

1 **Q. Reference: section 3.1 OPEBs Costs Overview**

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3 **Please confirm that the value of the Regulatory Asset will change from year to year**
4 **not only due to the amortization amount, but also due to the other factors that affect**
5 **the accrued obligation. For example, if the benefits were reduced in a future year or**
6 **the discount rate were to increase, the value of the Regulatory Asset that remains to**
7 **be amortized would decline by a corresponding amount. If this is correct, please**
8 **explain the proposed method for adjusting the amortization of the Regulatory Asset**
9 **in response to changes in the value of the Regulatory Asset.**

10
11 **A.** Newfoundland Power is unable to provide the confirmation requested.

12
13 Upon Newfoundland Power's adoption of the accrual method of accounting for OPEBs
14 costs, the value of the OPEBs *regulatory asset* would change only due to (i) amortization
15 of the balance, or (ii) change in accounting standards.¹

16
17 Future OPEBs plan benefit reductions or discount rate increases would serve to reduce
18 Newfoundland Power's OPEBs *accrued obligation* and future annual OPEBs costs at the
19 time of the benefit reductions or discount rate change. The accrued OPEBs obligation
20 represents the total OPEBs costs required to be recovered by the Company in customer
21 rates over the long term.

22
23 Please refer to the Response to Request for Information CA-NP-5.

¹ See, for example, *Section 5.3 Accounting Standards*, pages 10 to 13, of Newfoundland Power's evidence for a description of the anticipated changes in the OPEBs regulatory asset as a result of IFRS adoption.