

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

REASONS FOR DECISION

ORDER NO. P.U. 20(2024)

1 **IN THE MATTER** OF the **Electrical Power**
2 **Control Act, 1994**, SNL 1994, Chapter E-5.1
3 (the “**EPCA**”) and the **Public Utilities Act**,
4 RSNL 1990, Chapter P-47 (the “**Act**”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland Power Inc., pursuant to
9 Order No. P.U. 3(2022), for approval of its
10 2024 forecast average rate base, 2024 rate of
11 return on rate base, a cost deferral and revised
12 rates effective July 1, 2024.
13
14

15 **1. Decision Summary**
16

17 In Order No. P.U. 20(2024) the Board did not approve Newfoundland Power’s proposals and
18 ordered that Newfoundland Power may file a revised application for approval of a revised 2024
19 forecast average rate base and a rate of return on rate base of 6.67%, in a range of 6.49% to
20 6.85%. The Board found that the forecast revenue shortfall associated with the revised 2024
21 forecast average rate base and rate of return on rate base of 6.67% should be offset using the
22 2023 year-end balance in Newfoundland Power’s Excess Earnings Account and the remaining
23 amount should be transferred to Newfoundland Power’s Rate Stabilization Account for future
24 recovery.
25

26 **2. The Application**
27

28 Newfoundland Power was directed to file an application on or before November 15, 2023 for
29 approval of a 2024 forecast average rate base and rate of return on rate base, maintaining the
30 common equity ratio and return on common equity accepted for rate setting.¹
31

32 On November 9, 2023 Newfoundland Power applied for approval of its 2024 forecast average
33 rate base and rate of return on rate base as part of its 2025-2026 General Rate Application. On

¹ Order No. P.U. 3(2022).

1 November, 17, 2023 the Board directed Newfoundland Power to file a separate application for
2 approval of its 2024 forecast average rate base and rate of return on rate base and also to file
3 additional information with respect to the application.
4

5 On November 23, 2023 Newfoundland Power filed an application (the “Application”) requesting
6 approval of:

- 7 (i) a forecast average rate base for 2024 of \$1,360,058,000;
- 8 (ii) a rate of return on rate base for 2024 of 6.85% in a range of 6.67% to 7.03%;
- 9 (iii) forecast revenue requirements from customer rates for 2024 of \$711,080,000;
- 10 (iv) rates, tolls and charges to be effective for service provided on and after July 1,
11 2024, as set out in Schedule A to the Application; and
- 12 (v) deferred cost recovery of \$6,722,000 for 2024.
13

14 The proposed July 1, 2024 rates reflect an average overall rate increase of approximately 1.5%,
15 depending on the rate class. In addition, the Application proposed the deferral of an estimated
16 revenue shortfall, in the amount of \$6,722,000, with the disposition of the shortfall to be the
17 subject of a future order of the Board.
18

19 On November 28, 2023 Newfoundland Power filed the additional information required by the
20 Board.
21

22 **2.1 Application Process**

23

24 The Application was circulated to Newfoundland and Labrador Hydro (“Hydro”) and the
25 Consumer Advocate, Dennis Browne, KC (the “Consumer Advocate”). The Board, Hydro and the
26 Consumer Advocate issued two rounds of Requests for Information (“RFIs”) which were
27 answered by Newfoundland Power on December 21, 2023 and January 26, 2024.²
28

29 On April 5, 2024, the Board’s financial consultant, Grant Thornton LLP, filed a report with the
30 Board providing the details of its review of the Application. The Consumer Advocate issued two
31 additional RFIs which were answered by Grant Thornton on April 26, 2024.
32

33 Hydro and the Consumer Advocate submitted comments to the Board on May 7, 2024.
34 Newfoundland Power filed its reply on May 14, 2024.
35

36 On August 1, 2024 the Board issued Order No. P.U. 20(2024) with reasons to follow. These are
37 the Board’s Reasons for Decision.

