

July 13, 2007

Consumer Advocate RFIs for Newfoundland Power

CA-NP-320 Reference: CA-NP-8: Attachment G Newfoundland Power Inc. 2006
Annual report to PUB at p. 2 where it states:

“Although electricity rates for our customers have been increasing largely as a result of rising oil prices, the net contribution of the Company’s costs to customer electricity rates has declined by approximately 2% over the past 10 years. This reflects our continued focus on effective cost management”.

Please update this statement to reflect the contribution of NP’s costs to the total cost of electricity on a KWh basis updated to include forecast 2008 under proposed rates as referenced at CA-NP-15.

CA-NP-321 Reference: CA-NP-15: Please provide all previous years in which the contribution of NP’s costs to the total cost of electricity on a KWh basis exceeded the proposed 2008 NP cost contribution to the total cost of electricity on a KWh basis.

CA-NP-322 Reference: CA-NP-9: Fortis Inc. Annual Report 2006, at p. 19 states in respect of NP: “A Benefits Strategy was implemented to ensure the continuation of a competitive benefits program at a reasonable cost and to engage employees and retirees in managing the future cost of benefits.” Please provide an explanation of these initiatives and provide copies of documentation relating to the same.

CA-NP-323 With reference to CA-NP-25, p. 1 of 2, please fully describe how the decision was reached to proceed with the 2005 ERP which is described as “a significant contribution to labour cost stability since 2003.” Without limiting the generality of the foregoing, please fully describe how management at NP concluded that NP could adequately function with significantly less employees.

CA-NP-324 With reference to CA-NP-25, NP states that it “does not maintain a catalogue of cost cutting measures.” NP then states that “Newfoundland Power’s cost management involves a large number of initiatives of varying size, combining to reduce overall costs.” Would it not be reasonable for intervenors to expect that NP would be in a position to detail the specific initiatives it has taken to reduce overall costs as a means of ensuring meaningful oversight of NP’s costs management in addition to providing a summary of the “aggregate effect” of NP’s cost managements efforts?

CA-NP-325 In Hydro’s 2006 GRA, NP asked Hydro in NP-8-NLH to “identify the efficiency initiatives and management’s estimate of cost savings reflected in the 2007 Test Year attributable to these initiatives.” Please confirm whether or not NP can produce the type of detailed information that it requested Hydro to produce in the above referenced request for information.

CA-NP-326 Reference: CA-NP-36, part a: please assess NP’s productivity trend using the “any number of measures” that NP refers to in response to the above-referenced question.

- CA-NP-327 Reference: CA-NP-41: please provide a detailed explanation of the “significant organizational changes” that have occurred as a result of the ERP referred to in response to the referenced request for information and please provide an assessment of the effectiveness of these changes.
- CA-NP-328 Reference: CA-NP-41: please provide the terms upon which NP contracts out its cash services. Please indicate whether the contracting out of its cash services led to any reduction in FTEs and operating expense.
- CA-NP-329 Reference: CA-NP-45: does the Test Year revenue requirement reflect a filling of these two currently vacant positions.
- CA-NP-330 Reference: CA-NP-45, p. 1 of 1, line 20: states that when a position becomes vacant at NP, the Company first determines whether the duties of that position can be performed by modifying or expanding the duties of existing employees before a decision is made to fill a vacant position. Does the Company undertake such an analysis in anticipation of positions becoming vacant, having regard to its detailed knowledge of when individual employees are reaching retirement eligibility. In other words, explain whether and if so to what extent NP attempts to get out front of these issues as opposed to waiting for a vacancy to occur.
- CA-NP-331: Reference: CA-NP-47: please specifically explain how the “53 per cent forecast operating labour/productivity improvement” is expected to

be achieved and explain why productivity improvement beyond that forecast by the company is not considered possible, if that is the case.

CA-NP-332: Reference: CA-NP-39, Table 1: please explain why Management positions are forecast to be decreasing from 255 in 2007 to 253 in 2008. Please also explain why Management FTEs were 247 in 2006 but have increased to 255 in 2007 and to 253 in 2008.

