

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P. U. 31(2010)

1 **IN THE MATTER OF** the
2 *Public Utilities Act*, RSNL 1990,
3 Chapter P-47 (the “*Act*”) and regulations thereunder;
4

AND

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6
7 **IN THE MATTER OF** a comprehensive
8 proposal for the 2011 adoption of
9 accrual accounting for other post
10 employment benefit costs for Newfoundland
11 Power Inc. (“Newfoundland Power”)
12

13 **WHEREAS** Newfoundland Power is a corporation duly organized and existing under the laws of
14 the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is
15 also subject to the provisions of the *EPCA*; and
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17 **WHEREAS** by Order No. P.U. 43(2009) the Board ordered that Newfoundland Power file with the
18 Board, no later than June 30, 2010, a comprehensive proposal for adoption of the accrual method of
19 accounting for other post employment benefits (“OPEBs”) costs as of January 1, 2011; and
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21 **WHEREAS** on June 30, 2010 Newfoundland Power submitted an application (the
22 “Application”) recommending that, effective January 1, 2011:
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- 24 (i) it adopt, for regulatory purposes, the accrual method of accounting for OPEBs
25 costs and income tax related to OPEBs;
- 26 (ii) the transitional balance associated with the adoption of the accrual accounting for
27 OPEBs costs be amortized over a 15-year period using the Mortgage Method; and
- 28 (iii) an OPEBs Cost Variance Deferral Account be adopted to capture annual
29 differences in OPEBs costs arising from changes in assumptions associated with
30 the valuation of OPEBs obligations; and
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32 **WHEREAS** the Consumer Advocate advised the Board on July 23, 2010 of his intention to
33 participate in the proceeding; and

1 **WHEREAS** Newfoundland and Labrador Hydro advised the Board on August 10, 2010
2 that it had no comments on this matter; and

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4 **WHEREAS** the Board's financial consultants, Grant Thornton, reviewed the proposal and filed
5 a report on August 13, 2010; and

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7 **WHEREAS** notice of the Application was published on September 11, 2010; and

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9 **WHEREAS** the Consumer Advocate issued Requests for Information on October 29, 2010; and

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11 **WHEREAS** Newfoundland Power answered the Requests for Information on November 5,
12 2010; and

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14 **WHEREAS** Newfoundland Power and the Consumer Advocate filed written submissions on
15 November 26, 2010; and

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17 **WHEREAS** the Board is satisfied that an Order in relation to the Application should be issued
18 as of this date to provide for timely implementation of rates for January 1, 2011; and

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20 **WHEREAS** the Board will issue its Reasons for Decision in respect of this Order separately.

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22 **IT IS THEREFORE ORDERED THAT:**

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25 1. The Board approves:

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27 (i) the adoption of the accrual method of accounting for OPEBs costs and income tax
28 related to OPEBs effective January 1, 2011; and

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30 (ii) the transitional balance estimated to be \$52,400,000 be amortized using the straight
31 line method of amortization over a 15-year period; and

32
33 (iii) adoption of an OPEBs Cost Variance Deferral Account as defined in Schedule A.

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35 2. Newfoundland Power shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this 10th day of December 2010.

Andy Wells
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B.
Commissioner

James Oxford
Commissioner

Cheryl Blundon
Board Secretary

1 **Definition**

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3 *OPEBs Cost Variance Deferral Account*

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5 This account shall be charged or credited with the amount by which the OPEBs expense for any year
6 differs from that approved for the establishment of revenue requirement from rates.

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8 OPEBs expense for the year is the total of (i) the OPEBs expense for regulatory purposes for the
9 year, and (ii) the amortization of OPEBs regulatory asset for the year.

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11 *Disposition of any Balance in this Account*

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13 Newfoundland Power shall charge or credit any amount in this account to the Rate Stabilization
14 Account as of the 31st day of March in the year in which the difference arises.

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16 If there is an application before the Board for rates based on a new test year that is anticipated to be
17 outstanding as of the 31st day of March in a year in which the new rates are expected to become
18 effective, then Newfoundland Power shall apply to the Board for determination of the amount to be
19 charged or credited to the account for that year and the timing thereof.