² A total of 63 RFIs were issued. RFI responses impacted by the audit of the Newfoundland Power’s 2023 annual financial statements were filed on February 9, 2024.

1 **2.2 Submissions**

2

3 The Consumer Advocate opposed the proposed increase in customer rates and submitted that it
4 is not appropriate to change customer rates between test years. According to the Consumer
5 Advocate the proposed increase in customer rates is not justified and Newfoundland Power has
6 a reasonable opportunity to earn a higher return on equity in 2024 without a rate increase. The
7 Consumer Advocate recommended that the Board deny the proposed increase in rates and cost
8 deferral.

9

10 Hydro opposed the Application and submitted that maintaining the rate of return on rate base
11 at its currently approved level would be reasonable.

12

13 Newfoundland Power submitted that the Application complies with the direction of the Board
14 and is consistent with the Board's previous rate of return on rate base orders. According to
15 Newfoundland Power the proposed revisions to the revenue requirement and customer rates
16 are consistent with legislative requirements, Board orders and past regulatory practice.
17 Newfoundland Power submitted that the Consumer Advocate and Hydro fail to recognize the
18 legislative requirement that customer rates should yield revenue that is sufficient for
19 Newfoundland Power to have an opportunity to earn a just and reasonable return.

20

21 **3. Board Decision**

22

23 The Application requested approval of Newfoundland Power's 2024 forecast average rate base
24 and rate of return on rate base. To provide recovery of the increase in the forecast 2024 revenue
25 requirement associated with these proposals, the Application requested approval of a rate
26 increase of 1.5% and the deferral of \$6,722,000 to be recovered from customers in the future.³

27

28 Newfoundland Power submitted that the Application should be approved as it is consistent with
29 the legislation, complies with the Board's direction in its last general rate application order and
30 follows the same approach that was used in its rate of return applications for 2015, 2018 and
31 2021. The Board's direction to Newfoundland Power to file this Application stated:

32

33 Newfoundland Power shall file an application on or before November 15, 2023 for
34 approval of the 2024 forecast average rate base and rate of return on rate base,
35 maintaining the common equity ratio and return on common equity accepted for
36 rate setting in this Order.⁴

37

38 This direction is similar to the direction given to Newfoundland Power in each of its general rate
39 application orders since the suspension of the automatic adjustment formula ("Formula").⁵ The
40 Formula had been used for many years in determining Newfoundland Power's rate of return on

³ Application, Evidence, pages 7 and 8.

⁴ Order No. P.U. 3(2022), page 20.

⁵ Order No. P.U. 13(2013), page 36; Order No. P.U. 18(2016), page 49; and Order No. P.U. 2(2019), page 16.

1 rate base outside of a general rate application. Unlike the Formula, which expressly set out how
2 the return on equity and rate of return on rate base was to be calculated, the direction which
3 replaced the Formula is general and does not set out a methodology to be used in determining
4 the rate of return on rate base.

5
6 While Newfoundland Power took the same approach in this Application as was taken in the rate
7 of return applications for 2015, 2018 and 2021, the Board notes that the circumstances in this
8 Application are very different. In the three previous applications, Newfoundland Power did not
9 propose any rate increase or cost deferrals to be recovered from customers. In addition, each of
10 the previous applications proposed a decrease in the rate of return on rate base, whereas this
11 Application proposed a significant increase. In considering the proposed rate of return on rate
12 base and the proposed rate increase and cost deferral, the Board must balance the competing
13 interests of consumers and Newfoundland Power. The Board is required to ensure that
14 Newfoundland Power has sufficient revenue to provide the opportunity to earn a just and
15 reasonable return "so that it is able to achieve and maintain a sound credit rating in the financial
16 markets of the world."⁶ At the same time, the Board is required to ensure that power is delivered
17 to consumers at the lowest possible cost, in an environmentally responsible manner, consistent
18 with reliable service. The Board must consider these opposing interests and exercise its discretion
19 in determining the forecast average rate base and rate of return on rate base for Newfoundland
20 Power for 2024.

