

1 **Section 1: Introduction**
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3 **Q. (Section 1) Please confirm that Newfoundland Power is requesting a rate increase**
4 **for the 2025 and 2026 test years and that all risk assessments are based on**
5 **Newfoundland Power’s risk during these test years. Would Newfoundland Power**
6 **agree that risk assessments beyond 2026 can be dealt with in future rate hearings as**
7 **they evolve? If not, why not?**
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9 A. Newfoundland Power confirms that its proposed rate increase is based on its 2025 and
10 2026 test year revenue requirements.
11

12 The Company does not agree with the statement that its risk assessment is based on the
13 2025 and 2026 test years. Newfoundland Power’s cost of capital is the rate of return that
14 investors could expect to earn if they invested in securities of equal risk.¹ An assessment
15 of risk in an investment considers all business risks present at the time of the assessment.
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17 The Board typically reviews Newfoundland Power’s cost of capital every three years,
18 which allows the Board to consider changes in the Company’s business risks over time.

¹ For further information, see Newfoundland Power’s 2025/2026 General Rate Application, Volume 1, 3.3.2 Risk Assessment.