

1 **Section 3: Finance/Fair Return**

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3 **Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**  
4 **December 12, 2023, vol. 1, Evidence, sec. 3.3.2, p. 3-25/8–9.**  
5 **Page 3-25, lines 8–9 state:**

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7 **The weak economic outlook for Newfoundland and Labrador presents risks**  
8 **to Newfoundland Power’s ability to recover its investment in long-life utility**  
9 **assets and earn a fair return**

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11 **An October 21, 2022 article by The Independent noted that in 2022, Newfoundland**  
12 **and Labrador had a surplus in excess of \$400 million dollar in its budget and the**  
13 **lowest unemployment rate since 1976.**

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15 **In his State of the Province address in October 2022, Premier Andrew Furey said:**

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17 **Our economic forecast is no longer a bleak story that’s been told and retold .**  
18 **. . All three of the province’s credit rating agencies moved their outlook of**  
19 **Newfoundland and Labrador from negative to stable. With oil revenues**  
20 **higher than expected, our government is projecting revenue to be \$1.3 billion**  
21 **more than expected this fiscal year. This reduces our net debt by nearly a**  
22 **billion dollars, and perhaps most exciting, we will make the first-ever**  
23 **contribution to the new Future Fund with \$157 million.**

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25 **How does Newfoundland Power reconcile these statements? What considerations**  
26 **does Newfoundland Power include in its assessment of the state of the provincial**  
27 **economy?**

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29 **A.** Newfoundland Power continues to consider the Conference Board of Canada’s  
30 (“CBOC”) economic outlook for its assessment of the provincial economy.<sup>1</sup> The CBOC  
31 is forecasting modest growth for Newfoundland and Labrador in terms of real GDP,  
32 which will be lower than Canada’s growth. Moreover, they project that the province’s  
33 population growth will slow in the near-term, with housing starts continuing to trend  
34 downward. According to the CBOC, “...*demographic concerns will continue in the*  
35 *province, as the population gains seen since the pandemic will slow and retirements will*  
36 *increase. From labour markets to residential construction, all parts of the economy will*  
37 *be impacted by the aging population*”.<sup>2</sup>

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<sup>1</sup> The CBOC is Canada’s leading independent research organization.

<sup>2</sup> The Conference Board of Canada, *Economy to Recover in 2024 but Growth Remains Sluggish, Newfoundland and Labrador’s Five-Year Outlook*, January 8, 2024, pages 5, 6 and 11.