

1 **Q.** **(Reference April 24, 2024 Brattle Report entitled Report on Newfoundland Power's**
2 **Deferral Accounts). It is stated (page 24) "NP has a similar amount and treatment of**
3 **deferral coverage to other utilities. However, many of these other utilities have some**
4 **form of incentive regulation that requires them to find efficiencies for large portions**
5 **of their costs. NP lacks this additional incentive to reduce costs and find efficiencies**
6 **while also benefiting from a similar amount of deferral account coverage." What**
7 **changes would Brattle recommend to the Board to alleviate this concern?**
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9 **A.** As outlined in the Report, there are various operations and capital costs under
10 incentive regulation that do not receive some form of deferral account coverage.
11 However, it is also important to state that each of these jurisdictions has some form of
12 ESM based on ROE to account for the variances in these costs subject to incentive
13 regulation. This approach provides an effective incentive for utilities to find efficiencies
14 for these costs under incentive regulation, all while providing cost savings for
15 customers over time.

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17 However, applying these incentive regulation principles and mechanisms to
18 Newfoundland Power, which has an excess earnings mechanism structured on return
19 on rate base instead of ROE, would not provide a proper incentive to Newfoundland
20 Power and could suffer from the same consequences as outlined in response to CA-
21 PUB-006.