

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

2

3 **Q. Volume 1. Provide information on Newfoundland Power’s financial position at 1%**
 4 **reduced intervals in the equity component from 45% to 37% at returns on equity of**
 5 **8.25%, 8.5%, 8.75%, 9.0%, 9.25%, 9.5% and 9.85% in the same format as in PUB-**
 6 **NP-029 filed in Newfoundland Power’s 2022-2023 General Rate Application.**

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8 A. Tables 1, 2 and 3 show *pro forma* credit metrics for 2026 for each scenario requested,
 9 including those in Request for Information PUB-NP-062.¹

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11 In addition to affecting credit metrics, Newfoundland Power’s debt-to-total capitalization
 12 ratio is its own factor assessed by credit rating agencies when rating the Company’s
 13 financial strength.²

Table 1:
Pre-tax Interest Coverage (times)
2026 Pro Forma

	9.85%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
50%	3.1	3.0	2.9	2.9	2.8	2.8	2.7
49%	3.0	3.0	2.9	2.8	2.8	2.7	2.7
48%	3.0	2.9	2.8	2.8	2.7	2.7	2.6
47%	2.9	2.9	2.8	2.7	2.7	2.6	2.6
46%	2.9	2.8	2.7	2.7	2.6	2.6	2.5
45%	2.8	2.7	2.7	2.6	2.6	2.5	2.5
44%	2.7	2.7	2.6	2.6	2.5	2.5	2.4
43%	2.7	2.6	2.5	2.5	2.4	2.4	2.3
42%	2.6	2.5	2.5	2.4	2.4	2.3	2.3
41%	2.5	2.5	2.4	2.4	2.3	2.3	2.2
40%	2.5	2.4	2.3	2.3	2.3	2.2	2.2
39%	2.4	2.3	2.3	2.2	2.2	2.2	2.1
38%	2.3	2.3	2.2	2.2	2.1	2.1	2.1
37%	2.3	2.2	2.2	2.1	2.1	2.1	2.0

¹ See the response to Request for Information PUB-NP-064 for *pro forma* earnings test interest coverage calculations as required for Newfoundland Power to issue First Mortgage Bonds.

² See, for example, the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 4, Moody’s*, page 9.

Table 2:
Cash Flow Interest Coverage (times)
2026 Pro Forma

	9.85%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
50%	4.0	3.9	3.9	3.8	3.8	3.8	3.7
49%	4.0	3.9	3.9	3.8	3.8	3.7	3.7
48%	3.9	3.9	3.8	3.8	3.7	3.7	3.6
47%	3.9	3.8	3.8	3.7	3.7	3.7	3.6
46%	3.8	3.8	3.7	3.7	3.6	3.6	3.6
45%	3.7	3.7	3.7	3.6	3.6	3.5	3.5
44%	3.7	3.6	3.6	3.6	3.5	3.5	3.4
43%	3.6	3.6	3.5	3.5	3.4	3.4	3.4
42%	3.5	3.5	3.5	3.4	3.4	3.4	3.3
41%	3.5	3.4	3.4	3.4	3.3	3.3	3.3
40%	3.4	3.4	3.3	3.3	3.3	3.2	3.2
39%	3.3	3.3	3.3	3.2	3.2	3.2	3.1
38%	3.3	3.2	3.2	3.2	3.1	3.1	3.1
37%	3.2	3.2	3.1	3.1	3.1	3.1	3.0

