

WHENEVER. WHEREVER.  
We'll be there.



November 23, 2023

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau  
Executive Director and Board Secretary

Dear Ms. Galarneau:

**Re: 2024 Rate of Return on Rate Base Application**

### **Background**

In Order No. P.U. 3 (2022) (“the 2022/2023 GRA Order”), the Board ordered Newfoundland Power Inc. (“Newfoundland Power” or the “Company”) to file an application on or before November 15, 2023 for approval of the Company’s 2024 forecast average rate base and rate of return on rate base maintaining the common equity ratio and return on common equity established for ratemaking purposes.

On November 9, 2023, the Company filed a *2025/2026 General Rate Application* which sought the approval of Newfoundland Power’s 2024 forecast average rate base and rate of return on rate base, as well as approval of the Company’s 2025 and 2026 test year revenue requirements.

By way of a letter dated November 17, 2023, the Board directed that the Company file a separate application relating to approval of its 2024 forecast average rate base and rate of return on rate base. The Board further directed the Company to provide specific additional information in relation to the Company’s application.

Enclosed please find an application for approval of the Company’s 2024 forecast average rate base and rate of return on rate base (the “Application”) made in compliance with the 2022/2023 GRA Order and the Board’s direction of November 17, 2023.

Additional information requested in the Board’s letter will be provided under separate cover on or before Tuesday, November 28, 2023.

### **Newfoundland Power Inc.**

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6  
PHONE (709) 737-5364 • FAX (709) 737-2974 • [ihollett@newfoundlandpower.com](mailto:ihollett@newfoundlandpower.com)

### **Application and Proposals**

The *2024 Rate of Return on Rate Base* report filed with the Application presents a calculation of the Company's 2024 forecast average rate base and rate of return on rate base in accordance with determinations made by the Board in the 2022/2023 GRA Order.

The Application proposes an average 1.5% rate increase effective July 1, 2024. This rate change is necessary for Newfoundland Power to have a reasonable opportunity to earn a just and reasonable return in 2024 in accordance with section 80 of the *Public Utilities Act*.

### **Conclusion**

A copy of the Application has been forwarded directly to Newfoundland and Labrador Hydro, and Mr. Dennis Browne, K.C., the Consumer Advocate.

We trust you will find the enclosed Application to be in order. Please contact the undersigned with any questions.

Yours truly,



Lindsay Hollett  
Senior Legal Counsel &  
Assistant Corporate Secretary

Enclosures

cc. Shirley Walsh  
Newfoundland and Labrador Hydro

Dennis Browne, K.C.  
Browne Fitzgerald Morgan & Avis

**IN THE MATTER OF** the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

**IN THE MATTER OF** an application by Newfoundland Power Inc. (“Newfoundland Power” or the “Company”) for approval of a 2024 forecast average rate base and rate of return on rate base and to establish customer electricity rates for 2024 (the “Application”).

**TO:** The Board of Commissioners of Public Utilities of Newfoundland and Labrador (the “Board”)

**THE APPLICATION OF Newfoundland Power SAYS THAT:**

**A. Background:**

1. Newfoundland Power is a corporation duly organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the Act, and is subject to the provisions of the *Electrical Power Control Act, 1994*.
2. In Order No. P.U. 3 (2022) (the “2022/2023 GRA Order”), the Board ordered Newfoundland Power to file an application on or before November 15, 2023 for approval of the 2024 forecast average rate base and rate of return on rate base maintaining the common equity ratio and return on common equity established for ratemaking purposes.
3. On November 9, 2023, the Company filed a *2025/2026 General Rate Application* which sought the approval of Newfoundland Power’s 2024 forecast average rate base and rate of return on rate base, as well as approval of the Company’s 2025 and 2026 test year revenue requirements.
4. On November 17, 2023, the Board directed that the Company file a separate application relating to approval of its 2024 forecast average rate base and rate of return on rate base.
5. The *2024 Rate of Return on Rate Base* report filed in support of this Application shows the calculation of Newfoundland Power’s (i) 2024 forecast average rate base; and (ii) 2024 forecast rate of return on rate base, each of which reflect the Board’s determinations in the 2022/2023 GRA Order.

**B. Newfoundland Power Proposals:**

6. Newfoundland Power proposes that the Board approve an overall average increase in current customer rates of 1.5%, with effect from July 1, 2024, based upon:
- (i) a forecast average rate base for 2024 of \$1,360,058,000;
  - (ii) a rate of return on average rate base for 2024 of 6.85% in a range of 6.67% to 7.03%; and
  - (iii) forecast revenue requirements from customer rates for 2024 of \$711,080,000, representing a \$11,835,000 increase to the ratemaking 2023 revenue requirement approved by the Board in Order No. P.U. 3 (2022) to reflect the revised 2024 forecast average rate base and rate of return on rate base;

as more fully described in the *2024 Rate of Return on Rate Base* report.

7. Newfoundland Power proposes that the Board approve rates, tolls and charges, as set out in Schedule A to the Application, which result in average increases in proposed customer rates by class as follows:

<i>Rate Class</i>	<i>Average Increase</i>
Domestic	1.5%
General Service 0-100 kW (110 kVA)	1.5%
General Service 110-1000 kVA	1.5%
General Service 1000 kVA and Over	1.4%
Street and Area Lighting	1.6%

all to be effective for service provided on and after July 1, 2024, as more fully described in the *2024 Rate of Return on Rate Base* report.

8. Newfoundland Power proposes deferred cost recovery of the 2024 revenue shortfall amount of \$6,722,000, as more fully described in the *2024 Rate of Return on Rate Base* report.

**C. Order Requested:**

9. Newfoundland Power requests that the Board make an Order approving, pursuant to sections 70 and 80 of the Act:
- (i) a forecast average rate base for 2024 of \$1,360,058,000;
  - (ii) a rate of return on average rate base for 2024 of 6.85% in a range of 6.67% to 7.03%;
  - (iii) forecast revenue requirements from customer rates for 2024 of \$711,080,000;
  - (iv) rates, tolls and charges, to be effective for service provided on and after July 1, 2024, as set out in Schedule A to this Application; and
  - (v) deferred cost recovery of \$6,722,000 for 2024.

**D. Communications:**

10. Communication with respect to this Application should be forwarded to the attention of Lindsay Hollett and Liam O'Brien, Counsel to Newfoundland Power.

**DATED** at St. John's, Newfoundland and Labrador, this 23<sup>rd</sup> day of November, 2023.

**NEWFOUNDLAND POWER INC.**



Lindsay Hollett and Liam O'Brien  
Newfoundland Power Inc.  
P.O. Box 8910  
55 Kenmount Road  
St. John's, NL A1B 3P6

Telephone: (709) 737-5364  
Telecopier: (709) 737-2974  
Email: [hollett@newfoundlandpower.com](mailto:hollett@newfoundlandpower.com)  
[lobrien@curtisdawe.com](mailto:lobrien@curtisdawe.com)

**IN THE MATTER OF** the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

**IN THE MATTER OF** an application by Newfoundland Power Inc. (“Newfoundland Power”) for approval of a 2024 forecast average rate base and rate of return on rate base and to establish customer electricity rates for 2024 (the “Application”).

**AFFIDAVIT**

I, Paige London, of the City of St. John’s, in the Province of Newfoundland and Labrador, Chartered Professional Accountant, make oath and say as follows:

1. THAT I am Vice President, Finance and Chief Financial Officer of Newfoundland Power Inc.;
2. THAT I have read and understand the foregoing Application; and
3. THAT, to the best of my knowledge, information and belief, all matters, facts and things set out in this Application are true.

**SWORN TO** before me at the City of St. John’s in the Province of Newfoundland and Labrador this 23<sup>rd</sup> day of November, 2023:



**Lindsay S. Hollett**  
**Barrister, NL**

  
Paige London

NEWFOUNDLAND POWER INC.  
RATE #1.1  
DOMESTIC SERVICE

**Availability:**

For Service to a Domestic Unit or to buildings or facilities which are on the same Serviced Premises as a Domestic Unit and used by the same Customer exclusively for domestic or household purposes, whether such buildings or facilities are included on the same meter as the Domestic Unit or metered separately.

