

1 **Section 3: Finance/Electrification Cost Deferral Account and Recovery of Costs**  
2

3 **Q. (Section 3, page 3-56) Deferral accounts:**

- 4 a) **Is it typical for Canadian distribution companies to have so many deferral**  
5 **accounts?**  
6 b) **What rate increase would Newfoundland Power be proposing effective July 1,**  
7 **2025 if amounts that have accrued in deferral accounts were reduced to zero?**  
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- 9 A. a) Yes, it is common utility practice for regulators in Canada to approve deferral  
10 accounts. See, for example, the *2025/2026 General Rate Application, Volume 2,*  
11 *Expert Evidence, Cost of Capital, 3. Comparison to other Canadian Investor-Owned*  
12 *Electric Utilities*, pages 70 to 78.  
13

14 Approval of the amortization of the deferral accounts outlined in Table 3-17 on  
15 page 3-56 is also consistent with Board orders and past practice of the Board.<sup>1</sup>  
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- 17 b) The July 1, 2025 customer rate impact associated with the amortization of the deferral  
18 accounts, as outlined in Table 3-17 on page 3-56, is an estimated increase of 1.2%.<sup>2</sup>  
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20 If the deferred amounts were not recovered through the July 1, 2025 proposed rate  
21 change, it would require: (i) an earlier customer rate change date so that there were no  
22 2024 and 2025 revenue shortfalls; and/or (ii) a customer rate increase at a later date to  
23 begin recovery of the deferred balances.<sup>3</sup>

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<sup>1</sup> See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits,* Section 3, Finance, pages 3-56 to 3-58.

<sup>2</sup> Total 2026 amortization of \$10.3 million / 2026 existing customer billings of \$835.8 million = 1.2%.

<sup>3</sup> For example, to recover the \$1.0 million in costs estimated to be incurred and billed to the Company by the Board and Consumer Advocate as a result of the *2025/2026 General Rate Application*.