June 20, 2007

Consumer Advocate RFIs for Newfoundland Power

RFIs of a General Nature

CA-NP 1 Please provide the most recent residential electric sales profile available. Submit end-use daily load curves for the typical home (kW versus time) showing electric space heating, electric water heating and other end-uses as available for a winter weekday and weekend, summer weekday and weekend, spring weekday and weekend and fall weekday and weekend.

CA-NP 2 Please provide the typical annual consumption of a residential customer:

a. With no electric heating or hot water
b. With electric hot water, but no electric heating
c. With electric hot water and electric heating

CA-NP 3 Provide a comparison of the cost to the consumer to heat a typical home with oil and electricity at current and proposed rates. Provide a comparison of the cost to the consumer of hot water for a typical home using oil and electricity at current rates. In the comparison, show Newfoundland Power's cost of supplying electricity for 1) hot water, and 2) home heating for a typical home.

CA-NP 4 Would NP support providing its customers (with their electricity bills) periodic and updated information as to the relative cost differences to heat water and the typical home by the use of electricity and oil?

CA-NP 5 Provide the following information for the years 2002 through 2006, and forecast for the years 2007 and 2011 on the basis of the 2008 General Rate Application:

a. kWh sales/employee
b. Customers/employee
c. $ revenue/employee
d. km distribution/employee
e. Fixed cost associated with distribution system/km of distribution
f. O&M cost associated with distribution system/km of distribution
g. System average interruption duration index (SAIDI) (excluding impacts of outages on Hydro's system)
h. System average interruption frequency index (SAIFI) (excluding impacts of outages on Hydro's system)

CA-NP 6 Provide an energy budget for the test year balancing expected production and purchases against losses and sales.

CA-NP 7 Please provide a copy of NP's Annual Reports from 2004 to current.

CA-NP 8 Please provide a copy of all quarterly and annual reports filed with the Board as part of NP's normal reporting requirement from 2004 to present.

CA-NP 9 Please provide a copy of the Annual reports of Fortis Inc. from 2004 to current.

CA-NP 10 Please provide a description of the procedures followed when a

consumer files a complaint relating to: 1) its electricity bill, and 2) the reliability of its supply. Please provide the description beginning with filing of the complaint through to its resolution.

CA-NP 11 Upon NP's preparation of its Witness List, please provide CVs for each of its staff witnesses.

A.Application

CA-NP 12 (paragraph 15) NP proposes that the Board approve rates, tolls and charges effective for service provided on and after January 1, 2008, which result in average increases in customer rates by class as follows:

Rate Class	***Average Increase***
Domestic	6.4 %
General Service 0 – 10 kW	1.3 %
General Service 10 – 100 kW	2.3 %
General Service 110 – 1000 kVA	4.3 %
General Service 1000 kVA and Over	5.3 %
Street and Area Lighting	5.3 %

Please provide a table showing both the proposed and Board allowed average increase for each rate class in NP's prior GRAs over the past 20 years.

CA-NP 13 (Schedule A) NP provides Proposed Rates for January 1, 2008 for

each of its six (6) Rate Classes.

a. Please provide for the record a copy of the current rate schedules for each rate class.
b. In tabular format please show the current rates and charges as well as the proposed rates and charges for January 1, 2008 for each rate class.

B.Company Evidence

Volume 1, Section 1 - Introduction

CA-NP 14 (page 2, lines 16-17) It is stated that improved service and cost control are the foundation of customer operations performance of Newfoundland Power. As improved service generally comes with a cost, how does NP balance improved service with cost control?

CA-NP 15 (page 2, Table 2) The contribution of NP's costs to the total cost of electricity on a kWh basis for the period 2002 to 2006 is provided. Please reproduce the table showing the contribution of NP's costs as forecast for 2007 and 2008, including NP's proposals in this Application.

CA-NP 16 (page 4, line 8) "Since 2002, customer rates have increased by over 26 percent" (on a compounded basis). Assuming NP's proposed rates, tolls and charges are approved as filed, please confirm the percentage by which customer rates will have increased since 2002 as of January 1, 2008.

CA-NP 17 Please compare the extent to which customer rates changed over

the five years (on a compound basis) leading up to and including the implementation of the rate proposals contained in NP's last GRA to the extent to which customer rates will have changed (on a compound basis) in the five years leading up to and including January 1, 2008, assuming the company's Application is approved as filed.

CA-NP 18 Please provide a copy of the "Power Connection" newsletter NP sent to each of its classes of customers advising of the details and effects of its Application.

CA-NP 19 The May/June 2007 Power Connection newsletter states in part:

"The net impact of the proposed rate changes will be an overall average increase to current electricity rates of approximately 2.4%. However, even after the proposed rate changes, our electricity rates for residential customers will still remain the lowest in Atlantic Canada."

Please:

a. Show how NP's residential and other rates would compare as at January 1, 2008 to each of the other Atlantic province's rates, but for the proposed decrease due on July 1, 2007 owing to the annual review of the Rate Stabilization Account (i.e.; assume for the purposes of this question no change to the rates on July 1, 2007).

b. Show how NP's rates (both residential and others) as at January 1, 2008 will compare to those in the other Atlantic provinces assuming NP's Application is granted as filed and assuming the expected RSA-indicated rate decrease occurs on July 1, 2007.

c. Provide the relative use of hydraulic resources in this province for generation as compared to the other Atlantic provinces and comment as to how, in light of this province's much greater access to cheaper hydraulic generation, comparisons to the rates in the other Atlantic provinces is meaningful.

CA-NP 20 (page 5, line 23 and page 6, lines 1-2) "The Board's use of regulatory mechanisms has complemented Newfoundland Power's cost stability and provided for transparent least cost regulation in the circumstances that presented themselves over the past decade".

a. Please identify the specific characteristics of the regulatory mechanisms that in NP's view have increased transparency while providing for least cost regulation?
b. How does NP define least cost regulation?
c. Does NP believe that use of a formulaic adjustment mechanism for all of its cost components thus avoiding GRAs would result in least cost regulation?
d. Provide NP's assessment of the pros and cons of such "regulatory mechanisms" including those practiced in other Canadian jurisdictions.
e. Would a performance-based regulatory mechanism for NP provide a more optimal solution in terms of providing least cost regulation? Why, or why not?

CA-NP 21 (page 5, line 23 and page 6, lines 1-2) Please provide a list of all regulatory mechanisms currently in use, and proposed in this Application. The list should identify the mechanism, the year implemented, provide a brief description including the formula, and show amounts in reserve currently and in each of the previous

four years.

CA-NP 22 (page 6, lines 4-9) “Over the longer term, supply costs can be expected to exert a generally upward pressure on price”. Can this statement be supported in the absence of an integrated resource plan in the Province?

CA-NP 23 (page 6, lines 15-19) “This, in turn, may require Newfoundland Power to file more frequent general rate applications than over the past decade simply to recover the cost associated with supplying modest customer growth. Second, the high price of fuel can be expected to increase the regulatory focus on customer rate design, and, in particular, the economic efficiency of customer rate design”.

a. Is NP of the view that this trend will compromise the appropriateness of the existing regulatory mechanisms for achieving least cost regulation that is mentioned at page 5, line 23 to page 6, line 2?
b. Does NP expect the Board to direct that it increase its focus on economic efficiency of rate design, or is NP proposing to put a process in place to increase regulatory focus on rate design?
c. What process or plan does NP believe would be the most effective at increasing regulatory focus on rate design?
d. Please list in detail the ways in which the current customer rate design is inefficient and the changes that would be required to eliminate these sources of economic efficiency.
e. Please explain why each change in customer rate design that would increase economic efficiency is not being

proposed as part of the 2008 GRA.

Volume 1, Section 2 – Customer Operations

CA-NP 24 (page 2, Table 11) NP's labour costs by breakdown (i.e. Regular and Standby, Temporary and Overtime) from 2002 to 2008 F are provided. NP's forecast for 2007 for Total Labour cost is $28,200,000. NP's forecast for 2008's Total Labour cost is $28,671,000, an increase of $471,000 over 2007 F. To what extent are wage increases forecasted to take effect in 2008 (for both unionized and non-unionized staff) giving rise to this forecasted $471,000 increase in total labour costs versus other factors, such as forecasted FTE growth in 2008 over 2007 F?

CA-NP 25 (page 11, lines 8 to 10) "Forecast 2008 operating costs are virtually unchanged from actual 2003 operating costs and are consistent with efficient management and the least cost delivery of reliable service to customers." Please detail all operating cost cutting measures implemented from 2003 to those planned during the test year and explain how each has contributed to cost savings at NP and is expected to contribute to cost savings in the test year.

CA-NP 26 (page 12, Graph 1) Please show similar data to that included in Graph 1 for a comparable peer group of utilities. In addition, please show total distribution costs for NP and the peer group.

CA-NP 27 (page 12, lines 5 to 7) "From 2002 through 2008, inflation, as measured by the Consumer Price Index, is expected to be over 13 percent. In the same period, the number of customers serviced by Newfoundland Power is expected to increase by over 6 percent." In tabular format, please provide data from 2002 through 2008

showing the percentage change in operating costs in actual and constant dollars, the rate of inflation and the number of customers served by NP.

CA-NP 28 (page 12, line 13) "Newfoundland Power's operating costs associated with serving a customer have decreased by approximately $34, or 15 percent, from 2002 to 2008 F on an inflation adjusted basis and approximately $9, or 4 percent, on an actual dollar basis." Please explain what is meant by "operating costs associated with serving a customer." Are there any operating costs not associated with servicing a customer?

CA-NP 29 Please provide revised versions of Exhibits 1, 2 and 5 with additional lines in Exhibits 1 and 2 representing a global productivity offset ("offset") being deducted from the Subtotal (line 18 in Exhibit 1 and line 28 in Exhibit 2) where the offset prior to 2008 is zero and the offset in 2008 is:

a. $474,000
b. $882,000

CA-NP 30 Please provide revised versions of Exhibits 9, 10 and 11 based on the revised Exhibits 1, 2 and 5 in the previous question and the rate increase necessary to result in the Company's proposed return on common equity of 10.25% in 2008.

CA-NP 31 Please provide revised versions of Exhibits 9, 10 and 11 based on the revised Exhibits 1, 2 and 5 in the previous question and the rate increase necessary to result in the current approved midpoint return on rate base of 8.47% in 2008 (per Table 21 at page 51).

CA-NP 32 Please provide revised versions of Exhibits 9, 10 and 11 based on the revised Exhibits 1, 2 and 5 in the previous question and the proposed average customer rate change of 5.3% as shown in Exhibit 11.

CA-NP 33 Please provide revised versions of Exhibits 9, 10 and 11 based on an amortization period for the revenue and cost recovery deferrals shown Table 33 at page 82 (and discussed in the evidence of J.T. Browne at Volume 3, Tab 2: Regulatory Accounting) that is:

a. One year
b. Two years
c. Three years

.

CA-NP 34 Please provide revised versions of Exhibits 9, 10 and 11 based on an amortization period for the depreciation cost recovery deferral of five years and an amortization for the remaining regulatory deferrals shown Table 33 at page 82 (i.e., the revenue deferrals and replacement energy cost recovery deferral) that is one year.

CA-NP 35 Please explain the extent to which the decrease in NP's operating costs per customer over the period 2002 to 2008 F is a function of growth in the customer base of NP versus any other factor(s). Does NP believe that its operating costs per customer would have tracked downward in the absence of the growth in the customer base experienced over the period 2002 to 2008 F? If so, by how much per customer. If not, why not?

CA-NP 36 (page 13, Table 5)

a. Does NP believe that operating costs per customer are the

best indicator of its productivity trend? If not, what does NP believe to be the best indicator of its productivity trend?

b. Does NP believe that inflation as measured by the provincial Consumer Price Index which is used as the deflator to determine operating costs per customer in constant dollars is the relevant indicator of its total input price trend (ignoring purchased power)? If not, what does NP believe to be the best indicator of its total input price trend (ignoring purchased power)?

c. Please provide a table showing for each of the past five years the percentage increase in NP's operating costs and inflation (GDP deflator). Also show proposed and forecast operating costs and forecast inflation (GDP deflator) for the years 2007 through 2010.

d. Please provide a table that compares NP to similar electricity distribution companies in Canada and the United States for the years 2002 through 2006 in terms of productivity performance.

CA-NP 37

Please provide a table comparing revenue requirement and corresponding rate increases as proposed in the Application to revenue requirement and corresponding rate increases if NP's operating costs (identified in Table 5) were allowed to increase in 2007 and 2008 at the average real increase experienced from 2002 through the end of 2006. For example, if inflation averaged 3%/year (i.e., GDP deflator in 2006 is 12% greater than in 2002), and NP's operations and maintenance expenses were flat (i.e., expenses in 2006 were the same as expenses in 2002), expenses for the 2007 test year would be set at 2006 actual expenses multiplied by the forecast GDP deflator for 2007 less 3%.

CA-NP 38 (page 18, lines 13-15) “Overtime costs are lower primarily because better system reliability has resulted in fewer power outages that must be responded to after regular working hours”. Has NP established a correlation between the cost of increasing reliability versus the resulting benefits such as reduced labour costs?

CA-NP 39 (page 18, Table 11) Table 11 provides the breakdown of Labour costs for 2002 to 2008 F by Regular and Standby, Temporary and Overtime. Please also provide over the same period, the following:

a. The number of full-time equivalent FTEs broken down by Management and Union.
b. The number of employees who were (or will be) eligible to retire broken down by Management, Union and by Position.
c. The number of retirements broken down by Management, Union and by Position.
d. The number of new hires broken down by Management, Union and by Position.

CA-NP 40 Please provide NP's current organization chart as well as those in existence from 2004 to present if different from the current chart.

CA-NP 41 Please describe any corporate/organizational changes made since 2004.

CA-NP 42 How many NP employees will become eligible for retirement during 2008 broken down by position? What is the forecast number of retirements, the forecast number of replacements and the impact on the 2008 revenue requirement? Please state all

assumptions as to dates of retirement and dates of replacement, the differential in salary between the position(s) retired from and the new hire's salary.

CA-NP 43 Does NP's Application make provision for vacancy allowance in the Test Year, and if so please explain the impact of same on NP's forecast revenue requirement for the Test Year.

CA-NP 44 (page 19) Reference is made to an Early Retirement Program (ERP) offered in the first quarter of 2005. At the time that ERP was offered please provide:

a. The number and percentage of employees in the core utility occupations at NP including linepersons, industrial electricians and millwright, technologists and engineers who were to be eligible for retirement in 2010 and 2015 respectively.
b. The number of employees (broken down by position) who accepted the ERP in 2005.
c. The number of new hires since 2005 to replace those employees (and/or their functions) who accepted the ERP in 2005.

