

1 **Q. In its Order No. P.U. 17 (2012) dated June 15th, 2012 related to an application by NP**
2 **for approval of a just and reasonable return on rate base for 2012, the Board**
3 **approved the deferred recovery of the difference between the then existing return**
4 **on common equity of 8.38% and the proposed 8.80% return on common equity for**
5 **2012. The recovery of the additional revenue requirement for 2012 was deferred**
6 **and, in Order No. P.U. 13 (2013), approved for recovery over three years.**

7
8 **In its GRA filing on September 14, 2012, NP requested that the Board approve the**
9 **implementation of a deferral and recovery mechanism whereby NP would be able to**
10 **earn its full 2013 revenue commencing January 1, 2013. In its application NP**
11 **applied for the recovery, over a three year period, of a forecast 2013 revenue**
12 **shortfall that would effectively achieve a rate implementation of January 1, 2013 as**
13 **rates were forecast to be implemented March 1, 2013. In Order No. P.U. 13 (2013),**
14 **the Board approved the deferral and recovery of a higher deferral amount which**
15 **resulted from a change in rate implementation from the assumed date of March 1,**
16 **2013 in the September 2012 GRA filing to the actual rate implementation date of**
17 **July 1, 2013.**

18
19 **As described above, NP's most recent GRA included approval of two separate**
20 **deferral and recovery amounts related to approval of just and reasonable returns**
21 **for NP in both 2012 and 2013. What is NP's opinion on the considerations the**
22 **Board should use in applying these precedents in its ruling on Hydro's request for a**
23 **just and reasonable return in 2014. Please describe in detail.**

24
25 **A. Please refer to the response to Request for Information SIR-NLH-NP-010 for an**
26 **explanation of the evidence before the Board relating to Newfoundland Power's 2012**
27 **Cost of Capital and the creation of a deferred recovery account which formed the basis of**
28 **Order No. P.U. 17 (2012).**

29
30 In Newfoundland Power's 2013/2014 General Rate Application the Board considered
31 evidence related to recovery of the deferred recovery account created by Order No. P.U.
32 17 (2012) and the shortfall associated with the timing of the implementation of new
33 customer rates in 2013. In addition, as part of the process associated with Newfoundland
34 Power's 2013/2014 General Rate Application, the Board had the benefit of (i) Grant
35 Thornton LLP's assessment that the proposed recoveries did not appear unreasonable or
36 not in accordance with Board Orders and (ii) a settlement agreement agreed by the
37 Company and the Consumer Advocate was facilitated by Board Hearing Counsel which
38 recommended approval of the recoveries.

39
40 The evidentiary record before the Board on both of these applications provided the Board
41 with a sound basis for regulatory decision-making. In Newfoundland Power's opinion,
42 the Board should ensure a sound evidentiary basis exists to support any rulings it will
43 make on Hydro's request for a just and reasonable return in 2014.