

*Requests for Information*

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**Volume 1, Section 2 – Customer Operations (sic)\***

**Q. (page 44, lines 5 and 7-9) “Exhibit 5 provides the Company’s financial performance for 2002 to 2008. The forecast results are based on existing customer rates, and do not include the impact of the proposals set out in this Application. The Company is forecasting a rate of return on rate base of 6.64 percent for 2008” (emphasis added). Please provide a revised Exhibit 5 adding a column called “Proposed 2008” and incorporate each and every change as applied for in NP’s Application dated May 10, 2007.**

**A.** Attachment A provides the Company’s financial performance from 2002 to 2008. The column “Proposed 2008” includes the impact of all of the Company’s proposals in the Application.

\*Refer to Volume 1, Section 3 – Finance.

Newfoundland Power Inc.

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

	Historical Data <sup>1</sup>					Forecast	Proposed <sup>2</sup>
	2002	2003	2004	2005	2006	2007	2008
1 Electricity Sales (GWh)	4,765	4,882	4,979	5,004	4,995	5,054	5,121
2							
3 Revenue From Rates	362,772	376,094	395,577	407,597	407,689	472,155	502,486
4 Amortization of Revenue Deferrals	-	-	-	-	3,086	2,714	6,180
5	362,772	376,094	395,577	407,597	410,775	474,869	508,666
6							
7 Purchased Power Expense	210,764	226,232	242,280	254,222	255,425	322,688	325,687
8 Deferred Recovery of Replacement Energy Costs	-	-	-	-	-	(1,795)	-
9 Amortization of Reserves and Deferred Recoveries	-	1,732	1,732	1,732	1,732	1,732	2,022
10	210,764	227,964	244,012	255,954	257,157	322,625	327,709
11							
12 Contribution	152,008	148,130	151,565	151,643	153,618	152,244	180,957
13							
14 Other Revenue	6,855	8,056	8,870	12,366	10,489	10,426	12,011
15							
16 Other Expenses:							
17 Operating Expenses	46,795	48,012	47,410	47,443	46,653	46,999	47,890
18 Employee Future Benefit Costs	3,972	3,787	4,345	6,369	7,343	5,513	9,718
19 Depreciation True-up Deferral	-	-	-	-	(5,793)	(5,793)	-
20 Amortization of Deferred Cost Recoveries	-	-	-	-	-	-	2,317
21 Depreciation	35,442	29,372	30,987	32,143	38,922	40,127	40,207
22 Finance Charges	26,853	30,009	30,393	31,369	32,677	33,790	33,535
23	113,062	111,180	113,135	117,324	119,802	120,636	133,667
24							
25 Income Before Income Taxes	45,801	45,006	47,300	46,685	44,305	42,034	59,301
26 Income Taxes	16,381	14,945	15,586	15,368	13,639	12,646	22,357
27							
28 Net Income	29,420	30,061	31,714	31,317	30,666	29,388	36,944
29 Preferred Dividends	613	601	592	588	588	586	586
30							
31 Earnings Applicable to Common Shares	28,807	29,460	31,122	30,729	30,078	28,802	36,358
32							
33							
34 <b>Rate of Return and Credit Metrics</b>							
35 Rate of Return on Rate Base (percentage)	9.94	9.03	8.82	8.53	8.57	8.12%	8.82%
36 Regulated Return on Book Equity (percentage)	10.65	10.22	10.12	10.12	9.46	8.61%	10.25%
37 Interest Coverage (times)	2.6	2.4	2.5	2.4	2.3	2.2	2.8
38 CFO Pre-W/C + Interest / Interest (times)	3.2	2.9	3.0	2.9	2.7	2.7	3.3
39 CFO Pre-W/C / Debt (percentage)	17.6	15.6	16.0	15.7	14.1	13.5%	17.1%

<sup>1</sup> Figures from 2002 to 2006 are from the Company's Annual Reports.

<sup>2</sup> Forecast 2008 results after incorporating proposals in the application.

*Requests for Information*

**Newfoundland Power Inc.**

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

		<b>Historical Data</b>					<b>Forecast</b>	<b>Proposed</b>
		<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
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	36,944
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>322,231</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>302,656</u>

Newfoundland Power Inc.

