

1 **Q. Reference: “2022/2023 General Rate Application,” Newfoundland Power, May 27,**  
2 **2021, Volume 1, Exhibits 1, 2, 3, and 4.**

3  
4 **Please provide updated Exhibits 1, 2, 3, and 4 adding a column for the Test Year(s)**  
5 **approved in the last GRA for Newfoundland Power. Please provide the response in**  
6 **both PDF format and electronic format.**

7  
8 A. Current customer rates are based upon the 2020 test year revenue requirement approved  
9 by the Board in Order No. P.U. 2 (2019).

10  
11 See Attachment A for Exhibit 1 revised to include the 2020 test year figures.

12  
13 See Attachment B for Exhibit 2 revised to include the 2020 test year figures.

14  
15 See Attachment C for Exhibit 3 revised to include the 2020 test year figures.

16  
17 Exhibit 4 includes the Company’s most recent credit rating reports from Moody’s and  
18 DBRS. Newfoundland Power is not able to update these reports. As such, the requested  
19 information cannot be provided.

20  
21 The Excel files used to prepare Attachments A through C to this response can be found  
22 on Newfoundland Power’s stranded website at: <https://ftp.nfpower.nf.ca/>.

**Exhibit 1**  
**Revised to Include 2020 Test Year**

Operating Costs by Function: 2019 to 2023F

Exhibit 1 Revised to Include 2020 Test Year

Newfoundland Power Inc.

Operating Costs by Function  
2019 to 2023F  
(\$000s)

Function	Test Year 2020	Actual 2019	Actual 2020	Forecast 2021	Forecast 2022	Forecast 2023 <sup>1</sup>
1 Distribution	10,274	10,236	10,945	9,227	9,487	9,741
2 Transmission	1,048	712	919	957	978	999
3 Substations	2,922	2,361	2,258	2,356	2,422	2,487
4 Power Produced	3,761	3,940	3,797	3,930	4,027	4,122
5 Administrative & Engineering Support	8,137	7,972	7,934	8,204	8,433	8,657
6 Telecommunications	1,380	1,286	1,299	1,350	1,374	1,397
7 Environment	272	287	273	282	289	296
8 Fleet Operations & Maintenance	1,974	1,679	1,719	1,666	1,695	1,723
9						
10 <b>Electricity Supply</b>	<b>29,768</b>	<b>28,473</b>	<b>29,144</b>	<b>27,972</b>	<b>28,705</b>	<b>29,422</b>
11						
12 Customer Service	8,164	7,726	7,468	7,875	8,038	8,103
13 Conservation	693	728	679	782	886	946
14 Uncollectible Bills	1,472	1,980	2,290	2,135	2,172	2,208
15						
16 <b>Customer Services</b>	<b>10,329</b>	<b>10,434</b>	<b>10,437</b>	<b>10,792</b>	<b>11,096</b>	<b>11,257</b>
17						
18 Information Systems	5,526	5,402	5,855	6,051	6,407	7,311
19 Financial Services	1,793	1,787	1,806	1,886	1,942	1,997
20 Corporate & Employee Services	14,824	14,233	14,504	15,529	16,052	16,267
21 Insurances	1,408	1,397	1,698	2,079	2,306	2,345
22						
23 <b>General</b>	<b>23,551</b>	<b>22,819</b>	<b>23,863</b>	<b>25,545</b>	<b>26,707</b>	<b>27,920</b>
24						
25 <b>Gross Operating Cost</b>	<b>63,648</b>	<b>61,726</b>	<b>63,444</b>	<b>64,309</b>	<b>66,508</b>	<b>68,599</b>

<sup>1</sup> For comparison purposes, 2023 forecast gross operating costs exclude changes resulting from the Review of General Expenses Capitalized.

**Exhibit 2**  
**Revised to Include 2020 Test Year**

Newfoundland Power Inc.

