Q. **(Reference Schedule D, Computation of Average Rate Base)**

Additions to rate base increased by approximately $17.1 million in 2025, primarily due to a Cost Recovery Deferral or the 2025 revenue shortfall approved in Order P.U. 23 (2025).

a) Please provide the calculation of the $17.156 million Cost Recovery Deferral – 2025 Revenue Shortfall included in the 2025 rate base in an Excel worksheet

b) Please identify the Board authority for its inclusion in rate base and the approved amortization period.

c) Please describe its revenue requirement treatment and quantify its effect on customer rates, on the requested 2025 average rate base of $1,419,718,000, and on forecast rate base for 2026 and 2027.

d) Please extend the Schedule D table (Computation of Average Rate Base), to include 2022 and 2023.

A. a) Attachment A provides the calculation of the $17.156 million revenue shortfall included in the 2025 rate base.

b) In Order No. P.U. 3 (2025), the Board provided for the recovery of Newfoundland Power's revised 2025 revenue shortfall through a regulatory amortization reflected in the 2025 and 2026 revenue requirements beginning on July 1, 2025 and concluding on December 31, 2027.[1]

In Order No. P.U. 23 (2025), the Board approved Newfoundland Power's *Approval of Compliance with Order No. P.U. 3 (2025) and Customer Rates, Rules and Regulations, effective July 1, 2025 Application* (the "Compliance Application") which included the Company's final 2025 and 2026 Test Year revenue requirements, 2025 revenue shortfall of $30.636 million and 2025 and 2026 forecast average rate base.[2]

c) The Company's approved 2026 Test Year revenue requirement included approximately $12.3 million for the annual amortization of the 2025 revenue shortfall.[3] Including return on rate base and tax impacts, the revenue requirement was approximately $13.1 million, which translates to an approximate customer rate impact of a 1.5% increase.[4]

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1 See Order No. P.U. 3 (2025), page 75, lines 3-4.

2 See the Company's *Compliance Application, Application,* paragraph 6. For additional information on the 2025 revenue shortfall, see the Company's *Compliance Application, Schedule 1, Appendix D: 2025 Revenue Shortfall.*

3 $30.636 million / 30 months * 12 months = $12.3 million.

4 $13.1 million / $881.6 million existing customer billings = 1.5%.

Table 1 provides an overview of the 2025 revenue shortfall in rate base from 2025 to 2027.

Table 1
2025 Revenue Shortfall
2025 through 2027
($millions)

Year	2025	2026	2027
Year End Rate Base[5]	$17.156	$8.578	$0
Average Rate Base[6]	$8.578	$12.867	$4.289

d) Attachment B provides the computation of average rate base from 2022 through 2025.

[5] Year end rate base reflects the forecast balance as of December 31 in each year.

[6] Average rate base reflects the average of the current year end balance and the prior year end balance. For 2024, the balance related to the 2025 revenue shortfall would be zero. As an example, 2025 average rate base would be $8.578 million ($17.156 million + $0 = $17.156 million / 2 = $8.578 million).

ATTACHMENT A:

Newfoundland Power Inc. Calculation of the Revenue Shortfall in 2025 Rate Base

Newfoundland Power Inc.
Calculation of the Revenue Shortfall in 2025 Rate Base
($millions)

1	2025 Revenue Shortfall[1]	30.636
2	Less: Amortization[2]	6.127
3	Less: Deferred Tax[3]	7.353
4	Total Unamortized Revenue Shortfall at December 31, 2025	17.156

[1] See the Company's *Approval of Compliance with Order No. P.U. 3 (2025) and Customer Rates, Rules and Regulations, effective July 1, 2025 Application, Schedule 1,* Appendix D: 2025 Revenue Shortfall.

[2] In Order No. P.U. 3 (2025), the Board provided for the recovery of Newfoundland Power's revised 2025 revenue shortfall through a regulatory amortization reflected in the 2025 and 2026 revenue requirement over a 30 month period beginning on July 1, 2025.
($30.636 million/30 months * 6 months = $6.127 million)

[3] Approved cost recovery deferrals are included in rate base net of taxes.
($30.636 million - $6.127 million = $24.509 million * 0.30 = $7.353 million)

ATTACHMENT B:

Newfoundland Power Inc. Computation of Average Rate Base from 2022 through 2025

Newfoundland Power Inc.
Computation of Average Rate Base
For The Years Ended December 31
($000s)

		2022	2023	2024	2025
1	**Net Plant Investment**				
2	Plant Investment	2,178,072	2,311,786	2,403,246	2,519,619
3	Accumulated Depreciation	(914,827)	(957,928)	(1,004,688)	(1,053,362)
4	Contributions in Aid of Construction	(45,171)	(47,887)	(47,797)	(47,587)
5		1,218,074	1,305,971	1,350,761	1,418,670
6					
7	**Additions to Rate Base**				
8	Deferred Pension Costs	95,095	101,430	108,293	109,843
9	Credit Facility Costs	87	105	167	161
10	Cost Recovery Deferral - Conservation	19,359	20,708	21,280	21,475
11	Cost Recovery Deferral - 2022 Revenue Shortfall	459	229	-	-
12	Cost Recovery Deferral - 2025 Revenue Shortfall	-	-	-	17,156
13	Cost Recovery Deferral - Load Research and Retail Rate Design Review	20	189	635	986
14	Cost Recovery Deferral - Hearing Costs	-	-	874	560
15	Cost Recovery Deferral - Pension Capitalization	-	799	1,198	849
16	Customer Finance Programs	1,472	1,199	1,049	1,101
17	Demand Management Incentive Account	(107)	978	1,545	-
18		116,385	125,637	135,041	152,131
19					
20	**Deductions from Rate Base**				
21	Weather Normalization Reserve	6,576	(6,321)	2,896	(4,035)
22	Other Post-Employment Benefits	80,151	84,357	86,308	88,543
23	Customer Security Deposits	1,270	653	618	688
24	Accrued Pension Obligation	5,300	5,397	5,512	5,671
25	Accumulated Deferred Income Taxes	18,076	30,609	33,287	34,678
26	Refundable Investment Tax Credits	-	292	294	33
27	Excess Earnings Account	-	3,714	-	-
28		111,373	118,701	128,915	125,578
29					
30	**Year End Rate Base**	1,223,086	1,312,907	1,356,887	1,445,223
31					
32	**Average Rate Base Before Allowances**	1,211,751	1,267,997	1,334,897	1,401,055
33					
34	**Rate Base Allowances**				
35	Materials and Supplies Allowance	11,978	14,778	14,743	17,319
36	Cash Working Capital Allowance	6,705	7,304	7,551	1,344
37					
38	**Average Rate Base at Year End**	1,230,434	1,290,079	1,357,191	1,419,718