Q. Reference: "2024 Rate of Return on Rate Base Application," Newfoundland Power Inc., November 23, 2023.

Newfoundland Power is forecasting excess earnings in 2023. This would result in Newfoundland Power being above the high end of their band on a reasonable rate of return and being required to refund customers. Please explain why Newfoundland Power believes that it is appropriate to request a rate increase at this time for higher costs related to rate base and debt costs but does not consider other financial impacts that may result in the cost savings that led Newfoundland Power to forecast excess earnings in 2023.

A. In Order No. P.U. 3 (2022), the Board ordered, amongst other things, that Newfoundland Power 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.[1]

Newfoundland Power's Application is filed in compliance with the Board's order. The revisions to the Company's 2023 test year revenue requirement required by the order are limited to its return on rate base and associated income tax effects.

For further information on the changes to Newfoundland Power's 2023 test year revenue requirement used to set existing customer rates as a result of the revisions required by Order No. P.U. 3 (2022), see section *5.0 Revenue Requirement Impacts* in the *2024 Rate of Return on Rate Base* report filed with the Application. In addition, see section *6.1 Assessing the Need for Cost Recovery* in that report for an analysis on why cost recovery is required for the Company to have an opportunity to earn the just and reasonable 6.85% return determined in accordance with the Board's direction in Order No. P.U. 3 (2022).

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