

1 Q. **Reference: Schedule 1, Appendix A, page 1 of 3.**

2 Please provide the calculation and supporting schedules for the \$463,000 adjustment required
3 to reflect the 8.6% ROE.

4

5

6 A. The calculation for the \$463,000 is supported by Appendix A to Newfoundland and Labrador
7 Hydro's application. The calculation was an iterative process that consisted of:

8 **1.** Updating the Return on Equity ("ROE") to 8.60%¹ for the Revised Rate Setting
9 Test Year; and

10 **2.** Increasing Energy Sales² until Rate of Return on Rate Base³ and WACC⁴ for the
11 Revised Rate Setting Test Year were equal.

12 An alternate calculation for the increase in ROE of 0.1% is provided in PUB-NLH-002, Attachment

13 1. The difference in results is due to rounding.

¹ "Increase to Target ROE and Revisions to ROE Rate Change Deferral Account and Excess Earnings Account Definitions," Newfoundland and Labrador Hydro, January 29, 2025, sch. 1, app. A, p. 3 of 3/36.

² *Supra*, f.n. 1, p. 1 of 3/2.

³ *Supra*, f.n. 1, p. 2 of 3/28.

⁴ *Supra*, f.n. 1, p. 3 of 3/37.

Newfoundland and Labrador Hydro
Capital Structure
(\$000s)

	Rate		Average Equity
	Test Year 2018 ¹	Setting Test Year 2019	
1 Regulated capital structure			
2 Long-term debt	1,795,117	1,794,947	
3 Promissory notes	159,761	291,930	
4 Promissory notes - related party	-	-	
5 less: sinking funds	(206,305)	(223,976)	
6 add: mark to market of sinking funds	40,738	40,738	
7	<u>1,789,311</u>	<u>1,903,639</u>	
8 Cost of service exclusions			
9 Non-regulated debt pool	(11,067)	(11,067)	
10 Net regulated debt	<u>1,778,244</u>	<u>1,892,572</u>	
11 Funded Asset retirement obligation	14,548	14,443	
12 Employee future benefits	72,778	76,085	
13 Contributed capital	100,000	100,000	100,000
14 Retained earnings cost of service exclusions	24,094	33,484	28,789
15 Retained earnings	323,017	350,493	336,755
16 Total	<u><u>2,312,681</u></u>	<u><u>2,467,076</u></u>	<u><u>465,544</u></u>
17			
Increase in Return on Equity of 0.1%			465.5

¹ 2017 GRA Compliance Application; Exhibit 4: Computation of Revenue Requirements, Appendix A.