CA-NP 45 Please provide the number of positions, broken down by position type, that are currently vacant at NP. Please also provide the number of positions broken down by position type that NP had vacant for more than 30 days in each of the years from 2002-2007 to date.

CA-NP 46 (page 18, lines 6-7) Please provide a copy of the two separate five-year collective agreements.

CA-NP 47 (page 18, footnote 12) "Bargaining unit salaries are forecast to increase by 4 percent in 2008. However, labour is forecast to increase by approximately 2 percent in 2008. As in the past, 2008 salary increases are forecast to be substantially offset by productivity improvement." Please explain in detail the basis for stating that productivity improvement will substantially offset the 2008 salary increases.

CA-NP 48 Please compare the wage increases for NP's unionized staff since 2000 to 2008 F as compared to NP's other staff groups, broken down by level within management of the company.

CA-NP 49 Please provide the relative proportions of NP's Total Labour Costs broken down by Unionized, Management and Executive from 2000 to 2008 F.

CA-NP 50 Please provide on a table, the total Executive compensation provided to the President and Vice-Presidents of the Company as well as for managers, for period 2001 to forecast, showing the annual percentage of increase/decrease, as the case may be, and actual dollar amounts.

CA-NP 51 For each year from 2004 to 2008 F, please provide details of any incentive plans or programs for NP employees: including the type of employees eligible to participate in the programs, the performance targets and criteria used, the amounts paid out (or forecast to be paid out, as the case may be) in each year, and the maximum payable (or forecast to be payable) under those programs in those years.

CA-NP 52 Please state what NP's Test Year forecast is in respect of the US/Canadian dollar exchange rate and the source of this forecast. Please state whether, and if so how, NP's proposed Test Year revenue requirement is directly impacted by the exchange rate.

CA-NP 53 (page 19) "ERPs have enabled Newfoundland Power to effectively keep its labour costs flat, while improving service to its customers." Please explain in detail how NP achieved this improved service to its growing base of customers with less employees.

CA-NP 54 Is NP considering an ERP in 2008? If not, why not?

CA-NP 55 If over the period from 2002 to 2006 NP reduced its FTEs from 666 to 623 (page 19), increased its customer base from 219,072 to 229,500 (page 19), improved its service to its customers (page 20), improved its SAIFI and SAIDI by 39% and 34% respectively (page 24), what evidence does NP have to establish that it cannot adequately function with less employees than is reflected in the Test Year revenue requirement?

CA-NP 56 Please provide NP's five- year projection as to the number of FTEs it will maintain.

CA-NP 57 Please provide the number, title and location of positions which NP has publicly advertised over 2005, 2006 and 2007 as well as the amount of time elapsed from advertisement to the filling of the positions together with the number of qualified applications received for each position.

CA-NP 58 Please provide the number of applications NP currently has on file from prospective employees seeking employment with NP. Please separate the amounts of applications by position.

CA-NP 59 Please indicate how many linepersons, industrial electricians and millwright, technologists and engineers have left NP other than by way of retirement over each of 2005, 2006 and 2007.

CA-NP 60 Has NP undertaken a review either internally or by means of external advisors over the period 2004 to present with a specific focus on identifying cost cutting opportunities? Please provide any reports generated in respect of the same.

CA-NP 61 Please provide copies of all reports and studies in the possession or control of NP pertaining to its staffing levels and/or staff productivity that has been generated from 2004 to the present time.

CA-NP 62 (page 22, lines 1-8) Please provide for the record copies of the quarterly customer satisfaction surveys for 2005 and 2006 including the annual averages for each year.

CA-NP 63 (page 22, lines 7-8) "Since 2002, customers have consistently ranked reliability of power as the most important attribute of service followed closely by price of electricity." In order to demonstrate the linkage between customer satisfaction (section 2.3.1) and reliability (section 2.3.2) that will assist in determining the appropriate balance between improved service and cost control (see page 2, lines 16-17), please provide any studies or other quantitative information that NP has in its possession that measures:

a. The number of hours of service outages on an annual basis that NP's customers are willing to accept;
b. The amount NP's customers are willing to pay in the form of increased rates for greater reliability;
c. The relationship between amounts NP has spent to improve the reliability of the distribution system and the power outages in each region of the Province served by NP (i.e., for every $1000 spent on reliability improvement programs, how much more reliability have consumers gained);
d. The comparative impact on reducing power outage durations of re-designed maintenance procedures (i.e., fielding additional repair crews) versus making infrastructure improvements (i.e., building additional feeders).

CA-NP 64 Please provide for the record a copy of NP's distribution reliability policy.

CA-NP 65 (Delaware's *Electricity Service Reliability and Quality Standards* regulation established through Order No. 7002. A copy of the regulation can be found at the following website: http://depsc.delaware.gov/orders/7002.pdf

a. Please provide a comparison of NP's distribution reliability policy to Delaware's *Electricity Service Reliability and Quality Standards*; i.e., which aspects of customer service in Delaware's regulation are covered in NP's policy, which aspects are not, which aspects are not relevant and why, etc?
b. Would the Province benefit from the adoption of a "code"

requiring distribution companies to design and maintain procedures to achieve target reliability performance benchmarks and minimum performance standards? What are the pros and cons of such “codes”?

c. In NP’s opinion, who are the industry leaders in the electricity distribution business and what are the key performance areas upon which such judgments are made?
d. In NP’s opinion, what target SAIDI and SAIFI benchmarks are appropriate for the island interconnected system and on what basis should such targets be established?

CA-NP 66 (page 23, Footnote 26) “Reliability performance is monitored and reported to the Board quarterly”.

a. How useful is it to report reliability performance on a quarterly basis given the very high levels of reliability of power systems throughout the country and the huge impact even a single reliability event can have on such statistics?
b. Is quarterly reporting consistent with least cost regulation?
c. In NP’s judgment, what is the optimal reporting time frame for distribution reliability?
d. Please provide a list of all NP reporting requirements related to reliability.

CA-NP 67 (page 24) Please provide comparative reliability statistics, specifically SAIDI and SAIFI, for other distribution companies in Canada. Are such benchmarking comparisons used by NP in the development of its capital and operations and maintenance budgets associated with reliability improvement?

CA-NP 68 (page 24) What are the costs in each of the past five years of the programs that have lead to the improvements in SAIDI and SAIFI? Please provide a comparison of these costs to the resulting improvement in system-wide distribution SAIDI and SAIFI. Please show forecast reliability improvement at the time the expenditure was committed and actual reliability improvement measured after project installation.

CA-NP 69 (page 26)

a. At what point is the reliability of a feeder considered acceptable and further expenditures to improve reliability are no longer warranted?
b. What other Canadian distribution utilities have similar programs to the DRI?
c. Please provide a list of projects planned for completion under the DRI in 2007 and 2008 along with cost and expected reliability improvement.
d. Given that SAIDI for the worst performing feeders is now comparable to the Company average (page 26, lines 7-8), is the DRI program being abandoned? What justification is there for its continuation?

CA-NP 70 (page 28, lines 13-14) What is the basis for the target to arrive at 85% of trouble calls within two hours of being contacted by a customer? How does this target compare to targets used in other Canadian jurisdictions?

CA-NP 71 (page 29, Graph 8) How does NP's scheduled SAIDI compare to industry averages?

CA-NP 72 (page 32, line 4) What is the basis for the target to answer 80% of customer calls within 40 seconds? How does this compare to targets elsewhere in Canada?

CA-NP 73 (page 35, lines 2-3) It states that in 2006, over 11,000 customers received their bill through email producing savings to the company (see footnote 51) of approximately $7.00 per year per customer. Please:

a. Provide the year over year (since 2004 to forecast 2007) numbers of customers who avail of eBills.
b. Indicate whether customers at present are provided a financial incentive to receive their bills by email.
c. Indicate whether NP plans to provide a financial incentive to customers for opting to receive their bills by email.
d. Indicate whether NP has tracked whether those customers who receive their bills by email pay their bills more promptly than those who receive their bills by paper copy in the mail.

CA-NP 74 Please provide the breakdown for the years 2004 to present, averaging monthly, the number of customers who pay:

a. by mail;
b. by e-bill;
c. by means other than a) or b) with a breakdown as to the means used; and
d. by equalized billing versus standard (pay as you go) billing.

CA-NP 75 (page 35, lines 10-13) Please provide for the record copies of the 2005 and 2006 Customer Attitude Survey on Energy Efficiency.

CA-NP 76 (page 37, Table 13) NP has provided its total energy efficiency program costs for 2002 to 2006. Please reproduce the table incorporating the forecast energy efficiency program cost forecasted for 2007 and the test year.

CA-NP 77 What are NP's plans in respect of energy conservation efforts in the Test Year and 2009? Please state the goals and targets developed by NP in respect of the same.

CA-NP 78 (page 39, lines 8 to 9) Reference is made to NP's participation in a joint Conservation and Demand Management Potential Study with Hydro in 2007.

a. Please describe NP's technical and monetary role in this study.
b. Please indicate how NP has reflected any costs associated with what may arise out of the Study's conclusions in the Test Year.

CA-NP 79 (pages 35-42 – Energy Efficiency)

a. Would NP participate in any competitive bid solicitations in the Province for new generation, energy efficiency or demand management?
b. Please provide a table summarizing details of NP's demand management and conservation initiatives

including programs, costs, expected benefits including demand/energy/cost savings, and verification of the savings.

c. What offsetting savings are incorporated in the 2008 revenue requirement as a result of the NP investment in demand management and energy efficiency?

CA-NP 80 (pages 40 – 42 and Exhibit 4 - Demand Management Incentive Account)

a. (page 41, lines 4-5) "Based on the experience thus far with the demand and energy wholesale rate, the Company believes that a continued incentive for peak management is appropriate". Please provide the data and information upon which this belief is based including actual experience and benefits to consumers.

b. (Exhibit 4, page 1 of 1) Please provide the analysis upon which NP based its proposed Demand Management Incentive Account in Exhibit 4 including alternatives considered and experience with demand management and energy efficiency accounts in other jurisdictions.

CA-NP 81 In Newfoundland Power's 1995 rate application, M.J. Erbland's Direct Testimony (page 15, lines 11 to 13) states that Newfoundland Power's customers have come to expect an increasingly sophisticated array of options.

a. Is NP still of the view that its customers expect an increased array of options?

b. What steps have been taken by NP to increase the array of options to its customers?

CA-NP 82 Please provide the following for each of the past five years:

a. Number of customer complaints per 1000 customers
b. Percent of customer calls answered within 40 seconds
c. Percent of customer outage calls answered
d. Percent of new customer services installed and energized by the date promised to the customer
e. Percent of estimated bills

CA-NP 83 Please provide the number of customer complaints (broken down by geographic area, if possible) and categorized by type of complaint received by NP over the last three years.

CA-NP 84 Please provide marginal production costs for each of NP's thermal generating units in cents/kWh.

CA-NP 85 Please fully describe the company's methodology and process for forecasting of expenses for the 2008 test year. As part of the answer please address whether, and if so how, NP's methodology and process has changed relative to the methodology and process used in its last GRA to forecast test year expenses.

CA-NP 86 With reference to Exhibit 1 "Operating Costs by Function: 2002 to 2008," please explain the specific reasons why:

a. Transmission Costs increased from $486,000 in 2006 to $661,000 in 2007 (f) and $750,000 in 2008 (f).
b. Administration and Engineering Support increased from $5,315,000 in 2006 to $5,466,000 in 2007 (f) to

$5,580,000 in 2008 (f).

c. Telecommunications increased from $616,000 in 2004 up to $1,525,000 in 2008 (f).

d. Customer Services increased from $8,598,000 in 2004 to $9,094,000 in 2008.

e. Information Systems increased from $2,685,000 in 2006 to $2,826,000 in 2008 (f).

f. Corporate and Employee Services increased from $11,557,000 in 2006 to $11,972,000 in 2008 (f).

CA-NP 87 With reference to Exhibit 2 “Operating Costs by Breakdown 2002 - 2008" please:

a. Provide the basis for the forecasted 2007 and 2008 Retirement Allowances of $175,000 for each year. Please provide all assumptions used to calculate these forecasted retirement allowances for each of these years.

b. Provide evidence from 3rd party in support of NP’s 2007 and 2008 forecasted Insurances costs of $1,728,000 and $1,775,000 respectively.

c. Explain in detail why “Vegetation Management” costs have increased from $1,070,000 in 2005 to $1,400,000 in 2008 F.

d. Provide a breakdown as to the specific advertising initiatives, individually costed, in respect of NP’s 2008 (F) $371,000.00 expenditure on Advertizing and explain how NP assesses customer benefits from such expenditures.

e. From 2005 to 2008 (F) please provide the amount NP expended on non-regulated Advertizing with a breakdown

as to the specific Advertising initiatives, individually costed.

f. Explain why NP's Trustee and Directors' Fees are increasing from 2006's $373,000 to 2008 (F)'s $395,000 and provide NP's Trustee and Director Fees policy as regards Trustee and Director compensation and entitlements.

g. Explain why Uncollected Bills are forecasted to increase from $961,000 in 2006 (actual) to $1,050,000 in 2008 (F) and describe NP's collections policy and procedures.

h. Explain why NP's stationary and copying costs have increased from $274,000 in 2004 to $372,000 in 2008 (F), an increase of $98,000.00.

i. Explain why NP's Computing Equipment & Software costs are forecasted to increase from $566,000 in 2004 to $776,000 in 2008 (F).

CA-NP 88 With reference to Exhibit 2, "Operating Costs by Breakdown 2002 - 2008" please:

a. Explain what expenses are included in the term "miscellaneous" at line 13 of the Exhibit 2 and please provide a breakdown of these expenses for 2006, 2007 (f) and 2008 (f).

b. With respect to line 15 Insurances, are maximum deductibles used, where applicable, to reduce insurance expenses?

c. With respect to Travel Expense at line 9, please indicate what the assumptions are which were used in forecasting a

$987,000 travel expense in 2008.

d. With respect to Travel Expense at line 9 please confirm whether NP mandates that employees shall book accommodations, where possible, at Fortis Inc. owned inns and hotels and if so, demonstrate the benefit to the ratepayers and utility of such a policy.

e. With respect to Travel Expense, please provide a detailed accounting of travel costs by department and separately state travel costs incurred by each member of the executive team and by individual directors for the years 2004 to 2008 (f). Please also show the amount of travel expense, broken down as above, which was billed to Fortis Inc. or affiliated companies.

f. Detail Other Company Fees (line 19).

