

General

Q. Reference: "2024 Capital Budget Application," Newfoundland Power, June 22, 2023, 2024 Capital Budget Overview, sec. 2.3.3, p. 9.

The capital projects proposed in the Application are estimated to increase the Company's annual revenue requirement by approximately \$4 million on a *pro forma* basis.

Please provide a detailed breakdown of this calculation in the following table format for both 2024 and 2025.

	2024	2025
Rate Base (A)		
Return % (B)		
Return (A × B = C)		
Depreciation (D)		
Operating and Maintenance (E)		
Income Tax (F)		
Revenue Requirement (C + D + E + F = G)		

A. Table 1 provides the *pro forma* revenue requirement impacts, as requested.¹

¹ The *pro forma* estimates are practically limited. See Newfoundland Power's *2024 Capital Budget Application, 2024 Capital Budget Overview, Section 2.3.3 Customer Rates*, which discusses the practical limitations of these estimates.

Table 1
Pro forma Revenue Requirements
(\$millions)

	2024	2025
Rate Base (A) ²	68.5	41.5
Return % (B) ³	6.13%	6.13%
Return (A × B = C)	4.2	2.5
Depreciation (D) ⁴	4.7	3.4
Operating and Maintenance (E) ⁵	(5.8)	(5.2)
Income Tax (F) ⁶	1.1	0.7
Revenue Requirement (C + D + E + F = G)	4.2	1.4

² Forecast annual change in *pro forma* average rate base.

³ 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. 3 (2022) and an incremental cost of debt of 4.198%. The incremental cost of debt is based upon the Company's debt issue in April 2022 which was approved by the Board in Order No. P.U. 7 (2022).

⁴ Forecast change in annual *pro forma* depreciation expense.

⁵ Includes maintenance costs savings and avoided electricity costs associated with the *LED Street Lighting Replacement* project. The 2024 estimate also includes the net present value of the technology projects included in Newfoundland Power's *2024 Capital Budget Application* and customer benefits associated with continued operation of the Mobile and Lookout Brook hydro plants that results in the continued provision of low-cost electricity production to customers.

⁶ Income tax associated with the *pro forma* return on equity.