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge:

Not Exceeding 200 Amp Service .....	\$16.06 per month
Exceeding 200 Amp Service .....	\$21.06 per month

Energy Charge:

All kilowatt-hours .....	@ 13.449¢ per kWh
--------------------------	-------------------

Minimum Monthly Charge:

Not Exceeding 200 Amp Service .....	\$16.06 per month
Exceeding 200 Amp Service .....	\$21.06 per month

**Discount:**

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

**General:**

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.  
RATE #1.1S  
DOMESTIC SEASONAL - OPTIONAL

**Availability:**

Available upon request for Service to Customers served under Rate #1.1 Domestic Service who have a minimum of 12 months of uninterrupted billing history at their current Serviced Premises.

**Rate:**

The Energy Charges provided for in Rate #1.1 Domestic Service Rate shall apply, subject to the following adjustments:

Winter Season Premium Adjustment (Billing months of December through April):  
All kilowatt-hours .....@ 0.953¢ per kWh

Non-Winter Season Credit Adjustment (Billing Months of May through November):  
All kilowatt-hours .....@ (1.297)¢ per kWh

**Special Conditions:**

1. An application for Service under this rate option shall constitute a binding contract between the Customer and the Company with an initial term of 12 months commencing the day after the first meter reading date following the request by the Customer, and renewing automatically on the anniversary date thereof for successive 12-month terms.
2. To terminate participation on this rate option on the renewal date, the Customer must notify the Company either in advance of the renewal date or no later than 60 days after the anniversary/renewal date. When acceptable notice of termination is provided to the Company, the Customer's billing may require adjustment to reverse any seasonal adjustments applied to charges for consumption after the automatic renewal date.



NEWFOUNDLAND POWER INC.  
RATE #2.1  
GENERAL SERVICE 0-100 kW (110 kVA)

**Availability:**

For Service (excluding Domestic Service) where the maximum demand occurring in the 12 months ending with the current month is less than 100 kilowatts (110 kilovolt-amperes).

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

**Basic Customer Charge:**

Unmetered .....	\$12.25 per month
Single Phase .....	\$20.25 per month
Three Phase.....	\$32.25 per month

**Demand Charge:**

\$9.84 per kW of billing demand in the months of December, January, February and March and \$7.34 per kW in all other months. The billing demand shall be the maximum demand registered on the meter in the current month in excess of 10 kW.

**Energy Charge:**

First 3,500 kilowatt-hours .....	@ 13.308¢ per kWh
All excess kilowatt-hours .....	@ 10.304¢ per kWh

**Maximum Monthly Charge:**

The Maximum Monthly Charge shall be 22.226 cents per kWh plus the Basic Customer Charge, but not less than the Minimum Monthly Charge. The Maximum Monthly Charge shall not apply to Customers who avail of the Net Metering Service Option.

**Minimum Monthly Charge:**

Unmetered .....	\$12.25 per month
Single Phase .....	\$20.25 per month
Three Phase .....	\$32.25 per month

**Discount:**

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

**General:**

Details regarding metering [in particular Regulation 7 (n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.  
RATE #2.3  
GENERAL SERVICE 110 kVA (100 kW) - 1000 kVA

**Availability:**

For Service where the maximum demand occurring in the 12 months ending with the current month is 110 kilovolt-amperes (100 kilowatts) or greater but less than 1000 kilovolt-amperes.

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: .....\$49.64 per month

**Demand Charge:**

\$8.25 per kVA of billing demand in the months of December, January, February and March and \$5.75 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

**Energy Charge:**

First 150 kilowatt-hours per kVA of billing demand,

up to a maximum of 50,000 kilowatt-hours .....@ 11.507¢ per kWh

All excess kilowatt-hours .....@ 9.518¢ per kWh

**Maximum Monthly Charge:**

The Maximum Monthly Charge shall be 22.226 cents per kWh plus the Basic Customer Charge. The Maximum Monthly Charge shall not apply to Customers who avail of the Net Metering Service Option.

**Discount:**

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

**General:**

Details regarding metering [in particular, Regulation 7(n)], transformation [in particular Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

NEWFOUNDLAND POWER INC.  
RATE #2.4  
GENERAL SERVICE 1000 KVA AND OVER

**Availability:**

For Service where the maximum demand occurring in the 12 months ending with the current month is 1000 kilovolt-amperes or greater.

**Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

Basic Customer Charge: .....\$86.50 per month

**Demand Charge**

\$7.91 per kVA of billing demand in the months of December, January, February and March and \$5.41 per kVA in all other months. The billing demand shall be the maximum demand registered on the meter in the current month.

**Energy Charge:**

First 75,000 kilowatt-hours .....@ 11.139¢ per kWh  
All excess kilowatt-hours .....@ 9.436¢ per kWh

**Maximum Monthly Charge:**

The Maximum Monthly Charge shall be 22.226 cents per kWh plus the Basic Customer Charge. The Maximum Monthly Charge shall not apply to Customers who avail of the Net Metering Service Option.

**Discount:**

A discount of 1.5% of the amount of the current month's bill will be allowed if the bill is paid within 10 days after it is issued.

**General:**

Details regarding metering [in particular, Regulation 7(n)], transformation [in particular, Regulation 9(k)], and other conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.  
RATE #4.1  
STREET AND AREA LIGHTING SERVICE**

**Availability:**

For Street and Area Lighting Service where the electricity is supplied by the Company and all fixtures, wiring and controls are provided, owned and maintained by the Company.

**Monthly Rate:** (Includes Municipal Tax and Rate Stabilization Adjustments)

	<b>Sentinel/Standard</b>	<b>Post Top</b>
<b>High Pressure Sodium</b>		
100W (8,600 lumens)	\$18.70	\$19.91
150W (14,400 lumens)	23.46	-
250W (23,200 lumens)	33.63	-
400W (45,000 lumens)	47.37	-
 <b>Light Emitting Diode</b>		
LED 100	\$16.34	-
LED 150	18.49	-
LED 250	22.45	-
LED 400	26.03	-
 <b>Special poles used exclusively for lighting service*</b>		
Wood	\$6.22	
30' Concrete or Metal, direct buried	8.68	
45' Concrete or Metal, direct buried	14.37	
25' Concrete or Metal, Post Top, direct buried	6.16	
 <b>Underground Wiring (per run)*</b>		
All sizes and types of fixtures	\$14.64	

\* Where a pole or underground wiring run serves two fixtures paid for by different parties, the above rates for such poles and underground wiring may be shared equally between the two parties.

**General:**

Details regarding conditions of service are provided in the Rules and Regulations. **This rate does not include the Harmonized Sales Tax (HST) which applies to electricity bills.**

**NEWFOUNDLAND POWER INC.  
CURTAILABLE SERVICE OPTION  
(for Rates #2.3 and #2.4 only)**

**Availability:**

For Customers billed on Rate #2.3 or #2.4 that can reduce their demand ("Curtail") by between 300 kW (330 kVA) and 5000 kW (5500 kVA) upon request by the Company during the Winter Peak Period. The Winter Peak Period is between 8 a.m. and 9 p.m. daily during the calendar months of December, January, February and March. The ability of a Customer to Curtail must be demonstrated to the Company's satisfaction prior to the Customer's availing of this rate option.

Customers that reduce their demand in aggregate will be treated as a single Customer under this rate option. The aggregated Customer must provide a single point of contact for a request to Curtail.