CA-NP-333: Reference: CA-NP-42: out of the 188 employees eligible to retire in 2008, what number of the same may retire without benefits reduction?

CA-NP-334: Reference: CA-NP-42: how did NP arrive at its forecast that 14 of the 188 employees eligible to retire will likely retire by the end of 2008?

CA-NP-335: Reference: CA-NP-39 and CA-NP-42: please explain why in light of 14 likely retirements in 2008, NP is forecasting that its unionized workforce will be constant over 2007 and 2008 and its Management complement will decrease by 2 FTEs only from 2007 to 2008.

CA-NP-336: Reference: CA-NP-42: how many NP employees have informed management of his/her intention to retire (a) by end of 2007; (b) by end of 2008. For planning or forecasting purposes, does NP canvass the intentions of its retirement eligible staff as regards retirement intentions?

CA-NP-337: Reference: CA-NP-42, p. 2 of 2, lines 14-15: states "It is assumed, for forecasting purposes, that where replacements are required positions

will be filled within one month.” Please explain the process used by NP to assess whether replacements are required. Please also confirm the number of replacements NP is forecasting to replace the 14 employees likely to retire in 2008.

CA-NP-338: Reference: CA-NP-39: please provide revised tables, where appropriate, to show the number of employees who were at eligibility for unreduced pension benefits for each year and state out of those who reached full eligibility for unreduced pension benefits, how many actually retired in each year.

CA-NP-339: Reference: CA-NP-48, p. 2 of 3, footnote 3: states that “Newfoundland Power bases its managerial compensation design on market data.” Please provide the market data referred to for 2006 and 2007 that was used to provide the Average Base Increases of 3.6% and 3.6% in each of 2006 and 2007.

CA-N-340: Reference: CA-NP-48, p. 3 of 3:

- (a) please provide a copy of NP’s current Manager and Executive Group salary policy and incentive targets;
- (b) provide for 2006 and 2007 documentation pertaining to the median of salaries paid by Canadian Commercial Industrial companies;
- (c) provide in respect of 2006, 2007 and 2008 copies of the STI

performance targets for each NP employee eligible to participate in the same.

- CA-NP-341: Reference: CA-NP-50: why does NP forecast no STI in excess of 100 per cent of target for its Executives and Managers in 2007 and 2008, in light of payments reflective of greater than 100% of target performance in each of the years 2003, 2004, 2005 and 2006.
- CA-NP-342: Please explain whether Executives and Managers receive the same pension and OPEBs benefits as regular employees of NP. If not, in what respect do they differ?
- CA-NP-343: Reference: CA-NP-51: for the purposes of the STI plan when are the corporate and individual measures set in each year?
- CA-NP-344: Reference: CA-NP-51, p. 2 of 3: for each of the current corporate performance measures listed, provide the weighting given to each over the past 5 years.
- CA-NP-345: Reference: CA-NP-51, p. 2 of 3: with respect to Individual Performance Measures, please indicate whether, and if so, how many (and which) employees are measured as regards cost controls in their respective areas of authority. Please also provide the weighting for the same.
- CA-NP-346: Reference: CA-NP-51: in respect of the several current corporate performance measures referred to, which if any of these performance

measures are relative to a peer group of utilities performance in these performance areas.

CA-NP-347: Reference: CA-NP-53, p. 1 of 2, lines 27-28: please explain whether the use of technology will enable NP to operate with fewer employees in the Test Year than it currently has.

CA-NP-348: Reference: CA-NP-53: please explain whether NP's DRI will enable NP to operate with fewer employees and less over time costs in the Test Year than it expects to experience in 2007.

CA-NP-349: Reference: CA-NP-53: please explain whether and if so, how "the potential cost savings inherent in better co-ordination of maintenance and capital planning" have been reflected in the Test Year costs.

CA-NP-350: Reference: CA-NP-55: on what basis does NP assert that its forecast of costs is reflective of efficient management and the least cost delivery of reliable service to its customers when as NP admits at p. 1 of 1, lines 22-23, it does not typically assess labour or employee requirements upon the basis of its ability to adequately function in a Test Year?