Operating Costs by Breakdown  
2019 to 2023F  
(\$000s)

Breakdown	Test Year 2020	Actual 2019	Actual 2020	Forecast 2021	Forecast 2022	Forecast 2023 <sup>1</sup>
1 Regular and Standby	31,525	30,068	31,483	30,703	31,677	32,634
2 Temporary	2,348	2,151	1,625	1,990	2,050	2,108
3 Overtime	2,899	3,022	3,425	3,204	3,300	3,394
4 <b>Total Labour</b>	<b>36,772</b>	<b>35,241</b>	<b>36,533</b>	<b>35,897</b>	<b>37,027</b>	<b>38,136</b>
5						
6 Vehicle Expenses	1,969	1,681	1,725	1,673	1,702	1,730
7 Operating Materials	1,567	1,359	1,300	1,244	1,266	1,287
8 Inter-Company Charges	28	27	26	27	27	28
9 Plants, Subs, System Oper & Bldgs	2,970	3,267	3,484	3,376	3,434	3,492
10 Travel	1,156	1,089	633	861	876	891
11 Tools and Clothing Allowance	1,219	1,289	1,156	1,223	1,244	1,265
12 Miscellaneous	1,390	1,450	1,633	1,542	1,568	1,595
13 Taxes and Assessments	1,330	1,156	1,116	1,142	1,162	1,181
14 Uncollectible Bills	1,472	1,980	2,290	2,135	2,172	2,208
15 Insurance	1,408	1,397	1,698	2,079	2,306	2,345
16 Severance & Other Employee Costs	76	132	126	129	131	133
17 Education, Training, Employee Fees	309	418	267	343	348	354
18 Trustee and Directors' Fees	519	518	673	689	701	712
19 Other Company Fees	2,969	2,428	2,131	2,610	2,868	2,874
20 Stationery & Copying	227	257	246	252	256	260
21 Equipment Rental/Maintenance	856	790	656	770	832	897
22 Telecommunications	1,582	1,473	1,473	1,535	1,562	1,588
23 Postage	1,332	1,329	1,313	1,283	1,244	1,202
24 Advertising	479	573	460	517	525	534
25 Vegetation Management	1,967	2,042	2,306	2,359	2,401	2,441
26 Computing Equipment & Software	2,051	1,830	2,199	2,623	2,856	3,446
27 <b>Total Other</b>	<b>26,876</b>	<b>26,485</b>	<b>26,911</b>	<b>28,412</b>	<b>29,481</b>	<b>30,463</b>
28						
29 <b>Gross Operating Cost</b>	<b>63,648</b>	<b>61,726</b>	<b>63,444</b>	<b>64,309</b>	<b>66,508</b>	<b>68,599</b>

<sup>1</sup> For comparison purposes, 2023 forecast gross operating costs exclude changes resulting from the Review of General Expenses Capitalized.

**Exhibit 3**  
**Revised to Include 2020 Test Year**

Newfoundland Power Inc.

Financial Performance  
2019 to 2023E  
Statements of Income  
(\$000s)

	Test Year	Actual		Forecast		
	2020	2019	2020	2021	2022E	2023E
1 Revenue from rates	673,846	684,179	715,627	712,338	711,562	708,398
2 Transfers from (to) the RSA	5,912	(13,339)	(8,786)	(11,336)	(17,328)	(22,035)
3	679,758	670,840	706,841	701,002	694,234	686,363
4						
5 Purchased power expense	447,324	456,512	470,275	465,872	465,610	461,686
6 Demand management incentive account adjustments	-	(2,687)	(1,431)	(1,812)	(1,811)	(2,079)
7 Wholesale rate change flow-through	-	(8,964)	-	-	-	-
8	447,324	444,861	468,844	464,060	463,799	459,607
9						
10 Contribution	232,434	225,979	237,997	236,942	230,435	226,756
11						
12 Other revenue <sup>1</sup>	5,594	7,899	7,226	5,651	4,746	4,679
13						
14 Other expenses:						
15 Operating expenses <sup>2</sup>	64,610	61,705	64,200	65,310	67,347	69,736
16 Employee future benefit costs <sup>3</sup>	7,566	9,575	14,391	14,678	8,745	6,159
17 Deferred cost recoveries and amortizations	(876)	1,752	(876)	(876)	-	-
18 Depreciation <sup>4</sup>	64,908	62,066	64,982	67,739	70,424	74,745
19 Finance charges <sup>5</sup>	37,390	35,061	36,719	34,711	34,605	32,935
20	173,598	170,159	179,416	181,562	181,121	183,575
21						
22 Income before income taxes	64,430	63,719	65,807	61,031	54,060	47,860
23 Income taxes <sup>6</sup>	18,798	18,324	19,338	17,698	15,384	13,294
24						
25 Net income	45,632	45,395	46,469	43,333	38,676	34,566
26 Preferred dividends	552	550	347	-	-	-
27						
28 Earnings applicable to common shares <sup>6</sup>	45,080	44,845	46,122	43,333	38,676	34,566
29						
30 <b>Rate of Return and Credit Metrics</b>						
31 Rate of Return on Rate Base (%)	7.04	6.97	7.04	6.46	5.90	5.23
32 Regulated Return on Book Equity (%)	8.50	8.79	8.93	8.24	7.16	6.34
33 Interest Coverage (times)	2.4	2.4	2.4	2.4	2.2	2.0
34 CFO Pre-W/C + Interest / Interest (times)	3.9	4.0	4.6	4.9	4.7	5.0
35 CFO Pre-W/C / Debt (%)	16.9	17.4	21.1	20.6	18.7	19.2