**Credit for Curtailing:**

If the Customer Curtails as requested for the duration of a Winter, the Company shall credit to the Customer's account the Curtailment Credit during May billing immediately following that Winter. The Curtailment Credit shall be determined by one of the following options:

**Option 1:**

The Customer will contract to reduce demand by a specific amount during Curtailment periods (the "Contracted Demand Reduction"). The Curtailment Credit for Option 1 is determined as follows:

Curtailment Credit = Contracted Demand Reduction x \$29 per kVA

**Option 2:**

The Customer will contract to reduce demand to a Firm Demand level which the Customer's maximum demand must not exceed during a Curtailment period. The Curtailment Credit for Option 2 is determined as follows:

Maximum Demand Curtailed = (Maximum Winter Demand - Firm Demand)

Peak Period Load Factor = 
$$\frac{\text{kWh usage during Peak Period}}{(\text{Maximum Demand during Peak Period} \times 1,573 \text{ hours})}$$

Curtailment Credit = ((Maximum Demand Curtailed x 50%) + (Maximum Demand Curtailed x 50% x Peak Period Load Factor)) x \$29 per kVA

**Limitations on Requests to Curtail:**

Curtailment periods will:

1. Not exceed 6 hours duration for any one occurrence.
2. Not be requested to start within 2 hours of the expiration of a prior Curtailment period.
3. Not exceed 100 hours duration in total during a winter period.

The Company shall request the Customer to Curtail at least 1 hour prior to the commencement of the Curtailment period.

**NEWFOUNDLAND POWER INC.**  
**CURTAILABLE SERVICE OPTION**  
**(for Rates #2.3 and #2.4 only)**

**Failure to Curtail:**

Failure to Curtail under Option 1 occurs when a Customer does not reduce its demand by the Contracted Demand Reduction for the duration of a Curtailment period. Failure to Curtail under Option 2 occurs when a Customer does not reduce its demand to the Firm Demand level or below for the duration of a Curtailment period.

The Curtailment Credit will be reduced for failure to Curtail in a winter period as follows:

1. For the first 5 curtailment requests the Curtailment Credit will be reduced 25% for each failure to Curtail.
2. After the 5<sup>th</sup> curtailment 50% of the remaining Curtailment Credit, if any, will become vested ("Vested Curtailment Credit").
3. For all remaining curtailment requests the Curtailment Credit will be reduced by 12.5% for each additional failure to Curtail.

If a Customer fails to Curtail four times during a winter period, then:

1. The Customer shall only be entitled to the Vested Curtailable Credit, if any.
2. The Customer will no longer be entitled to service under the Curtailable Service Option.

Notwithstanding the previous paragraph, no Curtailment Credit will be provided if the number of failures to Curtail equals the number of Curtailment requests.

**Termination/Modification:**

The Company requires six months written notice of the Customer's intention to either discontinue Curtailable Service Option or to modify the Contracted Demand Reduction or Firm Demand level.

**General:**

Services billed on this Service Option will have approved load monitoring equipment installed. For a customer that Curtails by using its own generation in parallel with the Company's electrical system, all Company interconnection guidelines will apply, and the Company has the option of monitoring the output of the Customer's generation. All costs associated with equipment required to monitor the Customer's generation will be charged to the Customer's account.

**NEWFOUNDLAND POWER INC.  
NET METERING SERVICE OPTION  
(for Rates #1.1, #1.1S, #2.1,#2.3, and #2.4 only)**

**Availability:**

For Customers who use generation on their Serviced Premises to offset part or all of the electrical energy requirements of the Serviced Premises. Energy generated in excess of the requirements of the Serviced Premises is permitted to be credited against the Customer's energy purchases from the Company in accordance with this rate option.

Net Metering Service is available for any Serviced Premises that is supplied from the Company's distribution system, is billed under one of the Company's metered service rates, and which has generation electrically connected to it that meets the requirements of these provisions. Net Metering Service is not available for unmetered service accounts.

In order to avail of the Net Metering Service Option, Customers must submit a completed Net Metering Service Application to the Company demonstrating the Customer's eligibility for Net Metering Service.

Availability of the Net Metering Service Option will be closed once the provincial aggregate generating capacity for Net Metering Service of 5.0 MW has been met.

Customers that avail of the Net Metering Service Option must maintain compliance with all requirements of this Option. The Company shall have the right to verify compliance through inspection or testing.

**Metering:**

Net Metering Service will ordinarily be metered using a Company-supplied single meter capable of registering the flow of electrical energy in two directions. The meter will separately capture both the energy supplied to the Customer by the Company and the energy supplied to the Company by the Customer.

At the Company's option, the output of the Customer's generation may be metered separately. In that case, the Customer shall provide the Company with the access necessary to install and maintain the required metering equipment.

The Customer shall pay all costs to upgrade the metering equipment for Net Metering Service if the existing electrical meter at the Serviced Premises is not capable of safely and reliably measuring both the energy supplied to the Customer by the Company and the energy supplied to the Company by the Customer.

**NEWFOUNDLAND POWER INC.  
NET METERING SERVICE OPTION  
(for Rates #1.1, #1.1S, #2.1,#2.3, and #2.4 only)**

**Billing:**

Each account availing of Net Metering Service will be billed on the rate normally applicable to the Customer's class of Service.

The Customer's net monthly bill will be determined by deducting the Customer Generation Credit from the total of all charges for Service. The Customer Generation Credit equals the Generation Energy Credit, in kilowatt-hours ("kWh") multiplied by the rate applicable to the Customer's class of Service during the billing month.

The "Generation Energy Credit" is the sum of the kWh energy supplied by the Customer to the Company during the billing month plus Banked Energy Credits. The Generation Energy Credit for a billing month shall not exceed the energy supplied by the Company to the Customer during that month.

"Banked Energy Credits" are the amount of kWh energy supplied by the Customer to the Company that exceeds the kWh energy supplied by the Company to the Customer. Banked Energy Credits in excess of those used to calculate the Generation Energy Credit for a billing month will be carried forward to the following month.

The balance of the Customer's Banked Energy Credits carried forward will be settled annually by means of a credit on the Customer's bill for the Annual Review Billing Month. The Annual Review Billing Month will be determined by the Customer, in consultation with the Company, during the process of implementing Net Metering Service. Settlement of Banked Energy Credits will be computed based upon the then-current 2<sup>nd</sup> block energy charge in Newfoundland and Labrador Hydro's Utility Rate applicable to service provided to the Company.

Whenever a Customer's participation in the Net Metering Service Option is discontinued, any unused Banked Energy Credits will be settled with a credit on the Customer's next bill.

All customers must pay Harmonized Sales Tax (HST) on the energy supplied by the Company to the Customer during the billing month. If a Customer availing of Net Metering Service is required by law to collect HST on the energy they supply to the Company, the Company will pay HST to the Customer based on the amount of the Customer Generation Credit. It is the Customer's responsibility to notify the Company in writing if they are required to collect HST on the energy they supply to the Company.



**NEWFOUNDLAND POWER INC.**  
**NET METERING SERVICE OPTION**  
**(for Rates #1.1, #1.1S, #2.1,#2.3, and #2.4 only)**

**Special Conditions:**

Special conditions in this clause do not supersede, modify or nullify the conditions accompanying the metered rate schedules applicable to the Customer's class of Service.

To avail of Net Metering Service, a single Customer must own and maintain responsibility for the Serviced Premises, the generation and the electrical facilities connecting it to the Company's distribution system.

To qualify for Net Metering Service, the Customer's generation must meet the following requirements:

- i) be designed not to exceed the annual energy requirements of the buildings and facilities metered together on the Serviced Premises;
- ii) have a manufacturer's nameplate capacity rating totaling not more than 100 kW, except where a lower rating is stipulated by the Company for technical reasons;
- iii) be electrically connected through Customer-owned electrical facilities to the Serviced Premises to which Net Metering Service is being provided;
- iv) produce electrical energy from a renewable energy source, including wind, solar, photovoltaic, geothermal, tidal, wave, biomass energy or other renewable energy sources that may be approved by the Company on a case-by-case basis; and
- v) meet all applicable safety and performance standards established by the Canadian Electrical Code, the Public Safety Act and the Company's Interconnection Requirements.

All Customer-owned wiring, equipment and devices associated with generation utilized for Net Metering Service shall conform to the Company's interconnection requirements.

The Customer will retain the rights to any renewable energy credits or greenhouse gas-related credits arising from the use of renewable energy sources to generate electricity in accordance with this Option.

A Customer availing of Net Metering Service is responsible for all costs associated with their own facilities. The Customer shall also be required to pay all costs incurred by the Company to modify the utility supply for the provision of Net Metering Service, and for necessary engineering or technical studies required in connection with the provision of Net Metering Service to the Customer.

