Q. As regards Newfoundland Power's response to CA-NP-080, Newfoundland Power was asked about the risk of utility assets being taken out of rate base, since they were no longer "used and useful" and to indicate whether it faces materially different risks of this nature to the Alberta utilities. In answer it refers to P.U. 13 (2016) where the Board did not allow additions to Hydro's rate base. Since the answer provides no information either specific to Newfoundland Power or with respect to removing assets from rate base, is the implication that Newfoundland Power has never been required by the Board to take assets out of its existing rate base, since they were no longer used and useful? Is it also the case that Newfoundland Power has never been asked by the Board to verify that all assets in rate base continue to be used and useful?

A. Neither of the implications made in this question are appropriate.

Newfoundland Power routinely takes assets out of its existing rate base when they are no longer used and useful. Newfoundland Power uses generally accepted accounting principles in the United States (“U.S. GAAP”), which practically requires removal of assets no longer used and useful from the Company’s electric plant in-service accounts. Newfoundland Power’s auditors, Deloitte LLP, in effect, provide assurance that the Company’s annual financial statements, including its accounting practices for asset retirements, comply with U.S. GAAP in all material respects.

Newfoundland Power is subject to a comprehensive regime of regulatory oversight insofar as the Company’s rate base is concerned. This includes: (i) a mandatory system of accounts for regulatory reporting purposes; and (ii) an annual attestation to the Board concerning all components of rate base.[1] This attestation includes retirements of all assets which are no longer used and useful. Newfoundland Power’s annual attestation to the Board is reviewed by the Board’s independent financial consultants, Grant Thornton LLP.

In 2017, Newfoundland Power removed a total of $25.7 million of assets no longer used and useful from the plant investment reflected in the Company’s rate base.[2]

[1] Each year, Newfoundland Power is required to file an Annual Return to the Board pursuant to Section 59(2) of the *Public Utilities Act*. The Annual Return includes the Company’s audited financial statements and a comprehensive reconciliation of all components of the Company’s rate base. In addition, in Order No. P.U. 19 (2003), the Board required Newfoundland Power to provide an annual report outlining changes in deferred charges included in rate base and a full reconciliation of average rate base to the Company’s average invested capital. This report is routinely filed with the Company’s annual capital budget application.

[2] See Return 4 of the 2017 Annual Return filed by Newfoundland Power pursuant to Section 59(2) of the *Public Utilities Act*.