21 22 **3.1 Should the proposed rate of return on rate base be approved for Newfoundland Power** 23 **for 2024?**

24
25 The Application proposed a 2024 rate of return on rate base of 6.85%, in a range of 6.67% to
26 7.03%. This is a significant increase from the rate of return of 6.39% established in Newfoundland
27 Power's last general rate application for the 2023 test year.⁷

28
29 Both the Consumer Advocate and Hydro opposed the approval of the proposed rate of return on
30 rate base and noted that even without approval of the proposed rate changes, Newfoundland
31 Power's forecast 2024 rate of return on rate base of 6.21% is in the range approved for the 2023
32 test year. Hydro submitted that the approved range for 2023 is considered to be fair and
33 reasonable and Newfoundland Power should continue to earn in this range. The Board notes that
34 Newfoundland Power was directed to file an application for 2024 and this direction does not
35 reference the range established for 2023 and does not set out a trigger or threshold which must
36 be met before there is a change in the rate of return on rate base for 2024. The Board does not
37 believe that the range of return on rate base established for the 2023 test year should be used
38 in assessing Newfoundland Power's rate of return on rate base for 2024. This Application must
39 be considered in the context of Newfoundland Power's circumstances for 2024.

⁶ EPCA, subsection 3(a)(iii).

⁷ The range of rate of return on rate base for the 2023 test year was 6.21% to 6.57%.

1 As required by the legislation the Board must determine a rate of return on rate base which will
2 provide Newfoundland Power with the opportunity to earn a fair return for 2024. A fair return is
3 one that is: i) commensurate with returns on investments of similar risk; ii) sufficient to assure
4 financial integrity; and iii) sufficient to attract necessary capital. The Board has a broad discretion
5 in determining a fair return. There is a range of returns which may be considered reasonable and
6 Newfoundland Power is entitled to manage its business so that it earns a return within the range
7 established by the Board.⁸

8
9 For many years the Formula was used to change Newfoundland Power's rate of return on rate
10 base between test years to reflect capital market driven changes in the return on equity. When
11 the Formula was suspended and the Board established the requirement for Newfoundland Power
12 to file an application for approval of a revised rate of return on rate base for years between
13 general rate applications, it was intended to be a simplified process to address significant changes
14 with respect to Newfoundland Power's cost of capital between test years. As there is no Formula
15 to determine Newfoundland Power's 2024 rate of return on rate base, the Board will make its
16 assessment bearing in mind that this is a summary application which is intended to address only
17 significant changes which impact Newfoundland Power's opportunity to earn a fair return in
18 2024.

19
20 The Board notes that the weighted average cost of capital (WACC) is a simple and transparent
21 calculation which is traditionally used in determining rates of return. As directed by the Board,
22 the 2024 rate of return on rate base is to be calculated using a return on common equity of 8.5%
23 and a common equity ratio no higher than 45%, as accepted for rate setting.⁹ Using WACC to set
24 Newfoundland Power's 2024 rate of return on rate base would be consistent with this direction.
25 The rate of return on rate base determined using WACC would then be used with the 2024
26 forecast average rate base which Newfoundland Power was directed to file to determine
27 Newfoundland Power's forecast return.

28
29 The Board also notes that the use of the WACC would be consistent with past practice in this
30 jurisdiction. For many years WACC was used in the Formula to adjust Newfoundland Power's rate
31 of return on rate base between test years. The Formula was revised a number of times over the
32 years and in 2008 the Formula was amended so that the rate of return on rate base would equal
33 WACC.¹⁰ As a result Newfoundland Power's rate of return on rate base for 2009 and 2011 were
34 equal to WACC.¹¹ For 2011, the forecast return to be recovered from customers was calculated
35 using WACC and the test year rate base. When the Formula was suspended for 2012,
36 Newfoundland Power's rate of return on rate base was set to equal WACC and the forecast return
37 to be recovered from customers was again calculated using WACC and the test year rate base.¹²

⁸ Newfoundland (Board of Commissioners of Public Utilities) (Re) [1998] N.J. No. 168, page 11, para. 30 and 31.

