

1 **Q. Newfoundland Power states that the proposed rate change is necessary for it to have**
2 **a reasonable opportunity to earn a just and reasonable return in 2024. Please**
3 **confirm that the determination that new 2024 customer rates are required is based**
4 **on a range violation for the forecast return on rate base for 2024, not the 2023 range**
5 **of return on rate base.**

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7 A. This is confirmed.

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9 Assessing the need for revised customer rates for 2024 based on the proposed range of
10 return on rate base for 2024 is consistent with Newfoundland Power's past practice. The
11 Company has used this approach since rate of return on rate base applications in their
12 current format were first required by the Board, beginning with the 2015 forecast year in
13 Order No. P.U. 13 (2013).¹

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15 The Board endorsed this approach in its orders on the Company's 2015, 2018 and 2021
16 rate of return on rate base applications. In each order, the Board approved Newfoundland
17 Power's rate of return on rate base for that year, with the established range of ± 18 basis
18 points.²

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20 Further, the Board has recognized that revisions to customer rates may be required based
21 on the approval of a new rate of return on rate base in the year subsequent to a test year.
22 For example, in Order No. P.U. 13 (2013), the Board provided that the Company may file
23 for approval of a revised *Schedule of Rates, Tolls and Charges* to reflect the revisions
24 required to its 2015 rate of return on rate base by the order.³

¹ For example, see sections 4.3 2015 Rate of Return on Rate Base and 5.0 Customer Rates in the Company's
2015 Rate of Return on Rate Base report filed with its *2015 Rate of Return on Rate Base Application*.

² See Order Nos. P.U. 51 (2014), P.U. 41 (2017) and P.U. 36 (2020) for establishment of a just and reasonable
rate of return on rate base for 2015, 2018 and 2021, respectively.

³ See Order No. P.U. 13 (2013), page 57, lines 23-24.