

1 **Q. At page 4-18 NP refers to procedures in North America as they relate to returns**
2 **being substantially similar. Does this judgment apply to US jurisdictions that use**
3 **historic test years, rather than forward test years and/or areas that do not have**
4 **regular rate reviews?**

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6 A. There is no reference at page 4-18 of the Company Evidence to "...procedures in North
7 America as they relate to returns...".

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9 Newfoundland Power's evidence at page 4-18 is "Insofar as it relates to returns, the
10 *legislative framework* in Newfoundland and Labrador is substantially similar to that in
11 other North American jurisdictions." (emphasis added). This is supported by the
12 observation of the Newfoundland and Labrador Court of Appeal that "Although differing
13 in details, the regulatory statutory regimes existing throughout North America can, as a
14 generalization, be said to be broadly similar in approach..."¹

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16 Newfoundland Power uses a forward looking test year for the establishment of customer
17 rates. This is consistent with the legislative framework.²

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19 In Newfoundland Power's view, comparisons can be validly made with U.S. jurisdictions
20 that use historic test years in circumstances where those historic test years are adjusted
21 for known and measurable changes. This is common U.S. practice. There is, in
22 Newfoundland Power's view, substantial similarity between a forecast test year and a
23 historic test year that has been adjusted for known and measurable (i.e., forecast)
24 changes.³

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26 Without more detail concerning the "areas that do not have regular rate reviews"
27 described in this question, it is not possible for Newfoundland Power to provide a
28 meaningful response to this portion of the question.

¹ *The Stated Case*, June 15, 1998, Newfoundland and Labrador Court of Appeal, paragraph 20.

² Section 3(a)(ii) of the *Electrical Power Control Act, 1994* provides that customer rates "should be established, wherever practicable, based on forecast costs for that supply of power for 1 or more years."

³ See Expert Evidence of Mr. James Coyne, Appendix A, page 29, lines 18-27 and Exhibit JMC-5, Schedule 5, where the proxy group of comparable U.S. utilities includes utilities with full or partial forecast test years or historic test years adjusted for known and measurable changes.