

1 **Q. Re: Uncollectible Bills, page 2-6, Table 2-4 and Customer Account Interest, page 4-**
2 **4, Table 4-2**

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4 **Please provide the detailed analysis supporting the percentage increases in**
5 **uncollectible bills and customer account interest. Provide a reconciliation that**
6 **demonstrates whether the underlying assumptions are consistent.**
7

8 A. Customer account interest is mainly reflective of the balance and aging of customer
9 accounts. The overall aging of Newfoundland Power's customer accounts has not
10 significantly changed since 2013. The forecast for customer account interest
11 substantially reflects historical charges, for which there has been limited variability since
12 2013.

13
14 The expense associated with uncollectible bills mainly reflects the number of customer
15 accounts referred to a collections agency and customers that have declared bankruptcy.¹
16 In determining the forecast for 2015, management considered actual account write-offs
17 through July 2015 in comparison to 2013 and 2014. A forecast of \$1.3 million was
18 determined to be reasonable based on that analysis. The GDP inflator was applied in
19 determining the forecast for 2016 and 2017.
20

21 A relationship typically does exist between uncollectible bills and interest on overdue
22 accounts.² There are, however, factors that influence how these balances will trend in
23 relation to each other. For example, the amount and timing of an account that has
24 declared bankruptcy could have a much more significant impact on uncollectible bills
25 than it would have on customer account interest.

¹ See PUB-NP-018.

² For example, uncollectible bills increased by approximately \$0.6 million and interest on overdue accounts increased by approximately \$0.1 million in 2014.