53,271	0.7570	0.2430	4.01
9.5	17,096		0.0000	1.0000	0.97
10.5					0.97


NEWFOUNDLAND POWER INC.
ACCOUNT 378.20 - TRANSPORTATION -PICK-UP TRUCKS, WINDOW VANS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1995-2005 EXPERIENCE; 1985-2005 PLACEMENTS
IOWA 6-S2.5
PERCENT SURVIVING
AGE IN YEARS
0
5
10
15
20
25
30
10
20
30
40
50
60
70
80
90
100

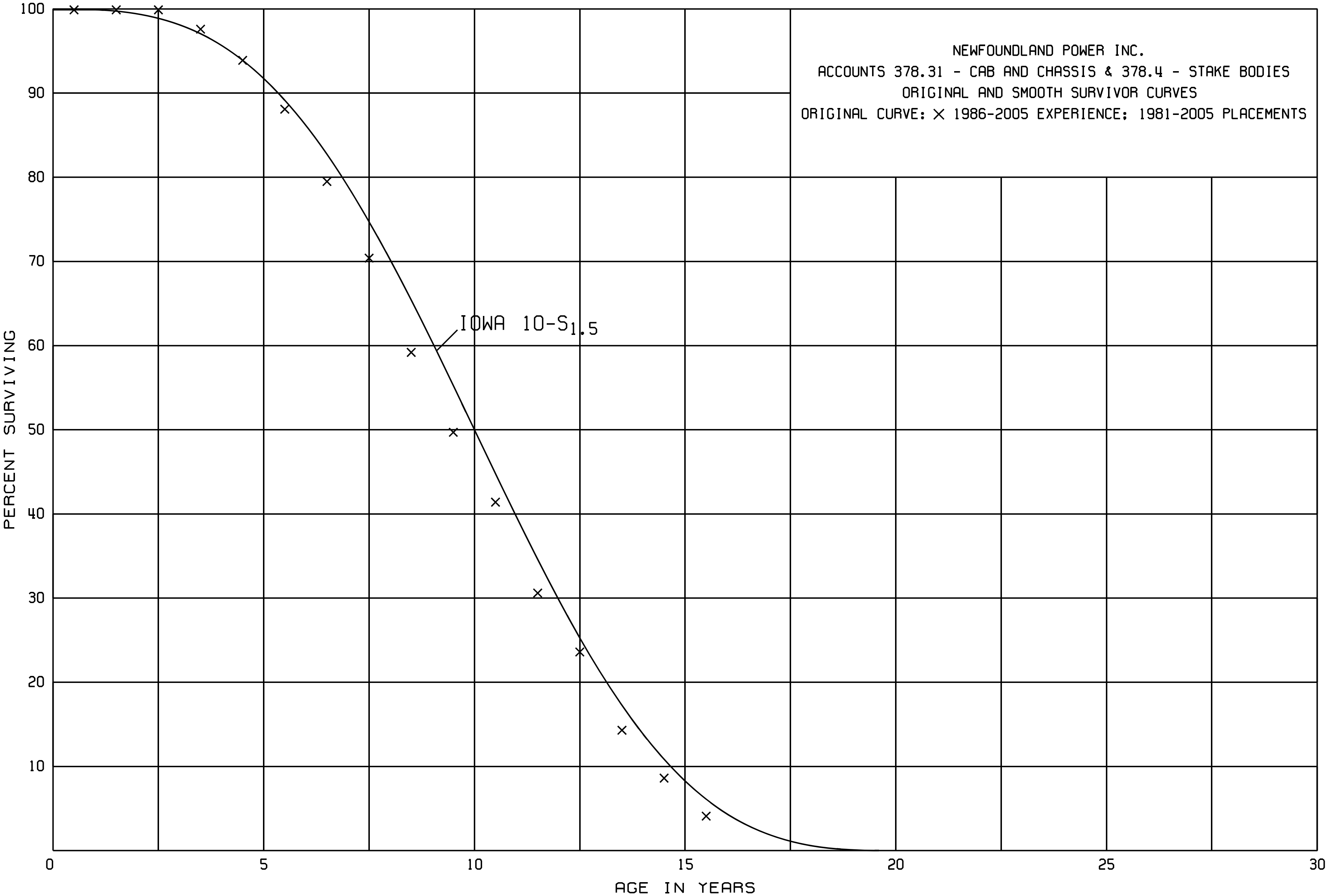
NEWFOUNDLAND POWER INC.

ACCOUNT 378.20 - TRANSPORTATION -PICK-UP TRUCKS, WINDOW VANS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1985-2005 EXPERIENCE BAND 1995-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	8,429,876		0.0000	1.0000	100.00
0.5	8,520,750	83,535	0.0098	0.9902	100.00
1.5	8,305,911	165,751	0.0200	0.9800	99.02
2.5	8,010,698	363,601	0.0454	0.9546	97.04
3.5	7,294,522	487,087	0.0668	0.9332	92.63
4.5	6,913,346	1,485,988	0.2149	0.7851	86.44
5.5	5,382,818	2,376,617	0.4415	0.5585	67.86
6.5	2,999,813	1,871,948	0.6240	0.3760	37.90
7.5	912,158	570,187	0.6251	0.3749	14.25
8.5	343,239	197,417	0.5752	0.4248	5.34
9.5	55,192	19,547	0.3542	0.6458	2.27
10.5	35,645	16,613	0.4661	0.5339	1.47
11.5	19,032	19,032	1.0000	0.0000	0.78
12.5					0.00
13.5					
14.5					
15.5					
16.5					
17.5		22,098			
18.5	22,098-		0.0000		
19.5	22,098-		0.0000		
20.5					



NEWFOUNDLAND POWER INC.
ACCOUNTS 378.31 - CAB AND CHASSIS & 378.4 - STAKE BODIES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1986-2005 EXPERIENCE; 1981-2005 PLACEMENTS
IOWA 10-S1.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30

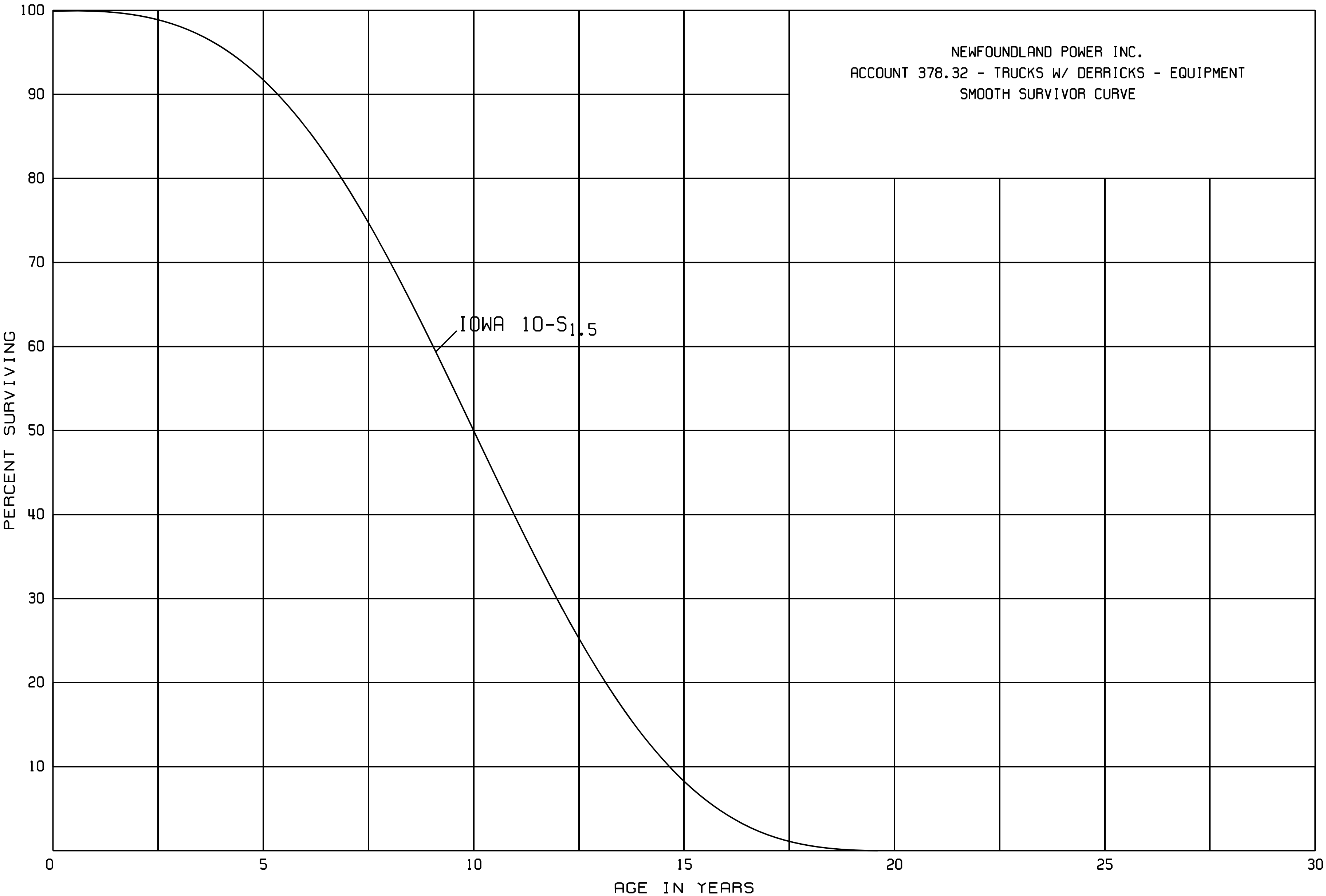
NEWFOUNDLAND POWER INC.

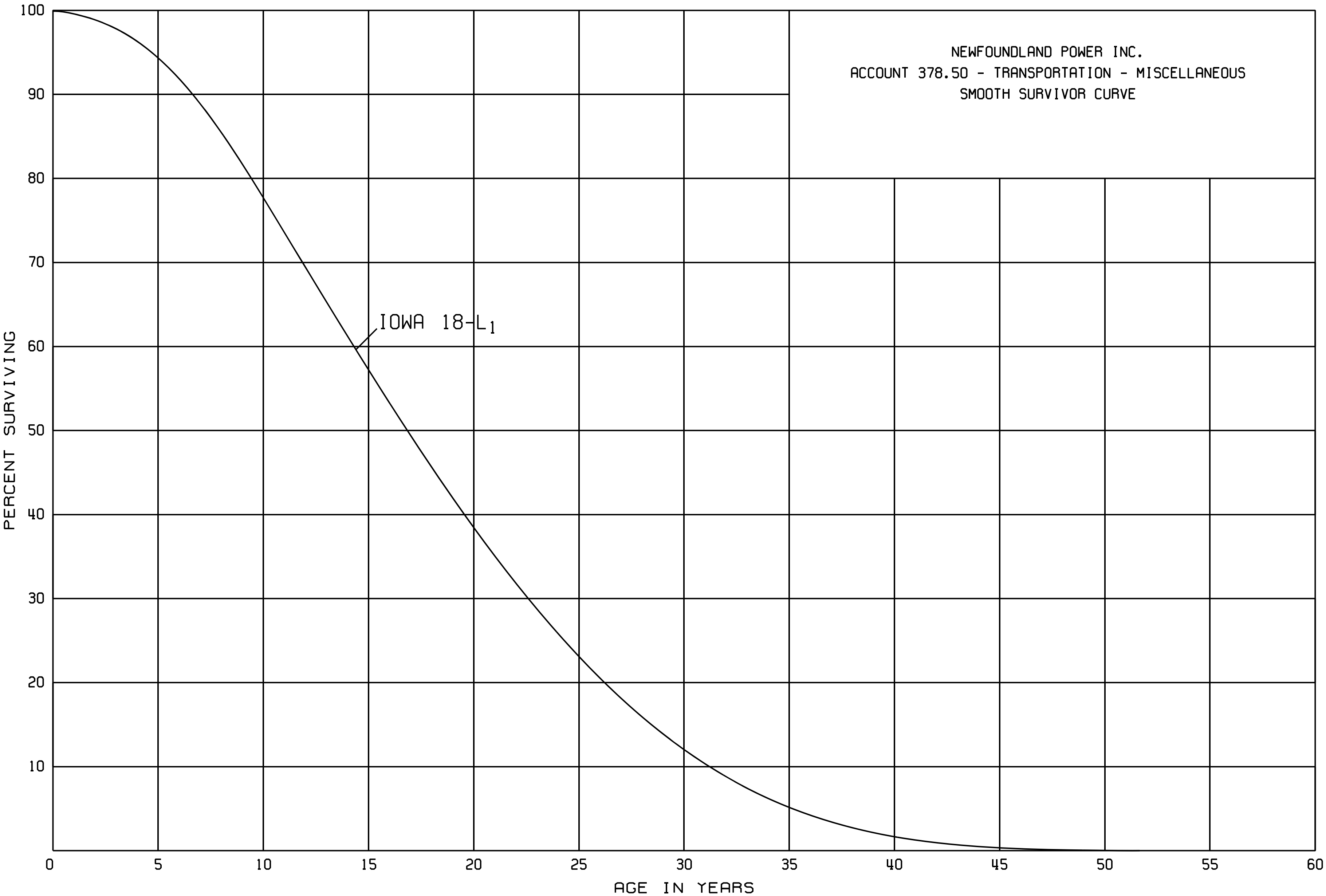
ACCOUNTS 378.31 - CAB AND CHASSIS & 378.4 - STAKE BODIES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1981-2005 EXPERIENCE BAND 1986-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	14,150,046		0.0000	1.0000	100.00
0.5	14,224,804	1,480	0.0001	0.9999	100.00
1.5	13,154,636	1,283	0.0001	0.9999	99.99
2.5	11,708,320	274,347	0.0234	0.9766	99.98
3.5	12,128,749	465,169	0.0384	0.9616	97.64
4.5	11,710,684	724,028	0.0618	0.9382	93.89
5.5	10,324,776	1,005,058	0.0973	0.9027	88.09
6.5	8,838,611	1,019,194	0.1153	0.8847	79.52
7.5	7,286,580	1,154,598	0.1585	0.8415	70.35
8.5	5,501,455	880,591	0.1601	0.8399	59.20
9.5	4,796,035	802,763	0.1674	0.8326	49.72
10.5	3,691,503	967,666	0.2621	0.7379	41.40
11.5	2,449,496	557,323	0.2275	0.7725	30.55
12.5	1,348,336	532,740	0.3951	0.6049	23.60
13.5	824,838	329,385	0.3993	0.6007	14.28
14.5	495,453	257,602	0.5199	0.4801	8.58
15.5	204,476	116,854	0.5715	0.4285	4.12
16.5	87,624		0.0000	1.0000	1.77
17.5	87,622		0.0000	1.0000	1.77
18.5	43,017	11,650	0.2708	0.7292	1.77
19.5	6,238		0.0000	1.0000	1.29
20.5	6,238	6,240	1.0003	0.0003-	1.29
21.5	2-		0.0000		
22.5	2-		0.0000		
23.5	6,240-		0.0000		
24.5					


NEWFOUNDLAND POWER INC.
ACCOUNT 378.32 - TRUCKS W/ DERRICKS - EQUIPMENT
SMOOTH SURVIVOR CURVE
IOWA 10-S1.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30


NEWFOUNDLAND POWER INC.
ACCOUNT 378.50 - TRANSPORTATION - MISCELLANEOUS
SMOOTH SURVIVOR CURVE
IOWA 18-L1
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

NEWFOUNDLAND POWER INC.

ACCOUNT 382.00 - RADIO SITES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1948-2004 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	578,768		0.0000	1.0000	100.00
0.5	575,517		0.0000	1.0000	100.00
1.5	573,249	7,217	0.0126	0.9874	100.00
2.5	565,829	1,239	0.0022	0.9978	98.74
3.5	571,715		0.0000	1.0000	98.52
4.5	585,966	2,815	0.0048	0.9952	98.52
5.5	567,031		0.0000	1.0000	98.05
6.5	567,996		0.0000	1.0000	98.05
7.5	597,841	6,302	0.0105	0.9895	98.05
8.5	592,431	93	0.0002	0.9998	97.02
9.5	596,010		0.0000	1.0000	97.00
10.5	596,220		0.0000	1.0000	97.00
11.5	596,220	1,612	0.0027	0.9973	97.00
12.5	594,608	1,250	0.0021	0.9979	96.74
13.5	600,750		0.0000	1.0000	96.54
14.5	600,750	91	0.0002	0.9998	96.54
15.5	602,037	1,000	0.0017	0.9983	96.52
16.5	601,037	12,627	0.0210	0.9790	96.36
17.5	570,746	7,349	0.0129	0.9871	94.34
18.5	565,095	352	0.0006	0.9994	93.12
19.5	493,284	4,564	0.0093	0.9907	93.06
20.5	346,471	5,804	0.0168	0.9832	92.19
21.5	279,865	612	0.0022	0.9978	90.64
22.5	159,762	7,087	0.0444	0.9556	90.44
23.5	148,975	500	0.0034	0.9966	86.42
24.5	148,475	1,098	0.0074	0.9926	86.13
25.5	147,377	11,276	0.0765	0.9235	85.49
26.5	136,101	1,469	0.0108	0.9892	78.95
27.5	134,632	1,625	0.0121	0.9879	78.10
28.5	85,076	1,648	0.0194	0.9806	77.15
29.5	83,428	8,941	0.1072	0.8928	75.65
30.5	68,351	25,146	0.3679	0.6321	67.54
31.5	43,205	1,341	0.0310	0.9690	42.69
32.5	41,864	10,797	0.2579	0.7421	41.37
33.5	31,067	4,536	0.1460	0.8540	30.70
34.5	26,531		0.0000	1.0000	26.22
35.5	26,531	11,592	0.4369	0.5631	26.22
36.5	14,939	4,840	0.3240	0.6760	14.76
37.5	10,099		0.0000	1.0000	9.98
38.5	6,137	1,183	0.1928	0.8072	9.98

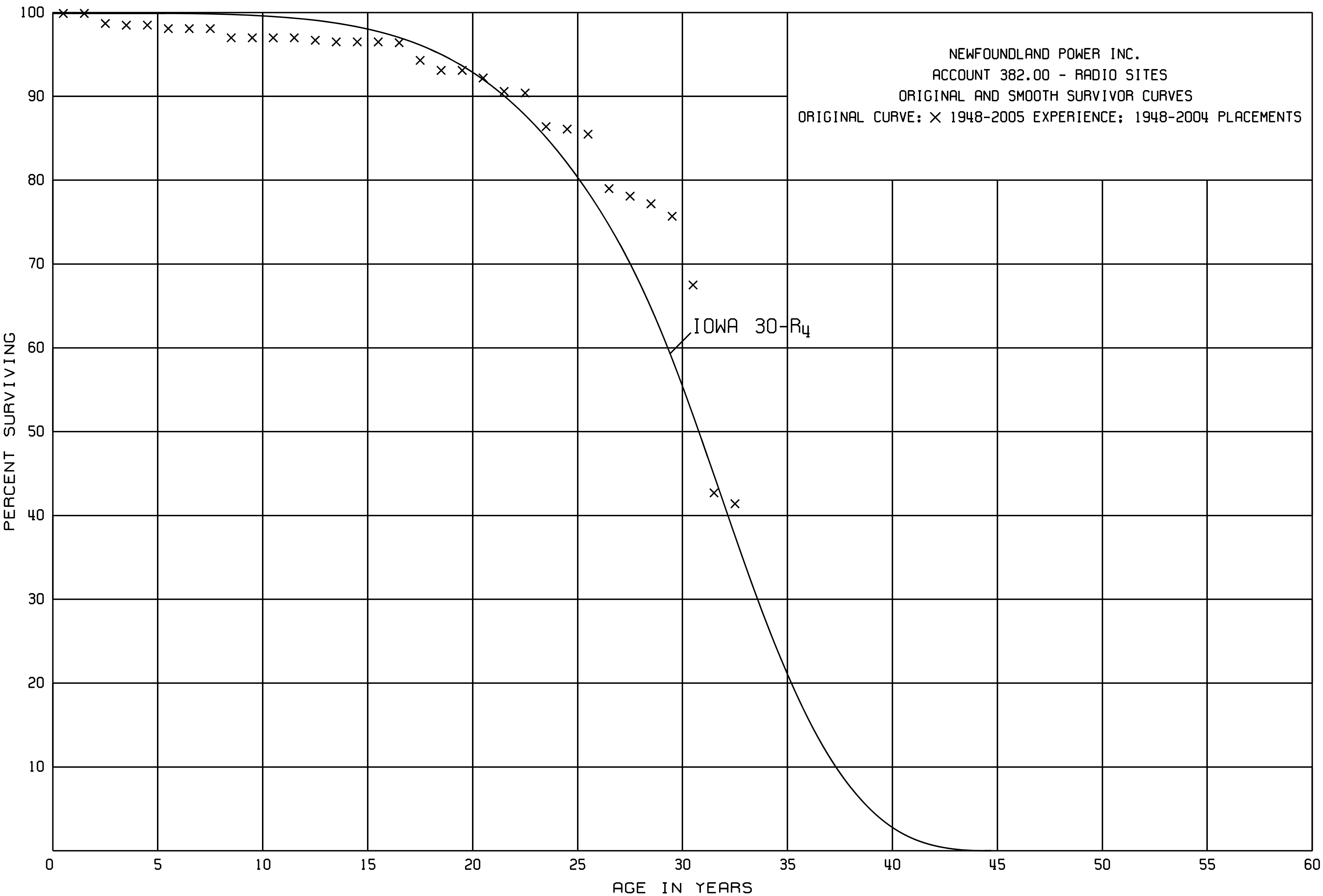
NEWFOUNDLAND POWER INC.

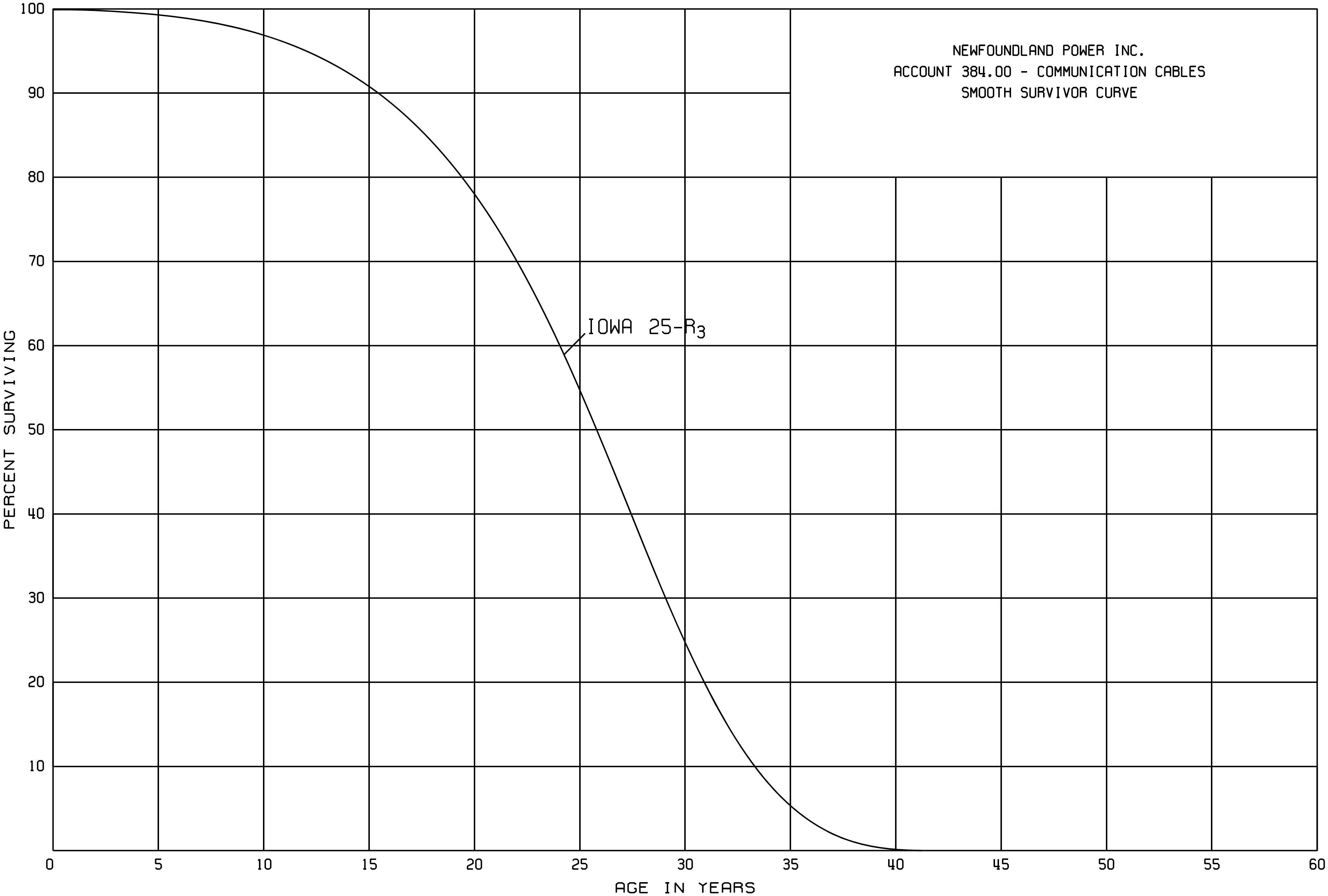
ACCOUNT 382.00 - RADIO SITES

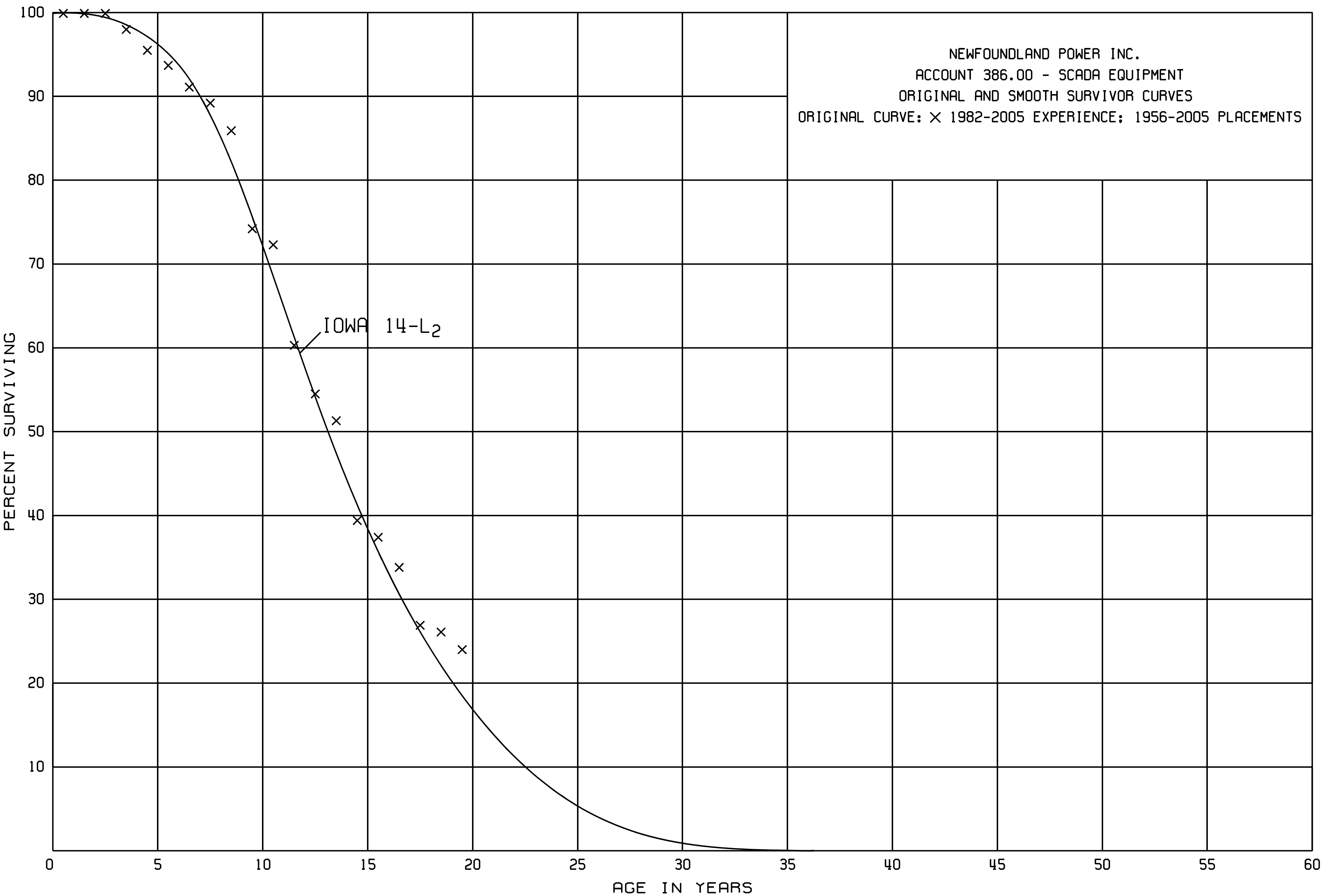
ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1948-2004 EXPERIENCE BAND 1948-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5	1,857	210	0.1131	0.8869	8.06
40.5	1,647		0.0000	1.0000	7.15
41.5	1,647		0.0000	1.0000	7.15
42.5	1,647	1,452	0.8816	0.1184	7.15
43.5	195		0.0000	1.0000	0.85
44.5	195	195	1.0000	0.0000	0.85
45.5					0.00


NEWFOUNDLAND POWER INC.
ACCOUNT 382.00 - RADIO SITES
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1948-2005 EXPERIENCE; 1948-2004 PLACEMENTS
IOWA 30-R4
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60


NEWFOUNDLAND POWER INC.
ACCOUNT 384.00 - COMMUNICATION CABLES
SMOOTH SURVIVOR CURVE
IOWA 25-R3
PERCENT SURVIVING
AGE IN YEARS
0
5
10
15
20
25
30
35
40
45
50
55
60
100
90
80
70
60
50
40
30
20
10


NEWFOUNDLAND POWER INC.
ACCOUNT 386.00 - SCADA EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1982-2005 EXPERIENCE; 1956-2005 PLACEMENTS
IOWA 14-L2
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60

NEWFOUNDLAND POWER INC.

ACCOUNT 386.00 - SCADA EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1956-2005 EXPERIENCE BAND 1982-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	13,274,869		0.0000	1.0000	100.00
0.5	13,494,930		0.0000	1.0000	100.00
1.5	13,480,945	1,140	0.0001	0.9999	100.00
2.5	13,566,274	265,820	0.0196	0.9804	99.99
3.5	13,458,510	352,648	0.0262	0.9738	98.03
4.5	12,285,692	223,214	0.0182	0.9818	95.46
5.5	10,676,750	293,155	0.0275	0.9725	93.72
6.5	9,779,453	208,490	0.0213	0.9787	91.14
7.5	9,385,243	350,978	0.0374	0.9626	89.20
8.5	8,849,300	1,206,639	0.1364	0.8636	85.86
9.5	7,647,397	188,550	0.0247	0.9753	74.15
10.5	7,806,636	1,296,994	0.1661	0.8339	72.32
11.5	6,515,311	625,410	0.0960	0.9040	60.31
12.5	5,860,188	341,411	0.0583	0.9417	54.52
13.5	5,330,514	1,244,305	0.2334	0.7666	51.34
14.5	3,845,438	192,825	0.0501	0.9499	39.36
15.5	3,807,347	368,507	0.0968	0.9032	37.39
16.5	2,556,237	523,773	0.2049	0.7951	33.77
17.5	1,494,249	41,366	0.0277	0.9723	26.85
18.5	1,729,686	142,809	0.0826	0.9174	26.11
19.5	1,400,863	13,882	0.0099	0.9901	23.95
20.5	1,340,944	333,543	0.2487	0.7513	23.71
21.5	821,681	19,377	0.0236	0.9764	17.81
22.5	460,650	24,126	0.0524	0.9476	17.39
23.5	490,936	78,073	0.1590	0.8410	16.48
24.5	424,103	41,846	0.0987	0.9013	13.86
25.5	158,817	89,813	0.5655	0.4345	12.49
26.5	64,174	28,027	0.4367	0.5633	5.43
27.5	36,147	1,993	0.0551	0.9449	3.06
28.5	34,154	7,104	0.2080	0.7920	2.89
29.5	26,201		0.0000	1.0000	2.29
30.5	26,201		0.0000	1.0000	2.29
31.5	26,201	7,382	0.2817	0.7183	2.29
32.5	9,462		0.0000	1.0000	1.64
33.5	8,937		0.0000	1.0000	1.64
34.5	8,937	2,335	0.2613	0.7387	1.64
35.5	6,602		0.0000	1.0000	1.21
36.5	6,602	624	0.0945	0.9055	1.21
37.5	5,978	514	0.0860	0.9140	1.10
38.5	5,464		0.0000	1.0000	1.01

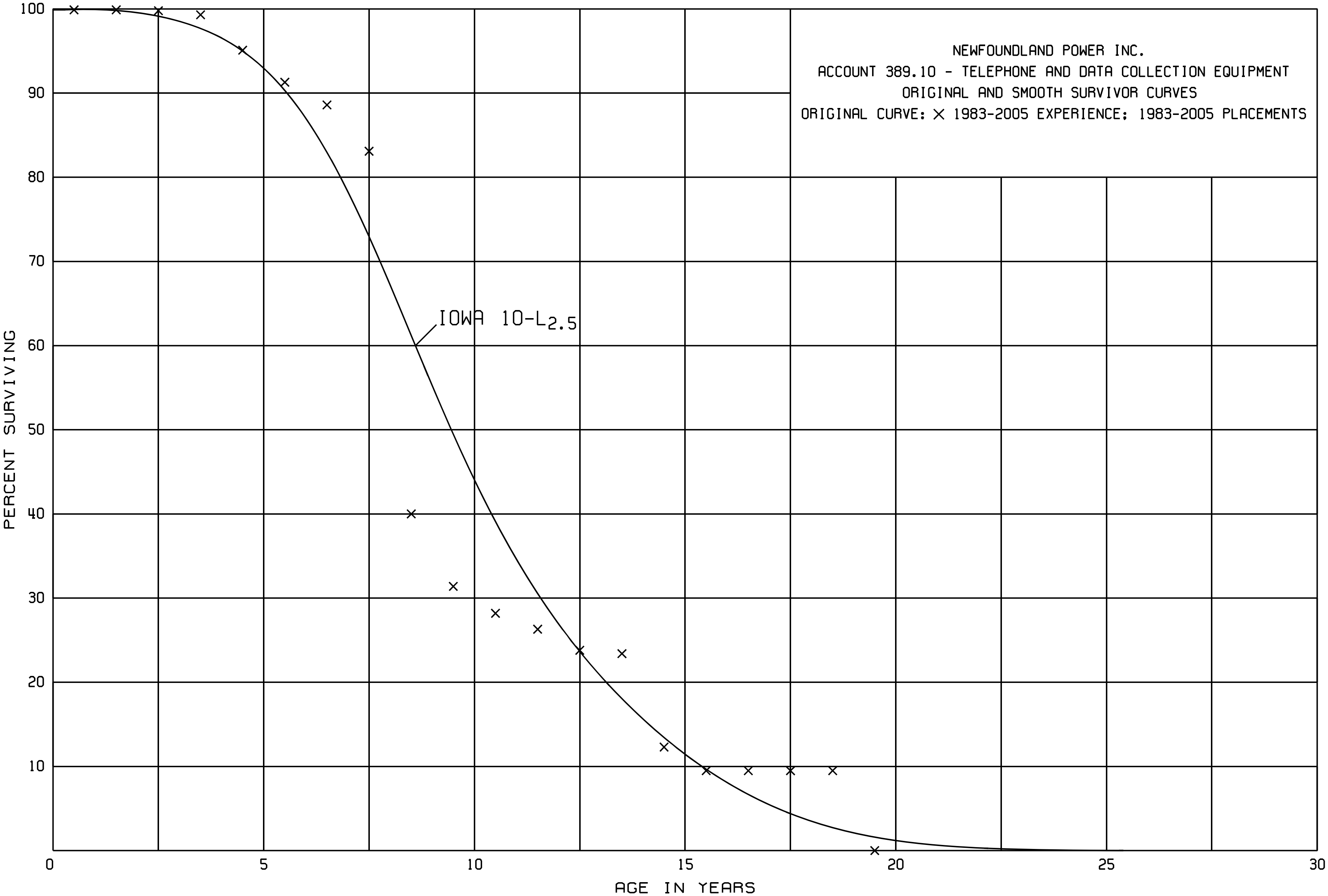
NEWFOUNDLAND POWER INC.

ACCOUNT 386.00 - SCADA EQUIPMENT

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1956-2005 EXPERIENCE BAND 1982-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
39.5					1.01


NEWFOUNDLAND POWER INC.
ACCOUNT 389.10 - TELEPHONE AND DATA COLLECTION EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: × 1983-2005 EXPERIENCE; 1983-2005 PLACEMENTS
IOWA 10-L2.5
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30

NEWFOUNDLAND POWER INC.

ACCOUNT 389.10 - TELEPHONE AND DATA COLLECTION EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1983-2005 EXPERIENCE BAND 1983-2005

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	2,401,165		0.0000	1.0000	100.00
0.5	2,396,487		0.0000	1.0000	100.00
1.5	2,932,970	7,202	0.0025	0.9975	100.00
2.5	2,966,816	13,912	0.0047	0.9953	99.75
3.5	2,897,977	122,064	0.0421	0.9579	99.28
4.5	2,747,039	109,395	0.0398	0.9602	95.10
5.5	2,611,492	77,362	0.0296	0.9704	91.32
6.5	2,508,301	157,683	0.0629	0.9371	88.62
7.5	1,362,558	705,768	0.5180	0.4820	83.05
8.5	434,556	93,477	0.2151	0.7849	40.03
9.5	216,894	22,322	0.1029	0.8971	31.42
10.5	188,056	12,511	0.0665	0.9335	28.19
11.5	170,804	16,086	0.0942	0.9058	26.32
12.5	152,303	2,741	0.0180	0.9820	23.84
13.5	104,531	49,533	0.4739	0.5261	23.41
14.5	54,998	12,528	0.2278	0.7722	12.32
15.5	2,843		0.0000	1.0000	9.51
16.5	2,843		0.0000	1.0000	9.51
17.5	2,843		0.0000	1.0000	9.51
18.5	2,843	2,843	1.0000	0.0000	9.51
19.5					0.00

APPENDIX B — NET SALVAGE STATISTICS

NEWFOUNDLAND POWER INC.

HYDRO PRODUCTION PLANT - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

		COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
YEAR	RETIREMENTS	AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1976	13,026	4,263	33		0	4,263-	33-
1977	93,651	5,340	6	6,172	7	832	1
1978	153,825	11,880	8	1,383	1	10,497-	7-
1979	216,689	42,834	20		0	42,834-	20-
1980	58,096	7,434	13		0	7,434-	13-
1981	176,662	15,829	9	5,000	3	10,829-	6-
1982	112,902	13,606	12	291	0	13,315-	12-
1983	622,353	62,201	10	706	0	61,495-	10-
1984	214,685	7,248	3	2,448	1	4,800-	2-
1985	326,146	40,098	12	19,936	6	20,162-	6-
1986	213,292	40,731	19	37,679	18	3,052-	1-
1987	418,535	84,545	20	229	0	84,316-	20-
1988	122,353	25,334	21	83,754	68	58,420	48
1989	374,685	43,992	12	8-	0	44,000-	12-
1990	458,300	68,601	15	525	0	68,076-	15-
1991	191,896	50,886	27		0	50,886-	27-
1992	245,358	14,431	6	54,166	22	39,735	16
1993	72,070	19,768	27	3,863-	5-	23,631-	33-
1994	181,301	41,612	23	182,450	101	140,838	78
1995	445,220	70,341	16		0	70,341-	16-
1996	180,927	37,327	21		0	37,327-	21-
1997	556,891	27,502	5		0	27,502-	5-
1998	275,574	84,467	31		0	84,467-	31-
1999	787,325	270,332	34		0	270,332-	34-
2000	840,111	325,162	39		0	325,162-	39-
2001	518,992	278,683	54		0	278,683-	54-
2002	802,570	174,472	22	2,058	0	172,414-	21-
2003	443,979	80,275	18		0	80,275-	18-
2004	1,250,113	239,492	19		0	239,492-	19-
2005	282,005	107,792	38		0	107,792-	38-
TOTAL	10,649,532	2,296,478	22	392,926	4	1,903,552-	18-
THREE-YEAR MOVING AVERAGES							
76-78	86,834	7,161	8	2,518	3	4,643-	5-
77-79	154,722	20,018	13	2,518	2	17,500-	11-
78-80	142,870	20,716	14	461	0	20,255-	14-
79-81	150,482	22,032	15	1,667	1	20,365-	14-
80-82	115,887	12,290	11	1,764	2	10,526-	9-
81-83	303,972	30,545	10	1,999	1	28,546-	9-
82-84	316,647	27,685	9	1,148	0	26,537-	8-
83-85	387,728	36,516	9	7,697	2	28,819-	7-

NEWFOUNDLAND POWER INC.

