

1 **Q. Table 3-24 presents the proposed amortization of regulatory deferrals. If the**
2 **proposed amortization is accepted, the approved rates will be set at a level that is**
3 **sufficient to recover \$626,000 in amortizations in 2013 and 2014. Also, if there is a**
4 **GRA for the 2015 rate year, rates would be set at a level sufficient to recover**
5 **\$831,000 of regulatory deferrals.**

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7 **Please confirm that rates in 2016 and subsequent years should not include the**
8 **recovery of any costs associated with these regulatory deferrals.**
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10 **A.** In considering matters of adjustments to utility costs and rates in periods between test
11 years, the impact on the utility's ability to have a reasonable opportunity to achieve its
12 return is a central consideration.

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14 The Board has in the past considered utility applications seeking that costs incurred in
15 one year be amortized over a number of years. The Board has also dealt with utility
16 applications dealing with the financial impacts of the conclusion of regulatory
17 amortizations.¹
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19 In addition, the Board has the authority, pursuant to its investigatory powers under the
20 *Public Utilities Act*, to require the utility to file a rate case for the purpose of reviewing
21 costs and rates. It would be premature in 2012 for the Board to consider the impact of the
22 concluding amortizations without giving due consideration to both the costs of providing
23 service and utility's ability to have a reasonable opportunity to achieve its return in 2016.
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25 Newfoundland Power typically files a general rate application approximately every 3
26 years.² Please refer to response to Request for Information CA-NP-398 which shows that
27 Newfoundland Power is currently forecasting revenue requirement shortfalls for 2015
28 and 2016 of approximately \$4.4 million and \$7.6 million, respectively.

¹ In each of 2006, 2007, 2011 and 2012, the Board, by permitting deferred recovery of certain costs not included in customer rates, permitted Newfoundland Power reasonable opportunity to achieve its return as determined by the Board. See Order Nos. P.U. 40 (2005), P.U. 39 (2006), P.U. 30 (2010) and P.U. 22 (2011).

² Newfoundland filed its last general rate application in 2009 and the prior general rate application was filed in 2007.