Q. Page 55, Lines 21 to 22: In considering the appropriate amortization period for Newfoundland Power, is it not appropriate to consider that the CDM efforts of Newfoundland Power and Hydro on the Island Interconnected System are aligned based upon the same marginal costs and that the Board has approved a seven-year amortization period for Newfoundland Power? If not, why not?

A. The question sets out one valid consideration for amortizing CDM costs, but it is not the only valid consideration.

InterGroup notes that a seven-year amortization for Newfoundland Power ("NP") CDM efforts appears to be based on a Negotiated Settlement which can suggest other considerations were at hand than simply defining the period of benefit, or aligning with other similar utilities.

The key perspective is if the benefits of CDM programs extend over a longer period of time than 7 years it is reasonable, and consistent with peer utilities, to amortize the costs of such programs over a longer period of time. In particular a 10-year amortization period is commonly used in other Canadian jurisdictions as an appropriate amortization length that reflects the length of CDM program benefits on average.

It is also of note that increases in CDM expenditures to date[1] and forecast to continue in coming years can start to overly burden ratepayers unnecessarily. For example, Hydro and NP's Five-Year Energy Conservation Plan provided in CA-NLH-144 Attachment 1 [page 71 of 132] states that "... amortization of program costs over a period of 5 to 10 years appears reasonable" and notes that this is consistent with Canadian public utility practice. On the same page (a footnote 57) it was noted that jurisdictions with relevant peer utilities (Crown owned, hydro-dominated) such as the British Columbia Utilities Commission requires utility conservation program costs to be amortized and recovered over 10-year or 15-year periods, and Manitoba Hydro recovered conservation program costs over variable periods of up to 15 years.

[1] As provided in Hydro's 2013 GRA Exhibit 9, page 20 the annual spending increased from $0.159 million in 2009 to $1.384 million in 2012 and based on Hydro's response to CA-NLH-114 forecast for 2013 at $2.632 million.