⁹ Order No. P.U. 3(2022).

¹⁰ Order No. P.U. 32(2008). The asset rate base method was adopted at the time and, as a result, differences between invested capital and rate base were no longer reflected.

¹¹ Order No. P.U. 35(2008) and Order No. P.U. 32(2010).

¹² Newfoundland Power's Cost of Capital Application for 2012, Evidence, Exhibits 2 and 3.

1 WACC is also used by the Board to set Hydro's rate of return on rate base in general rate
2 applications.

3
4 Based on the evidence provided in this Application, the rate of return on rate base calculated
5 using Newfoundland Power's forecast 2024 WACC would be 6.67%, as shown in the table
6 below:¹³

| Newfoundland Power's Forecast 2024 WACC | | | |
|--|--|----------------------------|---|
| | Average Capital Structure | Cost of Capital | Weighted Average Cost of Capital |
| Debt | 56.76% | 5.27% | 2.99% |
| Common Equity | 43.24% | 8.50% | 3.68% |
| Weighted Average Cost of Capital | | | 6.67% |

7 A rate of return on rate base of 6.67% would result in a range of rate of return of 6.49% to
8 6.85%.¹⁴ The Board notes that Newfoundland Power's proposed rate of return on rate base of
9 6.85% is within this range. In addition, a rate of return of 6.67% is within the range proposed in
10 the Application.¹⁵ On this basis a rate of return of 6.67% can be considered to be in the range of
11 reasonable returns.

12
13 In considering whether a return on rate base of 6.67% would provide the opportunity for
14 Newfoundland Power to earn a fair return, the Board notes that a rate of return on rate base of
15 6.67% would reflect the increase in Newfoundland Power's forecast cost of debt in 2024. This
16 increase in the cost of debt is material and is the primary driver for the increase in WACC relative
17 to the 2023 test year.¹⁶ The Board notes that these increased costs are largely associated with
18 capital spending and debt instruments previously approved by the Board.

19
20 While the rate of return on rate base of 6.67% reflects Newfoundland Power's forecast 2024 debt
21 costs, it generally does not reflect other forecast changes in Newfoundland Power's 2024
22 revenues and expenses relative to the 2023 test year. A rate of return on rate base of 6.67% for
23 2024 is 18 basis points lower than the proposed rate of return on rate base of 6.85%, primarily
24 as a result of forecast differences in invested capital and rate base.¹⁷ The Board notes that
25 differences in invested capital and rate base were not reflected in the Formula after the adoption
26 of the asset rate base method in 2008. While forecast differences in invested capital and rate
27 base were reflected in the rate of return on rate base applications after the suspension of the

¹³ Application, Evidence, Appendix B.

¹⁴ The accepted range for Newfoundland Power's rate of return on rate base is +/- 18 bpts.

¹⁵ The range of rate of return on rate base proposed in the Application is 6.67% to 7.03%.

¹⁶ Forecast debt costs were estimated to increase Newfoundland Power's WACC by 28 basis point from 6.39% to 6.67%. Application, Evidence, Appendix B.

¹⁷ PUB-NP-015.

1 Formula, as discussed earlier, the Board will make its assessment as to a fair return for
2 Newfoundland Power considering the circumstances in 2024.

