

- 1 **Q. NP is requesting a 1.2% increase in rates effective March 2019. From the discussion**  
2 **at Section 1-8 it appears that the main driver of this increase is the requested 9.50%**  
3 **ROE, can the company confirm that if the ROE is not changed there would be no**  
4 **material increase in rates?**  
5
- 6 A. The Application proposes an overall average increase in customer rates of approximately  
7 1.2%. Expert evidence filed with Newfoundland Power’s application recommends a fair  
8 rate of return on equity of 9.50% on a common equity ratio of 45%.<sup>1</sup> The increase in the  
9 rate of return on equity from the currently approved 8.50% represents a 1.2% increase in  
10 the revenue required from customer rates.  
11
- 12 In a scenario where all proposals included in the Company’s application are approved by  
13 the Board, other than the increase in the return on equity from 8.50% to 9.50%, there  
14 would be no material increase in rates.<sup>2</sup>

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<sup>1</sup> See *Volume 2, Cost of Capital Evidence, Mr. James Coyne*.

<sup>2</sup> 1.2% average customer rate increase minus a 1.2% increase related to a higher return on equity equals approximately 0%.