The approval of an application for Net Metering Service will be subject to the applicant entering into a Net Metering Interconnection Agreement with the Company.

If an applicant approved for Net Metering Service does not proceed with operation of its generation in accordance with its approval within two years from the date of the Company's approval of the application, the approval will be rescinded.

**NEWFOUNDLAND POWER INC.**  
**NET METERING SERVICE OPTION**  
**(for Rates #1.1, #1.1S, #2.1,#2.3, and #2.4 only)**

Approval of Net Metering Service may be revoked if a Customer is found to be in violation of provisions of the Company's Rules and Regulations.

If participation in the Net Metering Service Option is discontinued, the Customer must re-apply to the Company to avail of the Net Metering Service Option.

## 2024 Rate of Return on Rate Base

**Table of Contents**

	<b>Page</b>
1.0 Introduction.....	1
2.0 Regulatory Practice.....	1
2.1 Determining Annual Returns .....	1
2.2 Revising Customer Rates .....	2
3.0 2024 Forecast Average Rate Base .....	3
4.0 2024 Regulated Rate of Return on Rate Base.....	4
5.0 Revenue Requirement Impacts .....	5
6.0 Customer Rates .....	6
6.1 Assessing the Need for Cost Recovery .....	6
6.2 Customer Rate Impacts .....	7
6.3 2024 Revenue Shortfall.....	8

- Appendix A: 2024 Forecast Average Rate Base
- Appendix B: 2024 Regulated Return on Rate Base Calculation
- Appendix C: Revised 2023 Test Year Revenue Requirement
- Appendix D: 2024 Forecast: Before and After Cost Recovery
- Appendix E: Average Customer Billing Impacts
- Appendix F: Summary of Existing and Proposed Customer Rates

## 1.0 Introduction

In Order No. P.U. 3 (2022) – Amended No. 2 (the “2022/2023 General Rate Order” or “Order No. P.U. 3 (2022)”), the Board of Commissioners of Public Utilities (the “Board”) ordered, amongst other things, that Newfoundland Power Inc. (“Newfoundland Power” or the “Company”) file an application on or before November 15, 2023 for approval of the Company’s 2024 forecast average rate base and rate of return on rate base maintaining the common equity ratio and return on common equity accepted for rate setting in that order.<sup>1</sup> This report, included as part of the *2024 Rate of Return on Rate Base Application*, is filed in compliance with the 2022/2023 General Rate Order.

This report shows that Newfoundland Power’s 2024 forecast average rate base is \$1,360,058,000. In addition, this report shows that a just and reasonable rate of return on rate base for the Company for 2024 is 6.85% in a range of 6.67% to 7.03%.

Both the 2024 average rate base and rate of return on rate base are higher than the 2023 test year amounts approved by the Board in the 2022/2023 General Rate Order. As a result, Newfoundland Power’s 2024 forecast return on rate base is \$11,835,000 higher than the 2023 test year return on rate base approved as part of the Company’s 2023 revenue requirement which underpins existing customer rates.<sup>2</sup>

Newfoundland Power proposes to change existing customer rates on July 1, 2024 to recover the \$11,835,000 increase in annual revenue requirement. The proposed rate change results in an average increase in customer rates of approximately 1.5%.

## 2.0 Regulatory Practice

### 2.1 Determining Annual Returns

Section 80 of the *Public Utilities Act* (the “Act”) provides, in effect, that a public utility is entitled to a reasonable opportunity to earn a just and reasonable return on its rate base in each year.<sup>3</sup> Since 1998, the Board has determined a just and reasonable return on rate base for Newfoundland Power on an annual basis.

The Board’s determinations of a just and reasonable return on rate base for the Company for years which are considered *test years* for ratemaking purposes are found in general rate orders.<sup>4</sup> Between 1998 and 2010 for years subsequent to a test year, the Board primarily used the automatic adjustment formula (the “Formula”) to determine a just and reasonable return on rate

---

<sup>1</sup> See Order No. P.U. 3 (2022), page 20, lines 17-20.

<sup>2</sup> Including income tax effects. Newfoundland Power’s 2023 revenue requirement was approved in Order No. P.U. 3 (2022).

<sup>3</sup> See Section 80 of the Act and the 1998 opinion of the Newfoundland and Labrador Court of Appeal in a stated case (June 15<sup>th</sup>, 1998, Docket: 96/141).

<sup>4</sup> See Order Nos. P.U. 36 (1998-99), P.U. 19 (2003), P.U. 32 (2007), P.U. 43 (2009), P.U. 13 (2013), P.U. 18 (2016), P.U. 2 (2019) and P.U. 3 (2022).

base for Newfoundland Power and in setting customer rates.<sup>5</sup> Following suspension of the Formula in 2011, the Board determined a just and reasonable return on rate base for years subsequent to a test year through an application by the Company.<sup>6</sup> When return on rate base applications in its current format were first required by the Board in Order No. P.U. 13 (2013), the Board provided that the Company may file for approval of a revised *Schedule of Rates, Tolls and Charges* to reflect the revisions required by the order.<sup>7</sup>

This 2024 return on rate base application follows the same approach as prior applications approved by the Board for the 2015, 2018 and 2021 forecast years.

## 2.2 *Revising Customer Rates*

Customer rates approved by the Board must yield an appropriate level of revenue for a utility to have a reasonable opportunity to earn the just and reasonable return determined by the Board. General rate orders typically result in revisions to customer rates.

The Board's practice in years when the Company's return on rate base was established by use of the Formula was to revise customer rates only when the forecast just and reasonable return on rate base was outside the range previously approved by the Board.<sup>8</sup> Where the forecast just and reasonable return was within the range of return on rate base previously approved by the Board, the Board ordered continuation of existing approved customer rates.<sup>9</sup> The Board's use of "ranges" of return to determine the need for revisions to customer rates is consistent with the notion of a "zone of reasonableness" as described by the Newfoundland and Labrador Court of Appeal.<sup>10</sup>

The 2022/2023 General Rate Order established a range of rate of return on rate base of 36 basis points ( $\pm 0.18\%$ ) from the approved rate of return on rate base for 2022, 2023 and, in effect, 2024.<sup>11</sup> This range is consistent with longstanding regulatory practice of the Board.<sup>12</sup>

The Company's 2024 return on rate base application proposes a change in customer rates in order for Newfoundland Power to have a reasonable opportunity to earn the just and reasonable return determined for 2024. The change in customer rates is based on the \$11.8 million increase in revenue requirement as a result of the revisions to its 2024 forecast average rate base and rate of return on rate base. Without recovery of the \$11.8 million, the Company's 2024 forecast rate of return on rate base would be 64 basis points below the 2024 rate of return on rate base

---

<sup>5</sup> See Order Nos. P.U. 20 (1999-2000), P.U. 30 (2000-2001), P.U. 28 (2001-2002), P.U. 50 (2004), P.U. 3 (2006), P.U. 40 (2006), P.U. 35 (2008) and P.U. 32 (2010).

<sup>6</sup> See Order Nos. P.U. 25 (2011) and P.U. 13 (2013) for the Board's decision to suspend operation of the Formula. See Order Nos. P.U. 17 (2012), P.U. 51 (2014), P.U. 41 (2017) and P.U. 36 (2020) for establishment of a just and reasonable return for 2012, 2015, 2018 and 2021, respectively.

<sup>7</sup> See Order No. P.U. 13 (2013), page 57, lines 23-24.

<sup>8</sup> See, for example, Order Nos. P.U. 20 (1999-2000), P.U. 28 (2001-02) and P.U. 50 (2004).

<sup>9</sup> See, for example, Order Nos. P.U. 30 (2000-01), P.U. 3 (2006) and P.U. 35 (2008).

<sup>10</sup> See paragraph 30 of the 1998 opinion of the Newfoundland and Labrador Court of Appeal in a stated case (June 15<sup>th</sup>, 1998, Docket: 96/141).