HYDRO PRODUCTION PLANT - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	251,374	29,359	12	20,021	8	9,338-	4-
85-87	319,324	55,125	17	19,281	6	35,844-	11-
86-88	251,393	50,203	20	40,554	16	9,649-	4-
87-89	305,191	51,290	17	27,992	9	23,298-	8-
88-90	318,446	45,976	14	28,090	9	17,886-	6-
89-91	341,627	54,493	16	172	0	54,321-	16-
90-92	298,518	44,639	15	18,230	6	26,409-	9-
91-93	169,775	28,362	17	16,768	10	11,594-	7-
92-94	166,243	25,270	15	77,584	47	52,314	31
93-95	232,864	43,907	19	59,529	26	15,622	7
94-96	269,149	49,760	18	60,817	23	11,057	4
95-97	394,346	45,057	11		0	45,057-	11-
96-98	337,797	49,765	15		0	49,765-	15-
97-99	539,930	127,434	24		0	127,434-	24-
98-00	634,337	226,654	36		0	226,654-	36-
99-01	715,476	291,392	41		0	291,392-	41-
00-02	720,558	259,439	36	686	0	258,753-	36-
01-03	588,514	177,810	30	686	0	177,124-	30-
02-04	832,221	164,746	20	686	0	164,060-	20-
03-05	658,699	142,520	22		0	142,520-	22-
FIVE-YEAR AVERAGE							
01-05	659,532	176,143	27	412	0	175,731-	27-

NEWFOUNDLAND POWER INC.

OTHER PRODUCTION PLANT - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1977	14,090		0	1,545	11	1,545	11
1978	150		0		0		0
1979	333		0		0		0
1980							
1981							
1982	38,426	249	1		0	249-	1-
1983	27,838	871	3	1	0	870-	3-
1984	24,089	500	2	338	1	162-	1-
1985	13,345	426	3	324	2	102-	1-
1986	10,885	4,510	41		0	4,510-	41-
1987	136,510	21,638	16		0	21,638-	16-
1988	30,100	7,105	24		0	7,105-	24-
1989	3,747	108	3		0	108-	3-
1990	28,400	3,657	13		0	3,657-	13-
1991	40,689	601	1		0	601-	1-
1992	4,000		0		0		0
1993	93,144	29,147	31		0	29,147-	31-
1994	167,629	15,108	9		0	15,108-	9-
1995	44,946	54,018	120		0	54,018-	120-
1996	138,078	30,328	22		0	30,328-	22-
1997	45,630	12,706	28		0	12,706-	28-
1998	1,699,761	116,979	7	394	0	116,585-	7-
1999	185,402	275,360	149	18,400	10	256,960-	139-
2000	533,728	56,747	11		0	56,747-	11-
2001	18,145	20,026	110		0	20,026-	110-
2002	261,391	118,715	45		0	118,715-	45-
2003	783,624	70,120	9	83,609-	11-	153,729-	20-
2004	118,794	21,602	18	13,996	12	7,606-	6-
2005	1,665,511	130,859	8	423,735	25	292,876	18
TOTAL	6,128,385	991,380	16	375,124	6	616,256-	10-

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
77-79	4,858		0	515	11	515	11
78-80	161		0		0		0
79-81	111		0		0		0
80-82	12,809	83	1		0	83-	1-
81-83	22,088	373	2		0	373-	2-
82-84	30,118	540	2	113	0	427-	1-
83-85	21,757	599	3	221	1	378-	2-
84-86	16,106	1,812	11	221	1	1,591-	10-
85-87	53,580	8,858	17	108	0	8,750-	16-

NEWFOUNDLAND POWER INC.

OTHER PRODUCTION PLANT - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
86-88	59,165	11,084	19		0	11,084-	19-
87-89	56,786	9,617	17		0	9,617-	17-
88-90	20,749	3,623	17		0	3,623-	17-
89-91	24,279	1,455	6		0	1,455-	6-
90-92	24,363	1,419	6		0	1,419-	6-
91-93	45,944	9,916	22		0	9,916-	22-
92-94	88,258	14,752	17		0	14,752-	17-
93-95	101,906	32,758	32		0	32,758-	32-
94-96	116,884	33,151	28		0	33,151-	28-
95-97	76,218	32,351	42		0	32,351-	42-
96-98	627,823	53,338	8	131	0	53,207-	8-
97-99	643,598	135,015	21	6,265	1	128,750-	20-
98-00	806,297	149,695	19	6,265	1	143,430-	18-
99-01	245,758	117,378	48	6,133	2	111,245-	45-
00-02	271,088	65,163	24		0	65,163-	24-
01-03	354,387	69,620	20	27,870-	8-	97,490-	28-
02-04	387,936	70,146	18	23,204-	6-	93,350-	24-
03-05	855,976	74,194	9	118,041	14	43,847	5
FIVE-YEAR AVERAGE							
01-05	569,493	72,264	13	70,824	12	1,440-	0

NEWFOUNDLAND POWER INC.

SUBSTATIONS - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	209,702	4,114	2	6,253	3	2,139	1
1977	715,030	12,172	2	24,614	3	12,442	2
1978	324,510	21,609	7	84,012	26	62,403	19
1979	122,514	10,227	8	17,454	14	7,227	6
1980	108,065	2,436	2	45,517	42	43,081	40
1981	238,697	147,479	62	61,857	26	85,622-	36-
1982	129,423	3,099	2	7,165	6	4,066	3
1983	122,630	11,041	9	15,891	13	4,850	4
1984	175,717	13,590	8	13,396	8	194-	0
1985	406,932	18,807	5	8,078	2	10,729-	3-
1986	192,045	12,595	7	6,350	3	6,245-	3-
1987	321,499	27,183	8	7,263	2	19,920-	6-
1988	293,006	44,292	15	34,462	12	9,830-	3-
1989	171,633	51,567	30	7,769-	5-	59,336-	35-
1990	439,514	61,127	14	25,181	6	35,946-	8-
1991	256,468	39,146	15	23,514	9	15,632-	6-
1992	490,044	36,153	7	2,086	0	34,067-	7-
1993	124,896	37,515	30	3,426	3	34,089-	27-
1994	457,823	83,034	18	101,855	22	18,821	4
1995	220,360	47,975	22	101,135	46	53,160	24
1996	408,816	63,917	16	10,702	3	53,215-	13-
1997	462,017	73,776	16	18,898	4	54,878-	12-
1998	453,867	57,107	13	17,258	4	39,849-	9-
1999	1,100,914	253,110	23	13,300	1	239,810-	22-
2000	491,183	186,825	38	25,556	5	161,269-	33-
2001	646,050	110,079	17	754	0	109,325-	17-
2002	1,921,197	88,133	5	2,773	0	85,360-	4-
2003	523,765	113,166	22	515,590	98	402,424	77
2004	806,466	434,013	54		0	434,013-	54-
2005	1,194,748	386,434	32	1,270	0	385,164-	32-
TOTAL	13,529,531	2,451,721	18	1,187,841	9	1,263,880-	9-

THREE-YEAR MOVING AVERAGES

76-78	416,414	12,632	3	38,293	9	25,661	6
77-79	387,351	14,669	4	42,027	11	27,358	7
78-80	185,030	11,424	6	48,994	26	37,570	20
79-81	156,425	53,381	34	41,609	27	11,772-	8-
80-82	158,728	51,005	32	38,180	24	12,825-	8-
81-83	163,583	53,873	33	28,304	17	25,569-	16-
82-84	142,590	9,243	6	12,151	9	2,908	2
83-85	235,093	14,479	6	12,455	5	2,024-	1-

NEWFOUNDLAND POWER INC.

SUBSTATIONS - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
84-86	258,231	14,997	6	9,275	4	5,722-	2-
85-87	306,825	19,528	6	7,230	2	12,298-	4-
86-88	268,850	28,023	10	16,025	6	11,998-	4-
87-89	262,046	41,014	16	11,319	4	29,695-	11-
88-90	301,384	52,329	17	17,291	6	35,038-	12-
89-91	289,205	50,613	18	13,642	5	36,971-	13-
90-92	395,342	45,475	12	16,927	4	28,548-	7-
91-93	290,469	37,605	13	9,675	3	27,930-	10-
92-94	357,588	52,234	15	35,789	10	16,445-	5-
93-95	267,693	56,175	21	68,805	26	12,630	5
94-96	362,333	64,975	18	71,231	20	6,256	2
95-97	363,731	61,889	17	43,578	12	18,311-	5-
96-98	441,567	64,933	15	15,619	4	49,314-	11-
97-99	672,266	127,998	19	16,485	2	111,513-	17-
98-00	681,988	165,681	24	18,705	3	146,976-	22-
99-01	746,049	183,338	25	13,203	2	170,135-	23-
00-02	1,019,477	128,346	13	9,694	1	118,652-	12-
01-03	1,030,337	103,793	10	173,039	17	69,246	7
02-04	1,083,809	211,771	20	172,788	16	38,983-	4-
03-05	841,660	311,204	37	172,287	20	138,917-	17-
FIVE-YEAR AVERAGE							
01-05	1,018,445	226,365	22	104,077	10	122,288-	12-

NEWFOUNDLAND POWER INC.

TRANSMISSION - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	74,518	27,005	36	22,953	31	4,052-	5-
1977	170,467	89,070	52	103,137	61	14,067	8
1978	166,933	20,255	12	26,050	16	5,795	3
1979	53,320	9,423	18	27,253	51	17,830	33
1980	192,641	14,937	8	29,762	15	14,825	8
1981	439,424	18,798	4	16,820	4	1,978-	0
1982	533,077	23,296	4	68,325	13	45,029	8
1983	26,333	8,388	32	8,175	31	213-	1-
1984	152,266	24,524	16	8,112	5	16,412-	11-
1985	780,922	16,683	2	15,442	2	1,241-	0
1986	68,915	19,596	28	19,343	28	253-	0
1987	393,705	43,333	11	18,684	5	24,649-	6-
1988	108,574	145,293	134	235,666	217	90,373	83
1989	215,507	112,599	52	48,771	23	63,828-	30-
1990	271,586	145,621	54	11,387	4	134,234-	49-
1991	347,937	103,835	30	16,558	5	87,277-	25-
1992	531,746	192,372	36	91,746	17	100,626-	19-
1993	245,837	77,899	32	51,560	21	26,339-	11-
1994	189,108	210,310	111	140,666	74	69,644-	37-
1995	243,439	126,204	52	72,160	30	54,044-	22-
1996	217,259	140,234	65	23,602	11	116,632-	54-
1997	189,948	152,957	81	4,219	2	148,738-	78-
1998	550,439	191,336	35	21,566	4	169,770-	31-
1999	319,663	163,447	51	17,105	5	146,342-	46-
2000	168,248	135,200	80	27,175	16	108,025-	64-
2001	353,437	361,072	102	2,224	1	358,848-	102-
2002	501,426	274,226	55	52,038	10	222,188-	44-
2003	1,674,595	286,028	17	94,658	6	191,370-	11-
2004	646,550	257,876	40		0	257,876-	40-
2005	496,444	312,005	63		0	312,005-	63-
TOTAL	10,324,264	3,703,822	36	1,275,157	12	2,428,665-	24-

THREE-YEAR MOVING AVERAGES

76-78	137,306	45,443	33	50,713	37	5,270	4
77-79	130,240	39,583	30	52,147	40	12,564	10
78-80	137,631	14,872	11	27,688	20	12,816	9
79-81	228,462	14,386	6	24,612	11	10,226	4
80-82	388,381	19,010	5	38,302	10	19,292	5
81-83	332,945	16,827	5	31,107	9	14,280	4
82-84	237,225	18,736	8	28,204	12	9,468	4
83-85	319,840	16,532	5	10,576	3	5,956-	2-

NEWFOUNDLAND POWER INC.

TRANSMISSION - ALL ACCOUNTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	334,034	20,268	6	14,299	4	5,969-	2-
85-87	414,514	26,537	6	17,823	4	8,714-	2-
86-88	190,398	69,407	36	91,231	48	21,824	11
87-89	239,262	100,408	42	101,040	42	632	0
88-90	198,556	134,504	68	98,608	50	35,896-	18-
89-91	278,343	120,685	43	25,572	9	95,113-	34-
90-92	383,756	147,276	38	39,897	10	107,379-	28-
91-93	375,173	124,702	33	53,288	14	71,414-	19-
92-94	322,230	160,194	50	94,657	29	65,537-	20-
93-95	226,128	138,138	61	88,129	39	50,009-	22-
94-96	216,602	158,916	73	78,809	36	80,107-	37-
95-97	216,882	139,798	64	33,327	15	106,471-	49-
96-98	319,215	161,509	51	16,462	5	145,047-	45-
97-99	353,350	169,247	48	14,297	4	154,950-	44-
98-00	346,117	163,328	47	21,949	6	141,379-	41-
99-01	280,449	219,906	78	15,501	6	204,405-	73-
00-02	341,037	256,833	75	27,146	8	229,687-	67-
01-03	843,153	307,109	36	49,640	6	257,469-	31-
02-04	940,857	272,710	29	48,899	5	223,811-	24-
03-05	939,196	285,303	30	31,553	3	253,750-	27-
FIVE-YEAR AVERAGE							
01-05	734,490	298,241	41	29,784	4	268,457-	37-

NEWFOUNDLAND POWER INC.

ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1983	346	0		0		0	
1984							
1985							
1986	6	0		0		0	
1987							
1988							
1989							
1990							
1991							
1992							
1993							
1994							
1995							
1996	4,922	0		0		0	
1997	8,126	0		0		0	
1998	5,796	0		0		0	
1999	5,938	0		0		0	
2000							
2001							
2002							
2003							
2004							
2005							
TOTAL	25,134	0		0		0	

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
83-85	115	0		0		0	
84-86	2	0		0		0	
85-87	2	0		0		0	
86-88	2	0		0		0	
87-89							
88-90							
89-91							
90-92							
91-93							
92-94							
93-95							
94-96	1,641	0		0		0	
95-97	4,349	0		0		0	
96-98	6,281	0		0		0	
97-99	6,620	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
98-00	3,911		0		0		0
99-01	1,979		0		0		0
00-02							
01-03							
02-04							
03-05							
FIVE-YEAR AVERAGE							
01-05							

NEWFOUNDLAND POWER INC.

ACCOUNT 361.10/361.11/361.14/361.30 - O/H CONDUCTOR - COPPER

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	132,517	41,769	32	79,253	60	37,484	28
1977	95,956	40,152	42	46,300	48	6,148	6
1978	173,991	39,827	23	88,533	51	48,706	28
1979	123,830	36,705	30	79,504	64	42,799	35
1980	109,738	28,428	26	80,899	74	52,471	48
1981	126,244	41,099	33	85,428	68	44,329	35
1982	71,496	58,670	82	43,990	62	14,680-	21-
1983	58,006	29,082	50	50,786	88	21,704	37
1984	91,364	75,982	83	41,804	46	34,178-	37-
1985	146,796	80,316	55	74,289	51	6,027-	4-
1986	52,591	17,995	34	27,795	53	9,800	19
1987	45,990	46,400	101	24,076	52	22,324-	49-
1988	77,981	33,166	43	23,741	30	9,425-	12-
1989	75,814	44,423	59	52,127	69	7,704	10
1990	115,821	47,204	41	17,431-	15-	64,635-	56-
1991	114,894	48,610	42	54,402-	47-	103,012-	90-
1992	48,525	47,798	99	13,431-	28-	61,229-	126-
1993	54,537	42,373	78	59,488-	109-	101,861-	187-
1994	45,980	12,785	28	18,934-	41-	31,719-	69-
1995	38,539	35,154	91	8,124	21	27,030-	70-
1996	66,072	53,514	81	40,880	62	12,634-	19-
1997	37,599	41,250	110	29,192	78	12,058-	32-
1998	23,966	23,437	98	35,149	147	11,712	49
1999	481,168	129,222	27	28,349	6	100,873-	21-
2000	120,936	48,795	40	44,605	37	4,190-	3-
2001	145,784	43,823	30	20,761	14	23,062-	16-
2002	351,591	54,677	16	52,793	15	1,884-	1-
2003	211,296	109,607	52	38,175	18	71,432-	34-
2004	190,156	180,276	95	47,795	25	132,481-	70-
2005	232,783	171,438	74	69,537	30	101,901-	44-
TOTAL	3,661,961	1,703,977	47	1,050,199	29	653,778-	18-

THREE-YEAR MOVING AVERAGES

76-78	134,155	40,583	30	71,362	53	30,779	23
77-79	131,259	38,895	30	71,446	54	32,551	25
78-80	135,853	34,987	26	82,979	61	47,992	35
79-81	119,937	35,411	30	81,944	68	46,533	39
80-82	102,493	42,732	42	70,106	68	27,374	27
81-83	85,249	42,950	50	60,068	70	17,118	20
82-84	73,622	54,578	74	45,527	62	9,051-	12-
83-85	98,722	61,793	63	55,626	56	6,167-	6-

NEWFOUNDLAND POWER INC.

ACCOUNT 361.10/361.11/361.14/361.30 - O/H CONDUCTOR - COPPER

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	96,917	58,098	60	47,963	49	10,135-	10-
85-87	81,792	48,237	59	42,053	51	6,184-	8-
86-88	58,854	32,520	55	25,204	43	7,316-	12-
87-89	66,595	41,330	62	33,315	50	8,015-	12-
88-90	89,872	41,598	46	19,479	22	22,119-	25-
89-91	102,176	46,746	46	6,569-	6-	53,315-	52-
90-92	93,080	47,871	51	28,421-	31-	76,292-	82-
91-93	72,652	46,260	64	42,440-	58-	88,700-	122-
92-94	49,681	34,319	69	30,618-	62-	64,937-	131-
93-95	46,352	30,104	65	23,433-	51-	53,537-	116-
94-96	50,197	33,818	67	10,023	20	23,795-	47-
95-97	47,403	43,306	91	26,065	55	17,241-	36-
96-98	42,546	39,400	93	35,074	82	4,326-	10-
97-99	180,911	64,636	36	30,897	17	33,739-	19-
98-00	208,690	67,151	32	36,034	17	31,117-	15-
99-01	249,296	73,947	30	31,238	13	42,709-	17-
00-02	206,104	49,098	24	39,386	19	9,712-	5-
01-03	236,224	69,369	29	37,243	16	32,126-	14-
02-04	251,014	114,853	46	46,254	18	68,599-	27-
03-05	211,412	153,774	73	51,836	25	101,938-	48-
FIVE-YEAR AVERAGE							
01-05	226,322	111,964	49	45,812	20	66,152-	29-

NEWFOUNDLAND POWER INC.

ACCOUNT 361.12 & 361.13 & 361.15 - O/H CONDUCTOR - ALUMINUM

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1976	114,352	32,493	28	10,057	9	22,436-	20-
1977	108,780	41,355	38	4,782	4	36,573-	34-
1978	140,791	33,261	24	37,806	27	4,545	3
1979	154,624	37,692	24	36,061	23	1,631-	1-
1980	164,657	34,710	21	42,215	26	7,505	5
1981	174,862	37,541	21	32,471	19	5,070-	3-
1982	218,786	112,179	51	56,834	26	55,345-	25-
1983	160,455	49,844	31	43,408	27	6,436-	4-
1984	153,914	66,712	43	35,513	23	31,199-	20-
1985	249,623	113,757	46	34,204	14	79,553-	32-
1986	186,915	108,955	58	24,317	13	84,638-	45-
1987	198,281	73,590	37	26,558	13	47,032-	24-
1988	217,376	139,050	64	32,336	15	106,714-	49-
1989	317,420	217,138	68	75,674	24	141,464-	45-
1990	332,374	103,431	31	34,237	10	69,194-	21-
1991	325,342	106,513	33	70,002	22	36,511-	11-
1992	232,436	104,733	45	69,384	30	35,349-	15-
1993	253,834	92,848	37	25,269	10	67,579-	27-
1994	254,897	28,014	11	34,590	14	6,576	3
1995	318,265	124,635	39	67,775	21	56,860-	18-
1996	186,416	73,900	40	30,673	16	43,227-	23-
1997	169,004	87,657	52	34,899	21	52,758-	31-
1998	197,011	77,707	39	29,196	15	48,511-	25-
1999	545,297	204,262	37	24,783	5	179,479-	33-
2000	799,899	195,815	24	95,580	12	100,235-	13-
2001	409,966	397,785	97	47,252	12	350,533-	86-
2002	1,612,240	334,441	21	57,755	4	276,686-	17-
2003	1,164,739	261,955	22	43,582	4	218,373-	19-
2004	973,070	530,818	55	24,888	3	505,930-	52-
2005	450,036	528,030	117	30,930	7	497,100-	110-
TOTAL	10,785,662	4,350,821	40	1,213,031	11	3,137,790-	29-

THREE-YEAR MOVING AVERAGES

76-78	121,308	35,703	29	17,548	14	18,155-	15-
77-79	134,732	37,436	28	26,216	19	11,220-	8-
78-80	153,357	35,221	23	38,694	25	3,473	2
79-81	164,714	36,648	22	36,916	22	268	0
80-82	186,102	61,477	33	43,840	24	17,637-	9-
81-83	184,701	66,521	36	44,238	24	22,283-	12-
82-84	177,718	76,245	43	45,252	25	30,993-	17-
83-85	187,997	76,771	41	37,708	20	39,063-	21-

NEWFOUNDLAND POWER INC.

ACCOUNT 361.12 & 361.13 & 361.15 - O/H CONDUCTOR - ALUMINUM

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	196,817	96,475	49	31,345	16	65,130-	33-
85-87	211,606	98,767	47	28,360	13	70,407-	33-
86-88	200,857	107,198	53	27,737	14	79,461-	40-
87-89	244,359	143,259	59	44,856	18	98,403-	40-
88-90	289,057	153,206	53	47,416	16	105,790-	37-
89-91	325,045	142,361	44	59,971	18	82,390-	25-
90-92	296,717	104,892	35	57,874	20	47,018-	16-
91-93	270,537	101,365	37	54,885	20	46,480-	17-
92-94	247,056	75,198	30	43,081	17	32,117-	13-
93-95	275,665	81,832	30	42,545	15	39,287-	14-
94-96	253,193	75,516	30	44,346	18	31,170-	12-
95-97	224,562	95,397	42	44,449	20	50,948-	23-
96-98	184,144	79,755	43	31,589	17	48,166-	26-
97-99	303,771	123,209	41	29,626	10	93,583-	31-
98-00	514,069	159,261	31	49,853	10	109,408-	21-
99-01	585,054	265,954	45	55,872	10	210,082-	36-
00-02	940,702	309,347	33	66,862	7	242,485-	26-
01-03	1,062,315	331,394	31	49,530	5	281,864-	27-
02-04	1,250,017	375,738	30	42,075	3	333,663-	27-
03-05	862,615	440,268	51	33,133	4	407,135-	47-
FIVE-YEAR AVERAGE							
01-05	922,010	410,606	45	40,881	4	369,725-	40-

NEWFOUNDLAND POWER INC.

ACCOUNT 361.20 & 361.40 - DISTRIBUTION - UNDERGROUND CABLES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	15,435	5,850	38	2,499	16	3,351-	22-
1977	29,672	6,820	23	1,945	7	4,875-	16-
1978	10,173	3,903	38	7,184	71	3,281	32
1979	18,146	5,758	32	5,122	28	636-	4-
1980	7,019	1,035	15	413	6	622-	9-
1981	18,462		0		0		0
1982	13,029		0		0		0
1983	5,425		0		0		0
1984	9,668		0		0		0
1985	136,329		0		0		0
1986	42,361		0		0		0
1987	27,747		0		0		0
1988	27,914		0		0		0
1989	33,138		0		0		0
1990	63,650		0	80,445	126	80,445	126
1991	62,058		0	6,110	10	6,110	10
1992	12,570		0	1,212-	10-	1,212-	10-
1993	21,230		0		0		0
1994	61,710		0	333-	1-	333-	1-
1995	28,002		0	494	2	494	2
1996	50,538	2,165	4	9,782	19	7,617	15
1997	2,251		0	2,807-	125-	2,807-	125-
1998	4,980	37	1	950	19	913	18
1999							
2000		8,179		1,786		6,393-	
2001	1,886	1,867	99		0	1,867-	99-
2002	437,736		0		0		0
2003		44,602				44,602-	
2004		48,977				48,977-	
2005							
TOTAL	1,141,129	129,193	11	112,378	10	16,815-	1-

THREE-YEAR MOVING AVERAGES

76-78	18,427	5,524	30	3,876	21	1,648-	9-
77-79	19,330	5,494	28	4,750	25	744-	4-
78-80	11,779	3,565	30	4,240	36	675	6
79-81	14,542	2,264	16	1,845	13	419-	3-
80-82	12,837	345	3	138	1	207-	2-
81-83	12,305		0		0		0
82-84	9,374		0		0		0
83-85	50,474		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 361.20 & 361.40 - DISTRIBUTION - UNDERGROUND CABLES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	62,786		0		0		0
85-87	68,812		0		0		0
86-88	32,674		0		0		0
87-89	29,600		0		0		0
88-90	41,567		0	26,815	65	26,815	65
89-91	52,949		0	28,852	54	28,852	54
90-92	46,093		0	28,448	62	28,448	62
91-93	31,953		0	1,633	5	1,633	5
92-94	31,837		0	515-	2-	515-	2-
93-95	36,981		0	54	0	54	0
94-96	46,750	722	2	3,314	7	2,592	6
95-97	26,930	722	3	2,490	9	1,768	7
96-98	19,256	734	4	2,642	14	1,908	10
97-99	2,410	12	0	619-	26-	631-	26-
98-00	1,660	2,739	165	912	55	1,827-	110-
99-01	629	3,349	532	595	95	2,754-	438-
00-02	146,541	3,349	2	595	0	2,754-	2-
01-03	146,541	15,490	11		0	15,490-	11-
02-04	145,912	31,193	21		0	31,193-	21-
03-05		31,193				31,193-	
FIVE-YEAR AVERAGE							
01-05	87,924	19,089	22		0	19,089-	22-

NEWFOUNDLAND POWER INC.

ACCOUNT 362.30 - DIST. - POLES AND FIXTURES - CONCRETE/STEEL

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
2001	4,945	2,358	48		0	2,358-	48-
2002	240,169		0		0		0
2003							
2004							
2005							
TOTAL	245,114	2,358	1		0	2,358-	1-
THREE-YEAR MOVING AVERAGES							
01-03	81,705	786	1		0	786-	1-
02-04	80,056		0		0		0
03-05							
FIVE-YEAR AVERAGE							
01-05	49,023	472	1		0	472-	1-

NEWFOUNDLAND POWER INC.

ACCOUNT 363.00 - DISTRIBUTION - STREET LIGHTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	339,322	22,029	6	125,561	37	103,532	31
1977	292,908	28,558	10	118,441	40	89,883	31
1978	320,116	22,212	7	45,087	14	22,875	7
1979	276,629	28,957	10	50,176	18	21,219	8
1980	652,796	24,086	4	57,568	9	33,482	5
1981	287,170	22,230	8	58,125	20	35,895	12
1982	386,991	25,909	7	64,306	17	38,397	10
1983	266,347	20,962	8	60,854	23	39,892	15
1984	324,804	26,377	8	66,612	21	40,235	12
1985	298,090	30,373	10	74,415	25	44,042	15
1986	320,832	39,069	12	102,154	32	63,085	20
1987	353,116	63,166	18	86,793	25	23,627	7
1988	320,397	60,541	19	85,322	27	24,781	8
1989	440,693	62,442	14	105,334	24	42,892	10
1990	434,043	93,205	21	131,171	30	37,966	9
1991	570,055	94,194	17	119,048	21	24,854	4
1992	553,001	75,827	14	139,543	25	63,716	12
1993	539,127	67,992	13	138,012	26	70,020	13
1994	624,544	94,884	15	151,019	24	56,135	9
1995	651,946	78,266	12	140,254	22	61,988	10
1996	821,347	91,578	11	189,371	23	97,793	12
1997	473,302	78,014	16	157,037	33	79,023	17
1998	286,015	67,032	23	127,506	45	60,474	21
1999	755,062	54,548	7	59,923	8	5,375	1
2000	790,310	71,692	9	61,823	8	9,869-	1-
2001	848,141	80,975	10	53,773	6	27,202-	3-
2002	2,029,708	59,282	3	24,392	1	34,890-	2-
2003	808,150	81,887	10	5,824	1	76,063-	9-
2004	792,759	87,414	11	3,850	0	83,564-	11-
2005	868,981	107,588	12	9,024	1	98,564-	11-
TOTAL	16,726,702	1,761,289	11	2,612,318	16	851,029	5

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	317,449	24,266	8	96,363	30	72,097	23
77-79	296,551	26,576	9	71,235	24	44,659	15
78-80	416,514	25,085	6	50,944	12	25,859	6
79-81	405,532	25,091	6	55,290	14	30,199	7
80-82	442,319	24,075	5	60,000	14	35,925	8
81-83	313,503	23,034	7	61,095	19	38,061	12
82-84	326,047	24,416	7	63,924	20	39,508	12
83-85	296,414	25,904	9	67,294	23	41,390	14

NEWFOUNDLAND POWER INC.

ACCOUNT 363.00 - DISTRIBUTION - STREET LIGHTS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	314,575	31,940	10	81,060	26	49,120	16
85-87	324,013	44,203	14	87,787	27	43,584	13
86-88	331,448	54,259	16	91,423	28	37,164	11
87-89	371,402	62,050	17	92,483	25	30,433	8
88-90	398,378	72,063	18	107,276	27	35,213	9
89-91	481,597	83,280	17	118,518	25	35,238	7
90-92	519,033	87,742	17	129,921	25	42,179	8
91-93	554,061	79,338	14	132,201	24	52,863	10
92-94	572,224	79,568	14	142,858	25	63,290	11
93-95	605,206	80,381	13	143,095	24	62,714	10
94-96	699,279	88,243	13	160,215	23	71,972	10
95-97	648,865	82,619	13	162,221	25	79,602	12
96-98	526,888	78,875	15	157,971	30	79,096	15
97-99	504,793	66,531	13	114,822	23	48,291	10
98-00	610,462	64,424	11	83,084	14	18,660	3
99-01	797,838	69,072	9	58,506	7	10,566-	1-
00-02	1,222,720	70,650	6	46,663	4	23,987-	2-
01-03	1,228,666	74,048	6	27,996	2	46,052-	4-
02-04	1,210,206	76,194	6	11,355	1	64,839-	5-
03-05	823,297	92,296	11	6,233	1	86,063-	10-
FIVE-YEAR AVERAGE							
01-05	1,069,548	83,429	8	19,373	2	64,056-	6-

NEWFOUNDLAND POWER INC.

ACCOUNT 364.00 - DISTRIBUTION - TRANSFORMERS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	209,142		0	20,950	10	20,950	10
1977	301,115		0	11,869	4	11,869	4
1978	370,766		0	30,646	8	30,646	8
1979	324,223	277	0	22,112	7	21,835	7
1980	243,756	352	0	45,495	19	45,143	19
1981	343,984	2,209	1	9,958	3	7,749	2
1982	300,512		0	9,111	3	9,111	3
1983	345,070	203	0	30,557	9	30,354	9
1984	429,292	585	0	18,444	4	17,859	4
1985	202,997	294	0	5,596	3	5,302	3
1986	259,030	892	0	11,023	4	10,131	4
1987	235,686	601	0	6,422	3	5,821	2
1988	330,575	1,658	1	29,257	9	27,599	8
1989	371,252	5,113	1	14,079	4	8,966	2
1990	470,448	4,905	1	16,675	4	11,770	3
1991	339,804	4,659	1	26,611	8	21,952	6
1992	191,717	5,687	3	19,686	10	13,999	7
1993	230,692	7,268	3	28,350	12	21,082	9
1994	197,274	2,670	1	10,681	5	8,011	4
1995	227,683	211,488	93	58,141	26	153,347-	67-
1996	155,826	10,408	7	33,380	21	22,972	15
1997	845,887	4,487	1	6,360	1	1,873	0
1998	1,789,961	88,001	5	364,463	20	276,462	15
1999	1,419,119	78,045	5	428,942	30	350,897	25
2000	1,226,597	80,581	7	339,672	28	259,091	21
2001	912,446	80,007	9	122,917	13	42,910	5
2002	1,485,695	36,016	2	2,340	0	33,676-	2-
2003	1,242,319	326,589	26	387,620	31	61,031	5
2004	752,442	85,395	11		0	85,395-	11-
2005	1,600,745	346,248	22	68,693	4	277,555-	17-
TOTAL	17,356,055	1,384,638	8	2,180,050	13	795,412	5

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	293,674		0	21,155	7	21,155	7
77-79	332,035	92	0	21,542	6	21,450	6
78-80	312,915	210	0	32,751	10	32,541	10
79-81	303,988	946	0	25,855	9	24,909	8
80-82	296,084	854	0	21,521	7	20,667	7
81-83	329,855	804	0	16,542	5	15,738	5
82-84	358,291	263	0	19,371	5	19,108	5
83-85	325,786	361	0	18,199	6	17,838	5

NEWFOUNDLAND POWER INC.

ACCOUNT 364.00 - DISTRIBUTION - TRANSFORMERS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
84-86	297,106	590	0	11,688	4	11,098	4
85-87	232,571	596	0	7,680	3	7,084	3
86-88	275,097	1,050	0	15,567	6	14,517	5
87-89	312,504	2,457	1	16,586	5	14,129	5
88-90	390,758	3,892	1	20,004	5	16,112	4
89-91	393,835	4,892	1	19,122	5	14,230	4
90-92	333,990	5,084	2	20,991	6	15,907	5
91-93	254,071	5,871	2	24,882	10	19,011	7
92-94	206,561	5,208	3	19,572	9	14,364	7
93-95	218,550	73,809	34	32,391	15	41,418-	19-
94-96	193,594	74,855	39	34,067	18	40,788-	21-
95-97	409,799	75,461	18	32,627	8	42,834-	10-
96-98	930,558	34,299	4	134,734	14	100,435	11
97-99	1,351,656	56,844	4	266,588	20	209,744	16
98-00	1,478,559	82,209	6	377,692	26	295,483	20
99-01	1,186,054	79,544	7	297,177	25	217,633	18
00-02	1,208,246	65,535	5	154,976	13	89,441	7
01-03	1,213,487	147,537	12	170,959	14	23,422	2
02-04	1,160,152	149,333	13	129,987	11	19,346-	2-
03-05	1,198,502	252,744	21	152,104	13	100,640-	8-
FIVE-YEAR AVERAGE							
01-05	1,198,729	174,851	15	116,314	10	58,537-	5-

NEWFOUNDLAND POWER INC.

ACCOUNT 365.00 - DISTRIBUTION - SERVICES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	116,831	47,923	41	4,701	4	43,222-	37-
1977	123,300	58,412	47	6,263	5	52,149-	42-
1978	126,631	60,500	48	15,116	12	45,384-	36-
1979	138,960	63,186	45	17,372	13	45,814-	33-
1980	118,572	62,500	53	10,391	9	52,109-	44-
1981	146,271	76,388	52	14,830	10	61,558-	42-
1982	161,068	72,978	45	11,232	7	61,746-	38-
1983	165,847	81,841	49	15,508	9	66,333-	40-
1984	227,839	83,655	37	15,558	7	68,097-	30-
1985	166,496	86,937	52	18,404	11	68,533-	41-
1986	143,362	93,190	65	19,515	14	73,675-	51-
1987	121,573	113,175	93	13,435	11	99,740-	82-
1988	150,491	102,958	68	53,716	36	49,242-	33-
1989	166,620	130,934	79	24,406	15	106,528-	64-
1990	182,441	163,221	89	69,679	38	93,542-	51-
1991	149,716	161,073	108	63,727	43	97,346-	65-
1992	164,570	150,230	91	43,847	27	106,383-	65-
1993	158,154	121,755	77	40,719	26	81,036-	51-
1994	104,640	115,175	110	42,048	40	73,127-	70-
1995	87,789	104,798	119	35,449	40	69,349-	79-
1996	94,690	99,313	105	21,217	22	78,096-	82-
1997	61,501	91,488	149	16,317	27	75,171-	122-
1998	27,057	73,289	271	14,685	54	58,604-	217-
1999	176,631	108,307	61	21,903	12	86,404-	49-
2000	188,122	127,528	68		0	127,528-	68-
2001	226,430	149,407	66	26,471	12	122,936-	54-
2002	209,907	174,746	83	33,015	16	141,731-	68-
2003	503,249	174,526	35	27,862	6	146,664-	29-
2004	449,745	158,542	35	19,516	4	139,026-	31-
2005	253,823	191,208	75	24,450	10	166,758-	66-
TOTAL	5,112,326	3,299,183	65	741,352	15	2,557,831-	50-

THREE-YEAR MOVING AVERAGES

76-78	122,254	55,612	45	8,693	7	46,919-	38-
77-79	129,630	60,699	47	12,917	10	47,782-	37-
78-80	128,054	62,062	48	14,293	11	47,769-	37-
79-81	134,601	67,358	50	14,198	11	53,160-	39-
80-82	141,970	70,622	50	12,151	9	58,471-	41-
81-83	157,729	77,069	49	13,857	9	63,212-	40-
82-84	184,918	79,491	43	14,099	8	65,392-	35-
83-85	186,727	84,144	45	16,490	9	67,654-	36-

NEWFOUNDLAND POWER INC.

ACCOUNT 365.00 - DISTRIBUTION - SERVICES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	179,232	87,927	49	17,826	10	70,101-	39-
85-87	143,810	97,767	68	17,118	12	80,649-	56-
86-88	138,475	103,108	74	28,889	21	74,219-	54-
87-89	146,228	115,689	79	30,519	21	85,170-	58-
88-90	166,517	132,371	79	49,267	30	83,104-	50-
89-91	166,259	151,743	91	52,604	32	99,139-	60-
90-92	165,576	158,175	96	59,084	36	99,091-	60-
91-93	157,480	144,353	92	49,431	31	94,922-	60-
92-94	142,455	129,053	91	42,205	30	86,848-	61-
93-95	116,861	113,909	97	39,405	34	74,504-	64-
94-96	95,706	106,429	111	32,905	34	73,524-	77-
95-97	81,327	98,533	121	24,328	30	74,205-	91-
96-98	61,083	88,030	144	17,406	28	70,624-	116-
97-99	88,396	91,028	103	17,635	20	73,393-	83-
98-00	130,603	103,041	79	12,196	9	90,845-	70-
99-01	197,061	128,414	65	16,125	8	112,289-	57-
00-02	208,153	150,560	72	19,829	10	130,731-	63-
01-03	313,195	166,226	53	29,116	9	137,110-	44-
02-04	387,634	169,271	44	26,798	7	142,473-	37-
03-05	402,272	174,759	43	23,943	6	150,816-	37-
FIVE-YEAR AVERAGE							
01-05	328,631	169,686	52	26,263	8	143,423-	44-

NEWFOUNDLAND POWER INC.

ACCOUNT 366.00 - DISTRIBUTION - METERS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1976	267,479		0		0		0
1977	230,387		0		0		0
1978	118,924	44	0	38	0	6-	0
1979	119,222	27	0	2,599	2	2,572	2
1980	132,578		0	893	1	893	1
1981	157,254		0	303	0	303	0
1982	153,822		0	236	0	236	0
1983	139,459		0	503	0	503	0
1984	129,968		0		0		0
1985	107,970		0		0		0
1986	137,434	52	0		0	52-	0
1987	173,229		0		0		0
1988	178,275		0		0		0
1989	140,116		0	750	1	750	1
1990	123,401		0		0		0
1991	259,750		0		0		0
1992	148,500	211	0		0	211-	0
1993	240,308	130	0	337-	0	467-	0
1994	293,024		0	30	0	30	0
1995	267,494		0		0		0
1996	270,217		0		0		0
1997	258,728		0		0		0
1998	188,284		0		0		0
1999	463,615	10,421	2		0	10,421-	2-
2000	491,727	5,578	1		0	5,578-	1-
2001	348,826	9,202	3		0	9,202-	3-
2002	367,726	8,903	2	88	0	8,815-	2-
2003	384,661	8,840	2	928	0	7,912-	2-
2004	587,863	48,439	8	1,082	0	47,357-	8-
2005	1,562,397	67,588	4	2,041	0	65,547-	4-
TOTAL	8,442,638	159,435	2	9,154	0	150,281-	2-

THREE-YEAR MOVING AVERAGES

76-78	205,597	15	0	13	0	2-	0
77-79	156,178	24	0	879	1	855	1
78-80	123,575	24	0	1,177	1	1,153	1
79-81	136,351	9	0	1,265	1	1,256	1
80-82	147,885		0	477	0	477	0
81-83	150,178		0	347	0	347	0
82-84	141,083		0	246	0	246	0
83-85	125,799		0	168	0	168	0

NEWFOUNDLAND POWER INC.

ACCOUNT 366.00 - DISTRIBUTION - METERS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	125,124	17	0		0	17-	0
85-87	139,544	17	0		0	17-	0
86-88	162,979	17	0		0	17-	0
87-89	163,873		0	250	0	250	0
88-90	147,264		0	250	0	250	0
89-91	174,422		0	250	0	250	0
90-92	177,217	70	0		0	70-	0
91-93	216,186	114	0	112-	0	226-	0
92-94	227,277	114	0	102-	0	216-	0
93-95	266,942	43	0	102-	0	145-	0
94-96	276,912		0	10	0	10	0
95-97	265,480		0		0		0
96-98	239,076		0		0		0
97-99	303,542	3,474	1		0	3,474-	1-
98-00	381,209	5,333	1		0	5,333-	1-
99-01	434,723	8,400	2		0	8,400-	2-
00-02	402,760	7,894	2	29	0	7,865-	2-
01-03	367,071	8,982	2	339	0	8,643-	2-
02-04	446,750	22,061	5	699	0	21,362-	5-
03-05	844,974	41,622	5	1,350	0	40,272-	5-
FIVE-YEAR AVERAGE							
01-05	650,295	28,594	4	828	0	27,766-	4-

NEWFOUNDLAND POWER INC.

