

1 **Q. Schedule 1, page 3 of the application states:**

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3 *“It is unlikely that a Newfoundland Power GRA filed by June 1, 2015 would be*  
4 *concluded prior to sometime in 2016, likely late in 2016.<sup>6</sup> This degree of regulatory lag*  
5 *would be extraordinary for a Newfoundland Power GRA.<sup>7</sup> It would also tend to*  
6 *increase the overall cost of a Newfoundland Power GRA.<sup>8</sup>*

7  
8 *The combination of (i) the currently uncertain wholesale supply cost outlook for*  
9 *Newfoundland Power, (ii) the current scheduling for the amended Hydro GRA, and*  
10 *(iii) practical regulatory efficiency indicate that the requirement in Order No. P.U. 13*  
11 *(2013) that Newfoundland Power file its next GRA by June 1, 2015, be re-examined by*  
12 *the Board.”*

13  
14 **Please describe in detail NP’s management decision making process that resulted in**  
15 **the decision file this application in place of a GRA in June 2015. In the response,**  
16 **please indicate the members of management who participated in the decision-**  
17 **making process, the dates that each meeting took place, and any meeting minutes**  
18 **that were kept.**

19  
20 **A. A. Background**

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22 In Order No. P.U. 13 (2013), the Board ordered Newfoundland Power to file its next  
23 general rate application by June 1, 2015 with a 2016 test year. On July 1, 2013,  
24 Newfoundland Power implemented customer rates which reflected the Board’s  
25 determinations in Order No. P.U. 13 (2013).

26  
27 On July 30, 2013, Newfoundland and Labrador Hydro (“Hydro”) filed its first general  
28 rate application (“GRA”) in 7 years. In the period since Hydro’s last GRA, changes in  
29 supply and demand on the Island interconnected system substantially altered the degree  
30 to which Hydro’s rates, including its utility rate to Newfoundland Power, reflect Hydro’s  
31 cost of service.

32  
33 This Hydro GRA, which had a 2013 test year, proceeded through typical Board process,  
34 and public hearings were scheduled to commence in July, 2014. In June, 2014, Hydro  
35 informed the Board and intervenors, including Newfoundland Power, that Hydro  
36 intended to file an amended GRA no later than October, 2014. As a result, the July, 2014  
37 public hearings did not take place.

38  
39 On November 10, 2014, Hydro filed its amended GRA. The amended GRA had 2014  
40 and 2015 test years, significantly increased costs, and significantly changed cost of  
41 service and rate design proposals from those contained in the GRA filing of July 30,  
42 2013.

**B. Management's Decision-making Process**

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3 Shortly after Hydro's November 10, 2014 filing of an amended GRA which was  
4 substantially different than its original filing of July 30, 2013, it became apparent to  
5 Newfoundland Power that substantial further Board process would be required before  
6 conclusion of Hydro's GRA. This further Board process presented the possibility that  
7 Hydro's GRA would not be concluded before the end of 2015.  
8

9 In February, 2015, a schedule of dates on Hydro's GRA was settled. This schedule of  
10 dates culminated in public hearings commencing in September, 2015. Once this schedule  
11 was determined, Newfoundland Power recognized that a June 1, 2015 filing of a  
12 Newfoundland Power GRA would result in a conflict between hearing of Hydro's GRA  
13 and the typical hearing of a Newfoundland Power GRA.<sup>1</sup> If Hydro's GRA was to be  
14 concluded prior to the commencement of a public hearing on Newfoundland Power's  
15 GRA, then it was very unlikely that Newfoundland Power's customer rates would be  
16 finally determined by the Board prior to sometime well into 2016.  
17

18 In March, 2015, Newfoundland Power completed its annual forecast. This forecast  
19 indicated, amongst other things, that Newfoundland Power would require regulatory  
20 relief for 2016 to be able to have the opportunity to earn a just and reasonable return.  
21 Analysis indicated that, if the regulatory relief for 2016 was in the form of deferred cost  
22 recovery, the amount of relief required was approximately \$4 million. Based upon this  
23 analysis, management of Newfoundland Power determined that an application to the  
24 Board for 2016 deferred cost recovery of approximately \$4 million was appropriate given  
25 the outlook for scheduling of Hydro's GRA.  
26

27 On March 17, 2015, Newfoundland Power staff met with Board staff and informed Board  
28 staff that, given the scheduling issues presented by Hydro's GRA, Newfoundland Power  
29 intended to file an application within a month to (i) seek 2016 deferred cost recovery of  
30 approximately \$4 million and (ii) defer the filing of Newfoundland Power's next GRA to  
31 June 1, 2016 with a 2017 test year. On April 15, 2015, Newfoundland Power filed the  
32 2016 deferred cost recovery application.  
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**C. Decision-makers and Minutes**

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36 All material Newfoundland Power management decisions taken in respect of this matter  
37 were agreed to between the Vice-President, Regulation & Planning; the Vice-President,  
38 Finance & Chief Financial Officer; and the President & Chief Executive Officer. This  
39 decision-making was supported by sales and financial forecasts created by Newfoundland  
40 Power's forecasting and financial staff.

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<sup>1</sup> Newfoundland Power GRAs filed on or before June 1, typically require hearings in October to permit implementation of customer rates for January 1 of the succeeding year. For further detail on the timing of Newfoundland Power's next GRA, refer to the response to Request for Information PUB-NP-002.

1 Newfoundland Power does not typically create minutes of routine management decision-  
2 making or record dates of interactions between staff. Accordingly, no dates of meetings  
3 and minutes exist concerning the decision to file the 2016 deferred cost recovery  
4 application.