CA-NP-351: Reference: CA-NP-55: please fully explain whether and to what extent, if any, NP has undertaken any assessment(s) to substantiate the suggestion that a reduction in the number of employees would have "potential negative implications for both overall efficiency and least cost delivery of reliable service." To the extent such assessments exist please also provide copies.

CA-NP-352: Reference: CA-NP-56: why does NP not forecast FTEs beyond the next calendar year?

CA-NP-353: Reference: CA-NP-59: with respect to the 2 linespersons and 4 engineers who left the company other than by way of retirement from 2005 to 2007, please indicate the:

- (a) years of experience each had; and
- (b) reason for leaving, if known.

CA-NP-354: Reference: CA-NP-60: in this response, NP admits that it has not generated formal reports internally and has not commissioned external reports with a specific focus on identifying cost cutting opportunities but NP states that it “assesses opportunities for cost cutting opportunities as the opportunities are identified” and that this “process has not involved any formal studies or reports.” Is there any structure around the identification of cost cutting opportunities or is it ad hoc in nature? If it is structured, explain it fully. If it is not structured, why not?

CA-NP-355: Reference: CA-NP-61: does NP mean to say that its management has neither received nor requested any reports (formal or otherwise) pertaining to its staffing levels and/or staff productivity from 2004 to the present time? If this is not what NP intends to convey, please provide details/copies of such reviews and/or reports. If this is what NP intends to convey by its response, please explain how in NP’s assessment such inaction would be consistent with providing its

customers with reliable service at the least possible cost as is their entitlement?

CA-NP-356: Reference: CA-NP-74: please provide a current cost per payment transaction comparison amongst NP's various means of accepting payment of customers' utility bill payments. Please also provide NP's aggregate cost of handling all bill payments from 2004 to forecast as well as the number of NP employees from 2004 to forecast who are involved in the handling and processing of bill payments.

CA-NP-357: Reference: CA-NP-76: of the forecast \$120,000 allocated to Energy Services and Programs, please provide a breakdown of this amount.

CA-NP-358: Reference: CA-NP-76: of the Energy Advertising forecast expense of \$90,000 which is stated to consist of print media advertising costs, please explain what the proposed print media campaign is expected to consist of in terms of print media used, number of ads, frequency of ads and provide a copy of the currently used prints and/or ads.

CA-NP-359: Reference: CA-NP-76: has NP undertaken a review of whether other means of energy advertising such as radio may be more cost-effective.

CA-NP-360: Reference: CA-NP-85: when were the departmental budgets prepared in respect of the 2008 Test Year? Please provide a copy of each departmental budget that was used to produce the consolidated corporate forecast referred to at lines 32-33.

- CA-NP-361: Reference: CA-NP-85: when were the department forecasts consolidated into a corporate forecast and when was the corporate forecast reviewed and approved by the Executive. Please provide a copy of the corporate forecast that was submitted for the review and approval of the Executive.
- CA-NP-362: Reference: CA-NP-85: please detail any and all amendments that were made to the corporate forecast after it had been reviewed by the Executive.
- CA-NP-363: Reference: CA-NP-85: Please provide copies of all minutes, emails, memos and correspondence generated by or provided to the Executive in connection with its review and approval of the corporate forecast.
- CA-NP-364: Reference: CA-NP-87: please provide a copy of the insurance quote provided for the first six months of 2007 referenced to at line 39.
- CA-NP-365: Reference: CA-NP-87: please provide a copy(ies) of the Vegetation Management Contract(s) in place from 2005 to present. Please also provide a description of the Vegetation Management work that was completed for the Company in 2005, 2006 and year to date as well as the work to be done in the remainder of 2007 and in 2008.
- CA-NP-366: Reference: CA-NP-87: please provide the start and end dates over the 2005, 2006, 2007 and 2008 years for Vegetation Management services rendered to NP by its contractor(s). Please also provide the number

of person-hours dedicated to or forecast to be dedicated to Vegetation Management over this period.