ACCOUNT 367.00 - DISTRIBUTION - UNDERGROUND

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1977	18,627		0		0		0
1978	1,527		0		0		0
1979							
1980	20		0		0		0
1981							
1982							
1983							
1984							
1985	37,480		0		0		0
1986							
1987							
1988							
1989							
1990							
1991	9,931		0		0		0
1992	254		0		0		0
1993							
1994							
1995							
1996	538		0		0		0
1997				1,688-		1,688-	
1998							
1999							
2000							
2001	2,050	21,665			0	21,665-	
2002		59,701		1,037		58,664-	
2003		101,237		354		100,883-	
2004		36,433				36,433-	
2005							
TOTAL	70,427	219,036	311	297-	0	219,333-	311-

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
77-79	6,718		0		0		0
78-80	516		0		0		0
79-81	7		0		0		0
80-82	7		0		0		0
81-83							
82-84							
83-85	12,493		0		0		0
84-86	12,493		0		0		0
85-87	12,493		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 367.00 - DISTRIBUTION - UNDERGROUND

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
86-88							
87-89							
88-90							
89-91	3,310		0		0		0
90-92	3,395		0		0		0
91-93	3,395		0		0		0
92-94	85		0		0		0
93-95							
94-96	179		0		0		0
95-97	179		0	563-	315-	563-	315-
96-98	179		0	563-	315-	563-	315-
97-99				563-		563-	
98-00							
99-01	683	7,222			0	7,222-	
00-02	683	27,122		346	51	26,776-	
01-03	683	60,868		464	68	60,404-	
02-04		65,790		464		65,326-	
03-05		45,890		118		45,772-	
FIVE-YEAR AVERAGE							
01-05	410	43,807		278	68	43,529-	

NEWFOUNDLAND POWER INC.

ACCOUNT 371.00 - GENERAL - BUILDINGS AND STRUCTURES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	4,843	163	3	8,659	179	8,496	175
1977	300		0	1,650	550	1,650	550
1978	79,242	637	1	11,980	15	11,343	14
1979	5,552	520	9	26,283	473	25,763	464
1980	57,403	6,451	11	18,648	32	12,197	21
1981	35,733	1,746	5	25,401	71	23,655	66
1982	43,455	10,346	24	375	1	9,971-	23-
1983	160,675	5,884	4	1,228	1	4,656-	3-
1984	37,007	516	1	48,478	131	47,962	130
1985	78,642	939	1	1,837	2	898	1
1986	50,404	1,886	4	2,879	6	993	2
1987	39,555	7,433	19	700	2	6,733-	17-
1988	68,927	39,213	57	45,121	65	5,908	9
1989	248,470	48,248	19	12,616	5	35,632-	14-
1990	16,329	2,622	16		0	2,622-	16-
1991	23,928	9,157	38	12,049	50	2,892	12
1992	859,831	11,658	1	86,852	10	75,194	9
1993	29,875	7,811	26		0	7,811-	26-
1994	235,688	47,807	20	50,341	21	2,534	1
1995	84,430	26,455	31		0	26,455-	31-
1996	23,201	5,802	25		0	5,802-	25-
1997	404,294	38,948	10	9,826	2	29,122-	7-
1998	190,691	37,368	20		0	37,368-	20-
1999	176,260	11,040	6		0	11,040-	6-
2000	26,000	18,141	70	480,425		462,284	
2001	22,301	13,475	60		0	13,475-	60-
2002	753,173	42,714	6	3,218	0	39,496-	5-
2003	5,000	7,180	144	3,896	78	3,284-	66-
2004	548,906	22,445	4		0	22,445-	4-
2005	442,464	8,384	2	10,028	2	1,644	0
TOTAL	4,752,579	434,989	9	862,490	18	427,501	9

THREE-YEAR MOVING AVERAGES

76-78	28,128	267	1	7,430	26	7,163	25
77-79	28,365	386	1	13,304	47	12,918	46
78-80	47,399	2,536	5	18,970	40	16,434	35
79-81	32,896	2,906	9	23,444	71	20,538	62
80-82	45,530	6,181	14	14,808	33	8,627	19
81-83	79,954	5,992	7	9,001	11	3,009	4
82-84	80,379	5,582	7	16,694	21	11,112	14
83-85	92,108	2,446	3	17,181	19	14,735	16

NEWFOUNDLAND POWER INC.

ACCOUNT 371.00 - GENERAL - BUILDINGS AND STRUCTURES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
84-86	55,351	1,114	2	17,731	32	16,617	30
85-87	56,200	3,419	6	1,805	3	1,614-	3-
86-88	52,962	16,177	31	16,233	31	56	0
87-89	118,984	31,631	27	19,479	16	12,152-	10-
88-90	111,242	30,028	27	19,246	17	10,782-	10-
89-91	96,242	20,009	21	8,222	9	11,787-	12-
90-92	300,029	7,812	3	32,967	11	25,155	8
91-93	304,545	9,542	3	32,967	11	23,425	8
92-94	375,131	22,425	6	45,731	12	23,306	6
93-95	116,664	27,358	23	16,780	14	10,578-	9-
94-96	114,440	26,688	23	16,780	15	9,908-	9-
95-97	170,642	23,735	14	3,275	2	20,460-	12-
96-98	206,062	27,373	13	3,275	2	24,098-	12-
97-99	257,082	29,119	11	3,275	1	25,844-	10-
98-00	130,984	22,183	17	160,142	122	137,959	105
99-01	74,854	14,219	19	160,142	214	145,923	195
00-02	267,158	24,777	9	161,214	60	136,437	51
01-03	260,158	21,123	8	2,371	1	18,752-	7-
02-04	435,693	24,113	6	2,371	1	21,742-	5-
03-05	332,123	12,670	4	4,641	1	8,029-	2-
FIVE-YEAR AVERAGE							
01-05	354,369	18,840	5	3,428	1	15,412-	4-

NEWFOUNDLAND POWER INC.

ACCOUNT 372.00 - GENERAL - OFFICE EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	6,059		0		0		0
1977	11,310		0		0		0
1978	24,993		0		0		0
1979	3,298		0		0		0
1980	7,807		0		0		0
1981	9,940		0		0		0
1982	4,157		0		0		0
1983	25,914		0		0		0
1984	6,488		0		0		0
1985	4,076		0		0		0
1986	4,712		0		0		0
1987	2,877		0		0		0
1988	12,259		0		0		0
1989	10,569		0		0		0
1990	22,631		0		0		0
1991	32,373		0		0		0
1992	43,262		0		0		0
1993	35,916		0		0		0
1994	5,673		0		0		0
1995	39,246		0	2,264	6	2,264	6
1996	118,269		0	5,719	5	5,719	5
1997	49,152	971	2		0	971-	2-
1998	69,867	503	1		0	503-	1-
1999	9,336		0	31,895	342	31,895	342
2000	22,896		0		0		0
2001	29,746		0		0		0
2002	49,021		0		0		0
2003	79,735		0		0		0
2004	49,011		0		0		0
2005	64,140		0		0		0
TOTAL	854,733	1,474	0	39,878	5	38,404	4

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	14,121		0		0		0
77-79	13,200		0		0		0
78-80	12,033		0		0		0
79-81	7,015		0		0		0
80-82	7,301		0		0		0
81-83	13,337		0		0		0
82-84	12,186		0		0		0
83-85	12,159		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 372.00 - GENERAL - OFFICE EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	5,092		0		0		0
85-87	3,888		0		0		0
86-88	6,616		0		0		0
87-89	8,568		0		0		0
88-90	15,153		0		0		0
89-91	21,858		0		0		0
90-92	32,755		0		0		0
91-93	37,184		0		0		0
92-94	28,284		0		0		0
93-95	26,945		0	755	3	755	3
94-96	54,396		0	2,661	5	2,661	5
95-97	68,889	324	0	2,661	4	2,337	3
96-98	79,096	491	1	1,906	2	1,415	2
97-99	42,785	491	1	10,632	25	10,141	24
98-00	34,033	168	0	10,632	31	10,464	31
99-01	20,659		0	10,632	51	10,632	51
00-02	33,888		0		0		0
01-03	52,834		0		0		0
02-04	59,256		0		0		0
03-05	64,295		0		0		0
FIVE-YEAR AVERAGE							
01-05	54,331		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 373.00 - GENERAL - STORES EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1977	1,804		0		0		0
1978							
1979							
1980							
1981	15,536		0		0		0
1982							
1983							
1984							
1985							
1986	2,829		0		0		0
1987	817		0		0		0
1988	1,652		0		0		0
1989							
1990	2,842		0		0		0
1991							
1992	43,621		0		0		0
1993							
1994	361,625		0		0		0
1995	18,805	46,257	246		0	46,257-	246-
1996							
1997	19,277		0		0		0
1998	3,993		0		0		0
1999	1,479		0		0		0
2000	1,554		0		0		0
2001	5,104		0		0		0
2002	40,173		0		0		0
2003	7,757		0		0		0
2004	11,841		0		0		0
2005	9,561		0		0		0
TOTAL	550,270	46,257	8		0	46,257-	8-

THREE-YEAR MOVING AVERAGES

77-79	601		0		0		0
78-80							
79-81	5,179		0		0		0
80-82	5,179		0		0		0
81-83	5,179		0		0		0
82-84							
83-85							
84-86	943		0		0		0
85-87	1,215		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 373.00 - GENERAL - STORES EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
86-88	1,766	0		0		0	
87-89	823	0		0		0	
88-90	1,498	0		0		0	
89-91	947	0		0		0	
90-92	15,488	0		0		0	
91-93	14,540	0		0		0	
92-94	135,082	0		0		0	
93-95	126,810	15,419	12	0		15,419-	12-
94-96	126,810	15,419	12	0		15,419-	12-
95-97	12,694	15,419	121	0		15,419-	121-
96-98	7,757	0		0		0	
97-99	8,250	0		0		0	
98-00	2,342	0		0		0	
99-01	2,712	0		0		0	
00-02	15,610	0		0		0	
01-03	17,678	0		0		0	
02-04	19,924	0		0		0	
03-05	9,720	0		0		0	
FIVE-YEAR AVERAGE							
01-05	14,887	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 374.00 - GENERAL - SHOP EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1976	6,546	0		0		0	
1977	1,921	0		0		0	
1978							
1979							
1980							
1981							
1982							
1983							
1984							
1985							
1986	18,099	0		0		0	
1987	1,898	0		0		0	
1988	1,441	0		0		0	
1989							
1990	11,943	0		0		0	
1991	567	0		0		0	
1992	4,691	0		0		0	
1993							
1994	679	0		0		0	
1995	884	0		0		0	
1996	831	0		0		0	
1997	672	0		0		0	
1998	7,719	0		0		0	
1999	1,132	0		0		0	
2000	11,919	0		0		0	
2001	1,259	0		0		0	
2002	56,609	0		0		0	
2003	11,341	0		0		0	
2004	8,580	0		0		0	
2005	592	0		0		0	
TOTAL	149,323	0		0		0	

THREE-YEAR MOVING AVERAGES

76-78	2,822	0		0		0	
77-79	640	0		0		0	
78-80							
79-81							
80-82							
81-83							
82-84							
83-85							

NEWFOUNDLAND POWER INC.

ACCOUNT 374.00 - GENERAL - SHOP EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
84-86	6,033		0		0		0
85-87	6,666		0		0		0
86-88	7,146		0		0		0
87-89	1,113		0		0		0
88-90	4,461		0		0		0
89-91	4,170		0		0		0
90-92	5,734		0		0		0
91-93	1,753		0		0		0
92-94	1,790		0		0		0
93-95	521		0		0		0
94-96	798		0		0		0
95-97	796		0		0		0
96-98	3,074		0		0		0
97-99	3,174		0		0		0
98-00	6,923		0		0		0
99-01	4,770		0		0		0
00-02	23,262		0		0		0
01-03	23,070		0		0		0
02-04	25,510		0		0		0
03-05	6,838		0		0		0
FIVE-YEAR AVERAGE							
01-05	15,676		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 375.00 - GENERAL - LABORATORY & TESTING EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1976	799	0		0		0	
1977	21,894	0		0		0	
1978	4,358	0		0		0	
1979	593	0		0		0	
1980							
1981	349	0		0		0	
1982	869	0		0		0	
1983							
1984	15,112	0		0		0	
1985	1,711	0		0		0	
1986	784	0		0		0	
1987	6,920	0		0		0	
1988	6,979	0		0		0	
1989	2,861	0		0		0	
1990							
1991	206	0		0		0	
1992	13,047	0		0		0	
1993	411	0		0		0	
1994	10,531	0		0		0	
1995	43,716	0		0		0	
1996	163	0		0		0	
1997	4,343	0		0		0	
1998	132,205	0		0		0	
1999	33,397	0		0		0	
2000	11,029	0		0		0	
2001	24,229	0		0		0	
2002	19,828	0		0		0	
2003	25,694	0		0		0	
2004	81,976	0		0		0	
2005	27,519	0		0		0	
TOTAL	491,523	0		0		0	

THREE-YEAR MOVING AVERAGES

76-78	9,017	0		0		0	
77-79	8,948	0		0		0	
78-80	1,650	0		0		0	
79-81	314	0		0		0	
80-82	406	0		0		0	
81-83	406	0		0		0	
82-84	5,327	0		0		0	
83-85	5,608	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 375.00 - GENERAL - LABORATORY & TESTING EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
84-86	5,869		0		0		0
85-87	3,138		0		0		0
86-88	4,894		0		0		0
87-89	5,587		0		0		0
88-90	3,280		0		0		0
89-91	1,022		0		0		0
90-92	4,418		0		0		0
91-93	4,555		0		0		0
92-94	7,996		0		0		0
93-95	18,219		0		0		0
94-96	18,137		0		0		0
95-97	16,074		0		0		0
96-98	45,570		0		0		0
97-99	56,648		0		0		0
98-00	58,877		0		0		0
99-01	22,885		0		0		0
00-02	18,362		0		0		0
01-03	23,250		0		0		0
02-04	42,499		0		0		0
03-05	45,063		0		0		0
FIVE-YEAR AVERAGE							
01-05	35,849		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 376.00 - GENERAL - MISCELLANEOUS EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	10,646		0		0		0
1977	33,864		0		0		0
1978	1,804		0		0		0
1979	6,389		0		0		0
1980	10,706		0		0		0
1981	7,255		0		0		0
1982	6,334		0		0		0
1983	20,652		0		0		0
1984	12,257		0		0		0
1985	13,588		0		0		0
1986	3,860		0		0		0
1987	61,081		0		0		0
1988	55,023		0		0		0
1989	12,005		0		0		0
1990	227,110		0		0		0
1991	252,701		0		0		0
1992	242,210		0		0		0
1993	222,935		0		0		0
1994	18,016		0		0		0
1995	206,782		0	1,044	1	1,044	1
1996							
1997	23,703		0		0		0
1998	285,129	769	0		0	769-	0
1999	39,446		0		0		0
2000	71,053		0		0		0
2001	93,210		0		0		0
2002	90,947		0		0		0
2003	105,375		0		0		0
2004	79,961		0		0		0
2005	136,180		0		0		0
TOTAL	2,350,222	769	0	1,044	0	275	0

THREE-YEAR MOVING AVERAGES

76-78	15,438		0		0		0
77-79	14,019		0		0		0
78-80	6,300		0		0		0
79-81	8,117		0		0		0
80-82	8,098		0		0		0
81-83	11,414		0		0		0
82-84	13,081		0		0		0
83-85	15,499		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 376.00 - GENERAL - MISCELLANEOUS EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	9,902		0		0		0
85-87	26,176		0		0		0
86-88	39,988		0		0		0
87-89	42,703		0		0		0
88-90	98,046		0		0		0
89-91	163,939		0		0		0
90-92	240,674		0		0		0
91-93	239,282		0		0		0
92-94	161,054		0		0		0
93-95	149,244		0	348	0	348	0
94-96	74,933		0	348	0	348	0
95-97	76,828		0	348	0	348	0
96-98	102,944	256	0		0	256-	0
97-99	116,093	256	0		0	256-	0
98-00	131,876	256	0		0	256-	0
99-01	67,903		0		0		0
00-02	85,070		0		0		0
01-03	96,511		0		0		0
02-04	92,094		0		0		0
03-05	107,172		0		0		0
FIVE-YEAR AVERAGE							
01-05	101,135		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 377.00 - GENERAL - ENGINEERING EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1977	2,444	0		0		0	
1978	257	0		0		0	
1979							
1980							
1981							
1982							
1983	2,853	0		0		0	
1984	769	0		0		0	
1985	148	0		0		0	
1986							
1987	669	0		0		0	
1988							
1989							
1990							
1991							
1992	1,364	0		0		0	
1993							
1994							
1995							
1996							
1997							
1998	8,212	0		0		0	
1999	6,892	0		0		0	
2000	14,992	0		0		0	
2001	11,256	0		0		0	
2002	10,386	0		0		0	
2003	20,171	0		0		0	
2004	4,845	0		0		0	
2005	28,655	0		0		0	
TOTAL	113,913	0		0		0	

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
77-79	900	0		0		0	
78-80	86	0		0		0	
79-81							
80-82							
81-83	951	0		0		0	
82-84	1,207	0		0		0	
83-85	1,257	0		0		0	
84-86	306	0		0		0	
85-87	272	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 377.00 - GENERAL - ENGINEERING EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
THREE-YEAR MOVING AVERAGES							
86-88	223		0		0		0
87-89	223		0		0		0
88-90							
89-91							
90-92	455		0		0		0
91-93	455		0		0		0
92-94	455		0		0		0
93-95							
94-96							
95-97							
96-98	2,737		0		0		0
97-99	5,035		0		0		0
98-00	10,032		0		0		0
99-01	11,047		0		0		0
00-02	12,211		0		0		0
01-03	13,938		0		0		0
02-04	11,801		0		0		0
03-05	17,890		0		0		0
FIVE-YEAR AVERAGE							
01-05	15,063		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 378.10 - TRANSPORTATION - SEDANS & STATION WAGONS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	124,348		0	23,462	19	23,462	19
1977	110,821		0	13,341	12	13,341	12
1978	81,553		0	10,705	13	10,705	13
1979	81,046		0	12,560	15	12,560	15
1980	127,272		0	22,561	18	22,561	18
1981	186,427	85	0	25,364	14	25,279	14
1982	143,030	413	0	29,964	21	29,551	21
1983	92,917	179	0	11,477	12	11,298	12
1984	176,318	334	0	28,009	16	27,675	16
1985	236,329	409	0	29,849	13	29,440	12
1986	278,509		0	43,119	15	43,119	15
1987	264,368		0	38,802	15	38,802	15
1988	131,896		0	25,453	19	25,453	19
1989	132,471		0	26,845	20	26,845	20
1990	258,032		0	58,540	23	58,540	23
1991	138,611		0	18,505	13	18,505	13
1992	237,337		0	38,718	16	38,718	16
1993	209,555		0	43,080	21	43,080	21
1994	186,032		0	25,416	14	25,416	14
1995	134,171		0	35,456	26	35,456	26
1996	79,572		0	37,371	47	37,371	47
1997	331,874		0	48,576	15	48,576	15
1998	115,250		0	2,784	2	2,784	2
1999	233,791		0	27,162	12	27,162	12
2000	173,104		0	23,236	13	23,236	13
2001	110,313		0	18,771	17	18,771	17
2002	142,814		0	25,124	18	25,124	18
2003	22,785		0	2,556	11	2,556	11
2004	22,230		0	2,187	10	2,187	10
2005	21,466		0	2,187	10	2,187	10
TOTAL	4,584,242	1,420	0	751,180	16	749,760	16

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	105,574		0	15,836	15	15,836	15
77-79	91,140		0	12,202	13	12,202	13
78-80	96,624		0	15,275	16	15,275	16
79-81	131,582	28	0	20,162	15	20,134	15
80-82	152,243	166	0	25,963	17	25,797	17
81-83	140,791	226	0	22,268	16	22,042	16
82-84	137,422	309	0	23,150	17	22,841	17
83-85	168,521	307	0	23,112	14	22,805	14

NEWFOUNDLAND POWER INC.

ACCOUNT 378.10 - TRANSPORTATION - SEDANS & STATION WAGONS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	230,385	248	0	33,659	15	33,411	15
85-87	259,735	136	0	37,257	14	37,121	14
86-88	224,924		0	35,791	16	35,791	16
87-89	176,245		0	30,367	17	30,367	17
88-90	174,133		0	36,946	21	36,946	21
89-91	176,371		0	34,630	20	34,630	20
90-92	211,327		0	38,588	18	38,588	18
91-93	195,168		0	33,434	17	33,434	17
92-94	210,975		0	35,738	17	35,738	17
93-95	176,586		0	34,651	20	34,651	20
94-96	133,258		0	32,748	25	32,748	25
95-97	181,872		0	40,468	22	40,468	22
96-98	175,565		0	29,577	17	29,577	17
97-99	226,972		0	26,174	12	26,174	12
98-00	174,048		0	17,727	10	17,727	10
99-01	172,403		0	23,056	13	23,056	13
00-02	142,077		0	22,377	16	22,377	16
01-03	91,971		0	15,484	17	15,484	17
02-04	62,610		0	9,956	16	9,956	16
03-05	22,160		0	2,310	10	2,310	10
FIVE-YEAR AVERAGE							
01-05	63,922		0	10,165	16	10,165	16

NEWFOUNDLAND POWER INC.

ACCOUNT 378.20 - TRANSPORTATION-PICK-UP TRUCKS, WINDOW VANS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	76,935		0	14,419	19	14,419	19
1977	194,411		0	27,272	14	27,272	14
1978	117,670		0	20,360	17	20,360	17
1979	140,956		0	30,262	21	30,262	21
1980	189,104		0	37,925	20	37,925	20
1981	234,687	167	0	48,049	20	47,882	20
1982	192,122	446	0	34,468	18	34,022	18
1983	152,371	420	0	23,322	15	22,902	15
1984	253,637	559	0	46,893	18	46,334	18
1985	296,407	1,825	1	41,565	14	39,740	13
1986	411,189		0	53,406	13	53,406	13
1987	291,609		0	44,965	15	44,965	15
1988	485,410		0	91,137	19	91,137	19
1989	350,708		0	81,021	23	81,021	23
1990	225,867		0	37,234	16	37,234	16
1991	505,246		0	65,950	13	65,950	13
1992	455,597	61	0	65,336	14	65,275	14
1993	496,798	52	0	81,279	16	81,227	16
1994	592,278	141	0	75,541	13	75,400	13
1995	645,586	242	0	99,820	15	99,578	15
1996	342,615		0	54,438	16	54,438	16
1997	810,668	3,015	0	126,979	16	123,964	15
1998	399,694		0	61,392	15	61,392	15
1999	745,007		0	147,720	20	147,720	20
2000	655,463	336	0	104,561	16	104,225	16
2001	456,416		0	67,984	15	67,984	15
2002	1,042,188		0	143,096	14	143,096	14
2003	707,749		0	244,822	35	244,822	35
2004	558,682		0	112,179	20	112,179	20
2005	1,315,354		0	175,840	13	175,840	13
TOTAL	13,342,424	7,264	0	2,259,235	17	2,251,971	17

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	129,672		0	20,684	16	20,684	16
77-79	151,012		0	25,965	17	25,965	17
78-80	149,243		0	29,516	20	29,516	20
79-81	188,249	56	0	38,745	21	38,689	21
80-82	205,304	204	0	40,147	20	39,943	19
81-83	193,060	344	0	35,280	18	34,936	18
82-84	199,377	475	0	34,894	18	34,419	17
83-85	234,138	935	0	37,260	16	36,325	16

NEWFOUNDLAND POWER INC.

ACCOUNT 378.20 - TRANSPORTATION-PICK-UP TRUCKS, WINDOW VANS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	320,411	795	0	47,288	15	46,493	15
85-87	333,068	608	0	46,645	14	46,037	14
86-88	396,069		0	63,169	16	63,169	16
87-89	375,909		0	72,374	19	72,374	19
88-90	353,995		0	69,797	20	69,797	20
89-91	360,607		0	61,402	17	61,402	17
90-92	395,570	20	0	56,173	14	56,153	14
91-93	485,880	38	0	70,855	15	70,817	15
92-94	514,891	85	0	74,052	14	73,967	14
93-95	578,221	145	0	85,547	15	85,402	15
94-96	526,826	128	0	76,600	15	76,472	15
95-97	599,623	1,086	0	93,746	16	92,660	15
96-98	517,659	1,005	0	80,936	16	79,931	15
97-99	651,790	1,005	0	112,030	17	111,025	17
98-00	600,055	112	0	104,558	17	104,446	17
99-01	618,962	112	0	106,755	17	106,643	17
00-02	718,022	112	0	105,214	15	105,102	15
01-03	735,451		0	151,967	21	151,967	21
02-04	769,540		0	166,699	22	166,699	22
03-05	860,595		0	177,614	21	177,614	21
FIVE-YEAR AVERAGE							
01-05	816,078		0	148,784	18	148,784	18

NEWFOUNDLAND POWER INC.

ACCOUNT 378.30 & 378.4-CAB & CHASSIS/TRUCKS W/ STAKE BODIES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	149,595		0	29,724	20	29,724	20
1977	138,522		0	14,801	11	14,801	11
1978	111,020		0	19,504	18	19,504	18
1979	164,939		0	39,929	24	39,929	24
1980	213,407		0	35,616	17	35,616	17
1981	287,923	118	0	46,910	16	46,792	16
1982	199,377	418	0	32,547	16	32,129	16
1983	182,861	394	0	23,481	13	23,087	13
1984	266,256	416	0	34,328	13	33,912	13
1985	397,684	1,691	0	48,376	12	46,685	12
1986	431,677		0	83,827	19	83,827	19
1987	234,342		0	34,245	15	34,245	15
1988	543,153		0	60,253	11	60,253	11
1989	353,947	702	0	72,535	20	71,833	20
1990	119,715	390	0	23,040	19	22,650	19
1991	567,478	12,953	2	70,266	12	57,313	10
1992	491,105		0	30,464	6	30,464	6
1993	709,026		0	45,489	6	45,489	6
1994	413,730		0	50,740	12	50,740	12
1995	493,263		0	32,606	7	32,606	7
1996	644,052	2,362	0	40,408	6	38,046	6
1997	325,291		0	31,975	10	31,975	10
1998	393,101		0	21,756	6	21,756	6
1999	189,634		0	18,191	10	18,191	10
2000	654,990		0	99,432	15	99,432	15
2001	461,474		0	81,224	18	81,224	18
2002	628,947		0	23,987	4	23,987	4
2003	597,049	2,457	0	60,899	10	58,442	10
2004	714,182		0	31,072	4	31,072	4
2005	818,852		0	35,748	4	35,748	4
TOTAL	11,896,592	21,901	0	1,273,373	11	1,251,472	11

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	133,046		0	21,343	16	21,343	16
77-79	138,160		0	24,745	18	24,745	18
78-80	163,122		0	31,683	19	31,683	19
79-81	222,090	39	0	40,818	18	40,779	18
80-82	233,569	179	0	38,358	16	38,179	16
81-83	223,387	310	0	34,313	15	34,003	15
82-84	216,165	409	0	30,119	14	29,710	14
83-85	282,267	834	0	35,395	13	34,561	12

NEWFOUNDLAND POWER INC.

ACCOUNT 378.30 & 378.4-CAB & CHASSIS/TRUCKS W/ STAKE BODIES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	365,206	702	0	55,510	15	54,808	15
85-87	354,568	564	0	55,483	16	54,919	15
86-88	403,057		0	59,442	15	59,442	15
87-89	377,147	234	0	55,678	15	55,444	15
88-90	338,938	364	0	51,943	15	51,579	15
89-91	347,047	4,682	1	55,280	16	50,598	15
90-92	392,766	4,448	1	41,257	11	36,809	9
91-93	589,203	4,318	1	48,740	8	44,422	8
92-94	537,954		0	42,231	8	42,231	8
93-95	538,673		0	42,945	8	42,945	8
94-96	517,015	787	0	41,251	8	40,464	8
95-97	487,535	787	0	34,996	7	34,209	7
96-98	454,148	787	0	31,380	7	30,593	7
97-99	302,675		0	23,974	8	23,974	8
98-00	412,575		0	46,460	11	46,460	11
99-01	435,366		0	66,282	15	66,282	15
00-02	581,804		0	68,214	12	68,214	12
01-03	562,490	819	0	55,370	10	54,551	10
02-04	646,726	819	0	38,653	6	37,834	6
03-05	710,028	819	0	42,573	6	41,754	6
FIVE-YEAR AVERAGE							
01-05	644,101	491	0	46,586	7	46,095	7

NEWFOUNDLAND POWER INC.

ACCOUNT 378.32 - TRUCKS W/ DERRICKS - EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	33,168	0			0		0
1977	12,009	0			0		0
1978	8,236	0			0		0
1979	41,097	0			0		0
1980	26,170	0			0		0
1981	95,027	0			0		0
1982	56,413	0			0		0
1983	23,078	0			0		0
1984	30,733	0			0		0
1985	151,015	0			0		0
1986	186,209	0			0		0
1987	100,468	0			0		0
1988	64,374	0			0		0
1989	149,461	0			0		0
1990	58,037	0			0		0
1991	186,521	0			0		0
1992	175,061	0			0		0
1993	178,066	0			0		0
1994	354,672	0			0		0
1995	201,836	0		12,830	6	12,830	6
1996	405,228	0		28,623	7	28,623	7
1997	259,544	0		12,849	5	12,849	5
1998	44,746	0			0		0
1999	122,558	0		12,773	10	12,773	10
2000	823,174	0		72,175	9	72,175	9
2001	725,737	0		25,704	4	25,704	4
2002	931,827	0		31,703	3	31,703	3
2003	822,169	0		56,743	7	56,743	7
2004	824,566	0		33,263	4	33,263	4
2005	1,357,316	0		46,704	3	46,704	3
TOTAL	8,448,516	0		333,367	4	333,367	4

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
76-78	17,804	0			0		0
77-79	20,447	0			0		0
78-80	25,168	0			0		0
79-81	54,098	0			0		0
80-82	59,203	0			0		0
81-83	58,173	0			0		0
82-84	36,741	0			0		0
83-85	68,275	0			0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 378.32 - TRUCKS W/ DERRICKS - EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	122,652		0		0		0
85-87	145,897		0		0		0
86-88	117,017		0		0		0
87-89	104,768		0		0		0
88-90	90,624		0		0		0
89-91	131,340		0		0		0
90-92	139,873		0		0		0
91-93	179,883		0		0		0
92-94	235,933		0		0		0
93-95	244,858		0	4,277	2	4,277	2
94-96	320,579		0	13,818	4	13,818	4
95-97	288,869		0	18,101	6	18,101	6
96-98	236,506		0	13,824	6	13,824	6
97-99	142,283		0	8,541	6	8,541	6
98-00	330,159		0	28,316	9	28,316	9
99-01	557,156		0	36,884	7	36,884	7
00-02	826,913		0	43,194	5	43,194	5
01-03	826,578		0	38,050	5	38,050	5
02-04	859,521		0	40,570	5	40,570	5
03-05	1,001,350		0	45,570	5	45,570	5
FIVE-YEAR AVERAGE							
01-05	932,323		0	38,823	4	38,823	4

NEWFOUNDLAND POWER INC.

ACCOUNT 378.50 - TRANSPORTATION - MISCELLANEOUS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1976	6,055		0	4,743	78	4,743	78
1977	7,555		0	652	9	652	9
1978	10,730		0		0		0
1979	5,596		0	1,670	30	1,670	30
1980	9,742		0	3,364	35	3,364	35
1981	10,912	18	0	1,851	17	1,833	17
1982	20,328	80	0	6,505	32	6,425	32
1983	5,165	35	1	2,240	43	2,205	43
1984	34,387	1,180	3	10,802	31	9,622	28
1985	12,169	62	1	3,184	26	3,122	26
1986	40,742		0	6,576	16	6,576	16
1987	51,976		0	8,499	16	8,499	16
1988	47,006		0	4,375	9	4,375	9
1989	127,685		0	16,403	13	16,403	13
1990	37,743		0	9,560	25	9,560	25
1991				584		584	
1992	109,454		0	9,069	8	9,069	8
1993	21,690		0	4,557	21	4,557	21
1994	117,038		0	26,435	23	26,435	23
1995	47,593	48	0	4,513	9	4,465	9
1996	114,131		0	9,103	8	9,103	8
1997	150,730		0	20,605	14	20,605	14
1998	123,183		0	51,349	42	51,349	42
1999	45,848		0	21,811	48	21,811	48
2000	313,095		0	37,477	12	37,477	12
2001	63,382		0	10,698	17	10,698	17
2002	95,134		0	6,939	7	6,939	7
2003	223,072		0	53,327	24	53,327	24
2004	59,431		0	10,228	17	10,228	17
2005	192,846		0	46,314	24	46,314	24
TOTAL	2,104,418	1,423	0	393,433	19	392,010	19

THREE-YEAR MOVING AVERAGES

76-78	8,113		0	1,798	22	1,798	22
77-79	7,960		0	774	10	774	10
78-80	8,689		0	1,678	19	1,678	19
79-81	8,750	6	0	2,295	26	2,289	26
80-82	13,661	33	0	3,907	29	3,874	28
81-83	12,135	44	0	3,532	29	3,488	29
82-84	19,960	432	2	6,516	33	6,084	30
83-85	17,240	426	2	5,409	31	4,983	29

NEWFOUNDLAND POWER INC.

ACCOUNT 378.50 - TRANSPORTATION - MISCELLANEOUS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
84-86	29,099	414	1	6,854	24	6,440	22
85-87	34,962	21	0	6,086	17	6,065	17
86-88	46,575		0	6,483	14	6,483	14
87-89	75,556		0	9,759	13	9,759	13
88-90	70,811		0	10,113	14	10,113	14
89-91	55,143		0	8,849	16	8,849	16
90-92	49,066		0	6,404	13	6,404	13
91-93	43,715		0	4,737	11	4,737	11
92-94	82,727		0	13,354	16	13,354	16
93-95	62,107	16	0	11,835	19	11,819	19
94-96	92,921	16	0	13,350	14	13,334	14
95-97	104,151	16	0	11,407	11	11,391	11
96-98	129,348		0	27,019	21	27,019	21
97-99	106,587		0	31,255	29	31,255	29
98-00	160,709		0	36,879	23	36,879	23
99-01	140,775		0	23,329	17	23,329	17
00-02	157,204		0	18,371	12	18,371	12
01-03	127,196		0	23,655	19	23,655	19
02-04	125,879		0	23,498	19	23,498	19
03-05	158,450		0	36,623	23	36,623	23
FIVE-YEAR AVERAGE							
01-05	126,773		0	25,501	20	25,501	20

NEWFOUNDLAND POWER INC.

ACCOUNT 379.10 - COMPUTERS - HARDWARE

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1990	65,924		0	6,190	9	6,190	9
1991	601,533	78	0	408,149	68	408,071	68
1992	207,639		0		0		0
1993	1,312,610		0		0		0
1994	88,106		0		0		0
1995	244,848		0		0		0
1996	1,970		0		0		0
1997	15,416		0		0		0
1998	4,482,551		0		0		0
1999	156,010	20,561	13		0	20,561-	13-
2000	272,584		0		0		0
2001	672,400		0		0		0
2002	954,370		0		0		0
2003	1,143,373		0		0		0
2004	1,937,522		0		0		0
2005	3,516,884		0		0		0
TOTAL	15,673,740	20,639	0	414,339	3	393,700	3

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
90-92	291,699	26	0	138,113	47	138,087	47
91-93	707,261	26	0	136,050	19	136,024	19
92-94	536,118		0		0		0
93-95	548,521		0		0		0
94-96	111,641		0		0		0
95-97	87,411		0		0		0
96-98	1,499,979		0		0		0
97-99	1,551,326	6,854	0		0	6,854-	0
98-00	1,637,048	6,854	0		0	6,854-	0
99-01	366,998	6,854	2		0	6,854-	2-
00-02	633,118		0		0		0
01-03	923,381		0		0		0
02-04	1,345,088		0		0		0
03-05	2,199,260		0		0		0

FIVE-YEAR AVERAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
01-05	1,644,910		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 379.20 - COMPUTERS - SOFTWARE

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1998	881,413		0		0		0
1999	642,806	13,708	2		0	13,708-	2-
2000	757,875		0		0		0
2001	4,140,680		0		0		0
2002	4,418,441		0		0		0
2003	1,995,983		0		0		0
2004	2,416,854		0		0		0
2005	706,475		0		0		0
TOTAL	15,960,527	13,708	0		0	13,708-	0
THREE-YEAR MOVING AVERAGES							
98-00	760,698	4,569	1		0	4,569-	1-
99-01	1,847,120	4,569	0		0	4,569-	0
00-02	3,105,665		0		0		0
01-03	3,518,368		0		0		0
02-04	2,943,759		0		0		0
03-05	1,706,437		0		0		0
FIVE-YEAR AVERAGE							
01-05	2,735,687		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 381.00 - MOBILE RADIOS

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1991	2,072	0		0		0	
1992							
1993							
1994							
1995							
1996							
1997	3,512	0		0		0	
1998	213,350	0		0		0	
1999	15,046	0		0		0	
2000	666	0		0		0	
2001	489,241	0		0		0	
2002	150,613	0		0		0	
2003	24,182	0		0		0	
2004	813,528	0		0		0	
2005	122,519	0		0		0	
TOTAL	1,834,729	0		0		0	

THREE-YEAR MOVING AVERAGES

91-93	691	0		0		0	
92-94							
93-95							
94-96							
95-97	1,171	0		0		0	
96-98	72,287	0		0		0	
97-99	77,303	0		0		0	
98-00	76,354	0		0		0	
99-01	168,318	0		0		0	
00-02	213,507	0		0		0	
01-03	221,345	0		0		0	
02-04	329,441	0		0		0	
03-05	320,076	0		0		0	

FIVE-YEAR AVERAGE

01-05	320,017	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 382.00 - RADIO SITES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1977	4,562		0		0		0
1978							
1979							
1980							
1981							
1982							
1983							
1984	53,582		0		0		0
1985							
1986		916				916-	
1987		2,761		2,712		49-	
1988							
1989	42,807		0	232	1	232	1
1990							
1991							
1992		2,520		1,850		670-	
1993		445		634		189	
1994							
1995	8,982		0		0		0
1996							
1997							
1998							
1999							
2000		222				222-	
2001	4,699		0		0		0
2002	10,286		0		0		0
2003							
2004							
2005							
TOTAL	124,918	6,864	5	5,428	4	1,436-	1-

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
77-79	1,521		0		0		0
78-80							
79-81							
80-82							
81-83							
82-84	17,861		0		0		0
83-85	17,861		0		0		0
84-86	17,861	305	2		0	305-	2-
85-87		1,226		904		322-	

NEWFOUNDLAND POWER INC.

ACCOUNT 382.00 - RADIO SITES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
THREE-YEAR MOVING AVERAGES							
86-88		1,226		904		322-	
87-89	14,269	920	6	981	7	61	0
88-90	14,269		0	77	1	77	1
89-91	14,269		0	77	1	77	1
90-92		840		617		223-	
91-93		988		828		160-	
92-94		988		828		160-	
93-95	2,994	148	5	211	7	63	2
94-96	2,994		0		0		0
95-97	2,994		0		0		0
96-98							
97-99							
98-00		74				74-	
99-01	1,566	74	5		0	74-	5-
00-02	4,995	74	1		0	74-	1-
01-03	4,995		0		0		0
02-04	3,429		0		0		0
03-05							
FIVE-YEAR AVERAGE							
01-05	2,997		0		0		0

NEWFOUNDLAND POWER INC.

ACCOUNT 383.00 - RADIO EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1996	1,748	0		0		0	
1997							
1998	174,865	0		0		0	
1999	173,650	0		0		0	
2000	17,819	0		0		0	
2001	778,059	0		0		0	
2002	35,664	0		0		0	
2003	19,897	0		0		0	
2004	281,956	0		0		0	
2005	91,883	0		0		0	
TOTAL	1,575,541	0		0		0	

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
96-98	58,871	0		0		0	
97-99	116,172	0		0		0	
98-00	122,111	0		0		0	
99-01	323,176	0		0		0	
00-02	277,181	0		0		0	
01-03	277,873	0		0		0	
02-04	112,506	0		0		0	
03-05	131,245	0		0		0	

FIVE-YEAR AVERAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
01-05	241,492	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 384.00 - COMMUNICATION CABLES

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1990	379		0		0		0
1991							
1992							
1993							
1994							
1995		629				629-	
1996		5,398		220		5,178-	
1997							
1998	95,974		0		0		0
1999	24,573	11,599	47		0	11,599-	47-
2000							
2001							
2002	398,614	42,493	11		0	42,493-	11-
2003	336,135		0		0		0
2004	13,313	184	1		0	184-	1-
2005	5,964		0		0		0
TOTAL	874,952	60,303	7	220	0	60,083-	7-

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
90-92	126		0		0		0
91-93							
92-94							
93-95		210				210-	
94-96		2,009		73		1,936-	
95-97		2,009		73		1,936-	
96-98	31,991	1,799	6	73	0	1,726-	5-
97-99	40,182	3,866	10		0	3,866-	10-
98-00	40,182	3,866	10		0	3,866-	10-
99-01	8,191	3,866	47		0	3,866-	47-
00-02	132,871	14,164	11		0	14,164-	11-
01-03	244,916	14,164	6		0	14,164-	6-
02-04	249,354	14,226	6		0	14,226-	6-
03-05	118,471	61	0		0	61-	0

FIVE-YEAR AVERAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
01-05	150,805	8,535	6		0	8,535-	6-

NEWFOUNDLAND POWER INC.