<sup>11</sup> See Order No. P.U. 3 (2022), page 20. Changes in ranges are typically considered as part of general rate application processes.

<sup>12</sup> See, for example, Order No. P.U. 13 (2013), page 57.

established by this application, as more fully described in this report. This result is outside of the Board's established range of return on rate base.

### 3.0 2024 Forecast Average Rate Base

Appendix A shows the calculation of Newfoundland Power's 2024 forecast average rate base of \$1,360,058,000.

The 2024 forecast average rate base reflects: (i) the Company's calculation of 2022 average rate base, and (ii) forecast changes to average rate base for each of 2023 and 2024.<sup>13</sup> Forecast changes to average rate base principally reflect changes in annual capital expenditures and depreciation expense.<sup>14</sup>

Table 1 compares Newfoundland Power's 2024 forecast average rate base and the 2023 forecast average rate base used to establish existing customer rates.

**Table 1:  
Average Rate Base Comparison  
2024 Forecast and 2023 Test Year  
(\$ millions)**

	2024F	2023T <sup>15</sup>	Difference
Average Rate Base	1,360	1,288	72

The primary differences in Newfoundland Power's 2024 forecast average rate base when compared to the 2023 forecast average rate base used to establish existing customer rates relate to changes in plant investment and depreciation. Changes in plant investment reflect capital expenditures included in the Company's *2024 Capital Budget Application* currently under review by the Board. Changes in depreciation reflect depreciation rates approved by the Board. In the 2022/2023 General Rate Order, the Board approved the methodology and depreciation rates described in the *2019 Depreciation Study*.<sup>16</sup>

---

<sup>13</sup> Calculation of the Company's 2022 average rate base of \$1,230.4 million is set out in Schedule D to Newfoundland Power's *2024 Capital Budget Application*. On August 30, 2023, Grant Thornton filed with the Board, its review of the Company's calculation of 2022 average rate base. Grant Thornton's review concluded that the 2022 average rate base is in accordance with established practice and Board orders.

<sup>14</sup> 2023 capital expenditures of \$122.9 million were approved in Order No. P.U. 38 (2022). 2023 capital expenditures of \$1.6 million for the *2023 Supplemental Capital Expenditure Application* were approved in Order No. P.U. 14 (2023). The Company's *2024 Capital Budget Application*, currently under review by the Board, proposes 2024 capital expenditures of \$115.3 million.

<sup>15</sup> See *Exhibit 6 2022 and 2023 Forecast Average Rate Base (1<sup>st</sup> Revision)* filed with the Board on December 7, 2021 in relation to the Settlement Agreement on the Company's *2022/2023 General Rate Application*.

<sup>16</sup> The Gannett Fleming *2019 Depreciation Study* was filed in *Volume 3, Expert Evidence, Tab 1*, as part of the Company's *2022/2023 General Rate Application*.

Changes in additions to, and deductions from, rate base also affect the calculation of 2024 forecast average rate base. These items include a combination of specific Board orders, operation of approved regulatory mechanisms and longstanding regulatory practice.<sup>17</sup>

#### 4.0 2024 Regulated Rate of Return on Rate Base

Appendix B shows the calculation of Newfoundland Power’s 2024 *regulated* rate of return on rate base of 6.85% that reflects the specific requirements of the 2022/2023 General Rate Order of a common equity ratio not to exceed 45% and a rate of return on common equity of 8.50%.<sup>18</sup> In addition, the regulated rate of return on rate base of 6.85% reflects the Company’s forecast cost of debt for 2024.

Applying the range of rate of return on rate base of 36 basis points ( $\pm 0.18\%$ ) maintained in the 2022/2023 General Rate Order, Newfoundland Power’s regulated rate of return on rate base for 2024 is 6.85% within a range of 6.67% to 7.03%.

Table 2 compares the Company’s 2024 regulated rate of return on rate base and the 2023 test year rate of return on rate base used to establish existing customer rates. The table also compares Newfoundland Power’s rates of return on common equity and debt between the two periods.

**Table 2:  
Rate of Return on Rate Base Comparison  
2024 Regulated and 2023 Test Year  
(%)**

	2024F	2023T <sup>19</sup>	Difference
Rate of Return on Rate Base	6.85	6.39	0.46
Rate of Return on Common Equity	8.50	8.50	-
Rate of Return on Debt	5.27	4.67	0.60

The primary reason for the increase in the 2024 regulated rate of return on rate base when compared to the 2023 test year is a higher forecast cost of debt. The 2024 forecast cost of debt of

---

<sup>17</sup> For example, 2024 forecast changes in employee future benefit related balances result in an increase of approximately \$1.6 million in 2024 average rate base compared to the 2023 forecast average rate base used to establish existing customer rates. The inclusion of employee future benefits in rate base was approved by the Board in Order Nos. P.U. 19 (2003) and P.U. 31 (2010). Similarly, Board approved regulatory mechanisms, such as the Weather Normalization Reserve, can impact the annual calculation of rate base. These changes are reflected in the calculation of the 2024 forecast average rate base. Smaller items, such as customer finance programs and customer security deposits, are determined in accordance with longstanding regulatory practice. 2024 forecast average rate base also includes the proposed deferred cost recovery for 2024 as outlined in section 6.3 2024 Revenue Shortfall.

<sup>18</sup> The *regulated* terminology in this report refers to 2024 forecast rate of return on rate base determined specific to the requirements set out in Order No. P.U. 3 (2022). This figure will become the mid-point rate of return on rate base that will be used by the Board to assess the reasonableness of Newfoundland Power’s return on rate base and customer rates for 2024.

<sup>19</sup> See *Exhibit 8 2022 and 2023 Forecast Capital Structure and Return on Rate Base (1<sup>st</sup> Revision)* filed with the Board on December 7, 2021 in relation to the Settlement Agreement on the Company’s 2022/2023 *General Rate Application*.



5.27% is 60 basis points higher than the cost of debt of 4.67% currently reflected in customer rates.

The higher cost of debt is the result of financing arrangements which were approved by the Board under Section 91 of the Act. In Order No. P.U. 20 (2023), the Board approved the Company's issue of 5.122% First Mortgage Bonds in an amount of \$90 million. In Order No. P.U. 22 (2008), the Board approved the Company's current committed credit facility. Under this facility, the Company is forecasting 2024 short-term debt costs of approximately 5.5%.

Increases in debt costs since existing customer rates were established as part of the Company's 2022/2023 *General Rate Application* reflect significant increases in the Bank of Canada's benchmark interest rate over that timeframe. From March 2022 to July 2023, the Bank of Canada increased its interest rate 10 times for a total increase of 4.75%.<sup>20</sup>

## 5.0 Revenue Requirement Impacts

Appendix C provides the calculation of Newfoundland Power's revised 2023 test year revenue requirement resulting from the 2024 forecast average rate base and rate of return on rate base calculations outlined in Sections 3.0 and 4.0.

Table 3 summarizes the changes to the 2023 test year revenue requirement used to determine existing customer rates.

**Table 3:  
Revised 2023 Test Year Revenue Requirement  
Summary  
(\$000s)**

	Revised	2023 Test Year	Difference
Return on Rate Base	93,126 <sup>21</sup>	82,275 <sup>22</sup>	10,851
Incomes Taxes			984 <sup>23</sup>
<b>Total Revenue Requirement Impact</b>			<b>11,835</b>

The revised 2023 test year revenue requirement is \$11.8 million higher than the amount used to set existing customer rates as a result of the revisions required to reflect Newfoundland Power's 2024 forecast average rate base and rate of return on rate base.

---

<sup>20</sup> See Bank of Canada, *Policy interest rate*, accessed November 2023. Prior to these increases, the Bank of Canada interest rate was held constant since April 2020.

<sup>21</sup> See Appendix C, line 12.

<sup>22</sup> Ibid.

<sup>23</sup> Income taxes associated with the change in return on equity. Forecast income tax rate is 30%. Calculated as follows: change in equity (as outlined in Appendix C) of \$2,296 ÷ (1-30%) x 30% = \$984.

