

SECTION 1: INTRODUCTION

Q. Reference: PUB-NP-003

In its response to PUB-NP-003, Newfoundland Power states:

...it is assumed that the cost recovery of \$11.8 million proposed in the *2024 Rate of Return on Rate Base Application* would be recovered through customer rates beginning July 1, 2025.

a) What is the basis for Newfoundland Power's assumption of the cost recovery of \$11.8 million in customer rates beginning July 1, 2025?

b) Please restate Table 1 to exclude recovery of the \$11.8 million shortfall.

A. a) The \$11.8 million is based on the cost recovery amount proposed in the *2024 Rate of Return on Rate Base Application*. The annual revenue requirement associated with these costs beginning in 2024 is included in the Company's 2025 and 2026 test year revenue requirements.

b) Newfoundland Power has a 2024 forecast revenue shortfall of \$12.6 million, which provides for a 2024 rate of return on equity of 7.08%.¹ Cost recovery is required for the Company to have an opportunity to earn a reasonable return on its rate base in 2024 in accordance with section 80 the *Public Utilities Act*.² In Newfoundland Power's view, it is not reasonable to assume that the Company would not be permitted to recover any amount associated with its 2024 forecast revenue shortfall of \$12.6 million.

Table 1 provides Hydro's requested scenario.

Table 1:
Hydro's Requested Scenario
(\$millions, unless otherwise noted)

	Application	Pro Forma Adjustment³	Requested Scenario
Proposed increase to customer billings	45.6	12.1	57.7 ⁴
Existing customer rates	835.8	(12.1)	823.7 ⁵
Customer rate increase	5.5%		7.0%
Rebasing of power supply energy costs scenario	4.3%		4.3%
Customer rate increase with rebasing scenario	9.8%		11.3%

¹ See the *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.

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

³ For the purposes of the requested scenario the *pro forma* adjustment to customer billings is based on the customer billings impact outlined in the *2024 Rate of Return on Rate Base Application, Appendix E*. See also the response to Request for Information PUB-NP-003.

⁴ \$45.6 + \$12.1 = \$57.7.

⁵ \$835.8 – \$12.1 = \$823.7.