ACCOUNT 386.00 - SCADA EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
1994	168,116	5,156	3		0	5,156-	3-
1995	131,945		0		0		0
1996	624		0		0		0
1997	1,858,202		0		0		0
1998	41,691		0		0		0
1999	390,626	15,843	4		0	15,843-	4-
2000	3,852,189	35,852	1		0	35,852-	1-
2001		7,580				7,580-	
2002	693,798	403	0		0	403-	0
2003							
2004	53,493		0		0		0
2005	2,681		0		0		0
TOTAL	7,193,365	64,834	1		0	64,834-	1-

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
94-96	100,228	1,719	2		0	1,719-	2-
95-97	663,590		0		0		0
96-98	633,506		0		0		0
97-99	763,506	5,281	1		0	5,281-	1-
98-00	1,428,169	17,232	1		0	17,232-	1-
99-01	1,414,272	19,758	1		0	19,758-	1-
00-02	1,515,329	14,612	1		0	14,612-	1-
01-03	231,266	2,661	1		0	2,661-	1-
02-04	249,097	134	0		0	134-	0
03-05	18,725		0		0		0

FIVE-YEAR AVERAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
01-05	149,994	1,597	1		0	1,597-	1-

NEWFOUNDLAND POWER INC.

ACCOUNT 389.10 - TELEPHONE AND DATA COLLECTION EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1998	124,292	3,520	3		0	3,520-	3-
1999		137				137-	
2000	533,547	12,538	2	23,402	4	10,864	2
2001	12,511	138	1		0	138-	1-
2002	48,074		0		0		0
2003							
2004	593,526		0		0		0
2005	93,477	22,263	24		0	22,263-	24-
TOTAL	1,405,427	38,596	3	23,402	2	15,194-	1-

THREE-YEAR MOVING AVERAGES

98-00	219,280	5,398	2	7,801	4	2,403	1
99-01	182,019	4,271	2	7,801	4	3,530	2
00-02	198,044	4,225	2	7,801	4	3,576	2
01-03	20,195	46	0		0	46-	0
02-04	213,867		0		0		0
03-05	229,001	7,421	3		0	7,421-	3-

FIVE-YEAR AVERAGE

01-05	149,518	4,480	3		0	4,480-	3-

NEWFOUNDLAND POWER INC.

ACCOUNT 390.00 - COMMUNICATIONS - POWER LINE CARRIER

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
2001	124,789	0		0		0	
2002	7,414	0		0		0	
2003							
2004	39,695	0		0		0	
2005							
TOTAL	171,898	0		0		0	

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
01-03	44,068	0		0		0	
02-04	15,703	0		0		0	
03-05	13,232	0		0		0	

FIVE-YEAR AVERAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	COST OF REMOVAL PCT	GROSS SALVAGE AMOUNT	GROSS SALVAGE PCT	NET SALVAGE AMOUNT	NET SALVAGE PCT
01-05	34,380	0		0		0	

NEWFOUNDLAND POWER INC.

ACCOUNT 391.00 - COMMUNICATIONS - TEST EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
1995	8,355		0		0		0
1996	1,625		0		0		0
1997							
1998	36,301		0		0		0
1999							
2000							
2001							
2002	9,826		0		0		0
2003							
2004							
2005							
TOTAL	56,107		0		0		0

THREE-YEAR MOVING AVERAGES

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
95-97	3,327		0		0		0
96-98	12,642		0		0		0
97-99	12,100		0		0		0
98-00	12,100		0		0		0
99-01							
00-02	3,275		0		0		0
01-03	3,275		0		0		0
02-04	3,275		0		0		0
03-05							

FIVE-YEAR AVERAGE

YEAR	RETIREMENTS	COST OF REMOVAL AMOUNT	PCT	GROSS SALVAGE AMOUNT	PCT	NET SALVAGE AMOUNT	PCT
01-05	1,965		0		0		0

APPENDIX C — DETAILED DEPRECIATION CALCULATIONS

NEWFOUNDLAND POWER INC.

ACCOUNT 320.00 - LAND AND LAND CLEARING

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 75-R2.5					
NET SALVAGE PERCENT.. 0					
1924	12,170.00	1.05	127.79	.8558	10,415
1928	160.00	1.08	1.73	.8370	134
1930	250.00	1.09	2.73	.8230	206
1931	1,087.00	1.10	11.96	.8195	891
1932	3,626.00	1.11	40.25	.8159	2,958
1941	15,399.00	1.17	180.17	.7547	11,622
1943	9,075.00	1.18	107.09	.7375	6,693
1944	201.00	1.19	2.39	.7319	147
1946	1,610.00	1.20	19.32	.7140	1,150
1949	3,200.00	1.22	39.04	.6893	2,206
1951	11,452.00	1.24	142.00	.6758	7,739
1952	378.00	1.24	4.69	.6634	251
1954	55,986.00	1.26	705.42	.6489	36,329
1956	2,920.00	1.27	37.08	.6287	1,836
1957	3,055.00	1.28	39.10	.6208	1,897
1959	21,557.00	1.29	278.09	.5999	12,932
1963	74,052.00	1.32	977.49	.5610	41,543
1981	142.00	1.44	2.04	.3528	50
1982	3,200.00	1.44	46.08	.3384	1,083
1983	113,058.00	1.45	1,639.34	.3263	36,891
1984	132,423.00	1.46	1,933.38	.3139	41,568
1985	66,452.00	1.47	976.84	.3014	20,029
1986	45,935.00	1.47	675.24	.2867	13,170
1987	7,746.00	1.48	114.64	.2738	2,121
1997	217,657.62	1.57	3,417.22	.1335	29,057
1999	109,120.00	1.60	1,745.92	.1040	11,348
2001	42,373.42	1.63	690.69	.0734	3,110
2002	4,806.01	1.65	79.30	.0578	278
2003	34,601.78	1.68	581.31	.0420	1,453
TOTAL	993,692.83		14,618.34		299,107

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 1.47

NEWFOUNDLAND POWER INC.

ACCOUNT 321.00 - ROADS, TRAILS, AND BRIDGES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 55-R3					
NET SALVAGE PERCENT.. -10					
1924	34,107.00	1.19	405.87	.9699	33,080
1928	17,327.00	1.23	213.12	.9533	16,518
1931	33,287.00	1.27	422.74	.9462	31,496
1935	3,800.00	1.32	50.16	.9306	3,536
1941	27,250.00	1.40	381.50	.9030	24,607
1942	11,211.00	1.41	158.08	.8954	10,038
1943	32,103.00	1.43	459.07	.8938	28,694
1946	5,310.00	1.47	78.06	.8747	4,645
1948	8,087.00	1.50	121.31	.8625	6,975
1951	6,542.00	1.54	100.75	.8393	5,491
1952	33,656.00	1.55	521.67	.8293	27,911
1953	35,883.00	1.57	563.36	.8243	29,578
1954	111,427.00	1.58	1,760.55	.8137	90,668
1955	33,828.00	1.59	537.87	.8030	27,164
1956	20,400.00	1.61	328.44	.7970	16,259
1957	11,282.00	1.62	182.77	.7857	8,864
1958	40,980.00	1.63	667.97	.7743	31,731
1959	89,346.00	1.64	1,465.27	.7626	68,135
1960	1,647.00	1.66	27.34	.7553	1,244
1963	86,893.08	1.69	1,468.49	.7183	62,415
1964	1,515.00	1.70	25.76	.7055	1,069
1966	1,956.00	1.73	33.84	.6834	1,337
1971	1,905.00	1.78	33.91	.6141	1,170
1973	56,816.00	1.81	1,028.37	.5883	33,425
1980	10,075.00	1.88	189.41	.4794	4,830
1982	3,208.00	1.90	60.95	.4465	1,432
1983	77,923.00	1.91	1,488.33	.4298	33,491
1985	5,610.00	1.93	108.27	.3957	2,220
1986	16,513.00	1.94	320.35	.3783	6,247
1987	49,831.00	1.95	971.70	.3608	17,979
1989	19,036.00	1.96	373.11	.3234	6,156
1991	3,865.00	1.98	76.53	.2871	1,110
1992	116,203.00	1.99	2,312.44	.2687	31,224
1993	11,715.00	2.00	234.30	.2500	2,929
1997	501,742.38	2.03	10,185.37	.1726	86,601
1998	804,952.24	2.04	16,421.03	.1530	123,158
2000	92,817.00	2.06	1,912.03	.1133	10,516

NEWFOUNDLAND POWER INC.

ACCOUNT 321.00 - ROADS, TRAILS, AND BRIDGES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 55-R3					
NET SALVAGE PERCENT.. -10					
2002	31,053.63	2.08	645.92	.0728	2,261
2003	192,895.38	2.09	4,031.51	.0523	10,088
2004	45,419.90	2.11	958.36	.0317	1,440
2005	44,374.00	2.15	954.04	.0108	479
			52,279.92		908,211
NET SALVAGE ADJUSTMENT			5,227.99		90,821
TOTAL	2,733,791.61		57,507.91		999,032

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.10

NEWFOUNDLAND POWER INC.

ACCOUNT 322.00 - BUILDINGS AND STRUCTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 75-R2.5					
NET SALVAGE PERCENT.. -20					
1904	15,500.00	0.91	141.05	.9237	14,317
1917	18,139.00	1.00	181.39	.8850	16,053
1921	6,011.00	1.03	61.91	.8704	5,232
1923	44,920.00	1.04	467.17	.8580	38,541
1924	186,313.00	1.05	1,956.29	.8558	159,447
1929	16,500.00	1.08	178.20	.8262	13,632
1931	80,182.00	1.10	882.00	.8195	65,709
1932	16,251.00	1.11	180.39	.8159	13,259
1937	666.00	1.14	7.59	.7809	520
1941	186,037.00	1.17	2,176.63	.7547	140,402
1942	10,250.00	1.18	120.95	.7493	7,680
1943	11,700.00	1.18	138.06	.7375	8,629
1945	414.00	1.20	4.97	.7260	301
1946	53,910.00	1.20	646.92	.7140	38,492
1951	99,832.00	1.24	1,237.92	.6758	67,466
1954	299,434.00	1.26	3,772.87	.6489	194,303
1956	89,200.00	1.27	1,132.84	.6287	56,080
1957	136,773.00	1.28	1,750.69	.6208	84,909
1958	86,398.00	1.28	1,105.89	.6080	52,530
1959	472,517.00	1.29	6,095.47	.5999	283,463
1960	2,430.00	1.30	31.59	.5915	1,437
1961	432.00	1.30	5.62	.5785	250
1962	1,656.00	1.31	21.69	.5699	944
1963	109,742.00	1.32	1,448.59	.5610	61,565
1964	59,451.00	1.32	784.75	.5478	32,567
1965	2,590.00	1.33	34.45	.5387	1,395
1966	125.00	1.34	1.68	.5293	66
1968	591.00	1.35	7.98	.5063	299
1970	895.00	1.36	12.17	.4828	432
1972	1,214.00	1.38	16.75	.4623	561
1973	0.47	1.38	0.01	.4485	
1974	5,563.00	1.39	77.33	.4379	2,436
1975	7,490.00	1.40	104.86	.4270	3,198
1976	2,591.00	1.40	36.27	.4130	1,070
1977	6,955.00	1.41	98.07	.4019	2,795
1978	5,181.00	1.42	73.57	.3905	2,023
1979	42,005.00	1.42	596.47	.3763	15,806

NEWFOUNDLAND POWER INC.

ACCOUNT 322.00 - BUILDINGS AND STRUCTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 75-R2.5					
NET SALVAGE PERCENT.. -20					
1980	81,224.00	1.43	1,161.50	.3647	29,622
1981	84,072.00	1.44	1,210.64	.3528	29,661
1982	54,968.00	1.44	791.54	.3384	18,601
1983	674,300.00	1.45	9,777.35	.3263	220,024
1984	241,978.41	1.46	3,532.88	.3139	75,957
1985	48,285.00	1.47	709.79	.3014	14,553
1986	58,401.00	1.47	858.49	.2867	16,744
1987	34,542.82	1.48	511.23	.2738	9,458
1988	70,912.00	1.49	1,056.59	.2608	18,494
1989	4,664.00	1.50	69.96	.2475	1,154
1990	27,709.00	1.51	418.41	.2341	6,487
1991	73,686.00	1.51	1,112.66	.2190	16,137
1994	1,108.00	1.54	17.06	.1771	196
1995	4,883.00	1.55	75.69	.1628	795
1996	27,970.00	1.56	436.33	.1482	4,145
1998	1,716,292.83	1.59	27,289.06	.1193	204,754
1999	44,329.00	1.60	709.26	.1040	4,610
2000	384,426.08	1.61	6,189.26	.0886	34,060
2001	126,448.13	1.63	2,061.10	.0734	9,281
2002	187,709.26	1.65	3,097.20	.0578	10,850
2003	285,670.79	1.68	4,799.27	.0420	11,998
2004	148,445.56	1.72	2,553.26	.0258	3,830
2005	69,777.00	1.82	1,269.94	.0091	635
			95,299.52		2,129,855
NET SALVAGE ADJUSTMENT			19,059.90		425,971
TOTAL	6,531,660.35		114,359.42		2,555,826

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 1.75

NEWFOUNDLAND POWER INC.

ACCOUNT 323.00 - CANALS, PENSTOCKS, SURGE TANKS,& TAILRACES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 60-L2.5
NET SALVAGE PERCENT.. -20

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1913	33,500.00	0.95	318.25	.8788	29,440
1917	29,076.00	0.98	284.94	.8673	25,218
1920	2,400.00	1.01	24.24	.8636	2,073
1924	61,025.00	1.04	634.66	.8476	51,725
1930	6,922.00	1.10	76.14	.8305	5,749
1931	89,020.00	1.11	988.12	.8270	73,620
1932	1,504.00	1.12	16.84	.8232	1,238
1933	1,270.00	1.13	14.35	.8193	1,041
1934	13,454.00	1.14	153.38	.8151	10,966
1937	384.00	1.17	4.49	.8015	308
1941	258,530.00	1.22	3,154.07	.7869	203,437
1942	89,090.00	1.24	1,104.72	.7874	70,149
1943	280,700.00	1.25	3,508.75	.7813	219,311
1946	81,250.00	1.29	1,048.13	.7676	62,368
1948	182,823.00	1.33	2,431.55	.7648	139,823
1950	13,840.00	1.36	188.22	.7548	10,446
1951	297,377.00	1.37	4,074.06	.7467	222,051
1952	34,414.00	1.39	478.35	.7437	25,594
1953	8,220.00	1.41	115.90	.7403	6,085
1954	913,294.00	1.43	13,060.10	.7365	672,641
1956	367,851.00	1.46	5,370.62	.7227	265,846
1957	6,861.00	1.48	101.54	.7178	4,925
1958	143,625.00	1.49	2,140.01	.7078	101,658
1959	1,554,571.00	1.51	23,474.02	.7022	1,091,620
1960	8,711.00	1.53	133.28	.6962	6,065
1961	1,183.00	1.55	18.34	.6898	816
1963	486,719.00	1.58	7,690.16	.6715	326,832
1964	3,977.00	1.60	63.63	.6640	2,641
1965	685,769.00	1.62	11,109.46	.6561	449,933
1970	942.00	1.69	15.92	.6000	565
1974	1,663.00	1.75	29.10	.5513	917
1978	9,317.00	1.80	167.71	.4950	4,612
1979	518,042.00	1.82	9,428.36	.4823	249,852
1980	107,100.00	1.83	1,959.93	.4667	49,984
1981	2,328,337.00	1.84	42,841.40	.4508	1,049,614
1983	889,708.00	1.86	16,548.57	.4185	372,343
1984	576,127.00	1.87	10,773.57	.4021	231,661

NEWFOUNDLAND POWER INC.

ACCOUNT 323.00 - CANALS, PENSTOCKS, SURGE TANKS,& TAILRACES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 60-L2.5					
NET SALVAGE PERCENT.. -20					
1985	1,989,658.00	1.88	37,405.57	.3854	766,814
1986	256,621.00	1.89	4,850.14	.3686	94,591
1987	936,890.00	1.90	17,800.91	.3515	329,317
1989	1,951,498.00	1.91	37,273.61	.3152	615,112
1990	3,109,126.00	1.92	59,695.22	.2976	925,276
1991	636,862.00	1.93	12,291.44	.2799	178,258
1993	211,827.00	1.95	4,130.63	.2438	51,643
1994	16,587.00	1.95	323.45	.2243	3,720
1995	60,173.00	1.96	1,179.39	.2058	12,384
1996	205,720.00	1.97	4,052.68	.1872	38,511
1997	28,379.00	1.97	559.07	.1675	4,753
1998	3,288,480.81	1.98	65,111.92	.1485	488,339
1999	5,339,055.73	1.98	105,713.30	.1287	687,136
2000	3,465,285.39	1.99	68,959.18	.1095	379,449
2001	2,591,410.79	1.99	51,569.07	.0896	232,190
2002	2,565,612.75	1.99	51,055.69	.0697	178,823
2003	1,538,386.18	1.99	30,613.88	.0498	76,612
2004	2,444,908.09	2.00	48,898.16	.0300	73,347
2005	87,191.00	2.00	1,743.82	.0100	872
			766,772.01		11,180,314
NET SALVAGE ADJUSTMENT			153,354.40		2,236,063
TOTAL	40,812,267.74		920,126.41		13,416,377

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.25

NEWFOUNDLAND POWER INC.

ACCOUNT 324.00 - DAMS AND RESERVOIRS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 70-S0.5					
NET SALVAGE PERCENT.. -20					
1904	22,000.00	0.88	193.60	.8932	19,650
1917	7,356.00	0.95	69.88	.8408	6,185
1918	20,019.00	0.96	192.18	.8400	16,816
1920	13,548.00	0.97	131.42	.8294	11,237
1921	23,656.00	0.98	231.83	.8281	19,590
1924	154,755.00	1.00	1,547.55	.8150	126,125
1928	63,145.00	1.03	650.39	.7983	50,409
1929	88,318.00	1.03	909.68	.7880	69,595
1931	281,981.00	1.05	2,960.80	.7823	220,594
1932	5,606.00	1.06	59.42	.7791	4,368
1934	14,650.00	1.07	156.76	.7651	11,209
1937	78,579.00	1.09	856.51	.7467	58,675
1940	1,880.00	1.12	21.06	.7336	1,379
1941	252,106.00	1.13	2,848.80	.7289	183,760
1942	42,500.00	1.14	484.50	.7239	30,766
1943	198,990.00	1.15	2,288.39	.7188	143,034
1944	157,200.00	1.15	1,807.80	.7073	111,188
1946	66,700.00	1.17	780.39	.6962	46,437
1948	4,300.00	1.19	51.17	.6843	2,942
1950	919.00	1.21	11.12	.6716	617
1951	140,700.00	1.22	1,716.54	.6649	93,551
1952	41,706.00	1.23	512.98	.6581	27,447
1953	417.00	1.24	5.17	.6510	271
1954	1,075,312.08	1.25	13,441.40	.6438	692,286
1955	7,906.00	1.26	99.62	.6363	5,031
1956	359,761.00	1.27	4,568.96	.6287	226,182
1957	986,230.00	1.28	12,623.74	.6208	612,252
1959	914,777.00	1.30	11,892.10	.6045	552,983
1960	2,603.00	1.31	34.10	.5961	1,552
1961	5,120.00	1.32	67.58	.5874	3,007
1962	76,665.00	1.34	1,027.31	.5829	44,688
1963	536,790.00	1.35	7,246.67	.5738	308,010
1964	50,801.00	1.36	690.89	.5644	28,672
1965	51,717.61	1.37	708.53	.5549	28,698
1966	591.00	1.38	8.16	.5451	322
1971	8,230.00	1.45	119.34	.5003	4,117
1972	1,219.00	1.46	17.80	.4891	596

NEWFOUNDLAND POWER INC.

ACCOUNT 324.00 - DAMS AND RESERVOIRS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 70-S0.5					
NET SALVAGE PERCENT.. -20					
1973	8,965.00	1.47	131.79	.4778	4,283
1975	4,625.00	1.50	69.38	.4575	2,116
1978	123,887.00	1.54	1,907.86	.4235	52,466
1979	87,087.00	1.56	1,358.56	.4134	36,002
1980	280,280.00	1.57	4,400.40	.4004	112,224
1981	226,777.00	1.59	3,605.75	.3896	88,352
1982	1,224,430.19	1.60	19,590.88	.3760	460,386
1983	698,576.49	1.62	11,316.94	.3645	254,631
1984	413,469.00	1.63	6,739.54	.3505	144,921
1985	462,871.00	1.65	7,637.37	.3383	156,589
1986	485,415.00	1.67	8,106.43	.3257	158,100
1987	534,895.00	1.68	8,986.24	.3108	166,245
1988	607,044.00	1.70	10,319.75	.2975	180,596
1989	594,345.00	1.72	10,222.73	.2838	168,675
1990	457,337.00	1.73	7,911.93	.2682	122,658
1991	44,657.00	1.75	781.50	.2538	11,334
1992	2,483,357.00	1.77	43,955.42	.2390	593,522
1993	746,485.00	1.79	13,362.08	.2238	167,063
1994	714,966.00	1.81	12,940.88	.2082	148,856
1995	1,478,542.00	1.83	27,057.32	.1922	284,176
1996	579,243.00	1.85	10,716.00	.1758	101,831
1997	332,675.00	1.87	6,221.02	.1590	52,895
1998	4,558,780.99	1.89	86,160.96	.1418	646,435
1999	1,447,915.00	1.91	27,655.18	.1242	179,831
2000	676,869.87	1.93	13,063.59	.1062	71,884
2001	312,976.00	1.96	6,134.33	.0882	27,604
2002	90,218.50	1.98	1,786.33	.0693	6,252
2003	519,530.64	2.01	10,442.57	.0503	26,132
2004	297,776.38	2.04	6,074.64	.0306	9,112
2005	800,690.00	2.08	16,654.35	.0104	8,327
			456,345.86		8,207,739
NET SALVAGE ADJUSTMENT			91,269.17		1,641,548
TOTAL	27,053,439.75		547,615.03		9,849,287

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.02

NEWFOUNDLAND POWER INC.

ACCOUNT 325.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 70-R2
NET SALVAGE PERCENT.. -20

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1651	9,074.00-			1.0000	9,074-
1900	417,584.00	0.89	3,716.50	.9390	392,111
1907	11,910.00	0.94	111.95	.9259	11,027
1910	66,482.00	0.95	631.58	.9073	60,319
1913	25,718.00	0.98	252.04	.9065	23,313
1917	61,620.00	1.00	616.20	.8850	54,534
1924	208,018.00	1.05	2,184.19	.8558	178,022
1931	92,329.00	1.11	1,024.85	.8270	76,356
1932	34,600.00	1.11	384.06	.8159	28,230
1939	31,532.00	1.17	368.92	.7781	24,535
1941	364,035.00	1.18	4,295.61	.7611	277,067
1942	45,590.00	1.19	542.52	.7557	34,452
1950	896.00	1.26	11.29	.6993	627
1951	293,461.00	1.26	3,697.61	.6867	201,520
1952	193.00	1.27	2.45	.6795	131
1954	463,575.00	1.29	5,980.12	.6644	307,999
1956	100,600.00	1.31	1,317.86	.6485	65,239
1957	148,465.00	1.31	1,944.89	.6354	94,335
1958	123,700.00	1.32	1,632.84	.6270	77,560
1959	1,033,020.00	1.33	13,739.17	.6185	638,923
1960	8,240.00	1.34	110.42	.6097	5,024
1961	3,145.00	1.35	42.46	.6008	1,890
1962	104,839.00	1.36	1,425.81	.5916	62,023
1963	457,088.00	1.36	6,216.40	.5780	264,197
1964	1,753.00	1.37	24.02	.5686	997
1965	15,697.00	1.38	216.62	.5589	8,773
1966	74.00	1.39	1.03	.5491	41
1967	33,468.00	1.40	468.55	.5390	18,039
1968	118.00	1.41	1.66	.5288	62
1969	22,454.00	1.42	318.85	.5183	11,638
1970	110,246.00	1.43	1,576.52	.5077	55,972
1971	8,764.00	1.43	125.33	.4934	4,324
1972	11,592.00	1.44	166.92	.4824	5,592
1974	21,879.00	1.46	319.43	.4599	10,062
1976	6,305.00	1.48	93.31	.4366	2,753
1977	18,992.00	1.49	282.98	.4247	8,066
1979	73,486.48	1.51	1,109.65	.4002	29,409

NEWFOUNDLAND POWER INC.

ACCOUNT 325.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 70-R2					
NET SALVAGE PERCENT.. -20					
1980	386,899.00	1.52	5,880.86	.3876	149,962
1982	98,289.00	1.54	1,513.65	.3619	35,571
1983	2,318,235.00	1.55	35,932.64	.3488	808,600
1984	1,404,765.00	1.56	21,914.33	.3354	471,158
1985	540,729.94	1.58	8,543.53	.3239	175,142
1986	2,191,099.00	1.59	34,838.47	.3101	679,460
1987	326,759.00	1.60	5,228.14	.2960	96,721
1988	84,170.00	1.61	1,355.14	.2818	23,719
1989	24,329.00	1.62	394.13	.2673	6,503
1990	427,508.00	1.64	7,011.13	.2542	108,673
1991	303,852.00	1.65	5,013.56	.2393	72,712
1992	204,682.00	1.66	3,397.72	.2241	45,869
1993	155,210.00	1.68	2,607.53	.2100	32,594
1994	792,774.00	1.69	13,397.88	.1944	154,115
1995	210,531.00	1.71	3,600.08	.1796	37,811
1996	873,735.00	1.73	15,115.62	.1644	143,642
1997	992,775.00	1.75	17,373.56	.1488	147,725
1998	3,041,677.23	1.77	53,837.69	.1328	403,935
1999	971,484.04	1.79	17,389.56	.1164	113,081
2000	412,693.39	1.82	7,511.02	.1001	41,311
2001	92,477.67	1.85	1,710.84	.0833	7,703
2002	1,290,841.47	1.89	24,396.90	.0662	85,454
2003	1,497,140.82	1.94	29,044.53	.0485	72,611
2004	1,406,394.17	2.01	28,268.52	.0302	42,473
2005	1,344,242.00	2.20	29,573.32	.0110	14,787
			429,804.96		6,997,420
NET SALVAGE ADJUSTMENT			85,960.99		1,399,484
TOTAL	25,805,687.21		515,765.95		8,396,904

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.00

NEWFOUNDLAND POWER INC.

ACCOUNT 326.00 - SWITCHING, METERING AND CONTROL EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 45-S0.5
NET SALVAGE PERCENT.. -20

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1931	1,107.00	1.26	13.95	.9387	1,039
1941	2,415.00	1.38	33.33	.8901	2,150
1950	116.00	1.50	1.74	.8325	97
1951	27,692.00	1.52	420.92	.8284	22,940
1953	211.00	1.55	3.27	.8138	172
1954	109,352.00	1.57	1,716.83	.8086	88,422
1956	39,870.00	1.60	637.92	.7920	31,577
1957	26,062.00	1.62	422.20	.7857	20,477
1958	940.00	1.64	15.42	.7790	732
1959	185,784.00	1.66	3,084.01	.7719	143,407
1960	1,517.00	1.68	25.49	.7644	1,160
1961	180.00	1.69	3.04	.7521	135
1962	22,360.00	1.71	382.36	.7439	16,634
1963	71,642.00	1.73	1,239.41	.7353	52,678
1964	489.00	1.75	8.56	.7263	355
1965	12,450.00	1.77	220.37	.7169	8,925
1968	331.00	1.84	6.09	.6900	228
1970	799.55	1.89	15.11	.6710	536
1971	3,017.00	1.91	57.62	.6590	1,988
1972	109,130.00	1.93	2,106.21	.6466	70,563
1973	7,319.00	1.96	143.45	.6370	4,662
1975	2,711.53	2.01	54.50	.6131	1,662
1977	236,765.00	2.06	4,877.36	.5871	139,005
1978	158,374.00	2.09	3,310.02	.5748	91,033
1979	9,343.00	2.12	198.07	.5618	5,249
1980	124,495.00	2.15	2,676.64	.5483	68,261
1981	25,800.00	2.18	562.44	.5341	13,780
1982	33,194.00	2.21	733.59	.5194	17,241
1983	583,846.00	2.24	13,078.15	.5040	294,258
1984	261,279.29	2.27	5,931.04	.4881	127,530
1985	65,675.86	2.30	1,510.54	.4715	30,966
1986	363,495.00	2.34	8,505.78	.4563	165,863
1987	332,640.50	2.37	7,883.58	.4385	145,863
1988	104,684.00	2.41	2,522.88	.4218	44,156
1989	280,945.00	2.44	6,855.06	.4026	113,108
1991	221,908.00	2.52	5,592.08	.3654	81,085
1992	260,945.00	2.55	6,654.10	.3443	89,843

NEWFOUNDLAND POWER INC.

ACCOUNT 326.00 - SWITCHING, METERING AND CONTROL EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-S0.5					
NET SALVAGE PERCENT.. -20					
1993	51,708.00	2.59	1,339.24	.3238	16,743
1994	46,388.00	2.63	1,220.00	.3025	14,032
1995	162,840.00	2.68	4,364.11	.2814	45,823
1996	144,231.00	2.72	3,923.08	.2584	37,269
1997	39,530.00	2.76	1,091.03	.2346	9,274
1998	160,024.39	2.81	4,496.69	.2108	33,733
1999	9,112.00-	2.86	260.60-	.1859	1,694-
2000	115,999.87	2.90	3,364.00	.1595	18,502
2001	545,841.34	2.96	16,156.90	.1332	72,706
2002	96,181.79	3.01	2,895.07	.1054	10,138
2003	680,673.01	3.07	20,896.66	.0768	52,276
2004	2,131,946.32	3.13	66,729.92	.0470	100,201
2005	394,825.00	3.21	12,673.88	.0161	6,357
			220,393.11		2,313,140
NET SALVAGE ADJUSTMENT			44,078.62		462,628
TOTAL	8,249,961.45		264,471.73		2,775,768

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.21

NEWFOUNDLAND POWER INC.

ACCOUNT 327.00 - MISCELLANEOUS POWER PLANT EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 50-R2					
NET SALVAGE PERCENT.. -20					
1924	200.00	1.18	2.36	.9617	192
1932	2,720.00	1.27	34.54	.9335	2,539
1942	1,200.00	1.40	16.80	.8890	1,067
1946	5,570.00	1.46	81.32	.8687	4,839
1948	6,689.00	1.49	99.67	.8568	5,731
1951	1.00	1.53	0.02	.8339	1
1953	3,214.00	1.56	50.14	.8190	2,632
1954	30,894.10	1.57	485.04	.8086	24,981
1955	1,084.00	1.59	17.24	.8030	870
1957	30,102.00	1.62	487.65	.7857	23,651
1958	4,798.00	1.64	78.69	.7790	3,738
1959	84,627.00	1.65	1,396.35	.7673	64,934
1960	3,128.00	1.67	52.24	.7599	2,377
1961	761.00	1.68	12.78	.7476	569
1962	1,567.00	1.70	26.64	.7395	1,159
1963	17,765.23	1.71	303.79	.7268	12,912
1964	482.00	1.73	8.34	.7180	346
1965	1,213.00	1.75	21.23	.7088	860
1966	21,258.00-	1.76	374.14-	.6952	14,779-
1969	2,039.00	1.81	36.91	.6607	1,347
1970	1,245.00	1.83	22.78	.6497	809
1971	1,938.00	1.84	35.66	.6348	1,230
1974	13,768.00	1.89	260.22	.5954	8,197
1975	719.00	1.91	13.73	.5826	419
1976	5,518.00	1.92	105.95	.5664	3,125
1977	7,467.00	1.94	144.86	.5529	4,129
1978	707.00	1.96	13.86	.5390	381
1979	12,555.00	1.98	248.59	.5247	6,588
1980	12,199.00	1.99	242.76	.5075	6,191
1981	32,376.00	2.01	650.76	.4925	15,945
1983	101,210.83	2.05	2,074.82	.4613	46,689
1986	11,759.00	2.10	246.94	.4095	4,815
1987	8,800.00	2.12	186.56	.3922	3,451
1988	28,339.00	2.14	606.45	.3745	10,613
1990	15,299.00	2.19	335.05	.3395	5,194
1992	684.00	2.23	15.25	.3011	206
1994	1.00	2.28	0.02	.2622	

NEWFOUNDLAND POWER INC.

ACCOUNT 327.00 - MISCELLANEOUS POWER PLANT EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 50-R2					
NET SALVAGE PERCENT.. -20					
1996	31,280.00	2.33	728.82	.2214	6,925
1997	1,756.00	2.36	41.44	.2006	352
1998	20,327.00	2.40	487.85	.1800	3,659
1999	337,668.77-	2.43	8,205.35-	.1580	53,352-
2000	49,569.46	2.47	1,224.37	.1359	6,736
2001	0.88-	2.52	0.02-	.1134	
2002	55,973.82	2.57	1,438.53	.0900	5,038
2003	127,011.00	2.65	3,365.79	.0663	8,421
2004	16,727.75	2.75	460.01	.0413	691
2005	4,765.00	3.01	143.43	.0151	72
			7,726.74		236,490
NET SALVAGE ADJUSTMENT			1,545.35		47,298
TOTAL	401,121.54		9,272.09		283,788

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.31

NEWFOUNDLAND POWER INC.

ACCOUNT 331.00 - BUILDING AND STRUCTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
PORT AUX BASQUES DIESEL					
INTERIM SURVIVOR CURVE.. IOWA 60-S0					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -25					
1946	35,630.00	1.46	520.20	.8687	30,952
1954	28,060.00	1.64	460.18	.8446	23,699
1964	990.00	1.96	19.40	.8134	805
1966	15,110.00	2.04	308.24	.8058	12,176
1968	2,842.00	2.12	60.25	.7950	2,259
1969	16,044.00	2.17	348.15	.7921	12,708
1982	12,587.00	3.00	377.61	.7050	8,874
1983	12,628.00	3.09	390.21	.6953	8,780
1984	975.00	3.19	31.10	.6859	669
1986	4,549.00	3.40	154.67	.6630	3,016
1988	18,412.00	3.65	672.04	.6388	11,762
1994	24,685.00	4.65	1,147.85	.5348	13,202
1995	48,455.00	4.88	2,364.60	.5124	24,828
2002	1,476.00	7.36	108.63	.2576	380
2004	12,404.00	8.62	1,069.22	.1293	1,604
			8,032.35		155,714
NET SALVAGE ADJUSTMENT			2,008.09		38,929
	234,847.00		10,040.44		194,643
GREEN HILL GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 60-S0					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -3					
1975	157,388.00	2.49	3,918.96	.7595	119,536
1976	3,000.00	2.55	76.50	.7523	2,257
1983	17,719.00	3.09	547.52	.6953	12,320
1998	56,659.00	5.70	3,229.56	.4275	24,222
1999	14,223.00	6.04	859.07	.3926	5,584
2000	6,275.00	6.42	402.86	.3531	2,216
2002	52,728.00	7.36	3,880.78	.2576	13,583
2004	9,781.00	8.62	843.12	.1293	1,265
			13,758.37		180,983
NET SALVAGE ADJUSTMENT			412.75		5,429
	317,773.00		14,171.12		186,412

NEWFOUNDLAND POWER INC.

ACCOUNT 331.00 - BUILDING AND STRUCTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
WESLEYVILLE					
INTERIM SURVIVOR CURVE.. IOWA 60-S0					
PROBABLE RETIREMENT YEAR.. 6-2026					
NET SALVAGE PERCENT.. -3					
1994	66,463.00	3.39	2,253.10	.3899	25,914
2001	3,292.00	4.40	144.85	.1980	652
2004	3,970.00	5.06	200.88	.0759	301
			2,598.83		26,867
NET SALVAGE ADJUSTMENT			77.96		806
	73,725.00		2,676.79		27,673
TOTAL	626,345.00		26,888.35		408,728

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.29

NEWFOUNDLAND POWER INC.

ACCOUNT 332.00 - ELECTRICAL PLANT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
PORT AUX BASQUES DIESEL					
INTERIM SURVIVOR CURVE.. IOWA 70-L0					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -25					
1946	9,670.00	1.45	140.22	.8628	8,343
1947	1,700.00	1.47	24.99	.8600	1,462
1954	2,595.00	1.64	42.56	.8446	2,192
1959	13,800.00	1.78	245.64	.8277	11,422
1964	4,240.00	1.95	82.68	.8093	3,431
1965	1,920.00	1.99	38.21	.8060	1,548
1966	1,547.00	2.03	31.40	.8019	1,241
1969	18,954.00	2.16	409.41	.7884	14,943
1971	1,067.00	2.26	24.11	.7797	832
1973	248.00	2.37	5.88	.7703	191
1982	3,929.00	3.00	117.87	.7050	2,770
1991	13,891.00	4.11	570.92	.5960	8,279
1993	23,555.00	4.47	1,052.91	.5588	13,163
1997	2,509.00-	5.44	136.49-	.4624	1,160-
1999	13,705.00	6.11	837.38	.3972	5,444
			3,487.69		74,101
NET SALVAGE ADJUSTMENT			871.92		18,525
	108,312.00		4,359.61		92,626
GREEN HILL GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 70-L0					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -3					
1975	25,560.00	2.48	633.89	.7564	19,334
1986	4,977.00	3.41	169.72	.6650	3,310
1987	6,870.00	3.53	242.51	.6531	4,487
1992	65,629.00	4.28	2,808.92	.5778	37,920
1996	20,512.00	5.16	1,058.42	.4902	10,055
1997	31,835.00	5.44	1,731.82	.4624	14,721
2001	281,644.00	6.96	19,602.42	.3132	88,211
2002	32,632.00	7.49	2,444.14	.2622	8,556
2003	158,676.00	8.11	12,868.62	.2028	32,179

NEWFOUNDLAND POWER INC.

ACCOUNT 332.00 - ELECTRICAL PLANT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
GREEN HILL GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 70-L0					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -3					
2004	4,158.00	8.87	368.81	.1331	553
2005	35,481.00	9.87	3,501.97	.0494	1,753
			45,431.24		221,079
NET SALVAGE ADJUSTMENT			1,362.94		6,632
	667,974.00		46,794.18		227,711
WESLEYVILLE					
INTERIM SURVIVOR CURVE.. IOWA 70-L0					
PROBABLE RETIREMENT YEAR.. 6-2026					
NET SALVAGE PERCENT.. -3					
1993	29,602.00	3.33	985.75	.4163	12,323
1995	0.21-	3.56	0.01-	.3738	
1998	8,010.00	4.00	320.40	.3000	2,403
1999	14,328.00	4.17	597.48	.2711	3,884
2001	48,225.00	4.57	2,203.88	.2057	9,920
2004	106,377.56	5.41	5,755.03	.0812	8,638
2005	1,746,297.00	5.90	103,031.52	.0295	51,516
			112,894.05		88,684
NET SALVAGE ADJUSTMENT			3,386.82		2,661
	1,952,839.35		116,280.87		91,345
MOBILE DIESEL #3					
INTERIM SURVIVOR CURVE.. IOWA 70-L0					
PROBABLE RETIREMENT YEAR.. 6-2036					
NET SALVAGE PERCENT.. 0					
2004	1,355,188.17	4.24	57,459.98	.0636	86,190
TOTAL	4,084,313.52		224,894.64		497,872

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.51

NEWFOUNDLAND POWER INC.

ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
PORT UNION DIESEL					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2006					
NET SALVAGE PERCENT.. -25					
1962	49,910.00	2.27	1,132.96	.9875	49,286
1966	700.00	2.50	17.50	.9875	691
1998	2,367.00	12.50	295.88	.9375	2,219
2000	383.00-	16.67	63.85-	.9169	351-
			1,382.49		51,845
NET SALVAGE ADJUSTMENT			345.62		12,961
	52,594.00		1,728.11		64,806
PORT AUX BASQUES DIESEL					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -25					
1965	2,000.00	2.02	40.40	.8181	1,636
1969	293,188.00	2.19	6,420.82	.7994	234,374
2000	64,192.00	6.44	4,133.96	.3542	22,737
2001	94,319.00	6.87	6,479.72	.3092	29,163
2004	2,276.00	8.63	196.42	.1295	295
			17,271.32		288,205
NET SALVAGE ADJUSTMENT			4,317.83		72,051
	455,975.00		21,589.15		360,256
PORTABLE GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2026					
NET SALVAGE PERCENT.. 0					
1974	182,455.98	2.14	3,904.56	.6741	122,994
1984	0.64-	2.68	0.02-	.5762	
1986	38,096.63-	2.82	1,074.32-	.5499	20,949-
1990	204,102.91	3.13	6,388.42	.4852	99,031

NEWFOUNDLAND POWER INC.

ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
PORTABLE GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2026					
NET SALVAGE PERCENT.. 0					
1992	25,005.00	3.32	830.17	.4482	11,207
1993	25,005.15-	3.42	855.18-	.4275	10,690-
1994	23,650.00	3.52	832.48	.4048	9,574
1995	40,004.00	3.63	1,452.15	.3812	15,250
1997	0.49	3.87	0.02	.3290	
1998	2,279.00	4.01	91.39	.3008	686
1999	383.00	4.15	15.89	.2698	103
2000	88,772.00	4.31	3,826.07	.2371	21,048
2001	28,300.00	4.48	1,267.84	.2016	5,705
2002	32,823.00	4.67	1,532.83	.1635	5,367
2003	1,496,428.19	4.88	73,025.70	.1220	182,564
2004	306,618.00	5.13	15,729.50	.0770	23,610
	2,367,719.15		106,967.50		465,500
GREEN HILL GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -3					
1975	2,675,690.00	2.52	67,427.39	.7686	2,056,535
1976	3,000.00-	2.58	77.40-	.7611	2,283-
1978	0.19-	2.72	0.01-	.7480	
1983	1,832.00	3.14	57.52	.7065	1,294
1984	4,087.00	3.24	132.42	.6966	2,847
1988	83,490.00	3.70	3,089.13	.6475	54,060
1990	2,192.00	3.98	87.24	.6169	1,352
1992	670,037.00	4.31	28,878.59	.5819	389,895
1993	7,578.00	4.49	340.25	.5613	4,254
1994	56,775.00	4.70	2,668.43	.5405	30,687
1995	21,882.00	4.92	1,076.59	.5166	11,304
1996	943,936.00	5.16	48,707.10	.4902	462,717
1997	59,496.00	5.43	3,230.63	.4616	27,463
1999	235,943.00	6.07	14,321.74	.3946	93,103
2000	14,117.00	6.44	909.13	.3542	5,000

NEWFOUNDLAND POWER INC.

ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
GREEN HILL GAS TURBINE					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2016					
NET SALVAGE PERCENT.. -3					
2001	267,129.00	6.87	18,351.76	.3092	82,596
2002	360,414.00	7.37	26,562.51	.2580	92,987
2003	458,780.27	7.94	36,427.15	.1985	91,068
			252,190.17		3,404,879
NET SALVAGE ADJUSTMENT			7,565.71		102,146
	5,860,378.08		259,755.88		3,507,025
WESLEYVILLE					
INTERIM SURVIVOR CURVE.. IOWA 50-L1					
PROBABLE RETIREMENT YEAR.. 6-2026					
NET SALVAGE PERCENT.. -3					
1969	350,727.00	1.94	6,804.10	.7081	248,350
1970	1,612.00	1.98	31.92	.7029	1,133
1982	65,612.00	2.55	1,673.11	.5993	39,321
1986	1,000.00	2.82	28.20	.5499	550
1994	611,471.00	3.52	21,523.78	.4048	247,523
1997	39,940.00	3.87	1,545.68	.3290	13,140
1998	52,259.00	4.01	2,095.59	.3008	15,720
1999	5,739.00	4.15	238.17	.2698	1,548
2002	1,241,553.00	4.67	57,980.53	.1635	202,994
2003	2,591,284.68	4.88	126,454.69	.1220	316,137
2004	594,443.67	5.13	30,494.96	.0770	45,772
			248,870.73		1,132,188
NET SALVAGE ADJUSTMENT			7,466.12		33,966
	5,555,641.35		256,336.85		1,166,154

NEWFOUNDLAND POWER INC.

ACCOUNT 333.00 - PRIME MOVERS, GENERATORS AND AUXILIARIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
MOBILE DIESEL #3 INTERIM SURVIVOR CURVE.. IOWA 50-L1 PROBABLE RETIREMENT YEAR.. 6-2036 NET SALVAGE PERCENT.. 0					
1997	5,000.00	3.25	162.50	.2763	1,382
1998	7,000.00	3.33	233.10	.2498	1,749
2004	603,294.87	4.00	24,131.79	.0600	36,198
	615,294.87		24,527.39		39,329
TOTAL	14,907,602.45		670,904.88		5,603,070

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.50

NEWFOUNDLAND POWER INC.

ACCOUNT 334.00 - FUEL HOLDERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
PORT UNION DIESEL						
INTERIM SURVIVOR CURVE.. SQUARE						
PROBABLE RETIREMENT YEAR.. 6-2006						
NET SALVAGE PERCENT.. -25						
1993	17,545.00	13.00	7.69	1,349.21	.9615	16,870
NET SALVAGE ADJUSTMENT				337.30		4,218
	17,545.00			1,686.51		21,088
PORT AUX BASQUES DIESEL						
INTERIM SURVIVOR CURVE.. SQUARE						
PROBABLE RETIREMENT YEAR.. 6-2016						
NET SALVAGE PERCENT.. -25						
1969	221.00	47.00	2.13	4.71	.7766	172
1995	7,802.00	21.00	4.76	371.38	.5000	3,901
1998	6,029.00	18.00	5.56	335.21	.4167	2,512
1999	383.00	17.00	5.88	22.52	.3824	146
2000	1,211.00	16.00	6.25	75.69	.3437	416
				809.51		7,147
NET SALVAGE ADJUSTMENT				202.38		1,787
	15,646.00			1,011.89		8,934
GREEN HILL GAS TURBINE						
INTERIM SURVIVOR CURVE.. SQUARE						
PROBABLE RETIREMENT YEAR.. 6-2016						
NET SALVAGE PERCENT.. -3						
1975	36,755.00	41.00	2.44	896.82	.7439	27,342
1994	85,285.00	22.00	4.55	3,880.47	.5227	44,578
1998	8,444.00	18.00	5.56	469.49	.4167	3,519
1999	49,451.00	17.00	5.88	2,907.72	.3824	18,910
2000	65,210.00	16.00	6.25	4,075.63	.3437	22,413
2002	201,000.00	14.00	7.14	14,351.40	.2500	50,250
				26,581.53		167,012
NET SALVAGE ADJUSTMENT				797.45		5,010
	446,145.00			27,378.98		172,022

NEWFOUNDLAND POWER INC.

ACCOUNT 334.00 - FUEL HOLDERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
WESLEYVILLE						
INTERIM SURVIVOR CURVE.. SQUARE						
PROBABLE RETIREMENT YEAR.. 6-2026						
NET SALVAGE PERCENT.. -3						
1986	19,774.00	40.00	2.50	494.35	.4875	9,640
2000	143,088.00	26.00	3.85	5,508.89	.2115	30,263
2004	38,548.00	22.00	4.55	1,753.93	.0682	2,629
				7,757.17		42,532
NET SALVAGE ADJUSTMENT				232.72		1,276
	201,410.00			7,989.89		43,808
TOTAL	680,746.00			38,067.27		245,852

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.59

NEWFOUNDLAND POWER INC.

ACCOUNT 335.00 - MISCELLANEOUS POWER PLANT EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
PORT AUX BASQUES DIESEL						
INTERIM SURVIVOR CURVE.. SQUARE						
PROBABLE RETIREMENT YEAR.. 6-2016						
NET SALVAGE PERCENT.. -25						
1946	1,570.00	70.00	1.43	22.45	.8500	1,335
1952	495.00	64.00	1.56	7.72	.8359	414
1954	845.00	62.00	1.61	13.60	.8306	702
1955	1,945.00	61.00	1.64	31.90	.8279	1,610
1956	850.00	60.00	1.67	14.20	.8250	701
1974	1,193.00	42.00	2.38	28.39	.7500	895
				118.26		5,657
NET SALVAGE ADJUSTMENT				29.57		1,414
TOTAL	6,898.00			147.83		7,071

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.15

NEWFOUNDLAND POWER INC.

ACCOUNT 341.00 - SUBSTATION - BUILDINGS AND STRUCTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 50-R2.5
NET SALVAGE PERCENT.. -10

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	--ANNUAL ACCRUAL-- AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	-ACCRUED DEPREC.- AMOUNT (6)
1920	885.00	1.14	10.09	.9747	863
1928	52,752.00	1.23	648.85	.9533	50,288
1931	7,500.00	1.27	95.25	.9462	7,097
1942	27,567.00	1.42	391.45	.9017	24,857
1944	1,728.00	1.45	25.06	.8918	1,541
1949	284.00	1.54	4.37	.8701	247
1950	3,061.00	1.55	47.45	.8603	2,633
1951	1,815.00	1.57	28.50	.8557	1,553
1952	1,464.00	1.58	23.13	.8453	1,238
1954	14,964.00	1.62	242.42	.8343	12,484
1957	11,143.00	1.67	186.09	.8100	9,026
1958	69,857.00	1.68	1,173.60	.7980	55,746
1959	46,121.00	1.70	784.06	.7905	36,459
1960	16,174.00	1.71	276.58	.7781	12,585
1961	8,145.00	1.73	140.91	.7699	6,271
1962	11,094.00	1.75	194.15	.7613	8,446
1963	18,433.00	1.76	324.42	.7480	13,788
1964	26,618.00	1.78	473.80	.7387	19,663
1965	3,180.00	1.79	56.92	.7250	2,306
1966	40,949.00	1.81	741.18	.7150	29,279
1967	18,647.00	1.82	339.38	.7007	13,066
1968	49,667.34	1.84	913.88	.6900	34,270
1969	55,650.00	1.85	1,029.53	.6753	37,580
1970	17,446.00	1.87	326.24	.6639	11,582
1971	7,289.00	1.88	137.03	.6486	4,728
1972	110,529.00	1.90	2,100.05	.6365	70,352
1973	61,957.00	1.91	1,183.38	.6208	38,463
1974	54,801.00	1.93	1,057.66	.6080	33,319
1975	16,181.00	1.94	313.91	.5917	9,574
1976	1,079,090.00	1.96	21,150.16	.5782	623,930
1977	1,318.00-	1.97	25.96-	.5615	740-
1978	1,513.00-	1.99	30.11-	.5473	828-
1979	1,352.00-	2.00	27.04-	.5300	717-
1980	30,481.00	2.02	615.72	.5151	15,701
1981	73,763.00	2.03	1,497.39	.4974	36,690
1982	193,614.00	2.05	3,969.09	.4818	93,283
1983	73,166.00	2.06	1,507.22	.4635	33,912

NEWFOUNDLAND POWER INC.

ACCOUNT 341.00 - SUBSTATION - BUILDINGS AND STRUCTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 50-R2.5					
NET SALVAGE PERCENT.. -10					
1984	40,197.00	2.08	836.10	.4472	17,976
1985	88,014.00	2.09	1,839.49	.4285	37,714
1986	133,558.00	2.11	2,818.07	.4115	54,959
1987	14,661.00	2.12	310.81	.3922	5,750
1988	736,774.00	2.14	15,766.96	.3745	275,922
1989	245,944.00	2.15	5,287.80	.3548	87,261
1990	140,816.00	2.17	3,055.71	.3364	47,371
1991	23,403.00	2.19	512.53	.3176	7,433
1992	39,825.00	2.20	876.15	.2970	11,828
1993	6,198.00	2.22	137.60	.2775	1,720
1994	242,150.00	2.24	5,424.16	.2576	62,378
1995	50,688.00	2.26	1,145.55	.2373	12,028
1996	75,260.00	2.27	1,708.40	.2157	16,234
1997	81,360.00	2.29	1,863.14	.1947	15,841
1998	4,880.00-	2.32	113.22-	.1740	849-
1999	34,544.00	2.34	808.33	.1521	5,254
2000	259,184.00	2.36	6,116.74	.1298	33,642
2001	174,806.00	2.39	4,177.86	.1076	18,809
2003	7,299.21	2.47	180.29	.0618	451
2004	17,497.00	2.54	444.42	.0381	667
2005	403,250.00	2.69	10,847.43	.0135	5,444
			105,970.13		2,068,368
NET SALVAGE ADJUSTMENT			10,597.01		206,837
TOTAL	5,012,380.55		116,567.14		2,275,205

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.33

NEWFOUNDLAND POWER INC.

ACCOUNT 342.00 - SUBSTATION - EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 46-R2
NET SALVAGE PERCENT.. -10

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1942	63,366.00	1.44	912.47	.9144	57,942
1943	25,641.00	1.46	374.36	.9125	23,397
1944	11.00	1.47	0.16	.9041	10
1946	6,133.00-	1.50	92.00-	.8925	5,474-
1948	11,093.00-	1.54	170.83-	.8855	9,823-
1949	906.00	1.55	14.04	.8758	793
1951	41,282.19	1.59	656.39	.8666	35,775
1952	12,883.00	1.60	206.13	.8560	11,028
1953	6,338.00	1.62	102.68	.8505	5,390
1954	249,771.00	1.64	4,096.24	.8446	210,957
1956	163,533.08	1.67	2,731.00	.8267	135,193
1957	2,734.00	1.69	46.20	.8197	2,241
1958	283,701.00	1.71	4,851.29	.8123	230,450
1959	467,896.51	1.73	8,094.61	.8045	376,423
1960	46,517.00	1.75	814.05	.7963	37,041
1961	380,069.00	1.76	6,689.21	.7832	297,670
1962	236,472.00	1.78	4,209.20	.7743	183,100
1963	524,797.66	1.80	9,446.36	.7650	401,470
1964	117,355.00	1.82	2,135.86	.7553	88,638
1965	206,860.00	1.84	3,806.22	.7452	154,152
1966	438,958.39	1.86	8,164.63	.7347	322,503
1967	836,079.88	1.87	15,634.69	.7200	601,978
1968	414,193.80	1.89	7,828.26	.7088	293,581
1969	1,011,382.00	1.91	19,317.40	.6972	705,136
1970	374,830.15	1.93	7,234.22	.6852	256,834
1971	1,111,338.43	1.95	21,671.10	.6728	747,708
1972	1,471,504.71	1.97	28,988.64	.6600	971,193
1973	1,132,456.54	1.99	22,535.89	.6468	732,473
1974	1,643,051.80	2.01	33,025.34	.6332	1,040,380
1975	4,962,079.56	2.03	100,730.22	.6192	3,072,520
1976	7,848,251.36	2.05	160,889.15	.6048	4,746,622
1977	5,098,692.39	2.06	105,033.06	.5871	2,993,442
1978	3,141,638.66	2.08	65,346.08	.5720	1,797,017
1979	1,518,065.35	2.10	31,879.37	.5565	844,803
1980	606,865.65	2.12	12,865.55	.5406	328,072
1981	1,243,629.33	2.15	26,738.03	.5268	655,144
1982	2,299,259.35	2.17	49,893.93	.5100	1,172,622

NEWFOUNDLAND POWER INC.

ACCOUNT 342.00 - SUBSTATION - EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 46-R2					
NET SALVAGE PERCENT.. -10					
1983	2,482,010.78	2.19	54,356.04	.4928	1,223,135
1984	1,812,981.25	2.21	40,066.89	.4752	861,529
1985	1,454,166.05	2.23	32,427.90	.4572	664,845
1986	918,641.44	2.25	20,669.43	.4388	403,100
1987	2,086,078.00	2.27	47,353.97	.4200	876,153
1988	2,484,971.00	2.30	57,154.33	.4025	1,000,201
1989	3,434,910.00	2.32	79,689.91	.3828	1,314,884
1990	8,176,270.14	2.35	192,142.35	.3643	2,978,615
1991	4,298,684.80	2.37	101,878.83	.3437	1,477,458
1992	3,400,710.00	2.40	81,617.04	.3240	1,101,830
1993	2,775,556.00	2.42	67,168.46	.3025	839,606
1994	1,155,854.00	2.45	28,318.42	.2818	325,720
1995	1,948,188.03	2.48	48,315.06	.2604	507,308
1996	1,794,406.19	2.51	45,039.60	.2385	427,966
1997	2,369,468.00	2.55	60,421.43	.2168	513,701
1998	2,807,501.22	2.58	72,433.53	.1935	543,251
1999	3,715,794.00	2.62	97,353.80	.1703	632,800
2000	4,389,173.74	2.67	117,190.94	.1469	644,770
2001	3,784,998.00	2.72	102,951.95	.1224	463,284
2002	5,384,619.00	2.78	149,692.41	.0973	523,923
2003	8,152,449.00	2.86	233,160.04	.0715	582,900
2004	6,155,873.00	2.98	183,445.02	.0447	275,168
2005	4,037,045.00	3.26	131,607.67	.0163	65,804
			2,811,154.22		41,766,352
NET SALVAGE ADJUSTMENT			281,115.42		4,176,635
TOTAL	116,985,533.43		3,092,269.64		45,942,987

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.64

NEWFOUNDLAND POWER INC.

ACCOUNT 350.00 - TRANSMISSION - LAND AND LAND RIGHTS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 65-S2.5					
NET SALVAGE PERCENT.. 0					
1931	19,907.00	1.17	232.91	.8717	17,353
1946	57,163.00	1.34	765.98	.7973	45,576
1947	19,055.00	1.35	257.24	.7898	15,050
1948	7,216.00	1.36	98.14	.7820	5,643
1949	0.41	1.37	0.01	.7741	
1952	7,757.14	1.41	109.38	.7544	5,852
1953	1,154.00	1.42	16.39	.7455	860
1954	13,848.00	1.43	198.03	.7365	10,199
1955	28,966.00	1.44	417.11	.7272	21,064
1956	16,810.00	1.45	243.75	.7178	12,066
1957	53,289.00	1.46	778.02	.7081	37,734
1958	52,246.00	1.47	768.02	.6983	36,483
1959	120,581.00	1.48	1,784.60	.6882	82,984
1960	64,156.00	1.49	955.92	.6780	43,498
1961	5,310.47	1.50	79.66	.6675	3,545
1962	8,671.00	1.51	130.93	.6569	5,696
1963	108,493.00	1.52	1,649.09	.6460	70,086
1964	7,554.00	1.53	115.58	.6350	4,797
1965	208,679.00	1.54	3,213.66	.6237	130,153
1966	66,572.00	1.55	1,031.87	.6123	40,762
1967	33,952.00	1.56	529.65	.6006	20,392
1968	136,074.00	1.57	2,136.36	.5888	80,120
1969	141,831.00	1.58	2,240.93	.5767	81,794
1970	113,181.00	1.59	1,799.58	.5645	63,891
1971	115,963.00	1.60	1,855.41	.5520	64,012
1972	220,402.00	1.60	3,526.43	.5360	118,135
1973	144,709.00	1.61	2,329.81	.5233	75,726
1974	397,323.00	1.62	6,436.63	.5103	202,754
1975	460,347.00	1.63	7,503.66	.4972	228,885
1976	1,270,395.00	1.63	20,707.44	.4809	610,933
1977	374,778.00	1.64	6,146.36	.4674	175,171
1978	314,843.00	1.64	5,163.43	.4510	141,994
1979	286,229.00	1.65	4,722.78	.4373	125,168
1980	163,476.00	1.66	2,713.70	.4233	69,199
1981	1,030,284.00	1.66	17,102.71	.4067	419,017
1982	899,625.00	1.66	14,933.78	.3901	350,944
1983	721,845.00	1.67	12,054.81	.3758	271,269

NEWFOUNDLAND POWER INC.

ACCOUNT 350.00 - TRANSMISSION - LAND AND LAND RIGHTS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 65-S2.5					
NET SALVAGE PERCENT.. 0					
1984	326,852.00	1.67	5,458.43	.3591	117,373
1985	308,593.00	1.68	5,184.36	.3444	106,279
1986	38,854.00	1.68	652.75	.3276	12,729
1987	90,665.00	1.68	1,523.17	.3108	28,179
1988	138,487.00	1.68	2,326.58	.2940	40,715
1989	108,363.00	1.69	1,831.33	.2789	30,222
1990	108,158.00	1.69	1,827.87	.2620	28,337
1991	152,635.00	1.69	2,579.53	.2451	37,411
1992	133,802.00	1.69	2,261.25	.2282	30,534
1993	45,349.00	1.69	766.40	.2113	9,582
1994	31,002.00	1.69	523.93	.1944	6,027
1995	123,076.82	1.70	2,092.31	.1785	21,969
1996	14,045.00	1.70	238.77	.1615	2,268
1997	229,077.00	1.70	3,894.31	.1445	33,102
1999	9,872.00	1.70	167.82	.1105	1,091
2000	10,102.00	1.70	171.73	.0935	945
2001	27,397.00	1.70	465.75	.0765	2,096
2002	158,096.00	1.70	2,687.63	.0595	9,407
2003	139,956.00	1.70	2,379.25	.0425	5,948
2004	79,565.00	1.70	1,352.61	.0255	2,029
2005	117,481.00	1.70	1,997.18	.0085	999
TOTAL	10,084,112.84		165,132.72		4,216,047

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 1.64

NEWFOUNDLAND POWER INC.

ACCOUNT 353.10 - TRANSMISSION - OVERHEAD CONDUCTORS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 53-R3
NET SALVAGE PERCENT.. -35

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1931	36,875.00	1.28	472.00	.9536	35,164
1942	10,247.00-	1.43	146.53-	.9081	9,305-
1946	21,924.00	1.49	326.67	.8866	19,438
1949	40.00	1.54	0.62	.8701	35
1952	23,147.00	1.58	365.72	.8453	19,566
1953	6,459.00	1.60	103.34	.8400	5,426
1954	55,371.00	1.61	891.47	.8292	45,914
1956	66,254.00	1.64	1,086.57	.8118	53,785
1957	2,382.00	1.65	39.30	.8003	1,906
1958	32,053.00	1.67	535.29	.7933	25,428
1959	132,453.00	1.68	2,225.21	.7812	103,472
1960	105,043.00	1.70	1,785.73	.7735	81,251
1961	57,955.84	1.71	991.04	.7610	44,104
1962	59,102.00	1.72	1,016.55	.7482	44,220
1963	207,360.00	1.74	3,608.06	.7395	153,343
1964	2,317.00	1.75	40.55	.7263	1,683
1965	559,586.50	1.76	9,848.72	.7128	398,873
1966	100,865.69	1.77	1,785.32	.6992	70,525
1967	108,922.00	1.79	1,949.70	.6892	75,069
1968	139,703.00	1.80	2,514.65	.6750	94,300
1969	278,722.87	1.81	5,044.88	.6607	184,152
1970	61,771.17	1.82	1,124.24	.6461	39,910
1971	68,325.00	1.84	1,257.18	.6348	43,373
1972	408,215.00	1.85	7,551.98	.6198	253,012
1973	315,893.00	1.86	5,875.61	.6045	190,957
1974	405,462.00	1.87	7,582.14	.5891	238,858
1975	502,957.00	1.88	9,455.59	.5734	288,396
1976	2,679,088.06	1.90	50,902.67	.5605	1,501,629
1977	521,897.54	1.91	9,968.24	.5444	284,121
1978	545,793.13	1.92	10,479.23	.5280	288,179
1979	124,148.00	1.93	2,396.06	.5115	63,502
1980	195,515.00	1.94	3,792.99	.4947	96,721
1981	1,655,675.00	1.95	32,285.66	.4778	791,082
1982	614,433.00	1.96	12,042.89	.4606	283,008
1983	638,770.00	1.97	12,583.77	.4433	283,167
1984	296,026.00	1.98	5,861.31	.4257	126,018
1985	428,113.00	1.99	8,519.45	.4080	174,670

NEWFOUNDLAND POWER INC.

ACCOUNT 353.10 - TRANSMISSION - OVERHEAD CONDUCTORS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 53-R3					
NET SALVAGE PERCENT.. -35					
1986	374,150.00	2.00	7,483.00	.3900	145,919
1987	74,878.55	2.01	1,505.06	.3719	27,847
1988	233,573.00	2.02	4,718.17	.3535	82,568
1989	401,067.00	2.03	8,141.66	.3350	134,357
1990	508,372.37	2.04	10,370.80	.3162	160,747
1991	422,965.00	2.05	8,670.78	.2973	125,747
1992	660,860.78	2.06	13,613.73	.2781	183,785
1993	427,552.00	2.07	8,850.33	.2588	110,650
1994	468,496.00	2.08	9,744.72	.2392	112,064
1995	440,389.00	2.09	9,204.13	.2195	96,665
1996	151,444.00	2.10	3,180.32	.1995	30,213
1997	360,393.00	2.11	7,604.29	.1794	64,655
1998	256,225.69	2.11	5,406.36	.1583	40,561
1999	141,299.88	2.12	2,995.56	.1378	19,471
2000	173,327.00	2.13	3,691.87	.1172	20,314
2001	555,193.44	2.14	11,881.14	.0963	53,465
2002	53,893.00	2.16	1,164.09	.0756	4,074
2003	907,573.00	2.17	19,694.33	.0543	49,281
2004	368,672.00	2.19	8,073.92	.0329	12,129
2005	601,467.00	2.23	13,412.71	.0112	6,736
			375,570.84		7,876,200
NET SALVAGE ADJUSTMENT			131,449.79		2,756,670
TOTAL	19,030,162.51		507,020.63		10,632,870

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.66

NEWFOUNDLAND POWER INC.

ACCOUNT 353.20 - TRANSMISSION - UNDERGROUND CABLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 50-SQUARE						
NET SALVAGE PERCENT.. -15						
1967	183,288.00	50.00	2.00	3,665.76	.7700	141,132
1980	776,120.00	50.00	2.00	15,522.40	.5100	395,821
1997	6,161.00	50.00	2.00	123.22	.1700	1,047
				19,311.38		538,000
NET SALVAGE ADJUSTMENT				2,896.71		80,700
TOTAL	965,569.00			22,208.09		618,700

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.30

NEWFOUNDLAND POWER INC.

ACCOUNT 355.10 - TRANSMISSION - POLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 44-R2.5					
NET SALVAGE PERCENT.. -35					
1942	3,115.00-	1.48	46.10-	.9398	2,927-
1949	3,494.00-	1.60	55.90-	.9040	3,159-
1952	20,640.79-	1.67	344.70-	.8935	18,443-
1953	13,394.00	1.69	226.36	.8873	11,884
1954	35,764.50	1.71	611.57	.8807	31,498
1955	2,702.00	1.73	46.74	.8737	2,361
1956	5,283.15	1.75	92.46	.8663	4,577
1957	2,959.00	1.77	52.37	.8585	2,540
1958	4,005.00-	1.79	71.69-	.8503	3,405-
1959	11,717.36-	1.81	212.08-	.8417	9,863-
1960	221,472.00	1.83	4,052.94	.8327	184,420
1961	52,076.00	1.85	963.41	.8233	42,874
1962	36,386.00	1.88	684.06	.8178	29,756
1963	47,528.09	1.90	903.03	.8075	38,379
1964	1,664.44	1.92	31.96	.7968	1,326
1965	356,958.45	1.94	6,924.99	.7857	280,462
1966	99,708.21	1.96	1,954.28	.7742	77,194
1967	127,826.00	1.98	2,530.95	.7623	97,442
1968	189,824.77	2.00	3,796.50	.7500	142,369
1969	202,418.30	2.02	4,088.85	.7373	149,243
1970	87,612.64	2.04	1,787.30	.7242	63,449
1971	47,591.00	2.06	980.37	.7107	33,823
1972	273,847.11	2.08	5,696.02	.6968	190,817
1973	188,489.15	2.10	3,958.27	.6825	128,644
1974	302,748.00	2.12	6,418.26	.6678	202,175
1975	475,316.00	2.14	10,171.76	.6527	310,239
1976	2,116,860.54	2.16	45,724.19	.6372	1,348,864
1977	457,509.47	2.18	9,973.71	.6213	284,251
1978	406,665.45	2.19	8,905.97	.6023	244,935
1979	244,928.14	2.21	5,412.91	.5857	143,454
1980	170,901.01	2.23	3,811.09	.5687	97,191
1981	1,270,973.75	2.25	28,596.91	.5513	700,688
1982	491,466.32	2.27	11,156.29	.5335	262,197
1983	1,015,587.37	2.29	23,256.95	.5153	523,332
1984	136,816.05	2.31	3,160.45	.4967	67,957
1985	448,264.49	2.33	10,444.56	.4777	214,136
1986	104,494.70	2.35	2,455.63	.4583	47,890

NEWFOUNDLAND POWER INC.

ACCOUNT 355.10 - TRANSMISSION - POLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 44-R2.5					
NET SALVAGE PERCENT.. -35					
1987	169,792.15	2.37	4,024.07	.4385	74,454
1988	370,907.01	2.39	8,864.68	.4183	155,150
1989	515,526.94	2.41	12,424.20	.3977	205,025
1990	722,766.27	2.43	17,563.22	.3767	272,266
1991	465,539.71	2.45	11,405.72	.3553	165,406
1992	652,954.87	2.47	16,127.99	.3335	217,760
1993	331,609.00	2.49	8,257.06	.3113	103,230
1994	249,760.15	2.51	6,268.98	.2887	72,106
1995	493,677.00	2.53	12,490.03	.2657	131,170
1996	342,283.83	2.56	8,762.47	.2432	83,243
1997	503,665.11	2.58	12,994.56	.2193	110,454
1998	451,236.99	2.61	11,777.29	.1958	88,352
1999	436,089.33	2.63	11,469.15	.1710	74,571
2000	256,106.00	2.67	6,838.03	.1469	37,622
2001	559,651.03	2.70	15,110.58	.1215	67,998
2002	840,014.00	2.74	23,016.38	.0959	80,557
2003	1,395,971.00	2.79	38,947.59	.0698	97,439
2004	520,850.00	2.86	14,896.31	.0429	22,344
2005	797,216.00	3.04	24,235.37	.0152	12,118
			473,614.32		7,993,835
NET SALVAGE ADJUSTMENT			165,765.01		2,797,842
TOTAL	19,668,680.34		639,379.33		10,791,677

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.25

NEWFOUNDLAND POWER INC.

ACCOUNT 355.20 - TRANSMISSION - POLE FIXTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 44-R2.5
NET SALVAGE PERCENT.. -35

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1928	262,195.00	1.27	3,329.88	.9843	258,079
1931	3,875.00	1.31	50.76	.9760	3,782
1942	408.00-	1.48	6.04-	.9398	383-
1949	1,564.00-	1.60	25.02-	.9040	1,414-
1952	1,743.32-	1.67	29.11-	.8935	1,558-
1953	206.00-	1.69	3.48-	.8873	183-
1954	26,419.26	1.71	451.77	.8807	23,267
1956	4,496.00	1.75	78.68	.8663	3,895
1957	47.00	1.77	0.83	.8585	40
1958	585.75-	1.79	10.48-	.8503	498-
1959	7,220.80	1.81	130.70	.8417	6,078
1960	8,393.00	1.83	153.59	.8327	6,989
1961	403.19-	1.85	7.46-	.8233	332-
1962	24,472.00	1.88	460.07	.8178	20,013
1963	101,677.32	1.90	1,931.87	.8075	82,104
1964	3,872.00	1.92	74.34	.7968	3,085
1965	170,256.22	1.94	3,302.97	.7857	133,770
1966	57,937.55	1.96	1,135.58	.7742	44,855
1967	39,720.70	1.98	786.47	.7623	30,279
1968	35,916.76	2.00	718.34	.7500	26,938
1969	144,320.59	2.02	2,915.28	.7373	106,408
1970	53,635.38	2.04	1,094.16	.7242	38,843
1971	85,772.00	2.06	1,766.90	.7107	60,958
1972	299,832.61	2.08	6,236.52	.6968	208,923
1973	263,512.00	2.10	5,533.75	.6825	179,847
1974	403,579.00	2.12	8,555.87	.6678	269,510
1975	617,122.72	2.14	13,206.43	.6527	402,796
1976	1,408,680.10	2.16	30,427.49	.6372	897,611
1977	428,993.32	2.18	9,352.05	.6213	266,534
1978	303,029.92	2.19	6,636.36	.6023	182,515
1979	142,847.24	2.21	3,156.92	.5857	83,666
1980	227,385.97	2.23	5,070.71	.5687	129,314
1981	1,083,603.71	2.25	24,381.08	.5513	597,391
1982	956,133.29	2.27	21,704.23	.5335	510,097
1983	716,294.52	2.29	16,403.14	.5153	369,107
1984	493,125.79	2.31	11,391.21	.4967	244,936
1985	519,282.73	2.33	12,099.29	.4777	248,061

NEWFOUNDLAND POWER INC.

ACCOUNT 355.20 - TRANSMISSION - POLE FIXTURES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 44-R2.5					
NET SALVAGE PERCENT.. -35					
1986	687,580.20	2.35	16,158.13	.4583	315,118
1987	702,224.21	2.37	16,642.71	.4385	307,925
1988	332,671.32	2.39	7,950.84	.4183	139,156
1989	459,397.93	2.41	11,071.49	.3977	182,703
1990	872,017.31	2.43	21,190.02	.3767	328,489
1991	479,738.64	2.45	11,753.60	.3553	170,451
1992	698,707.01	2.47	17,258.06	.3335	233,019
1993	397,870.00	2.49	9,906.96	.3113	123,857
1994	542,616.98	2.51	13,619.69	.2887	156,654
1995	424,817.90	2.53	10,747.89	.2657	112,874
1996	445,867.47	2.56	11,414.21	.2432	108,435
1997	395,739.56	2.58	10,210.08	.2193	86,786
1998	460,421.43	2.61	12,017.00	.1958	90,151
1999	694,265.91	2.63	18,259.19	.1710	118,719
2000	290,627.00	2.67	7,759.74	.1469	42,693
2001	741,753.31	2.70	20,027.34	.1215	90,123
2002	1,080,367.00	2.74	29,602.06	.0959	103,607
2003	778,533.00	2.79	21,721.07	.0698	54,342
2004	530,346.00	2.86	15,167.90	.0429	22,752
2005	774,270.00	3.04	23,537.81	.0152	11,769
			498,471.44		8,234,946
NET SALVAGE ADJUSTMENT			174,465.00		2,882,231
TOTAL	20,678,571.42		672,936.44		11,117,177

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.25

NEWFOUNDLAND POWER INC.

ACCOUNT 355.30 - TRANSMISSION - INSULATORS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 31-S0.5
NET SALVAGE PERCENT.. -35

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1942	593.00-			1.0000	593-
1949	850.00-	1.71	14.54-	.9662	821-
1952	6,187.85-	1.78	110.14-	.9523	5,893-
1953	678.00	1.80	12.20	.9450	641
1954	4,207.40-	1.82	76.57-	.9373	3,944-
1956	16.00-	1.87	0.30-	.9257	15-
1957	951.00-	1.89	17.97-	.9167	872-
1958	263.75-	1.92	5.06-	.9120	241-
1961	9,007.25-	1.99	179.24-	.8856	7,977-
1962	8,992.00	2.02	181.64	.8787	7,901
1963	18,598.00	2.05	381.26	.8713	16,204
1964	4,313.00	2.08	89.71	.8632	3,723
1965	53,400.04	2.11	1,126.74	.8546	45,636
1966	43,653.00	2.14	934.17	.8453	36,900
1967	15,192.00	2.17	329.67	.8355	12,693
1968	12,367.20	2.21	273.32	.8288	10,250
1969	5,600.45	2.24	125.45	.8176	4,579
1970	1,261.00	2.28	28.75	.8094	1,021
1971	334.00-	2.31	7.72-	.7970	266-
1972	4,299.15-	2.35	101.03-	.7873	3,385-
1973	52,114.00	2.39	1,245.52	.7768	40,482
1974	24,362.00	2.43	592.00	.7655	18,649
1975	160,409.00	2.47	3,962.10	.7534	120,852
1976	196,868.73	2.51	4,941.41	.7405	145,781
1977	63,663.42	2.55	1,623.42	.7268	46,271
1978	75,562.00	2.59	1,957.06	.7123	53,823
1979	19,265.69	2.64	508.61	.6996	13,478
1980	69,164.95	2.69	1,860.54	.6860	47,447
1981	270,046.09	2.74	7,399.26	.6713	181,282
1982	129,390.45	2.79	3,609.99	.6557	84,841
1983	235,365.94	2.84	6,684.39	.6390	150,399
1984	79,416.76	2.89	2,295.14	.6214	49,350
1985	244,031.70	2.95	7,198.94	.6048	147,590
1986	243,399.42	3.00	7,301.98	.5850	142,389
1987	185,576.06	3.06	5,678.63	.5661	105,055
1988	235,346.94	3.12	7,342.82	.5460	128,499
1989	707,186.61	3.19	22,559.25	.5264	372,263

NEWFOUNDLAND POWER INC.

ACCOUNT 355.30 - TRANSMISSION - INSULATORS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 31-S0.5					
NET SALVAGE PERCENT.. -35					
1990	1,696,767.86	3.25	55,144.96	.5038	854,832
1991	1,047,423.87	3.32	34,774.47	.4814	504,230
1992	926,580.57	3.39	31,411.08	.4577	424,096
1993	624,643.47	3.46	21,612.66	.4325	270,158
1994	934,008.97	3.53	32,970.52	.4060	379,208
1995	1,034,857.89	3.61	37,358.37	.3791	392,315
1996	1,039,748.95	3.69	38,366.74	.3506	364,536
1997	1,267,861.92	3.77	47,798.39	.3205	406,350
1998	972,197.36	3.86	37,526.82	.2895	281,451
1999	896,166.20	3.95	35,398.56	.2568	230,135
2000	543,641.00	4.04	21,963.10	.2222	120,797
2001	904,944.09	4.14	37,464.69	.1863	168,591
2002	1,157,395.00	4.25	49,189.29	.1488	172,220
2003	912,872.00	4.36	39,801.22	.1090	99,503
2004	660,966.00	4.48	29,611.28	.0672	44,417
2005	593,250.00	4.63	27,467.48	.0232	13,763
			667,591.03		6,690,594
NET SALVAGE ADJUSTMENT			233,656.86		2,341,708
TOTAL	18,341,840.20		901,247.89		9,032,302

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.91

NEWFOUNDLAND POWER INC.

ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 65-R5					
NET SALVAGE PERCENT.. 0					
1938	51,674.00	1.38	713.10	.9315	48,134
1941	6,303.00	1.41	88.87	.9095	5,733
1949	7,078.00	1.49	105.46	.8419	5,959
1950	2,464.00	1.50	36.96	.8325	2,051
1951	3,185.00	1.50	47.78	.8175	2,604
1952	5,771.00	1.51	87.14	.8079	4,662
1953	9,255.00	1.52	140.68	.7980	7,385
1954	11,219.00	1.52	170.53	.7828	8,782
1955	24,258.00	1.53	371.15	.7727	18,744
1956	28,769.00	1.53	440.17	.7574	21,790
1957	39,863.00	1.54	613.89	.7469	29,774
1958	63,873.00	1.54	983.64	.7315	46,723
1959	52,138.00	1.54	802.93	.7161	37,336
1960	42,067.00	1.55	652.04	.7053	29,670
1961	35,581.00	1.55	551.51	.6898	24,544
1962	4,874.00	1.55	75.55	.6743	3,287
1963	13,158.00	1.56	205.26	.6630	8,724
1964	6,478.00	1.56	101.06	.6474	4,194
1965	16,464.00	1.56	256.84	.6318	10,402
1966	6,716.00	1.56	104.77	.6162	4,138
1969	321.00	1.57	5.04	.5731	184
1970	24,695.00	1.57	387.71	.5574	13,765
1971	25,786.00	1.57	404.84	.5417	13,968
1972	6,303.00	1.57	98.96	.5260	3,315
1973	6,277.00	1.57	98.55	.5103	3,203
1974	44,125.00	1.57	692.76	.4946	21,824
1975	27,252.00	1.57	427.86	.4789	13,051
1976	10,364.00	1.57	162.71	.4632	4,801
1977	34,047.00	1.57	534.54	.4475	15,236
1978	59,606.00	1.57	935.81	.4318	25,738
1979	1,966.00	1.57	30.87	.4161	818
1980	138,227.00	1.57	2,170.16	.4004	55,346
1981	23,506.00	1.57	369.04	.3847	9,043
1982	6,318.00	1.57	99.19	.3690	2,331
1983	11,006.00	1.57	172.79	.3533	3,888
1984	11,932.00	1.57	187.33	.3376	4,028
1985	3,935.00	1.57	61.78	.3219	1,267

NEWFOUNDLAND POWER INC.

ACCOUNT 360.00 - DISTRIBUTION - LAND AND LAND RIGHTS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 65-R5					
NET SALVAGE PERCENT.. 0					
1988	21,529.00	1.57	338.01	.2748	5,916
1989	17,216.00	1.57	270.29	.2591	4,461
TOTAL	905,599.00		13,997.57		526,819

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 1.55

NEWFOUNDLAND POWER INC.

ACCOUNT 361.10 - O/H CONDUCTOR - BARE COPPER

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-R1.5					
NET SALVAGE PERCENT.. -45					
1962	49,209.50	1.75	861.17	.7613	37,463
1963	57,670.00	1.77	1,020.76	.7523	43,385
1964	61,419.00	1.79	1,099.40	.7429	45,628
1965	137,417.00	1.81	2,487.25	.7331	100,740
1966	84,493.00	1.83	1,546.22	.7229	61,080
1967	102,796.97	1.85	1,901.74	.7123	73,222
1968	96,160.43	1.87	1,798.20	.7013	67,437
1969	30,851.07	1.89	583.09	.6899	21,284
1970	18,479.41	1.90	351.11	.6745	12,464
1971	27,597.34	1.92	529.87	.6624	18,280
1972	19,500.45	1.94	378.31	.6499	12,673
1973	22,029.77	1.97	433.99	.6403	14,106
1974	4,295.71-	1.99	85.48-	.6269	2,693-
1975	69,002.56	2.01	1,386.95	.6131	42,305
1976	61,231.16	2.03	1,242.99	.5989	36,671
1977	31,264.88	2.05	640.93	.5843	18,268
1978	13,913.07	2.07	288.00	.5693	7,921
1979	26,727.93	2.09	558.61	.5539	14,805
1980	10,138.00-	2.12	214.93-	.5406	5,481-
1981	7,143.00-	2.14	152.86-	.5243	3,745-
1982	1,399.09	2.16	30.22	.5076	710
1983	25,856.00	2.19	566.25	.4928	12,742
1984	27,219.30	2.21	601.55	.4752	12,935
1985	7,253.87	2.24	162.49	.4592	3,331
1986	37,109.00-	2.26	838.66-	.4407	16,354-
1987	19,491.00-	2.29	446.34-	.4237	8,258-
1988	11,751.61-	2.32	272.64-	.4060	4,771-
1989	2,261.00-	2.35	53.13-	.3878	877-
1991	3,052.20-	2.41	73.56-	.3495	1,067-
1992	36,772.60	2.45	900.93	.3308	12,164
1993	20,776.07-	2.48	515.25-	.3100	6,441-
			16,717.18		619,927
NET SALVAGE ADJUSTMENT			7,522.73		278,967
TOTAL	892,246.81		24,239.91		898,894

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.72

NEWFOUNDLAND POWER INC.