## 6.0 Customer Rates

### 6.1 Assessing the Need for Cost Recovery

Appendix D provides Newfoundland Power’s 2024 financial forecast both before and after the recovery of the \$11.8 million revenue requirement outlined in Section 5.0.

Table 4 compares the Company’s 2024 forecast rate of return on rate base to the 2024 regulated rate of return on rate base determined in accordance with the 2022/2023 General Rate Order. The comparison is completed both before and after recovery of the \$11.8 million revenue requirement amount.

**Table 4:  
Rate of Return on Rate Base Comparison  
Before and After Cost Recovery  
(%)**

	<b>Before</b>	<b>Cost Recovery</b>	<b>After</b>
2024 Forecast Rate of Return on Rate Base <sup>24</sup>	6.21	0.61	6.82
2024 Regulated Rate of Return on Rate Base <sup>25</sup>	6.85	-	6.85
<b>Difference</b>	<b>(0.64)</b>	<b>0.61</b>	<b>(0.03)</b>

Newfoundland Power’s existing financial forecast provides for a rate of return on rate base that would be 64 basis points below the 6.85% regulated rate of return on rate base. That result would be 46 basis points, or approximately two and a half times, beyond the bottom of the ±18 basis point range established by the Board.<sup>26</sup> Accordingly, cost recovery is required for the Company to have an opportunity to earn the just and reasonable 6.85% return established by the 2022/2023 General Rate Order and in accordance with Section 80 of the Act.

With cost recovery of the \$11.8 million revenue requirement, Newfoundland Power’s 2024 forecast rate of return on rate base is forecast to be 3 basis points lower than the 2024 regulated rate of return on rate base 6.85%.<sup>27</sup> This result is within the ±18 basis point range currently approved by the Board. As such, no further cost recovery is required beyond the \$11.8 million amount.

---

<sup>24</sup> See Appendix D, page 3, line 15.

<sup>25</sup> See Appendix B, line 27.

<sup>26</sup> 46 basis points ÷ 18 basis points = 2.6.

<sup>27</sup> The impact of the \$11.8 million additional revenue requirement is 61 basis points.

## 6.2 Customer Rate Impacts

Newfoundland Power proposes to revise existing customer rates effective July 1, 2024 to begin collecting the additional \$11.8 million required revenue resulting from this application.

Revising customer rates to collect the 2024 additional revenue requirement is consistent with past practice of the Board. For example, in years when the Company’s return on rate base was established by use of the Formula, Board practice was to revise customer rates when the forecast just and reasonable return on rate base was outside the range of return on rate base established by the Board. Further, when return on rate base applications in its current format were first required by the Board following suspension of the Formula, the Board provided that the Company may file for approval of a revised *Schedule of Rates, Tolls and Charges* to reflect the revisions required by the order.<sup>28</sup>

The average annual increase to customers’ bills resulting from the proposed rate change is an increase of approximately 1.5%.

Table 5 shows a reconciliation of existing customer billings to proposed customer billings on an annual basis.

**Table 5:**  
**Annual Average Customer Rate Change**  
**(\$000s)**

	<b>Existing</b>	<b>Change</b>	<b>Proposed</b>
Revenue from Rates	735,704	11,835	747,539
RSA	70,609	-	70,609
MTA	19,881	297	20,178
<b>Customer Billings</b>	<b>826,194</b>	<b>12,132</b>	<b>838,326</b>
<b>Change (%)<sup>29</sup></b>			<b>1.5%</b>

Appendix E shows the average customer billings impacts by rate class.

Appendix F provides a summary of existing customer rates, effective July 1, 2023 and the proposed customer rates, effective July 1, 2024.

---

<sup>28</sup> See *Section 2.0 Regulatory Practice* for further details.

<sup>29</sup>  $\$12,132 \div 826,194 = 1.5\%$ .

### 6.3 2024 Revenue Shortfall

With a customer rate implementation date of July 1, 2024, there will be a revenue shortfall in 2024.

Table 6 shows the 2024 revenue shortfall between the annual revenue requirement of \$11.8 million and revenue from rates forecast from July 1, 2024 to December 31, 2024 of \$5.1 million.

**Table 6:  
2024 Revenue Shortfall  
(\$000s)**

2024 Revenue Requirement Impact <sup>30</sup>	11,835
2024 Revenue from Rates <sup>31</sup>	5,113
<b>2024 Revenue Shortfall<sup>32</sup></b>	<b>6,722</b>

Newfoundland Power is proposing deferred cost recovery of the 2024 Revenue Shortfall amount of \$6,722,000. The disposition of this cost recovery amount would be subject to a future order of the Board.

---

<sup>30</sup> See Table 3.

<sup>31</sup> See Appendix D, page 1, line 1.

<sup>32</sup> \$11,835 - \$5,113 = \$6,722. The 2024 Revenue Shortfall is shown in Appendix D, page 1, line 10.

## Newfoundland Power Inc.

2024 Forecast Average Rate Base  
(\$000s)

	<u>2024F</u>	<u>2023F</u>
1 <b>Net Plant Investment</b>		
2 Plant Investment	2,420,434	2,318,214
3 Accumulated Depreciation	(1,015,030)	(961,973)
4 Contributions in Aid of Construction	(46,269)	(46,242)
5	<u>1,359,135</u>	<u>1,309,999</u>
6		
7 <b>Additions to Rate Base</b>		
8 Deferred Pension Costs	108,004	101,433
9 Deferred Credit Facility Costs	74	105
10 Cost Recovery Deferral - Pension Capitalization	1,195	799
11 Cost Recovery Deferral - 2022 Revenue Shortfall	-	229
12 Cost Recovery Deferral - 2024 Revenue Shortfall <sup>1</sup>	4,705	-
13 Cost Recovery Deferral - Conservation	21,859	21,086
14 Cost Recovery Deferral - Load Research & Retail Rate Design Review	699	328
15 Customer Finance Programs	1,428	1,414
16 Weather Normalization Reserve	-	2,395
17 Demand Management Incentive Account	-	700
18	<u>137,964</u>	<u>128,489</u>
19		
20 <b>Deductions from Rate Base</b>		
21 Other Post-Employment Benefits	87,275	83,759
22 Customer Security Deposits	1,270	1,270
23 Accrued Pension Obligation	5,616	5,453
24 Accumulated Deferred Income Taxes	34,339	32,014
25 Excess Earnings Account	3,566	3,566
26 Refundable Investment Tax Credits	274	292
27	<u>132,340</u>	<u>126,354</u>
28		
29 <b>Year End Rate Base</b>	1,364,759	1,312,134
30		
31 <b>Average Rate Base Before Allowances</b>	1,338,448	1,267,611
32		
33 <b>Rate Base Allowances</b>		
34 Materials and Supplies Allowance	13,905	14,676
35 Cash Working Capital Allowance	7,705	7,419
36		
37 <b>Average Rate Base at Year End</b>	<u>1,360,058</u>	<u>1,289,706</u>

<sup>1</sup> 2024 Revenue Shortfall from Appendix D, page 1, net of income taxes (\$6,722 x 0.7 = \$4,705).

## Newfoundland Power Inc.

## 2024 Regulated Return on Rate Base

1	<b>Average Capitalization (\$000s) - 2024 Existing</b>	
2	Debt	790,532
3	Common Equity	602,221
4		<u>1,392,753</u>
5		
6	<b>Average Capital Structure</b>	
7	Debt	56.76%
8	Common Equity	43.24%
9		<u>100.00%</u>
10		
11	<b>Cost of Capital</b>	
12	Debt	5.27% <sup>1</sup>
13	Common Equity	8.50% <sup>2</sup>
14		
15	<b>Weighted Average Cost of Capital</b>	
16	Debt	2.99%
17	Common Equity	3.68%
18		<u>6.67% <sup>3</sup></u>
19		
20	<b>Return on Rate Base (\$000s)</b>	
21	Return on Debt	41,628 <sup>4</sup>
22	Return on Common Equity	51,498 <sup>5</sup>
23		<u>93,126</u>
24		
25	<b>Average Rate Base (\$000s)</b>	1,360,058 <sup>6</sup>
26		
27	<b>Rate of Return on Rate Base</b>	6.85%

<sup>1</sup> Cost of Debt shown is net of AFUDC.

