July 16, 2007

Consumer Advocate RFIs for Newfoundland Power

CA-NP-415: Re: Volume 1, Section 1 - Introduction: With reference to the Applicant's statement (page 1, lines 4-5) that its "mature" electricity system "serves a relatively low-growth market", please address the following questions with regard to NP's business riskiness:

(a) In what ways, if at all, does NP's operating in a slow-growth environment make its **forecasting** of its future capital spending requirements and corresponding major external financing requirements more uncertain or more risky than it would be if the projected pace of population and economic growth were faster? Please explain any linkages between the pace of population and/or economic growth and forecasting uncertainty in the cited financial-projection areas;

(b) In what ways, if at all, does NP's operating in a slow-growth environment make its **forecasting** of its future electricity sales and revenues more uncertain or more risky than it would be if the projected pace of population and economic growth were faster? Please explain any linkages between the pace of population and/or economic growth and forecasting uncertainty in the cited financial-projection areas;

(c) In what ways, if at all, does NP's operating in a slow-growth environment make its **forecasting** of its future operating and maintenance costs more uncertain or more risky than it would be if the projected pace of population and economic growth were faster? Please explain any linkages between the pace of population and/or economic growth and forecasting uncertainty in the cited financial-projection areas;

(d) In what ways, if at all, does NP's operating in a slow-growth environment make its **forecasting** of its future financing costs more uncertain or more risky than it would be if the projected pace of population and economic growth were faster? Please explain any linkages between the pace of population and/or economic growth and forecasting uncertainty in the cited financial-projection area

CA-NP-416 Re: Volume1, Section 3 - Finance: With respect to NP's weather normalization reserve (page 86, lines 7-10), do any of NP's sister Fortis-owned utilities have weather normalization reserve mechanisms that adjust their financial results for either abnormal temperatures or variations in purchased power expenses due to variability in annual hydrology levels? If so, please describe which other of the Fortis utilities benefit from this kind of reserve mechanism and, briefly, how their reserve mechanisms work.

CA-NP-417 Re: Volume 1, Section 3 - Finance and CA-NP-92: Please provide a table in the same format as that provided in Response to CA-NP-92 that extends all four sets of annual rate of return figures back in time through (and including) 1990.

CA-NP-418 Re: Volume 3, Section 1 - McShane, Cost of Capital - Statistical Exhibit, Schedule 26: With respect to Schedule 26 in the Statistical Exhibit:

(a) Please extend the table forward to include 2006 ROCE values and make the appropriate adjustments to the averages at the bottom and right-hand side of the table;

(b) Please check the accuracy and/or relevancy of the 69.1% ROCE value for Empire Company for year 2000;

(c) Please describe how Ms. McShane's Comparable Earnings Test conclusions may be changed on account of the adjustments requested in (a) and (b) above; and

(d) Please indicate which of Ms. McShane's low-risk industrial sample companies are not included in the S&P/TSX Composite Index and would, therefore, not have been eligible for inclusion in the industrial sample she employed in her direct evidence in NP's 2003 GRA.

CA-NP-419 Re: Volume 3, Section 1 - McShane, Cost of Capital - CA-NP-280: Please (a) provide an exhibit in the same format as Attachment A to NP's Response to CA-NP-280 that extends the time period covered back through (and including) 1988 or, in other words, adds the years 1988 through 1992 to the present Attachment A.

CA-NP-420 The response to CA-NP-76 indicates that NP expects Energy Efficiency Program Costs to decline in 2007 and 2008 after increasing steadily from 2003 to 2006.

(a) Please explain why NP is not expecting to increase its efforts with respect to energy efficiency programs despite the escalating marginal cost of power generation;

(b) Given the explanation provided in the response to CA-NP-77, how will the company pay for increased energy efficiency spending that results form the outcomes and recommendations of the Conservation and Demand Management Potential Study;

(c) Will NP feel constrained to limit energy efficiency related spending that is not reflected in rates in the Test Year? Please explain why or why not.

CA-NP-421 NP has declined to respond to CA-NP-183. In light of that response:

(a) Please confirm that Exhibit 5 does not reflect the elasticity effect on volume throughput on either revenues or costs;

(b) Please provide a revised version of Exhibit 5 using the volume throughput adjusted for the elasticity effect in determining both costs and revenues;

(c) Please confirm that this revised version of Exhibit 5 provides a better forecast of NP financial performance in the test year, assuming the actual throughput is best estimated taking into account the elasticity effect.

CA-NP-422 As a follow up to the response to CA-NP-186, please provide:

(a) details of the alternative rate designs considered by the company as a result of the 1984 and 1997 marginal cost studies;

(b) NP's analysis of those options; and

(c) the rate design changes that were implemented since then as a result of those studies.

Dated at St. John's, in the Province of Newfoundland and Labrador, this 16th day of July, 2007.

Per/ **THOMAS JOHNSON**
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