

1 **NP-CA-94**

2 **Reference: Page 23, Lines 1-9**

3 **Q. Newfoundland Power's pension costs are *not* recovered in rates on**  
4 **the same basis as the pension plan is funded and the Company *has* had to**  
5 **borrow money to fund its pension plan. In this context, please explain how**  
6 **"the same logic does not apply to OPEBs costs".**

7

8 A. Pension costs are recovered in rates using the accrual method; however,  
9 the accrual method that is used for funding the pension plan and the accrual  
10 method that is used for financial reporting and regulatory purposes differ. The  
11 pension plan is funded on the basis of an actuarial estimate of the accrued costs,  
12 whereas the company uses a management estimate of the accrued costs for  
13 financial reporting and regulatory purposes. This treatment is explained in NP's  
14 evidence at Volume 2, Tab 4: A Report on Employee Future Benefits, page 6,  
15 footnote 22.

16 The difference between pension funding and OPEBs funding referred to in the  
17 quote is that NP's pension plan is funded; whereas NP does not fund its OPEBs  
18 commitment.