

1 **Q. Given the Board has historically approved a mechanism to enable the flow through**
2 **to NP's customers of a change in NP's costs as a result of a change in the wholesale**
3 **rate between NP Test Years, please explain how approval of the proposed**
4 **application will contribute to "*facilitating the conclusion of currently outstanding***
5 ***regulatory proceedings affecting Newfoundland Power's cost of supply*".**
6

7 A. The approval of a mechanism to enable the flow through to Newfoundland Power's
8 customers of a change in Newfoundland Power's costs as a result of a change in the
9 wholesale rates is not related to the statement "*facilitating the conclusion of currently*
10 *outstanding regulatory proceedings affecting Newfoundland Power's cost of supply*".
11

12 The proposed application will contribute to "*facilitating the conclusion of currently*
13 *outstanding regulatory proceedings affecting Newfoundland Power's cost of supply*"
14 because it will result in Newfoundland Power not needing to apply for, and the Board to
15 process, Newfoundland Power's general rate application ("GRA") during the period of
16 time that Hydro's 2013 GRA is being processed by the Board. Processing Newfoundland
17 Power's GRA at the same time as Hydro's will tend to increase the cost, complexity and
18 time required to render decisions on both proceedings. Delays in obtaining a decision
19 from the Board will also increase the potential risk that regulatory lag may not enable
20 Newfoundland Power to fully recover test year costs due to a late implementation of
21 rates.¹
22

23 The orderly establishment of rates for customers served by the Island interconnected
24 system is, in Newfoundland Power's view, a desirable regulatory objective. In the
25 current circumstances, this objective will be best furthered by the (i) conclusion of
26 Hydro's current GRA and (ii) the efficient consideration of Newfoundland Power's next
27 GRA. The existence of mechanisms to flow through wholesale Hydro cost changes to
28 Newfoundland Power's customers does not diminish the desirability of this objective in
29 any way.

¹ The cost of regulatory lag in this response refers to obtaining approval of rates changes after the additional revenue is required. This potential cost is a major concern to the management of Newfoundland Power and typically results in Newfoundland Power seeking rate changes sufficiently in advance of its requirement for regulatory relief to minimize the risk of incurring costs due to regulatory lag.