

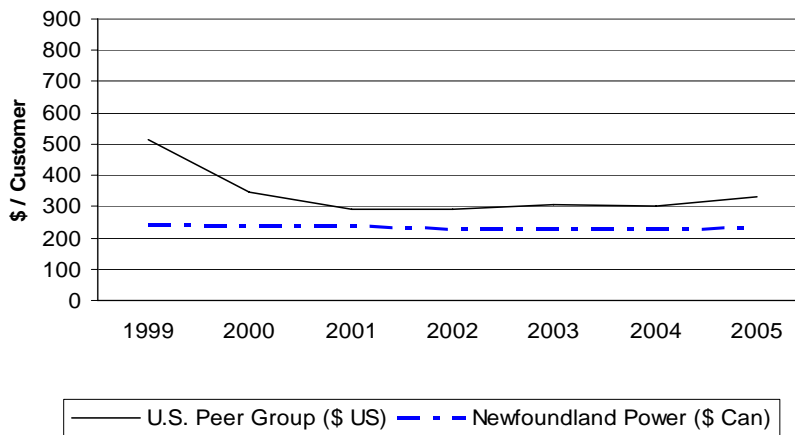
RFIs on 2006 Peer Group Report

Q. (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?

A. The U.S. peer group data can be converted to Canadian dollars if it is desired to attempt comparisons of the U.S and Canadian peer group data on an equal dollar basis. However, the use of exchange rates to convert U.S. dollars to Canadian dollars would have a significant impact on cost trends, as the exchange rates have varied significantly since 1999.¹

Graphs 1, 2 and 3 illustrate the impact of conversion on the comparison of Total Operating Cost per Customer between the U.S. peer group and Newfoundland Power. Graph 1 compares the Total Operating Cost per Customer using current dollars. Graph 2 provides the comparison, adjusting the U.S. costs to 2005 dollars based on a GDP deflator index for the U.S. and adjusting Newfoundland Power’s costs to 2005 dollars based on a GDP deflator index for Canada.² Graph 3 converts U.S. dollars to Canadian dollars based on the average exchange rate during each year as appropriate.

Graph 1
Total Operating Cost per Customer
Current CA\$ / US\$
Excluding Fuel and Purchased Power

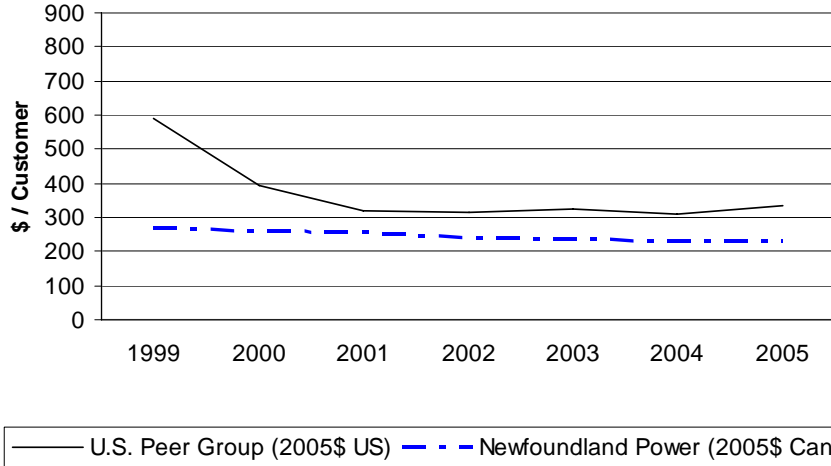


¹ This is noted in page 3 of the report entitled *Peer Group Performance Measures for Newfoundland Power*, dated December 21, 2006. This report is Attachment A to the response to CA-NP-311.

² As reported in the *Peer Group Performance Measures for Newfoundland Power*, December 21, 2006.

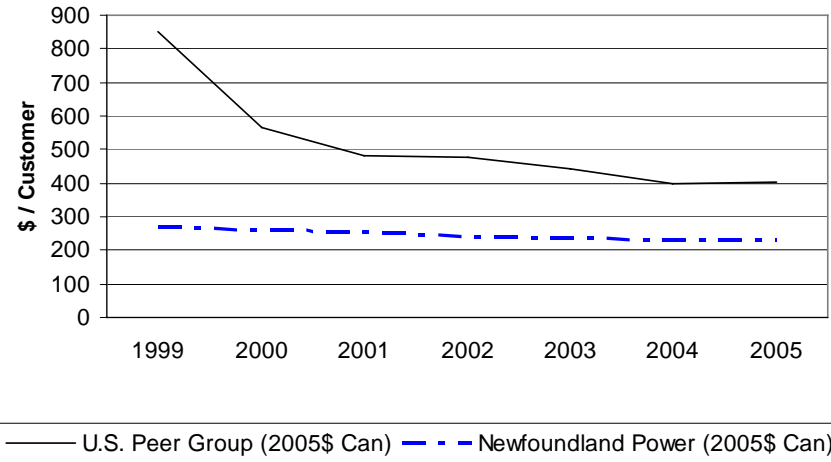
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Graph 2
Total Operating Cost per Customer
2005 CA\$ / US\$
Excluding Fuel and Purchased Power



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Graph 3
Total Operating Cost per Customer
2005 CA\$
Excluding Fuel and Purchased Power



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As Graph 3 demonstrates, the use of exchange rates increases the cost per customer figures for the U.S. peer group. The use of exchange rates also significantly affects the trend line of the U.S. total operating cost per customer from 1999 to 2005. It is therefore questionable whether the use of exchange rates contributes anything to the value that the comparisons may provide.