ACCOUNT 361.11 - O/H CONDUCTOR - W/P COPPER

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 39-S1.5					
NET SALVAGE PERCENT.. -45					
1958	30,552.10	1.82	556.05	.8645	26,412
1959	180,483.00	1.84	3,320.89	.8556	154,421
1960	181,362.00	1.87	3,391.47	.8509	154,321
1961	101,492.00	1.89	1,918.20	.8411	85,365
1962	214,459.00	1.92	4,117.61	.8352	179,116
1963	122,599.00	1.94	2,378.42	.8245	101,083
1964	157,907.00	1.97	3,110.77	.8176	129,105
1965	232,729.00	2.00	4,654.58	.8100	188,510
1966	109,964.00	2.02	2,221.27	.7979	87,740
1967	122,167.55	2.05	2,504.43	.7893	96,427
1968	100,569.40	2.08	2,091.84	.7800	78,444
1969	38,542.12	2.11	813.24	.7702	29,685
1970	4,986.99	2.14	106.72	.7597	3,789
1971	42,541.24	2.17	923.14	.7487	31,851
1972	24,455.67	2.20	538.02	.7370	18,024
1973	45,202.17	2.23	1,008.01	.7248	32,763
1974	20,780.19	2.26	469.63	.7119	14,793
1975	54,541.09	2.30	1,254.45	.7015	38,261
1976	38,059.31	2.33	886.78	.6874	26,162
1977	2,101.19	2.36	49.59	.6726	1,413
1978	55,026.78	2.39	1,315.14	.6573	36,169
1979	9,243.33	2.43	224.61	.6440	5,953
1980	9,464.56	2.46	232.83	.6273	5,937
1981	13,060.61	2.49	325.21	.6101	7,968
1982	1,045.00-	2.53	26.44-	.5946	621-
1983	5,059.86-	2.56	129.53-	.5760	2,914-
1985	6,496.30-	2.63	170.85-	.5392	3,503-
1986	3,597.00-	2.66	95.68-	.5187	1,866-
1987	2,313.84-	2.69	62.24-	.4977	1,152-
1988	5,536.03	2.72	150.58	.4760	2,635
1989	2,027.00-	2.75	55.74-	.4538	920-
1990	1,973.00-	2.79	55.05-	.4325	853-
1991	8,268.65-	2.82	233.18-	.4089	3,381-
1992	3,619.54	2.84	102.79	.3834	1,388
1993	10,259.93-	2.87	294.46-	.3588	3,681-
			37,543.10		1,518,844
NET SALVAGE ADJUSTMENT			16,894.40		683,480
TOTAL	1,880,404.29		54,437.50		2,202,324

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.90

NEWFOUNDLAND POWER INC.

ACCOUNT 361.12 - O/H CONDUCTOR - BARE ALUMINUM

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 50-R2.5					
NET SALVAGE PERCENT.. -30					
1962	1.26-	1.75	0.02-	.7613	1-
1963	122,171.58	1.76	2,150.22	.7480	91,384
1964	129,403.00	1.78	2,303.37	.7387	95,590
1965	886,725.00	1.79	15,872.38	.7250	642,876
1966	627,488.00	1.81	11,357.53	.7150	448,654
1967	173,451.36	1.82	3,156.81	.7007	121,537
1968	161,880.55	1.84	2,978.60	.6900	111,698
1969	366,078.89	1.85	6,772.46	.6753	247,213
1970	214,895.69	1.87	4,018.55	.6639	142,669
1971	493,576.29	1.88	9,279.23	.6486	320,134
1972	493,585.99	1.90	9,378.13	.6365	314,167
1973	774,543.14	1.91	14,793.77	.6208	480,836
1974	969,213.74	1.93	18,705.83	.6080	589,282
1975	1,612,039.71	1.94	31,273.57	.5917	953,844
1976	1,490,570.06	1.96	29,215.17	.5782	861,848
1977	1,995,356.47	1.97	39,308.52	.5615	1,120,393
1978	1,771,758.03	1.99	35,257.98	.5473	969,683
1979	1,758,670.09	2.00	35,173.40	.5300	932,095
1980	2,546,133.33	2.02	51,431.89	.5151	1,311,513
1981	2,348,200.51	2.03	47,668.47	.4974	1,167,995
1982	2,217,958.77	2.05	45,468.15	.4818	1,068,613
1983	2,092,139.61	2.06	43,098.08	.4635	969,707
1984	2,609,884.38	2.08	54,285.60	.4472	1,167,140
1985	2,133,134.65	2.09	44,582.51	.4285	914,048
1986	2,191,072.61	2.11	46,231.63	.4115	901,626
1987	2,446,698.96	2.12	51,870.02	.3922	959,595
1988	2,726,876.73	2.14	58,355.16	.3745	1,021,215
1989	3,030,858.54	2.15	65,163.46	.3548	1,075,349
1990	3,750,546.41	2.17	81,386.86	.3364	1,261,684
1991	3,084,577.01	2.19	67,552.24	.3176	979,662
1992	3,450,624.17	2.20	75,913.73	.2970	1,024,835
1993	2,802,181.34	2.22	62,208.43	.2775	777,605
1994	2,571,240.10	2.24	57,595.78	.2576	662,351
1995	2,005,613.35	2.26	45,326.86	.2373	475,932
1996	1,831,540.70	2.27	41,575.97	.2157	395,063
1997	2,166,372.23	2.29	49,609.92	.1947	421,793
1998	2,150,429.42	2.32	49,889.96	.1740	374,175

NEWFOUNDLAND POWER INC.

ACCOUNT 361.12 - O/H CONDUCTOR - BARE ALUMINUM

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 50-R2.5					
NET SALVAGE PERCENT.. -30					
1999	3,126,176.85	2.34	73,152.54	.1521	475,491
2000	2,896,369.09	2.36	68,354.31	.1298	375,949
2001	3,290,954.27	2.39	78,653.81	.1076	354,107
2002	2,429,904.33	2.43	59,046.68	.0851	206,785
2003	3,812,123.10	2.47	94,159.44	.0618	235,589
2004	3,602,541.12	2.54	91,504.54	.0381	137,257
2005	3,693,798.00	2.69	99,363.17	.0135	49,866
			1,874,444.71		27,208,847
NET SALVAGE ADJUSTMENT			562,333.41		8,162,654
TOTAL	85,049,355.91		2,436,778.12		35,371,501

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.87

NEWFOUNDLAND POWER INC.

ACCOUNT 361.13 - O/H CONDUCTOR - W/P ALUMINUM

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 31-R1.5					
NET SALVAGE PERCENT.. -30					
1974	0.13	2.48		.7812	
1975	1.81	2.52	0.05	.7686	1
1976	585,642.00	2.56	14,992.44	.7552	442,277
1977	647,721.52	2.60	16,840.76	.7410	479,962
1978	686,965.08	2.64	18,135.88	.7260	498,737
1979	982,312.61	2.68	26,325.98	.7102	697,638
1980	859,221.19	2.72	23,370.82	.6936	595,956
1981	1,015,925.23	2.76	28,039.54	.6762	686,969
1982	640,070.00	2.81	17,985.97	.6604	422,702
1983	565,408.15	2.85	16,114.13	.6413	362,596
1984	546,243.26	2.89	15,786.43	.6214	339,436
1985	538,454.77	2.94	15,830.57	.6027	324,527
1986	526,436.19	2.98	15,687.80	.5811	305,912
1987	490,439.96	3.03	14,860.33	.5606	274,941
1988	624,588.70	3.08	19,237.33	.5390	336,653
1989	831,293.04	3.12	25,936.34	.5148	427,950
1990	1,097,569.41	3.18	34,902.71	.4929	540,992
1991	844,619.02	3.23	27,281.19	.4684	395,620
1992	1,139,944.02	3.28	37,390.16	.4428	504,767
1993	959,089.10	3.34	32,033.58	.4175	400,420
1994	899,481.40	3.40	30,582.37	.3910	351,697
1995	699,876.61	3.47	24,285.72	.3644	255,035
1996	715,763.42	3.54	25,338.03	.3363	240,711
1997	646,082.93	3.62	23,388.20	.3077	198,800
1998	629,301.68	3.70	23,284.16	.2775	174,631
1999	573,867.11	3.80	21,806.95	.2470	141,745
2000	374,714.36	3.90	14,613.86	.2145	80,376
2001	641,500.88	4.03	25,852.49	.1814	116,368
2002	642,758.20	4.19	26,931.57	.1467	94,293
2003	927,617.16	4.39	40,722.39	.1098	101,852
2004	983,802.19	4.71	46,337.08	.0707	69,555
2005	1,062,762.00	5.47	58,133.08	.0274	29,120
			762,027.91		9,892,239
NET SALVAGE ADJUSTMENT			228,608.37		2,967,672
TOTAL	22,379,473.13		990,636.28		12,859,911

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.43

NEWFOUNDLAND POWER INC.

ACCOUNT 361.14 - O/H CONDUCTOR - AERIAL CABLE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 25-R1					
NET SALVAGE PERCENT.. -45					
1967	4,263.00	2.38	101.46	.9163	3,906
1969	15,725.00	2.46	386.84	.8979	14,119
1970	55.00	2.50	1.38	.8875	49
1971	10,255.00	2.54	260.48	.8763	8,986
1972	10,305.87-	2.59	266.92-	.8677	8,942-
1973	4,618.00	2.63	121.45	.8548	3,947
1974	752.00	2.68	20.15	.8442	635
1975	398.00	2.73	10.87	.8327	331
1976	30,034.00	2.78	834.95	.8201	24,631
1977	23,553.00	2.83	666.55	.8066	18,998
1978	9,476.00	2.88	272.91	.7920	7,505
1979	265.00	2.93	7.76	.7765	206
1981	14,897.00	3.04	452.87	.7448	11,095
1982	7,182.00	3.10	222.64	.7285	5,232
1983	48,964.00	3.15	1,542.37	.7088	34,706
1985	6,323.00	3.28	207.39	.6724	4,252
1987	170,286.00	3.41	5,806.75	.6309	107,433
1988	2,787.00	3.47	96.71	.6073	1,693
1989	104,682.00	3.55	3,716.21	.5858	61,323
1990	3,192.00	3.62	115.55	.5611	1,791
1991	26,303.00	3.70	973.21	.5365	14,112
1995	65,841.00	4.06	2,673.14	.4263	28,068
1998	13,978.00	4.42	617.83	.3315	4,634
1999	89,320.00	4.57	4,081.92	.2971	26,537
2000	55,223.00	4.75	2,623.09	.2613	14,430
			25,547.56		389,677
NET SALVAGE ADJUSTMENT			11,496.40		175,355
TOTAL	698,066.13		37,043.96		565,032

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.31

NEWFOUNDLAND POWER INC.

ACCOUNT 361.15 - O/H CONDUCTOR - DUPLEX,TRIPLEX, QUADRUPLEX

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 39-S1.5
NET SALVAGE PERCENT.. -30

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1966	18,667.00	2.02	377.07	.7979	14,894
1967	14,957.00	2.05	306.62	.7893	11,806
1968	19,574.00	2.08	407.14	.7800	15,268
1969	16,175.00	2.11	341.29	.7702	12,458
1970	19,620.00	2.14	419.87	.7597	14,905
1971	15,087.00	2.17	327.39	.7487	11,296
1972	27,612.00	2.20	607.46	.7370	20,350
1973	27,336.00	2.23	609.59	.7248	19,813
1974	23,029.00	2.26	520.46	.7119	16,394
1975	31,459.00	2.30	723.56	.7015	22,068
1976	30,055.00	2.33	700.28	.6874	20,660
1977	27,591.00	2.36	651.15	.6726	18,558
1978	44,880.00	2.39	1,072.63	.6573	29,500
1979	48,020.00	2.43	1,166.89	.6440	30,925
1980	41,804.00	2.46	1,028.38	.6273	26,224
1981	55,228.00	2.49	1,375.18	.6101	33,695
1982	62,320.00	2.53	1,576.70	.5946	37,055
1983	68,089.00	2.56	1,743.08	.5760	39,219
1984	84,937.00	2.59	2,199.87	.5569	47,301
1985	61,877.00	2.63	1,627.37	.5392	33,364
1986	103,642.00	2.66	2,756.88	.5187	53,759
1987	109,958.00	2.69	2,957.87	.4977	54,726
1988	78,735.00	2.72	2,141.59	.4760	37,478
1989	93,468.00	2.75	2,570.37	.4538	42,416
1990	71,998.00	2.79	2,008.74	.4325	31,139
1991	80,732.00	2.82	2,276.64	.4089	33,011
1992	68,618.00	2.84	1,948.75	.3834	26,308
1993	93,883.00	2.87	2,694.44	.3588	33,685
1994	65,564.00	2.90	1,901.36	.3335	21,866
1995	70,487.00	2.93	2,065.27	.3077	21,689
1996	34,083.00	2.95	1,005.45	.2803	9,553
1997	65,395.00	2.97	1,942.23	.2525	16,512
1998	59,147.00	3.00	1,774.41	.2250	13,308
1999	92,753.00	3.02	2,801.14	.1963	18,207
2000	133,476.00	3.03	4,044.32	.1667	22,250
2001	162,951.00	3.05	4,970.01	.1373	22,373
2002	187,023.00	3.06	5,722.90	.1071	20,030

NEWFOUNDLAND POWER INC.

ACCOUNT 361.15 - O/H CONDUCTOR - DUPLEX,TRIPLEX, QUADRUPLEX

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 39-S1.5					
NET SALVAGE PERCENT.. -30					
2003	156,593.00	3.07	4,807.41	.0768	12,026
2004	173,267.95	3.08	5,336.65	.0462	8,005
2005	217,035.00	3.09	6,706.38	.0155	3,364
			80,214.79		977,458
NET SALVAGE ADJUSTMENT			24,064.44		293,237
TOTAL	2,857,125.95		104,279.23		1,270,695

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.65

NEWFOUNDLAND POWER INC.

ACCOUNT 361.20 - DISTRIBUTION - UNDERGROUND CABLE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 40-R3					
NET SALVAGE PERCENT.. 0					
1966	149,962.00	2.12	3,179.19	.8374	125,578
1967	208,895.00	2.14	4,470.35	.8239	172,109
1968	132,244.00	2.17	2,869.69	.8138	107,620
1969	99,036.00	2.19	2,168.89	.7994	79,169
1970	117,745.00	2.22	2,613.94	.7881	92,795
1971	106,663.00	2.24	2,389.25	.7728	82,429
1972	146,270.00	2.27	3,320.33	.7605	111,238
1973	98,027.00	2.29	2,244.82	.7443	72,961
1974	264,780.00	2.31	6,116.42	.7277	192,680
1975	260,967.00	2.34	6,106.63	.7137	186,252
1976	242,548.00	2.36	5,724.13	.6962	168,862
1977	302,581.00	2.38	7,201.43	.6783	205,241
1978	500,618.00	2.40	12,014.83	.6600	330,408
1979	107,402.00	2.42	2,599.13	.6413	68,877
1980	655,606.00	2.44	15,996.79	.6222	407,918
1981	470,883.00	2.47	11,630.81	.6052	284,978
1982	306,894.00	2.49	7,641.66	.5852	179,594
1983	315,848.00	2.51	7,927.78	.5648	178,391
1984	447,265.00	2.53	11,315.80	.5440	243,312
1985	391,392.00	2.55	9,980.50	.5228	204,620
1986	1,284,106.00	2.57	33,001.52	.5012	643,594
1987	704,228.00	2.58	18,169.08	.4773	336,128
1988	829,335.00	2.60	21,562.71	.4550	377,347
1989	1,173,790.00	2.62	30,753.30	.4323	507,429
1990	747,039.00	2.64	19,721.83	.4092	305,688
1991	1,052,181.00	2.66	27,988.01	.3857	405,826
1992	860,797.00	2.67	22,983.28	.3605	310,317
1993	609,181.00	2.69	16,386.97	.3363	204,868
1994	410,062.00	2.71	11,112.68	.3117	127,816
1995	489,128.00	2.72	13,304.28	.2856	139,695
1996	307,501.00	2.74	8,425.53	.2603	80,043
1997	291,813.00	2.76	8,054.04	.2346	68,459
1998	261,543.00	2.77	7,244.74	.2078	54,349
1999	233,208.00	2.79	6,506.50	.1814	42,304
2000	242,855.00	2.80	6,799.94	.1540	37,400
2001	344,594.00	2.82	9,717.55	.1269	43,729
2002	481,256.00	2.84	13,667.67	.0994	47,837

NEWFOUNDLAND POWER INC.

ACCOUNT 361.20 - DISTRIBUTION - UNDERGROUND CABLE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 40-R3					
NET SALVAGE PERCENT.. 0					
2003	624,851.00	2.86	17,870.74	.0715	44,677
2004	607,036.26	2.89	17,543.35	.0434	26,345
2005	724,555.00	2.95	21,374.37	.0148	10,723
TOTAL	17,604,685.26		459,700.46		7,309,606

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.61

NEWFOUNDLAND POWER INC.

ACCOUNT 361.30 - DISTRIBUTION - SPECIAL INSUL. COPPER CABLE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 25-R1					
NET SALVAGE PERCENT.. -45					
1977	11,698.00	2.83	331.05	.8066	9,436
1978	9,008.00	2.88	259.43	.7920	7,134
1982	44,266.00	3.10	1,372.25	.7285	32,248
1983	36,950.00	3.15	1,163.93	.7088	26,190
1984	154.00	3.21	4.94	.6902	106
			3,131.60		75,114
NET SALVAGE ADJUSTMENT			1,409.22		33,801
TOTAL	102,076.00		4,540.82		108,915

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.45

NEWFOUNDLAND POWER INC.

ACCOUNT 361.40 - DISTRIBUTION - SUBMARINE CABLE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 40-R3					
NET SALVAGE PERCENT.. 0					
1965	23,650.00	2.09	494.29	.8465	20,020
1988	1,951,898.00	2.60	50,749.35	.4550	888,114
1990	1,472,083.00	2.64	38,862.99	.4092	602,376
TOTAL	3,447,631.00		90,106.63		1,510,510

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.61

NEWFOUNDLAND POWER INC.

ACCOUNT 362.10 - DISTRIBUTION - POLES (UNDER 35')

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-R1.5					
NET SALVAGE PERCENT.. -10					
1961	52,042.32-	1.73	900.33-	.7699	40,067-
1962	396,798.00	1.75	6,943.97	.7613	302,082
1963	345,556.67	1.77	6,116.35	.7523	259,962
1964	354,600.33	1.79	6,347.35	.7429	263,433
1965	634,031.40	1.81	11,475.97	.7331	464,808
1966	801,642.57	1.83	14,670.06	.7229	579,507
1967	307,590.99	1.85	5,690.43	.7123	219,097
1968	222,905.09	1.87	4,168.33	.7013	156,323
1969	362,463.31	1.89	6,850.56	.6899	250,063
1970	306,773.04	1.90	5,828.69	.6745	206,918
1971	533,776.23	1.92	10,248.50	.6624	353,573
1972	450,565.81	1.94	8,740.98	.6499	292,823
1973	758,812.77	1.97	14,948.61	.6403	485,868
1974	863,453.14	1.99	17,182.72	.6269	541,299
1975	1,039,136.70	2.01	20,886.65	.6131	637,095
1976	1,964,404.98	2.03	39,877.42	.5989	1,176,482
1977	1,193,307.18	2.05	24,462.80	.5843	697,249
1978	1,140,321.11	2.07	23,604.65	.5693	649,185
1979	1,461,976.63	2.09	30,555.31	.5539	809,789
1980	1,100,349.84	2.12	23,327.42	.5406	594,849
1981	2,049,094.12	2.14	43,850.61	.5243	1,074,340
1982	1,471,264.86	2.16	31,779.32	.5076	746,814
1983	1,775,194.35	2.19	38,876.76	.4928	874,816
1984	2,019,490.44	2.21	44,630.74	.4752	959,662
1985	1,829,267.87	2.24	40,975.60	.4592	840,000
1986	2,135,127.06	2.26	48,253.87	.4407	940,950
1987	2,241,700.23	2.29	51,334.94	.4237	949,808
1988	2,325,285.91	2.32	53,946.63	.4060	944,066
1989	2,548,156.94	2.35	59,881.69	.3878	988,175
1990	3,066,279.59	2.38	72,977.45	.3689	1,131,151
1991	2,712,894.63	2.41	65,380.76	.3495	948,157
1992	3,310,174.52	2.45	81,099.28	.3308	1,095,006
1993	3,480,536.92	2.48	86,317.32	.3100	1,078,966
1994	2,557,917.78	2.52	64,459.53	.2898	741,285
1995	3,476,260.21	2.57	89,339.89	.2699	938,243
1996	2,887,321.61	2.61	75,359.09	.2480	716,056
1997	1,827,899.13	2.66	48,622.12	.2261	413,288

NEWFOUNDLAND POWER INC.

ACCOUNT 362.10 - DISTRIBUTION - POLES (UNDER 35')

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-R1.5					
NET SALVAGE PERCENT.. -10					
1998	1,619,421.99	2.72	44,048.28	.2040	330,362
1999	2,137,037.38	2.78	59,409.64	.1807	386,163
2000	2,055,965.04	2.85	58,595.00	.1568	322,375
2001	2,248,566.65	2.93	65,883.00	.1319	296,586
2002	1,676,405.56	3.04	50,962.73	.1064	178,370
2003	2,097,205.76	3.18	66,691.14	.0795	166,728
2004	2,391,702.11	3.39	81,078.70	.0509	121,738
2005	1,767,982.00	3.91	69,128.10	.0196	34,652
			1,773,908.63		26,118,095
NET SALVAGE ADJUSTMENT			177,390.86		2,611,810
TOTAL	71,894,576.13		1,951,299.49		28,729,905

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.71

NEWFOUNDLAND POWER INC.

ACCOUNT 362.20 - DISTRIBUTION - POLES (35' & OVER)

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 45-R1.5
NET SALVAGE PERCENT.. -10

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1963	103,188.84-	1.77	1,826.44-	.7523	77,629-
1964	903,243.70	1.79	16,168.06	.7429	671,020
1965	2,268,125.97	1.81	41,053.08	.7331	1,662,763
1966	1,819,562.93	1.83	33,298.00	.7229	1,315,362
1967	679,793.87	1.85	12,576.19	.7123	484,217
1968	605,304.22	1.87	11,319.19	.7013	424,500
1969	1,220,679.06	1.89	23,070.83	.6899	842,146
1970	925,506.38	1.90	17,584.62	.6745	624,254
1971	1,373,947.37	1.92	26,379.79	.6624	910,103
1972	1,214,038.55	1.94	23,552.35	.6499	789,004
1973	1,639,875.00	1.97	32,305.54	.6403	1,050,012
1974	2,242,459.41	1.99	44,624.94	.6269	1,405,798
1975	3,697,580.42	2.01	74,321.37	.6131	2,266,987
1976	2,461,692.59	2.03	49,972.36	.5989	1,474,308
1977	3,737,761.80	2.05	76,624.12	.5843	2,183,974
1978	4,012,736.83	2.07	83,063.65	.5693	2,284,451
1979	4,168,145.73	2.09	87,114.25	.5539	2,308,736
1980	6,094,069.78	2.12	129,194.28	.5406	3,294,454
1981	4,691,383.57	2.14	100,395.61	.5243	2,459,692
1982	5,286,245.15	2.16	114,182.90	.5076	2,683,298
1983	5,380,829.04	2.19	117,840.16	.4928	2,651,673
1984	7,405,038.57	2.21	163,651.35	.4752	3,518,874
1985	6,696,901.67	2.24	150,010.60	.4592	3,075,217
1986	7,559,149.47	2.26	170,836.78	.4407	3,331,317
1987	8,641,915.59	2.29	197,899.87	.4237	3,661,580
1988	7,787,046.64	2.32	180,659.48	.4060	3,161,541
1989	9,948,658.14	2.35	233,793.47	.3878	3,858,090
1990	12,852,898.83	2.38	305,898.99	.3689	4,741,434
1991	11,532,931.50	2.41	277,943.65	.3495	4,030,760
1992	11,770,290.33	2.45	288,372.11	.3308	3,893,612
1993	10,446,892.73	2.48	259,082.94	.3100	3,238,537
1994	10,894,461.71	2.52	274,540.44	.2898	3,157,215
1995	10,346,190.11	2.57	265,897.09	.2699	2,792,437
1996	9,318,497.38	2.61	243,212.78	.2480	2,310,987
1997	7,590,080.59	2.66	201,896.14	.2261	1,716,117
1998	9,110,101.83	2.72	247,794.77	.2040	1,858,461
1999	7,637,078.61	2.78	212,310.79	.1807	1,380,020

NEWFOUNDLAND POWER INC.

ACCOUNT 362.20 - DISTRIBUTION - POLES (35' & OVER)

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-R1.5					
NET SALVAGE PERCENT.. -10					
2000	9,671,312.16	2.85	275,632.40	.1568	1,516,462
2001	10,340,615.26	2.93	302,980.03	.1319	1,363,927
2002	9,546,736.19	3.04	290,220.78	.1064	1,015,773
2003	9,424,453.60	3.18	299,697.62	.0795	749,244
2004	9,918,741.50	3.39	336,245.34	.0509	504,864
2005	10,863,079.00	3.91	424,746.39	.0196	212,916
			6,716,138.66		86,798,508
NET SALVAGE ADJUSTMENT			671,613.87		8,679,851
TOTAL	263,622,863.94		7,387,752.53		95,478,359

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.80

NEWFOUNDLAND POWER INC.

ACCOUNT 362.30 - DISTRIBUTION - POLES - CONCRETE & STEEL

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 37-R2.5					
NET SALVAGE PERCENT.. -20					
1966	14,635.00	2.14	313.19	.8453	12,371
1967	252.00	2.17	5.47	.8355	211
1970	23,950.00	2.26	541.27	.8023	19,215
1971	48,491.00	2.29	1,110.44	.7901	38,313
1972	57,898.00	2.32	1,343.23	.7772	44,998
1973	73,902.00	2.35	1,736.70	.7638	56,446
1974	59,889.00	2.38	1,425.36	.7497	44,899
1975	136,149.00	2.41	3,281.19	.7351	100,083
1976	106,499.00	2.43	2,587.93	.7169	76,349
1977	80,122.00	2.46	1,971.00	.7011	56,174
1978	79,081.00	2.49	1,969.12	.6848	54,155
1979	68,891.00	2.52	1,736.05	.6678	46,005
1980	144,972.00	2.54	3,682.29	.6477	93,898
1981	223,497.00	2.57	5,743.87	.6297	140,736
1982	123,437.00	2.60	3,209.36	.6110	75,420
1983	19,227.00	2.63	505.67	.5918	11,379
1984	220,729.00	2.65	5,849.32	.5698	125,771
1985	144,138.00	2.68	3,862.90	.5494	79,189
1986	319,228.00	2.71	8,651.08	.5285	168,712
1987	206,777.00	2.74	5,665.69	.5069	104,815
1988	254,251.00	2.76	7,017.33	.4830	122,803
1989	332,270.00	2.79	9,270.33	.4604	152,977
1990	224,937.00	2.82	6,343.22	.4371	98,320
1991	214,516.00	2.85	6,113.71	.4133	88,659
1992	296,801.00	2.87	8,518.19	.3875	115,010
1993	321,407.00	2.90	9,320.80	.3625	116,510
1994	245,198.00	2.93	7,184.30	.3370	82,632
1995	186,230.00	2.96	5,512.41	.3108	57,880
1996	208,449.00	2.99	6,232.63	.2841	59,220
1997	152,310.00	3.02	4,599.76	.2567	39,098
1998	111,497.00	3.06	3,411.81	.2295	25,589
1999	88,906.00	3.09	2,747.20	.2009	17,861
2000	90,967.00	3.13	2,847.27	.1722	15,665
2001	72,569.00	3.18	2,307.69	.1431	10,385
2002	132,302.00	3.23	4,273.35	.1131	14,963
2003	142,578.00	3.29	4,690.82	.0823	11,734
2004	246,213.50	3.38	8,322.02	.0507	12,483

NEWFOUNDLAND POWER INC.

ACCOUNT 362.30 - DISTRIBUTION - POLES - CONCRETE & STEEL

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 37-R2.5					
NET SALVAGE PERCENT.. -20					
2005	253,895.00	3.59	9,114.83	.0180	4,570
			163,018.80		2,395,498
NET SALVAGE ADJUSTMENT			32,603.76		479,100
TOTAL	5,727,060.50		195,622.56		2,874,598

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.42

NEWFOUNDLAND POWER INC.

ACCOUNT 362.40 - DISTRIBUTION - STEEL TOWERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	--ANNUAL ACCRUAL-- AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	-ACCRUED DEPREC.- AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-R3					
NET SALVAGE PERCENT.. 0					
1980	184,774.00	2.22	4,101.98	.5661	104,601
TOTAL	184,774.00		4,101.98		104,601

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.22

NEWFOUNDLAND POWER INC.

ACCOUNT 363.00 - DISTRIBUTION - STREET LIGHTS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 16-O1					
NET SALVAGE PERCENT.. -5					
1968	22,288.32-			1.0000	22,288-
1969	929.58-			1.0000	930-
1970	326.96-			1.0000	327-
1971	3,618.92-			1.0000	3,619-
1972	4,854.25			1.0000	4,854
1973	0.20			1.0000	
1974	0.49	3.17	0.02	1.0000	
1975	2,308.50-	3.21	74.10-	.9791	2,260-
1976	2,308.16	3.26	75.25	.9617	2,220
1977	4,210.28	3.31	139.36	.9434	3,972
1978	336,613.19	3.37	11,343.86	.9268	311,973
1979	333,621.39	3.43	11,443.21	.9090	303,262
1980	305,040.74	3.50	10,676.43	.8925	272,249
1981	423,022.34	3.56	15,059.60	.8722	368,960
1982	332,261.74	3.63	12,061.10	.8531	283,452
1983	222,223.59	3.71	8,244.50	.8348	185,512
1984	723,574.27	3.79	27,423.46	.8149	589,641
1985	767,509.29	3.87	29,702.61	.7934	608,942
1986	1,081,156.32	3.96	42,813.79	.7722	834,869
1987	910,588.65	4.06	36,969.90	.7511	683,943
1988	564,878.19	4.16	23,498.93	.7280	411,231
1989	719,544.78	4.28	30,796.52	.7062	508,143
1990	768,840.60	4.40	33,828.99	.6820	524,349
1991	1,030,722.95	4.53	46,691.75	.6569	677,082
1992	886,333.38	4.67	41,391.77	.6305	558,833
1993	874,810.49	4.82	42,165.87	.6025	527,073
1994	776,842.58	5.00	38,842.13	.5750	446,684
1995	564,331.42	5.19	29,288.80	.5450	307,561
1996	1,352,934.78	5.40	73,058.48	.5130	694,056
1997	771,994.45	5.65	43,617.69	.4803	370,789
1998	338,825.83	5.93	20,092.37	.4448	150,710
1999	207,637.00	6.26	12,998.08	.4069	84,487
2000	390,517.15	6.66	26,008.44	.3663	143,046
2001	509,573.82	7.15	36,434.53	.3218	163,981
2002	557,215.73	7.79	43,407.11	.2727	151,953
2003	662,486.35	8.69	57,570.06	.2173	143,958
2004	667,088.43	10.15	67,709.48	.1523	101,598

NEWFOUNDLAND POWER INC.

ACCOUNT 363.00 - DISTRIBUTION - STREET LIGHTS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 16-O1					
NET SALVAGE PERCENT.. -5					
2005	932,498.00	14.06	131,109.22	.0703	65,555
			1,004,389.21		10,455,514
NET SALVAGE ADJUSTMENT			50,219.46		522,776
TOTAL	17,994,588.55		1,054,608.67		10,978,290

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.86

NEWFOUNDLAND POWER INC.

ACCOUNT 364.10 - DISTRIBUTION - TRANSFORMERS (UPTO 15 KVA)

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 36-S0
NET SALVAGE PERCENT.. +5

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1963	70,768.04	1.89	1,337.52	.8033	56,848
1964	133,358.74	1.91	2,547.15	.7927	105,713
1965	204,478.22	1.94	3,966.88	.7857	160,659
1966	106,717.58	1.96	2,091.66	.7742	82,621
1967	83,173.59	1.99	1,655.15	.7662	63,728
1968	92,787.47	2.01	1,865.03	.7538	69,943
1969	131,478.91	2.04	2,682.17	.7446	97,899
1970	8,643.38	2.07	178.92	.7349	6,352
1971	72,303.99	2.10	1,518.38	.7245	52,384
1972	104,674.79	2.13	2,229.57	.7136	74,696
1973	97,870.97	2.16	2,114.01	.7020	68,705
1974	101,571.82	2.19	2,224.42	.6899	70,074
1975	251,812.57	2.22	5,590.24	.6771	170,502
1976	232,335.23	2.25	5,227.54	.6638	154,224
1977	118,950.36	2.29	2,723.96	.6527	77,639
1978	25,378.92	2.33	591.33	.6408	16,263
1980	41,421.00	2.40	994.10	.6120	25,350
1981	56,029.00	2.44	1,367.11	.5978	33,494
1982	88,101.60	2.48	2,184.92	.5828	51,346
1983	72,190.36	2.53	1,826.42	.5693	41,098
1984	144,343.89	2.57	3,709.64	.5526	79,764
1985	59,680.20	2.62	1,563.62	.5371	32,054
1986	209,522.00	2.67	5,594.24	.5207	109,098
1987	231,873.18	2.72	6,306.95	.5032	116,679
1988	15,140.00	2.77	419.38	.4848	7,340
1989	132,499.24	2.83	3,749.73	.4670	61,877
1990	116,990.24	2.88	3,369.32	.4464	52,224
1991	20,378.33	2.95	601.16	.4278	8,718
1992	208,381.48	3.01	6,272.28	.4064	84,686
1993	127,754.54	3.08	3,934.84	.3850	49,185
1994	53,255.51	3.15	1,677.55	.3623	19,294
1995	112,710.00	3.22	3,629.26	.3381	38,107
1996	179,888.82	3.30	5,936.33	.3135	56,395
1997	228,248.60	3.39	7,737.63	.2882	65,781
1998	565,595.92	3.48	19,682.74	.2610	147,621
1999	419,795.00	3.58	15,028.66	.2327	97,686
2000	788,989.20	3.69	29,113.70	.2030	160,165

NEWFOUNDLAND POWER INC.

ACCOUNT 364.10 - DISTRIBUTION - TRANSFORMERS (UPTO 15 KVA)

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 36-S0					
NET SALVAGE PERCENT.. +5					
2001	549,276.00	3.80	20,872.49	.1710	93,926
2002	583,860.77	3.93	22,945.73	.1376	80,339
2003	574,644.77	4.08	23,445.51	.1020	58,614
2004	469,964.09	4.25	19,973.47	.0638	29,984
2005	406,126.00	4.46	18,113.22	.0223	9,057
			268,593.93		2,938,132
NET SALVAGE ADJUSTMENT			13,429.70-		146,907-
TOTAL	8,292,964.32		255,164.23		2,791,225

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.08

NEWFOUNDLAND POWER INC.

ACCOUNT 364.11 - DISTRIBUTION - TRANSFORMERS (OVER 15 KVA)

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 36-S0					
NET SALVAGE PERCENT.. +5					
1964	1,406.00-	1.91	26.85-	.7927	1,115-
1965	173,077.00	1.94	3,357.69	.7857	135,987
1966	13,956.40	1.96	273.55	.7742	10,805
1967	246,883.86	1.99	4,912.99	.7662	189,162
1968	218,644.00	2.01	4,394.74	.7538	164,814
1969	163,062.44	2.04	3,326.47	.7446	121,416
1970	27,679.00	2.07	572.96	.7349	20,341
1971	111,719.04	2.10	2,346.10	.7245	80,940
1972	266,612.10	2.13	5,678.84	.7136	190,254
1973	617,548.58	2.16	13,339.05	.7020	433,519
1974	759,158.42	2.19	16,625.57	.6899	523,743
1975	2,198,377.85	2.22	48,803.99	.6771	1,488,522
1976	1,840,325.44	2.25	41,407.32	.6638	1,221,608
1977	806,848.22	2.29	18,476.82	.6527	526,630
1978	745,877.96	2.33	17,378.96	.6408	477,959
1979	381,288.74	2.36	8,998.41	.6254	238,458
1980	1,024,775.43	2.40	24,594.61	.6120	627,163
1981	942,641.80	2.44	23,000.46	.5978	563,511
1982	1,191,087.71	2.48	29,538.98	.5828	694,166
1983	591,611.18	2.53	14,967.76	.5693	336,804
1984	1,067,212.29	2.57	27,427.36	.5526	589,742
1985	807,632.66	2.62	21,159.98	.5371	433,780
1986	1,822,954.82	2.67	48,672.89	.5207	949,213
1987	1,754,540.66	2.72	47,723.51	.5032	882,885
1988	2,093,150.18	2.77	57,980.26	.4848	1,014,759
1989	2,684,007.13	2.83	75,957.40	.4670	1,253,431
1990	3,722,236.05	2.88	107,200.40	.4464	1,661,606
1991	2,547,952.84	2.95	75,164.61	.4278	1,090,014
1992	1,234,994.08	3.01	37,173.32	.4064	501,902
1993	1,367,724.42	3.08	42,125.91	.3850	526,574
1994	1,244,437.83	3.15	39,199.79	.3623	450,860
1995	1,604,790.12	3.22	51,674.24	.3381	542,580
1996	1,522,445.28	3.30	50,240.69	.3135	477,287
1997	1,929,949.59	3.39	65,425.29	.2882	556,211
1998	3,641,177.61	3.48	126,712.98	.2610	950,347
1999	2,927,558.19	3.58	104,806.58	.2327	681,243
2000	4,195,186.00	3.69	154,802.36	.2030	851,623

NEWFOUNDLAND POWER INC.

ACCOUNT 364.11 - DISTRIBUTION - TRANSFORMERS (OVER 15 KVA)

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 36-S0					
NET SALVAGE PERCENT.. +5					
2001	4,335,883.00	3.80	164,763.55	.1710	741,436
2002	4,925,514.00	3.93	193,572.70	.1376	677,751
2003	5,385,575.00	4.08	219,731.46	.1020	549,329
2004	5,351,495.09	4.25	227,438.54	.0638	341,425
2005	4,928,153.00	4.46	219,795.62	.0223	109,898
			2,440,717.86		23,878,583
NET SALVAGE ADJUSTMENT			122,035.89-		1,193,929-
TOTAL	73,414,339.01		2,318,681.97		22,684,654

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.16

NEWFOUNDLAND POWER INC.

ACCOUNT 364.20 - DISTRIBUTION - VOLTAGE REGULATORS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 36-S0					
NET SALVAGE PERCENT.. +5					
1956	3,400.00	1.74	59.16	.8613	2,928
1959	7,578.98	1.80	136.42	.8370	6,344
1960	1,860.00	1.82	33.85	.8281	1,540
1961	3,202.53-	1.84	58.93-	.8188	2,622-
1965	10,022.33	1.94	194.43	.7857	7,875
1968	16,945.00	2.01	340.59	.7538	12,773
1969	29,311.30	2.04	597.95	.7446	21,825
1970	64,284.26	2.07	1,330.68	.7349	47,243
1971	95,424.72	2.10	2,003.92	.7245	69,135
1972	77,638.84	2.13	1,653.71	.7136	55,403
1973	71,509.16	2.16	1,544.60	.7020	50,199
1974	173,250.84	2.19	3,794.19	.6899	119,526
1975	106,375.04	2.22	2,361.53	.6771	72,027
1976	54,153.55	2.25	1,218.45	.6638	35,947
1977	27,066.84	2.29	619.83	.6527	17,667
1978	35,857.00	2.33	835.47	.6408	22,977
1979	16,980.44	2.36	400.74	.6254	10,620
1980	162,464.03	2.40	3,899.14	.6120	99,428
1981	50,133.89	2.44	1,223.27	.5978	29,970
1982	48,690.56	2.48	1,207.53	.5828	28,377
1983	71,880.00	2.53	1,818.56	.5693	40,921
1984	25,428.00	2.57	653.50	.5526	14,052
1985	275,090.32	2.62	7,207.37	.5371	147,751
1986	43,824.73	2.67	1,170.12	.5207	22,820
1987	204,350.28	2.72	5,558.33	.5032	102,829
1988	85,335.24	2.77	2,363.79	.4848	41,371
1989	180,283.00	2.83	5,102.01	.4670	84,192
1990	179,232.00	2.88	5,161.88	.4464	80,009
1991	306,968.00	2.95	9,055.56	.4278	131,321
1992	112,348.25	3.01	3,381.68	.4064	45,658
1994	202,348.00	3.15	6,373.96	.3623	73,311
1998	0.15-	3.48	0.01-	.2610	
1999	30,312.00	3.58	1,085.17	.2327	7,054
2004	61,381.30	4.25	2,608.71	.0638	3,916
2005	189,026.00	4.46	8,430.56	.0223	4,215
			83,367.72		1,508,602
NET SALVAGE ADJUSTMENT			4,168.39-		75,430-
TOTAL	3,017,551.22		79,199.33		1,433,172

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.62

NEWFOUNDLAND POWER INC.

