

1 **Q. Reference: (2024 Rate of Return on Rate Base, page 1 of 8)**
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3 **Newfoundland Power is proposing to change existing customer rates on July 1, 2024**
4 **to recover a proposed increase in its revenue requirement in 2024 of \$11,835,000.**

5 **a) Why is Newfoundland Power proposing a July 1, 2024 implementation date as**
6 **opposed to an alternative date for the proposed rate increase?**

7 **b) If the proposed \$11,835,000 were to be recovered in rates starting February 1,**
8 **2024, what would be the impact on the 2024 average rate base?**

9 **c) If the Board were to allow recovery of \$9 million with recovery in rates starting**
10 **on February 1, 2024, what would be Newfoundland Power's return on rate base**
11 **for 2024 and its 2024 average rate base?**

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13 **A. a) In Order No. P.U. 3 (2022), the Board ordered, amongst other things, that**
14 **Newfoundland Power file an application on or before November 15, 2023 for**
15 **approval of the Company's 2024 forecast average rate base and rate of return on rate**
16 **base maintaining the common equity ratio and return on common equity accepted for**
17 **rate setting in that order.¹**

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19 In Newfoundland Power's view, to allow time for the regulatory process and to
20 implement customer rates following a Board order, March 1, 2023 would be the
21 earliest possible date that customer rates could be implemented. To ensure the orderly
22 implementation of customer rates, and giving consideration to the proximity to the
23 annual July 1st rate adjustment, the Company proposed an implementation date of
24 July 1, 2024.

25
26 **b) If the rate change was implemented effective February 1, 2024, it would change 2024**
27 **forecast average rate base from \$1,360.1 million to \$1,358.2 million.²**

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29 **c) In the requested scenario, the *pro forma* 2024 return on rate base and 2024 forecast**
30 **average rate base would be \$91.1 million and \$1,358.1 million respectively.³**

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32 The proposed increase to annual revenue requirement of \$11.8 million was
33 determined in accordance with the Board's direction in Order No. P.U. 3 (2022).⁴
34 Reducing the annual revenue requirement to \$9 million would be inconsistent with
35 the Board's requirements set out in that order.

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

² By implementing the 1.5% rate change in February, it would reduce the average shortfall impact of \$2,353,000 to \$495,000.

³ The 2024 rate of return on rate base in the requested scenario would be 6.71%.

⁴ For further information, see section 1.0 Introduction in the 2024 Rate of Return on Rate Base report.