<sup>1</sup> Shown after reclassification of other contract costs and equity portion of AFUDC.

<sup>2</sup> Shown after adjustment for non-regulated expenses and reclassification of other contract costs and current portion of employee future benefit costs.

<sup>3</sup> Shown after reclassification of current portion of employee future benefit costs.

<sup>4</sup> Shown after reclassification of tax on cost of removal.

<sup>5</sup> Shown after reclassification of equity portion of AFUDC.

<sup>6</sup> Shown after adjustment for non-regulated expenses and reclassification of tax on cost of removal.

**Newfoundland Power Inc.**

**Financial Performance  
2019 to 2023E  
Statements of Retained Earnings  
(\$000s)**

	<b>Test Year</b>	<b>Actual</b>		<b>Forecast</b>		
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>
1 Balance - Beginning	456,675	432,588	447,546	445,330	465,487	473,541
2 Net income for the period	43,410	42,891	43,577	40,922	36,327	32,073
3 Allocation of Part VI.1 tax	752	275	625	598	624	624
4	<u>500,837</u>	<u>475,754</u>	<u>491,748</u>	<u>486,850</u>	<u>502,438</u>	<u>506,238</u>
5						
6 Dividends						
7 Preference shares	552	550	347	-	-	-
8 Common shares	<u>36,947</u>	<u>27,658</u>	<u>46,071</u>	<u>21,363</u>	<u>28,897</u>	<u>29,310</u>
9	<u>37,499</u>	<u>28,208</u>	<u>46,418</u>	<u>21,363</u>	<u>28,897</u>	<u>29,310</u>
10 Balance - End of Period	<u>463,338</u>	<u>447,546</u>	<u>445,330</u>	<u>465,487</u>	<u>473,541</u>	<u>476,928</u>