CA-NP 89 (page 44, lines 5 and 7-9) "Exhibit 5 provides the Company's financial performance for 2002 to 2008. The forecast results are based on existing customer rates, and do not include the impact of the proposals set out in this Application. The Company is forecasting a rate of return on rate base of 6.64 percent for 2008" (emphasis added). Please provide a revised Exhibit 5 adding a column called "Proposed 2008" and incorporate each and every change as applied for in NP's Application dated May 10, 2007.

CA-NP 90 (page 45) Concerning Other Revenue (which reduces the revenue required from customers), please provide all assumptions behind the Pole Attachment and Miscellaneous revenue which leads to the $10,801,000 2008 forecast for Other Revenue in 2008 (as shown at Table 15, p. 16).

CA-NP 91 (page 46, lines 9-10) "Increases in engineering services being provided under contract with Aliant Telecom Inc. and Persona Communications Inc. also contributed to growth in other revenue since 2002." Please provide these contracts as presently in force and provide the number of hours since 2002 to 2008 (f) that has been spent (and is forecasted to be spent) by NP personnel in relation to the same. Please demonstrate the benefit to NP's ratepayers of this arrangement.

CA-NP 92 (page 51, Table 21) NP has shown the Board-approved rates of return on rate base and forecast rates of return on rate base and the actual and forecast rates of return on common equity for the period 2002 to 2008 E. Please reproduce Table 21 as amended to include the approved or formula indicated rate of return on common equity as compared to the actuals achieved for each of the years 2002 to 2006, and the forecasts for 2007 and 2008.

CA-NP 93 At Exhibit 10 entitled "2008 Forecast Capital Structure and Return on Rate Base" line 28 shows a proposed Regulated Return on Equity of $37,341,000 for 2008. Please provide a table comparing the requested 2008 return on equity in terms of both dollar amount and percentage increase to the actual Earnings Applicable to Common Shares for 2002, 2003, 2004, 2005 and 2006 and the forecast Earnings applicable to Common Shares for 2007.

CA-NP 94 (page 59) NP states that it is proposing that "changes in the risk free-rate used in the calculation of the weighted average cost of capital ("WACC") be determined by reference to Consensus Forecasts. . .". Please compare in table format how this proposal would have impacted upon NP's past rates of return on common

equity assuming it had been implemented in 2002 and kept in operation to the present time (for use in non-test years) as compared to the method actually used.

CA-NP 95 (page 70, Table 28) The existing annual depreciation rates and those recommended in the 2006 Study by asset class are provided in Table 28. Please explain why the annual depreciation rate for Other Production is increasing from 3.91% to 4.73% and detail the increase occasioned by this change in the Test Year's depreciation expense.

CA-NP 96 Please provide a breakdown by vehicle type (i.e., pickup, compact car) that NP has had in its fleet from 2002 to 2008 (F).

CA-NP 97 Does NP have unmarked vehicles in its fleet? If so, how many and where are they posted/assigned? Why are they unmarked?

CA-NP 98 Does NP have any employees who are permitted to take a company vehicle home for the evening as a matter of course? If so, how many and what positions do they hold? Please also state whether these are marked/unmarked vehicles.

CA-NP 99 Does NP permit any of its employees to use company vehicles for personal use? If so, on what basis is the company compensated for the personal use of the vehicle and please provide the number of employees (and position) to whom this benefit is extended. Please also state how many of the employees who are currently permitted to use company vehicles for personal use, use unmarked company vehicles. Finally, please provide the cost justification for permitting this use of company vehicles.

CA-NP 100 Please detail all functions/work that NP contracts out on a usual basis and provide the amounts paid and forecasted to be paid out in respect of each function from 2002 to 2008 (F). Please also indicate to what Function(s) these costs are allocated on Exhibit 1 - Operating Costs by Function 2002 - 2008 and to what Breakdown Category these costs are allocated on Exhibit 2 - Operating Costs by Breakdown 2002 - 2008.

CA-NP 101 What recent initiatives has NP undertaken to cooperate with Hydro to reduce the cost of supply to consumers?

CA-NP 102 In NP's February 28, 2006 Energy Plan Submission, it states at page 7:

> **"Currently, Newfoundland Power maintains and operates approximately 80% of all distribution support structures (poles and wires) and serves 85% of all customers in the province. The current industry structure contains duplication between Hydro and Newfoundland Power. Overlap exists in the delivery of energy over transmission and distribution lines, and the provision of customer service, both of which have an impact on customer electricity rates. The resources necessary to perform these functions are, to a significant degree, duplicated by Hydro for a much smaller group of assets and customers."**

a. What does NP propose in order to remove this duplication and its attendant costs.

b. Does NP believe that the continued existence of duplication referred to in the above statement runs contrary to the power policy of the province as expressed in part at Section 3 (b) of the Electrical Power Control Act, 1994 SNL 1994, Chapter E-51 as amended. If yes, please explain what in NP's view must

be done about it. If no, explain this position.

c. Please explain to what extent the existing duplication impacts upon the electricity rates paid by consumers in the Province.

CA-NP 103 Please provide the basis for the Transfer to GEC amounts shown at line 33 of Exhibit 2, “Operating Costs by Breakdown 2002 - 2008" in respect of 2007 and 2008.

CA-NP 104 Please provide a detailed breakdown of professional services costs by year for the period 2004 to 2008 forecast. Please separately show such costs attributable to this General Rate Application.

CA-NP 105 Does the 2008 Test Year include any major overhaul costs that could be reasonably amortized over a period of years.

CA-NP 106 Please provide the actual versus budgeted capital expenditures for the years 2004 to 2007 expressed in both dollar amounts and by percentage.

CA-NP 107 What is the amount of 2008 forecast capital expenditures that have been included in the 2008 Rate Base?

CA-NP 108 What is NP’s policy with respect to capitalization of salaries and benefits or other overheads? Please describe how the salary and benefit amounts to be capitalized are determined on an actual and a forecast basis.

CA-NP 109 Please provide a schedule that shows for each year from 2002

through 2006, the total salary and benefits spending, the capitalized portion of salary and benefits spending and the total actual capital program spending.

CA-NP 110 Provide a list of all consultants engaged by NP with a description of the associated projects and total project consultant costs for all consultancy engagements in excess of $20,000.00 for the period 2001 - 2006.

Volume 1, Section 3 – Finance

CA-NP 111 Please provide a copy and details of NP's five year financial forecast. To the extent not addressed as part of the five-year financial forecast, please forecast all changes in the revenue requirement and required rate action for the next five years.

CA-NP 112 (pages 20-21) Are there any reasons to believe that 1-to-5-year forecasts of electric distribution (a) capital expenditure requirements and (b) major external financing requirements are likely, on balance, to be less accurate or reliable in a relatively slow-growth province, such as Newfoundland and Labrador, than they will be in higher-growth provinces such as Alberta, British Columbia, and Ontario? Please explain the various forecasting-related considerations, both pro and con, that are weighed in arriving at the answer to this question.

CA-NP 113 (pages 20-21, and Section 3: Finance, page 58)

a. Please provide the Company's current best estimate of its gross capital expenditure requirements and external

financing requirements, annually for the years 2007 through 2012, both assuming that accrual accounting for its other post-employment benefits (OPEBs) (i) is, and (ii) is not adopted.

b. Under both assumptions with reference to the adoption of accrual accounting for OPEBs, when is it likely that the Company will next require a new medium or long-term debt issue, or a significant infusion of new equity capital, after the completion of the planned sale of $60 million in long-term debt in the summer of 2007?

CA-NP 114 (page 45, lines 1-12) Are there any reasons to believe that 1-to-5-year forecasts of electricity sales and revenue are likely, on balance, to be less accurate or reliable in a relatively slow-growth province, such as Newfoundland and Labrador, than they will be in higher-growth provinces such as Alberta, British Columbia, and Ontario? Please explain the various forecasting-related considerations, both pro and con, that are weighed in arriving at the answer to this question.

CA-NP 115 (page 48, line 4 and footnote 12, and Volume 2, Tab 3: Actuarial Valuation of Defined Benefit Pension Plan) The discount rate used to present value the Company's defined benefit pension obligations is forecasted to remain at its 2006 level of 5.25% in 2007 and 2008. Please show how the Company's actuary determined the 5.25% discount rate for 2006 and, in particular, what "equity risk premium" the actuary used to forecast the future returns for the equity component of the Company's defined benefit pension plan assets.

CA-NP 116 (page 50)

a. In planning for its expected $60 million debt issue during August 2007, did the Company and/or its financial advisors anticipate the sharp run up in North American government interest rates that took place beginning in mid-May 2007?

b. If the answer to (a) is essentially "yes," then why did the Company not move to sell its debt issue sooner in the spring or early summer? Please explain any constraints the Company may have faced (e.g., a congested new issue calendar) that impeded its ability to move forward earlier on its new issue?

c. If the answer to (a) is essentially "no," then how does the Company expect the recent change in the interest rate environment and outlook to affect its plans for a new debt issue during 2007? Please explain the reasoning behind any shift in the new issue timing that may be contemplated.

d. In general, how does the Company choose between short-term and long-term debt financing to meet that portion of its external financing needs that are to be debt financed?

CA-NP 117 (page 50) Please provide a detailed breakdown of each line of Table 19 by long-term debt issue and type of short-term borrowing.

CA-NP 118 (page 50)

a. What evidence or information did the Company rely on to set the forecasted cost rate assumption for its short-term borrowings during 2007 and 2008?

b. Does the Company expect that it will have to revise its short-term borrowing cost rate assumptions for 2007 and 2008 on account of the post-mid-May run up in short-term interest rates? Please explain.

CA-NP 119 (page 51, and CA-599 Attachment A, NP 2003GRA)

a. Please update the table of "Comparative Approved Returns on Equity For Rate Making Purposes" from CA-599 Attachment A, NP 2003GRA to include the years 2004, 2005, 2006, and 2007.

b. For each of the utilities listed in the table requested in (a), please provide the most-recently-approved, common equity ratio allowed for regulatory rate-setting purposes.

CA-NP 120 (Section 3.2.5: Financing Charges) Please provide (a) the call/redemption provisions and (b) the sinking fund and/or mandatory debt repurchase or retirement provisions for each of the Company's outstanding debt and preference share issues.

CA-NP 121 When the $60 million debt issue planned for August 2007 is sold, please provide all the particulars of the issue, including the achieved spread between the effective cost rate on the issue and the contemporaneous yield on Government of Canada bonds with the same maturity.

CA-NP 122 (Section 3.2.7: Returns on Rate Base and Equity, and Exhibit 5, pages 1-3 and 8 of 8) Please provide the following information for Newfoundland Power Inc., from its published financial statements,

for the years 2001 through 2006:

a. The return on average common equity, along with the amounts used for each component of the ratio - that is, the dollar return/earnings applicable to common equity and the average common equity balance;

b. The average capital structure broken down by all debt, preference shares, and common equity, expressed in both absolute dollar and percentage-of-total-capitalization terms; and

c. An overview of the major differences between the figures provided in answer to (a) and (b) above and the corresponding figures set out in Exhibit 5 of Volume 1, along with commentary on the sources or reasons for any significant differences.

CA-NP 123 (Exhibit 5: Financial Performance: 2002 to 2008, page 3 of 8) Please provide a listing of all the Company's long-term debt issues outstanding (or planned to be outstanding) from 2002 through 2008, including original issue size, annual average outstanding balance, original issue date, maturity date, annual coupon rate, and annual sinking fund or repurchase requirements. For each issue, please indicate whether and when it may be redeemed before maturity and what early call premium would have to be paid if it were redeemed prior to maturity. For each year, the total of the average annual outstanding balances for all the listed issues should sum to the corresponding long-term debt balance (line 39 plus line 47) in Exhibit 5.

CA-NP 124 (Exhibit 5: Financial Performance: 2002 to 2008, page 3 of 8)

Please describe the nature of the short-term borrowings in line 45, and (b) compare the average annual cost rate for these short-term borrowings with the average annual interest rate paid on the Company's long-term debt, for each of the years 2002 through forecast 2008.

CA-NP 125 (page 55, footnote 37)

a. What are the minimum or lowest "investment grade ratings" assigned by Moody's and DBRS?

b. Does Moody's require a cash flow interest coverage of 2.5 times or higher, and a cash flow debt coverage of 15 percent or higher, for an electricity distribution utility to maintain its lowest investment grade rating. If the answer is "yes," please provide the supporting evidence.

c. Does DBRS require a cash flow debt coverage of 10 percent or higher for an electricity distribution utility to maintain its lowest investment grade rating. If the answer is "yes," please provide the supporting evidence.

CA-NP 126 (page 56, footnote 40)

a. Please provide the relevant passages from the Company's First Mortgage Bond Trust Deed that set out and explain the referenced 2.0 times interest coverage test.

b. Please provide the detailed calculation, with explanations of the nature and source of the figures on each line of the calculation, to support the assertion contained in the second sentence of footnote 40.

c. Please provide a revised calculation mirroring that requested in (b) based on the assumption that the Company's rates reflect the acceptance of all of its Application proposals except that its allowed return on common equity for 2008 is set at (i) 8.00% and (ii) 9.00%.

d. Is the 30-year, $60 million debt issue planned for August 2007 expected to be a First Mortgage Bond? If so, why is it necessary for the Company to issue a First Mortgage Bond instead of a debt instrument with less security? If not, what kind of bond does the Company intend/hope to issue, and why?

CA-NP 127 (Section 3.3.2: Financial Targets) Please provide a table showing how the Company's after-tax earnings applicable to common shareholders has been apportioned between (i) dividends or other payments to Fortis Inc., (ii) retention in the Company's equity capital account (to restore the regulated common equity ratio to the neighborhood of 45%), and (iii) other allocations, for annual fiscal periods from 1995 through 2006, and for the forecasted values for 2007 and 2008, with the forecasted values for 2008 based on the assumption that the Board approves all the Company's Application proposals. Also show, for each year, the actual average regulated common equity as a proportion of average regulated rate base.

CA-NP 128 (Section 3.3.2: Financial Targets) Please provide an estimate, on a year-by-year basis for 2008 through 2012, of how the Company's earnings applicable to common shareholders will be apportioned between dividends or other payments to Fortis, Inc. and earnings retained in the Company, if (i) the Company's rate base grows in accord with the Company's five-year financial projections, (ii) the

Company continues to be allowed a 45% equity ratio, and (iii) the Company actually earns a rate of return on common equity each year of (a) 8.00% and (b) 10.00%. Please show the projected average annual rate base and average common equity account balance as part of the answer in each of cases (a) and (b).

