

1 **Q. Page 3 of NP's Application indicates that the company is seeking to set rates in 2013**
2 **and 2014 that will recover the forecast revenue requirement in 2013 and 2014. This**
3 **application therefore proposes to adopt a two-year test period for this application.**
4

5 **Please explain why NP is not proposing to set rates in each test year that is only**
6 **sufficient to recover each year's revenue requirement, or alternatively to escalate**
7 **rates over the two years with two smaller increases, in order to moderate the first-**
8 **year increase while still recovering the two-year revenue requirement.**
9

10 **A.** Newfoundland Power *is* proposing to set rates in each year that are only sufficient to
11 recover each year's revenue requirement.
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13 The proposed rates, if implemented on March 1, 2013, will provide Newfoundland Power
14 the opportunity to recover its 2013 forecast revenue requirement in 2013 and its 2014
15 forecast revenue requirement in 2014.¹
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17 See responses to Requests for Information CA-NP-388, CA-NP-389, CA-NP-390,
18 CA-NP-391, CA-NP-392 and CA-NP-393.

¹ The forecast revenue requirement for each year reflects a proposed regulatory amortization to recover, over the period March 2013 to December 2015, a \$980,000 revenue shortfall for 2013 due to the timing of the March 1st rate change implementation date. See *Volume 1, Application and Company Evidence, Section 3.5.4 2013 Revenue Shortfall*, page 3-55 *et seq.*, and *Section 4.3 2013 and 2014 Revenue Requirements*, page 4-5, Table 4-5.