

- 1 **Q. (a) Please confirm if the information in Table 1 below is accurate with respect to**
 2 **Board Orders approving new rate base and return on rate base between test**
 3 **years. If not, please file a corrected table.**

Table 1: Previous Approvals of Rate Base and Return on Rate Base			
	2015	2018	2021
Order No.	P.U. 51(2014)	P.U. 41(2017)	P.U. 36(2020)
Approved Range of Return on Rate Base	7.32% to 7.68%	6.86% to 7.22%	6.47% to 6.83%
Midpoint of Approved Range	7.50%	7.04%	6.65%
Forecast Return on Rate Base provided in Application	7.44%	6.99%	6.53%
Actual Return on Rate Base	7.48%	7.13%	6.74%
Forecast Regulated Earnings Income provided in Application (000)	\$39,234	\$41,520	\$44,426
Actual Regulated Earnings (000)	\$40,557	\$43,375	\$46,278
Variance (000)	\$1,323	\$1,855	\$1,852

- 4 **(b) For the years 2013 to 2023 forecast, excluding the years in the table in (a)**
 5 **above, please complete the following table:**

	2013	2014...	2023
Order No. setting approved range			
Approved Range of Return on Rate Base			
Midpoint of Approved Range			
Actual Return on Rate Base			
Approved Regulated Earnings when setting rates (000)			
Actual Regulated Earnings (000)			
Regulated Earnings Variance (000)			

- 6 **(c) With respect to the data provided in PUB-NP-005 (a) and (b), for each year**
 7 **please provide the primary reasons for Newfoundland Power’s actual**
 8 **regulated earnings varying from its forecast regulated earnings.**
 9
 10 A. (a) Newfoundland Power’s actual regulated earnings reported to the Board in *Annual*
 11 *Return 13: Return on Average Rate Base & Determination of Excess Earnings*
 12 include both its return on common and preferred equity.

1 Table 1 provides the requested table with adjustments to include the return on
2 preferred equity for 2015 and 2018 shaded in grey.¹

Table 1:
Previous Approvals of Rate Base and Return on Rate Base²

Order No.	2015	2018	2021
	P.U. 51 (2014)	P.U. 41 (2017)	P.U. 36 (2020)
Approved Range of Return on Rate Base (%)	7.32 to 7.68	6.86 to 7.22	6.47 to 6.83
Midpoint of Approved Range (%)	7.50	7.04	6.65
Forecast Return on Rate Base provided in Application (%)	7.44	6.99	6.53
Actual Return on Rate Base (%)	7.48	7.13	6.74
Forecast Regulated Earnings provided in Application (\$000s)	<u>39,786</u>	<u>42,072</u>	44,426
Actual Regulated Earnings (\$000s)	<u>41,113</u>	<u>43,929</u>	<u>46,278</u>
Variance	<u>1,327</u>	<u>1,857</u>	<u>1,852</u>

3 (b) See Attachment A for the requested information.
4

5 (c) The explanations below provide the primary reasons for variances in the
6 Company's actual regulated earnings as compared to the respective forecasts for
7 2013 through 2022 and forecast for 2023, as detailed in parts a) and b) to this
8 request for information.
9

10 In 2013, the variance was primarily due to higher other revenue, including a gain
11 on the sale of land.
12

13 In 2014, the variance reflected electricity sales growth, partially offset by higher
14 operating expenses.
15

16 In 2015, the variance was primarily due to lower operating expenses, partially
17 offset by lower electricity sales growth.
18

19 In 2016, the variance reflected lower operating expenses, lower demand charges
20 from Newfoundland and Labrador Hydro ("Hydro"), higher other revenue and
21 lower finance charges. The increases were partially offset by the impact of lower
22 electricity sales.

¹ On February 3, 2020, Newfoundland Power redeemed all of its issued and outstanding First Preference Shares.

² Regulated earnings include both a return on debt and a return on equity component. For the purposes of this response, the Company's regulated earnings applicable to the return on equity component has been provided.

1 In 2017, the variance was primarily due to lower finance charges, lower operating
2 expenses and higher other revenue, partially offset by the impact of lower
3 electricity sales.
4 In 2018, the variance reflected higher other revenue, including the settlement of
5 an insurance claim, partially offset by the impact of lower electricity sales.
6
7 In 2019, the variance was primarily due to higher other revenue and lower finance
8 charges, partially offset by higher demand charges from Hydro and the impact of
9 lower electricity sales.
10
11 In 2020, the variance reflected higher other revenue and lower finance charges
12 and operating expenses, partially offset by the impact of lower electricity sales.
13
14 In 2021, the variance was primarily due to lower operating expenses and lower
15 electricity system losses, partially offset by the impact of lower electricity sales.
16
17 In 2022, the variance reflected higher electricity sales, lower electricity system
18 losses and lower demand charges from Hydro, partially offset by higher operating
19 expenses.
20
21 For 2023, the forecast variance primarily reflects the impact of higher electricity
22 sales and higher other revenue, partially offset by higher finance charges, higher
23 demand charges from Hydro, and higher operating expenses.
24
25 In Newfoundland Power’s view, these results show that the Company had an
26 opportunity to earn a just and reasonable return based on the customer rates in
27 effect during each of the years 2013 through 2023.