<sup>2</sup> Order No. P.U. 3 (2022) requires the rate of return on rate base to be calculated maintaining the ratemaking common equity of 8.50%.

<sup>3</sup> Under the Asset Rate Base Method, differences between average invested capital and average rate base exist for the cash working capital allowance, the materials and supplies allowance and construction work in progress. For 2024, these differences result in the weighted average cost of capital of 6.67% differing by 0.18% from the rate of return on rate base of 6.85%.

<sup>4</sup> From Appendix D, page 3.

<sup>5</sup> The return on common equity is calculated as follows (\$000s):

Return on Common Equity from Appendix D, page 1	42,653
Add: Revenue Shortfall Net of Income Taxes (at 8.50% ROE) from Appendix D, page 1	<u>8,845</u>
Return on Common Equity (at 8.50% ROE)	<u>51,498</u>

<sup>6</sup> From Appendix A.

## Newfoundland Power Inc.

**Revised 2023 Test Year Revenue Requirement**  
*(Adjusted for the revised return on rate base for 2024)*  
 (\$000s)

	<b>2023 Test Year<sup>1</sup></b>	<b>2024 Return on Rate Base</b>	<b>2024 Revised<sup>2</sup></b>
1 <b>Costs</b>			
2 Power Supply Cost	459,924	-	459,924
3 Operating Costs	70,725	-	70,725
4 Employee Future Benefit Costs	2,771	-	2,771
5 Deferred Cost Recoveries and Amortizations	(816)	-	(816)
6 Depreciation	74,458	-	74,458
7 Income Taxes	20,944	984 <sup>3</sup>	21,928
8	<u>628,006</u>	<u>984</u>	<u>628,990</u>
9			
10 Return on Debt	33,073	8,555	41,628 <sup>4</sup>
11 Return on Equity	49,202	2,296	51,498 <sup>4</sup>
12 <b>Return on Rate Base</b>	<u>82,275</u>	<u>10,851</u>	<u>93,126</u>
13			
14 <b>2023 Revenue Requirement</b>	710,281	11,835	722,116
15			
16 <b>Adjustments</b>			
17 Other Revenue	(6,473)	-	(6,473)
18 Interest on Security Deposits	18	-	18
19 Other Transfers to RSA	(4,581)	-	(4,581)
20	<u>(11,036)</u>	<u>-</u>	<u>(11,036)</u>
21			
22	<u>699,245</u>	<u>11,835</u>	<u>711,080</u>

<sup>1</sup> From Exhibit 7 (1<sup>st</sup> Revision): 2022 and 2023 Revenue Requirements filed with the Board on December 7, 2021 regarding the Company's 2022/2023 General Rate Application (Amended).

<sup>2</sup> The 2024 revenue requirement is the 2023 test year revenue requirement revised for the increased return on rate base for 2024.

<sup>3</sup> 2024 income tax effects associated with the change in 2024 forecast return on equity ( $\$2,296/0.7 \times 30\% = \$984$ ).

<sup>4</sup> From Appendix B, lines 21 and 22.

## Newfoundland Power Inc.

**2024 Forecast**  
**Statement of Income**  
**2024 Before and After Cost Recovery**  
**(\$000s)**

	<b>2024F Before Recovery</b>	<b>Impact of 2024 Recovery</b>	<b>2024F After Recovery</b>
1 Revenue	777,237	5,113 <sup>1</sup>	782,350
2 Purchased power expense	522,821	-	522,821
3 Contribution	<u>254,416</u>	<u>5,113</u>	<u>259,529</u>
4			
5 Other revenue	<u>9,789</u>	<u>237</u> <sup>2</sup>	<u>10,026</u>
6			
7 Other expenses:			
8 Operating expenses	78,775	-	78,775
9 Employee future benefit costs	3,010	-	3,010
10 Deferred cost recoveries and amortizations	(240)	(6,722) <sup>1</sup>	(6,962)
11 Depreciation	79,557	-	79,557
12 Finance charges	41,701	(94) <sup>3</sup>	41,607
13	<u>202,803</u>	<u>(6,816)</u>	<u>195,987</u>
14			
15 Income before income taxes	61,402	12,166	73,568
16 Income taxes	<u>18,749</u>	<u>3,650</u>	<u>22,399</u>
17			
18 Earnings applicable to common shares	<u>42,653</u>	<u>8,516</u>	<u>51,169</u>
19			
20			
21 Regulated Return on Equity	7.08%		8.44%
22			
23 Revenue Shortfall (Net of Income Taxes at 8.50% Return on Equity)	8,845		329

<sup>1</sup> Reconciliation to 2024 Return on Rate Base Recovery shown in Appendix C, line 22:

Rate recovery from July 1, 2024 to December 31, 2024	5,113
2024 Revenue Shortfall	<u>6,722</u>
	<b>11,835</b>

<sup>2</sup> Due to higher interest on the Company's Rate Stabilization Account effective July 1, 2024 based on the change in rate of return on rate base from the 2023 test year rate of return on rate base of 6.39% to the 2024 regulated rate of return on rate base of 6.85% as shown in Appendix B, line 27.

<sup>3</sup> Due to lower financing requirements resulting from the proposed rate recovery in 2024.



**Newfoundland Power Inc.**  
**2024 Forecast**  
**Average Rate Base<sup>1</sup>**  
**2024 Before and After Cost Recovery**  
**(\$000s)**

	<b>2024F Before Recovery</b>	<b>Impact of 2024 Recovery</b>	<b>2024F After Recovery</b>
1 Plant Investment	1,334,567	-	1,334,567
2			
3 <b>Additions to Rate Base</b>			
4 Deferred Pension Costs	104,719	-	104,719
5 Deferred Credit Facility Costs	90	-	90
6 Cost Recovery Deferral - Pension Capitalization	997	-	997
7 Cost Recovery Deferral - 2022 Revenue Shortfall	115	-	115
8 Cost Recovery Deferral - 2024 Revenue Shortfall	-	2,353 <sup>2</sup>	2,353
9 Cost Recovery Deferral - Conservation	21,473	-	21,473
10 Cost Recovery Deferral - Load Research & Rate Design	513	-	513
11 Customer Finance Programs	1,421	-	1,421
12 Weather Normalization Reserve	1,198	-	1,198
13 Demand Management Incentive Account	350	-	350
14	130,876	2,353	133,229
15			
16 <b>Deductions from Rate Base</b>			
17 Other Post-Employment Benefits	85,517	-	85,517
18 Customer Security Deposits	1,270	-	1,270
19 Accrued Pension Obligation	5,535	-	5,535
20 Accumulated Deferred Income Taxes	33,177	-	33,177
21 Excess Earnings Account	3,566	-	3,566
22 Refundable Investment Tax Credits	283	-	283
23	129,348	-	129,348
24			
25 <b>Average Rate Base Before Allowances</b>	1,336,095	2,353	1,338,448
26			
27 Cash Working Capital Allowance	7,684	21 <sup>3</sup>	7,705
28			
29 Materials and Supplies Allowance	13,905	-	13,905
30			
31 <b>Average Rate Base at Year End</b>	1,357,684	2,374	1,360,058

<sup>1</sup> All amounts shown are averages.

<sup>2</sup> 2024 Revenue Shortfall from Appendix D, page 1 on an after-tax average basis ( $\$6,722 \times 0.7 = \$4,705 / 2 = 2,353$ ).

<sup>3</sup> Due to changes in municipal taxes paid in 2024 resulting from the proposed rate change.