ACCOUNT 364.30 - DISTRIBUTION - CAPACITOR BANKS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 36-S0					
NET SALVAGE PERCENT.. +5					
1984	21,730.00	2.57	558.46	.5526	12,008
1990	3,406.00	2.88	98.09	.4464	1,520
1991	2,680.00	2.95	79.06	.4278	1,147
1993	19,978.00	3.08	615.32	.3850	7,692
1995	4,786.00	3.22	154.11	.3381	1,618
1997	14,492.00	3.39	491.28	.2882	4,177
1998	38,064.00	3.48	1,324.63	.2610	9,935
1999	77,432.00	3.58	2,772.07	.2327	18,018
2000	20,434.00	3.69	754.01	.2030	4,148
			6,847.03		60,263
NET SALVAGE ADJUSTMENT			342.35-		3,013-
TOTAL	203,002.00		6,504.68		57,250

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.20

NEWFOUNDLAND POWER INC.

ACCOUNT 364.40 - DISTRIBUTION - RECLOSERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 36-S0					
NET SALVAGE PERCENT.. +5					
1954	1,160.00	1.70	19.72	.8755	1,016
1963	2,188.00	1.89	41.35	.8033	1,758
1966	2,892.00	1.96	56.68	.7742	2,239
1969	162.00	2.04	3.30	.7446	121
1970	677.00	2.07	14.01	.7349	498
1973	2,641.00	2.16	57.05	.7020	1,854
1974	1,781.00	2.19	39.00	.6899	1,229
1976	12,134.30	2.25	273.02	.6638	8,055
1982	9,704.35-	2.48	240.67-	.5828	5,656-
1983	16,164.54	2.53	408.96	.5693	9,202
1985	3,866.00	2.62	101.29	.5371	2,076
1986	28,178.00	2.67	752.35	.5207	14,672
1987	13,191.00	2.72	358.80	.5032	6,638
1989	66,096.00	2.83	1,870.52	.4670	30,867
1990	56,096.00	2.88	1,615.56	.4464	25,041
1991	16,016.00	2.95	472.47	.4278	6,852
2000	159,836.00	3.69	5,897.95	.2030	32,447
2001	609,153.00	3.80	23,147.81	.1710	104,165
			34,889.17		243,074
NET SALVAGE ADJUSTMENT			1,744.46-		12,154-
TOTAL	982,527.49		33,144.71		230,920

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.37

NEWFOUNDLAND POWER INC.

ACCOUNT 365.10 - DISTRIBUTION - SERVICES OVERHEAD

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

SURVIVOR CURVE.. IOWA 39-S1.5
NET SALVAGE PERCENT.. -60

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1966	55,407.65-	2.02	1,119.23-	.7979	44,210-
1967	163,618.66	2.05	3,354.18	.7893	129,144
1968	157,607.78	2.08	3,278.24	.7800	122,934
1969	191,210.66	2.11	4,034.54	.7702	147,270
1970	156,764.40	2.14	3,354.76	.7597	119,094
1971	320,935.35	2.17	6,964.30	.7487	240,284
1972	367,974.94	2.20	8,095.45	.7370	271,198
1973	511,186.37	2.23	11,399.46	.7248	370,508
1974	670,568.65	2.26	15,154.85	.7119	477,378
1975	852,382.31	2.30	19,604.79	.7015	597,946
1976	908,051.57	2.33	21,157.60	.6874	624,195
1977	957,997.98	2.36	22,608.75	.6726	644,349
1978	1,052,475.52	2.39	25,154.16	.6573	691,792
1979	1,264,725.45	2.43	30,732.83	.6440	814,483
1980	1,377,870.20	2.46	33,895.61	.6273	864,338
1981	1,601,973.50	2.49	39,889.14	.6101	977,364
1982	1,549,459.09	2.53	39,201.31	.5946	921,308
1983	1,887,363.11	2.56	48,316.50	.5760	1,087,121
1984	2,395,488.55	2.59	62,043.15	.5569	1,334,048
1985	2,145,817.72	2.63	56,435.01	.5392	1,157,025
1986	2,241,801.43	2.66	59,631.92	.5187	1,162,822
1987	2,370,224.08	2.69	63,759.03	.4977	1,179,661
1988	2,651,170.19	2.72	72,111.83	.4760	1,261,957
1989	2,965,062.61	2.75	81,539.22	.4538	1,345,545
1990	2,859,517.25	2.79	79,780.53	.4325	1,236,741
1991	3,033,536.59	2.82	85,545.73	.4089	1,240,413
1992	2,974,902.35	2.84	84,487.23	.3834	1,140,578
1993	2,856,647.29	2.87	81,985.78	.3588	1,024,965
1994	2,370,371.97	2.90	68,740.79	.3335	790,519
1995	1,958,392.53	2.93	57,380.90	.3077	602,597
1996	1,792,412.33	2.95	52,876.16	.2803	502,413
1997	1,574,256.16	2.97	46,755.41	.2525	397,500
1998	1,447,692.56	3.00	43,430.78	.2250	325,731
1999	1,495,980.72	3.02	45,178.62	.1963	293,661
2000	1,492,102.47	3.03	45,210.70	.1667	248,733
2001	1,833,986.60	3.05	55,936.59	.1373	251,806
2002	1,813,626.19	3.06	55,496.96	.1071	194,239

NEWFOUNDLAND POWER INC.

ACCOUNT 365.10 - DISTRIBUTION - SERVICES OVERHEAD

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 39-S1.5					
NET SALVAGE PERCENT.. -60					
2003	1,700,987.40	3.07	52,220.31	.0768	130,636
2004	1,938,294.13	3.08	59,699.46	.0462	89,549
2005	2,189,040.00	3.09	67,641.34	.0155	33,930
			1,712,964.69		25,001,565
NET SALVAGE ADJUSTMENT			1,027,778.81		15,000,939
TOTAL	62,038,069.01		2,740,743.50		40,002,504

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.42

NEWFOUNDLAND POWER INC.

ACCOUNT 365.20 - DISTRIBUTION - SERVICES UNDERGROUND

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 45-R3					
NET SALVAGE PERCENT.. -5					
1965	5,690.00	1.96	111.52	.7938	4,517
1966	10,278.00	1.98	203.50	.7821	8,038
1967	44,406.00	2.00	888.12	.7700	34,193
1968	19,627.00	2.02	396.47	.7575	14,867
1969	13,560.00	2.04	276.62	.7446	10,097
1970	13,945.00	2.06	287.27	.7313	10,198
1974	75,003.00	2.13	1,597.56	.6710	50,327
1975	284,667.00	2.14	6,091.87	.6527	185,802
1976	119,140.00	2.16	2,573.42	.6372	75,916
1977	109,660.00	2.18	2,390.59	.6213	68,132
1978	34,576.00	2.19	757.21	.6023	20,825
1979	52,990.00	2.21	1,171.08	.5857	31,036
1980	134,057.00	2.22	2,976.07	.5661	75,890
1981	83,751.00	2.24	1,876.02	.5488	45,963
1982	179,142.00	2.26	4,048.61	.5311	95,142
1983	69,183.00	2.27	1,570.45	.5108	35,339
1984	134,754.00	2.29	3,085.87	.4924	66,353
1985	139,028.00	2.30	3,197.64	.4715	65,552
1986	64,590.00	2.32	1,498.49	.4524	29,221
1987	125,196.00	2.33	2,917.07	.4311	53,972
1988	220,655.00	2.35	5,185.39	.4113	90,755
1989	295,200.00	2.36	6,966.72	.3894	114,951
1990	282,563.00	2.37	6,696.74	.3674	103,814
1991	167,294.00	2.39	3,998.33	.3466	57,984
1992	159,624.00	2.40	3,830.98	.3240	51,718
1993	216,632.00	2.41	5,220.83	.3013	65,271
1994	241,688.00	2.43	5,873.02	.2795	67,552
1995	262,203.00	2.44	6,397.75	.2562	67,176
1996	376,219.00	2.45	9,217.37	.2328	87,584
1997	269,613.00	2.46	6,632.48	.2091	56,376
1998	14,149.00	2.48	350.90	.1860	2,632
2000	175,064.00	2.50	4,376.60	.1375	24,071
2001	72,659.00	2.52	1,831.01	.1134	8,240
2002	150,357.00	2.53	3,804.03	.0886	13,322
2003	318,679.00	2.55	8,126.31	.0638	20,332
2004	251,568.71	2.57	6,465.32	.0386	9,711
2005	180,630.00	2.62	4,732.51	.0131	2,366
			127,621.74		1,825,235
NET SALVAGE ADJUSTMENT			6,381.09		91,262
TOTAL	5,368,040.71		134,002.83		1,916,497

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.50

NEWFOUNDLAND POWER INC.

ACCOUNT 366.10 - DISTRIBUTION - WATT-HOUR METERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 32-S0.5					
NET SALVAGE PERCENT.. 0					
1965	74,724.90-	2.08	1,554.28-	.8424	62,948-
1966	19,337.00-	2.11	408.01-	.8335	16,117-
1967	155,742.56	2.14	3,332.89	.8239	128,316
1968	56,978.75	2.18	1,242.14	.8175	46,580
1969	132,787.29	2.21	2,934.60	.8067	107,120
1970	45,552.50	2.24	1,020.38	.7952	36,223
1971	85,798.27	2.28	1,956.20	.7866	67,489
1972	134,034.78	2.31	3,096.20	.7739	103,730
1973	156,896.91	2.35	3,687.08	.7638	119,838
1974	263,154.54	2.39	6,289.39	.7529	198,129
1975	210,340.53	2.43	5,111.27	.7412	155,904
1976	253,406.93	2.47	6,259.15	.7287	184,658
1977	290,786.73	2.51	7,298.75	.7154	208,029
1978	162,791.63	2.55	4,151.19	.7013	114,166
1979	177,334.19	2.60	4,610.69	.6890	122,183
1980	235,697.44	2.64	6,222.41	.6732	158,672
1981	355,980.20	2.69	9,575.87	.6591	234,627
1982	272,180.28	2.74	7,457.74	.6439	175,257
1983	428,522.47	2.78	11,912.92	.6255	268,041
1984	391,430.32	2.84	11,116.62	.6106	239,007
1985	458,009.61	2.89	13,236.48	.5925	271,371
1986	348,875.18	2.94	10,256.93	.5733	200,010
1987	89,304.65	3.00	2,679.14	.5550	49,564
1988	521,244.16	3.06	15,950.07	.5355	279,126
1989	469,677.12	3.12	14,653.93	.5148	241,790
1990	542,184.31	3.18	17,241.46	.4929	267,243
1991	503,587.16	3.24	16,316.22	.4698	236,585
1992	329,500.57	3.31	10,906.47	.4469	147,254
1993	291,672.75	3.38	9,858.54	.4225	123,232
1994	475,482.42	3.45	16,404.14	.3968	188,671
1995	344,406.40	3.52	12,123.11	.3696	127,293
1996	270,308.27	3.60	9,731.10	.3420	92,445
1997	228,068.17	3.68	8,392.91	.3128	71,340
1998	283,191.95	3.76	10,648.02	.2820	79,860
1999	459,242.99	3.85	17,680.86	.2503	114,949
2000	411,785.84	3.93	16,183.18	.2162	89,028
2001	264,982.01	4.03	10,678.78	.1814	48,068

NEWFOUNDLAND POWER INC.

ACCOUNT 366.10 - DISTRIBUTION - WATT-HOUR METERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 32-S0.5					
NET SALVAGE PERCENT.. 0					
2002	434,801.89	4.13	17,957.32	.1446	62,872
2003	460,668.76	4.23	19,486.29	.1058	48,739
2004	990,966.28	4.35	43,107.03	.0653	64,710
2005	1,047,188.00	4.49	47,018.74	.0225	23,562
TOTAL	12,940,502.91		435,823.92		5,416,616

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.37

NEWFOUNDLAND POWER INC.

ACCOUNT 366.20 - DISTRIBUTION - DEMAND METERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 25-S0.5					
NET SALVAGE PERCENT.. 0					
1970	0.35-	2.49	0.01-	.8840	
1971	7,276.11	2.53	184.09	.8729	6,351
1972	15,676.42	2.58	404.45	.8643	13,549
1973	23,101.83	2.63	607.58	.8548	19,747
1974	60,391.50	2.67	1,612.45	.8411	50,795
1975	57,459.64	2.72	1,562.90	.8296	47,669
1976	152,929.29	2.78	4,251.43	.8201	125,417
1977	112,996.32	2.83	3,197.80	.8066	91,143
1978	121,019.64	2.88	3,485.37	.7920	95,848
1979	118,620.10	2.94	3,487.43	.7791	92,417
1980	184,588.88	3.00	5,537.67	.7650	141,210
1981	253,230.34	3.06	7,748.85	.7497	189,847
1982	91,932.90	3.13	2,877.50	.7356	67,626
1983	167,107.29	3.20	5,347.43	.7200	120,317
1984	62,710.35	3.26	2,044.36	.7009	43,954
1985	83,634.74	3.34	2,793.40	.6847	57,265
1986	227,961.12	3.41	7,773.47	.6650	151,594
1987	364,588.76	3.49	12,724.15	.6457	235,415
1988	145,144.62	3.57	5,181.66	.6248	90,686
1989	82,204.44	3.66	3,008.68	.6039	49,643
1990	93,689.46	3.74	3,503.99	.5797	54,312
1991	65,875.30	3.84	2,529.61	.5568	36,679
1992	85,754.00	3.93	3,370.13	.5306	45,501
1993	85,664.64	4.03	3,452.28	.5038	43,158
1994	81,993.39	4.13	3,386.33	.4750	38,947
1995	103,428.98	4.24	4,385.39	.4452	46,047
1996	46,916.01	4.36	2,045.54	.4142	19,433
1997	40,367.66	4.47	1,804.43	.3800	15,340
1998	68,314.00	4.60	3,142.44	.3450	23,568
1999	102,427.00	4.73	4,844.80	.3075	31,496
2000	182,148.30	4.86	8,852.41	.2673	48,688
2001	250,753.04	5.01	12,562.73	.2255	56,545
2002	174,398.16	5.16	8,998.95	.1806	31,496
2003	462,717.00	5.32	24,616.54	.1330	61,541
2004	310,259.36	5.50	17,064.26	.0825	25,596
2005	286,476.00	5.72	16,386.43	.0286	8,193
TOTAL	4,773,756.24		194,776.92		2,277,033

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.08

NEWFOUNDLAND POWER INC.

ACCOUNT 366.30 - DISTRIBUTION - INSTRUMENT TRANSFORMERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 35-R3					
NET SALVAGE PERCENT.. 0					
1958	873.53	1.99	17.38	.9453	826
1959	7,278.00	2.02	147.02	.9393	6,836
1960	5,359.00	2.05	109.86	.9328	4,999
1961	2,230.00	2.08	46.38	.9256	2,064
1962	5,677.00	2.12	120.35	.9222	5,235
1963	10,438.00	2.15	224.42	.9138	9,538
1964	4,882.00	2.18	106.43	.9047	4,417
1965	7,811.00	2.22	173.40	.8991	7,023
1966	13,308.00	2.25	299.43	.8888	11,828
1967	13,253.06	2.29	303.50	.8817	11,685
1968	15,783.16	2.32	366.17	.8700	13,731
1969	10,590.28	2.36	249.93	.8614	9,122
1970	9,318.36	2.39	222.71	.8485	7,907
1971	13,331.01	2.42	322.61	.8349	11,130
1972	10,969.74	2.46	269.86	.8241	9,040
1973	29,132.70	2.49	725.40	.8093	23,577
1974	33,084.84	2.52	833.74	.7938	26,263
1975	43,687.40	2.55	1,114.03	.7778	33,980
1976	43,850.47	2.59	1,135.73	.7641	33,506
1977	43,149.94	2.62	1,130.53	.7467	32,220
1978	35,757.70	2.65	947.58	.7288	26,060
1979	53,532.40	2.68	1,434.67	.7102	38,019
1980	64,695.34	2.70	1,746.77	.6885	44,543
1981	53,578.10	2.73	1,462.68	.6689	35,838
1982	19,641.20	2.76	542.10	.6486	12,739
1983	44,488.28	2.79	1,241.22	.6278	27,930
1984	103,333.90	2.82	2,914.02	.6063	62,651
1985	80,355.78	2.84	2,282.10	.5822	46,783
1986	81,646.29	2.87	2,343.25	.5597	45,697
1987	99,717.88	2.90	2,891.82	.5365	53,499
1988	72,833.58	2.92	2,126.74	.5110	37,218
1989	84,163.08	2.95	2,482.81	.4868	40,971
1990	103,261.41	2.97	3,066.86	.4604	47,542
1991	78,149.32	2.99	2,336.66	.4336	33,886
1992	43,904.58	3.02	1,325.92	.4077	17,900
1993	2,193.00	3.04	66.67	.3800	833
1994	24,139.00	3.06	738.65	.3519	8,495

NEWFOUNDLAND POWER INC.

ACCOUNT 366.30 - DISTRIBUTION - INSTRUMENT TRANSFORMERS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 35-R3					
NET SALVAGE PERCENT.. 0					
1995	28,799.68	3.09	889.91	.3245	9,345
1996	32,675.00	3.11	1,016.19	.2955	9,655
1997	20,032.88	3.13	627.03	.2661	5,331
1998	22,727.00	3.15	715.90	.2363	5,370
1999	22,629.00	3.17	717.34	.2061	4,664
2000	192,014.00	3.19	6,125.25	.1755	33,698
2001	98,125.00-	3.21	3,149.81-	.1445	14,179-
2002	71,380.71	3.23	2,305.60	.1131	8,073
2003	49,271.00	3.26	1,606.23	.0815	4,016
2004	63,991.60	3.29	2,105.32	.0494	3,161
2005	87,132.00	3.36	2,927.64	.0168	1,464
TOTAL	1,861,926.20		53,756.00		916,129

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.89

NEWFOUNDLAND POWER INC.

ACCOUNT 366.40 - DISTRIBUTION - METERING TANKS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 35-R3					
NET SALVAGE PERCENT.. 0					
1962	1,148.00	2.12	24.34	.9222	1,059
1963	1,833.00	2.15	39.41	.9138	1,675
1964	7,592.00	2.18	165.51	.9047	6,868
1965	6,127.00	2.22	136.02	.8991	5,509
1966	20,743.00	2.25	466.72	.8888	18,436
1967	1,305.32-	2.29	29.89-	.8817	1,151-
1968	6,844.86	2.32	158.80	.8700	5,955
1969	1,082.00	2.36	25.54	.8614	932
1970	24,168.89	2.39	577.64	.8485	20,507
1971	6,165.84	2.42	149.21	.8349	5,148
1972	34,228.09	2.46	842.01	.8241	28,207
1973	8,592.00	2.49	213.94	.8093	6,954
1974	13,437.54	2.52	338.63	.7938	10,667
1975	91,891.88	2.55	2,343.24	.7778	71,474
1976	54,630.00	2.59	1,414.92	.7641	41,743
1977	77,196.36	2.62	2,022.54	.7467	57,643
1978	41,856.00	2.65	1,109.18	.7288	30,505
1979	88,717.30	2.68	2,377.62	.7102	63,007
1980	22,442.00	2.70	605.93	.6885	15,451
1981	22,803.00	2.73	622.52	.6689	15,253
1982	13,215.00	2.76	364.73	.6486	8,571
1983	23,672.00	2.79	660.45	.6278	14,861
1984	76,461.00	2.82	2,156.20	.6063	46,358
1988	54,481.00	2.92	1,590.85	.5110	27,840
1989	21,181.00	2.95	624.84	.4868	10,311
1990	87,647.00	2.97	2,603.12	.4604	40,353
1991	17,213.00	2.99	514.67	.4336	7,464
1992	158,551.00	3.02	4,788.24	.4077	64,641
1993	0.54-	3.04	0.02-	.3800	
1994	50,424.00	3.06	1,542.97	.3519	17,744
1996	494.00-	3.11	15.36-	.2955	146-
1998	459.00-	3.15	14.46-	.2363	108-
1999	195.00-	3.17	6.18-	.2061	40-
2001	11,458.00	3.21	367.80	.1445	1,656
2002	14,228.00	3.23	459.56	.1131	1,609
2003	13,124.00	3.26	427.84	.0815	1,070
2004	16,315.01	3.29	536.76	.0494	806

NEWFOUNDLAND POWER INC.

ACCOUNT 366.40 - DISTRIBUTION - METERING TANKS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 35-R3					
NET SALVAGE PERCENT.. 0					
2005	20,336.00	3.36	683.29	.0168	342
TOTAL	1,107,350.91		30,889.13		649,174

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.79

NEWFOUNDLAND POWER INC.

ACCOUNT 367.10 - DISTRIBUTION - UNDERGROUND DUCTS & MANHOLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 60-R4					
NET SALVAGE PERCENT.. 0					
1947	99,263.00	1.48	1,469.09	.8658	85,942
1956	68,214.00	1.57	1,070.96	.7772	53,016
1959	6,158.00	1.60	98.53	.7440	4,582
1965	30,319.00	1.65	500.26	.6683	20,262
1966	260,618.00	1.66	4,326.26	.6557	170,887
1967	84,812.00	1.67	1,416.36	.6430	54,534
1970	3,592.00	1.69	60.70	.6000	2,155
1971	7,951.00	1.69	134.37	.5831	4,636
1972	4,329.00	1.70	73.59	.5695	2,465
1973	849.00	1.70	14.43	.5525	469
1974	259,185.00	1.71	4,432.06	.5387	139,623
1975	109,104.00	1.71	1,865.68	.5216	56,909
1976	145,315.00	1.72	2,499.42	.5074	73,733
1977	425,400.00	1.72	7,316.88	.4902	208,531
1978	43,145.00	1.73	746.41	.4758	20,528
1979	87,494.00	1.73	1,513.65	.4585	40,116
1980	720,706.00	1.73	12,468.21	.4412	317,975
1981	237,784.00	1.74	4,137.44	.4263	101,367
1982	85,112.00	1.74	1,480.95	.4089	34,802
1983	40,095.00	1.74	697.65	.3915	15,697
1984	11,987.00	1.75	209.77	.3763	4,511
1985	35,115.00	1.75	614.51	.3588	12,599
1986	432,264.00	1.75	7,564.62	.3413	147,532
1987	54,460.00	1.75	953.05	.3238	17,634
1989	31,569.00	1.76	555.61	.2904	9,168
1990	43,291.00	1.76	761.92	.2728	11,810
1991	601,034.00	1.76	10,578.20	.2552	153,384
1992	261,001.00	1.76	4,593.62	.2376	62,014
1993	34,895.00	1.76	614.15	.2200	7,677
1994	17,571.00	1.76	309.25	.2024	3,556
1996	24,634.00	1.77	436.02	.1682	4,143
2000	83,314.00	1.77	1,474.66	.0974	8,115
2001	47,167.00	1.77	834.86	.0797	3,759
2002	193,816.00	1.77	3,430.54	.0620	12,017
2003	179,777.00	1.77	3,182.05	.0443	7,964
2004	94,552.74	1.77	1,673.58	.0266	2,515
2005	13,144.00	1.77	232.65	.0089	117
TOTAL	4,879,036.74		84,341.96		1,876,744

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 1.73

NEWFOUNDLAND POWER INC.

ACCOUNT 367.20 - DISTRIBUTION - UNDERGROUND SWITCHES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 40-R3					
NET SALVAGE PERCENT.. 0					
1956	825.00	1.86	15.35	.9207	760
1960	9,993.00	1.96	195.86	.8918	8,912
1967	39,940.00	2.14	854.72	.8239	32,907
1969	30,832.00	2.19	675.22	.7994	24,647
1972	15,443.00	2.27	350.56	.7605	11,744
1973	4,874.00	2.29	111.61	.7443	3,628
1975	15,509.00	2.34	362.91	.7137	11,069
1986	47,961.00	2.57	1,232.60	.5012	24,038
1991	141,500.00	2.66	3,763.90	.3857	54,577
1992	87,047.00	2.67	2,324.15	.3605	31,380
1998	51,766.78	2.77	1,433.94	.2078	10,757
1999	103,587.00	2.79	2,890.08	.1814	18,791
2000	221,146.00	2.80	6,192.09	.1540	34,056
2001	262,514.00	2.82	7,402.89	.1269	33,313
2002	134,280.00	2.84	3,813.55	.0994	13,347
2003	355,740.00	2.86	10,174.16	.0715	25,435
2004	141,267.74	2.89	4,082.64	.0434	6,131
TOTAL	1,664,225.52		45,876.23		345,492

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.76

NEWFOUNDLAND POWER INC.

ACCOUNT 371.10 - BUILDINGS AND STRUCTURES - SMALL

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 35-S0					
NET SALVAGE PERCENT.. -5					
1958	2,329.00	1.80	41.92	.8550	1,991
1959	36,265.00	1.82	660.02	.8463	30,691
1961	8,951.00	1.87	167.38	.8322	7,449
1962	2,829.00	1.89	53.47	.8222	2,326
1963	94,127.02	1.91	1,797.83	.8118	76,412
1964	68,703.00	1.94	1,332.84	.8051	55,313
1965	1,805.00	1.96	35.38	.7938	1,433
1966	17,029.00	1.99	338.88	.7861	13,386
1967	9,589.00	2.01	192.74	.7739	7,421
1968	21,728.00	2.04	443.25	.7650	16,622
1969	23,088.00	2.07	477.92	.7556	17,445
1970	51,174.00	2.10	1,074.65	.7455	38,150
1971	19,623.00	2.13	417.97	.7349	14,421
1972	39,627.00	2.16	855.94	.7236	28,674
1973	28,754.00	2.19	629.71	.7118	20,467
1974	104,826.00	2.22	2,327.14	.6993	73,305
1975	12,298.47	2.26	277.95	.6893	8,477
1976	36,762.08	2.29	841.85	.6756	24,836
1977	43,222.00	2.33	1,007.07	.6641	28,704
1978	63,902.00	2.36	1,508.09	.6490	41,472
1979	18,697.13	2.40	448.73	.6360	11,891
1980	4,262.00	2.44	103.99	.6222	2,652
1981	16,539.00	2.48	410.17	.6076	10,049
1982	48,886.00	2.53	1,236.82	.5946	29,068
1983	154,941.00	2.57	3,981.98	.5783	89,602
1984	70,909.36	2.62	1,857.83	.5633	39,943
1985	188,493.00	2.66	5,013.91	.5453	102,785
1986	56,126.00	2.71	1,521.01	.5285	29,663
1987	59,677.00	2.77	1,653.05	.5125	30,584
1988	98,016.00	2.82	2,764.05	.4935	48,371
1989	23,483.00	2.88	676.31	.4752	11,159
1990	41,655.00	2.94	1,224.66	.4557	18,982
1991	73,633.00	3.00	2,208.99	.4350	32,030
1993	2,017.00	3.14	63.33	.3925	792
1994	10,970.00	3.21	352.14	.3692	4,050
1996	5,864.28	3.38	198.21	.3211	1,883
1997	41,577.00	3.46	1,438.56	.2941	12,228

NEWFOUNDLAND POWER INC.

ACCOUNT 371.10 - BUILDINGS AND STRUCTURES - SMALL

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 35-S0					
NET SALVAGE PERCENT.. -5					
1998	28,304.00	3.56	1,007.62	.2670	7,557
1999	36,168.00	3.66	1,323.75	.2379	8,604
2000	55,853.40	3.77	2,105.67	.2074	11,584
2001	38,512.64	3.90	1,501.99	.1755	6,759
2002	12,779.59	4.03	515.02	.1411	1,803
2003	0.26	4.18	0.01	.1045	
2005	8,480.00	4.59	389.23	.0230	195
			46,479.03		1,021,229
NET SALVAGE ADJUSTMENT			2,323.95		51,061
TOTAL	1,782,475.23		48,802.98		1,072,290

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.74

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

TOPSAIL ROAD - TRANSFORMER SHOP
INTERIM SURVIVOR CURVE.. IOWA 70-R1
PROBABLE RETIREMENT YEAR.. 6-2026
NET SALVAGE PERCENT.. 0

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
1957	29,077.00	1.52	441.97	.7372	21,436
1962	3,343.00	1.63	54.49	.7091	2,371
1963	10,791.00	1.66	179.13	.7055	7,613
1966	104,408.00	1.74	1,816.70	.6873	71,760
1967	397.00	1.77	7.03	.6815	271
1968	5,519.00	1.80	99.34	.6750	3,725
1969	264.00	1.83	4.83	.6680	176
1971	2,609.00	1.90	49.57	.6555	1,710
1972	8,479.00	1.93	163.64	.6466	5,483
1973	16,864.00	1.97	332.22	.6403	10,798
1974	8,878.00	2.01	178.45	.6332	5,622
1975	13,639.00	2.05	279.60	.6253	8,528
1977	14,677.00	2.13	312.62	.6071	8,910
1978	1,665.00	2.18	36.30	.5995	998
1979	24,532.00	2.22	544.61	.5883	14,432
1980	77,079.00	2.27	1,749.69	.5789	44,621
1981	66,393.00	2.32	1,540.32	.5684	37,738
1982	152,875.00	2.38	3,638.43	.5593	85,503
1984	2,953.00	2.50	73.83	.5375	1,587
1986	20,475.00	2.62	536.45	.5109	10,461
1987	17,994.00	2.69	484.04	.4977	8,956
1988	17,920.00	2.77	496.38	.4848	8,688
1991	11,926.00	3.02	360.17	.4379	5,222
1992	20,026.00	3.11	622.81	.4199	8,409
1993	58,970.00	3.21	1,892.94	.4013	23,665
1994	32,428.00	3.32	1,076.61	.3818	12,381
1996	8,605.00	3.56	306.34	.3382	2,910
1997	14,741.00	3.70	545.42	.3145	4,636
1998	2,538.00	3.85	97.71	.2888	733
1999	6,144.00	4.01	246.37	.2607	1,602
2000	75,242.00	4.19	3,152.64	.2305	17,343
2001	67,068.00	4.40	2,950.99	.1980	13,279
2002	139,445.74	4.63	6,456.34	.1621	22,604
2003	33,290.00	4.91	1,634.54	.1228	4,088
2004	47,104.00	5.28	2,487.09	.0792	3,731

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
TOPSAIL ROAD - TRANSFORMER SHOP INTERIM SURVIVOR CURVE.. IOWA 70-R1 PROBABLE RETIREMENT YEAR.. 6-2026 NET SALVAGE PERCENT.. 0					
2005	55,375.00	5.95	3,294.81	.0298	1,650
	1,173,733.74		38,144.42		483,640
TOPSAIL ROAD - SYSTEM CONTROL CENTER INTERIM SURVIVOR CURVE.. IOWA 70-R1 PROBABLE RETIREMENT YEAR.. 6-2054 NET SALVAGE PERCENT.. 0					
1991	3,785.00	2.01	76.08	.2915	1,103
1999	989,399.00	2.45	24,240.28	.1593	157,611
2000	19,634.00	2.54	498.70	.1397	2,743
2001	69,701.00	2.64	1,840.11	.1188	8,280
2002	33,052.00	2.75	908.93	.0963	3,183
2003	10,181.00	2.90	295.25	.0725	738
2004	8,220.63	3.12	256.48	.0468	385
2005	12,409.00	3.64	451.69	.0182	226
	1,146,381.63		28,567.52		174,269
KENMOUNT ROAD INTERIM SURVIVOR CURVE.. IOWA 70-R1 PROBABLE RETIREMENT YEAR.. 6-2046 NET SALVAGE PERCENT.. 0					
1969	758,616.00	1.51	11,455.10	.5512	418,149
1970	14,576.00	1.53	223.01	.5432	7,918
1971	1,755.00	1.55	27.20	.5348	939
1973	3,587.00	1.60	57.39	.5200	1,865
1974	2,530.00	1.62	40.99	.5103	1,291
1975	4,613.00	1.64	75.65	.5002	2,307
1978	4,063.00	1.72	69.88	.4730	1,922
1980	2,530,828.00	1.77	44,795.66	.4514	1,142,416
1981	126,337.00	1.80	2,274.07	.4410	55,715
1982	24,033.00	1.83	439.80	.4301	10,337

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
KENMOUNT ROAD					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2046					
NET SALVAGE PERCENT.. 0					
1983	17,415.00	1.86	323.92	.4185	7,288
1985	2,553.00	1.93	49.27	.3957	1,010
1986	139,274.00	1.96	2,729.77	.3822	53,231
1987	689,736.00	2.00	13,794.72	.3700	255,202
1988	109,874.00	2.04	2,241.43	.3570	39,225
1990	23,228.00	2.13	494.76	.3302	7,670
1991	118,155.00	2.17	2,563.96	.3147	37,183
1992	440,305.00	2.22	9,774.77	.2997	131,959
1993	106,780.00	2.27	2,423.91	.2838	30,304
1994	61,449.00	2.33	1,431.76	.2680	16,468
1995	41,129.00	2.39	982.98	.2510	10,323
1997	169,870.00	2.52	4,280.72	.2142	36,386
1998	281,355.00	2.60	7,315.23	.1950	54,864
1999	80,134.00	2.68	2,147.59	.1742	13,959
2000	52,480.66	2.78	1,458.96	.1529	8,024
2001	16,636.04-	2.88	479.12-	.1296	2,156-
2002	18,488.00	3.01	556.49	.1054	1,949
2003	70,436.00	3.18	2,239.86	.0795	5,600
2004	44,400.10	3.41	1,514.04	.0512	2,273
2005	147,003.00	3.94	5,791.92	.0197	2,896
	6,068,366.72		121,095.69		2,356,517
DUFFY PLACE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2060					
NET SALVAGE PERCENT.. 0					
1990	9,644,957.00	1.89	182,289.69	.2930	2,825,972
1991	94,221.00	1.93	1,818.47	.2799	26,372
1992	7,335.00	1.97	144.50	.2660	1,951
1993	6,936.00	2.01	139.41	.2513	1,743
1994	44,508.00	2.05	912.41	.2358	10,495
1995	20,084.00	2.10	421.76	.2205	4,429
1996	23,539.00	2.15	506.09	.2043	4,809

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
DUFFY PLACE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2060					
NET SALVAGE PERCENT.. 0					
1997	53,366.00	2.21	1,179.39	.1879	10,027
1998	75,022.00	2.27	1,703.00	.1703	12,776
1999	200,887.00	2.34	4,700.76	.1521	30,555
2000	609,123.23	2.41	14,679.87	.1326	80,770
2001	151,471.00	2.50	3,786.78	.1125	17,040
2002	83,805.00	2.62	2,195.69	.0917	7,685
2003	38,217.00	2.76	1,054.79	.0690	2,637
2004	72,938.22	2.97	2,166.27	.0446	3,253
2005	215,773.00	3.48	7,508.90	.0174	3,754
	11,342,182.45		225,207.78		3,044,268
CARBONEAR - OFFICE/WAREHOUSE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2030					
NET SALVAGE PERCENT.. 0					
1970	1,526.00	1.77	27.01	.6284	959
1974	2,314.00	1.90	43.97	.5985	1,385
1977	333,806.00	2.01	6,709.50	.5729	191,237
1978	10,941.00	2.04	223.20	.5610	6,138
1979	7,756.00	2.09	162.10	.5539	4,296
1980	5,329.00	2.13	113.51	.5432	2,895
1981	34,844.00	2.17	756.11	.5317	18,527
1984	11,262.00	2.32	261.28	.4988	5,617
1985	8,460.00	2.37	200.50	.4859	4,111
1987	238,674.00	2.49	5,942.98	.4607	109,957
1988	31,368.00	2.55	799.88	.4463	14,000
1989	676,132.00	2.62	17,714.66	.4323	292,292
1990	207,760.00	2.69	5,588.74	.4170	86,636
1991	8,171.00	2.77	226.34	.4017	3,282
1992	3,672.00	2.84	104.28	.3834	1,408
1993	26,190.00	2.93	767.37	.3663	9,593
1996	51,963.00	3.22	1,673.21	.3059	15,895
1997	8,410.00	3.33	280.05	.2831	2,381

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
CARBONEAR - OFFICE/WAREHOUSE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2030					
NET SALVAGE PERCENT.. 0					
1998	102,257.00	3.46	3,538.09	.2595	26,536
1999	2,520.00	3.59	90.47	.2334	588
2003	0.10	4.34		.1085	
2005	4,565.00	5.26	240.12	.0263	120
	1,777,920.10		45,463.37		797,853
WHITBOURNE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2033					
NET SALVAGE PERCENT.. 0					
1973	6,000.00	1.80	108.00	.5850	3,510
1977	2,351.00	1.93	45.37	.5501	1,293
1978	225,803.00	1.96	4,425.74	.5390	121,708
1979	50,242.00	2.00	1,004.84	.5300	26,628
1980	1,056.00	2.04	21.54	.5202	549
1982	5,746.00	2.12	121.82	.4982	2,863
1983	2,890.00	2.17	62.71	.4883	1,411
1984	8,632.00	2.21	190.77	.4752	4,102
1985	32.00	2.26	0.72	.4633	15
1987	17,448.00	2.37	413.52	.4385	7,651
1988	131,804.00	2.42	3,189.66	.4235	55,819
1989	8,222.00	2.48	203.91	.4092	3,364
1990	9,920.00	2.54	251.97	.3937	3,906
1991	25,854.00	2.61	674.79	.3785	9,786
1992	3,575.00	2.68	95.81	.3618	1,293
1996	4,379.00	3.02	132.25	.2869	1,256
1997	14,652.00	3.12	457.14	.2652	3,886
1998	72,716.00	3.22	2,341.46	.2415	17,561
	591,322.00		13,742.02		266,601

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SALT POND					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2023					
NET SALVAGE PERCENT.. 0					
1968	746.00	1.88	14.02	.7050	526
1969	47,127.00	1.91	900.13	.6972	32,857
1970	820.00	1.95	15.99	.6923	568
1971	1,072.00	1.98	21.23	.6831	732
1972	11,862.00	2.02	239.61	.6767	8,027
1974	167,763.00	2.11	3,539.80	.6647	111,512
1976	8,022.00	2.20	176.48	.6490	5,206
1977	896.00	2.25	20.16	.6413	575
1978	30,690.00	2.30	705.87	.6325	19,411
1979	549.00	2.35	12.90	.6228	342
1980	0.03-	2.40		.6120	
1982	6,795.00	2.52	171.23	.5922	4,024
1984	1,652.00	2.66	43.94	.5719	945
1985	811.00	2.73	22.14	.5597	454
1986	28,547.00	2.80	799.32	.5460	15,587
1987	151,842.72	2.88	4,373.07	.5328	80,902
1988	2,114.00	2.97	62.79	.5198	1,099
1989	1,322.00	3.06	40.45	.5049	667
1990	22,374.00	3.15	704.78	.4883	10,925
1993	41,492.23	3.49	1,448.08	.4363	18,103
1995	79,070.00	3.75	2,965.13	.3938	31,138
2002	41,411.65	5.17	2,140.98	.1810	7,496
2003	4,277.87	5.51	235.71	.1378	589
2004	41,384.08	5.93	2,454.08	.0890	3,683
2005	10,070.00	6.68	672.68	.0334	336
	702,710.52		21,780.57		355,704
CLARENVILLE REGIONAL BUILDING					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2042					
NET SALVAGE PERCENT.. 0					
1990	1,651,044.00	2.23	36,818.28	.3457	570,766
1991	146,476.00	2.28	3,339.65	.3306	48,425

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
CLARENVILLE REGIONAL BUILDING					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2042					
NET SALVAGE PERCENT.. 0					
1992	8,811.00	2.33	205.30	.3146	2,772
1993	6,094.00	2.39	145.65	.2988	1,821
1995	18,780.00	2.51	471.38	.2636	4,950
1999	19,656.00	2.83	556.26	.1840	3,617
2000	21,716.00	2.94	638.45	.1617	3,511
2005	5,317.00	4.15	220.66	.0208	111
	1,877,894.00		42,395.63		635,973
GANDER					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2023					
NET SALVAGE PERCENT.. 0					
1963	2,039.00	1.72	35.07	.7310	1,491
1968	1,096.00	1.88	20.60	.7050	773
1975	231,781.00	2.15	4,983.29	.6558	152,002
1976	24,084.00	2.20	529.85	.6490	15,631
1977	8,245.00	2.25	185.51	.6413	5,288
1978	14,751.00	2.30	339.27	.6325	9,330
1979	2,688.00	2.35	63.17	.6228	1,674
1981	1,109.00	2.46	27.28	.6027	668
1983	40,197.00	2.59	1,041.10	.5828	23,427
1984	30,568.00	2.66	813.11	.5719	17,482
1985	17,867.00	2.73	487.77	.5597	10,000
1986	189,763.00	2.80	5,313.36	.5460	103,611
1987	71,157.00	2.88	2,049.32	.5328	37,912
1988	1,273.00	2.97	37.81	.5198	662
1989	8,645.00	3.06	264.54	.5049	4,365
1990	1,197.00	3.15	37.71	.4883	584
1997	613,545.00	4.06	24,909.93	.3451	211,734
1998	21,825.00	4.24	925.38	.3180	6,940
1999	385.00	4.43	17.06	.2880	111
2001	47,190.00	4.89	2,307.59	.2201	10,387
2003	22,015.00	5.51	1,213.03	.1378	3,034

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
GANDER					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2023					
NET SALVAGE PERCENT.. 0					
2004	53,349.91	5.93	3,163.65	.0890	4,748
2005	9,965.00	6.68	665.66	.0334	333
	1,414,734.91		49,431.06		622,187
GRAND FALLS OFFICE BUILDING					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2005					
NET SALVAGE PERCENT.. +48					
1974	63,000.00			1.0000	63,000
1975	104,524.00			1.0000	104,524
1976	26,522.00			1.0000	26,522
1977	708.00			1.0000	708
1978	884.00			1.0000	884
1979	358.00			1.0000	358
1983	1,922.00			1.0000	1,922
1985	177,339.00			1.0000	177,339
1989	22,076.00-			1.0000	22,076-
1991	5,286.00			1.0000	5,286
1992	9,387.00			1.0000	9,387
1999	353.00-			1.0000	353-
2000	12,927.00			1.0000	12,927
					380,428
NET SALVAGE ADJUSTMENT					182,605-
	380,428.00				197,823
GRAND FALLS SERVICE BUILDING					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2041					
NET SALVAGE PERCENT.. 0					
1958	47,594.00	1.37	652.04	.6508	30,974

