

1 **Q. The cover letter of the application states:**

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3 *“The Board should approve the Application because it (i) permits the orderly*  
4 *establishment of customer rates; (ii) conforms with regulatory practice; and (iii) is*  
5 *consistent with regulatory efficiency.” [emphasis added]*

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7 **Please explain how it is consistent with regulatory practice to grant final approval of**  
8 **deferral and recovery of the 2016 increased revenue requirement, to provide**  
9 **increased return for 2016, when the Board indicated in Order No. P.U. 13 (2013) its**  
10 **plans to review the practice of allowing NP a 45% common equity component for**  
11 **ratemaking, prior to 2016.**

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13 A. In Order No. P.U. 13 (2013), the Board ordered Newfoundland Power to file its next  
14 general rate application (“GRA”) with a 2016 test year, *unless otherwise directed by the*  
15 *Board*. It is clear that in Order No. P.U. 13 (2013), the Board contemplated that a change  
16 in the timing of Newfoundland Power’s next GRA was possible.

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18 The 2016 deferred cost recovery of \$4 million for Newfoundland Power proposed in the  
19 Application is reasonable and appropriate in the current circumstances, particularly  
20 Newfoundland and Labrador Hydro’s (“Hydro”) outstanding GRA.<sup>1</sup> Once completed,  
21 Hydro’s GRA will resolve the longstanding and substantial mismatch between Hydro’s  
22 costs and customer rates, including its utility rate to Newfoundland Power. Timely  
23 resolution of this mismatch is in the best interest of all customers served by the Island  
24 interconnected system.

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26 In addition, the 2016 deferred cost recovery proposed in the Application is consistent  
27 with (i) prospective ratemaking<sup>2</sup>; (ii) the principle of intergenerational equity as applied  
28 by the Board<sup>3</sup>; (iii) reduced overall regulatory lag and delayed cost recovery<sup>4</sup>; (iv) overall  
29 regulatory cost efficiency<sup>5</sup>; and (v) past Board orders, including Order No. P.U. 13  
30 (2013).<sup>6</sup> These are all aspects of sound regulatory practice.

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<sup>1</sup> Refer to the response to Request for Information PUB-NP-001, pages 4-6.

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

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

<sup>4</sup> Refer to the response to Request for Information PUB-NP-003, pages 1-2.

<sup>5</sup> Refer to the responses to Request for Information PUB-NP-002, pages 2-4 and PUB-NP-003, page 2.

<sup>6</sup> Refer to the response to Request for Information PUB-NP-001, pages 1-4.