## Newfoundland Power Inc.

**Financial Performance**  
**2019 to 2023E**  
**Balance Sheets**  
**(\$000s)**

	Test Year	Actual		Forecast		
	2020	2019	2020	2021	2022E	2023E
1 <b>Assets</b>						
2 <b>Current Assets</b>						
3 Accounts receivable	85,763	83,552	65,681	95,069	85,681	79,999
4 Income taxes receivable	-	2,038	-	-	-	-
5 Materials and supplies	1,556	1,479	1,705	1,745	1,775	1,805
6 Prepaid expenses	2,148	2,190	2,522	2,580	2,625	2,669
7 Regulatory assets	13,390	16,771	14,560	(13,375)	(18,943)	(19,449)
8 Related party notes receivable	-	-	8,000	-	-	-
9	102,857	106,030	92,468	86,019	71,138	65,024
10						
11 <b>Property, plant and equipment</b>	1,232,007	1,204,308	1,237,470	1,289,977	1,326,460	1,381,735
12 <b>Intangible assets</b>	28,184	28,131	30,592	40,890	57,193	61,893
13 <b>Regulatory assets</b>	307,779	347,137	331,302	311,384	305,142	300,958
14 <b>Defined benefit pension plans</b>	33,640	15,193	25,705	33,838	42,344	51,258
15 <b>Other assets</b>	1,614	2,608	2,169	2,183	2,201	2,225
16	1,706,081	1,703,407	1,719,706	1,764,291	1,804,478	1,863,093
17						
18						
19 <b>Liabilities and shareholders' equity</b>						
20 <b>Current Liabilities</b>						
21 Short-term borrowings	-	1,412	6,728	-	-	-
22 Accounts payable and accrued charges	81,384	90,337	74,110	81,597	85,886	92,024
23 Interest payable	6,606	6,628	6,596	6,420	7,153	7,070
24 Income taxes payable	-	-	1,842	-	-	-
25 Defined benefit pension plans	218	221	438	245	227	221
26 Other post employment benefits	4,165	3,710	3,782	3,647	3,922	4,174
27 Regulatory liabilities	-	10,773	8,769	1,512	(724)	(832)
28 Current instalments of long-term debt	85,582	36,200	7,200	35,200	7,550	7,550
29 Related Party Borrowings	-	50,500	-	-	-	-
30	177,955	199,781	109,465	128,621	104,014	110,207
31						
32 <b>Regulatory liabilities</b>	176,969	175,826	197,944	190,113	199,987	213,169
33 <b>Defined benefit pension plans</b>	-	5,407	5,180	5,278	5,402	5,544
34 <b>Other post employment benefits</b>	81,892	88,316	90,676	92,641	94,508	96,307
35 <b>Other liabilities</b>	1,066	1,420	1,212	1,212	1,212	1,212
36 <b>Deferred income taxes</b>	155,795	173,249	175,356	175,939	176,163	184,812
37 <b>Long-term debt</b>	569,828	532,692	624,222	634,679	679,330	704,593
38						
39						
40						
41 <b>Shareholders' equity</b>						
42 <b>Common shares</b>	70,321	70,321	70,321	70,321	70,321	70,321
43 <b>Preference shares</b>	8,917	8,849	-	-	-	-
44 <b>Retained earnings</b>	463,338	447,546	445,330	465,487	473,541	476,928
45	542,576	526,716	515,651	535,808	543,862	547,249
46	1,706,081	1,703,407	1,719,706	1,764,291	1,804,478	1,863,093

Newfoundland Power Inc.

Financial Performance  
2019 to 2023E  
Statements of Cash Flows  
(\$000s)

	Test Year	Actual		Forecast		
	2020	2019	2020	2021	2022E	2023E
1 <b>Operating Activities</b>						
2 Net Earnings	43,410	42,891	43,577	40,922	36,327	32,073
3						
4 <b>Items Not Affecting Cash:</b>						
5 Depreciation of property, plant and equipment	67,112	64,609	67,327	70,074	72,771	75,591
6 Amortization of intangible assets and other	4,147	3,644	4,092	4,324	4,565	6,337
7 Change in long-term regulatory assets and liabilities	8,029	(2,764)	24,029	22,915	20,419	22,740
8 Deferred income taxes	(301)	5,160	(5,111)	(478)	224	8,649
9 Employee future benefits	(8,194)	(1,707)	2,697	2,151	(3,772)	(6,695)
10 Other	273	(595)	197	6	(250)	(709)
11	<u>114,476</u>	<u>111,238</u>	<u>136,808</u>	<u>139,914</u>	<u>130,284</u>	<u>137,986</u>
12						
13 Change in working capital	(4,358)	13,240	8,957	(31,061)	(2,381)	(6,717)
14	<u>110,118</u>	<u>124,478</u>	<u>145,765</u>	<u>108,853</u>	<u>127,903</u>	<u>131,269</u>
15						
16 <b>Investing Activities</b>						
17 Capital expenditures	(100,715)	(106,047)	(95,437)	(115,111)	(97,650)	(118,691)
18 Intangible asset expenditures	(5,211)	(6,900)	(6,320)	(14,412)	(20,670)	(10,854)
19 Contribution from customers and security deposits	3,499	8,278	2,102	2,500	2,500	2,500
20 Other	-	-	-	(20)	(7)	(6)
21	<u>(102,427)</u>	<u>(104,669)</u>	<u>(99,655)</u>	<u>(127,043)</u>	<u>(115,827)</u>	<u>(127,051)</u>
22						
23 <b>Financing Activities</b>						
24 Change in short-term borrowings		1,412	5,316	(6,728)	-	-
25 Net (repayment) proceeds of committed credit facility	(7,842)	(37,000)	-	45,481	(21,829)	32,642
26 Proceeds from long-term debt	75,000	-	100,000	-	75,000	-
27 Repayment of long-term debt	(36,950)	(6,600)	(37,200)	(7,200)	(35,950)	(7,550)
28 Net proceeds (repayment) from related party loan	-	50,500	(58,500)	8,000	-	-
29 Payment of debt financing costs	(400)	(35)	(459)	-	(400)	-
30 Redemption of preference shares	-	(62)	(8,849)	-	-	-
31 Dividends						
32 Preference shares	(552)	(550)	(347)	-	-	-
33 Common shares	(36,947)	(27,658)	(46,071)	(21,363)	(28,897)	(29,310)
34	<u>(7,691)</u>	<u>(19,993)</u>	<u>(46,110)</u>	<u>18,190</u>	<u>(12,076)</u>	<u>(4,218)</u>
35						
36 <b>Change in Cash</b>	(0)	(184)	-	-	-	-
37 <b>Cash, Beginning of Year</b>	-	184	-	-	-	-
38 <b>Cash, End of Year</b>	<u>(0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Newfoundland Power Inc.

