

1 **Q. In Order No. P.U. 13 (2009) (issued in connection with NP's application requesting**
2 **approval of the deferred recovery of the actual 2009 costs to be incurred by NP in**
3 **connection with an energy conservation program) the Board ordered, in part, as**
4 **follows:**

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6 **"2. Newfoundland Power shall provide, as part of its 2009**
7 **annual report, a report on the implementation of the**
8 **Conservation Plan in 2009, including a description of specific**
9 **initiatives, the results and associated costs."**

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11 **In addition, the "Conservation Cost Deferral Account" as defined in Schedule "A" to**
12 **the Board's Order stated, "The disposition of any balance in this account will be**
13 **subject to a further Order of the Board."**

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15 (a) **When will NP file its 2009 annual report with the Board?**

16 (b) **Please confirm whether or not NP will be in a position to file "a report**
17 **on the implementation of the Conservation Plan in 2009, including a**
18 **description of specific initiatives, the results and associated costs" by the**
19 **start of this GRA hearing.**

20 (c) **On what basis should the Board be requested to approve the**
21 **amortization of the actual 2009 costs commencing in January of 2010**
22 **prior to its receiving from NP the detailed report ordered in P.U. 13**
23 **(2009)?**

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25 A. (a) The Company will file its 2009 annual report with the Board by March 1, 2010.
26 This is in compliance with Order No. P.U. 7 (1996-97), that ordered, in effect, that
27 the Company file annual progress reports on its demand management activities,
28 including conservation. Filing this report following year-end on an annual basis
29 enables the report to provide detail on both the costs and results of conservation and
30 demand management activities.

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32 (b) See response to (a).

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34 (c) The Board determined in Order No. P.U. 13(2009) that the 2009 conservation costs
35 to be incurred in delivering the Five Year Conservation Plan are prudent and
36 reasonable costs which were not reflected in Newfoundland Power's 2008 test year
37 costs. The Board approved the deferred recovery, until further Order of the Board,
38 of the 2009 costs related to the implementation of a Five-Year Conservation Plan.
39 The Order included approval of a deferral account definition that is provided as
40 Attachment A. The costs that are approved for deferred recovery are those defined
41 by the Conservation Cost Deferral Account Definition in Attachment A.

42
43 Beginning recovery in 2010 of the 2009 conservation costs is consistent with the
44 cost of service standard and intergenerational equity between existing and future
45 customers. It is Board practice to base customer rates on forecast costs rather than to
46 await actual costs being incurred prior to reflecting them in customer rates. This is

1 consistent with the *Electrical Power Control Act, 1994* that, where practicable,
2 customer rates be based upon forecast costs.

3
4 In addition, Newfoundland Power observes that current Board practice routinely
5 requires reporting on *actual* costs following approval of their recovery in customer
6 rates. For example, reporting of actual costs experienced in a forecast test year is
7 routine Board practice. This is consistent with the Board's general supervisory
8 power under the *Public Utilities Act*.

Approval of a Deferral Account Definition

Conservation Cost Deferral Account

The account shall be charged with the costs incurred in implementing the Customer Program Portfolio. The costs will include such items as detailed program development, promotional materials, advertising, pre and post customer installation checks, application and incentive processing, incentives, trade ally training, employee training, and program evaluation costs associated with programs in the Customer Program Portfolio.

The account will exclude any expenditure properly chargeable to plant accounts. The account shall also exclude conservation expenditures that are general in nature, such as costs associated with providing energy conservation awareness, responding to customer inquiries, planning, research and general supervision that are not associated with a specific program in the Customer Program Portfolio.

Transfers to, and from, the proposed account will be tax effected.

The disposition of any balance in this account will be subject to a future order of the Board.