

- 1 **Q. (Reference CA-NP-023) It is stated “The first perspective is through a decline in**  
2 **revenue that would materialize through declines in energy sales. For example, risks**  
3 **associated with the province’s challenging economic conditions would primarily**  
4 **materialize through declines in energy sales.” Is Newfoundland Power’s proposed**  
5 **increase in return from 8.5% to 9.8% also a risk to the province’s challenging**  
6 **economic conditions and likely to result in reduced sales and revenues? By**  
7 **proposing an increased return, is Newfoundland Power in fact contributing to its**  
8 **own demise via the utility death spiral? Did Newfoundland Power consider reducing**  
9 **its return in an effort to reduce this risk?**  
10
- 11 **A.** No, in Newfoundland Power’s view, the proposed increase in its return on equity is not a  
12 risk to the province’s challenging economic conditions. Nor is the Company contributing  
13 to its own demise via the utility death spiral.  
14
- 15 The *Public Utilities Act* entitles Newfoundland Power to an opportunity to earn a just and  
16 reasonable return.<sup>1</sup> The Company’s proposed return on equity of 9.8% is consistent with  
17 the Fair Return Standard and is supported by expert evidence filed with the application.<sup>2</sup>  
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- 19 It is expected that an increase in the price of electricity would result in a decrease in  
20 energy sales.<sup>3</sup>

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<sup>1</sup> See Section 80 of the *Public Utilities Act*.

<sup>2</sup> See the *2022/2023 General Rate Application, Volume 3: Expert Evidence, Cost of Capital: Mr. James Coyne*.

<sup>3</sup> See response to Request for Information PUB-NP-056 and the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 3, Customer, Energy and Demand Forecast*, page 5, Section 3.2.