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

		Historical Data					Forecast	Proposed
		2002	2003	2004	2005	2006	2007	2008
1	<b>Assets</b>							
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	1,270,878
5	Less: accumulated amortization	421,929	448,245	462,947	476,932	494,856	516,933	540,434
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	706,980
8								
9	Current Assets							
10	Cash	2,485	-	467	-	-	-	-
11	Accounts receivable	55,275	55,844	59,571	58,730	61,604	73,025	73,981
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	93,414
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	20,337
22								
23	OPEB asset	10,013	13,684	17,495	22,976	27,782	34,102	34,102
24								
25		735,852	781,374	825,310	850,059	888,797	945,323	959,645
26								
27								
28	<b>Shareholder's Equity and Liabilities</b>							
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	302,656
32	Common shareholder's equity	279,515	299,480	316,360	323,972	335,887	355,607	372,977
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	382,330
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	70,978
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	10,511
41		64,833	63,141	70,705	74,481	112,758	85,193	85,939
42								
43	Future income taxes	-	988	1,501	1,375	-	-	(869)
44								
45	Short-term borrowings	15,987	39,909	58,109	11,040	34,751	40,359	41,035
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	12,154
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	959,646

Newfoundland Power Inc.

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

		Historical Data					Forecast	Proposed
		2002	2003	2004	2005	2006	2007	2008
1	<b>Cash From (Used In) Operating Activities</b>							
2	Net Income	29,420	30,061	31,714	31,317	30,666	29,388	36,944
3								
4	Amortization of capital assets	35,442	29,372	30,987	32,143	38,922	40,127	40,207
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)	(4,003)
7	Regulatory deferrals	-	(693)	(3,472)	(1,683)	(4,451)	(6,940)	1,449
8	Future income taxes	-	988	513	(126)	(1,375)	-	(869)
9	Accrued employee future benefits	(9,148)	(7,753)	(2,246)	(5,814)	(4,745)	(6,327)	3,376
10	Change in non-cash working capital	5,783	(3,253)	2,728	9,848	3,070	(9,714)	(311)
11		60,914	49,392	60,792	67,850	57,051	45,402	77,101
12								
13	<b>Cash From (Used In) Financing Activities</b>							
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	675
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		3,222	11,684	1,115	(13,282)	3,819	20,520	(21,850)
23								
24								
25	<b>Cash From (Used In) Investing Activities</b>							
26	Capital expenditures (net of salvage)	(59,868)	(64,749)	(60,315)	(55,399)	(60,235)	(65,522)	(55,251)
27	Other deferred charges	-	-	-	(465)	(59)	-	-
28	Long-term portion of finance programs	(1,643)	(90)	153	57	(204)	-	-
29		(61,511)	(64,839)	(60,162)	(55,807)	(60,498)	(65,522)	(55,251)
30								
31	<b>Increase (Decrease) in Cash</b>	2,625	(3,763)	1,745	(1,239)	372	400	-
32	<b>(Bank Indebtedness) Cash, Beginning of Period</b>	(140)	2,485	(1,278)	467	(772)	(400)	-
33	<b>(Bank Indebtedness) Cash, End of Period</b>	2,485	(1,278)	467	(772)	(400)	-	-

Requests for Information

Newfoundland Power Inc.

Financial Results and Forecasts  
2002 - 2008

Average Rate Base<sup>1</sup>  
(\$000s)