3
4 Newfoundland Power estimates that a rate of return on rate base of 6.67% would result in a 2024
5 forecast return on equity of 8.10%. This estimate reflects Newfoundland Power’s forecast 2024
6 revenues and expenses.¹⁸ The Board notes that Newfoundland Power’s 2024 forecast operating
7 costs are approximately \$8 million higher than in the 2023 test year and approximately \$5 million
8 higher than the 2023 actuals.¹⁹ These are material increases which are not tested as a part of this
9 process. If Newfoundland Power’s actual 2024 operating expenses are lower than forecast, all
10 else being equal, it would earn a higher rate of return on equity. While Newfoundland Power is
11 “entitled” to have the Board determine a just and reasonable return, it is not “entitled” in the
12 sense of being guaranteed to earn the established rate of return.²⁰ Newfoundland Power has
13 flexibility to manage its business to earn within the established range. The Board notes that
14 Newfoundland Power has a well-established history of successfully managing its business so that
15 it earns close to or above both the return on equity established for rate making and the midpoint
16 of the approved range. The Board believes that a rate of return of 6.67%, in a range of 6.49% to
17 6.85% would provide Newfoundland Power with the opportunity to earn a fair return.

18
19 The Board will not approve the proposed rate of return on rate base of 6.85% for 2024.
20 Newfoundland Power has not demonstrated that approval of the proposed rate of return on rate
21 base is required to provide Newfoundland Power the opportunity to earn a return which is
22 commensurate with investments of similar risk, to assure its financial integrity or to attract
23 necessary capital. The Board is satisfied that a rate of return on rate base of 6.67%, in a range of
24 6.49% to 6.85% complies with the direction in Order No. P.U. 3(2022), is consistent with
25 regulatory practice, is in the range of reasonable rates of return and will provide Newfoundland
26 Power with the opportunity to earn a just and reasonable return for 2024.

27

28 **3.2 Should the proposed 2024 Forecast Average Rate Base be approved?**

29

30 Newfoundland Power has requested approval of a 2024 forecast average rate base of
31 \$1,360,058,000. This reflects the calculation of the 2022 average rate base and the forecast
32 average rate base for each of 2023 and 2024. Grant Thornton did not note any discrepancies in
33 the calculation of the 2024 forecast average rate base.

34

35 While Hydro opposed the approval of a 2024 forecast average rate base, the Board’s direction
36 required Newfoundland Power to apply for approval of a 2024 forecast average rate base. The
37 Board notes that its determinations in this matter have the potential to impact the calculation of
38 the 2024 forecast average rate base. For example, the changes in the amount of the forecast
39 revenue shortfall and the approach used to recover the shortfall are likely to change the
40 calculation. In addition, since the Application was filed there have been changes with respect to

¹⁸ Additional Information, Schedule B, page 1.

¹⁹ PUB-NP-019, Revision, Attachment B.

²⁰ Newfoundland (Board of Commissioners of Public Utilities) (Re) [1998] N.J. No. 168, page 11, para. 31.

1 Newfoundland Power's 2024 Capital Budget and its 2023 actual rate base which would impact
2 the calculation of the 2024 forecast average rate base. As a result, the Board will not approve the
3 proposed 2024 forecast average rate base. Newfoundland Power may file for approval of a
4 revised 2024 forecast average rate base to reflect the 2023 actual rate base, its approved 2024
5 Capital Budget and the Board's determinations in this Application. The Board notes that it is not
6 expected that the revisions to the 2024 forecast average rate base will have a material impact on
7 Newfoundland Power's return.

8 9 **3.3 Should Newfoundland Power have the opportunity to recover the forecast revenue** 10 **shortfall?**

11
12 To provide for the recovery of the forecast revenue shortfall associated with the proposed 2024
13 forecast average rate base and rate of return on rate base, the Application proposed a rate
14 increase of 1.5% and the deferral of \$6,722,000 for future recovery from customers.

15
16 The Consumer Advocate opposed the approval of any rate changes on the basis that it is not
17 appropriate to change rates outside of a general rate application as it would be contrary to
18 regulatory practice in jurisdictions with cost of service regulation and there can be no full
19 assessment of revenue and cost forecasts. Newfoundland Power replied that cost recovery is
20 required for it to have an opportunity to earn a just and reasonable return in 2024 and to
21 maintain a sound credit rating. Newfoundland Power noted the comments of Moody's Investor
22 Services to the effect that Newfoundland Power's stable outlook is based on its continued ability
23 to recover costs and earn allowed returns.