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
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YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
GRAND FALLS SERVICE BUILDING					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2041					
NET SALVAGE PERCENT.. 0					
1959	2,047.00	1.38	28.25	.6417	1,314
1960	2,041.00	1.40	28.57	.6370	1,300
1961	925.00	1.42	13.14	.6319	585
1965	182.00	1.49	2.71	.6035	110
1967	1,147.00	1.53	17.55	.5891	676
1969	1,261.00	1.57	19.80	.5731	723
1970	1,781.00	1.59	28.32	.5645	1,005
1972	3,706.00	1.63	60.41	.5461	2,024
1973	2,735.00	1.66	45.40	.5395	1,476
1974	20,811.00	1.68	349.62	.5292	11,013
1975	52,104.00	1.71	890.98	.5216	27,177
1976	16,165.00	1.74	281.27	.5133	8,297
1977	13,401.00	1.76	235.86	.5016	6,722
1979	46,109.00	1.82	839.18	.4823	22,238
1980	1,113.00	1.85	20.59	.4718	525
1981	17,128.00	1.89	323.72	.4631	7,932
1982	18,645.00	1.92	357.98	.4512	8,413
1987	3,918.00	2.11	82.67	.3904	1,530
1988	448,803.00	2.16	9,694.14	.3780	169,648
1989	34,251.00	2.20	753.52	.3630	12,433
1992	5,410.00	2.36	127.68	.3186	1,724
1994	18,827.00	2.48	466.91	.2852	5,369
1999	10,905.00	2.88	314.06	.1872	2,041
2000	3,109.01	2.98	92.65	.1639	510
2001	40,206.00	3.10	1,246.39	.1395	5,609
	814,324.01		16,973.41		331,368
CORNER BROOK - WEST STREET OFFICE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2009					
NET SALVAGE PERCENT.. 0					
1954	117,499.00	1.82	2,138.48	.9373	110,132
1957	972.00	1.93	18.76	.9361	910

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
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YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
CORNER BROOK - WEST STREET OFFICE					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2009					
NET SALVAGE PERCENT.. 0					
1963	3,667.00	2.18	79.94	.9265	3,397
1969	663.00	2.50	16.58	.9125	605
1973	1,576.00	2.78	43.81	.9035	1,424
1974	1,617.00	2.86	46.25	.9009	1,457
1975	5,642.00	2.95	166.44	.8998	5,077
1976	3,606.00	3.03	109.26	.8939	3,223
1977	1,199.00	3.13	37.53	.8921	1,070
1980	83,285.00	3.45	2,873.33	.8798	73,274
1981	11,512.00	3.58	412.13	.8771	10,097
1984	29,733.00	4.01	1,192.29	.8622	25,636
1985	2,886.00	4.17	120.35	.8549	2,467
1987	121,351.00	4.55	5,521.47	.8418	102,153
1989	275,691.00	5.01	13,812.12	.8267	227,914
1990	34,659.00	5.27	1,826.53	.8169	28,313
1991	18,785.00	5.57	1,046.32	.8077	15,173
1997	13,895.00	8.36	1,161.62	.7106	9,874
1998	29,248.00	9.12	2,667.42	.6840	20,006
2000	4,626.00	11.16	516.26	.6138	2,839
	762,112.00		33,806.89		645,041
CORNER BROOK - MAPLE VALLEY SERVICE BUILDING					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2034					
NET SALVAGE PERCENT.. 0					
1979	360,915.00	1.97	7,110.03	.5221	188,434
1981	22,711.00	2.05	465.58	.5023	11,408
1985	2,474.00	2.23	55.17	.4572	1,131
1986	6,130.29	2.28	139.77	.4446	2,726
1987	2,399.00	2.33	55.90	.4311	1,034
1988	2,379.00	2.38	56.62	.4165	991
1989	180,869.00	2.44	4,413.20	.4026	72,818
1990	6,035.00	2.50	150.88	.3875	2,339
1991	5,939.00	2.57	152.63	.3727	2,213

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ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

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YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
CORNER BROOK - MAPLE VALLEY SERVICE BUILDING INTERIM SURVIVOR CURVE.. IOWA 70-R1 PROBABLE RETIREMENT YEAR.. 6-2034 NET SALVAGE PERCENT.. 0					
1994	41,277.00	2.78	1,147.50	.3197	13,196
1999	353.00-	3.27	11.54-	.2126	75-
2000	6,220.00-	3.40	211.48-	.1870	1,163-
2001	100,251.00	3.54	3,548.89	.1593	15,970
2003	37,979.00	3.92	1,488.78	.0980	3,722
2004	5,034.81	4.20	211.46	.0630	317
	767,820.10		18,773.39		315,061
STEPHENVILLE OFFICE AND SERVICE BUILDING INTERIM SURVIVOR CURVE.. IOWA 70-R1 PROBABLE RETIREMENT YEAR.. 6-2028 NET SALVAGE PERCENT.. 0					
1958	142,910.00	1.51	2,157.94	.7173	102,509
1976	30,384.00	2.03	616.80	.5989	18,197
1977	669.00	2.07	13.85	.5900	395
1978	828.00	2.11	17.47	.5803	480
1982	9,461.00	2.30	217.60	.5405	5,114
1983	945.00	2.35	22.21	.5288	500
1987	2,438.00	2.59	63.14	.4792	1,168
1988	487,768.88	2.66	12,974.65	.4655	227,056
1989	148,708.00	2.73	4,059.73	.4505	66,993
1990	28,279.00	2.80	791.81	.4340	12,273
1991	0.52-	2.88	0.01-	.4176	
1992	17,045.00	2.97	506.24	.4010	6,835
1994	32,158.00	3.16	1,016.19	.3634	11,686
1996	0.09-	3.38		.3211	
1997	22,245.00	3.50	778.58	.2975	6,618
1999	2,135.00	3.79	80.92	.2464	526
2000	8,148.00	3.95	321.85	.2173	1,771
2003	22,917.00	4.60	1,054.18	.1150	2,635
2004	61,952.10	4.93	3,054.24	.0740	4,584
	1,018,990.37		27,747.39		469,340

NEWFOUNDLAND POWER INC.

ACCOUNT 371.20 - BUILDINGS AND STRUCTURES - LARGE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
PORT AUX BASQUES					
INTERIM SURVIVOR CURVE.. IOWA 70-R1					
PROBABLE RETIREMENT YEAR.. 6-2026					
NET SALVAGE PERCENT.. 0					
1953	2,100.00	1.44	30.24	.7560	1,588
1966	5,552.00	1.74	96.60	.6873	3,816
1982	151,108.00	2.38	3,596.37	.5593	84,515
1983	22,703.00	2.44	553.95	.5490	12,464
1984	4,673.00	2.50	116.83	.5375	2,512
1985	1,545.00	2.56	39.55	.5248	811
1987	7,518.00	2.69	202.23	.4977	3,742
1988	40,396.00	2.77	1,118.97	.4848	19,584
1989	6,142.00	2.85	175.05	.4703	2,889
1990	20,209.00	2.93	592.12	.4542	9,179
1997	610.00	3.70	22.57	.3145	192
2000	7,150.00	4.19	299.59	.2305	1,648
	269,706.00		6,844.07		142,940
TOTAL	30,108,626.55		689,973.21		10,838,585

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.29

NEWFOUNDLAND POWER INC.

ACCOUNT 372.00 - GENERAL - OFFICE EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 25-SQUARE						
NET SALVAGE PERCENT.. 0						
1980	51,170.00				1.0000	51,170
1981	198,074.00	25.00	4.00	7,922.96	.9800	194,113
1982	120,788.00	25.00	4.00	4,831.52	.9400	113,541
1983	56,431.00	25.00	4.00	2,257.24	.9000	50,788
1984	93,100.00	25.00	4.00	3,724.00	.8600	80,066
1985	158,048.00	25.00	4.00	6,321.92	.8200	129,599
1986	201,372.00	25.00	4.00	8,054.88	.7800	157,070
1987	319,451.00	25.00	4.00	12,778.04	.7400	236,394
1988	347,317.00	25.00	4.00	13,892.68	.7000	243,122
1989	423,921.00	25.00	4.00	16,956.84	.6600	279,788
1990	742,516.00	25.00	4.00	29,700.64	.6200	460,360
1991	270,246.00	25.00	4.00	10,809.84	.5800	156,743
1992	357,631.00	25.00	4.00	14,305.24	.5400	193,121
1993	127,487.00	25.00	4.00	5,099.48	.5000	63,744
1994	716,551.00	25.00	4.00	28,662.04	.4600	329,613
1995	198,331.00	25.00	4.00	7,933.24	.4200	83,299
1996	105,582.00	25.00	4.00	4,223.28	.3800	40,121
1997	433,487.00	25.00	4.00	17,339.48	.3400	147,386
1998	258,621.00	25.00	4.00	10,344.84	.3000	77,586
1999	146,317.00	25.00	4.00	5,852.68	.2600	38,042
2000	414,211.77	25.00	4.00	16,568.47	.2200	91,127
2001	360,559.00	25.00	4.00	14,422.36	.1800	64,901
2002	148,751.61	25.00	4.00	5,950.06	.1400	20,825
2003	329,744.13	25.00	4.00	13,189.77	.1000	32,974
2004	123,705.97	25.00	4.00	4,948.24	.0600	7,422
2005	71,535.00	25.00	4.00	2,861.40	.0200	1,431
TOTAL	6,774,948.48			268,951.14		3,344,346

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.97

NEWFOUNDLAND POWER INC.

ACCOUNT 373.00 - GENERAL - STORES EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 25-SQUARE						
NET SALVAGE PERCENT.. 0						
1980	4,087.00				1.0000	4,087
1981	31,174.00	25.00	4.00	1,246.96	.9800	30,551
1982	7,175.00	25.00	4.00	287.00	.9400	6,745
1984	3,619.00	25.00	4.00	144.76	.8600	3,112
1985	19,093.00	25.00	4.00	763.72	.8200	15,656
1986	9,305.00	25.00	4.00	372.20	.7800	7,258
1987	5,256.00	25.00	4.00	210.24	.7400	3,889
1988	24,062.00	25.00	4.00	962.48	.7000	16,843
1989	113,142.00	25.00	4.00	4,525.68	.6600	74,674
1990	90,012.00	25.00	4.00	3,600.48	.6200	55,807
1991	23,515.00	25.00	4.00	940.60	.5800	13,639
1992	22,969.00	25.00	4.00	918.76	.5400	12,403
1993	4,556.00	25.00	4.00	182.24	.5000	2,278
1994	58,688.00	25.00	4.00	2,347.52	.4600	26,996
1995	94,538.00	25.00	4.00	3,781.52	.4200	39,706
1996	38,389.00	25.00	4.00	1,535.56	.3800	14,588
1997	27,661.00	25.00	4.00	1,106.44	.3400	9,405
2000	16,786.00	25.00	4.00	671.44	.2200	3,693
2001	8,787.00	25.00	4.00	351.48	.1800	1,582
2003	4,302.00	25.00	4.00	172.08	.1000	430
2004	8,902.53	25.00	4.00	356.10	.0600	534
2005	28,110.00	25.00	4.00	1,124.40	.0200	562
TOTAL	644,128.53			25,601.66		344,438

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.97

NEWFOUNDLAND POWER INC.

ACCOUNT 374.00 - GENERAL - SHOP EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 25-SQUARE						
NET SALVAGE PERCENT.. 0						
1980	2,571.00				1.0000	2,571
1981	13,706.00	25.00	4.00	548.24	.9800	13,432
1982	7,392.00	25.00	4.00	295.68	.9400	6,948
1983	2,011.00	25.00	4.00	80.44	.9000	1,810
1984	13,864.00	25.00	4.00	554.56	.8600	11,923
1985	7,713.00	25.00	4.00	308.52	.8200	6,325
1986	10,556.00	25.00	4.00	422.24	.7800	8,234
1987	47,591.00	25.00	4.00	1,903.64	.7400	35,217
1988	11,628.00	25.00	4.00	465.12	.7000	8,140
1989	44,822.00	25.00	4.00	1,792.88	.6600	29,583
1990	70,910.00	25.00	4.00	2,836.40	.6200	43,964
1991	81,854.00	25.00	4.00	3,274.16	.5800	47,475
1992	46,628.00	25.00	4.00	1,865.12	.5400	25,179
1993	18,953.00	25.00	4.00	758.12	.5000	9,477
1994	29,504.00	25.00	4.00	1,180.16	.4600	13,572
1995	22,264.00	25.00	4.00	890.56	.4200	9,351
1996	38,385.00	25.00	4.00	1,535.40	.3800	14,586
1997	4,964.00	25.00	4.00	198.56	.3400	1,688
1998	38,347.00	25.00	4.00	1,533.88	.3000	11,504
1999	99,654.00	25.00	4.00	3,986.16	.2600	25,910
2000	32,361.00	25.00	4.00	1,294.44	.2200	7,119
2001	57,908.00	25.00	4.00	2,316.32	.1800	10,423
2003	1,457.61	25.00	4.00	58.30	.1000	146
2004	3,278.33	25.00	4.00	131.13	.0600	197
2005	3,599.00	25.00	4.00	143.96	.0200	72
TOTAL	711,920.94			28,373.99		344,846

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.99

NEWFOUNDLAND POWER INC.

ACCOUNT 375.00 - GENERAL - LABORATORY & TESTING EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 25-SQUARE						
NET SALVAGE PERCENT.. 0						
1977	25,694.00				1.0000	25,694
1980	59,610.00				1.0000	59,610
1981	49,832.00	25.00	4.00	1,993.28	.9800	48,835
1982	43,847.00	25.00	4.00	1,753.88	.9400	41,216
1983	26,858.00	25.00	4.00	1,074.32	.9000	24,172
1984	30,003.00	25.00	4.00	1,200.12	.8600	25,803
1985	56,193.00	25.00	4.00	2,247.72	.8200	46,078
1986	270,072.00	25.00	4.00	10,802.88	.7800	210,656
1987	129,497.00	25.00	4.00	5,179.88	.7400	95,828
1988	131,809.00	25.00	4.00	5,272.36	.7000	92,266
1989	168,124.00	25.00	4.00	6,724.96	.6600	110,962
1990	359,251.00	25.00	4.00	14,370.04	.6200	222,736
1991	87,473.00	25.00	4.00	3,498.92	.5800	50,734
1992	692,594.00	25.00	4.00	27,703.76	.5400	374,001
1993	258,557.00	25.00	4.00	10,342.28	.5000	129,279
1994	187,890.00	25.00	4.00	7,515.60	.4600	86,429
1995	91,335.00	25.00	4.00	3,653.40	.4200	38,361
1996	265,873.00	25.00	4.00	10,634.92	.3800	101,032
1997	204,056.00	25.00	4.00	8,162.24	.3400	69,379
1998	433,249.00	25.00	4.00	17,329.96	.3000	129,975
1999	367,649.00	25.00	4.00	14,705.96	.2600	95,589
2000	57,184.00	25.00	4.00	2,287.36	.2200	12,580
2001	52,376.00	25.00	4.00	2,095.04	.1800	9,428
2002	222,014.00	25.00	4.00	8,880.56	.1400	31,082
2003	114,206.56	25.00	4.00	4,568.26	.1000	11,421
2004	251,504.35	25.00	4.00	10,060.17	.0600	15,090
2005	360,052.00	25.00	4.00	14,402.08	.0200	7,201
TOTAL	4,996,802.91			196,459.95		2,165,437

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.93

NEWFOUNDLAND POWER INC.

ACCOUNT 376.00 - GENERAL - MISCELLANEOUS EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	--ANNUAL ACCRUAL-- AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	-ACCRUED DEPREC.- AMOUNT (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1987	105,375.00				1.0000	105,375
1990	94,276.00				1.0000	94,276
1991	49,695.00	15.00	6.67	3,314.66	.9667	48,040
1992	112,786.00	15.00	6.67	7,522.83	.9000	101,507
1993	45,844.00	15.00	6.67	3,057.79	.8333	38,202
1994	66,230.00	15.00	6.67	4,417.54	.7667	50,779
1995	56,297.00	15.00	6.67	3,755.01	.7000	39,408
1996	99,402.00	15.00	6.67	6,630.11	.6333	62,951
1997	208,469.00	15.00	6.67	13,904.88	.5667	118,139
1998	43,040.00	15.00	6.67	2,870.77	.5000	21,520
1999	96,730.00	15.00	6.67	6,451.89	.4333	41,913
2000	108,765.00	15.00	6.67	7,254.63	.3667	39,884
2001	79,001.00	15.00	6.67	5,269.37	.3000	23,700
2002	65,622.05	15.00	6.67	4,376.99	.2333	15,310
2003	326,362.83	15.00	6.67	21,768.40	.1667	54,405
2004	224,366.94	15.00	6.67	14,965.27	.1000	22,437
2005	262,457.00	15.00	6.67	17,505.88	.0333	8,740
TOTAL	2,044,718.82			123,066.02		886,586

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 6.02

NEWFOUNDLAND POWER INC.

ACCOUNT 377.00 - GENERAL - ENGINEERING EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)

SURVIVOR CURVE.. 25-SQUARE
NET SALVAGE PERCENT.. 0

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	RATE (4)	AMOUNT (5)	FACTOR (6)	AMOUNT (7)
1977	20,171.00				1.0000	20,171
1980	11,936.00				1.0000	11,936
1983	9,413.00	25.00	4.00	376.52	.9000	8,472
1984	747.00	25.00	4.00	29.88	.8600	642
1985	4,561.00	25.00	4.00	182.44	.8200	3,740
1986	36,479.00	25.00	4.00	1,459.16	.7800	28,454
1987	125,253.00	25.00	4.00	5,010.12	.7400	92,687
1988	37,696.00	25.00	4.00	1,507.84	.7000	26,387
1989	8,642.00	25.00	4.00	345.68	.6600	5,704
1990	10,841.00	25.00	4.00	433.64	.6200	6,721
1991	9,859.00	25.00	4.00	394.36	.5800	5,718
1992	1,980.00	25.00	4.00	79.20	.5400	1,069
1993	3,932.00	25.00	4.00	157.28	.5000	1,966
1995	707.00	25.00	4.00	28.28	.4200	297
1996	2,540.00	25.00	4.00	101.60	.3800	965
1998	6,983.00	25.00	4.00	279.32	.3000	2,095
1999	24,076.00	25.00	4.00	963.04	.2600	6,260
2003	20,171.00-	25.00	4.00	806.84-	.1000	2,017-
TOTAL	295,645.00			10,541.52		221,267

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.57

NEWFOUNDLAND POWER INC.

ACCOUNT 378.10 - TRANSPORTATION - SEDANS & STATION WAGONS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 5-R1.5					
NET SALVAGE PERCENT.. +16					
1995	17,096.00	9.98	1,706.18	1.0000	17,096
1996	0.35-	10.52	0.04-	.9994	
1999	17,095.59-	13.55	2,316.45-	.8808	15,058-
2000	41,606.00	14.87	6,186.81	.8179	34,030
2001	30,611.00	16.32	4,995.72	.7344	22,481
2003	53,359.00	19.75	10,538.40	.4938	26,349
2005	224,064.00	27.37	61,326.32	.1369	30,674
			82,436.94		115,572
NET SALVAGE ADJUSTMENT			13,189.91-		18,492-
TOTAL	349,640.06		69,247.03		97,080

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 19.81

NEWFOUNDLAND POWER INC.

ACCOUNT 378.20 - TRANSPORTATION-PICK-UP TRUCKS, WINDOW VANS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 6-S2.5					
NET SALVAGE PERCENT.. +17					
1985	22,098.30-			1.0000	22,098-
1994	0.05	8.74		1.0000	
1995	0.10	9.45	0.01	.9923	
1996	0.03-	10.22		.9709	
1997	20,584.12	11.11	2,286.90	.9444	19,440
1998	275,396.42	12.14	33,433.13	.9105	250,748
1999	134,631.57	13.29	17,892.54	.8639	116,308
2000	302,101.55	14.54	43,925.57	.7997	241,591
2001	655,629.86	15.81	103,655.08	.7115	466,481
2002	976,432.48	16.96	165,602.95	.5936	579,610
2003	809,517.93	17.82	144,256.10	.4455	360,640
2004	558,972.20	18.29	102,236.02	.2744	153,382
2005	1,321,099.00	18.46	243,874.88	.0923	121,937
			857,163.18		2,288,039
NET SALVAGE ADJUSTMENT			145,717.74-		388,967-
TOTAL	5,032,266.95		711,445.44		1,899,072

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 14.14

NEWFOUNDLAND POWER INC.

ACCOUNT 378.31 - TRUCKS W/ DERRICKS - CAB AND CHASSIS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 10-S1.5					
NET SALVAGE PERCENT.. +10					
1988	1.00-	5.55	0.06-	.9713	1-
1989	1.70-	5.79	0.10-	.9554	2-
1990	39,612.19	6.05	2,396.54	.9378	37,148
1991	1.00	6.33	0.06	.9179	1
1992	0.12-	6.65	0.01-	.8978	
1993	92,946.05	6.99	6,496.93	.8738	81,216
1994	115,289.62	7.35	8,473.79	.8453	97,454
1995	82,323.14	7.75	6,380.04	.8138	66,995
1996	0.17-	8.18	0.01-	.7771	
1997	126,721.60	8.64	10,948.75	.7344	93,064
1998	223,878.70	9.12	20,417.74	.6840	153,133
1999	451,240.49	9.61	43,364.21	.6247	281,890
2000	568,263.23	10.12	57,508.24	.5566	316,295
2001	327,003.62	10.61	34,695.08	.4775	156,144
2002	97,863.04	11.07	10,833.44	.3875	37,922
2003	843,053.00	11.48	96,782.48	.2870	241,956
2004	1,190,018.00	11.81	140,541.13	.1772	210,871
2005	222,356.00	12.02	26,727.19	.0601	13,364
			465,565.44		1,787,450
NET SALVAGE ADJUSTMENT			46,556.54-		178,745-
TOTAL	4,380,566.69		419,008.90		1,608,705

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 9.57

NEWFOUNDLAND POWER INC.

ACCOUNT 378.32 - TRUCKS W/ DERRICKS - EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 10-S1.5					
NET SALVAGE PERCENT.. +10					
1979	1.00-			1.0000	1-
1982	1.00-			1.0000	1-
1985	0.18-			1.0000	
1986	0.34	5.13	0.02	1.0000	
1988	3.92-	5.55	0.22-	.9713	4-
1989	0.16	5.79	0.01	.9554	
1990	108,525.28	6.05	6,565.78	.9378	101,775
1991	2,942.12	6.33	186.24	.9179	2,701
1992	104,227.84	6.65	6,931.15	.8978	93,576
1993	201,847.98	6.99	14,109.17	.8738	176,375
1994	120,163.32	7.35	8,832.00	.8453	101,574
1995	509,650.42	7.75	39,497.91	.8138	414,754
1996	14,756.00	8.18	1,207.04	.7771	11,467
1997	134,883.24	8.64	11,653.91	.7344	99,058
1998	249,357.00	9.12	22,741.36	.6840	170,560
1999	272,310.65	9.61	26,169.05	.6247	170,112
2000	781,127.80	10.12	79,050.13	.5566	434,776
2001	744,431.51	10.61	78,984.18	.4775	355,466
2002	164,037.46	11.07	18,158.95	.3875	63,565
2003	1,526,044.00	11.48	175,189.85	.2870	437,975
2004	475,322.00	11.81	56,135.53	.1772	84,227
2005	523,806.00	12.02	62,961.48	.0601	31,481
			608,373.54		2,749,436
NET SALVAGE ADJUSTMENT			60,837.35-		274,944-
TOTAL	5,933,427.02		547,536.19		2,474,492

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 9.23

NEWFOUNDLAND POWER INC.

ACCOUNT 378.40 - TRANSPORTATION - TRUCKS W/ STAKE BODIES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 10-S1.5					
NET SALVAGE PERCENT.. +10					
1981	6,240.00-			1.0000	6,240-
1982	6,238.00			1.0000	6,238
1986	25,129.00	5.13	1,289.12	1.0000	25,129
1987	44,605.00	5.34	2,381.91	.9879	44,065
1988	3.22	5.55	0.18	.9713	3
1989	0.11	5.79	0.01	.9554	
1992	1.00	6.65	0.07	.8978	1
1993	285,164.40	6.99	19,932.99	.8738	249,177
1994	159,050.90	7.35	11,690.24	.8453	134,446
1995	219,446.05	7.75	17,007.07	.8138	178,585
1996	125,036.70	8.18	10,228.00	.7771	97,166
1997	564,205.84	8.64	48,747.38	.7344	414,353
1998	298,827.86	9.12	27,253.10	.6840	204,398
1999	0.19	9.61	0.02	.6247	
2000	259,872.94	10.12	26,299.14	.5566	144,645
2001	14,868.30	10.61	1,577.53	.4775	7,100
2002	1,125.28	11.07	124.57	.3875	436
2003	594,812.00	11.48	68,284.42	.2870	170,711
2004	402,507.96	11.81	47,536.19	.1772	71,324
2005	596,381.00	12.02	71,685.00	.0601	35,842
			354,036.94		1,777,379
NET SALVAGE ADJUSTMENT			35,403.69-		177,738-
TOTAL	3,591,035.75		318,633.25		1,599,641

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 8.87

NEWFOUNDLAND POWER INC.

ACCOUNT 378.50 - TRANSPORTATION - MISCELLANEOUS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 18-L1					
NET SALVAGE PERCENT.. +20					
1966	4,182.46	2.35	98.29	.9283	3,883
1968	39,739.00	2.45	973.61	.9188	36,512
1972	2,077.00	2.66	55.25	.8911	1,851
1974	15,153.00	2.78	421.25	.8757	13,269
1975	28,625.00	2.85	815.81	.8693	24,884
1977	0.45	2.98	0.01	.8493	
1979	69,258.00	3.14	2,174.70	.8321	57,630
1981	5,685.00	3.30	187.61	.8085	4,596
1982	2,985.00	3.39	101.19	.7967	2,378
1984	0.69-	3.59	0.02-	.7719	1-
1985	35,832.80	3.69	1,322.23	.7565	27,108
1986	41,726.30	3.81	1,589.77	.7430	31,003
1987	2,471.02	3.93	97.11	.7271	1,797
1988	64,577.84	4.05	2,615.40	.7088	45,773
1989	124,987.33	4.19	5,236.97	.6914	86,416
1990	32,548.70	4.34	1,412.61	.6727	21,896
1992	13,508.38	4.66	629.49	.6291	8,498
1993	8,338.00	4.85	404.39	.6063	5,055
1994	116,499.42	5.05	5,883.22	.5808	67,663
1995	7,653.00	5.27	403.31	.5534	4,235
1996	76,885.39	5.51	4,236.38	.5235	40,250
1997	116,212.80	5.78	6,717.10	.4913	57,095
1998	95,567.05	6.05	5,781.81	.4538	43,368
1999	30,975.00	6.34	1,963.82	.4121	12,765
2000	82,442.91	6.65	5,482.45	.3658	30,158
2001	55,508.00	6.96	3,863.36	.3132	17,385
2002	48,545.00	7.28	3,534.08	.2548	12,369
2003	44,701.00	7.62	3,406.22	.1905	8,516
2004	186,078.50	8.00	14,886.28	.1200	22,329
2005	128,150.00	8.60	11,020.90	.0430	5,510
			85,314.60		694,191
NET SALVAGE ADJUSTMENT			17,062.92-		138,838-
TOTAL	1,480,912.66		68,251.68		555,353

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.61

NEWFOUNDLAND POWER INC.

ACCOUNT 379.10 - COMPUTERS - HARDWARE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 5-SQUARE						
NET SALVAGE PERCENT.. 0						
1997	0.58				1.0000	1
1998	1.15				1.0000	1
2000	2,443,249.00				1.0000	2,443,249
2001	1,225,626.00	5.00	20.00	245,125.20	.9000	1,103,063
2002	1,549,348.00	5.00	20.00	309,869.60	.7000	1,084,544
2003	2,774,524.00	5.00	20.00	554,904.80	.5000	1,387,262
2004	1,666,665.00	5.00	20.00	333,333.00	.3000	500,000
2005	1,371,220.00	5.00	20.00	274,244.00	.1000	137,122
TOTAL	11,030,633.73			1,717,476.60		6,655,242

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 15.57

NEWFOUNDLAND POWER INC.

ACCOUNT 379.20 - COMPUTERS - SOFTWARE

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 10-SQUARE						
NET SALVAGE PERCENT.. 0						
1992	0.38-				1.0000	
1995	507,771.00				1.0000	507,771
1996	878,309.00	10.00	10.00	87,830.90	.9500	834,394
1997	1,890,856.00	10.00	10.00	189,085.60	.8500	1,607,228
1998	2,619,834.00	10.00	10.00	261,983.40	.7500	1,964,876
1999	3,341,108.00	10.00	10.00	334,110.80	.6500	2,171,720
2000	2,377,562.00	10.00	10.00	237,756.20	.5500	1,307,659
2001	1,876,081.00	10.00	10.00	187,608.10	.4500	844,236
2002	4,554,641.00	10.00	10.00	455,464.10	.3500	1,594,124
2003	4,608,132.00	10.00	10.00	460,813.20	.2500	1,152,033
2004	2,550,912.00	10.00	10.00	255,091.20	.1500	382,637
2005	2,170,524.00	10.00	10.00	217,052.40	.0500	108,526
TOTAL	27,375,729.62			2,686,795.90		12,475,204

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 9.81

NEWFOUNDLAND POWER INC.

ACCOUNT 381.10 - MOBILE RADIOS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1990	59,302.00				1.0000	59,302
1992	38,903.00	15.00	6.67	2,594.83	.9000	35,013
1993	2,352.00	15.00	6.67	156.88	.8333	1,960
1996	45,704.00	15.00	6.67	3,048.46	.6333	28,944
1997	86,422.00	15.00	6.67	5,764.35	.5667	48,975
1998	26,370.00	15.00	6.67	1,758.88	.5000	13,185
2000	31,928.27	15.00	6.67	2,129.62	.3667	11,708
2001	26,431.00	15.00	6.67	1,762.95	.3000	7,929
2002	31,615.00	15.00	6.67	2,108.72	.2333	7,376
2003	26,481.00	15.00	6.67	1,766.28	.1667	4,414
2004	15,437.92	15.00	6.67	1,029.71	.1000	1,544
2005	21,838.00	15.00	6.67	1,456.59	.0333	727
TOTAL	412,784.19			23,577.27		221,077

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.71

NEWFOUNDLAND POWER INC.

ACCOUNT 381.20 - MOBILE RADIOS - PORTABLE RADIOS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1990	49,760.00				1.0000	49,760
1992	31,674.00	15.00	6.67	2,112.66	.9000	28,507
1994	9,988.00	15.00	6.67	666.20	.7667	7,658
1995	41,511.00	15.00	6.67	2,768.78	.7000	29,058
1997	23,216.00	15.00	6.67	1,548.51	.5667	13,157
1998	18,161.00	15.00	6.67	1,211.34	.5000	9,081
1999	19,565.00	15.00	6.67	1,304.99	.4333	8,478
2000	0.27-	15.00	6.67	0.02-	.3667	
2001	13,654.00	15.00	6.67	910.72	.3000	4,096
2002	22,354.00	15.00	6.67	1,491.01	.2333	5,215
2005	4,891.00	15.00	6.67	326.23	.0333	163
TOTAL	234,773.73			12,340.42		155,173

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.26

NEWFOUNDLAND POWER INC.

ACCOUNT 381.30 - MOBILE RADIOS - BASE STATIONS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1990	27,155.00				1.0000	27,155
1991	56,384.00	15.00	6.67	3,760.81	.9667	54,506
1992	11,710.00	15.00	6.67	781.06	.9000	10,539
1995	1,320.00	15.00	6.67	88.04	.7000	924
1996	5,562.00	15.00	6.67	370.99	.6333	3,522
TOTAL	102,131.00			5,000.90		96,646

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.90

NEWFOUNDLAND POWER INC.

ACCOUNT 382.10 - RADIO SITES - ROADS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 30-R4					
NET SALVAGE PERCENT.. 0					
1966	3,097.00	2.45	75.88	.9678	2,997
1967	3,962.00	2.50	99.05	.9625	3,813
1975	6,136.00	2.90	177.94	.8845	5,427
1977	5,545.00	3.00	166.35	.8550	4,741
1982	3,700.00	3.19	118.03	.7497	2,774
1983	2,729.00	3.23	88.15	.7268	1,983
1984	5,083.00	3.26	165.71	.7009	3,563
1985	40,119.00	3.29	1,319.92	.6745	27,060
1986	38,398.00	3.32	1,274.81	.6474	24,859
1992	965.00	3.46	33.39	.4671	451
TOTAL	109,734.00		3,519.23		77,668

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.21

NEWFOUNDLAND POWER INC.

ACCOUNT 382.20 - RADIO SITES - BUILDINGS

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 30-R4					
NET SALVAGE PERCENT.. -5					
1977	42,386.00	3.00	1,271.58	.8550	36,240
1983	116,762.00	3.23	3,771.41	.7268	84,863
1984	55,719.00	3.26	1,816.44	.7009	39,053
1985	100,065.00	3.29	3,292.14	.6745	67,494
1986	33,061.00	3.32	1,097.63	.6474	21,404
1988	17,664.00	3.38	597.04	.5915	10,448
2000	16,120.00	3.53	569.04	.1942	3,131
2001	1,869.00	3.53	65.98	.1589	297
2004	2,268.00	3.54	80.29	.0531	120
			12,561.55		263,050
NET SALVAGE ADJUSTMENT			628.08		13,153
TOTAL	385,914.00		13,189.63		276,203

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 3.42

NEWFOUNDLAND POWER INC.

ACCOUNT 383.00 - RADIO EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1983	1,698.00-				1.0000	1,698-
1988	1.00-				1.0000	1-
1991	466,547.00	15.00	6.67	31,118.68	.9667	451,011
1992	94,421.00	15.00	6.67	6,297.88	.9000	84,979
1993	82,574.00	15.00	6.67	5,507.69	.8333	68,809
1994	216,379.00	15.00	6.67	14,432.48	.7667	165,898
1996	180,896.00	15.00	6.67	12,065.76	.6333	114,561
1997	56,686.00	15.00	6.67	3,780.96	.5667	32,124
1998	186,751.00	15.00	6.67	12,456.29	.5000	93,376
1999	2,680.00	15.00	6.67	178.76	.4333	1,161
2000	61,961.98	15.00	6.67	4,132.86	.3667	22,721
2001	41,106.00	15.00	6.67	2,741.77	.3000	12,332
2002	37,617.00	15.00	6.67	2,509.05	.2333	8,776
2004	160,211.91	15.00	6.67	10,686.13	.1000	16,021
2005	1,737.00	15.00	6.67	115.86	.0333	58
TOTAL	1,587,868.89			106,024.17		1,070,128

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 6.68

NEWFOUNDLAND POWER INC.

ACCOUNT 384.00 - COMMUNICATION CABLES

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 25-R3					
NET SALVAGE PERCENT.. -10					
1982	208,795.00	3.47	7,245.19	.8155	170,272
1983	6,474.00	3.53	228.53	.7943	5,142
1985	105,946.00	3.65	3,867.03	.7483	79,279
1988	4,523.00	3.83	173.23	.6703	3,032
1989	13,491.00	3.88	523.45	.6402	8,637
1990	266,307.86	3.94	10,492.53	.6107	162,634
1991	492,621.55	3.99	19,655.60	.5786	285,031
1993	0.44-	4.09	0.02-	.5113	
1994	10,967.00	4.14	454.03	.4761	5,221
1995	23,582.00	4.19	988.09	.4400	10,376
1996	36,235.00	4.23	1,532.74	.4019	14,563
1997	1,466.00	4.28	62.74	.3638	533
1998	232,557.00	4.32	10,046.46	.3240	75,348
1999	68,531.00	4.36	2,987.95	.2834	19,422
2000	276,402.72	4.40	12,161.72	.2420	66,889
2001	232,622.86	4.44	10,328.45	.1998	46,478
2002	139,979.00	4.48	6,271.06	.1568	21,949
2003	221,175.00	4.53	10,019.23	.1133	25,059
2004	1,461.32	4.58	66.93	.0687	100
2005	68,476.00	4.68	3,204.68	.0234	1,602
			100,309.62		1,001,567
NET SALVAGE ADJUSTMENT			10,030.96		100,157
TOTAL	2,411,612.87		110,340.58		1,101,724

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 4.58

NEWFOUNDLAND POWER INC.

ACCOUNT 386.00 - COMMUNICATIONS - SCADA EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 14-L2					
NET SALVAGE PERCENT.. 0					
1980	218,747.00	3.57	7,809.27	.9104	199,147
1983	414,435.00	3.91	16,204.41	.8798	364,620
1984	211,742.00	4.04	8,554.38	.8686	183,919
1985	28,476.00	4.17	1,187.45	.8549	24,344
1986	190,537.00	4.32	8,231.20	.8424	160,508
1987	89,632.00	4.47	4,006.55	.8270	74,126
1988	526,317.00	4.64	24,421.11	.8120	427,369
1989	478,723.89	4.83	23,122.36	.7970	381,543
1990	10,639.00	5.03	535.14	.7797	8,295
1991	227,631.00	5.25	11,950.63	.7613	173,295
1992	62,006.00	5.50	3,410.33	.7425	46,039
1993	50,312.00	5.77	2,903.00	.7213	36,290
1994	58,347.00	6.07	3,541.66	.6981	40,732
1995	51,908.00	6.39	3,316.92	.6710	34,830
1996	31,656.00	6.73	2,130.45	.6394	20,241
1997	7,183.44	7.08	508.59	.6018	4,323
1998	17,070.00	7.42	1,266.59	.5565	9,499
1999	247,722.00	7.74	19,173.68	.5031	124,629
2000	1,382,638.81	8.02	110,887.63	.4411	609,882
2001	1,173,574.14	8.27	97,054.58	.3722	436,804
2002	280,135.00	8.51	23,839.49	.2979	83,452
2004	27,355.85	8.91	2,437.41	.1337	3,657
2005	6,283.00	9.02	566.73	.0451	283
TOTAL	5,793,071.13		377,059.56		3,447,827

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 6.51

NEWFOUNDLAND POWER INC.

ACCOUNT 389.10 - TELEPHONE & DATA COLLECTION EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 10-L2.5					
NET SALVAGE PERCENT.. 0					
1990	39,627.00	5.71	2,262.70	.8851	35,074
1992	45,031.00	6.29	2,832.45	.8492	38,240
1993	2,415.00	6.63	160.11	.8288	2,002
1994	4,740.64	7.03	333.27	.8085	3,833
1995	6,516.00	7.49	488.05	.7865	5,125
1996	124,185.15	8.03	9,972.07	.7629	94,741
1997	222,233.62	8.62	19,156.54	.7327	162,831
1998	816,114.93	9.24	75,409.02	.6930	565,568
1999	25,829.07	9.84	2,541.58	.6396	16,520
2000	30,414.39	10.38	3,157.01	.5709	17,364
2001	17,245.00	10.85	1,871.08	.4883	8,421
2005	4,678.00	11.97	559.96	.0599	280
TOTAL	1,339,029.80		118,743.84		949,999

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 8.87

NEWFOUNDLAND POWER INC.

ACCOUNT 390.00 - COMMUNICATIONS - POWER LINE CARRIER

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	LIFE (3)	--ANNUAL ACCRUAL-- RATE (4)	AMOUNT (5)	-ACCRUED DEPREC.- FACTOR (6)	AMOUNT (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1989	5,930.04				1.0000	5,930
1990	7,088.00				1.0000	7,088
1995	8,830.00	15.00	6.67	588.96	.7000	6,181
1997	0.20-	15.00	6.67	0.01-	.5667	
TOTAL	21,847.84			588.95		19,199

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 2.70

NEWFOUNDLAND POWER INC.

ACCOUNT 391.00 - COMMUNICATIONS - TEST EQUIPMENT

CALCULATED ANNUAL AND ACCRUED DEPRECIATION
RELATED TO ORIGINAL COST AT DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	--ANNUAL ACCRUAL-- RATE (3)	AMOUNT (4)	-ACCRUED DEPREC.- FACTOR (5)	AMOUNT (6)
SURVIVOR CURVE.. IOWA 15-R3					
NET SALVAGE PERCENT.. 0					
1985	28,409.00	4.63	1,315.34	.9492	26,966
1986	53,903.00	4.80	2,587.34	.9360	50,453
1987	40,782.00	4.97	2,026.87	.9195	37,499
1988	80,065.00	5.16	4,131.35	.9030	72,299
1989	122,101.00	5.34	6,520.19	.8811	107,583
1990	158,190.00	5.53	8,747.91	.8572	135,600
1991	30,442.00	5.71	1,738.24	.8280	25,206
1992	65,593.00	5.89	3,863.43	.7952	52,160
1993	26,087.00	6.06	1,580.87	.7575	19,761
1995	22,544.00	6.38	1,438.31	.6699	15,102
1996	25,491.00	6.53	1,664.56	.6204	15,815
1997	21,608.00	6.68	1,443.41	.5678	12,269
1998	35,716.00	6.82	2,435.83	.5115	18,269
1999	10,612.00	6.95	737.53	.4518	4,795
TOTAL	721,543.00		40,231.18		593,777

COMPOSITE ANNUAL ACCRUAL RATE, PERCENT.. 5.58