

- 1 **Q. (Reference Application) Provide a comparison of Newfoundland Power and Hydro**  
 2 **Net Present Value analyses for capital investment in electrification indicating the**  
 3 **incremental WACC and income tax rate. Provide the difference in cost to**  
 4 **ratepayers (both gross and on a net present value basis) if the capital investment by**  
 5 **Newfoundland Power attracted no income tax and had the same WACC as Hydro.**  
 6
- 7 A. Newfoundland Power’s net present value (“NPV”) analysis includes a weighted average  
 8 cost of capital (“WACC”) of 5.81% and a 30% income tax rate.<sup>1</sup> Hydro’s NPV analysis  
 9 includes a WACC of 5.30% and no income tax rate.<sup>2</sup>  
 10  
 11 Table 1 provides the *pro forma* scenario requested.

**Table 1:**  
**Cumulative Net Revenues**  
***Pro Forma* Requested Scenario**  
**2021 to 2034 Forecast**  
**(\$millions)**

	NPV Analysis <sup>3</sup>	Requested Scenario <sup>4</sup>	Difference
Nominal Basis	122.6	122.6	0.0
NPV Basis	61.5	61.5	0.0

- 12 Newfoundland Power observes there is effectively no difference in the Company’s NPV  
 13 analysis when compared to the *pro forma* requested scenario.<sup>5</sup>

<sup>1</sup> See Newfoundland Power’s 2021 *Electrification, Conservation and Demand Management Application*, Volume 1, Exhibit 2, Appendix A.

<sup>2</sup> See Hydro’s *Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan: 2021-2025*, Schedule 1, Evidence, Appendix A.

<sup>3</sup> See Newfoundland Power’s 2021 *Electrification, Conservation and Demand Management Application*, Volume 1, Exhibit 2, Appendix A.

<sup>4</sup> The requested scenario assumes a WACC of 5.30% and no income tax rate for capital investment.

<sup>5</sup> See Attachment A to response to Request for Information CA-NP-044 for further detail.