CA-NP 129 (Section 3.3.2: Financial Targets, and Exhibit 5, page 3 of 8, and in connection with the Company's outstanding preference shares)

a. The outstanding preference share balance has declined each year from 2002 through 2006; why is it not projected to decline further during 2007 and 2008?

b. What positive role, if any, do the preference shares play in the Company's capital structure?

c. What is (are) the dividend (coupon) rate(s) on these preference shares?

d. Given that the Company considers these preference shares to be a form of "relatively high cost debt capital" (CA-554, NP 2003GRA), does the Company have any flexibility to redeem or repurchase some or all of these shares and, if so, does the Company have the intention to do so in the foreseeable future? If not, why not?

CA-NP 130 (Section 3.3.2: Financial Targets, and Exhibit 5, page 6 of 8)

a. Given that the Company's preference shares are projected to be only 1.15% of its average 2008 test year capital structure, why is the Company proposing that its weighted average cost of capital be determined as if preference

shares represented 2% of its overall capitalization?

b. By how much would the Company's 2008 revenue requirement be reduced if the Board opted to reduce the regulated preference share allowance to 1% and increase the regulated debt allowance to 54%, with all forecasted average cost rates remaining the same?

CA-NP 131 (Section 3.3.3, The Automatic Adjustment Formula) Which of the monthly issues of the "Consensus Forecasts" publication does the Company propose to use for getting the 10-year bond yield forecasts referred to in line 2 on page 60? Why is this monthly issue the most suitable one?

CA-NP 132 (Section 3.3.3, The Automatic Adjustment Formula) Is the Company aware of any studies of the accuracy of "Consensus Forecasts" ("CF") 10-year Canada bond yield forecasts as predictors of the subsequently-observed 10-year yields, or has the Company or its experts performed any such historical study? If so, please provide copies of the studies/research and the CF yield forecast values that were used. If not, why has the Company not performed or commissioned such a study?

CA-NP 133 (Section 3.3.3, The Automatic Adjustment Formula) Has the Company or its experts attempted to compare the relative forecast accuracy of the Company's current approach to setting the risk-free rate with that of the approach it is now proposing, by examining historical data and Consensus Forecasts forecasts? If so, please provide copies of all the studies/research and all input data and study findings. If not, why has the Company not performed or commissioned such a comparative analysis?

CA-NP 134 (Section 3.3.3, The Automatic Adjustment Formula) Please provide, in tabular form, the 10-year Canada bond yield forecasts for (i) three months forward and (ii) one-year forward contained in the "Consensus Forecasts" publication for the monthly issues corresponding to the one that the Company proposes to use (see CA-18 above), for each year from 1985 through 2006.

CA-NP 135 (Section 3.3.3, The Automatic Adjustment Formula)

a. Please explain (i) how the Company proposes to establish the average cost of debt and the average cost of preference shares for the 2008 test year and (ii) how the Company proposes that these debt and preference share cost components of the weighted average cost of capital (WACC) be established within the automatic adjustment mechanism (AAM) for the years subsequent to 2008 when the AAM is in operation?

b. How likely is it that the embedded cost of debt (ECD) and the embedded cost of preference shares (ECPS) used in the AAM for years subsequent to 2008, that the Company proposes to establish as result of the accepted corresponding 2008 test year values, will vary significantly from the actual average costs of debt and preference shares that the Company experiences in these post-2008 years? Please identify and explain all of the possible sources/causes of variation and discuss the significance of their possible impact.

CA-NP 136 (page 58, Table 25)

a. Please provide a detailed calculation of all 9 figures in the referenced table, including a detailed description of the source and calculation of each input value used in the calculation.

b. Please provide a page similar to those in Exhibit 7 of Volume 1 that shows the range of credit metric values for the situation corresponding to the first column – that is, 2008E – in Table 25, and describe briefly how this situation or set of assumptions differs from those under the 2008F heading in Table 25.

CA-NP 137 (page 59, lines 18-21) Please provide, in tabular form, the average long-term Government of Canada bond yields found for each year from 1985 through 2006 by applying the procedure set out in the referenced passage.

CA-NP 138 (Section 3.4: Rate Base and Exhibit 8: 2008 Forecast Average Rate Base)

a. Please provide a four-way breakdown (in $millions and percentages of total) of the Company's average total regulated rate base assets, for 2006, and forecasted for 2007 and 2008, into electricity generation, transmission, distribution, and other assets.

b. Does the Company expect the proportional composition of its regulated rate base assets, as revealed in answer to (a), to change in any significant way over the next (i) 5 years and (ii) 20 years?

CA-NP 139 (page 86 and Volume 2: Supporting Materials, Tab 6: Weather Normalization Reserve) Please provide tables (a) comparing actual revenue from rates to normalized revenue from rates and the percentage differences between the two, (b) adjustments to normalize the Company's purchased power expense, and (c) the net after-tax transfers to/from the Degree Day Normalization Reserve, for each year from 1975 through 2006. This request essentially asks for an update of the Company's response to CA-604 NP 2003GRA and also asks for a breakout of the purchased power expense adjustment. Also please provide, and update or revise as necessary, the explanation provided on page 1 of CA-604 NP 2003GRA.

CA-NP 140 (Section 3.7: Regulatory Deferrals and Reserves) Please provide (a) a breakdown of the adjustments to the Company's Rate Stabilization Account ("RSA") from 1986 to the present in the tabular format that the Company used in Table 4 of NLH-8.0 NP, NLH 2006GRA and (b) the corresponding total (net after-tax) adjustments to its RSA from 1986 to the present, in both dollar and percentage-of-return-on-equity terms, in the same tabular form as found in Table 5 of NLH-8.0 NP, NLH 2006GRA. Please provide appropriate commentary to facilitate the understanding of the figures in the two requested tables.

CA-NP 141 (Section 3.7: Regulatory Deferrals and Reserves) Please provide a table that corresponds to Table 7 in NLH-8.0 NP, NLH 2006GRA - that is, adjustments to the weather normalization account and the rate stabilization account as a percentage of return on equity - for each year from 1986 to the present, along with any appropriate

commentary.

CA-NP 142 (page 86) Is the Company aware of any Canadian electricity or gas distribution companies, other than Gaz Metropolitain and BC Gas Utility, that have, or are allowed to have, weather normalization reserve account funds to adjust their financial results for abnormal temperatures? If so, which distribution utilities are they and how do their weather normalization reserves operate?

CA-NP 143 (page 86) Is the Company aware of any Canadian electricity or gas distribution companies, that have, or are allowed to have, weather normalization reserve account funds to adjust their financial results for both abnormal temperatures and variations in purchased power expenses due to variability in annual hydrology levels? If so, which distribution utilities are they and how do their weather normalization reserves operate?

CA-NP 144 (pages 86 – 89) Based on a statistical analysis of the volatility of the hydrology and weather that determine the annual financial impact of deviations from the norm on the Weather Normalization Reserve, please provide the expected value and variance of the change in the Reserve during the 2008 test year.

CA-NP 145 (pages 86 – 89) Please provide the likelihood that the impact of the 2008 unit cost variance will exceed the deadband in the Purchased Power Unit Cost Variance Reserve. Also please extend Table 35 at page 88 by adding columns to show:

a. The largest positive unit cost variance that NP anticipates for 2008, and

b. The largest negative unit cost variance that NP anticipates for 2008.

CA-NP 146 (page 94) With respect to the linkage made by Standard & Poors between credit ratings of holding companies and credit ratings of their operating utilities, please provide a copy of any reports of Standard & Poors in relation to Fortis Inc. and Newfoundland Power Inc.

CA-NP 147 (page 94, footnote 146) Please provide for the record a copy of the report, "A report on the Stand-Alone Credit of Newfoundland Power" filed on June 30, 2004.

CA-NP 148 What, if any, feedback has NP received from the Board and/or its financial advisors regarding the report, "A Report on the Stand-Alone Credit of Newfoundland Power" filed on June 30, 2004.

CA-NP 149 (page 94, lines 15 to 17) Please provide for the record a copy of the initial credit opinion of NP issued by Moody's Investor Services which ". . . acknowledged Newfoundland Power's operational and financial independence."

CA-NP 150 (page 94, footnote 148) Please provide for the record a copy of the report, "A 2nd Supplementary Report on the Stand-Alone Credit of Newfoundland Power" filed on July 20, 2005.

CA-NP 151 (page 94, line 1) Please describe all operational measures and reviews taken since the Board's decision in Order No. P.U. 19 (2003) relating to inter-corporate relationships.

CA-NP 152 Please confirm whether Standard & Poors continues to make a linkage between credit ratings of all Canadian holding companies and credit ratings of their operating utilities.

CA-NP 153 Please explain why in June, 2006 NP discontinued the use of Standard & Poors' as a rating agency for its First Mortgage Bonds and explain the role that Standard & Poors' linkage of Fortis Inc.'s credit rating to that of NP played in this discontinuation.

CA-NP 154 Please provide copies of all memos, correspondence, communications in the custody or control of NP pertaining to the decision to discontinue the use of Standard & Poors as a rating agency.

CA-NP 155 Following NP's 2004 review of its stand-alone credit status and its filing of "A Report on the Stand-Alone Credit of Newfoundland Power" and "A 2nd Supplementary Report on the Stand-Alone Credit of Newfoundland Power" did NP seek the opinion of Standard & Poors as to whether it would assess NP to be operationally independent of Fortis Inc. and rate NP's credit as investment grade on a stand-alone basis? If yes, what opinion was received? If not, why not?

CA-NP 156 (page 96, lines 1-4) Please provide a copy of the report, "Report on Inter-Corporate Charges" filed on March 31, 2004 in compliance with Order No. P.U. 19 (2003).

CA-NP 157 (page 96, Table 39) NP shows the total inter-corporate charges

from NP to affiliated companies from 2002 to 2006. Please provide an expanded table showing the actual and forecasted Inter-corporate charges to Affiliates for 2007 and 2008.

CA-NP 158 Please provide a breakdown of the Inter-corporate charges to Affiliates over the years 2005 to 2008 F and a detailed explanation for each charge in the breakdown provided.

CA-NP 159 (page 96, Table 40) NP shows the regulated charges from affiliated companies to NP from 2002 to 2006. Please provide an expanded table showing regulated charges from Affiliates for 2007 and 2008.

CA-NP 160 Please provide a breakdown of the Inter-corporate charges from affiliated companies to NP over the years 2005 to 2008 F and a detailed explanation for each charge in the breakdown provided.

CA-NP 161 (page 98, lines 13-14) "Newfoundland Power observes the guidelines and principles of the Board with respect to inter-corporate transactions." Please provide a copy of the guidelines and principles of the Board.

CA-NP 162 Please provide a copy of any policies that NP provides to its personnel in relation to proper tracking and accounting of inter-corporate charges.

CA-NP 163 At page 56 of Order No. P.U. 19 (2003), the Board stated: "Board Hearing Counsel observed that Fortis now comprises some nine subsidiaries, eight of which are utilities (Final Brief, Board Hearing Counsel, pg 4/4-5). By contrast these were three utilities

referred to in Fortis' 1998 Annual Report. A comparison of Fortis' operating revenues shows NP contributing an estimated 71% in 1998, declining to 57% in 2001." Please update the aforementioned data year over year since these observations were made.

CA-NP 164 At page 57 of Order No. P.U. 19 (2003), the Board ordered in part: "NP will be required to observe the following principles in all inter-corporate transactions:

"(iii) A utility shall ensure that intercorporate transactions will not disadvantage the interests of ratepayers and furthermore that rate payers and the utility will derive some demonstrable benefit from such transactions."

Please provide details as to all intercorporate transactions that have occurred since the Board made this order on 20 June 2003 and show the demonstrable benefit to both the ratepayers and the utility in respect of each.

CA-NP 165 Please detail all services performed by NP employees and all charges from NP to affiliated companies in connection with the acquisition of:

a. Terasen Gas
b. Fortis BC
c. Fortis Alberta Inc.

CA-NP 166 Please explain whether (and if so, how) NP is compensated for the transfer and use by other Fortis owned utilities of know-how,

processes and practices developed at NP. If NP is not compensated, why not?

CA-NP 167 Does Fortis Inc. pay a stand-by fee to NP in respect of its ability to call upon NP personnel and expertise to further its business development and acquisition agenda? If so, how is that calculated? If not, why not? In providing NP's answer, please comment upon whether such stand-by fees are used as between regulated utilities and their parent companies in North America.

CA-NP 168 Please provide all instances of the transfer of valuable know-how, processes and practices from NP to other Fortis-owned utilities over the past 5 years.

CA-NP 169 Please provide details as to NP personnel over the past 3 years including the present year who have been seconded to other Fortis Inc. companies.

CA-NP 170 (page 97, footnote 159) Reference is made to NP's 2004 estimate of the cost of a stand alone insurance program as compared to NP's cost as a result of participation in the Fortis group insurance program. Please update the forecast cost comparisons for the test year and provide detail as to how the estimates were reached.

CA-NP 171 (page 98, lines 5 to 11) Reference is made to an example whereby NP has been able to achieve savings through the use of volume discounts available form pooling the Fortis' utilities buying power. Please state whether NP has investigated comprehensively the full potential of volume discounts. Please also state how, if at all,

savings from volume discounts have been reflected in the test year revenue requirement.

CA-NP 172 (Exhibit 5)

a. Please provide the depreciation expense and loss on disposal separately by year for the period 2002- 2008 forecast.

b. (page 3 of 8) Please provide a listing of all the Company's long-term debt issues outstanding (or planned to be outstanding) from 2002 through 2008, including original issue size, annual average outstanding balance, original issue date, maturity date, annual coupon rate, and annual sinking fund or repurchase requirements. For each issue, please indicate whether and when it may be redeemed before maturity and what early call premium would have to be paid if it were redeemed prior to maturity. For each year, the total of the average annual outstanding balances for all the listed issues should sum to the corresponding long-term debt balance (line 39 plus line 47) in Exhibit 5.

c. (page 3 of 8) Please describe the nature of the short-term borrowings in line 45, and compare the average annual cost rate for these short-term borrowings with the average annual interest rate paid on the Company's long-term debt, for each of the years 2002 through forecast 2008.

CA-NP 173 Please provide copies of all proposals the Company made to settle its dispute with Canada Customs Revenue Agency (which was the subject matter of RFI - CA 319 in the last GRA hearing) together with replies received from Canada Customs and Revenue Agency.

Please also provide all proposals of Canada Customs and Revenue Agency or its counsel and the company's reply to same.

