

1 **Q. (Reference Application)**
2

3 **(a) Will the Electrification Cost Deferral Account be included in regulated rate**
4 **base?**

5
6 **a) Are any of Newfoundland Power's deferral accounts included in regulated**
7 **rate base?**

8
9 **b) If so, which ones?**

10
11 **c) Provide the rationale for including a deferral account in regulated rate base.**
12

13 **A.** Yes, the proposed Electrification Cost Deferral Account would be included in the
14 calculation of Newfoundland Power's regulated rate base.

15
16 a) Yes, all of Newfoundland Power's deferred charges are included in its calculation of
17 rate base as either additions or deductions to rate base.

18
19 b) The Company's additions to rate base as of December 31, 2020 are:

- 20 (i) Deferred Pension Costs;
21 (ii) Deferred Credit Facility Issue Costs;
22 (iii) Cost Recovery Deferral – Hearing Costs;
23 (iv) Cost Recovery Deferral – Conservation;
24 (v) Customer Finance Programs; and,
25 (vi) Demand Management Incentive Account.

26
27 The Company's deductions to rate base as of December 31, 2020 are:

- 28 (i) Other Post Employment Benefits;
29 (ii) Customer Security Deposits;
30 (iii) Accrued Pension Obligation;
31 (iv) Accumulated Deferred Income Taxes;
32 (v) Weather Normalization Reserve; and
33 (vi) 2019 Revenue Surplus.

34
35 c) The inclusion of deferred amounts in the Company's regulated rate base is consistent
36 with the Asset Rate Base Method.¹ In Order No. P.U. 32 (2007), the Board approved
37 Newfoundland Power's calculation of regulated rate base in accordance with the
38 Asset Rate Base Method.

39
40 Both Newfoundland Power and Newfoundland and Labrador Hydro include deferred
41 charges in their calculations of regulated rate base.²

¹ Conceptually, additions to rate base are costs that have been incurred to provide service, but have not yet been recovered through customer rates. Deductions from rate base represent amounts that have been recovered through customer rates in advance of the required utility payment for those costs.

² See, for example, *Return 3: Computation of Rate Base* and *Return 11: Deferred Charges* included with Newfoundland and Labrador Hydro's 2020 Annual Return filed with the Board on April 1, 2021.