Financial Performance  
2019 to 2023E

Average Rate Base<sup>1</sup>  
(\$000s)

	<u>Test Year</u>	<u>Actual</u>		<u>Forecast</u>		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022E</u>	<u>2023E</u>
1 Plant Investment	1,127,189	1,096,310	1,133,996	1,171,625	1,209,201	1,261,498
2						
3 Additions to Rate Base						
4 Defined Benefit Pension Costs	95,350	90,751	90,863	89,400	91,526	98,201
5 Deferred Credit Facility Costs	-	91	54	39	24	10
6 Cost Recovery Deferral - Hearing Costs	530	247	371	124	-	-
7 Cost Recovery Deferral - Conservation	17,219	16,630	17,210	17,273	17,841	18,343
8 Cost Recovery Deferral - Electrification	-	-	-	468	935	935
9 Weather Normalization Reserve	-	3,586	961	(3,824)	(1,958)	-
10 Demand Management Incentive Account	-	941	1,441	1,135	1,268	1,361
11 Customer Finance Programs	1,575	2,477	2,296	2,123	2,166	2,202
12	<u>114,674</u>	<u>114,723</u>	<u>113,196</u>	<u>106,738</u>	<u>111,802</u>	<u>121,052</u>
13						
14 Deductions from Rate Base						
15 Other Post Employment Benefits	61,415	59,452	64,265	69,426	74,950	80,572
16 Customer Security Deposits	1,066	1,246	1,316	1,212	1,212	1,212
17 Accrued Pension Obligation	5,469	5,060	5,181	5,311	5,430	5,578
18 Accumulated Deferred Income Taxes	9,808	7,488	11,386	13,674	15,997	23,784
19 Cost Recovery Deferrals	920	613	920	307	-	-
20	<u>78,678</u>	<u>73,859</u>	<u>83,068</u>	<u>89,930</u>	<u>97,589</u>	<u>111,146</u>
21						
22 Average Rate Base Before Allowances	1,163,185	1,137,174	1,164,124	1,188,433	1,223,414	1,271,404
23						
24 Cash Working Capital Allowance	10,095	9,907	10,503	10,362	10,326	10,096
25						
26 Materials and Supplies Allowance	5,775	6,475	7,270	8,219	8,218	8,358
27						
28 Average Rate Base at Year End	<u>1,179,055</u>	<u>1,153,556</u>	<u>1,181,897</u>	<u>1,207,014</u>	<u>1,241,958</u>	<u>1,289,858</u>

<sup>1</sup> All amounts shown are averages.

Newfoundland Power Inc.