24
25 The Board notes that it has been regulatory practice in this jurisdiction for many years to allow
26 adjustments to Newfoundland Power's rate of return on rate base outside of a general rate
27 application and to implement rate changes where necessary. The Formula was used for many
28 years to adjust Newfoundland Power's rate of return on rate base outside of a general rate
29 application and rates were changed where necessary to reflect the new rate of return on rate
30 base.²¹ In 2013 after the suspension of the Formula, Newfoundland Power was directed to file an
31 application for approval of its forecast average rate base and rate of return on rate base for years
32 between general rate applications. At the time the Board stated that Newfoundland Power could
33 apply for revised rates to reflect these changes.²² Both the Formula and the subsequent rate of
34 return applications were intended to provide Newfoundland Power with the continued
35 opportunity to earn a just and reasonable return while minimizing regulatory costs and incenting
36 operating efficiencies. In cases where existing rates did not provide the opportunity to earn a fair
37 return, new rates were approved. It is clear that it is long-standing regulatory practice in this
38 jurisdiction for the Board to consider applications for a revised rate of return on rate base and
39 revised rates outside of a general rate application and the direction of the Board contemplates
40 such rate adjustments.

²¹ Rates were changed when the forecast rate of return was outside of the previously approved range.

²² Order No. P.U. 13(2013), page 57.

1 It is expected that the rate of return on rate base of 6.67% determined by the Board would result
2 in a revenue shortfall for 2024, though it would be less than the revenue shortfall associated with
3 Newfoundland Power's proposals.²³ Applying the rate of return on rate base of 6.67% to the
4 proposed 2024 forecast average rate base without any recovery is estimated to result in a
5 revenue requirement shortfall of \$8.2 million.²⁴ This is a material shortfall in the context of the
6 range of return on rate base of +/- 18 basis points, which is estimated to be equivalent to revenue
7 of approximately +/- \$3.6 million.²⁵ A revenue shortfall of \$8.2 million is also material in the
8 context of Newfoundland Power's controllable costs considering that a 1% reduction in 2024
9 forecast gross operating costs would be approximately \$750,000.²⁶ Given the materiality of the
10 revenue shortfall, the Board does not agree that cost management alone would be sufficient to
11 provide Newfoundland Power the opportunity to earn a fair return. The Board also does not
12 accept based on the evidence provided that Newfoundland Power's forecast 2024 energy sales
13 are unduly low and notes that the 2024 load forecast reflects the factors that led to the increase
14 in actual sales for 2023 and that there are other factors tending to slow growth in 2024.

15
16 Based on the evidence, the Board is satisfied that existing rates are insufficient to provide
17 Newfoundland Power the opportunity to earn a fair return for 2024. The Board finds that
18 Newfoundland Power should have the opportunity to recover the forecast 2024 revenue shortfall
19 based on a rate of return on rate base of 6.67% and the revised 2024 forecast average rate base.

20

21 **3.4 How should the forecast revenue shortfall be recovered?**

22
23 Newfoundland Power proposed that the revenue shortfall associated with the approval of its
24 2024 forecast average rate base and rate of return on rate base be recovered through increased
25 rates as well as a cost deferral to be recovered from customers in the future. The Board notes
26 that there is an opportunity to reduce the revenue shortfall to be recovered from customers
27 through the use of an existing balance in Newfoundland Power's Excess Earnings Account. The
28 2023 year-end balance in this account is approximately \$5.1 million, before taxes.²⁷ The use of
29 this balance would significantly reduce the forecast 2024 revenue shortfall.²⁸ The Board notes
30 that Newfoundland Power accepted that it would be reasonable for the Board to provide
31 direction on the disposition of the Excess Earnings Account in this Application but the Consumer
32 Advocate did not agree.²⁹ The Board believes that applying the 2023 excess earnings to reduce
33 the forecast revenue shortfall for 2024 would be consistent with the principle of
34 intergenerational equity and would be more transparent than deferring recovery to be addressed
35 in the Board's decision on Newfoundland Power's general rate application. The Board finds that

²³ Newfoundland Power estimates a revenue shortfall of \$11.8 million with a return on equity of 8.44%, and of \$12.6 million with a return on equity of 8.5%. PUB-NP-016.

