

1 **Section 1: Introduction**

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3 **Q. (Section 1, page 1-3) According to CA-NP-023(d) from the 2024 Rate of Return on**  
4 **Rate Base Application, Newfoundland Power made \$6.0 million more than the mid-**  
5 **point of the range of return on rate base approved by the Board for 2023. In CA-**  
6 **NP-019 from the 2024 Rate of Return on Rate Base Application, Newfoundland**  
7 **Power states “The Board has described the use of a range as giving a utility**  
8 **“motivation to strive.” When revising the range of return on rate base to its current**  
9 **±18 basis points, the Board observed that the expanded range would “provide an**  
10 **incentive for the company to improve productivity.”**

- 11 a) Please provide a table showing how Newfoundland Power’s productivity  
12 improvements in the past 10 years have reduced its annual operating expenses.  
13 b) Please identify and quantify each program and undertaking implemented by  
14 Newfoundland Power that led to the productivity improvements that resulted in  
15 Newfoundland Power earning \$6.0 million more than the midpoint of the range  
16 of return on rate base approved by the Board for 2023.  
17 c) Please show how the savings in operating expenses from productivity  
18 improvements in 2023 that resulted in the \$6.0 earnings above the midpoint of  
19 the range of the rate of return on rate base approved by the Board have been  
20 carried forward into 2024, and into the 2025 and 2026 Test Years.

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22 A. a) See the response to Request for Information NLH-NP-007.  
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24 b) As provided in the referenced Request for Information, the purpose of the range is  
25 largely practical. It recognizes that actual earned returns may fluctuate within a  
26 reasonable range and still be considered fair, and that factors outside a utility’s  
27 control influence returns and therefore exactness may not be possible.

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29 Higher regulated earnings in 2023 compared to the 2023 test year forecast were  
30 driven by the combination of higher debt costs and an increase in electricity sales.  
31 2023 results are unique in that the increased debt costs in 2023 compared to the 2023  
32 test year forecast created a situation where excess earnings effectively began at a  
33 2023 rate of return on equity of 8.54%, or four basis points higher than the mid-point  
34 rate of return on equity of 8.50%.<sup>1</sup>

35  
36 The impact of higher debt costs is factored into the 2024 to 2026 forecast period.<sup>2</sup>  
37 The impact of higher electricity sales is also factored into the 2024 to 2026 forecast  
38 period.<sup>3</sup>

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40 c) See part b). See also the response to Request for Information PUB-NP-018.

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<sup>1</sup> For context, if 2023 debt costs had matched the 2023 test year forecast, excess earnings would have begun at an estimated 2023 rate of return on equity of 8.90% (based on the implied range of ±40 basis points on the rate of return on equity from the approved range of ±18 basis points on rate of return on rate base).

<sup>2</sup> See Newfoundland Power’s *2024 Rate of Return on Rate Base Application and the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, section 3.2.5 Finance Charges*.

<sup>3</sup> See the response to Request for Information PUB-NP-089.