

1 **Section 1: Introduction**
2

3 **Q. Please update the projected rate increases of 5.5% assuming no customer rate**
4 **increase of 1.5% July 1, 2024 resulting from the return on rate base application. In**
5 **the response, provide the percentages for both supply cost recovery scenarios (i.e.,**
6 **no rebasing of supply costs and full rebasing of supply costs).**
7

8 A. Newfoundland Power has a 2024 forecast revenue shortfall of \$12.6 million, which
9 provides for a 2024 rate of return on equity of 7.08%.¹ Customer cost recovery is
10 required for the Company to have an opportunity to earn a reasonable return on its rate
11 base in 2024 in accordance with section 80 the *Public Utilities Act*.²
12

13 Table 1 provides the requested scenario. For the purposes of the scenario, it is assumed
14 that the cost recovery of \$11.8 million proposed in the *2024 Rate of Return on Rate Base*
15 *Application* would be recovered through customer rates beginning July 1, 2025.³

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

	Application	Adjustment	Requested Scenario
Proposed increase to customer billings	45.6 ⁴	14.0 ⁵	59.6 ⁵
Existing customer rates	835.8 ⁴	(12.1) ⁶	823.7
Customer rate increase⁷	5.5%		7.2%
Rebasing of power supply energy costs scenario ⁸	4.3%		4.3%
Customer rate increase with rebasing scenario	9.8%		11.5%

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 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 resulting from that application is not approved, the full 2024 cost recovery amount of \$11.8 million would be required to be amortized.

⁴ See the *2025/2026 General Rate Application, Volume 1, Exhibit 10*.

⁵ \$881.3 million in 2026 proposed customer billings less \$823.7 million in 2026 existing customer billings in the requested scenario = a \$57.6 million increase. 2026 proposed customer billings would also be higher by the additional amortization of the 2024 revenue shortfall of \$2.0 million [\$11.8 million less \$6.7 million = \$5.1 million / 30 months x 12 months = \$2.0 million]. Proposed customer billings in the requested scenario are therefore \$59.6 million [\$57.6 million + \$2.0 million]. The adjustment is \$14.0 million [\$57.6 million increase in the requested scenario less \$45.6 million increase in the Application].

⁶ Estimate of reduced customer billings resulting from no 1.5% customer rate increase on July 1, 2024. See the *2024 Rate of Return on Rate Base Application, Appendix E*.

⁷ Calculated as: proposed increase to customer billings / existing customer rates.

⁸ See the response to Request for Information PUB-NP-002.