**Newfoundland Power Inc.**  
**2024 Forecast**  
**Return on Rate Base**  
**2024 Before and After Cost Recovery**  
**(\$000s)**

	<b>2024F Before Recovery</b>	<b>Impact of 2024 Recovery</b>	<b>2024F After Recovery</b>
1 Regulated Return on Equity	42,653	8,516	51,169
2	42,653	8,516	51,169
3			
4 Finance Charges <sup>1</sup>			
5 Interest on Long-Term Debt	39,053	-	39,053
6 Other Interest	3,635	(94)	3,541
7 Amortization of Bond Issue Expenses	225	-	225
8 AFUDC	(1,285)	-	(1,285)
9	41,628	(94)	41,534
10			
11 Return on Rate Base	84,281	8,422	92,703
12			
13 Average Rate Base	1,357,684	2,374	1,360,058
14			
15 Rate of Return on Rate Base (%)	6.21	0.61	6.82

<sup>1</sup> Total finance charges for 2024 forecast presented in Appendix D, page 1 are as follows (\$000s):

Return on debt from above	41,628
Add: Interest on security deposits	73
Finance charges presented in Appendix D, page 1	41,701

## Newfoundland Power Inc.

**Average Customer Billing Impacts**  
**Average Customer Impacts by Rate Class Under Existing and Proposed Rates**  
**(includes July 1, 2023 RSA and MTA)**  
**(\$000s)**

Category	Revenue From Existing Rates (A) <sup>1</sup>	Revenue From Proposed Rates (B) <sup>2</sup>	Change in Annual Customer Billings (C) <sup>3</sup>	Average Impacts (D) <sup>4,5</sup>
1				
2				
3	522,206	529,894	7,688	1.5%
4	1,714	1,740	26	1.5%
5	<u>523,920</u>	<u>531,634</u>	<u>7,714</u>	<u>1.5%</u>
6				
7	109,270	110,874	1,604	1.5%
8	127,233	129,079	1,846	1.5%
9	45,779	46,435	656	1.4%
10	<u>282,282</u>	<u>286,388</u>	<u>4,106</u>	<u>1.5%</u>
11				
12	17,039	17,310	271	1.6%
13	2,953	2,994	41	1.4%
14				
15	<u>826,194</u>	<u>838,326</u>	<u>12,132</u> <sup>6</sup>	<u>1.5%</u>

<sup>1</sup> Column A is the 2024 forecast customer billings under existing rates.

<sup>2</sup> Column B is the annual customer billings resulting from the proposed 2024 Return on Rate Base rate recovery.

<sup>3</sup> Column C = Column B - Column A.

<sup>4</sup> Column D is the average annual customer rate impact of the forecast rate change (Column C / Column A).

<sup>5</sup> Individual customer billing impacts include RSA and MTA which vary depending on usage.

<sup>6</sup> Revenue Requirement to Revenue from Rates Reconciliation:

2024 Rate of Return on Rate Base recovery amount from Appendix C	11,835
Change in municipal tax billings	<u>297</u>
	<b>12,132</b>

**Newfoundland Power Inc.**

**Summary of Existing and Proposed Customer Rates  
(Includes Municipal Tax and Rate Stabilization Adjustments)**

	July 1, 2023 <u>Existing Rates</u>	July 1, 2024 <u>Proposed Rates</u>
<u>Domestic - Rate #1.1</u>		
Basic Customer Charge		
Not Exceeding 200 Amp Service	\$15.80/month	\$16.06/month
Exceeding 200 Amp Service	\$20.80/month	\$21.06/month
Energy Charge - All kilowatt hours	13.256 ¢/kWh	13.449 ¢/kWh
Minimum Monthly Charge		
Not Exceeding 200 Amp Service	\$15.80/month	\$16.06/month
Exceeding 200 Amp Service	\$20.80/month	\$21.06/month
Prompt Payment Discount	1.5%	1.5%
 <u>Domestic - Rate #1.1S</u>		
Basic Customer Charge		
Not Exceeding 200 Amp Service	\$15.80/month	\$16.06/month
Exceeding 200 Amp Service	\$20.80/month	\$21.06/month
Energy Charge		
Winter Seasonal	14.209 ¢/kWh	14.402 ¢/kWh
Non-Winter Seasonal	11.959 ¢/kWh	12.152 ¢/kWh
Minimum Monthly Charge		
Not Exceeding 200 Amp Service	\$15.80/month	\$16.06/month
Exceeding 200 Amp Service	\$20.80/month	\$21.06/month
Prompt Payment Discount	1.5%	1.5%

## Newfoundland Power Inc.

**Summary of Existing and Proposed Customer Rates  
(Includes Municipal Tax and Rate Stabilization Adjustments)**

	July 1, 2023 <u>Existing Rates</u>	July 1, 2024 <u>Proposed Rates</u>
<u>G.S. 0-100 kW (110 kVA) - Rate #2.1</u>		
Basic Customer Charge		
Unmetered	\$11.89/month	\$12.25/month
Single Phase	\$19.89/month	\$20.25/month
Three Phase	\$31.89/month	\$32.25/month
Demand Charge Regular	\$9.70/kW - winter \$7.20kW - other	\$9.84/kW - winter \$7.34/kW - other
Energy Charge		
First 3,500 kilowatt-hours	13.116 ¢/kWh	13.308 ¢/kWh
All excess kilowatt-hours	10.160 ¢/kWh	10.304 ¢/kWh
Maximum Monthly Charge	21.893 ¢/kWh + B.C.C.	22.226 ¢/kWh + B.C.C.
Minimum Monthly Charge		
Unmetered	\$11.89/month	\$12.25/month
Single Phase	\$19.89/month	\$20.25/month
Three Phase	\$31.89/month	\$32.25/month
Prompt Payment Discount	1.5%	1.5%
<u>G.S. 110-1000 kVA - Rate #2.3</u>		
Basic Customer Charge	\$48.85/month	\$49.64/month
Demand Charge	\$8.15/kVA-winter \$5.65/kVA-other	\$8.25/kVA-winter \$5.75/kVA-other
Energy Charge		
First 150 kWh per kVA of demand (max. 50,000)	11.343 ¢/kWh	11.507 ¢/kWh
All Excess kWh	9.385 ¢/kWh	9.518 ¢/kWh
Maximum Monthly Charge	21.893 ¢/kWh + B.C.C.	22.226 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$48.85/month	\$49.64/month
Prompt Payment Discount	1.5%	1.5%

**Newfoundland Power Inc.**

**Summary of Existing and Proposed Customer Rates  
(Includes Municipal Tax and Rate Stabilization Adjustments)**

	July 1, 2023 <u>Existing Rates</u>	July 1, 2024 <u>Proposed Rates</u>
<u>G.S. 1000 kVA and Over - Rate #2.4</u>		
Basic Customer Charge	\$85.12/month	\$86.50/month
Demand Charge	\$7.82/kVA-winter \$5.32/kVA-other	\$7.91/kVA-winter \$5.41/kVA-other
Energy Charge		
First 75,000 kWh	10.982 ¢/kWh	11.139 ¢/kWh
All Excess kWh	9.305 ¢/kWh	9.436 ¢/kWh
Maximum Monthly Charge	21.893 ¢/kWh + B.C.C.	22.226 ¢/kWh + B.C.C.
Minimum Monthly Charge	\$85.12/month	\$86.50/month
Prompt Payment Discount	1.5%	1.5%

## Newfoundland Power Inc.

**Summary of Existing and Proposed Customer Rates  
(Includes Municipal Tax and Rate Stabilization Adjustments)**

**Street and Area Lighting Rates**

		<u>July 1, 2023 Existing Rates</u>	<u>July 1, 2024 Proposed Rates</u>
<u>Fixtures</u>			
<u>Sentinel/Standard</u>			
High Pressure Sodium	100W	\$18.41	\$18.70
	150W	23.11	23.46
	250W	33.12	33.63
	400W	46.65	47.37
Light Emitting Diode	LED 100	\$16.08	\$16.34
	LED 150	18.20	18.49
	LED 250	22.11	22.45
	LED 400	25.63	26.03
<u>Post Top</u>			
High Pressure Sodium	100W	\$19.60	\$19.91
<u>Poles</u>			
Wood		\$6.12	\$6.22
30' Concrete or Metal, direct buried		8.55	8.68
45' Concrete or Metal, direct buried		14.14	14.37
25' Concrete or Metal, Post Top, direct buried		6.06	6.16
<u>Underground Wiring (per run)</u>			
All sizes and types of fixtures		\$14.41	\$14.64