

1 **Q. In response to CA – NP – 42 NP states that it “...does not currently expect that the**  
2 **rates set as a result of this Application will be in effect beyond 2010”. At what point**  
3 **and under what conditions does NP anticipate that it will make the decision as to**  
4 **whether or not it will file an application in 2010 for a 2011 test year?**

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6 A. Newfoundland Power is not currently able to state *at what point* and *under what*  
7 *conditions* it will make a decision to file an application in 2010 for a 2011 test year. The  
8 Company is, however, able to indicate some of the factors that might influence both the  
9 decision to file, and the timing of, the Company’s next general rate application.

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11 Attachment A to response to Request for Information CA-NP-43 provides Newfoundland  
12 Power’s 5-year financial forecast for the period 2009 through 2013. It assumes all  
13 proposals contained in the 2010 General Rate Application are approved. Newfoundland  
14 Power does not, however, presume that this will necessarily occur. The impacts of  
15 negotiation and, ultimately, the Board’s decision on the 2010 General Rate Application  
16 are currently uncertain. Those impacts will likely affect the Company’s financial outlook  
17 and, in turn, affect the considerations regarding the necessity to file a general rate  
18 application in 2010 for a 2011 test year.

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20 At the present time, 2011 is almost 18 months away. As 2011 approaches, the  
21 Company’s ability to more accurately forecast the 2011 balance of costs and revenues  
22 will be improved. This simply reflects the reality that forecasts over shorter time  
23 horizons will *tend* to be more reliable than those over longer term horizons. This will not  
24 always be true, however, as volatile market conditions in the last 4 months of 2008  
25 indicated. Changing forecast assumptions could result in acceleration or deferral of a  
26 decision to file a general rate application.

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28 Depending upon the circumstances, it is also possible that other regulatory action such as  
29 proposed deferred recovery of costs could influence both the decision to file, and the  
30 timing of, the Company’s next general rate application. This was the practical effect of  
31 the Company’s applications filed in 2005 and 2006 seeking deferred recovery of costs for  
32 2006 and 2007, respectively (see Order Nos. P.U. 40 (2005) and P.U. 39 (2006)).

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34 From a practical perspective, it currently takes at least 6 to 7 months from filing for the  
35 Board to adjudicate on a general rate application. It takes approximately 2 to 3 months  
36 for the Company to prepare the application. This would indicate that the Company’s  
37 decision on a 2011 general rate application would practically be required by the end of  
38 the 1<sup>st</sup> quarter of 2010 with a filing in the 2<sup>nd</sup> quarter, if a January 1<sup>st</sup>, 2011 rate change  
39 was sought. Depending upon the financial outlook, it is possible that a general rate  
40 application could be filed later in 2010 seeking a rate change later in 2011. Such an  
41 application would likely involve a 2011-2012 test period. This approach was taken in the  
42 Company’s general rate application filed in October 2002 which had a 2003-2004 test  
43 period and resulted in an August 1, 2003 rate change (see Order No. P.U. 19(2003)).