

Q. 2013-2014 General Rate Application, Amortization of Deferrals

In Section 3.5.1 of the Application NP outlines its proposition to amortize over the three-year period: (i) cost recovery deferrals approved in 2010 for 2011, \$2,400,000, in 2011 for 2012, \$2,400,000, and in 2012 for 2012, \$2,500,000; (ii) third party hearing costs associated with this Application, \$1,250,000; (iii) the year end 2011 balance in the Weather Normalization Reserve, (\$7,005,0000); and (iv) a 2013 revenue shortfall resulting from a forecast March 1, 2013 implementation of revised customer rates, netting to \$0 over the three-year period. The period of amortization is 2013, 2014 and 2015, and the total amount to be recovered is \$1,545,000.

If NP decides that its next general rate application will be filed with a 2015 test year, what options does NP believe are available to deal with the under-collection that would result from the loss of one year of the three-year amortization period?

A. If Newfoundland Power's next general rate application is filed with a 2015 test year (a "2015 GRA"), then the regulatory amortizations which are summarized in Table 3-24 under the column "2015" will not have concluded.¹ In a 2015 GRA, it would be open to the Board to consider how the unamortized balances are to be dealt with.

In a 2015 GRA, the Board may reconsider the amortizations approved by previous Order and change them or it may choose to leave them as previously approved. From Newfoundland Power's perspective, the Board's decision will likely be influenced by other issues arising in a 2015 GRA, including other balances proposed for amortization.

An example of how prior approved amortizations influenced the Board's decision-making on proposed amortizations occurred in Order No. P.U. 43 (2009). In Order No. P.U. 43 (2009), the Board considered the Company's proposal to recover hearing costs in one year, in light of the amortization of hearing costs related to the previous general rate case. This previous amortization, which the Board effectively allowed to continue through the 2010 test year, appeared to influence the Board to amortize recovery over a three-year period instead of the one-year period proposed by Newfoundland Power.²

¹ Of the 5 amortizations in column 2015 in Table 3-24, 4 provide for Newfoundland Power cost recovery and 1 provides for a credit in favor of customers; in total the 5 amortizations provide for *net* cost recovery in 2015 of \$831,000. Because the period of regulatory amortizations which is forecast to end in 2015 will not have concluded by the time of a 2015 GRA (which will be filed and likely heard in 2014), then it follows that the Company will not have had a reasonable opportunity to recover the net amount of \$831,000 in respect of 2015.

² See Reasons for Decision: Order No. P.U. 43 (2009), p. 41, line 13 *et seq.*