

1 **Q. Schedule 1, Page 1 of the application states:**
2

3 *“This Application seeks to defer the filing of Newfoundland Power’s next general rate*
4 *application by June 1, 2016. To enable this, it is proposed that approval be granted for*
5 *a 2016 cost recovery deferral of approximately \$4.0 million. This will permit recovery*
6 *of the increased cost to Newfoundland Power of financing the 2016 capital*
7 *expenditures necessary to provide service to customers.”*
8

9 **Pages 5 and 6 of the same state:**
10

11 *“Newfoundland Power’s rate base changes on an annual basis. In 2016,*
12 *Newfoundland Power’s rate base will increase primarily due to capital expenditures*
13 *required for the Company to provide service to customers. These expenditures require*
14 *the Board’s prior approval.*
15

16 *The additional cost for Newfoundland Power to finance the 2016 rate base growth*
17 *resulting from 2016 capital expenditures was not contemplated by current customer*
18 *rates. Recovery of this additional cost is the basis of the proposed 2016 deferred cost*
19 *recovery.”*
20

21 **Is NP aware of any other regulatory jurisdictions which allow utilities to earn a**
22 **return on additions to rate base between Test Years? If so, please provide a**
23 **summary which includes each utility, an explanation of the regulatory mechanisms**
24 **used, and the impact this mechanism has on the utility and the ratepayers in that**
25 **jurisdiction.**
26

27 **A.** Newfoundland Power is aware that some other regulatory jurisdictions have permitted
28 utilities to earn returns on additions to rate base subsequent to a test year. This has
29 occurred, for example, within performance based regulatory (“PBR”) frameworks such as
30 those that existed from 1998 to 2007 in British Columbia, and are currently being
31 implemented in Alberta. In British Columbia, the additions to rate base were agreed as a
32 part of an annual review under PBR.¹ In Alberta, the additions to rate base are part of a
33 capital tracker mechanism within the PBR framework.²
34

35 Newfoundland Power has not conducted any detailed analysis of these PBR frameworks.
36 So, Newfoundland Power is not able to provide a summary, together with the explanation
37 of mechanisms and impacts requested.
38

39 For further information on the Board’s practice, refer to the response to Request for
40 Information PUB-NP-001.

¹ See, for example, British Columbia Utilities Commission Order No. G-51-03 which approved the settlement (including terms of annual review) of Terasen Gas’ 2004-2007 PBR framework.

² See the Alberta Utilities Commission Decision 3220-D01-2015: *Fortis Alberta Inc. 2013-2015 PBR Capital Tracker Application*.