CA-NP-367: Reference: CA-NP-87: please, with respect to the response to part (d), please provide:

(a) a breakdown of regulated and non-regulated expenses by Description - eg. Safety Related, Energy Conservation, etc.

(b) provide a breakdown of the Safety Related expense forecast of \$244,500 in terms of radio, tv, print ads, etc.

(c) an explanation as to why the Energy Conservation message is delivered by print ad but safety related ads are broadcast on television and radio.

CA-NP-368: Reference: CA-NP-87: please explain what community advertising is (provide currently used examples) and why customers should pay for community advertising to the forecast amount of \$30,000.00 in the Test Year.

CA-NP-369: Reference: CA-NP-87: please describe Envirofest and advise whether consumers pay for it?

CA-NP-370: Reference: CA-NP-87: in respect of part f, please provide a breakdown of Trustee versus Director's fees in 2007 and the Test Year. How does NP's Director's Compensation scheme compare to that of its sister utilities and to that of Hydro?

CA-NP-371: Reference: CA-NP-87: provide the number of NP directors meetings from 2004 to present, broken down by year.

CA-NP-372: Reference: CA-NP-87: regarding stationary and copying costs for 2007 as shown at line 20 of Exhibit 2, does that include copies relative to this GRA proceeding? If so, how much of the 2007 expense is attributed to this GRA proceeding? Is NP forecasting bulk purchases of bill forms and envelopes in both 2007 and 2008?

CA-NP-373: Reference: CA-NP-87: what were the productivity gains and increased security and data management requests referred to at p. 4 of 4, lines 12-13 in relation to the increase of computing equipment and software? Please also provide, as to the whole of the miscellaneous expenditures provided at Table 1, a breakdown as to regulated and non-regulated expense for each line item for the Test Year.

CA-NP-374: Reference: CA-NP-88:

- (a) what are the Energy Programs at Table 1 on p. 1 of 4;
- (b) describe the Share Purchase Plan and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;
- (c) describe the Employees Association Plan and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;

- (d) describe the Computer Purchase Plan and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;
- (e) describe the "Promotional Materials" and the expenditures related thereto as well as the basis for the same being treated as a regulated expense item;
- (f) regarding Donations, please confirm that the same are not a regulated expense item;
- (g) please provide a detailed breakdown of the last line item in Table 1 which NP has described as "miscellaneous".

CA-NP-375: Reference: CA-NP-88, part b: please provide a cost comparison of NP's forecast 2008 insurances costs showing the assumed deductible used in the forecast as compared to the other deductible choices that NP has at its disposal.

CA-NP-376: Reference: CA-NP-88: please detail the types of insurance coverages NP has in place on its various vehicles by type or class showing the deductible chosen and provide a cost comparison to the fleet insurance policy if higher deductibles were used, if applicable.

CA-NP-377: Reference: CA-NP-89, attachment A, p. 8 of 8: indicates at lines 36-37 that operating expenses include \$2.8 million for the amortization of application costs related to the 2008 GRA. Please reconcile this with

NP's proposal at para. 12 (e) of its Application to amortize the recovery over a three year period of an estimated \$1,250,000 in Board and Consumer Advocate costs related to the Application.

CA-NP-378: Reference: CA-NP-96: please explain why NP's fleet of passenger vehicles has not reduced from 2005 to forecast 2008 in light of its workforce reduction. Please also provide the make, model and year of each sport utility vehicle (SUV) in NP's fleet of passenger vehicles at present, of which there are 60.

CA-NP-379: Reference: CA-NP-96: has NP undertaken a vehicle requirement analysis from 2004 to present. Please provide a copy(ies) of the same.

CA-NP-380: Reference: CA-NP-97: which members of senior management are provided with an unmarked vehicle as part of their overall employment benefits package.

CA-NP-381: Reference: CA-NP-97: to the extent that senior management are provided with an unmarked vehicle as part of their overall employment benefits package, do these so-assigned vehicles also form part of the rate base of NP?

