

- 1 **Q. (Reference April 5, 2024 Grant Thornton Report)**
2 **a) For 2024F in Appendix C what would be the earnings applicable to common**
3 **shares if operating expenses and depreciation were equal to their respective**
4 **values for 2023TY?**
5 **b) Based on the response to (a), what would be the 2024F rate of return on equity,**
6 **return on rate base and rate of return on rate base?**
7
8 **A.** a) The earnings applicable to common shares would be \$51,787,000, which includes
9 an estimated adjustment for income taxes using the same effective income tax rate
10 of 30.5% as the original 2024 forecast provided by Newfoundland Power Inc. for
11 2024 forecast.
12
13 b) We do not have the utility’s full forecasting model that is necessary to fully
14 recalculate the 2024F rate of return on equity, return on rate base and the rate of
15 return on rate base. However, to facilitate the Consumer Advocate’s review we
16 have presented an illustrative analysis of the calculation based on the information
17 we do have at the time of this response. Based on this information we have
18 estimated that the rate of return on average common equity would be 8.53% under
19 this scenario. Our calculation includes some simplifying assumptions and has been
20 presented as follows:

('000s)	2023F	2024PF
Regulated Common Equity, Dec 31, current year (Notes 1 and 2)	581,746	631,829
Regulated Common Equity, Dec 31, prior year (Note 2)	543,932	581,746
Regulated average common equity	562,839	606,787
Regulated earnings		51,787
Regulated Rate of return on Average Common Equity		8.53%

Note 1 – the 2024 proforma (“PF”) amounts presented includes the following adjustment for dividends:

(000's)			
Ending regulated common equity, Dec 31	2023F		581,746
Regulated earnings	2024E		42,653
		A	624,399
Ending regulated common equity, Dec 31	2024E	B	622,695
Dividend adjustment		A-B	1,704

Note 2 – the 2023F balance of regulated common equity presented above are from Exhibit 3 page 3 of 9 of the 2025/26 General Rate Application.

1 Based on our illustrative calculation below, the return on average rate base would
 2 be \$93,415,000 and the rate of return on average rate base would be 6.88%. Our
 3 calculations are as follows:

000's	2024PF
Regulated return on equity	51,787
Finance charges (Note 1)	
Interest on long-term debt	39,053
Other interest	3,635
Amortization of bond issue expenses	225
AFUDC	(1,285)
	41,628
Return on rate base	93,415
Average rate base (Note 1)	1,357,684
Rate of return on rate base (%)	6.88%

Note 1 - this calculation excludes the impact the change in depreciation would have on plant investment and the change regulated return on equity would have on debt requirements, therefore it reflects the same finance charges and average rate base as the figures presented for the 2024 forecast before recovery.

4 Should the Board's decision-making process rely on the above scenario, we would
 5 recommend that a more precise calculation is produced by the utility directly.