

1 **Section 3: Finance/Fair Return**  
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3 **Q. (Section 3, page 3-3) It is stated “The Company’s financial forecasts under existing**  
4 **customer rates include the impact of the proposals in Newfoundland Power’s 2024**  
5 **Rate of Return on Rate Base Application filed with the Board on November 23, 2023.”**  
6 **If the Board issues an Order denying the 1.5% rate increase effective July 1, 2024**  
7 **proposed by Newfoundland Power:**

8 **a) How will Newfoundland Power modify the proposed rate increase and effective**  
9 **date in this GRA?**

10 **b) If this were to occur, would Newfoundland Power file an amended GRA, or re-**  
11 **file the entire GRA?**

12 **c) Would Newfoundland Power file a GRA with a 2024 Test Year?**  
13

14 **A. a)** Newfoundland Power has a 2024 forecast revenue shortfall of \$12.6 million, which  
15 provides for a 2024 rate of return on equity of 7.08%.<sup>1</sup> Customer cost recovery is  
16 required for the Company to have an opportunity to earn a just and reasonable return  
17 on its rate base in 2024 in accordance with section 80 the *Public Utilities Act*.<sup>2</sup>  
18

19 In the scenario where the Board denies Newfoundland Power’s 2024 *Rate of Return*  
20 *on Rate Base Application*, the Company would review the reasons for decision to  
21 determine the most appropriate path to recovery of its 2024 revenue shortfall.

22 Practical options may include filing a further application or amending its 2025/2026  
23 *General Rate Application* to include recovery of the 2024 revenue shortfall.  
24

25 See response to Request for Information PUB-NP-003, which shows the impact on  
26 the July 1, 2025 rate increase assuming: (i) there is no base rate increase of 1.5% on  
27 July 1, 2024; and (ii) the cost recovery of \$11.8 million proposed in the 2024 *Rate of*  
28 *Return on Rate Base Application* is recovered through customer rates beginning on  
29 July 1, 2025.<sup>3</sup>  
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31 **b) See part a).**

32 **c) See part a).**  
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<sup>1</sup> See Newfoundland Power’s 2024 *Rate of Return on Rate Base Application, Appendix D*, page 1, lines 21 and 23. Revenue shortfall (net of incomes taxes) of \$8.8 million / 0.7 = \$12.6 million on a before tax basis.

<sup>2</sup> For further information, see the 2024 *Rate of Return on Rate Base Application*.

<sup>3</sup> The Application proposes amortization of a 2024 revenue shortfall of \$6.7 million over a 30-month period, beginning July 1, 2025. This assumes that 2024 rate recovery begins on July 1, 2024 as proposed in the 2024 *Rate of Return on Rate Base Application*. If the customer rate increase proposed in that application is not approved, the full 2024 cost recovery amount of \$11.8 million would be required to be amortized.