Financial Performance  
2019 to 2023E  
Weighted Average Cost of Capital  
(\$000s)

	Test Year	Actual		Forecast		
	2020	2019	2020	2021	2022E	2023E
1 <b>Average Capitalization</b>						
2 Debt	640,370	616,343	629,385	653,961	678,353	699,501
3 Preference Shares <sup>1</sup>	8,917	8,880	4,425	-	-	-
4 Common Equity	530,327	510,388	516,759	525,730	539,835	545,556
5	<u>1,179,614</u>	<u>1,135,611</u>	<u>1,150,569</u>	<u>1,179,691</u>	<u>1,218,188</u>	<u>1,245,057</u>
6						
7 <b>Average Capital Structure (%)</b>						
8 Debt	54.28	54.28	54.70	55.43	55.69	56.18
9 Preference Shares	0.76	0.78	0.39	-	-	-
10 Common Equity	44.96	44.94	44.91	44.57	44.31	43.82
11	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
12						
13 <b>Cost of Capital (%)</b>						
14 Debt <sup>2</sup>	5.84	5.68	5.83	5.31	5.10	4.71
15 Preference Shares	6.19	6.19	7.84	-	-	-
16 Common Equity	8.50	8.79	8.93	8.24	7.16	6.34
17						
18						
19 <b>Weighted Average Cost of Capital (%)</b>						
20 Debt	3.17	3.08	3.19	2.94	2.84	2.64
21 Preference Shares	0.05	0.05	0.03	-	-	-
22 Common Equity	3.82	3.95	4.01	3.67	3.17	2.78
23	<u>7.04</u>	<u>7.08</u>	<u>7.23</u>	<u>6.61</u>	<u>6.01</u>	<u>5.42</u>

<sup>1</sup> On January 2, 2020, the Company provided notice to shareholders of the redemption of all the issued and outstanding First Preference Shares. These shares comprised approximately \$8.8 million of the Company's capital structure as of the notice date. On February 3, 2020, the Company redeemed all of the issued and outstanding First Preference Shares.

<sup>2</sup> Cost of debt is shown net of AFUDC. This is consistent with the cost of debt used in the calculation of return on rate base. For regulatory reporting purposes, the embedded cost of debt shown in Return 25 of the 2019 and 2020 Annual Reports to the Board can be reconciled to the reported cost of debt above as follows:

	2019	2020
Cost of Debt (Line 14) (%)	5.68	5.83
AFUDC (%)	0.32	0.15
Cost of Debt - Return 25 (%)	<u>6.00</u>	<u>5.98</u>

Newfoundland Power Inc.

Financial Performance  
2019 to 2023E  
Rate of Return on Rate Base  
(\$000s)

	Test Year	Actual		Forecast		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022E</u>	<u>2023E</u>
1 Regulated Return on Equity	45,080	44,845	46,122	43,333	38,676	34,566
2 Return on Preferred Equity	552	550	347	-	-	-
3	<u>45,632</u>	<u>45,395</u>	<u>46,469</u>	<u>43,333</u>	<u>38,676</u>	<u>34,566</u>
4						
5 Finance Charges						
6 Interest on Long-Term Debt	37,080	35,375	36,811	35,452	36,005	34,945
7 Other Interest	1,139	1,355	609	348	328	752
8 Amortization of Bond Issue Expenses	219	235	233	212	197	183
9 AFUDC	(1,070)	(1,933)	(949)	(1,317)	(1,943)	(2,963)
10	<u>37,368</u>	<u>35,032</u>	<u>36,704</u>	<u>34,695</u>	<u>34,587</u>	<u>32,917</u>
11						
12 Return on Rate Base	<u>83,000</u>	<u>80,427</u>	<u>83,173</u>	<u>78,028</u>	<u>73,263</u>	<u>67,483</u>
13						
14 Average Rate Base	<u>1,179,055</u>	<u>1,153,556</u>	<u>1,181,897</u>	<u>1,207,014</u>	<u>1,241,958</u>	<u>1,289,858</u>
15						
16 Rate of Return on Rate Base (%)	7.04	6.97	7.04	6.46	5.90	5.23

