

1 **Volume 1, Section 2 – Customer Operations**

2
3 **Q. Please provide revised versions of Exhibits 1, 2 and 5 with additional lines in**
4 **Exhibits 1 and 2 representing a global productivity offset (“offset”) being deducted**
5 **from the Subtotal (line 18 in Exhibit 1 and line 28 in Exhibit 2) where the offset**
6 **prior to 2008 is zero and the offset in 2008 is:**

7
8 **a. \$474,000**

9 **b. \$882,000**

10
11 **A.** Exhibits 1 and 2 have been revised based on a reduction in 2008 forecast operating
12 expenses of \$474,000 and are provided in Attachment A.

13
14 Exhibits 1 and 2 have been revised based on a reduction in 2008 forecast operating
15 expenses of \$882,000 and are provided in Attachment B.

16
17 Exhibit 5 has been revised to reflect the reductions in 2008 forecast operating expenses
18 of \$474,000 and \$882,000. They are included as Attachments C and D, respectively.

Attachment A

Newfoundland Power Inc.

Operating Costs by Function
2002-2008
(\$000s)

<u>Function</u>	<u>Actual 2002</u>	<u>Actual 2003</u>	<u>Actual 2004</u>	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Forecast 2007</u>	<u>Pro-Forma 2008</u>
1 Distribution	5,944	5,677	6,227	6,388	6,721	6,499	6,574
2 Transmission	597	645	814	490	486	661	750
3 Substations	2,265	2,550	2,939	2,442	2,530	2,494	2,495
4 Power Produced	2,174	2,383	2,822	2,646	2,688	2,511	2,516
5 Administrative & Engineering Support	7,833	6,518	6,723	5,926	5,315	5,466	5,580
6 Telecommunications	848	789	616	1,603	1,467	1,514	1,525
7 Environment	1,148	769	583	462	496	510	545
8 Fleet Operating & Maintenance	1,567	1,778	1,347	1,496	1,491	1,482	1,495
9 Electricity Supply	22,376	21,109	22,071	21,453	21,194	21,137	21,480
10 Customer Services	8,228	8,411	8,598	8,978	9,073	9,020	9,094
11 Uncollectible Bills	700	1,108	963	1,158	961	1,000	1,050
12 Customer Services	8,928	9,519	9,561	10,136	10,034	10,020	10,144
13 Information Systems	2,787	2,663	2,773	2,698	2,685	2,766	2,826
14 Financial Services	1,439	1,290	1,350	1,426	1,527	1,346	1,376
15 Corporate & Employee Services	12,176	13,536	11,837	11,745	11,557	12,102	11,972
16 Insurances	1,098	1,389	1,510	1,653	1,694	1,728	1,775
17 General	17,500	18,878	17,470	17,522	17,463	17,942	17,949
18 Sub total	48,804	49,506	49,102	49,111	48,691	49,099	49,573
18a Reduction in 2008 Operating Expenses	-	-	-	-	-	-	(474)
19 Deferred Regulatory Costs	-	347	347	347	-	-	417
21 Pension & ERP Costs	3,972	3,787	4,345	6,369	7,343	5,513	3,348
22 Gross Operating Expenses	52,776	53,640	53,794	55,827	56,034	54,612	52,864
23 Transfer to GEC	(2,009)	(1,841)	(2,039)	(2,015)	(2,038)	(2,100)	(2,100)
24 Net Operating Expenses	50,767	51,799	51,755	53,812	53,996	52,512	50,764
Number of Customers	219,072	221,653	224,464	227,301	229,500	231,715	233,714
Gross Operating Cost per Customer (\$)¹	223	225	220	218	212	212	212

¹ Costs related to pensions and early retirement programs are excluded from the calculation of Gross Operating Cost per Customer.

Newfoundland Power Inc.

Operating Costs by Breakdown
2002-2008
(\$000s)

Breakdown	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Forecast 2007	Pro-Forma 2008
1 Regular and Standby	24,962	23,674	24,689	24,568	24,463	24,642	25,188
2 Temporary	1,545	1,723	2,097	2,232	2,204	2,127	2,040
3 Overtime	1,903	1,759	1,668	1,500	1,469	1,431	1,443
4 Total Labour	28,410	27,156	28,454	28,300	28,136	28,200	28,671
5 Vehicle Expenses	1,502	1,743	1,334	1,482	1,495	1,482	1,495
6 Operating Materials	1,564	1,486	1,555	1,432	1,232	1,137	1,124
7 Inter-Company Charges	626	769	667	489	575	560	568
8 Plants, Subs, System Oper & Bldgs	2,055	2,061	1,850	1,813	1,925	1,822	1,820
9 Travel	1,220	1,130	1,095	1,063	1,105	1,062	987
10 Tools and Clothing Allowance	799	1,000	962	899	822	835	836
11 Miscellaneous	1,635	1,654	1,684	1,463	1,421	1,457	1,486
13 Taxes and Assessments	823	866	784	660	253	680	680
14 Uncollectible Bills	700	1,108	963	1,158	961	1,000	1,050
15 Insurances	1,098	1,389	1,510	1,653	1,696	1,728	1,775
16 Retirement Allowances	59	336	233	48	218	175	175
17 Education, Training, Employee Fees	318	258	216	245	252	238	248
18 Trustee and Directors' Fees	339	406	375	388	373	386	395
19 Other Company Fees	1,909	2,187	1,434	1,697	1,605	1,609	1,418
20 Stationery & Copying	354	376	274	326	380	394	372
21 Equipment Rental/Maintenance	825	708	695	717	707	763	725
22 Telecommunications	1,511	1,598	1,626	1,694	1,656	1,620	1,630
23 Postage	1,294	1,364	1,406	1,506	1,537	1,465	1,571
24 Advertising	302	281	368	326	381	368	371
25 Vegetation Management	987	997	1,051	1,070	1,278	1,361	1,400
26 Computing Equipment & Software	474	633	566	682	683	758	776
27 Total Other	20,394	22,350	20,648	20,811	20,555	20,899	20,902
28 Sub total	48,804	49,506	49,102	49,111	48,691	49,099	49,573
28a Reduction in 2008 Operating Expenses	-	-	-	-	-	-	(474)
29 Deferred Regulatory Costs	-	347	347	347	-	-	417
30 Pension Costs	3,829	3,787	4,345	4,511	5,242	4,251	2,220
31 ERP (retirement allow & pension)	143	-	-	1,858	2,101	1,262	1,128
32 Total Gross Operating Expenses	52,776	53,640	53,794	55,827	56,034	54,612	52,864
33 Transfer to GEC	(2,009)	(1,841)	(2,039)	(2,015)	(2,038)	(2,100)	(2,100)
34 Net Operating Expenses	50,767	51,799	51,755	53,812	53,996	52,512	50,764

Attachment B

Newfoundland Power Inc.