		Historical Data					Forecast	Proposed
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	Plant Investment	991,114	1,039,836	1,092,096	1,131,554	1,168,561	1,210,625	1,252,298
2								
3	Add:							
4	Deferred Charges	-	72,937	80,046	86,063	91,441	96,945	98,733
5	Weather Normalization Reserve	10,409	10,677	10,456	10,289	10,954	11,246	10,003
6	Deferred Energy Replacement Costs	-	-	-	-	-	574	1,030
7	Depreciation True-up Deferral	-	-	-	-	2,897	8,690	10,428
8	Future Income Taxes	-	(494)	(1,245)	(1,438)	(688)	-	435
9	Customer Finance Programs	558	613	608	572	791	901	2,528
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>123,157</u>
11								
12	Deduct:							
13	Accumulated Depreciation	414,451	434,491	455,595	469,942	485,894	505,892	528,684
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	13,765
17	Accrued Pension Liabilities	-	-	-	-	-	-	3,003
18	Accrued OPEBs Liabilities	-	-	-	-	-	-	3,136
19	Municipal Tax Liability	-	-	-	-	-	-	3,679
20	Supply Cost Variance Reserve	-	-	-	-	671	1,342	1,207
21	Customer Security Deposits	-	-	-	-	-	-	736
22		<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>579,931</u>
23								
24	Average Rate Base Before Allowances	565,113	666,744	705,182	735,610	742,885	778,982	795,524
25								
26	Cash Working Capital Allowance	4,712	4,977	5,268	5,514	5,522	6,576	9,340
27								
28	Materials and Supplies Allowance	<u>3,512</u>	<u>4,009</u>	<u>4,661</u>	<u>4,322</u>	<u>4,510</u>	<u>4,217</u>	<u>4,427</u>
29								
30	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>809,291</u>

Notes:

<sup>1</sup> All numbers shown are averages.

**Newfoundland Power Inc.**

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

		Historical Data					Forecast	Proposed
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	<b>Regulated Average Capital Structure</b>							
2	Debt	345,426	362,620	380,031	391,394	405,665	429,653	438,842
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	364,293
5		<u>632,254</u>	<u>669,779</u>	<u>706,427</u>	<u>730,930</u>	<u>744,977</u>	<u>784,754</u>	<u>812,488</u>
6								
7	Debt	54.63%	54.14%	53.80%	53.55%	54.45%	54.75%	54.01%
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%	44.84%
10		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
11								
12								
13	<b>Regulated Cost of Capital</b>							
14	Debt	7.88%	8.38%	8.06%	8.07%	8.14%	7.94%	7.69%
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%	10.25%
17								
18								
19	<b>Weighted Average Cost of Capital</b>							
20	Debt	4.30%	4.54%	4.34%	4.32%	4.43%	4.35%	4.15%
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%	4.60%
23		<u>9.07%</u>	<u>9.17%</u>	<u>8.96%</u>	<u>8.73%</u>	<u>8.70%</u>	<u>8.21%</u>	<u>8.82%</u>

**Newfoundland Power Inc.**

**Financial Results and Forecasts  
2002 - 2008**

**Rate of Return on Rate Base  
(\$000s)**

		Historical Data					Forecast	Proposed
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1	Regulated Return on Equity	29,518	30,415	32,088	31,644	31,227	29,777	37,341
2	Return on Preferred Equity	613	601	592	588	588	586	586
3		<u>30,131</u>	<u>31,016</u>	<u>32,680</u>	<u>32,232</u>	<u>31,815</u>	<u>30,363</u>	<u>37,927</u>
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	2,039
8	Interest Earned	(872)	(1,063)	(979)	(1,158)	(1,210)	(1,200)	-
9	Interest Charged to Construction	(454)	(471)	(335)	(319)	(436)	(420)	(298)
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	-
12		<u>26,853</u>	<u>30,009</u>	<u>30,393</u>	<u>31,369</u>	<u>32,677</u>	<u>33,776</u>	<u>33,442</u>
13								
14	Return on Rate Base	<u>56,984</u>	<u>61,025</u>	<u>63,073</u>	<u>63,601</u>	<u>64,492</u>	<u>64,139</u>	<u>71,369</u>
15								
16	Average Rate Base	<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>809,291</u>
17								
18	Rate of Return on Rate Base	9.94%	9.03%	8.82%	8.53%	8.57%	8.12%	8.82%



**Newfoundland Power Inc.**

**Financial Performance**

**2002 - 2008**

**Major Inputs and Assumptions for 2007 and 2008 Forecasts**

Forecast results for 2007 are based on electricity rates effective January 1, 2007 approved by the Board in Order No. P.U. 8 (2007). Forecast results for 2008 are based on proposed electricity rates effective January 1, 2008.