CA-NP 174 In the manner set out at page 15 of Grant Thornton's February 4, 2003 Financial Consultant's Report in respect of NP's 2003 GRA, compare NP's actual revenues for 2002 to 2006 to revenue forecasts as proposed by NP for 2007 and 2008.

CA-NP 175 In the format used by Grant Thornton in its February 4, 2003 Financial Consultant's Report, please provide a table detailing the actual versus budgeted revenues for the period 2002 to 2006.

CA-NP 176 Does NP expect to update its revenue and expense forecasts relative to the 2008 GRA?

CA-NP 177 Please provide a list of all operating projects proposed for the 2008 test year which contain contingency allowances, identifying the contingency allowances associated with the individual projects.

CA-NP 178 Please provide a detailed breakdown of the cost increases in each line item that results in the average increase in current customer rates of approximately 5.3% as applied for in the Application together with the percentage attributable to each item.

CA-NP 179 Over each of the years 2006, 2007 and 2008, what amounts have been or are forecasted to be paid in respect of workers compensation premiums? Please provide all assumptions, where applicable, and comment as to whether NP expects to receive any rebate in respect of the test year.

CA-NP 180 (Exhibit 11) Please provide the supporting calculation for the price

elasticity impacts shown in column D.

CA-NP 181 Please confirm that impact on NP's net income due to the elasticity impact is the net decline in revenue as opposed to the gross decline in revenue; hence, the appropriate price elasticity offset in Exhibit 11 should be equal to the decline in revenue at the proposed rates resulting from the decline in demand minus the decline in costs due to the elasticity impact on demand.

CA-NP 182 Please provide a table showing for each rate class:

a. The lost revenue associated with a 1% decline in demand, separately identifying the decline in revenue related to the demand charges and the energy charges (i.e.; no impact on revenue from the basic customer charge since it is per customer demand that declines, not the number of customers);
b. The corresponding reduction in costs associated with a 1% decline in demand, separately showing the decline in costs related to energy, generation capacity, transmission, and distribution substation (as per Schedule 23 of Marginal Cost Study at Volume 2, Tab 12); and
c. The lost revenue, cost reductions, net impact on net income resulting from the elasticity impact of the proposed increase.

CA-NP 183 Please provide a revised version of Schedule 11 where the proposed customer rate change is determined using the net impact on net income as calculated in the previous question in place of the Price Elasticity Impact shown in column D of Schedule 11.

Volume 1, Section 4 – Customer Rates and Regulations

CA-NP 184 In its response to CA-313 relating to NP's 2003 GRA, NP indicates that it has no formal strategy to offer its customers rate options, and states that it is awaiting completion of Hydro's marginal cost study as directed by the Board in Order No. 7 (2002-2003).

a. Now that Hydro's marginal cost study has been completed, what is NP's strategy for offering its customer rate options?
b. In NP's view, what is the best approach or plan, including schedule, for implementing customer rate options?

CA-NP 185 (page 111, lines 13-14) On what basis did NP choose the premium for demand rates in winter months over non-winter months?

CA-NP 186 (page 113, lines 6-7) Has NP developed marginal cost of service studies in the past and if so, for what purpose?

CA-NP 187 (page 113, lines 16-17) Why has NP based the cost of service study on 2005 rather than 2006 results? Does NP plan to update the cost of service study to reflect 2006 results?

CA-NP 188 Please list any differences between the approach for the cost of service study agreed to in the February 26, 2003 Mediation Report, specifically Section 1, components (a), (b), (c) and (d) and the manner in which it has actually been performed. Provide an explanation for each difference.

CA-NP 189 (page 114, lines 1-4) Has the load research study been terminated?

CA-NP 190 (page 118, lines 1-2) Over what period of time does NP intend to bring all customer classes within its target revenue to cost ratio range of 90 percent to 110 percent (page 117, lines 7-8)?

CA-NP 191 (page 118, Table 56)

a. Based on proposed rates, what would be the Domestic (Rate 1.1) customer class revenue to cost ratio and average rate increase if the revenue to cost ratios for Rates 2.1 and 2.2 were brought down to 110% while maintaining Rates 2.3, 2.4 and 4.1 revenue to cost ratios at the proposed 109.4, 103.9 and 101.5, respectively? What average rate increase/decrease would customers on Rates 2.1 and 2.2 experience under this scenario?
b. Based on proposed rates, what would be the energy rates for the Domestic Rate 1.1 and the General Service Rate 2.1 customer classes if the basic customer charges for each class were reduced by $1/month from current levels?
c. Based on proposed rates, what would be the energy rates for the Domestic Rate 1.1 and the General Service Rate 2.1 customer classes if the basic customer charges for each class were reduced by $1/month from current levels, the revenue to cost ratios for Rates 2.1 and 2.2 were brought down to 110%, the revenue to cost ratios for Rates 2.3, 2.4 and 4.1 were maintained at the proposed 109.4, 103.9 and 101.5, respectively, and the revenue to cost ratio for Rate 1.1 were increased to enable recovery of the remaining revenue requirement?

CA-NP 192 (page 119, lines 12-14) "Designing rates to promote energy efficiency involves balancing the desire for rates to provide the right signals to customers with the need to have rates that customers can understand, and to which they can respond". Please reconcile this statement with the following statement in *Principles of Public Utility Rates,* Public Utility Reports, J.C. Bonbright, A.L. Danielsen and D.R. Kamerschen (page 475-476):

Whether it is difficult for the large customers to react to peak rates by changing load patterns is also not relevant. The benefit/cost ratio is the criteria for utilization of peak tariffs for any class of customers. Economic efficiency simply dictates that consumers should be faced with prices reflecting the true costs they impose on society regardless of how they choose to react to these tariffs.

CA-NP 193 (page 120, lines 11-13) Did NP consider reducing the Basic Customer Charges to accommodate higher percentage increases in energy charges to better reflect the high marginal cost of energy on the system?

CA-NP 194 (page 120, lines 14 – 16) Did NP consider further reductions in the revenue to cost ratio as a means for bringing the energy charge down to levels reflecting marginal costs?

CA-NP 195 (page 120, lines 17 to 19) Did NP consider further reductions to the demand charges during the non-winter season to accommodate higher energy prices to better reflect marginal energy costs?

CA-NP 196 (page 121, lines 11-12) Under Rate 2.1, will low consumption customers see a higher increase than high consumption customers given the increase in the Basic Customer Charge?

CA-NP 197 Please provide a table showing the percentage rate increases for each customer class for different ranges of consumption within each class. Also, provide an indication of the percentage of customers that fall within each consumption range.

CA-NP 198 (Exhibit 14, page 1 of 3) How much revenue does NP expect to gain from the proposed change in the regulation relating to rejected payments and where is this revenue shown in the financial statements?

Volume 2, Tab 2 – Cash Working Capital Lead/Lag Study

CA-NP 199 Please provide a survey of the Revenue Lag Days, the Expense Lag Days and the CWC Factors for other Canadian electric utilities based on the most recent Lead/Lag studies they have filed with their respective regulators.

CA-NP 200 Please provide a calculation showing the impact on the CWC Factor, the CWC allowance, and the 2008 revenue requirement of:

a. A one day reduction in the revenue lag
b. A one day increase in the expense lag

Volume 2, Tab 4 – A Report on Employee Future Benefits

CA-NP 201 (pages 7-8) "The Transitional Obligation is the actuarially determined difference between (i) the total OPEBs expense that

would have recognized by the Company pursuant to the Accrual Method since January 1, 2000, and (ii) the total OPEB's expense recognized since that date under the Cash Method. It represents legacy OPEB's costs that have not yet been recovered from customers. As at the proposed January 1, 2008 adoption date from the Accrual Method of accounting for OPEBs the forecast Transitional Obligation is approximately $34.1 million." Please explain why NP did not propose adoption of the Accrual Method of accounting for OPEB costs as soon as practicable subsequent to January 1, 2000 so as to avoid the build up of the Transitional Obligation.

CA-NP 202 (page 4) In respect of the 18 Canadian Utilities, please provide the date when they each (by name) adopted the Accrual Method of Accounting for OPEB costs.

CA-NP 203 In light of past tax disputes with the Canada Revenue Agency, has NP obtained an Advance Ruling form that Agency as to whether its current proposal to "tax effect" OPEB's and pension expense effective January 1, 2008 is appropriate? If yes, please provide the same. If no, explain the justification for not obtaining the same.

CA-NP 204 Is it possible that ratepayers would be better off over the long run by NP's not adopting the accrual method of accounting for OPEBs?

CA-NP 205 What are current and future ratepayers gaining by NP's adoption of the accrual method of accounting for OPEBs, particularly given the current size of the Transitional Obligation? Please demonstrate the economic benefit to consumers.

CA-NP 206 Please state all benefits that would enure to NP and its shareholder by its adoption of the accrual method of accounting for OPEBs.

CA-NP 207 Please state all disadvantages that would enure to NP and its shareholder by its retention of the cash basis method of accounting for OPEBs.

CA-NP 208 (page 74) Reference is made to the fact that since May, 2004 NP's defined benefit pension plan has been closed to new entrants. At footnote 79, it states that the shift from defined benefit to defined contribution results in a shift of pension investment return risk from employers to employees. Explain the extent to which the shift from defined benefit pensions to defined contribution pensions for new entrants as of May, 2004 may serve to mitigate overall concerns over the long-term potential liability for employee future benefits.

CA-NP 209 Please provide the eligibility criteria and payment rules for NP's retirement allowance.

CA-NP 210 Do NP employees contribute at all to their own retirement allowance?

CA-NP 211 When an employee from NP retires and is eligible to receive a pension, is that employee's pension delayed from going into pay?

CA-NP 212 Please confirm that NP employees who receive retirement allowances may elect to have these allowance payments rolled into a registered retirement savings plan free of taxes.

CA-NP 213 Please provide NP's longest available forecast of OPEBs expense

calculated both on a cash basis and the accrual basis of accounting. Please also provide a breakdown as to the amount of OPEBs expense attributable to retirement benefits versus the combined cost of health, medical and life insurance for retirees and their dependents over the aforesaid forecast period.

CA-NP 214 At page 83 of the Board's Decision and Order in Order No P.U.!9 (2003) the Board stated:

"The Board will direct NP to propose a plan at its next general rate application for moving towards the accrual method of accounting for future employee 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. The Board will then be in a position to consider this alternative accrual method and its specific impacts at the next hearing."

NP has proposed to defer consideration of the Transitional Obligation of $34.1 million until its next GRA. In the absence of a range of options or possibilities as to how the Transitional Obligation of $34.1 million might be addressed at the next GRA, how can the Board, in NP's view, fully assess the specific impacts of moving from the current method of accounting for OPEBs expense for regulatory purposes?

CA-NP 215 Over the past recent years, NP has brought forward proposals affecting its accounting policies. These include revenue recognition and the current proposals pertaining to OPEBs. Please provide NP’s assessment as to further accounting changes that it is

reasonably foreseeable will have to be considered in the coming years.

Volume 2, Tab 7 – An Analysis of Current Supply Cost Dynamics

CA-NP 216 (page 2, Footnote 6) In light of NP's demand management initiatives, is it appropriate to assume the load curve will remain constant going forward? In NP's demand forecast documented in Volume 2, Tab 8, is the load curve assumed to remain constant going forward without any improvement in system load factor?

CA-NP 217 (page 5, Table 2)

a. If the Marginal Contribution forecast for 2008 were close to zero would there be any need for the Energy Supply Cost Variance proposed by NP for inclusion in the Rate Stabilization clause (Exhibit 12, page 5 of 5)? If so, please provide the justification.
b. Please provide a table showing the portion of the deficit in the Marginal Contribution forecast for 2008 attributable to each of the six customer classes.
c. Please provide the Marginal Contribution forecast for 2008 if the Basic Customer Charge for Rate 1.1 were reduced by $1/month, and the energy charge were increased to recover the remaining revenue requirement allocated to the Domestic class consistent with proposed rates.
d. Please provide the Marginal Contribution forecast for 2008 if Rates 2.2 and 2.3 were re-designed to a Hopkinson structure; i.e., set the demand charge for the non-winter

months at $3/kVA of billing demand, and set the tail block energy charge close to marginal costs without exceeding the revenue allocation to these classes under proposed rates.

e. Please provide the Marginal Contribution forecast for 2008 if Rate 2.4 were re-designed, setting the demand charge for the non-winter months at $3/kVA of billing demand, and the tail block energy charge close to marginal costs without exceeding the revenue allocation to this class under proposed rates.

Volume 2, Tab 8 – Customer, Energy and Demand Forecast

CA-NP 218 At footnote 139 of Volume 1, Section 3, p. 92 "Finance" it states ". . . Due to energy losses within the distribution system, in order to sell 1 kWh of energy to customers, Newfoundland Power must purchase approximately 1.057 kWh of energy from Hydro." Please provide in tabular format NP's forecast and actual energy losses from 1994 to 2006 as well as forecasts for 2007 and 2008 and explain why, where applicable, actuals differed from forecast.

CA-NP 219 (page 5) "System losses are based on historical information and are forecast to be approximately 5.4 percent of total produced and purchased." Please explain in detail the historical information used to arrive at the forecast of 5.4 percent for system losses and show calculations to arrive at the same.

CA-NP 220 With respect to system losses, please provide a comparison between the system losses forecast for the test year at NP's last GRA versus actual and explain the reason for any over-estimate or under-estimate.

CA-NP 221 Please indicate whether NP is using the same sources for its economic assumptions in preparing its customer and energy sales forecasts as it did in NP's last GRA resulting in Order No. P.U. 19 (2003). If not, please explain any differences and their effects.

CA-NP 222 (page 3) "Given [NP's] customer base, energy sales growth is primarily influenced by the domestic economy. More specifically, growth in the service sector, changes in employment levels, personal income, energy prices and population demographics in the Company's service territory are more determinative of sales growth than resource industry production levels" Please indicate whether the income tax decreases (and their effects on disposal income) (see also Appendix A - p. 1 of 1, line 14 to the Customer, Energy and Demand Forecast 2007-2008) announced in the latest Provincial Budget are reflected in NP's forecast. What, if any, effect has been ascribed to these tax decreases?

CA-NP 223 (page 3 and 4, Section 3) What inputs to the demand forecasting model are the most critical to the outcome of the modeling exercise?

CA-NP 224 (page 3) "The current model indicated that a 1 percent change in the price of electricity will result in a 0.25 percent decrease in energy sales" Has NP compared its elasticity assumption to actual experience in recent years? Please provide all analyses relating to price elasticity effects conducted by NP or on its behalf in the past five years.

