

1 **Q. Further to Newfoundland Power's response to NLH-NP-003 which states:**

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3 *"Newfoundland Power expects that a GRA filing made early in the 4th quarter of 2015*
4 *would likely still conflict with scheduling associated with Hydro's currently*
5 *outstanding GRA. For this reason, the 2016 deferred cost recovery proposed in the*
6 *Application is the superior alternative to addressing the current circumstances."*
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8 **Please demonstrate the superiority of approval of (i) the current Application**
9 **providing final approval of \$4 million in deferred cost recovery from customers and**
10 **final approval of customer rates for 2016 based on untested costs versus (ii) Board**
11 **approval of a deferral account for the forecast revenue shortfall and subsequently**
12 **proceeding with a scheduled GRA in the fall of 2015 to test 2016 costs prior to**
13 **finalizing 2016 customer rates and addressing recovery of the deferral account**
14 **balance in 2016.**
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16 A. Given the schedule for Hydro's current general rate application ("Hydro's current
17 GRA"), potential scheduling conflicts with a Newfoundland Power GRA
18 ("Newfoundland Power's next GRA") filed in the fall of 2015 are foreseeable. Refer to
19 the response to Request for Information NLH-NP-062 for further details concerning
20 scheduling conflicts.
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22 Approval of the proposed deferral on an interim basis until the Board can test
23 Newfoundland Power's 2016 costs would not be consistent with the prospective nature of
24 rate regulation in Newfoundland and Labrador.¹ For this reason, the Application seeks
25 approval of deferred cost recovery of approximately \$4 million in 2016 costs, and does
26 *not* seek, as an alternative, approval of a deferral account, the recovery of which would
27 be addressed following a GRA in the fall of 2015.
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29 In addition to its consistency with the prospective nature of rate regulation in
30 Newfoundland and Labrador, approval of the 2016 cost recovery deferral proposed in the
31 Application is superior, for a number of reasons, to approval of a deferral account with
32 recovery being addressed subsequently in Newfoundland Power's next GRA. The 2016
33 cost recovery deferral proposed in the Application is consistent with (i) the principle of
34 intergenerational equity as applied by the Board²; (ii) reduced overall regulatory lag and
35 delayed cost recovery³; (iii) overall regulatory cost efficiency⁴; and (iv) past regulatory
36 practice.⁵

¹ Refer to the responses to Requests for Information PUB-NP-006, pages 2-3, NLH-NP-066, and NLH-NP-067.

² Refer to the response to Request for Information PUB-NP-006, pages 3-4.

³ Refer to the response to Request for Information PUB-NP-003, pages 1-2.

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

⁵ Refer to the response to Request for Information PUB-NP-001, pages 1-4.