CA-NP-382: Reference: CA-NP-98: please provide the make, model and year of the unmarked vehicles assigned to the employees.

CA-NP-383: Reference: CA-NP-98: this response reveals that aside from the executive group, NP has 41 unmarked vehicles which are permitted

to be taken home as a matter of course. Aside from the executive group's vehicles, why are these vehicles unmarked.

CA-NP-384: Reference: CA-NP-98: please explain why the Property Specialist, Transportation Specialist and Customer Service Coordinators, in particular, need to take vehicles home each evening?

CA-NP-385: Reference: CA-NP-98: please provide evidence to substantiate that non-executive employees with unmarked vehicles are called out sufficiently often after normal working hours to justify their being able to take a company vehicle back and forth to work each day and, where applicable, use the vehicle for personal use.

CA-NP-386: Reference: CA-NP-99: please confirm whether or not the Company receives compensation from employees who use company vehicles for personal use. Please also confirm/explain whether in light of the ability of employees to use a company vehicle for personal use, NP, for tax accounting purposes, treats the personal use as a taxable benefit in the hands of the applicable employees.

CA-NP-387: Reference: CA-NP-99: please provide the forecast 2008 costs of allowing non-executive employees to use company vehicles for personal use.

CA-NP-388: Reference: CA-NP-99: NP's "Guidelines for Personal Use of Company Vehicles" is silent as to how the appropriate Manager is to decide whether a vehicle shall be unmarked or marked. Please explain the

basis on which such decisions are to be taken.

CA-NP-389: Reference: CA-NP-104: please provide;

(a) a breakdown of the Consultant Fees for 2007 F and 2008 F other than those applicable to this GRA;

(b) an explanation as to the basis for NP's forecasting \$250,000 in legal fees in 2008.

CA-NP-390: Reference: CA-NP-109: please provide an expanded Table 1 to include 2007 and 2008 forecasts.

CA-NP-391: Reference: CA-NP-147, Attachment A: please provide a copy of the Standard and Poor's publication, "Ring-fencing a subsidiary" at p. 7, footnote 8.

CA-NP-392: Reference: CA-NP-147, Attachment ; at section C.2 of the June 30, 2004 Report, NP provides an assessment of the underlying basis of Standard and Poor's position with respect to the Fortis/Newfoundland Power financial relationship. Did NP seek independent legal counsel in providing the legal commentary at sections C. 2.2.1, C. 2.2.2, C. 2.2.3 and C. 2.3 of the Report. If so, please provide a copy of the opinions received.

CA-NP-393: Reference: CA-NP-147, Attachment A, Section C. 2.3 addresses the effect of a Fortis bankruptcy. However, the section does not address

the circumstances of Fortis going into receivership which is a legal state distinct from bankruptcy. Please provide a legal opinion which addresses the potential ramifications of such an event having regard to Fortis's secured debt obligations and the enforcement provisions thereof.

CA-NP-394: Reference: CA-NP-147, Attachment A, Section D. 2.3, p. 14: NP states, "Following full consideration and, if appropriate, the establishment of committed Operating Lines, there may be little else Newfoundland Power can or should do to more effectively ensure its stand alone status." As part of the "full consideration" please describe what investigations NP took leading up this 30 June 2004 report or since to determine what other utilities have done to achieve and preserve stand-alone status.

CA-NP-395: Reference: CA-NP-147: please provide NP's assessment of how "Ring Fencing" could be accomplished, assuming it were necessary, in the Fortis/NP circumstance.

CA-NP-396: Reference: CA-NP-154: please provide notes/minutes of all discussions held between Robert Meyers and Standard and Poors which discussions are referred to in Robert Meyers' email and correspondence to Thomas Connell of 29 May 2006.

CA-NP-397: Reference: CA-NP-156, Attachment A, at p. 1: please provide a copy for the record of the Deloitte & Touche report referenced at footnote 1.

