

1 **Q. In Order No. P.U. 29(2012), the Board approved that Hydro recognize and record**
2 **asset retirement obligations (AROs). The 2014 cost impact of this accounting change**
3 **between test years is approximately \$3.1 million (see GRA response to NP-NLH-**
4 **091).**

5 **Does Newfoundland Power believe it would be reasonable for the Board to approve**
6 **on an interim basis, until 2014 costs are fully tested in 2015, a cost deferral account**
7 **for Hydro to be charged with full amount of the additional costs of AROs in 2014 as**
8 **a result of compliance with the Board order? If no, please explain why?**

9 **A.** In Newfoundland and Labrador Hydro’s (“Hydro”) letter of June 6, 2014, giving the
10 Board notice of an amended filing of its 2013 rate application, it was indicated, in effect,
11 that Hydro intended to substitute the current 2013 test year with a 2015 test year. The
12 impact of this proposed change on recovery of 2014 costs by Hydro is not currently clear
13 to Newfoundland Power. Hydro’s 2014 costs that are outlined in the response to Request
14 for Information NP-NLH-091 have not been assessed by the Board, or tested, and found
15 suitable for recovery.

16 In Order No. P.U. 29 (2012), the Board denied the approval of the regulatory treatment of
17 Hydro’s proposed asset retirement obligations. The Board noted in the Order:

18 “...the issues surrounding the proposed asset retirement obligations are *appropriately*
19 *addressed in the context of a general rate application* so that the assessment can be
20 made and the impacts considered in the context of the relevant circumstances; (Order
21 No. P.U. 29 (2012), page 3 (emphasis added)).

22 It would appear to Newfoundland Power that Order No. P.U. 29 (2012) indicates the
23 proposed asset retirement obligations, including their recovery, should be considered in
24 the context of a general rate application.

25 This is substantially similar to the treatment of Newfoundland Power’s increase of
26 \$1,157,000 in 2006 depreciation expense attributable to plant investment since the
27 Company’s last test year (i.e., 2004) which was dealt with by the Board in Order No.
28 P.U. 40 (2005). Please refer to the response to Request for Information SIR-NLH-NP-
29 002.

30 Please see the response to Request for Information SIR-NLH-NP-015 for information on
31 Newfoundland Power’s view of relevant aspects of current regulatory practice including
32 the Board’s testing of cost/revenue deferrals prior to their approval.