

1 **Q. Reference: Newfoundland Power’s response to NLH-NP-003 of this proceeding**
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3 **As confirmed by Newfoundland Power, the 2024 Forecast Rate of Return on Rate Base**
4 **is 6.21%, which is within the approved return on rate base range of 6.21% to 6.57%.**
5 **In the absence of direction from the Board of Commissioners of Public Utilities, would**
6 **Newfoundland Power have filed an application to increase its return on rate base for**
7 **2024? Please explain why or why not.**
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9 A. The Company notes that the approved return on rate base range of 6.21% to 6.57%
10 referenced in this Request for Information is the range of rate of return on average rate
11 base approved by the Board for 2023.¹
12

13 Newfoundland Power’s 2024 regulated rate of return on rate base is 6.85%.² The
14 Company’s existing financial forecast provides for a rate of return on rate base of 6.21%,
15 which is 64 basis points below the 6.85% regulated rate of return on rate base. That result
16 would be 46 basis points, or approximately two and a half times, beyond the bottom of the
17 ± 18 basis point range established by the Board.³ Accordingly, cost recovery is required for
18 Newfoundland Power to have an opportunity to earn a just and reasonable return in
19 accordance with section 80 of the *Public Utilities Act*.
20

21 Since 1998, the Board has determined a just and reasonable return on rate base for
22 Newfoundland Power on an annual basis. In the scenario that the Board did not direct the
23 Company to file an application to continue that longstanding practice, Newfoundland
24 Power would have filed an application to ensure it had reasonable opportunity to earn a
25 just and reasonable return on its rate base in 2024. This would be based on the Company’s
26 financial position for 2024, which includes a forecast return on equity of 7.08%, which is
27 142 basis points lower than its regulated rate of return on equity of 8.50%.

¹ See Order No. P.U. 3 (2022), page 20, lines 10-12.

² See the *Application, 2024 Rate of Return on Rate Base, 4.0 2024 Regulated Rate of Return on Rate Base*.

³ 46 basis points \div 18 basis points = 2.6.