Operating Costs by Function
2002-2008
(\$000s)

<u>Function</u>	<u>Actual 2002</u>	<u>Actual 2003</u>	<u>Actual 2004</u>	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Forecast 2007</u>	<u>Pro-Forma 2008</u>
1 Distribution	5,944	5,677	6,227	6,388	6,721	6,499	6,574
2 Transmission	597	645	814	490	486	661	750
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4 Power Produced	2,174	2,383	2,822	2,646	2,688	2,511	2,516
5 Administrative & Engineering Support	7,833	6,518	6,723	5,926	5,315	5,466	5,580
6 Telecommunications	848	789	616	1,603	1,467	1,514	1,525
7 Environment	1,148	769	583	462	496	510	545
8 Fleet Operating & Maintenance	1,567	1,778	1,347	1,496	1,491	1,482	1,495
9 Electricity Supply	22,376	21,109	22,071	21,453	21,194	21,137	21,480
10 Customer Services	8,228	8,411	8,598	8,978	9,073	9,020	9,094
11 Uncollectible Bills	700	1,108	963	1,158	961	1,000	1,050
12 Customer Services	8,928	9,519	9,561	10,136	10,034	10,020	10,144
13 Information Systems	2,787	2,663	2,773	2,698	2,685	2,766	2,826
14 Financial Services	1,439	1,290	1,350	1,426	1,527	1,346	1,376
15 Corporate & Employee Services	12,176	13,536	11,837	11,745	11,557	12,102	11,972
16 Insurances	1,098	1,389	1,510	1,653	1,694	1,728	1,775
17 General	17,500	18,878	17,470	17,522	17,463	17,942	17,949
18 Sub total	48,804	49,506	49,102	49,111	48,691	49,099	49,573
18a Reduction in 2008 Operating Expenses	-	-	-	-	-	-	(882)
19 Deferred Regulatory Costs	-	347	347	347	-	-	417
21 Pension & ERP Costs	3,972	3,787	4,345	6,369	7,343	5,513	3,348
22 Gross Operating Expenses	52,776	53,640	53,794	55,827	56,034	54,612	52,456
23 Transfer to GEC	(2,009)	(1,841)	(2,039)	(2,015)	(2,038)	(2,100)	(2,100)
24 Net Operating Expenses	50,767	51,799	51,755	53,812	53,996	52,512	50,356
Number of Customers	219,072	221,653	224,464	227,301	229,500	231,715	233,714
Gross Operating Cost per Customer (\$) ¹	223	225	220	218	212	212	210

¹ Costs related to pensions and early retirement programs are excluded from the calculation of Gross Operating Cost per Customer.

Newfoundland Power Inc.

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2002-2008
(\$000s)

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3 Overtime	1,903	1,759	1,668	1,500	1,469	1,431	1,443
4 Total Labour	28,410	27,156	28,454	28,300	28,136	28,200	28,671
5 Vehicle Expenses	1,502	1,743	1,334	1,482	1,495	1,482	1,495
6 Operating Materials	1,564	1,486	1,555	1,432	1,232	1,137	1,124
7 Inter-Company Charges	626	769	667	489	575	560	568
8 Plants, Subs, System Oper & Bldgs	2,055	2,061	1,850	1,813	1,925	1,822	1,820
9 Travel	1,220	1,130	1,095	1,063	1,105	1,062	987
10 Tools and Clothing Allowance	799	1,000	962	899	822	835	836
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13 Taxes and Assessments	823	866	784	660	253	680	680
14 Uncollectible Bills	700	1,108	963	1,158	961	1,000	1,050
15 Insurances	1,098	1,389	1,510	1,653	1,696	1,728	1,775
16 Retirement Allowances	59	336	233	48	218	175	175
17 Education, Training, Employee Fees	318	258	216	245	252	238	248
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19 Other Company Fees	1,909	2,187	1,434	1,697	1,605	1,609	1,418
20 Stationery & Copying	354	376	274	326	380	394	372
21 Equipment Rental/Maintenance	825	708	695	717	707	763	725
22 Telecommunications	1,511	1,598	1,626	1,694	1,656	1,620	1,630
23 Postage	1,294	1,364	1,406	1,506	1,537	1,465	1,571
24 Advertising	302	281	368	326	381	368	371
25 Vegetation Management	987	997	1,051	1,070	1,278	1,361	1,400
26 Computing Equipment & Software	474	633	566	682	683	758	776
27 Total Other	20,394	22,350	20,648	20,811	20,555	20,899	20,902
28 Sub total	48,804	49,506	49,102	49,111	48,691	49,099	49,573
28a Reduction in 2008 Operating Expenses	-	-	-	-	-	-	(882)
29 Deferred Regulatory Costs	-	347	347	347	-	-	417
30 Pension Costs	3,829	3,787	4,345	4,511	5,242	4,251	2,220
31 ERP (retirement allow & pension)	143	-	-	1,858	2,101	1,262	1,128
32 Total Gross Operating Expenses	52,776	53,640	53,794	55,827	56,034	54,612	52,456
33 Transfer to GEC	(2,009)	(1,841)	(2,039)	(2,015)	(2,038)	(2,100)	(2,100)
34 Net Operating Expenses	50,767	51,799	51,755	53,812	53,996	52,512	50,356

Attachment C

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008

Statements of Income

(\$000s)