- CA-NP-398: Reference: CA-NP-156, Attachment A, at p. 6: please provide what the actual current inter-corporate charge out rate is for the time of NP's Executives and Managers, showing the breakdown of the constituent parts of the rate.
- CA-NP-399: Reference: CA-NP-91: please compare the mark-up rate used in respect of intercorporate charges for Managers and Executives to the mark-up applied to NP's personnel who provide services under contract with Aliant Telecom Inc. and Persona Communications Inc.
- CA-NP-401: Reference: CA-NP-156, Schedule 3, p. 3 of 4: please provide the relevant extracts of the CRTC decisions referred to in footnotes 3 and 4.
- CA-NP-401: Reference: CA-NP-165: please provide a further breakdown of the personnel involved, the hours spent, and the number of travel occasions in connection with the acquisition of Terasen Gas and Fortis West.
- CA-NP-402: Reference: CA-NP-165: please confirm whether any NP employees received any bonuses or extra remuneration in any form from Fortis Inc. in relation to the successful acquisitions of Terasen Gas and Fortis West. If so, whom and detail the bonuses or extra remuneration received.
- CA-NP-403: Reference: CA-NP-165: please provide a comparison of the rates charged to Fortis in respect of the services provided by NP Executives

and Managers in connection with the acquisition of Terasen Gas and Fortis West with that charged by arms-length professionals and advisors who assisted Fortis in connection with these major acquisitions.

CA-NP-404: Reference: CA-NP-173: please confirm that the Board has the authority to review its past orders and that res judicata does not apply in respect of the review of past orders, including past orders in relation to prudence.

CA-NP-405: Reference: CA-NP-173: please confirm that the material sought to be produced was not before the Board in the proceeding which led to Order No. P.U. 40 (2005).

CA-NP-406: Reference: CA-NP-173: whether or not NP agrees with having the matter reviewed at this hearing, please confirm that a review of documentation and proposals pertaining to the settlement of the tax dispute would be relevant to determining whether the negotiations were handled prudently by NP.

CA-NP-407: Reference: CA-NP-173: please provide caselaw and regulatory precedent relied upon by NP for its claim of solicitor-client privilege.

CA-NP-408: Please confirm that the prudence and reasonableness of past expenditures made by NP are relevant to this Application.

CA-NP-409: Reference: CA-NP-226: over the more recent period from 2003 to 2006,

the CMHC Housing Start Forecasts have been significantly more accurate than the Conference Board's. What effects would arise from weighting the Housing Start Forecasts (a) 75% CMHC - 25% Conference Board, and (b) 100% CMHC - 0% Conference Board for the Test Year.

CA-NP-410: Reference: CA-NP-227: in this response, NP states that it is not aware of how other Canadian Utilities use estimates of housing starts or if they use housing starts from the CMHC and the Conference Board of Canada for the purposes of preparing customer and energy forecasts. Is it not possible for NP to at least obtain the requested information from its sister Fortis Utilities and to undertake a brief survey of other utilities.

CA-NP-411: Reference: CA-NP-305: please confirm that the word "inconsistent" at p. 192, line 23 is a typo and should state "consistent".

CA-NP-412: Reference: CA-NP-202: please confirm that out of the 18 Canadian Utilities found on Table 1 in response to CA-NP-202 which have adopted the Accrual Method of Accounting, at least sixteen had done so prior to NP's last GRA.

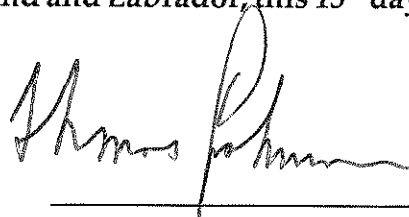
CA-NP-413: Reference: CA-NP-310: in the case of used poles that are being brought back into service, how are the same treated in terms of:

(a) inclusion in rate base, and

(b) depreciation expense given that they are being invoiced by the contractor to NP at the current cost of new poles.

CA-NP-414: Reference: CA-NP-310: what is the current cost of a new pole (by specification).

Dated at St. John's, in the Province of Newfoundland and Labrador, this 13th day of July, 2007.



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