

1 Q. Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power  
2 Inc., November 23, 2023, app. D (sic), p. 1/3.  
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4 Please provide the calculations for the Return on Equity and Return on Rate Base for  
5 the 2024 Forecast before recovery, assuming Gross Operating Costs increased by  
6 3.0% over the \$68,272,000 in the 2023 Test Year costs instead of the \$76,838,000  
7 shown in Table 2-3 of Newfoundland Power’s “2025/2026 General Rate Application”  
8 and included in the 2024 Forecast Before Recovery.  
9

10 A. The 2023 test year gross operating costs of \$68.3 million excludes changes resulting  
11 from the *Review of General Expenses Capitalized* (“GEC”).<sup>1</sup> Adjusting for these  
12 changes, gross operating costs for the 2023 test year were approximately  
13 \$69.0 million. Based on the requested scenario of a 3.0% increase over the 2023 test  
14 year, *pro forma* 2024 gross operating costs are \$71.0 million.<sup>2</sup>  
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16 In the *Rate of Return on Rate Base Application*, Appendix D, page 1 of 3, operating  
17 expenses include gross operating costs and the amortization of Conservation and  
18 Demand Management (“CDM”) costs and transfers to GEC. Including these items, *pro*  
19 *forma* 2024 operating expenses total \$73.0 million.<sup>3</sup>  
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21 Attachment 1 provides the requested calculations for return on equity and return on rate  
22 base for 2024 assuming *pro forma* 2024 operating expenses of \$73.0 million.  
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24 The Company submits that there is no reasonable basis for Newfoundland Power to  
25 forecast its 2024 operating costs based on a 3.0% increase over the 2023 test year. That  
26 assumption disregards increases in inflation since the Company’s last general rate  
27 application. For example, the Company’s *2022/2023 General Rate Application*, which  
28 was filed in June 2021, forecasted increases in the GDP Deflator for Canada of 2.32% in  
29 2021, 1.75% in 2022 and 1.67% in 2023. Actual increases in the GDP Deflator for  
30 Canada were 8.18% in 2021 and 7.21% in 2022, with 2023 forecast to be 0.91%.<sup>4</sup>

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<sup>1</sup> See footnote 1 of Newfoundland Power’s *2022/2023 General Rate Application, Volume 1, Exhibit 2*.

<sup>2</sup> \$68,956,000\*1.03 = \$71,025,000.

<sup>3</sup> Assumes no changes to 2024 forecast amortization of CDM costs and transfers to GEC.

<sup>4</sup> To illustrate, if 2023 test year costs were adjusted to reflect actual increases in the GDP Deflator for Canada, 2023 test year gross operating costs would be \$76.2 million.