

1 **Q. (Reference Application) With respect to capital expenditures, if the revenue**
2 **requirement is lower based on actual cost than based on forecast cost is the cost**
3 **difference returned to customers?**
4

5 A. No, there is no regulatory mechanism that charges or credits customers differences
6 between forecast revenue requirements and actual costs specific to capital expenditures.
7

8 Newfoundland Power's revenue requirements, including those associated with capital
9 expenditures, are interrogated by the Board on a triennial basis in the context of general
10 rate applications. This is due in part to the complex relationship between capital
11 investments, revenue requirements and customer rates as previously recognized by the
12 Board.
13

14 In Order No. P.U. 40 (2005), the Board stated:
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16 *“NP undertakes a capital program and incurs capital expenditures each year*
17 *and these expenditures impact the revenue requirement in other ways, in*
18 *addition to depreciation. The portion of capital expenditures incurred for*
19 *example as a result of customer growth will be offset somewhat by higher*
20 *revenues from increased energy sales. Other capital expenditures may impact*
21 *maintenance expenses...these expenses are properly dealt with in the context*
22 *of a general rate application.”¹*
23

24 The Board maintains oversight of the Company's actual capital expenditures
25 through a variety of ways including (i) the annual *Capital Expenditure Report*;²
26 (ii) the annual *Capital Expenditure Status Report*;³ and (iii) the annual approval of
27 the Company's actual calculation of average rate base.⁴

¹ See Order No. P.U. 40 (2005), page 13.

² The *Capital Expenditure Report* filed annually provides information on capital expenditures approved by the Board, including variances between actual and budgeted expenditures by project.

³ See the *2021 Capital Budget Application, Volume 1, 2020 Capital Expenditure Status Report*.

⁴ See the *2021 Capital Budget Application, Volume 1, Schedule D* for Newfoundland Power's computation of average rate base for the year ended December 31, 2019.