

1 **Q. Reference: “2022 Capital Budget Application,” Newfoundland Power, May 18, 2021**  
 2 **2022 Capital Plan, sec 2.3.2 at p.11**

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 4 **Citation:**

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 6 **On a *pro forma* basis, the Company’s 2022 revenue requirement is estimated to**  
 7 **increase by approximately \$2 million as a result of the capital projects proposed**  
 8 **for 2022.**

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 10 **Please provide a detailed breakdown of this calculation in the following table format**  
 11 **for both 2022 and 2023:**

	2022	2023
Rate Base (A)		
Return % (B)		
<b>Return (A × B = C)</b>		
Depreciation (D)		
Operating and Maintenance (E)		
Income Tax (F)		
<b>Revenue Requirement (C + D + E + F = G)</b>		

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 14 A. Table 1 provides the *pro forma* revenue requirement impacts, as requested.<sup>1</sup>

**Table 1**  
***Pro forma* Revenue Requirements**  
**(\$millions)**

	2022	2023
Rate Base (A) <sup>2</sup>	34.9	47.9
Return % (B) <sup>3</sup>	5.81%	5.81%
<b>Return (A × B = C)</b>	<b>2.0</b>	<b>2.8</b>
Depreciation (D) <sup>4</sup>	2.7	4.3
Operating and Maintenance (E) <sup>5</sup>	(3.0)	(2.7)
Income Tax (F) <sup>6</sup>	0.6	0.8
<b>Revenue Requirement (C + D + E + F = G)</b>	<b>2.3</b>	<b>5.2</b>

<sup>1</sup> The *pro forma* estimates are practically limited. See the 2022 Capital Budget Application, 2022 Capital Plan, Section 2.3.2 Revenue Requirement Perspective, which discusses the practical limitations of these estimates.

<sup>2</sup> Forecast annual change in *pro forma* average rate base.

<sup>3</sup> Incremental weighted average cost of capital calculated using a return on equity of 8.50% as approved by the Board in Order No. P.U. 2 (2019) and an incremental cost of debt of 3.608%. The incremental cost of debt is based upon the Company’s latest debt issue which was approved by the Board in Order No. P.U. 9 (2020).

<sup>4</sup> Forecast change in annual *pro forma* depreciation expense.

<sup>5</sup> Includes maintenance costs savings and avoided electricity costs associated with the proposed *LED Street Lighting Replacement Plan*. The 2022 estimate also includes the net present value of the information technology projects included in the 2022 Capital Budget Application.

<sup>6</sup> Income tax associated with the *pro forma* return on equity.