CA-NP 225 (page 4) "The forecast assumes no changes in the price of electricity on July 1, 2007 as a result of the rate stabilization

mechanism. The forecast includes an electricity rate decrease of 2.1 percent on July 1, 2008. This reduction reflects the net impact of an expected base increase in rates by Newfoundland and Labrador Hydro and a reduction related to the full recovery of the December 2003 outstanding balance in Newfoundland and Labrador Hydro's Rate Stabilization Plan." Do these assumptions remain valid; i.e., why does the sales energy sales forecast assume no changes in the price of electricity on July 1, 2007? If updating these assumptions to reflect a decrease in the price of electricity on July 1, 2007, what would be the impact on NP's energy sales forecast in the test year, the test year revenue requirement, the rate changes proposed in the Application, and "the 2008 elasticity effects of 32.9 GWh directly resulting from the proposed 2008 customer rate increase of 5.3 percent" referenced at footnote 2, page 108 of Section 4?

CA-NP 226 (page 4) "Domestic customer growth is largely a result of housing starts. The Conference Board of Canada forecasts housing starts of 1701 units in 2007 and 1405 in 2008 while Canada Mortgage and Housing is projecting 2150 units in 2007 and 2050 units in 2008. Using an average of these forecasts the number of domestic customers is forecast to grow by 1.0 percent in 2007 and .9 percent in 2008." Please compare the accuracy of each body's forecast housing starts relative to actual housing starts in this province over the past 10 years.

CA-NP 227 Is NP aware of how other Canadian Utilities use estimates as regards housing starts from CMHC and the Conference Board of Canada for the purposes of preparing customer and energy forecasts? If known, please comment as to whether these utilities employ an averaging of the two estimates or whether they are

weighted differently in producing the estimated number of housing starts relied upon by the utility in question.

CA-NP 228 (page 6) Please provide demand forecast sensitivity analyses and results. What is the accuracy of NP's load forecast for 2007 and 2008; i.e., what demand growth band is associated with an 80% confidence level?

CA-NP 229 (pages 20-21, Section 3: Finance, page 45, lines 1-12, and Volume 2, Tab 8: Customer, Energy and Demand Forecast) Does the Company take full account of the forecasts for the general economic growth and for the growth in the urban and rural population, employment, income, and housing within its franchise area – such as those provided by the Conference Board of Canada in Attachment A of Volume 2, Tab 8 and other available forecast sources – in developing its forecasts for (a) its electricity sales and revenue, (b) its capital expenditure requirements, and (c) its external financing requirements for the test year and, where required for planning purposes, for subsequent years? If not, please explain what available relevant forecast information is not taken into account and why?

CA-NP 230 Please provide for each year from 1995 through 2006:

a. The percentages of new homes constructed in the Company's franchise area each year that used electric space heating;
b. The number of customers that switched to the Company's electrics space heating during the year;
c. The number of the Company's customers that converted from electric space heating to some other form of space

heating during each year; and

d. The total number of the Company's space heating customers, either on an annual average or year-end basis, for each year.

CA-NP 231 Please provide a forecast, covering the 2007-2012 annual periods, of the Company's: (i) number of domestic/residential customers and general service customers, and (ii) domestic and general service energy sales (GWh), both split between rural and urban customers and sales.

a. If the figures provided in answer to (a) show a discernible shift from rural toward urban customers and sales, does this shift itself in any way reduce the likely accuracy and/or reliability of the Company's energy sales revenue forecasts over the 2007-2012 period? If so, please explain how.

b. If the figures provided in answer to (a) show a discernible shift from rural toward urban customers and sales, does this shift increase or decrease the Company's business risk in any meaningful way? Please explain all forms of business risk impact occasioned by this shift and provide an evaluation of their seriousness, including any available evidence that investors consider this customer-composition shift to be a serious business risk facing the Company.

CA-NP 232 Please provide the percentage of households on the island of Newfoundland that use electricity for space heating, and the similar percentages for other provinces, for the years 2000 through 2006. Does the Company expect the percentage of Newfoundland

households that use electricity for space heating to rise, fall, or stay about the same as the most recently available figure over the next 5 years? Please explain the answer if it is other than "stay about the same".

CA-NP 233 Does the Company expect that it will face any significant competition from natural gas for space heating or water heating over the next 5 years? If so, please elaborate.

CA-NP 234 Does the Company expect its traditional sources of competition for the space heating and water heating markets - namely, furnace oil, propane, and wood - to increase their aggregate market shares or household penetration over the next 5 years? If so, please explain.

CA-NP 235 How does the compositional shift of the Company's customers from rural to urban impact upon its competition for the space and water heating markets against furnace oil, propane, and wood? Please explain.

CA-NP 236 Does the Company expect its monopoly position with respect to the provision of electricity within its franchise area to be challenged by competition over the next 5 years? If so, please explain.

Volume 2, Tab 9 – Description of Current Rate Structures

CA-NP 237 (page 2 of 4) Is the three-phase minimum charge set equal to two times the Basic Customer Charge for Rate 2.1 justified on the basis of cost?

CA-NP 238 (page 3 of 4) "The current rate structure allows customers to pay a

lower unit price per kWh by being efficient and minimizing their peak demand relative to their energy requirement (i.e., maintaining a high load factor). The Wright-Hopkinson Rate Structure for Rate 2.2 has been used since 1978. This type of structure is used elsewhere in Canada. However, a Hopkinson rate structure is more prevalent."

a. With a proposed tail-block energy charge of 6.799 cents/kWh, does NP consider this rate structure more efficient than a Hopkinson rate structure with an energy tail-block charge set at the marginal cost of production; i.e., 10 cents/kWh?
b. Would a Hopkinson rate structure with an energy tail-block charge set at the marginal cost of production provide a better match between NP's costs and revenues when actual load varies from forecast, thus reducing NP's business risk?
c. Do the results of the load research study support continuation of a Wright-Hopkinson rate structure for general service customers on Rates 2.2 and 2.3?
d. What are the pros and cons of a Wright-Hopkinson rate structure relative to a Hopkinson rate structure; i.e., compare structures on basis of rate design objectives such as efficiency, fairness, customer understandability, ease of administration, etc?
e. In NP's opinion, why is use of a Hopkinson rate structure more prevalent?
f. If the Board were to direct NP to implement a Hopkinson rate structure for Rates 2.2 and 2.3, what rate would NP propose (consistent with the proposed revenue allocation to these classes)?

CA-NP 239 (page 3 of 4) Do the results of the latest load research study show that customers above 1000 kVA consistently exhibit higher load factors on both a monthly and annual basis than Rate 2.3 customers?

Volume 2, Tab 10 – Cost of Service Study

CA-NP 240 (page 1-2) What is the impact on the revenue to cost ratios for each customer class resulting from each of the three changes to the cost of service study? Please show impacts both individually and combined.

CA-NP 241 (page 4) How does NP define a transmission asset versus a distribution asset?

CA-NP 242 (Schedule 1.2, page 1 of 2) How does NP determine "weighted customers"? Please provide an example.

CA-NP 243 (Schedule 4.2, page 1 of 1) Why are demand loss factors lower for distribution secondary than distribution primary?

Volume 2, Tab 11 – 2006 Load Research Study

CA-NP 244 In NP's opinion, does the load research study show substantially different load characteristics between the General Service customer classes, thus justifying the continued existence of each class?

CA-NP 245 (page 2, Footnote 1) Please provide a breakdown of the

$356,373.53 actual capital costs associated with the load research study. Provide a comparison of the actual cost to the original cost estimate of $425,000 and provide an explanation of the source of the cost savings compared to the original estimate.

CA-NP 246 Who conducted the load research study?

CA-NP 247 How is the load research equipment being utilized today?

CA-NP 248 (page 2) How are load research data relating to Hydro's interconnected retail customer rate classes being utilized?

CA-NP 249 (page 3) Based on the new load research data, has NP conducted a study of cross-subsidization between Domestic customers with electric heat and those with an alternative primary heating source? Please provide results of this analysis.

Volume 2, Tab 12 – Marginal Cost Study

CA-NP 250 How much did this study cost? Did NP acquire the spreadsheet model so it can update marginal costs on its own in future?

CA-NP 251 Schedule 12 at page 16 shows weighting factors for each class. The Cost of Service Study (Vol. 2, Tab 10) also uses weighting factors for customer class as shown in Schedule 4.3. Please explain why the weighting factors are different in the two studies.

CA-NP 252 (page 36, Schedules 25 and 26) Do these schedules represent the total marginal cost of distribution; i.e., the marginal cost of distribution supply to the Domestic Class on a per customer basis would be $11 + $9.34 = $20.34/customer/month? Based on NP's

traditional cost of service approach of designating distribution costs as either customer or demand-related, is it appropriate to designate all of the $20.34 for the Domestic class as customer-related, or should some portion be designated demand-related? What is the basis for "Typical Design Demand by Customer" figures?

CA-NP 253 (page 37, Schedule 27) Has NP utilized the ratios of current revenue to marginal cost revenues for any purpose in this application?

CA-NP 254 (pages 34, 35 and 36) How has NP utilized these marginal costs in this application. Please identify the quantitative impact consideration of marginal costs has had on the rates being proposed for each class. How does NP intend to use these marginal costs in future?

CA-NP 255 (page 38) "This means setting each class' revenue requirement at the same percent of its marginal cost revenues (79% in Schedule 27)." Please provide further clarification of this statement, in particular, the reference to 79%.

Volume 2, Tab 13 – Rate Design Review

CA-NP 256 (page 5, Table 3 and Footnote 7) It is stated that "the Company agreed to cap the recovery through basic customer charge at 50% of the embedded distribution costs beyond the service drop for Rate 1.1 with the remainder to be recovered through energy charges". Please provide the source for the embedded distribution cost upon which the "Maximum Basic Customer Charge" of $16.95 (Table 3) is determined.

CA-NP 257 (page 6, Table 5 and Footnote 9) It is stated that "the Company agreed to cap the recovery through basic customer charge at 50% of the embedded distribution costs beyond the service drop for Rate 2.1 with the remainder to be recovered through energy charges". Please provide the source for the embedded distribution cost upon which the "Maximum Basic Customer Charge" of $19.85 (Table 5) is determined.

CA-NP 258 How much of the embedded customer-related costs including the cost of the meter, the service wire and the costs associated with billing a customer will be recovered at the proposed basic customer charges for Rates 1.1 and 2.1?

CA-NP 259 How do the proposed basic customer charges for Rates 1.1 and 2.1 compare to other Canadian jurisdictions?

CA-NP 260 Please provide documentation confirming that NP has met its commitment in the February 26, 2003 Mediation Report (Section 1, component (n)) that (1) it will not propose a basic customer charge increase as a result of any wholesale rate increase in Hydro's 2003 GRA proceeding, and (2) In its next GRA, NP will cap the customer charge recovery of distribution costs allocated to customers at 50% of these allocated distribution costs for these rate classes (customers on Rates 1.1 and 2.1), with the remainder to be recovered through energy charges.

CA-NP 261 (page 7) Is it fair to say that the primary reason for the significant difference between the energy charge and embedded cost in Rate 2.1 is the fact that the rate (energy and customer components) is recovering 119.8% of embedded costs? Does this justify a further

reduction in the amount of revenue recovered from this class; i.e., 110% of costs rather than the proposed 115% (Table 56)?

CA-NP 262 Should there be further reductions in the demand charges for Rates 2.2, 2.3 and 2.4 to enable increasing the tail block energy charges to better reflect marginal energy costs?

Volume 3, Section 1 – McShane, Cost of Capital

CA-NP 263 Please provide copies of the following publications and/or documents referred to in Ms. McShane's Direct Testimony:

a. (page 10, line 275) Moody's Credit Opinion, Newfoundland Power Inc., July 2005.
b. (page 11, footnote 4) Conference Board of Canada, Provincial Outlook 2006, Long-Term Economic Forecast, March 2006 - only the Executive Summary and the chapter covering Newfoundland and Labrador are required.
c. (page 11, footnote 6) Consensus Economics, Consensus Forecasts, February 12, 2007.
d. (page 17, footnote 10) Marlene K. Puffer, "Back to Basics," Canadian Investment Review, Fall 2006.
e. (page 18, footnote 13) DBRS, Credit Rating Report: Newfoundland Power, January 6, 2006.
f. (page 19, footnote 16) The DBRS publication where its "broad guidelines for A/BBB ratings" are published.
g. (page 19, footnote 17) Moody's Investor Services, Rating Methodology: Global Regulated Electric Utilities, March 2005.
h. (page 20, lines 550-552) The S&P publication that Ms.

McShane is referring to in the referenced passage.

i. (page 21, lines 570-572) Standard and Poor's, Key Credit Factors: Assessing U.S. Vertically Integrated Utilities' Business Risk Drivers, September 2006.

j. (page 21, footnote 19) Standard and Poor's, Research: Key Ratings Factors for US Electric Transmission Companies, November 10, 2005.

k. (page 21, footnote 20) Standard & Poor's, Corporate Criteria, October 2004.

l. (page 21, footnote 21) Standard & Poor's, Research: Newfoundland Power Inc., April 23, 2004.

m. (page 25, footnote 23) S&P, Peer Comparison: Consolidated Edison Inc., Hydro One Inc., and National Grid PLC - Same Rankings, Different Basis, October 11, 2005.

n. (page 25, footnote 23) S&P, Research: Peer Comparison: North American Stand-Alone Transmission Companies Deliver Electricity … and Profits, April 20, 2006.

o. (page 26, lines 678-681) DBRS, 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, May 2003.

p. (page 26, lines 687-698) The three DBRS reports referred to in the referenced lines dealing with ATCO Ltd., AltaLink, and FortisAlberta.

q. (page 27, lines 719-720) S&P, Research Update: ATCO Group of Companies 'A' Ratings Affirmed; Outlook Stable, November 9, 2004.

r. (page 27, lines 726-727) S&P, Research Summary: AltaLink, June 5, 2006.

s. (page 27, line 732) S&P, Research: Union Gas, August 24, 2006.

t. (page 27, footnote 24) Standard & Poor's, Industry Report Card: Regulatory Rulings, M&A, and Fuel Cost Recovery Dominate Global Utilities Credit Environment, November 21, 2006.

u. (page 33, line 891 and page 37, lines 1020-1021) Consensus Economics, Consensus Forecasts, October 2006.

v. (page 37, footnote 34) Blue Chip Financial Forecasts (December 2006).

w. (page 62, footnote 65) Taylor, Karen, BMO "Pipelines/Gas & Electric Utilities: 2007 ROEs Decline to Unprecedented Levels; Ontario Gets Reprieve," December 7, 2006.

x. (page 63, footnote 67) The Conference Board of Canada, Electricity Restructuring: Opening Power Markets, May 2004.

y. (Appendix B, page 15) For the two sources for the Table B-3 figures, provide copies of the pages containing the raw underlying annual data series for each of the 6 columns.

z. (Appendix B, page 19, footnote 86) Blue Chip Financial Forecasts, March 1, 2007.

aa. (Appendix B, page 23, footnote 89) Dr. Stephen A. Ross, "Is Beta Useful?" The CAPM Controversy: Policy and Strategy Implications for Investment Management, AIMR, 1993.

