

- 1 **Q. Newfoundland Power (NP) is requesting a 0.8% increase in rates effective March**
2 **2022. From the discussion at page 1-8 it appears that the main driver of this increase**
3 **is the requested 9.80% ROE, can the company confirm that if the ROE is not**
4 **changed there would be a decrease in rates?**
5
- 6 A. Newfoundland Power's 2022/2023 *General Rate Application* proposes an overall average
7 increase in customer rates of approximately 0.8% effective March 1, 2022. Expert
8 evidence filed with the application recommends a fair rate of return on equity of 9.80%
9 on a common equity ratio of 45%.¹ The increase in the rate of return on equity from
10 8.50% currently approved by the Board represents a 1.5% increase in the revenue
11 required from customer rates.²
12
- 13 In a scenario where all proposals included in the Company's application are approved by
14 the Board, other than the increase in the return on equity from 8.50% to 9.80%, customer
15 rates would decrease by approximately 0.7%.³

¹ See the 2022/2023 *General Rate Application, Volume 3, Expert Evidence, Cost of Capital: Mr. James Coyne*.

² See the 2022/2023 *General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 1.2.1: 2022 and 2023 Revenue Requirements*, page 1-8, lines 19-22.

³ The 0.8% proposed rate increase minus a 1.5% increase related to a higher return on equity equals a decrease in rates of approximately 0.7%.