

1 **Q. Please discuss the relative importance of regulatory efficiency versus the importance**
2 **of approved rates reflecting tested costs in the Board's consideration of the proposed**
3 **application.**
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5 A. Newfoundland Power believes that the Board's consideration of the Application should
6 be guided by the balanced application of regulatory practice and principle. Such an
7 approach defies the definition of the *relative* importance of regulatory efficiency versus
8 rates based upon tested costs as implied by this Request for Information.
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10 This view is consistent with the Board's stated practice. In Order No. P.U. 19 (2003),
11 after outlining the principles that guided the Board's decision-making, the Board
12 observed at pages 16-17:

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14 "While setting out these principles may be useful to ensure full
15 consideration of all the issues, the Board notes that at times they may
16 contain ambiguities, conflict with legislation, be inconsistent and/or hold
17 different priorities. The real challenge for the Board, in keeping with its
18 legislative mandate, is to balance oftentimes competing objectives within the
19 regulatory environment to ensure a set of sound and reasoned decisions
20 serving the interests of both consumer and utility alike."
21

22 In Hydro's currently outstanding general rate application ("GRA"), the Board will
23 determine a number of significant matters. They include the substantial mismatch
24 between Hydro's rates and costs which has existed for years under interim, or untested,
25 rates.¹ They also include Hydro's request for increased revenue requirements of \$131.8
26 million in 2014 and \$231.4 million in 2015.²
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28 To enable orderly and efficient resolution of Hydro's GRA, the 2016 deferred cost
29 recovery of approximately \$4 million for Newfoundland Power is proposed in the
30 Application.
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32 In addition, the 2016 deferred cost recovery proposed in the Application is consistent
33 with (i) prospective ratemaking³; (ii) the principle of intergenerational equity as applied
34 by the Board⁴; (iii) reduced overall regulatory lag and delayed cost recovery⁵; (iv) overall
35 regulatory cost efficiency⁶; and (v) past regulatory practice.⁷

¹ For further information on the mismatch between Hydro's rates and costs, refer to the response to Request for Information PUB-NP-003. For further information on Hydro's interim rates to its customers, refer, by example, to Order Nos. P.U. 34 (2007) (establishing interim rates for industrial customers) and P.U. 29 (2013) (finalizing those rates).

² For further information, see Newfoundland and Labrador Hydro *2013 Amended GRA Filing*, Reconciliation to Original GRA Filing, Table 3: Other Key Data for 2007, 2013, 2014 and 2015 Test Years, page 1.14R.

³ Refer to the response to Request for Information PUB-NP-006, pages 2-3.

⁴ Refer to the response to Request for Information PUB-NP-006, pages 3-4.

⁵ Refer to the response to Request for Information PUB-NP-003, pages 1-2.

⁶ Refer to the responses to Request for Information PUB-NP-002, pages 2-4 and PUB-NP-003, page 2.

- 1 The proposals contained in the Application reflect a reasonable balance of all the relevant
- 2 principles that guide the Board's regulatory decision-making, including the principles of
- 3 regulatory efficiency and cost based rates.

⁷ Refer to the response to Request for Information PUB-NP-001, pages 1-4.