Specific assumptions include:

**Energy Forecasts :** Energy forecasts are based on economic indicators taken from the Conference Board of Canada forecast dated December 19, 2006.

**Revenue Forecast :** The revenue forecast is based on the Customer, Energy and Demand forecast filed in this Application.

Revenue for 2007 includes the amortization of \$2.7 million of the 2005 unbilled revenue as approved in Order No. P.U. 39 (2006).

Revenue for 2008 includes the proposed amortization of \$2.6 million of the 2005 unbilled revenue related to the 2005 Tax Settlement and \$0.8 million related to the amortization of the MTA regulatory liability. Revenue for 2008 also includes \$2.7 million related to the amortization of the remaining 2005 unbilled revenue balance.

**Purchased Power Expense :** Rates charged by Newfoundland and Labrador Hydro approved by the Board in Order No. P.U. 8 (2007).

Purchased Power Expense for 2007 includes a \$1.7 million amortization of the Hydro Equalization Reserve as approved in Order No. P.U. 19 (2003).

Purchased Power Expense for 2007 has been reduced to reflect deferred replacement energy costs of \$1.8 million (\$1.1 million after tax) as approved in Order No. P.U. 39 (2006).

Purchased Power Expense for 2008 includes a proposed \$0.4 million amortization related to the Replacement Energy Costs and \$2.1 million related to the amortization of the non-reversing balance in the Weather Normalization Reserve.

Purchased Power Expense for 2008 also includes a proposed \$0.4 million amortization of the Supply Cost Reserve.

**Operating Expenses:** Operating expenses include \$0.4 million for the amortization of application costs related to the 2008 Newfoundland Power General Rate Application.

**Employee Future Benefit Costs:** Pension costs related to the 2005 Early Retirement Program are being amortized over a 10-year period from 2005 to 2015 as approved in Order No. P.U. 49 (2004).

Pension funding is based on the actuarial valuation dated December 31, 2005 filed with this Application and a Board approved schedule of funding payments.

Pension expense discount rate is assumed to be 5.25% in 2007 and 2008.

Forecast costs for 2008 include \$6.4 million related to the proposal to adopt the accrual method for recognizing other employee future benefits.

**Newfoundland Power Inc.**

**Financial Performance  
2002 - 2008**

**Major Inputs and Assumptions for 2007 and 2008 Forecasts**

1	<b>Cost Recovery Deferral:</b>	In Order No. P.U. 39 (2006), the Board approved the deferred recovery of \$5.8 million in
2		2007 costs related to the conclusion of the Depreciation True-up in 2005.
3		
4		2008 costs include \$2.3 million related to the amortization over a five year
5		period of cost recovery deferrals related to depreciation.
6		
7	<b>Depreciation:</b>	Depreciation rates for 2007 are based on the 2002 depreciation study as approved
8		by the Board in Order No. P.U. 19 (2003).
9		
10		Depreciation rates for 2008 are based on the 2006 depreciation study as filed in this
11		Application.
12		
13		Depreciation expense for 2008 reflects the amortization of \$.2 million of the accumulated
14		reserve variance.
15		
16	<b>Short-Term Interest Rates :</b>	Average short-term interest rates are assumed to be 4.91% in 2007 and 5.00% in 2008.
17		
18	<b>Long-Term Debt :</b>	A \$60.0 million long-term debt issue is forecast to be completed on August 1, 2007.
19		The debt is forecast for 30 years at a coupon rate of 5.50 %. Debt repayments will be
20		in accordance with the normal sinking fund provisions for existing outstanding debt.
21		
22	<b>Dividends :</b>	Common dividend payouts are forecast based on maintaining a target common equity
23		component of 45%.
24		
25	<b>Income Tax :</b>	Income tax expense reflects a statutory income tax rate of 36.12 % in 2007
26		and 34.5% in 2008.
27		
28		Income tax expense includes \$2.7 million in 2007 and \$2.6 million in 2008 related to
29		the 2005 tax settlement.
30		
31		Income tax expense for 2008 reflects the adoption of the accrual method of
32		accounting for employee future benefits.