Q. Further to the responses to PUB-NP-002 and PUB-NP-003, please add to Table 1 the estimated supply cost increases that would result from approval of the proposed increase in return on equity from 8.50% to 9.85%.

A. In the response to Request for Information PUB-NLH-003, Newfoundland and Labrador Hydro ("Hydro") provided that a change in Newfoundland Power's return on equity ("ROE") of ± 0.5% would change Hydro's revenue requirement by ± $13.6 million per year.[1]

There are a number of limitations when estimating the impact approval of Newfoundland Power's proposed increase in return on equity ("ROE") would have on Hydro's supply costs that would be recovered from Newfoundland Power's customers. These are:

- Hydro did not provide what portion of its estimated total would be allocated to Newfoundland Power.

- It is the Company's understanding that any impact on the Transmission Funding Agreement would be reflected in Hydro's Supply Cost Variance Deferral Account and not automatically recovered from customers.

- Hydro currently expects to file its next general rate application in 2025, contingent on the finalization of the details of the Provincial Government's rate mitigation plan. It is not clear when any impacts associated with higher power supply costs due to an increased ROE may be incorporated into customer rates.

Further, for clarification, any potential impact on power supply costs resulting from an increase in Newfoundland Power's ROE is not part of the Company's customer rate proposals included in its *2025/2026 General Rate Application.*

For the purposes of this response, the Company has extrapolated Hydro's estimate to account for the proposed increase in Newfoundland Power's ROE of 1.35% and estimated what portion could be allocated to the Company in a Hydro cost of service study. Using this approach, the *pro forma* supply cost increase associated with an increase in the Company's ROE from 8.50% to 9.85% is an estimated $34 million, subject to the limitations described above.[2]

1 See the response to Request for Information PUB-NLH-003, page 2, lines 9-10.

2 $13.6 million x ((9.85% - 8.50%) / 0.5%) = $36.7 million x 92% = $33.8 million, or an estimated $34 million. The 92% allocation estimate is based on the return on equity allocation provided in Hydro's *2019 Test Year Cost of Service Study.*

Table 1 includes the *pro forma* impact of the ROE scenario in Table 1 provided in the response to Request for Information PUB-NP-002, as requested.

Table 1:
Customer Rate Increase Breakdown

	Amount ($millions)	Change (%)
Costs since last general rate application ("GRA")[3]		
Continued Investment[4]	18.3	2.2
Operating Costs[5]	13.4	1.6
GRA Proposals[6]	9.8	1.2
Sales growth	(8.9)	(1.1)
	32.6	**3.9**
Higher return on equity[7]	13.0	1.6
Proposed customer rate increase	**45.6**	**5.5**
Rebasing of power supply energy costs scenario[8]	36.3	4.3
Proposed customer rate increase with rebasing scenario	**81.9**	**9.8**
Pro forma power supply cost increase for ROE scenario	34.0	4.1[9]
***Pro forma* customer rate increase with rebasing and ROE scenario**	**115.9**	**13.9**

3 Cost changes since the last GRA reflect the change in the proposed 2026 test year revenue requirement from the 2023 test year revenue requirement approved by the Board in Order No. P.U. 3 (2022).

4 Continued Investment includes the change in return on rate base and depreciation. It excludes other effects of continued investment, such as lower power supply and operating costs and sales impacts resulting from capital projects.

5 Operating Costs includes other revenue requirement items (e.g. rebasing of Employee Future Benefits costs, Municipal Tax adjustments, etc.) which combine for a customer rate impact of less than 0.1%.

6 GRA Proposals includes amortizations associated with the 2024 and 2025 revenue shortfall and GRA hearing costs.

7 Impact of proposed increase in the rate of return on equity from 8.50% to 9.85%.

8 See *PUB Information Request (i)*, *Schedule A, Attachment 1*. The total change in customer billings in the rebasing scenario (B) of $81,845 less the total change in customer billings in the proposed scenario (A) of $45,556 equals $36,289. The customer rate impact in the rebasing scenario (B) of 9.8% less the customer rate impact in the proposed scenario (A) of 5.5% equals 4.3%.

9 $34 million / 2026 existing customer rates of $835.8 million = 4.1%.

Table 2 includes the *pro forma* impact of the ROE scenario in Table 1 provided in the response to Request for Information PUB-NP-003, as requested.

Table 2:
Requested Scenario
($millions, unless otherwise noted)

	Application	Adjustment	Requested Scenario
Proposed increase to customer billings	45.6[10]	14.0[11]	59.6[11]
Existing customer rates	835.8[10]	(12.1)[12]	823.7
Customer rate increase[13]	**5.5%**		**7.2%**
Rebasing of power supply energy costs scenario[14]	4.3%		4.3%
Customer rate increase with rebasing scenario	**9.8%**		**11.5%**
Pro forma power supply cost increase for ROE scenario	-		4.1%
***Pro forma* customer rate increase with rebasing and ROE scenarios**	**9.8%**		**15.6%**

[10] See the *2025/2026 General Rate Application*, *Volume 1, Exhibit 10*.

[11] $881.3 million in 2026 proposed customer billings less $823.7 million in 2026 existing customer billings in the requested scenario = a $57.6 million increase. 2026 proposed customer billings would also be higher by the additional amortization of the 2024 revenue shortfall of $2.0 million [$11.8 million less $6.7 million = $5.1 million / 30 months x 12 months = $2.0 million]. Proposed customer billings in the requested scenario are therefore $59.6 million [$57.6 million + $2.0 million]. The adjustment is $14.0 million [$57.6 million increase in the requested scenario less $45.6 million increase in the Application].

[12] Estimate of reduced customer billings resulting from no 1.5% customer rate increase on July 1, 2024. See the *2024 Rate of Return on Rate Base Application, Appendix E.*

[13] Calculated as: proposed increase to customer billings / existing customer rates.

[14] See the response to Request for Information PUB-NP-002.