

- 1 **Q. Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power**  
2 **Inc., November 23, 2023.**  
3  
4 **a) Would Newfoundland Power consider utilizing the 2023F Excess Earnings in**  
5 **Table 3-1 of its “2025/2026 General Rate Application” to reduce revenue**  
6 **requirements in 2024? Why or why not?**  
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8 **b) What are the drivers of the excess earnings in 2023 and what is the impact of**  
9 **these drivers in future years, specifically 2024?**  
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11 **A. a) See the response to the Request for Information PUB-NP-007.**  
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13 **b) The driver of the forecast excess earnings in 2023 is a higher forecast return on debt**  
14 **compared to the Company’s 2023 test year return on debt.<sup>1</sup> The increased 2023**  
15 **return on debt since existing customer rates were established in March 2022 reflects**  
16 **increases to the Bank of Canada’s benchmark interest rate over that timeframe. From**  
17 **March 2022 to July 2023, the Bank of Canada increased its interest rate 10 times for**  
18 **a total increase of 4.75%.<sup>2</sup>**  
19  
20 **Approval of the Company’s 2024 Rate of Return on Rate Base Application will**  
21 **revise Newfoundland Power’s 2024 rate of return on rate base to account for the**  
22 **higher debt costs experienced since the Company’s last general rate application.<sup>3</sup>**

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<sup>1</sup> In Order No. P.U. 3 (2022), the Board approved a rate of return on rate base for 2022 of 6.61% in a range of 6.43% to 6.79%, and the rate of return on rate base for 2023 of 6.39% in a range of 6.21% to 6.57%. For 2023, the Company forecasts to be outside of the range by 28 basis points. The Company’s 2023 forecast weighted average cost of debt is 2.88%, which is 31 basis points higher than the 2023 test year weighted average cost of debt of 2.57%.

<sup>2</sup> Prior to these increases, the Bank of Canada interest rate was constant since April 2020.

<sup>3</sup> For further information, see the *2024 Rate of Return on Rate Base* report, section 4.0 *2024 Regulated Rate of Return on Rate Base*.