CA-NP 264 (Appendix D, page 4)

a. Please provide copies of all the articles referenced on page 4 of Appendix D.
b. As all of the articles referenced on page 4 of Appendix D were published 18 or more years ago, and in light of the conflicted allegiances of many Wall Street securities analysts that were revealed as result of the investigations into the collapse of Enron, WorldCom, Global Crossing, and other corporations during the early 2000s, is Ms. McShane aware of any studies published during the last 5 years that support the notion that "empirical studies … conclude that investment analysts' growth forecasts serve as a better surrogate for investors expectations than historic growth rates" (Appendix D, page 4, top 2 lines)? If so, please provide copies.

CA-NP 265 (page 3, lines 62-75)

a. Please provide the weighting scheme that Ms. McShane used to translate the results of her three cost-of-capital or ROE tests into her final recommendation of a "fair return" for Newfoundland Power (NP) of 10.25-10.50%.
b. Is the weighting scheme (with respect to her ROE tests) that McShane uses in this NP hearing at all different than the ones she has used in any other Canadian regulatory hearings (including NP 2003GRA) over the past 6 years?
c. If the answer to (b) is "yes" - that is, she has used different weighting schemes in different hearings in Canada over the past 6 years - then please provide the details of her weighting schemes in each of her Canadian regulatory testimonies over the past 6 years.
d. If the answer to (b) is "yes," please explain why the

weighting scheme Ms. McShane is using in her current NP evidence differs from those she has employed elsewhere during the past 6 years.

CA-NP 266 (page 5, line 124, through page 6, line 171, and Statistical Exhibit, Schedule 13)

a. Please categorize the list of Canadian regulated utilities that appears in Schedule 13 in terms of their inherent business risks (that is, ignoring the impact of their varying capital structures). Which ones are exposed to higher-than-average business risks, which ones are exposed to lower-than-average business risks, and which ones have an inherent business riskiness that approximates the average for the group of 7 regulated utilities. Please explain the major considerations that have gone into the categorization.
b. For the 7 utilities in Schedule 13, please provide the approximate percentage of either assets or revenues (or both) that are devoted to electricity generation.
c. For the 7 utilities in Schedule 13, please indicate which ones enjoy a “weather normalization reserve” or similar regulatory mechanism that normalizes their revenues for abnormal weather conditions.
d. For the 7 utilities in Schedule 13, please indicate which ones enjoy a “weather normalization reserve” or similar regulatory mechanism that normalizes their purchased power costs for variations in hydroelectric production due to stream flows that are either above or below normal.
e. For the 7 utilities in Schedule 13, please indicate which ones enjoy a “rate stabilization account” or similar regulatory mechanism that protects them and their

ratepayers against changes in fuel costs passed through from their energy supplier, other abnormal fuel cost changes, and municipal tax adjustments. For each utility identified as having some similar rate stabilization account, please list the uncontrollable risks that are covered.

f. In light of the above and other relevant considerations, please indicate where Newfoundland Power (NP) should be slotted in terms of the relative business risk categorization set out in answer to part (a) of this request. Is NP a utility with higher-than-average aggregate business risk characteristics or exposures, about average business risk exposures, or lower-than-average business risk exposures?

CA-NP 267 (page 5, line 124, through page 6, line 171, and Statistical Exhibit, Schedule 13) Please provide the most recent (2006) common-equity-to-total-capitalization ratios for each of the utility corporate entities listed in Schedule 13 and discuss to what extent, and how, these common equity ratios reflect the relative inherent business riskiness of these companies.

CA-NP 268 (page 5, line 124, through page 6, line 171, and Statistical Exhibit, Schedule 13)

a. Please categorize the list of Canadian regulated utilities that appears in Schedule 13 into those that are approximately average overall investment risk (that is, in terms of combined business and financial risk) with respect to their regulated utility operations, those that are perceptibly less risky than the average group, and those that are more risky than the average group.

b. Please indicate where Newfoundland Power should be

slotted in the categorization provided in response to part (a) of this request and why (with reference to both business risk and financial risk factors).

CA-NP 269 (page 13, lines 355-357) Please discuss:

a. The comparative cost of home heating oil and electric space and water heating in NP's franchise area (i) currently and (ii) as expected over the next 5 years; and
b. The nature and effect of the regulations governing the use of home heating oil on its use within NP's franchise area and how, if at all, these regulation and their effects are expected to change over the next 5 years.

CA-NP 270 (page 16, lines 451-454, footnote 8, and Statistical Exhibit, Schedule 1)

a. Please provide the empirical evidence on which the statement in lines 453-454 is based.
b. For all those utilities listed in Schedule 1 with an "A" rating, please provide the indicated spread above similar-maturity Canada bonds, on a quarterly (quarter-ending) basis, for the past 5 years, as well as the average of these spreads for each period.
c. For each of Fortis BC Inc. and PNG, please provide the indicated spread above similar-maturity Canada bonds, on a quarterly (quarter-ending) basis, for the past 5 years.
d. What have been the debt ratings for TransAlta Corporation's various debt issues over the past 5 years, and which issue(s) and spreads are being referred to in footnote 8?

CA-NP 271 (page 28, footnote 27, and Statistical Exhibit, Schedule 6)

a. Please provide, in electronic format, all the data in Schedule 6 (both pages) along with an update of the monthly data to the most recent month available.
b. In the case of the time series of Canadian A-rated Utility Bond yields subsequent to August 2000, please provide the

list of all the bond issues included in the index maintained by Foster Associates, the individual bond ratings assigned to each on a month-by-month basis, and the monthly yield on each issue used to construct the composite yield-index value shown in Schedule 6 as well as the most recent months requested in (a).

c. Please confirm that the bond issues incorporated in the time series of Canadian A-rated Utility Bond yields referred to in (b) contain no bonds safeguarded or backstopped, at least in part, by non-regulated utility assets. If this cannot be confirmed, please describe the extent to which the security/safety of the utility bonds underlying the referenced yield series is contingent on the continuing health and solvency of the non-regulated assets of the utility companies whose bonds are incorporated in the yield index.

CA-NP 272 (page 30, lines 799-808)

a. Please confirm that the debt ratings issued by Moody's, S&P, and DBRS are intended to measure the risk exposure of a company's bondholders to events or circumstances that might jeopardize the values of their bond holdings.
b. Please confirm that the debt ratings issued by Moody's, S&P, and DBRS are neither intended nor designed to measure the investment riskiness of a company's equity shares.
c. Please confirm that when an expectation arises that a private equity firm or other investor may take over control of a publicly-traded firm, there is often a disconnect between the firm's bond ratings and its riskiness in the eyes of equity investors - with the bond riskiness rising and its bond ratings being lowered to reflect the expected actions of the potential new owners/managers, while the risk of the equity declines with the evidence of expanded investor interest in the firm's shares.
d. Please confirm that the statement starting on line 806 and ending on line 808 is Ms. McShane's own opinion and that this assertion cannot be found in any text or treatise on regulatory economics and would certainly not apply if the senior debt issues of all major regulated utilities were below the single-A category.

CA-NP 273 (page 33, lines 895-900)

a. Please provide the empirical support for the average historical spread of 30 basis points between 10-year and 30-year Canada bonds and explain why the time period chosen to develop this historical evidence is more appropriate for Ms. McShane's equity risk premium test than the most recent time period when the spread has been much lower and even negative.
b. With respect to line 900, why is the Government of Canada bond yield curve typically upward sloping - that is, with long-term yields higher than shorter-term yields?
c. Please explain the apparent inconsistency between Ms. McShane's use of a 30-basis-point spread on page 33 of Volume 3, Tab 1, and the Company's use of a 10-basis-point spread, in footnote 24 on page 50 of Volume 1, Section 3: Finance, to forecast the expected coupon rate on its planned $60 million bond issue for late summer 2007.

CA-NP 274 (page 41, lines 1111-1114, and Appendix B, page 15)

a. How can Ms. McShane conclude that there has been an absence of any upward or downward trend in historic equity market returns when her Appendix B, Table B-3, figures clearly show, for both Canadian and U.S. equity markets, that there has been a decline in stock returns from the 1980s through to the most recent 10-year period?
b. While most credible economic forecasters and consensus economic surveys predict that nominal North American equity returns for the next 5 to 15 years will be well below 10% and hence extend the decline that Ms. McShane's Table B-3 reveals began during the 1980s, Ms. McShane apparently believes that the decline in equity returns will be reversed, as she expects future equity market returns to be in the range of 11.5% to 12.5% (page 41, lines 1112-1113). What are the future economic forces or environmental trends that Ms. McShane expects to cause equity prices to rise more quickly in North America in the future, than they have over the past decade, and therefore cause equity rates of return to be higher than they have been over this period? Please explain, covering such potentially important forces as (i) the trend in interest rates, (ii) the trend in inflation, (iii) North American and world economic growth, (iv) the impact of climate change and environmental concerns and related expenditures, and (v) terrorism.

CA-NP 275 (pages 42-43, and Statistical Exhibit, Schedules 13, 18, and 25)

a. Please confirm that the "standard deviation of market returns" (line 1151), whether for an individual company/stock or portfolio of stocks, incorporates dividends and/or cash distributions (e.g., from income trusts) as part o the "return" calculation.
b. Please provide the standard deviations of market returns, based on 5 years of monthly data, for the 5-year periods ending 1993 through 2006 (similar to the Schedule 13 presentation) for all of the publicly-traded Canadian utilities listed in Schedule 13 and all 17 of the low-risk Canadian industrials listed in Schedule 25. If Ms. McShane does not have or use the data requested here, please explain why she does not have or use it, particularly in the light of the fact that she uses individual-firm beta values for characterizing her Canadian utility and industrial samples, in Schedules 13 and 25 respectively?
c. For the TSX/S&P Composite Index, what are the mean and median standard deviations of market returns from among the approximately 277 companies/stocks that comprise the Composite Index, over the most recent 5-year period for which data is available?
d. While Ms. McShane believes that individual company beta values gravitate over time toward the average stock beta - justifying the use of "adjusted betas" instead of "raw historical betas" - why does Ms. McShane not make a similar adjustment from "raw" to "adjusted" standard deviations for market returns for, in particular, utility and low-risk industrial companies?
e. Is Ms. McShane aware of how the standard deviations for the stock returns for the companies in her utility and/or low-risk industrial samples have trended over the past 5 years in comparison to the standard deviation of market return for the typical or median firm in the TSX/S&P Composite Index? If so, please describe the trend and provide all supporting data, including the individual TSX/S&P Composite Index component-company standard-deviation-of-market-return data used to find the median-firm value.
f. Please provide the most recent 5-year annual standard deviation of market return values for each of the 13 U.S. electric and gas utilities set out in Schedule 18, as well as the sample mean and median values, in a format similar to that in Schedule 18.

CA-NP 276 (pages 43-44, and Statistical Exhibit, Schedules 13 and 25)

a. Please confirm that the individual-firm beta values shown in Schedules 13 and 25 are "price betas" and have excluded the dividend component of the monthly returns in their calculation.
b. In calculating the raw beta values shown in Schedules 13 and 25, has the TSX/S&P market return value used in the calculation been one that includes the dividend and cash distribution component of the TSX/S&P return (i.e., the total return index) or not? If not, what index or data series has been used to proxy the market "return" or "price level change"?
c. Please confirm that, because they ignore the stable dividend portion of the investment return from owning utility shares, "price betas" will tend to overstate the true "rate-of-return-based" beta values for individual utility shares. If Ms. McShane cannot confirm this, please provide a table comparing, on a year-by-year basis, over the 1993-2006 period, the "raw price betas" and the "raw rate-of-return betas" for the 7 individual, publicly-traded utilities listed in Schedule 13.

CA-NP 277 (pages 45-46, and Statistical Exhibit, Schedules 18 and 27)

a. Are Research Insight betas constructed as "price betas" or "rate-of-return-based" betas? Please describe exactly how the beta values in Schedules 18 and 27 are calculated.
b. How does Research Insight define "beta"?
c. Does Research Insight take a view as to whether it is more appropriate or accurate to use historical "rate-of-return betas" or "price betas" to predict future individual-company systematic riskiness? If so, what is Research Insight's position?
d. In Ms. McShane's view, are "adjusted" beta values intended to be forward-looking estimates of what actual company true ("rate-of-return-based") beta values in the future are expected to be? If not, what are they intended to represent?
e. Please provide copies of any evidence that Ms. McShane is aware of, or has prepared herself, which indicates that published "adjusted" betas from any source have indeed been unbiased estimates of subsequently-observed, actual

utility company rate-of-return betas for either Canadian or U.S. regulated utilities.

CA-NP 278 (page 48, lines 1299-1301) Please confirm that if long-Canada bond yields rise from their current level (about 4.5%) to the range of 5.0-5.5% over the next 1, 3, 5, or 10 years, then the rate of return that investors in these long-term Canada bonds will experience over these corresponding periods will not be as high as 5.0-5.5% but, rather, will indeed be less than 4.5%. If Ms. McShane cannot confirm this, then please explain how investors can possibly earn bond returns higher than the existing yield to maturity over any subsequent period when yields rise and bond prices fall.

CA-NP 279 (page 45, lines 1210-1215, and page 48, Table 8, and lines 1295-1297) Given the sensitivity of utility share prices and returns to interest rates and the inverse relationship between these, please explain why future utility equity returns will not fall below their very-long-run averages if, as Ms. McShane expects, long-term Canada bond yields rise from their current levels in the future.

CA-NP 280 (page 49, line 1314 and footnote 49, and page 58, lines 1575-1577)

a. Please provide the information used to draw the conclusion that the period from 1993 to 2006 represents one full business cycle for the U.S. economy, for the purposes of the DCF-based equity risk premium test.
b. What period ending in 2006 best represents one full business cycle for the Canadian economy, and what is the evidence that supports this?
c. Please reconcile the choice of the 1993-2006 period as one full business cycle on page 49 with the apparent inference, on page 58 at lines 1576-1577, that the period from 1994 to 2005 is one full business cycle for the purposes of the comparable earnings test.