Reduction in 2008 Operating Expenses of \$474,000

	Historical Data ¹					Forecast	Pro-Forma
	2002	2003	2004	2005	2006	2007	2008
1 Electricity Sales (GWh)	4,765	4,882	4,979	5,004	4,995	5,054	5,154
2							
3 Revenue From Rates	362,772	376,094	395,577	407,597	407,689	472,155	478,535
3 Amortization of the 2005 Unbilled Revenue	-	-	-	-	3,086	2,714	-
5	362,772	376,094	395,577	407,597	410,775	474,869	478,535
6							
7 Purchased Power Expense	210,764	226,232	242,280	254,222	255,425	322,688	328,786
8 Deferred Recovery of Replacement Energy Costs	-	-	-	-	-	(1,795)	-
9 Amortization of Weather Normalization Reserve	-	1,732	1,732	1,732	1,732	1,732	-
10	210,764	227,964	244,012	255,954	257,157	322,625	328,786
11							
12 Contribution	152,008	148,130	151,565	151,643	153,618	152,244	149,749
13							
14 Other Revenue	6,855	8,056	8,870	12,366	10,489	10,426	10,801
15							
16 Other Expenses:							
17 Operating Expenses	46,795	48,012	47,410	47,443	46,653	46,999	48,249
18 Pension and Early Retirement Costs	3,972	3,787	4,345	6,369	7,343	5,513	3,348
19 Cost Recovery Deferral	-	-	-	-	(5,793)	(5,793)	-
20 Depreciation	35,442	29,372	30,987	32,143	38,922	40,127	41,002
21 Finance Charges	26,853	30,009	30,393	31,369	32,677	33,790	32,770
22	113,062	111,180	113,135	117,324	119,802	120,636	125,369
23							
24 Income Before Income Taxes	45,801	45,006	47,300	46,685	44,305	42,034	35,181
25 Income Taxes	16,381	14,945	15,586	15,368	13,639	12,646	14,422
26							
27 Net Income	29,420	30,061	31,714	31,317	30,666	29,388	20,759
28 Preferred Dividends	613	601	592	588	588	586	586
29							
30 Earnings Applicable to Common Shares	28,807	29,460	31,122	30,729	30,078	28,802	20,173
31							
32							
33 Rate of Return and Credit Metrics							
34 Rate of Return on Rate Base (percentage)	9.94	9.03	8.82	8.53	8.57	8.12	6.68
35 Regulated Return on Book Equity (percentage)	10.65	10.22	10.12	10.12	9.46	8.61	5.94
36 Interest Coverage (times)	2.6	2.4	2.5	2.4	2.3	2.2	2.0
37 CFO Pre-W/C + Interest / Interest (times)	3.2	2.9	3.0	2.9	2.7	2.7	2.7
38 CFO Pre-W/C / Debt (percentage)	17.6	15.6	16.0	15.7	14.1	13.5	12.7

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008
Statements of Retained Earnings
(\$000s)

	Historical Data					Forecast	Pro-Forma
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1 Balance - Beginning	189,882	209,194	229,159	246,039	253,651	265,566	285,286
2 Net Income for the Period	29,420	30,061	31,714	31,317	30,666	29,388	20,759
3	<u>219,302</u>	<u>239,255</u>	<u>260,873</u>	<u>277,356</u>	<u>284,317</u>	<u>294,954</u>	<u>306,045</u>
4							
5 Dividends							
6 Preference Shares	613	601	592	588	588	586	586
7 Common Shares	9,495	9,495	14,242	23,117	18,163	9,082	18,989
8	<u>10,108</u>	<u>10,096</u>	<u>14,834</u>	<u>23,705</u>	<u>18,751</u>	<u>9,668</u>	<u>19,575</u>
9							
10 Balance - End of Period	<u>209,194</u>	<u>229,159</u>	<u>246,039</u>	<u>253,651</u>	<u>265,566</u>	<u>285,286</u>	<u>286,470</u>

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008
Balance Sheets
(\$000s)

	Historical Data					Forecast	Pro-Forma
	2002	2003	2004	2005	2006	2007	2008
1 Assets							
2							
3 Fixed Assets							
4 Property, plant & equipment	1,010,704	1,070,674	1,113,519	1,149,582	1,187,535	1,233,718	1,270,976
5 Less: accumulated amortization	421,929	448,245	462,947	476,932	494,856	516,933	541,229
6 Less: Contributions in aid of Construction	20,300	20,300	20,495	21,192	23,142	23,350	23,464
7	568,475	602,129	630,077	651,458	669,537	693,435	706,283
8							
9 Current Assets							
10 Cash	2,485	-	467	-	-	-	-
11 Accounts receivable	55,275	55,844	59,571	58,730	61,604	73,025	73,735
12 Materials and supplies	4,525	5,250	5,419	5,206	4,923	5,400	5,500
13 Prepaid Expenses	1,169	1,240	1,292	1,211	1,222	1,222	1,222
14 Rate stabilization account	5,751	6,497	8,763	9,284	10,793	12,711	12,711
15	69,205	68,831	75,512	74,431	78,542	92,358	93,168
16							
17 Corporate Income Tax Deposit	6,949	6,949	6,949	-	-	-	-
18							
19 Deferred and other charges	70,291	78,282	84,082	90,128	95,201	102,012	104,812
20							
21 Regulatory Assets	10,919	11,499	11,195	11,066	17,735	23,416	23,416
22							
23 OPEB asset	10,013	13,684	17,495	22,976	27,782	34,102	40,374
24							
25	735,852	781,374	825,310	850,059	888,797	945,323	968,053
26							
27							
28 Shareholder's Equity and Liabilities							
29 Shareholder's Equity							
30 Common shares	70,321	70,321	70,321	70,321	70,321	70,321	70,321
31 Retained earnings	209,194	229,159	246,039	253,651	265,566	285,286	286,470
32 Common shareholder's equity	279,515	299,480	316,360	323,972	335,887	355,607	356,791
33 Preference shares	9,709	9,429	9,417	9,410	9,353	9,353	9,353
34	289,224	308,909	325,777	333,382	345,240	364,960	366,144
35							
36 Current Liabilities							
37 Bank indebtedness	-	1,278	-	772	400	-	-
38 Accounts payable and accrued charges	51,965	48,678	56,868	58,493	65,310	69,415	71,241
39 Current portion of long-term debt	3,650	3,650	3,650	4,250	35,720	4,450	4,450
40 Municipal tax liability	9,218	9,535	10,187	10,966	11,328	11,328	11,328
41	64,833	63,141	70,705	74,481	112,758	85,193	87,019
42							
43 Future income taxes	-	988	1,501	1,375	-	-	419
44							
45 Short-term borrowings	15,987	39,909	58,109	11,040	34,751	40,359	57,626
46							
47 Long-term debt	332,208	328,558	324,908	380,058	344,338	399,288	394,838
48							
49 Other Liabilities	2,346	2,870	3,065	3,116	3,426	3,633	3,845
50							
51 Regulatory Liabilities	21,241	23,315	23,750	23,631	20,502	17,788	17,788
52							
53 OPEB Liability	10,013	13,684	17,495	22,976	27,782	34,102	40,374
54							
55	735,852	781,374	825,310	850,059	888,797	945,323	968,053

Newfoundland Power Inc.