²⁴ Additional Information (ii), Schedule B, Attachment 2.

²⁵ Additional information (ii), Schedule B, page 2, Table 1.

²⁶ NLH-NP-011, Attachment B.

²⁷ PUB-NP-007, page 2.

²⁸ PUB-NP-019(1st Revision).

²⁹ PUB-NP-007 and PUB-NP-019(1st Revision).

1 the 2023 year-end balance in Newfoundland Power's Excess Earnings Account should be used to
2 offset the forecast revenue shortfall for 2024.

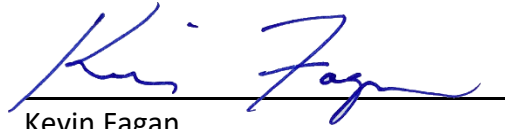
3
4 The Board notes that the deferral of the remaining forecast revenue shortfall would avoid the
5 need to implement a further rate increase in 2024.³⁰ The revenue shortfall after the use of the
6 2023 year-end balance in Newfoundland Power's Excess Earning Account would be significantly
7 less than the deferral proposed in the Application of approximately \$6.7 million. The Board finds
8 that the remaining forecast revenue shortfall after the application of the 2023 year-end balance
9 of Newfoundland Power's Excess Earning Account should be transferred to Newfoundland
10 Power's Rate Stabilization Account for future recovery.

11
12 **4. Conclusion**

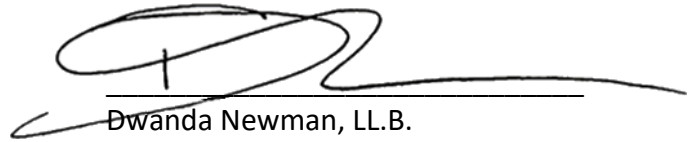
13
14 The proposed 2024 forecast average rate base and rate of return on rate base are not approved.
15 Newfoundland Power may file an application for approval of a revised 2024 forecast average rate
16 base and a rate of return on rate base of 6.67%, in a range of 6.49% to 6.85%. The Board accepts
17 that Newfoundland Power should have the opportunity to recover the forecast revenue shortfall
18 associated with the revised 2024 forecast average rate base and rate of return on rate base of
19 6.67%. The Board has determined that rather than implementing an additional rate increase in
20 2024, the 2023 year-end balance in Newfoundland Power's Excess Earnings Account should be
21 applied to reduce the forecast revenue shortfall and the remaining shortfall should be transferred
22 for future disposition through the Rate Stabilization Account. Newfoundland Power's revised
23 Application should include information detailing the revised proposals and the associated
24 financial impacts.

³⁰ Order No. P.U. 18(2024) approved an average rate increase of 7.0%, effective August 1, 2024.

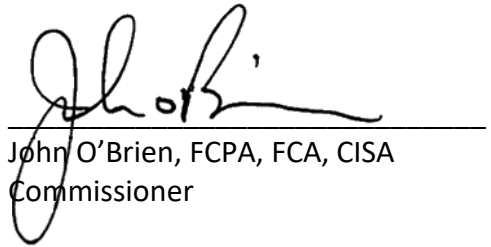
DATED at St. John's, Newfoundland and Labrador 18th day of September, 2024.



Kevin Fagan
Chair and Chief Executive Officer



Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Jo-Anne Galarneau
Executive Director and Board Secretary