

- 1 **Q. Application, Appendix B. Using the return on common equity of \$51.598 million and**
 2 **the common equity of \$602.221 million, the common equity under cost of capital is**
 3 **calculated to be 8.55% as opposed to the 8.50% included in the Appendix. Please**
 4 **explain the difference.**
 5
- 6 A. Newfoundland Power's average capital structure shown in Appendix B is based on the
 7 2024 existing forecast. As a result, the average common equity of \$602,221,000 does not
 8 reflect the increase in average common equity related to the 2024 revenue shortfall net of
 9 income taxes (at an 8.50% return on equity) of \$8,845,000 and the associated financing
 10 cost effects.¹
 11
- 12 Table 1 below provides the 2024 regulated return on equity and average common equity
 13 before and after the 2024 forecast revenue shortfall at an 8.50% return on equity.

Table 1
Calculation of Regulated Return on Equity
Before and After the 2024 Revenue Shortfall
(\$000s)

	2024 Existing Forecast	2024 Revenue Shortfall at 8.50%	Financing Cost Effects	2024 Forecast with Revenue Shortfall
Regulated Earnings	42,653 ²	8,845 ³	71 ⁴	51,569 ⁵
Average Common Equity	602,221 ⁶	4,423 ⁷	36 ⁸	606,680 ⁹
Regulated Return on Equity	7.08%¹⁰			8.50%¹¹

¹ Appendix B has been prepared in the same manner as Appendix C in Newfoundland Power's 2015 *Rate of Return on Rate Base Application* and Appendix B in Newfoundland Power's 2018 and 2021 *Rate of Return on Rate Base Applications*. See footnote 5 in Appendix B for the 2024 revenue shortfall net of income taxes (at an 8.50% return on equity) of \$8,845,000.

² See footnote 5 in Appendix B for existing regulated earnings.

³ See footnote 5 in Appendix B for the 2024 revenue shortfall net of income taxes (at an 8.50% return on equity) of \$8,845,000.

⁴ Forecast reduction in finance costs due to inclusion of 2024 revenue shortfall. The inclusion of the 2024 revenue shortfall would also result in a decrease to the Company's 2024 forecast average debt. This would result in an offsetting impact on Newfoundland Power's return on debt.

⁵ Calculated as: 42,653 + 8,845 + 71 = 51,569.

⁶ See line 3 in Appendix B for 2024 existing forecast average common equity.

⁷ Average impact. Calculated as: 8,845 / 2 = 4,423.

⁸ Average impact. Calculated as: 71 / 2 = 36.

⁹ Calculated as: 602,221 + 4,423 + 36 = 606,680

¹⁰ Calculated as: 42,653 / 602,221 = 7.08%.

¹¹ Calculated as 51,569 / 606,680 = 8.50%.