**Financial Results and Forecasts
2002 - 2008
Statements of Cash Flows
(\$000s)**

	Historical Data					Forecast	Pro-Forma
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1 Cash From (Used In) Operating Activities							
2 Net Income	29,420	30,061	31,714	31,317	30,666	29,388	20,759
3							
4 Amortization of capital assets	35,442	29,372	30,987	32,143	38,922	40,127	41,002
5 Amortization of deferred charges	436	186	268	353	313	324	308
6 Amortization of regulatory assets and liabilities	(1,019)	484	300	1,812	(5,349)	(1,455)	-
7 Regulatory deferrals	-	(693)	(3,472)	(1,683)	(4,451)	(6,940)	-
8 Future income taxes	-	988	513	(126)	(1,375)	-	419
9 Accrued employee future benefits	(9,148)	(7,753)	(2,246)	(5,814)	(4,745)	(6,327)	(2,896)
10 Change in non-cash working capital	5,783	(3,253)	2,728	9,848	3,070	(9,713)	1,014
11	<u>60,914</u>	<u>49,392</u>	<u>60,792</u>	<u>67,850</u>	<u>57,051</u>	<u>45,402</u>	<u>60,607</u>
12							
13 Cash From (Used In) Financing Activities							
14 Net Proceeds from long-term debt	74,325	-	-	60,000	-	59,400	-
15 Repayment of long-term debt	(2,900)	(3,650)	(3,650)	(4,250)	(4,250)	(36,320)	(4,450)
16 Short-term borrowings	(59,122)	23,922	18,200	(47,069)	23,711	5,608	17,267
17 Contributions from customers and security deposits	1,027	1,788	1,411	1,749	3,166	1,500	1,500
18 Redemption of preference shares	-	(280)	(12)	(7)	(57)	-	-
19 Dividends							
20 Preference Shares	(613)	(601)	(592)	(588)	(588)	(586)	(586)
21 Common Shares	(9,495)	(9,495)	(14,242)	(23,117)	(18,163)	(9,082)	(18,989)
22	<u>3,222</u>	<u>11,684</u>	<u>1,115</u>	<u>(13,282)</u>	<u>3,819</u>	<u>20,520</u>	<u>(5,259)</u>
23							
24							
25 Cash From (Used In) Investing Activities							
26 Capital expenditures (net of salvage)	(59,868)	(64,749)	(60,315)	(55,399)	(60,235)	(65,522)	(55,348)
27 Other deferred charges	-	-	-	(465)	(59)	-	-
28 Long-term portion of finance programs	(1,643)	(90)	153	57	(204)	-	-
29	<u>(61,511)</u>	<u>(64,839)</u>	<u>(60,162)</u>	<u>(55,807)</u>	<u>(60,498)</u>	<u>(65,522)</u>	<u>(55,348)</u>
30							
31 Increase (Decrease) in Cash	2,625	(3,763)	1,745	(1,239)	372	400	-
32 (Bank Indebtedness) Cash, Beginning of Period	(140)	2,485	(1,278)	467	(772)	(400)	-
33 (Bank Indebtedness) Cash, End of Period	<u>2,485</u>	<u>(1,278)</u>	<u>467</u>	<u>(772)</u>	<u>(400)</u>	<u>-</u>	<u>-</u>

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008

Average Rate Base¹
(\$000s)

		Historical Data					Forecast	Pro-Forma
		2002	2003	2004	2005	2006	2007	2008
1	Plant Investment	991,114	1,039,836	1,092,096	1,131,554	1,168,561	1,210,625	1,252,347
2								
3	Add:							
4	Deferred Charges	-	72,937	80,046	86,063	91,441	96,945	101,684
5	Weather Normalization Reserve	10,409	10,677	10,456	10,289	10,954	11,246	10,683
6	Deferred Energy Replacement Costs	-	-	-	-	-	574	1,147
7	Depreciation True-up Deferral	-	-	-	-	2,897	8,690	11,586
8	Future Income Taxes	-	(494)	(1,245)	(1,438)	(688)	-	(210)
9	Customer Finance Programs	558	613	608	572	791	901	800
10		<u>10,967</u>	<u>83,733</u>	<u>89,865</u>	<u>95,486</u>	<u>105,395</u>	<u>118,356</u>	<u>125,690</u>
11								
12	Deduct:							
13	Accumulated Depreciation	414,451	434,491	455,595	469,942	485,894	505,892	529,081
14	Work In Progress	2,630	2,290	786	644	943	1,716	2,314
15	Contributions In Aid of Construction	19,887	20,044	20,398	20,844	22,167	23,246	23,407
16	2005 Unbilled Revenue	-	-	-	-	21,396	17,803	16,446
17	Supply Cost Variance Reserve	-	-	-	-	671	1,342	1,342
18		<u>436,968</u>	<u>456,825</u>	<u>476,779</u>	<u>491,430</u>	<u>531,071</u>	<u>549,999</u>	<u>572,590</u>
19								
20	Average Rate Base Before Allowances	565,113	666,744	705,182	735,610	742,885	778,982	805,447
21								
22	Cash Working Capital Allowance	4,712	4,977	5,268	5,514	5,522	6,576	6,667
23								
24	Materials and Supplies Allowance	3,512	4,009	4,661	4,322	4,510	4,217	4,453
25								
26	Average Rate Base At Year End	<u>573,337</u>	<u>675,730</u>	<u>715,111</u>	<u>745,446</u>	<u>752,917</u>	<u>789,775</u>	<u>816,567</u>

Notes:

¹ All numbers shown are averages.

Newfoundland Power Inc.