Table 3:
Cash Flow Debt Coverage (%)
2026 Pro Forma

	9.85%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
50%	14.9	14.6	14.4	14.2	14.0	13.7	13.5
49%	14.7	14.4	14.2	14.0	13.8	13.6	13.4
48%	14.6	14.3	14.1	13.9	13.6	13.4	13.2
47%	14.4	14.1	13.9	13.7	13.5	13.3	13.1
46%	14.2	13.9	13.7	13.5	13.3	13.1	12.9
45%	14.1	13.8	13.6	13.4	13.2	13.0	12.8
44%	13.9	13.6	13.4	13.2	13.0	12.8	12.6
43%	13.7	13.4	13.2	13.1	12.9	12.7	12.5
42%	13.5	13.3	13.1	12.9	12.7	12.5	12.3
41%	13.3	13.1	12.9	12.7	12.6	12.4	12.2
40%	13.2	12.9	12.7	12.6	12.4	12.2	12.1
39%	13.0	12.8	12.6	12.4	12.2	12.1	11.9
38%	12.8	12.6	12.4	12.3	12.1	11.9	11.8
37%	12.6	12.4	12.3	12.1	11.9	11.8	11.6

1 Cash flow metrics shown in Tables 2 and 3 are negatively impacted by the combination
2 of the current wholesale rate charged by Hydro and an increase in energy sales.
3 Additional energy requirements are purchased from Hydro at a second block rate of

1 18.165 ¢/kWh. This is substantially higher than additional sales revenue, which reflects
 2 an average supply cost rate of 6.940 ¢/kWh. This dynamic results in a negative impact on
 3 operating cash flow pre-working capital. Ultimately, any additional costs are collected
 4 from customers via the Company’s Energy Supply Cost Variance Clause (“ESCV”). This
 5 dynamic is temporary as the second block rate is expected to be substantially lower
 6 following implementation of a new wholesale rate.

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 8 Tables 4 and 5 show *pro forma* credit metrics for 2026 adjusted to exclude the effect of
 9 energy supply cost variances for each scenario requested.

Table 4:
Cash Flow Interest Coverage Excluding ESCV (times)
2026 Pro Forma

	9.85%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
50%	4.9	4.8	4.8	4.7	4.7	4.6	4.6
49%	4.8	4.8	4.7	4.7	4.6	4.6	4.5
48%	4.8	4.7	4.7	4.6	4.6	4.6	4.5
47%	4.7	4.7	4.6	4.6	4.6	4.5	4.5
46%	4.7	4.6	4.6	4.5	4.5	4.5	4.4
45%	4.6	4.5	4.5	4.5	4.4	4.4	4.3
44%	4.5	4.5	4.4	4.4	4.3	4.3	4.3
43%	4.4	4.4	4.3	4.3	4.3	4.2	4.2
42%	4.3	4.3	4.3	4.2	4.2	4.2	4.1
41%	4.3	4.2	4.2	4.1	4.1	4.1	4.0
40%	4.2	4.1	4.1	4.1	4.0	4.0	4.0
39%	4.1	4.1	4.0	4.0	4.0	3.9	3.9
38%	4.0	4.0	4.0	3.9	3.9	3.9	3.8
37%	4.0	3.9	3.9	3.9	3.8	3.8	3.7

Table 5:
Cash Flow Debt Coverage Excluding ESCV (%)
2026 Pro Forma

	9.85%	9.50%	9.25%	9.00%	8.75%	8.50%	8.25%
50%	19.2	18.9	18.7	18.5	18.3	18.0	17.8
49%	19.0	18.7	18.5	18.3	18.1	17.9	17.7
48%	18.9	18.6	18.4	18.2	17.9	17.7	17.5
47%	18.7	18.4	18.2	18.0	17.8	17.6	17.4
46%	18.5	18.2	18.0	17.8	17.6	17.4	17.2
45%	18.4	18.1	17.9	17.7	17.5	17.3	17.1
44%	18.2	17.9	17.7	17.5	17.3	17.1	16.9
43%	18.0	17.7	17.5	17.4	17.2	17.0	16.8
42%	17.8	17.6	17.4	17.2	17.0	16.8	16.7
41%	17.6	17.4	17.2	17.0	16.9	16.7	16.5
40%	17.5	17.2	17.1	16.9	16.7	16.5	16.4
39%	17.3	17.1	16.9	16.7	16.5	16.4	16.2
38%	17.1	16.9	16.7	16.6	16.4	16.2	16.1
37%	16.9	16.7	16.6	16.4	16.2	16.1	15.7