

1 **Q. Further to Newfoundland Power's response to NLH-NP-018 which states:**

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3 *"In Newfoundland Power's view, the requirement that rates not be unjustly*
4 *discriminatory is not engaged by the Application. The Application proposes no changes*
5 *to rates, tolls or charges to customers, or to rate design or availability."*
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7 **Does Newfoundland Power agree that the requirement that rates be reasonable as**
8 **required in the EPCA is engaged by the Application? If yes, please explain how final**
9 **approval of rates for 2016 based upon untested costs ensures the Board meets the**
10 **legislative requirement that approved rates for 2016 are reasonable and consistent**
11 **with least cost provision of reliable service.**

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13 **A.** Newfoundland Power is not proposing changes to current rates, tolls or charges to
14 customers, or to rate design or availability. Current rates reflect *only* tested costs.

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16 The current rates charged to Newfoundland Power's customers were approved by the
17 Board in Order No. P.U. 23 (2013), following the Company's last general rate application
18 ("GRA"). These rates were approved to be effective July 1st, 2013. Accordingly, there is
19 no question they are consistent with the legislative requirements of the *Electrical Power*
20 *Control Act, 1994* (the "EPCA"), including Section 3, that rates be reasonable and not
21 unjustly discriminatory and result in power being delivered at the lowest possible cost
22 consistent with reliable service.

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24 Newfoundland Power is proposing deferred cost recovery of approximately \$4 million
25 which represents the additional cost to finance the increased 2016 rate base resulting
26 from capital expenditures required to provide service to customers. The additional 2016
27 cost is calculated in a manner consistent with existing practice for the annual regulation
28 of Newfoundland Power's forecast returns on rate base for years that are not test years.
29 Because the amount proposed for cost recovery deferral is calculated in a manner
30 consistent with regulatory practice, it should provide the Board with a high degree of
31 confidence that the amount of recovery is appropriate in the circumstances.

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33 In the current regulatory context, which includes Newfoundland and Labrador Hydro's
34 ("Hydro") outstanding GRA, the Board's approval of the 2016 deferred cost recovery
35 proposed in the Application is clearly consistent with the EPCA. Resolution of the large,
36 complex, and long outstanding issues raised in Hydro's outstanding GRA will advance
37 the public policy requirements of Section 3 of the EPCA relating to reasonableness of
38 rates, avoidance of unjust discrimination and least cost delivery of utility service.

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40 For further information regarding the appropriateness of the 2016 deferred cost recovery
41 proposed in the Application, refer to the responses to Requests for Information
42 PUB-NP-001, PUB-NP-002, PUB-NP-003, PUB-NP-006, PUB-NP-007, PUB-NP-008
43 and NLH-NP-062.