**Financial Results and Forecasts
2002 - 2008
Average Invested Capital
(\$000s)**

		Historical Data					Forecast	Pro-Forma
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	Regulated Average Capital Structure							
2	Debt	345,426	362,620	380,031	391,394	405,665	429,653	450,506
3	Preference Shares	9,709	9,569	9,423	10,614	9,382	9,353	9,353
4	Common Equity	277,119	297,590	316,973	328,922	329,930	345,748	356,200
5		632,254	669,779	706,427	730,930	744,977	784,754	816,059
6								
7	Debt	54.63%	54.14%	53.80%	53.55%	54.45%	54.75%	55.21%
8	Preference Shares	1.54%	1.43%	1.33%	1.45%	1.26%	1.19%	1.15%
9	Common Equity	43.83%	44.43%	44.87%	45.00%	44.29%	44.06%	43.64%
10		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
11								
12								
13	Regulated Cost of Capital							
14	Debt	7.88%	8.38%	8.06%	8.07%	8.14%	7.94%	7.33%
15	Preference Shares	6.31%	6.28%	6.28%	6.25%	6.27%	6.27%	6.27%
16	Common Equity	10.65%	10.22%	10.12%	9.60%	9.46%	8.61%	5.94%
17								
18								
19	Weighted Average Cost of Capital							
20	Debt	4.30%	4.54%	4.34%	4.32%	4.43%	4.35%	4.05%
21	Preference Shares	0.10%	0.09%	0.08%	0.09%	0.08%	0.07%	0.07%
22	Common Equity	4.67%	4.54%	4.54%	4.32%	4.19%	3.79%	2.59%
23		9.07%	9.17%	8.96%	8.73%	8.70%	8.21%	6.71%

Newfoundland Power Inc.

Financial Results and Forecasts

2002 - 2008

Rate of Return on Rate Base

(\$000s)

Historical Data

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Forecast 2007</u>	<u>Pro-Forma 2008</u>
1 Regulated Return on Equity	29,518	30,415	32,088	31,644	31,227	29,777	21,156
2 Return on Preferred Equity	613	601	592	588	588	586	586
3	30,131	31,016	32,680	32,232	31,815	30,363	21,742
4							
5 Finance Charges							
6 Interest on Long-term Debt	26,094	30,501	30,165	31,046	32,759	33,564	31,513
7 Other Interest	1,846	762	1,277	1,535	1,309	1,582	2,557
8 Interest Earned	(872)	(1,063)	(979)	(1,158)	(1,210)	(1,200)	(1,200)
9 Interest Charged to Construction	(454)	(471)	(335)	(319)	(436)	(420)	(350)
10 Amortization of Bond Issue Expenses	167	198	199	201	193	188	188
11 Amortization of Capital Stock Issue Expenses	72	82	66	64	62	62	62
12	26,853	30,009	30,393	31,369	32,677	33,776	32,770
13							
14 Return on Rate Base	56,984	61,025	63,073	63,601	64,492	64,139	54,512
15							
16 Average Rate Base	573,337	675,730	715,111	745,446	752,917	789,774	816,567
17							
18 Rate of Return on Rate Base	9.94%	9.03%	8.82%	8.53%	8.57%	8.12%	6.68%

Newfoundland Power Inc.

**Financial Performance
2002 - 2008**

Major Inputs and Assumptions for 2007 and 2008

1 Forecast results for 2007 and 2008 are based on electricity rates effective January 1, 2007 approved by the Board in
2 Order No. P.U. 8 (2007) and before implementation of any of the proposals in this Application.
3 Specific assumptions include:
4
5 **Energy Forecasts :** Energy forecasts are based on economic indicators taken from the Conference Board of
6 Canada forecast dated December 19, 2006.
7
8 **Revenue Forecast :** The revenue forecast is based on the Customer, Energy and Demand forecast filed in this
9 Application.
10
11 Revenue for 2007 includes the amortization of \$2.7 million of the 2005 unbilled revenue
12 as approved in Order No. P.U. 39 (2006).
13
14 **Purchased Power Expense :** Rates charged by Newfoundland and Labrador Hydro approved by the Board in
15 Order No. P.U. 8 (2007).
16
17 Purchased Power Expense for 2007 includes a \$1.7 million amortization of the Hydro
18 Equalization Reserve as approved in Order No. P.U. 19 (2003).
19
20 Purchased Power Expense for 2007 has been reduced to reflect deferred replacement
21 energy costs of \$1.8 million (\$1.1 million after tax) as approved in Order No. P.U. 39 (2006)
22
23 **Pensions and Early Retirement Costs :** Pension costs related to the 2005 Early Retirement Program are being amortized over
24 a 10-year period from 2005 to 2015 as approved in Order No. P.U. 49 (2004).
25
26 Pension funding is based on the actuarial valuation dated December 31, 2005 filed with
27 this Application and a Board approved schedule of funding payments
28
29 Pension expense discount rate is assumed to be 5.25% in 2007 and 2008
30
31 **Cost Recovery Deferral:** In Order No. P.U. 39 (2006), the Board approved the deferred recovery of \$5.8 million in
32 2007 costs related to the conclusion of the Depreciation True-up in 2005.
33
34 **Operating Costs:** Operating costs for 2008 have been reduced by \$474,000 as per request
35
36 **Depreciation Rates :** Depreciation rates for 2007 and 2008 are based on the 2002 depreciation study as approved
37 by the Board in Order No. P.U. 19 (2003).
38
39 **Short-Term Interest Rates :** Average short-term interest rates are assumed to be 4.91% in 2007 and 5.00% in 2008
40
41 **Long-Term Debt :** A \$60.0 million long-term debt issue is forecast to be completed on August 1, 2007.
42 The debt is forecast for 30 years at a coupon rate of 5.50%. Debt repayments will be
43 in accordance with the normal sinking fund provisions for existing outstanding debt
44
45 **Dividends :** Common dividend payouts are forecast based on maintaining a target common equity
46 component of 45%.
47
48 **Income Tax :** Income tax expense reflects a statutory income tax rate of 36.12% in 2007
49 and 34.5% in 2008.
50
51 Income tax expense includes \$2.7 million in 2007 and \$2.6 million in 2008 related to
52 the 2005 tax settlement.

