

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

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3 **Q. References: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**
4 **December 12, 2023, vol. 1, Evidence, sec. 3.3.1, p. 3-17 and p. 3-19/14–24 and**
5 **1998 CanLII 18064 [144].**

6 **Page 3-19, lines 14–24 state:**

7 **In Order No. PU 32 (2007), the Board described the fair return standard as**
8 **follows:**

9 **Regulated utilities are given the opportunity to earn a fair rate of**
10 **return. To be considered fair, the return must be:**

- 11 **- Commensurate with return on investments of similar risk;**
- 12 **- Sufficient to assure financial integrity; and**
- 13 **- Sufficient to attract necessary capital.**

14 **The fair return principle is consistent with both Section 80(1) of the**
15 **Act and Section 3(a)(iii) of the EPCA.**

16
17 **1998 CanLII 18064 [144], Justice Green says:**

18 **It must always be remembered that, as has been emphasized throughout this**
19 **opinion, the Board is charged with balancing the competing interests of the**
20 **utility and the consumers of the service it provides. Neither set of interests**
21 **can be emphasized in complete disregard of the interests of the other. Thus,**
22 **in choosing to exercise a particular power within the Board’s jurisdiction, the**
23 **Board must always be mindful of whether, in so acting, it will be furthering**
24 **the objectives and policies of the legislation and doing so in a manner that**
25 **amounts to a reasonable balance between the competing interests involved.**

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27 **How has Newfoundland Power considered the interests of its customers and how to**
28 **limit the impact on them in developing its proposals?**

29
30 **A.** The provincial power policy requires Newfoundland Power to manage its operations in a
31 manner that results in power being delivered to customers at the lowest possible cost, in
32 an environmentally responsible manner, consistent with reliable service.¹ The proposals
33 contained in the Company’s *2025/2026 General Rate Application* are consistent with the
34 provincial power policy.²

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36 Further, Section 3(a)(iii) of the *Electrical Power Control Act, 1994* states:

37
38 *“It is declared to be the policy of the province that... the rates to be*
39 *charged, either generally or under specific contracts, for the supply of*
40 *power within the province... should provide sufficient revenue to the*
41 *producer or retailer of the power to enable it to earn a just and*
42 *reasonable return as construed under the Public Utilities Act so that it is*

¹ See section 3(b)(iii) of the *Electrical Power Control Act, 1994*.

² See the Company’s *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 1: Introduction*.

1 *able to achieve and maintain a sound credit rating in the financial markets*
2 *of the world.”*

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4 Expert evidence filed with the Application indicates that a fair return for
5 Newfoundland Power for 2025 and 2026 comprises a capital structure consisting
6 of 45% common equity and a return on equity of 9.85%. A fair return on equity
7 provides the Company the ability to attract incremental capital on reasonable
8 terms and conditions, which benefits customers.