Section 3: Finance/Fair Return

Q. Volume 1, Section 3, page 3-14. Re-state Table 3-11 to include the credit metrics if the Application proposals for 2025 and 2026 were based on a return on equity of 8.25%, 8.5%, 8.75%, 9%, 9.25% and 9.5% in addition to the 9.85% proposed.

A. Tables 1 and 2 show *pro forma* credit metrics for 2025 and 2026, respectively, under existing customer rates, as well as for each scenario requested.[1]

Table 1:
Credit Metrics
Existing Rates and Proposed Scenarios
2025 *Pro Forma*

	Existing	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.85%
Pre-tax Interest Coverage (times)	2.2	2.5	2.5	2.6	2.6	2.7	2.8	2.8
Cash Flow Interest Coverage (times)	2.9	3.2	3.2	3.3	3.3	3.4	3.4	3.4
Cash Flow Debt Coverage (%)	9.6	12.0	12.2	12.4	12.6	12.8	13.0	13.2

Table 2:
Credit Metrics
Existing Rates and Proposed Scenarios
2026 *Pro Forma*

	Existing	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.85%
Pre-tax Interest Coverage (times)	2.0	2.5	2.5	2.6	2.6	2.7	2.7	2.8
Cash Flow Interest Coverage (times)	2.8	3.5	3.5	3.6	3.6	3.7	3.7	3.7
Cash Flow Debt Coverage (%)	9.0	12.8	13.0	13.2	13.4	13.6	13.8	14.1

Cash flow metrics shown in Tables 1 and 2 are negatively impacted by the combination of the current wholesale rate charged by Hydro and an increase in energy sales. Additional energy requirements are purchased from Hydro at a second block rate of 18.165 ¢/kWh. This is substantially higher than additional sales revenue, which reflects an average supply cost rate of 6.940 ¢/kWh. This dynamic results in a negative impact on operating cash flow pre-working capital. Ultimately, any additional costs are collected from customers via the Company's Energy Supply Cost Variance Clause ("ESCV"). This dynamic is temporary as the second block rate is expected to be substantially lower following implementation of a new wholesale rate.

Tables 3 and 4 show *pro forma* credit metrics for 2025 and 2026, respectively, under existing customer rates, adjusted to exclude the effect of energy supply cost variances for each scenario requested.

[1] Existing scenario reflects a forecast return on equity ("ROE") of 7.16% for 2025 and 6.38% for 2026. Each *pro forma* scenario, with ROEs ranging from 8.25% to 9.50% for both 2025 and 2026, assumes all *2025/2026 General Rate Application* proposals are approved, other than the change in the respective ROE.

Table 3:
Credit Metrics
Existing Rates and Proposed Scenarios Excluding ESCV Effects
2025 *Pro Forma*

	Existing	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.85%
Pre-tax Interest Coverage (times)	2.2	2.5	2.5	2.6	2.6	2.7	2.8	2.8
Cash Flow Interest Coverage (times)	3.9	4.2	4.2	4.2	4.3	4.3	4.4	4.4
Cash Flow Debt Coverage (%)	14.6	17.2	17.4	17.6	17.8	18.1	18.3	18.4

Table 4:
Credit Metrics
Existing Rates and Proposed Scenarios Excluding ESCV Effects
2026 *Pro Forma*

	Existing	8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.85%
Pre-tax Interest Coverage (times)	2.0	2.5	2.5	2.6	2.6	2.7	2.7	2.8
Cash Flow Interest Coverage (times)	3.7	4.3	4.4	4.4	4.5	4.5	4.5	4.6
Cash Flow Debt Coverage (%)	13.6	17.1	17.3	17.5	17.7	17.9	18.1	18.4