Attachment D

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008Statements of Income
(\$000s)

Reduction in 2008 Operating Expenses of \$882,000

	Historical Data					Forecast	Pro-Forma
	2002	2003	2004	2005	2006	2007	2008
1 Electricity Sales (GWh)	4,765	4,882	4,979	5,004	4,995	5,054	5,154
2							
3 Revenue From Rates	362,772	376,094	395,577	407,597	407,689	472,155	478,535
3 Amortization of the 2005 Unbilled Revenue	-	-	-	-	3,086	2,714	-
5	362,772	376,094	395,577	407,597	410,775	474,869	478,535
6							
7 Purchased Power Expense	210,764	226,232	242,280	254,222	255,425	322,688	328,786
8 Deferred Recovery of Replacement Energy Costs	-	-	-	-	-	(1,795)	-
9 Amortization of Weather Normalization Reserve	-	1,732	1,732	1,732	1,732	1,732	-
10	210,764	227,964	244,012	255,954	257,157	322,625	328,786
11							
12 Contribution	152,008	148,130	151,565	151,643	153,618	152,244	149,749
13							
14 Other Revenue	6,855	8,056	8,870	12,366	10,489	10,426	10,801
15							
16 Other Expenses:							
17 Operating Expenses	46,795	48,012	47,410	47,443	46,653	46,999	47,841
18 Pension and Early Retirement Costs	3,972	3,787	4,345	6,369	7,343	5,513	3,348
19 Cost Recovery Deferral	-	-	-	-	(5,793)	(5,793)	-
20 Depreciation	35,442	29,372	30,987	32,143	38,922	40,127	41,002
21 Finance Charges	26,853	30,009	30,393	31,369	32,677	33,790	32,765
22	113,062	111,180	113,135	117,324	119,802	120,636	124,956
23							
24 Income Before Income Taxes	45,801	45,006	47,300	46,685	44,305	42,034	35,594
25 Income Taxes	16,381	14,945	15,586	15,368	13,639	12,646	14,564
26							
27 Net Income	29,420	30,061	31,714	31,317	30,666	29,388	21,030
28 Preferred Dividends	613	601	592	588	588	586	586
29							
30 Earnings Applicable to Common Shares	28,807	29,460	31,122	30,729	30,078	28,802	20,444
31							
32							
33 Rate of Return and Credit Metrics							
34 Rate of Return on Rate Base (percentage)	9.94	9.03	8.82	8.53	8.57	8.12	6.71
35 Regulated Return on Book Equity (percentage)	10.65	10.22	10.12	10.12	9.46	8.61	6.01
36 Interest Coverage (times)	2.6	2.4	2.5	2.4	2.3	2.2	2.0
37 CFO Pre-W/C + Interest / Interest (times)	3.2	2.9	3.0	2.9	2.7	2.7	2.7
38 CFO Pre-W/C / Debt (percentage)	17.6	15.6	16.0	15.7	14.1	13.5	12.8

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008
Statements of Retained Earnings
(\$000s)

	Historical Data					Forecast	Pro-Forma
	2002	2003	2004	2005	2006	2007	2008
1 Balance - Beginning	189,882	209,194	229,159	246,039	253,651	265,566	285,286
2 Net Income for the Period	29,420	30,061	31,714	31,317	30,666	29,388	21,030
3	219,302	239,255	260,873	277,356	284,317	294,954	306,316
4							
5 Dividends							
6 Preference Shares	613	601	592	588	588	586	586
7 Common Shares	9,495	9,495	14,242	23,117	18,163	9,082	18,989
8	10,108	10,096	14,834	23,705	18,751	9,668	19,575
9							
10 Balance - End of Period	209,194	229,159	246,039	253,651	265,566	285,286	286,741

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008
Balance Sheets
(\$000s)

		Historical Data					Forecast	Pro-Forma
		2002	2003	2004	2005	2006	2007	2008
1	Assets							
2								
3	Fixed Assets							
4	Property, plant & equipment	1,010,704	1,070,674	1,113,519	1,149,582	1,187,535	1,233,718	1,270,976
5	Less: accumulated amortization	421,929	448,245	462,947	476,932	494,856	516,933	541,229
6	Less: Contributions in aid of Construction	20,300	20,300	20,495	21,192	23,142	23,350	23,464
7		<u>568,475</u>	<u>602,129</u>	<u>630,077</u>	<u>651,458</u>	<u>669,537</u>	<u>693,435</u>	<u>706,283</u>
8								
9	Current Assets							
10	Cash	2,485	-	467	-	-	-	-
11	Accounts receivable	55,275	55,844	59,571	58,730	61,604	73,025	73,735
12	Materials and supplies	4,525	5,250	5,419	5,206	4,923	5,400	5,500
13	Prepaid Expenses	1,169	1,240	1,292	1,211	1,222	1,222	1,222
14	Rate stabilization account	5,751	6,497	8,763	9,284	10,793	12,711	12,711
15		<u>69,205</u>	<u>68,831</u>	<u>75,512</u>	<u>74,431</u>	<u>78,542</u>	<u>92,358</u>	<u>93,168</u>
16								
17	Corporate Income Tax Deposit	6,949	6,949	6,949	-	-	-	-
18								
19	Deferred and other charges	70,291	78,282	84,082	90,128	95,201	102,012	104,812
20								
21	Regulatory Assets	10,919	11,499	11,195	11,066	17,735	23,416	23,416
22								
23	OPEB asset	10,013	13,684	17,495	22,976	27,782	34,102	40,374
24								
25		<u>735,852</u>	<u>781,374</u>	<u>825,310</u>	<u>850,059</u>	<u>888,797</u>	<u>945,323</u>	<u>968,053</u>
26								
27								
28	Shareholder's Equity and Liabilities							
29	Shareholder's Equity							
30	Common shares	70,321	70,321	70,321	70,321	70,321	70,321	70,321
31	Retained earnings	209,194	229,159	246,039	253,651	265,566	285,286	286,741
32	Common shareholder's equity	<u>279,515</u>	<u>299,480</u>	<u>316,360</u>	<u>323,972</u>	<u>335,887</u>	<u>355,607</u>	<u>357,062</u>
33	Preference shares	9,709	9,429	9,417	9,410	9,353	9,353	9,353
34		<u>289,224</u>	<u>308,909</u>	<u>325,777</u>	<u>333,382</u>	<u>345,240</u>	<u>364,960</u>	<u>366,415</u>
35								
36	Current Liabilities							
37	Bank indebtedness	-	1,278	-	772	400	-	-
38	Accounts payable and accrued charges	51,965	48,678	56,868	58,493	65,310	69,415	71,186
39	Current portion of long-term debt	3,650	3,650	3,650	4,250	35,720	4,450	4,450
40	Municipal tax liability	9,218	9,535	10,187	10,966	11,328	11,328	11,328
41		<u>64,833</u>	<u>63,141</u>	<u>70,705</u>	<u>74,481</u>	<u>112,758</u>	<u>85,193</u>	<u>86,964</u>
42								
43	Future income taxes	-	988	1,501	1,375	-	-	419
44								
45	Short-term borrowings	15,987	39,909	58,109	11,040	34,751	40,359	57,410
46								
47	Long-term debt	332,208	328,558	324,908	380,058	344,338	399,288	394,838
48								
49	Other Liabilities	2,346	2,870	3,065	3,116	3,426	3,633	3,845
50								
51	Regulatory Liabilities	21,241	23,315	23,750	23,631	20,502	17,788	17,788
52								
53	OPEB Liability	10,013	13,684	17,495	22,976	27,782	34,102	40,374
54								
55		<u>735,852</u>	<u>781,374</u>	<u>825,310</u>	<u>850,059</u>	<u>888,797</u>	<u>945,323</u>	<u>968,053</u>

