

Volume 1, Section 2 – Customer Operations

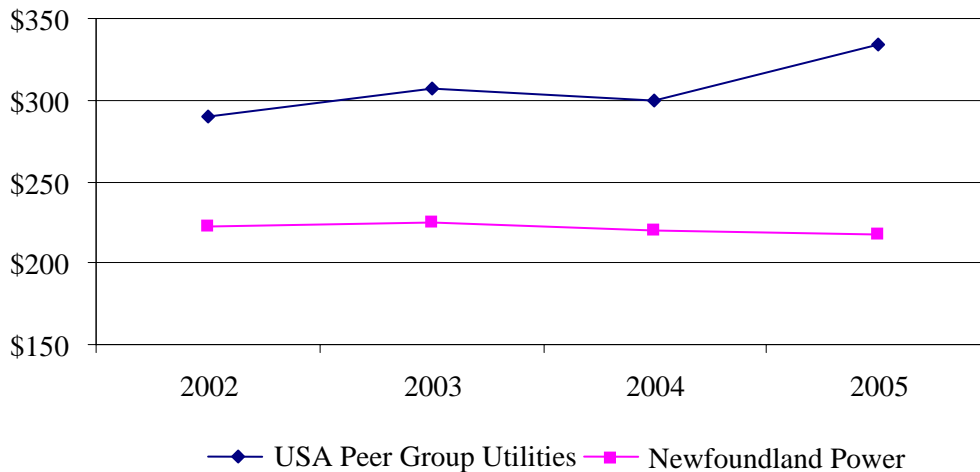
Q. (page 12, Graph 1) Please show similar data to that included in Graph 1 for a comparable peer group of utilities. In addition, please show total distribution costs for NP and the peer group.

A. Newfoundland Power uses data from the Canadian Electricity Association’s (“CEA”) Committee on Corporate Performance and Productivity Evaluation (“COPE”) for purposes of its annual reports to the Board on peer group performance measures (“peer group reports”). COPE does not provide a composite key performance indicator based on operating cost per customer or total distribution cost data for Canadian utilities.

Newfoundland Power has also assembled a peer group of American utilities¹ for the purpose of presenting additional peer group data in its peer group reports.

Graph 1 uses data collected by Newfoundland Power for its December 21, 2006 peer group report from the Federal Energy Regulatory Commission (“FERC”) filings of the American peer group of utilities to present, on an actual dollar basis, a graph similar to Graph 1 on page 12 of the evidence.

**Graph 1
Operating Cost per Customer²
2002 to 2005³**



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¹ Appendix D to the report *Peer Group Performance Measures for Newfoundland Power* filed with the Board on December 21, 2006 contains the list of American utilities included in the peer group. The report is filed as Attachment A of CA-NP-311.

² The American operating cost data is the total operating expenses as reported by the utilities to FERC, excluding fuel and purchased power cost. Newfoundland Power’s data is based upon gross operating cost less pension and ERP cost. There has been no accounting for differences in currency exchange rates between the two countries. The figures are presented on an actual dollar basis.

³ Newfoundland Power does not have data for 2006 or forecast data for the American utilities.

1 Table 1 shows the total distribution costs for the American peer group and Newfoundland
2 Power for the period 2002 to 2005.
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Table 1
Total Distribution Cost
2002 to 2005
(\$000)

Year	American Peer Group	Newfoundland Power¹
2002	543,136	15,145
2003	600,292	14,004
2004	543,877	14,499
2005	585,814	14,775

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6
7 Costs included in Table 1 and Graph 1 are the total costs for those American utilities
8 used in preparing the Company's December 21, 2006 peer group report. The number of
9 utilities included in the December 21, 2006 peer group report varies over the four year
10 period.

¹ For comparison purposes, Newfoundland Power total distribution cost includes some portion of all electricity supply functions in Exhibit 1, with the exception of the Transmission and Power Produced functions. An allocation of pension expense was also included in Newfoundland Power's total distribution cost for comparison purposes.