CA-NP 281 (page 49, lines 1319-1325, page 50, lines 1335-1336, and Appendix D, pages 4-5)

a. Given the well-publicized evidence that some U.S. sell-side equity analysts have systematically overstated their earnings and earnings-growth forecasts in order to satisfy the needs of the investment banking units in their organizations, does Ms. McShane believe that investors will continue to rely in the future on overly-optimistic analysts' growth forecasts?
b. If the answer to (a) is essentially "no," why should the Board give serious consideration today to historical evidence that is based on unwarranted analyst and investor optimism that is no longer expected to form the basis of investors' expectations in the future?
c. If the answer to (a) is essentially "yes" or "maybe", would Ms. McShane please explain why she thinks the Board should base its allowed ROE award for Newfoundland Power on evidence derived from DCF-based cost-of-equity estimates that are themselves based on unwarranted, "pie-in-the-sky" investor growth expectations?
d. Given that the Canadian analyst community was not tainted with the same degree of disturbing revelations as those of U.S. sell-side analysts (e.g., Jack Grubman), would it not be preferable to develop DCF-based, cost-of-equity evidence for Canadian utilities from the forward-looking earnings-growth estimates of Canadian securities analysts?
e. Has Ms. McShane seen, or is she aware of, the current, forward-looking, Canadian utility earnings-growth forecasts of any utility analysts employed by Canadian investment dealers or institutional investors? If so, would you please provide these growth rate estimates and copies of the corresponding source documents?
f. Please reconsider the statement about Value Line's lack of incentive to "inflate" its earnings-growth estimates (Appendix D, page 5) in the light of the fact that Value Line sells its products to investors and investors are more likely to buy shares and purchase Value Line's information and tools if they can be persuaded that stocks will appreciate rapidly in value in the future.
g. Is Ms. McShane aware of any studies, completed since 2000, where the reliability or accuracy of either I/B/E/S or Value Line earnings-growth-rate estimates have been examined by comparing these estimates with subsequently-

actually-observed growth rates? If she is aware of any such studies, please identify them and provide copies of them.

CA-NP 282 (page 50, footnote 53, and page 51, footnote 57) Please provide the following information for the referenced regression studies:

a. The time periods for the regression studies;
b. The source and construction of the dependent variable values and the time-series of actual values (if they are other than those from the right-hand-side column of Schedule 17);
c. The time series of "Spread" values used to specify the regression equation on page 51;
d. The adjusted R^2, standard error of estimate of the regression (or of the predicted dependent variable value), the F-statistic and p value, and the Durbin-Watson statistic for each of the regressions;
e. The t-statistics for each independent variable parameter/coefficient value in these regressions; and
f. The correlation coefficient between the "TY" and "Spread" variables in the regression equation on page 51.

CA-NP 283 (pages 50 and 51, page 37, lines 1008-1010, and page 47, lines 1280-1285)

a. Please explain why Ms. McShane thinks that it is valid to insert Canadian data input values into equity risk premium (ERP) regression models derived from U.S. data, especially when she has already acknowledged, at lines 1008-1010 on page 37, that historically there have been significant differences between Canadian and U.S. ERPs, and, on page 47 at lines 1280-1285, significant differences between Canadian and U.S. utility ERPs.
b. Generally speaking, when a time-series regression model is specified using a particular set of input data, the same data, or projections of the same data, are inputted to make

estimates of future values for the dependent variables. For the referenced regressions on pages 50 and 51, Ms. McShane has not followed this standard procedure. Would Ms. McShane justify her unusual, if not invalid, statistical procedure?

c. Is it not true that the whole pseudo-scientific analysis outlined on pages 50 and 51 is simply a "smoke screen" for appearing to legitimize the proposition that, because U.S. utilities have historically had higher ERPs than those enjoyed by Canadian rate-regulated utilities, Canadian regulatory boards should simply raise the ERP awards for Canadian utilities to match those in the U.S. - regardless of the differences between the Canadian and U.S. environment?

CA-NP 284 (page 54, lines 1442-1446, and Appendix D, page 2) Please justify the assertions that, after some initial period, mature industries and mature utilities will grow at the same rate, in perpetuity, as the overall economy, when new/emerging industries, firms, and utilities indisputably grow faster than the overall economy, necessitating that mature industries, firms, and utilities grow somewhat slower, on average, than the overall economy.

CA-NP 285 (pages 55-59 and Appendix E) Please explain in full detail how, if at all, the sample selection criteria and procedure for conducting the comparable earnings test, for both the Canadian and U.S. industrial samples, in this proceeding differ from those which Ms. MsShane employed in NP 2003GRA. Please explain the rationale or reasons for any changes.

CA-NP 286 (page 58, lines 1581-1588) In order that a comparison may be made between the relative riskiness of Ms. McShane's low-risk industrials and the benchmark Canadian utility, please provide the standard deviations of investment returns, based on 5 years of monthly investment returns data, for all the utilities and low-risk

industrials shown in Schedules 13 and 25, for the 5-year periods ending December 2000, December 2001, December 2002, December 2003, December 2004, December 2005, and December 2006.

CA-NP 287 (Appendix E, pages 1-2)

a. Please provide the names of all 473 TSX firms that had GICS codes in sectors 20-30.
b. Please provide the names of the 385 (473-88) firms that were eliminated from the low-risk industrial sample by virtue of (i) missing book equity, (ii) negative book equity, and/or (iii) 2005 equity below $50 million, and the reason for each firm's elimination.
c. Please provide the names of the 33 (88-55) firms that were eliminated from the sample by virtue of not paying a dividend in any year over the 2000-2006 period.
d. Please provide the names of those 4 (55-51) companies that traded fewer than 125,000 shares in 2005 and/or had fewer than 5 years of market data available.
e. Please provide the names of those 13 (51-38) firms with 5-year betas ending September 2006 in excess of 1.0, along with the calculated "raw" beta values that disqualified them.
f. Please provide the names of the 6 (38-32) firms disqualified because of abnormally high or low 1995-2005 book equity returns, along with the average ROE for each firm and the sample mean ROE against which their abnormal returns were gauged.
g. Please provide the names of the 15 (32-17) firms that were eliminated at the final sample-selection cut along with the reason or reasons each was eliminated from the final sample.
h. Would any of the firms eliminated by virtue of having abnormally-low 1995-2005 average book equity returns have been eliminated by the application of the final-cut criteria - i.e., CBS rating, non-investment grade debt, and/or no rating agency report? If so, which firms would have been cut and for failing which of the criteria?

CA-NP 288 (Statistical Exhibit, Schedules 26 and 28) Please describe in detail how the "returns on average common stock equity" are calculated

using the Standard and Poor's Research Insight data. In particular, what income/earnings value is used in the numerator of each company's return ratio each year, and how is the denominator value determined for each company each year?

CA-NP 289 (Statistical Exhibit, Schedule 26)

a. Please provide a table of annual common equity book returns for the industrial sample Ms. McShane employed in her NP 2003GRA evidence, covering the years 1994 through 2005, in the same format as Schedule 26.
b. For each low-risk industrial that appears in Ms. McShane's NP 2003 GRA industry sample that does not appear in her current sample (as shown in Schedule 26), please explain the reason for the absence.

CA-NP 290 (Appendix E, page 3) In the paragraph in the middle of the page, is Ms. McShane suggesting that the Canadian economy growing at a nominal annual rate of 4.75%, as opposed to 5.4%, will have no negative impact on the ability of her low-risk sample industrials to generate book equity returns going forward? If so, please justify this apparent insensitivity of industrial returns to the pace of economic growth.

CA-NP 291 (Appendix E, page 9) There appears to be an inconsistency between the sentence immediately above Figure E-1 and the graphical representation within Figure E-1. Please provide a correction or an explanation.

CA-NP 292 (page 59, lines 1604-1616, Statistical Exhibit, Schedule 26, and Appendix E, page 9, last 5 lines on the page) Please provide the

average annual market-value-to-book-value ratios for all firms in Schedule 26 for each year 1994 through 2006.

CA-NP 293 (Appendix E, page 6, lines 5-6) Please specify the amount of the downward return adjustment for relative industrial-versus-utility risk and justify the magnitude of the amount.

CA-NP 294 (Appendix E, page 10) Please provide the annual market-to-book ratios used to plot the S&P 500 and TSX lines on Figure E-2.

CA-NP 295 In reference to the prefiled evidence of Kathleen McShane, for each Canadian regulatory proceedings in which Ms. McShane made recommendations with regard to the cost of capital in the past 7 years, please provide (in the format set out in CA-92-NLH of NLH's 2003 GRA) the following:

a. The rate of return on common equity recommended by Ms. McShane.
b. The rate of return on common equity allowed by the board decision.

CA-NP 296 With respect to the preceding request for information, please provide in respect of each of the board decisions referenced, the relevant extracts wherein the Board commented upon the evidence and recommendations of Ms. McShane.

CA-NP 297 At page 2 of Appendix "G" to the pre-filed evidence of Kathleen McShane she provides a listing of her Publications, Papers and Presentations. Please provide a copy of:

a. "Utility Cost of Capital Canada v. U.S.", presented at the

CAMPUT Conference, May 2003.

b. "Alternative Regulatory Incentive Mechanisms", October 1992

Volume 3, Section 2 – Browne, Regulatory Accounting

CA-NP 298 Please confirm that the current and past practice of NP, which is to accrue expenses giving rise to a liability for purposes of its financial accounts but not to use revenue to fund its OPEB plan is consistent with the standard practice of both regulated an unregulated companies.

CA-NP 299 Please explain the difference between accounting for OPEBs on an accrual basis, which NP already does in accordance with Section 3461 of the CICA Handbook "Employee Future Benefits" and funding OPEBs which, like companies generally, NP does not do.

CA-NP 300 Please confirm that (i) the purpose of including OPEBs in rates on an accrual basis is to provide the cash flow required to fund NP's future OPEBs obligations and (ii) if its proposal to move to the accrual method for rate-setting purposes is accepted, NP plans to establish a fund, similar to its pension fund, which will be held separate from NP's other cash and will be invested to earn a return on investment. If not, please explain why the funding of OPEBs will not be treated in the same manner as the funding of future pension obligations.

CA-NP 301 Please confirm that Section 3461 of the CICA Handbook "Employee Future Benefits" does not create an obligation to fund (as opposed to record) employee future benefits.

CA-NP 302 Please confirm that moving to the accrual method for OPEBs for rate-setting purposes will have no impact on NP's compliance with Section 3461 of the CICA Handbook "Employee Future Benefits" in that it is already fully in compliance with Section 3461.

CA-NP 303 Please identify and explain all accounting practices, legislation and regulations that give rise to the obligation on companies in Newfoundland and Labrador to fund their future pension plan obligations. In each case, identify whether the obligation extends to Other Post Employment Benefits.

CA-NP 304 Please explain the treatment of expenses related to pension benefits and OPEBs for income tax purposes in terms of whether the cash or accrual basis is used to recognize these expenses. As appropriate, identify different categories of OPEBS that are treated differently for tax purposes.

CA-NP 305 In relation to the evidence of John Browne, please confirm that NP's retention of its current method for treating OPEBs expense could also be reasonably considered as consistent with established regulatory principles and appropriate in the context of NP.

CA-NP 306 In a report prepared by John Browne for NP's last GRA hearing (as noted by John Browne in his report of May 4, 2007 at p.4) Mr. Browne stated about four years ago:

"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 proposal that recognizes the impact of

dealing with the transition from one method to the other."

Please confirm that the retention of the pay-as-you-go method can still be reasonably considered a practical approach that recognizes the impact of dealing with the transition from one method to another?

CA-NP 307 Please compare the ratepayer impact of dealing with the transition from one method to the other (i.e. to the accrual method) at this hearing versus at the last NP GRA.

Volume 3, Section 3 – 2006 Depreciation Study

CA-NP 308 (pages 11-26) "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." Please provide a breakdown of the number of poles annually retired over the period 2002 to 2007.

CA-NP 309 Does NP remove its retired poles itself or is that contracted out to a private contractor? What happens to the poles once they are retired for reasons other than degradation by natural forces i.e. decay and wear and year? Who takes possession and ownership of such retired poles and upon what terms? If the terms have varied over the period from 2002 to present, please indicate in what respect(s).

CA-NP 310 With respect to the above request for information, if a private contractor takes possession and ownership of poles that are retired for reasons other than degradation by natural forces i.e. decay and wear and tear, does NP buy back such poles for use in other areas? If yes, state how many poles have been re-purchased (or are forecasted to be repurchased) by NP over the period from 2002 to 2008 (F) and please compare the price at which the private contractor originally purchased the poles (upon their taking possession) versus the price paid by NP to repurchase the poles.

RFIs on 2006 Peer Group Report

[The following relates to the report entitled *Peer Group Performance Measures for Newfoundland Power*, December 21, 2006]

CA-NP 311 Please file a copy of this report for the record.

CA-NP 312 Which department within NP is responsible for development of this report, and to which departments within NP was it distributed for review and comment? Please provide the names and positions of the staff responsible for preparation and review of this report.

CA-NP 313 (page 2) What is the current status of the CEA program to develop appropriate benchmarking performance measures for use in a regulatory setting?

CA-NP 314 (page 3) The report concludes that it is difficult to draw meaningful conclusions regarding company performance through comparison to other utilities. Reconcile this statement with NP's agreement to undertake peer group performance reporting in the

February 26, 2003 Mediation Report, the statement in P.U. 8 (2007) that "The Board agrees with the submission of the Consumer Advocate that external benchmarking of KPIs is important for measuring the overall performance of Hydro in key areas", and the fact that there are 16 COPE participants in 2003 (page B-1), and the CEA trend line for SAIDI and SAIFI reflects the composite performance of over 30 participants (pages A-5 and A-7).

CA-NP 315 In NP's opinion, which attributes of the distribution business make distribution utilities in Canada industry leaders?

CA-NP 316 Please provide a list of NP's key performance indicators along with relevant statistics for the past five years.

CA-NP 317 Please provide a description of all areas of its business where NP uses external benchmarking as an input to its decision-making process.

CA-NP 318 Given CEA restrictions on use of data for trending purposes (note 3, page A-1) and on use of data in regulatory settings (page 2), is NP considering development and use of an alternative peer group?

CA-NP 319 (page 3) Given the close trading relationship between Canada and the United States, did NP consider showing U.S. data both in U.S. $ and converted to Canadian Dollars (or vice versa) using Bank of Canada average exchange rates in the appropriate years?

Dated at St. John’s in the Province of Newfoundland and Labrador this 20th day of June, 2007:

Thomas Johnson
O'Dea, Earle Law Offices
323 Duckworth St.
P.O. Box 5955
St. John's, NL
A1C 5X4