Newfoundland Power Inc.

Financial Results and Forecasts
2002 - 2008
Statements of Cash Flows
(\$000s)

	Historical Data					Forecast	Pro-Forma
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1 Cash From (Used In) Operating Activities							
2 Net Income	29,420	30,061	31,714	31,317	30,666	29,388	21,030
3							
4 Amortization of capital assets	35,442	29,372	30,987	32,143	38,922	40,127	41,002
5 Amortization of deferred charges	436	186	268	353	313	324	308
6 Amortization of regulatory assets and liabilities	(1,019)	484	300	1,812	(5,349)	(1,455)	-
7 Regulatory deferrals	-	(693)	(3,472)	(1,683)	(4,451)	(6,940)	-
8 Future income taxes	-	988	513	(126)	(1,375)	-	419
9 Accrued employee future benefits	(9,148)	(7,753)	(2,246)	(5,814)	(4,745)	(6,327)	(2,896)
10 Change in non-cash working capital	5,783	(3,253)	2,728	9,848	3,070	(9,713)	961
11	<u>60,914</u>	<u>49,392</u>	<u>60,792</u>	<u>67,850</u>	<u>57,051</u>	<u>45,402</u>	<u>60,824</u>
12							
13 Cash From (Used In) Financing Activities							
14 Net Proceeds from long-term debt	74,325	-	-	60,000	-	59,400	-
15 Repayment of long-term debt	(2,900)	(3,650)	(3,650)	(4,250)	(4,250)	(36,320)	(4,450)
16 Short-term borrowings	(59,122)	23,922	18,200	(47,069)	23,711	5,608	17,050
17 Contributions from customers and security deposits	1,027	1,788	1,411	1,749	3,166	1,500	1,500
18 Redemption of preference shares	-	(280)	(12)	(7)	(57)	-	-
19 Dividends							
20 Preference Shares	(613)	(601)	(592)	(588)	(588)	(586)	(586)
21 Common Shares	(9,495)	(9,495)	(14,242)	(23,117)	(18,163)	(9,082)	(18,989)
22	<u>3,222</u>	<u>11,684</u>	<u>1,115</u>	<u>(13,282)</u>	<u>3,819</u>	<u>20,520</u>	<u>(5,475)</u>
23							
24							
25 Cash From (Used In) Investing Activities							
26 Capital expenditures (net of salvage)	(59,868)	(64,749)	(60,315)	(55,399)	(60,235)	(65,522)	(55,349)
27 Other deferred charges	-	-	-	(465)	(59)	-	-
28 Long-term portion of finance programs	(1,643)	(90)	153	57	(204)	-	-
29	<u>(61,511)</u>	<u>(64,839)</u>	<u>(60,162)</u>	<u>(55,807)</u>	<u>(60,498)</u>	<u>(65,522)</u>	<u>(55,349)</u>
30							
31 Increase (Decrease) in Cash	2,625	(3,763)	1,745	(1,239)	372	400	-
32 (Bank Indebtedness) Cash, Beginning of Period	(140)	2,485	(1,278)	467	(772)	(400)	-
33 (Bank Indebtedness) Cash, End of Period	<u>2,485</u>	<u>(1,278)</u>	<u>467</u>	<u>(772)</u>	<u>(400)</u>	<u>-</u>	<u>-</u>

Newfoundland Power Inc.

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2002 - 2008

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(\$000s)

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3	Add:							
4	Deferred Charges	-	72,937	80,046	86,063	91,441	96,945	101,684
5	Weather Normalization Reserve	10,409	10,677	10,456	10,289	10,954	11,246	10,683
6	Deferred Energy Replacmenet Costs	-	-	-	-	-	574	1,147
7	Depreciation True-up Deferral	-	-	-	-	2,897	8,690	11,586
8	Future Income Taxes	-	(494)	(1,245)	(1,438)	(688)	-	(210)
9	Customer Finance Programs	558	613	608	572	791	901	800
10		<u>10,967</u>	<u>83,733</u>	<u>89,865</u>	<u>95,486</u>	<u>105,395</u>	<u>118,356</u>	<u>125,690</u>
11								
12	Deduct:							
13	Accumulated Depreciation	414,451	434,491	455,595	469,942	485,894	505,892	529,081
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15	Contributions In Aid of Construction	19,887	20,044	20,398	20,844	22,167	23,246	23,407
16	2005 Unbilled Revenue	-	-	-	-	21,396	17,803	16,446
17	Supply Cost Variance Reserve	-	-	-	-	671	1,342	1,342
18		<u>436,968</u>	<u>456,825</u>	<u>476,779</u>	<u>491,430</u>	<u>531,071</u>	<u>549,999</u>	<u>572,590</u>
19								
20	Average Rate Base Before Allowances	565,113	666,744	705,182	735,610	742,885	778,982	805,447
21								
22	Cash Working Capital Allowance	4,712	4,977	5,268	5,514	5,522	6,576	6,662
23								
24	Materials and Supplies Allowance	3,512	4,009	4,661	4,322	4,510	4,217	4,453
25								
26	Average Rate Base At Year End	<u>573,337</u>	<u>675,730</u>	<u>715,111</u>	<u>745,446</u>	<u>752,917</u>	<u>789,775</u>	<u>816,562</u>

Notes:

¹ All numbers shown are averages.

