

1 **Q. McShane Evidence – Please confirm that Newfoundland Power Inc. had a OPEVDA**
2 **(OPEBs Cost Variance Deferral Account) approved effective January 1, 2011 and**
3 **confirm that prior to its adoption Newfoundland Power Inc. was at risk for any**
4 **degree of variability and unpredictability associated with forecasting OPEBs cost**
5 **and that after January 1, 2011 the company is not at risk for any degree of such**
6 **variability or unpredictability by reason of the OPEVDA.**

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8 A. Confirmed that Newfoundland Power had an OPEBs cost variance deferral account
9 (“OPEVDA”) approved effective January 1, 2011. The OPEVDA was approved to
10 address *increased* variability and unpredictability associated with forecasting OPEBs
11 costs due to changing assumptions, such as discount rates.

12
13 Not confirmed that prior to the adoption of OPEVDA Newfoundland Power was at risk
14 for variability or unpredictability associated with changing assumptions such as discount
15 rates. Prior to 2011, Newfoundland Power accounted for OPEBs on the cash basis which
16 was very predictable.

17
18 Adoption of OPEVDA effectively addressed increased forecast risk resulting from
19 adoption of accrual accounting for OPEBs expense which did not exist prior to 2011.