

1 **Reference: Volume 2, Review of General Expenses Capitalized**

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3 **Q. Further to PUB-NP-059 did Newfoundland Power consider the possibility of using a**
4 **mechanism such as a deferral account to smooth the \$1.4 million impact on revenue**
5 **requirement for the 2023 test year over a period of three to five years or longer?**

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7 A. The \$1.4 million impact on 2023 revenue requirement associated with the proposed
8 change in capitalizing pension costs will reverse over time, reducing revenue
9 requirements in future years.¹ As the impact is timing related rather than recovery of a
10 cost (e.g. hearings costs), the Company did not consider the use of a deferral account to
11 minimize the impact on 2023 revenue requirement.

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13 However, in Newfoundland Power's view, employing a deferral account is a reasonable
14 alternative to smooth the impact on 2023 revenue requirement. The Board has, in the
15 past, permitted the use of cost recovery deferrals and amortizations where it determines
16 the circumstances justify such treatment of utility costs.²

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18 Table 1 provides the net impact on 2023 revenue requirement if a deferral account is used
19 to offset the impact of the proposed change in capitalizing pension costs. Three
20 amortization period scenarios are shown: 34 months, 5 years and 10 years.

Table 1:
2023 Revenue Requirement
Deferral and Amortization Scenarios
(\$000s)

	Proposed	34-Month	5 Year	10 Year
Change in pension capitalization	1,427	1,427	1,427	1,427
Deferral	-	(1,427)	(1,427)	(1,427)
Amortization	-	504	285	143
Net impact	1,427	504	285	143

21 A 34-month amortization period would be consistent with the Company's proposed
22 amortization period for the 2022 Revenue Shortfall and Hearing Costs cost deferrals.³
23 The amortization would commence on March 1, 2022 and end on December 31, 2024.

¹ See, for example, the 2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Appendix D.

² For further discussion on past practice associated with deferral accounts and amortizations, see the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.5: Regulatory Amortizations.

³ Ibid.