Newfoundland Power Inc.

**Financial Results and Forecasts
2002 - 2008
Average Invested Capital
(\$000s)**

		Historical Data					Forecast	Pro-Forma
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	Regulated Average Capital Structure							
2	Debt	345,426	362,620	380,031	391,394	405,665	429,653	450,398
3	Preference Shares	9,709	9,569	9,423	10,614	9,382	9,353	9,353
4	Common Equity	277,119	297,590	316,973	328,922	329,930	345,748	356,336
5		632,254	669,779	706,427	730,930	744,977	784,754	816,087
6								
7	Debt	54.63%	54.14%	53.80%	53.55%	54.45%	54.75%	55.19%
8	Preference Shares	1.54%	1.43%	1.33%	1.45%	1.26%	1.19%	1.15%
9	Common Equity	43.83%	44.43%	44.87%	45.00%	44.29%	44.06%	43.66%
10		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
11								
12								
13	Regulated Cost of Capital							
14	Debt	7.88%	8.38%	8.06%	8.07%	8.14%	7.94%	7.33%
15	Preference Shares	6.31%	6.28%	6.28%	6.25%	6.27%	6.27%	6.27%
16	Common Equity	10.65%	10.22%	10.12%	9.60%	9.46%	8.61%	6.01%
17								
18								
19	Weighted Average Cost of Capital							
20	Debt	4.30%	4.54%	4.34%	4.32%	4.43%	4.35%	4.05%
21	Preference Shares	0.10%	0.09%	0.08%	0.09%	0.08%	0.07%	0.07%
22	Common Equity	4.67%	4.54%	4.54%	4.32%	4.19%	3.79%	2.62%
23		9.07%	9.17%	8.96%	8.73%	8.70%	8.21%	6.74%

Newfoundland Power Inc.
Financial Results and Forecasts
2002 - 2008
Rate of Return on Rate Base
(\$000s)

Historical Data

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Forecast <u>2007</u>	Pro-Forma <u>2008</u>
1 Regulated Return on Equity	29,518	30,415	32,088	31,644	31,227	29,777	21,427
2 Return on Preferred Equity	613	601	592	588	588	586	586
3	30,131	31,016	32,680	32,232	31,815	30,363	22,013
4							
5 Finance Charges							
6 Interest on Long-term Debt	26,094	30,501	30,165	31,046	32,759	33,564	31,513
7 Other Interest	1,846	762	1,277	1,535	1,309	1,582	2,552
8 Interest Earned	(872)	(1,063)	(979)	(1,158)	(1,210)	(1,200)	(1,200)
9 Interest Charged to Construction	(454)	(471)	(335)	(319)	(436)	(420)	(350)
10 Amortization of Bond Issue Expenses	167	198	199	201	193	188	188
11 Amortization of Capital Stock Issue Expenses	72	82	66	64	62	62	62
12	26,853	30,009	30,393	31,369	32,677	33,776	32,765
13							
14 Return on Rate Base	56,984	61,025	63,073	63,601	64,492	64,139	54,778
15							
16 Average Rate Base	573,337	675,730	715,111	745,446	752,917	789,774	816,562
17							
18 Rate of Return on Rate Base	9.94%	9.03%	8.82%	8.53%	8.57%	8.12%	6.71%

Newfoundland Power Inc.

**Financial Performance
2002 - 2008**

Major Inputs and Assumptions for 2007 and 2008 Forecasts

1	Forecast results for 2007 and 2008 are based on electricity rates effective January 1, 2007 approved by the Board in
2	Order No. P.U. 8 (2007) and before implementation of any of the proposals in this Application.
3	Specific assumptions include:
4	
5	Energy Forecasts : Energy forecasts are based on economic indicators taken from the Conference Board of
6	Canada forecast dated December 19, 2006.
7	
8	Revenue Forecast : The revenue forecast is based on the Customer, Energy and Demand forecast filed in this
9	Application.
11	
12	Revenue for 2007 includes the amortization of \$2.7 million of the 2005 unbilled revenue
13	as approved in Order No. P.U. 39 (2006).
14	
15	Purchased Power Expense : Rates charged by Newfoundland and Labrador Hydro approved by the Board in
16	Order No. P.U. 8 (2007).
17	
18	Purchased Power Expense for 2007 includes a \$1.7 million amortization of the Hydro
19	Equalization Reserve as approved in Order No. P.U. 19 (2003).
20	
21	Purchased Power Expense for 2007 has been reduced to reflect deferred replacemen
22	energy costs of \$1.8 million (\$1.1 million after tax) as approved in Order No. P.U. 39 (2006)
23	
24	Pensions and Early
25	Retirement Costs : Pension costs related to the 2005 Early Retirement Program are being amortized over
26	a 10-year period from 2005 to 2015 as approved in Order No. P.U. 49 (2004).
27	
28	Pension funding is based on the actuarial valuation dated December 31, 2005 filed with
29	this Application and a Board approved schedule of funding payments
30	
31	Pension expense discount rate is assumed to be 5.25% in 2007 and 2008
32	
33	Cost Recovery Deferral: In Order No. P.U. 39 (2006), the Board approved the deferred recovery of \$5.8 million in
34	2007 costs related to the conclusion of the Depreciation True-up in 2005.
35	
36	Operating Costs: Operating costs for 2008 have been reduced by \$882,000 as per request
37	
38	Depreciation Rates : Depreciation rates for 2007 and 2008 are based on the 2002 depreciation study as approved
39	by the Board in Order No. P.U. 19 (2003).
40	
41	Short-Term Interest Rates : Average short-term interest rates are assumed to be 4.91% in 2007 and 5.00% in 2008
42	
43	Long-Term Debt : A \$60.0 million long-term debt issue is forecast to be completed on August 1, 2007.
44	The debt is forecast for 30 years at a coupon rate of 5.50 %. Debt repayments will be
45	in accordance with the normal sinking fund provisions for existing outstanding debt
46	
47	Dividends : Common dividend payouts are forecast based on maintaining a target common equity
48	component of 45%.
49	
50	Income Tax : Income tax expense reflects a statutory income tax rate of 36.12 % in 2007
51	and 34.5% in 2008.
52	
53	Income tax expense includes \$2.7 million in 2007 and \$2.6 million in 2008 related to
	the 2005 tax settlement.