

Q. RATE BASE**PUB 37.0 (RE: Report on the Amortization of the Unfunded Pension Liability – Volume I)****PUB 37.4**

Has NP conducted an industry review to determine how other Canadian utilities account for unfunded pension liabilities.

- A. Newfoundland Power has conducted a Canadian utility industry review of pension accounting practices. Newfoundland Power's approach to pension accounting is consistent with generally accepted accounting principles ("GAAP") and that of other Canadian utilities.

GAAP provides the accounting rules which form the basis of determining annual pension expense. Actuarial valuation is the basis for determining unfunded pension liability and is not subject to GAAP rules. The unfunded pension liability is instead based on actuarial principles and rules, and pension legislation.

Differences between annual pension expense and annual pension funding appear to be commonly accounted for as a deferred asset by Canadian utilities. The table below indicates such asset balances at December 31, 2003 as reflected in the financial statements of Canadian utilities.

Deferred Pension Assets at December 31, 2003 (\$000,000s)	
Hydro Quebec	844
Newfoundland Power	73
Canadian Utilities	53
Ontario Power Generation	464
Union Gas	43
Sask Power	18
Nova Scotia Power	51
Pacific Northern Gas	38