**Newfoundland Power Inc.**

**Financial Performance  
2019 to 2023E  
Inputs and Assumptions**

1	<b>Energy Forecasts:</b>	Energy forecasts are based on economic indicators taken from the Conference Board of
2		Canada Economic Forecast, dated February 24, 2021.
3		
4	<b>Revenue Forecast:</b>	The revenue forecast is based on the Customer, Energy and Demand forecast dated May 2021.
5		
6		Revenue for 2019 through 2021F reflects: (i) recovery through the RSA of amounts associated
7		with the Energy Supply Cost Variance Adjustment Clause; (ii) recovery through the RSA of amounts
8		associated with variances in employee future benefit costs; (iii) recovery through the RSA of amounts
9		associated with the July 1, 2017 Hydro supply cost rate increase; (iv) recovery through the RSA
10		of amounts associated with the Weather Normalization reserve; and (v) recovery through the RSA of
11		certain costs related to the implementation of the CDM program portfolio all of which were approved
12		by the Board in Order Nos. P.U. 32 (2007), P.U. 43 (2009), P.U. 31 (2010), P.U. 13 (2013),
13		P.U. 18 (2015), P.U. 23 (2017), P.U. 20 (2018), P.U. 2 (2019) and P.U. 31 (2019).
14		
15	<b>Purchased Power Expense:</b>	Purchased power expense reflects Newfoundland & Labrador Hydro's rates approved by the Board
16		effective October 1, 2019 and the Customer, Energy and Demand Forecast dated May 12, 2021.
17		
18		Purchased power expense reflects the operation of the Demand Management Incentive Account
19		approved by the Board in Order No. P.U. 32 (2007). This mechanism provides for recovery of demand
20		costs that are in excess of unit demand costs included in the most recent test year.
21		
22		Purchased power expense reflects the operation of the wholesale rate change flow-through account
23		resulting from the implementation of the Revised Utility Base Rate as approved in Order No.
24		P.U. 30 (2019).
25		
26	<b>Employee Future Benefit</b>	Pension funding is based on the actuarial valuation dated as at December 31, 2019.
27	<b>Costs:</b>	
28		Pension discount rate is 3.80% for 2019, 3.10% for 2020 and 2.60% for 2021 through 2023.
29		
30		Expected return on pension plan assets is 5.25% for 2019, 4.75% for 2020 and 4.50% for 2021 through
31		through 2023.
32		
33		OPEBs discount rate is 3.90% for 2019, 3.20% for 2020 and 2.70% for 2021 through 2023.
34		
35	<b>Cost Recovery Deferrals:</b>	The 2021 to 2023 forecasts include the deferred recovery over a 7-year period of certain
36		conservation program costs as reflected in the Application.
37		
38		The 2021 forecast includes the deferred recovery over a 34-month period of \$1.0 million in external
39		costs related to the <i>2019/2020 General Rate Application</i> beginning March 1, 2019.
40		
41		The 2021 forecast includes the amortization over a 34-month period of a \$2.5 million revenue surplus
42		related to a March 1, 2019 rate implementation date beginning March 1, 2019.
43		
44	<b>Depreciation Rates:</b>	Depreciation rates are based on the <i>2014 Depreciation Study</i> .

**Newfoundland Power Inc.**

**Financial Performance  
2019 to 2023E  
Inputs and Assumptions**

1	<b>Operating Costs:</b>	The operating forecast for 2021 reflects the most recent management estimates. Operating
2		forecasts for 2022 and 2023 reflect projected increases of 3.00% in 2022 and 2.85% in 2023 for labour,
3		and non-labour increases based upon the GDP deflator.
4		
5	<b>Capital Expenditure:</b>	Capital Expenditures for 2021 through 2023 are based on the <i>2022 Capital Budget Application</i>
6		adjusted for known carryovers.
7		
8	<b>Short-Term Interest Rates:</b>	Average short-term interest rates are forecast to be 1.24% for 2021, 1.36% for 2022 and 1.70%
9		for 2023.
10		
11	<b>Long-Term Debt:</b>	A \$75.0 million long-term debt issue is forecast to be completed in March 2022. The debt is forecast for
12		30 years at a coupon rate of 4.25%. Debt repayments will be in accordance with the normal sinking
13		fund provisions for existing outstanding debt.
14		
15	<b>Dividends:</b>	Common dividend payouts are forecast based on maintaining a target common equity component
16		near 45%.
17		
18	<b>Income Tax:</b>	Income tax expense reflects a statutory income tax rate of 30% for 2021 through 2023.