

1 Q. **Reference: NP-NLH-079 and Schedule D, Issue Topic: Financial Results and Forecasts.Question**
2 **goes here**

3 Please provide a calculation of Hydro's 2027 test year cost of equity of 8.60% shown in Schedule
4 D-II, page 3 using its 2027 test year net income and average equity figures similar to that done
5 for its embedded cost of debt in Schedule D-IV.

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8 A. Please refer to NP-NLH-163, Attachment 1.

**Calculation of Cost of Equity
2027 Test Year**

	2026 Forecast	2027 Test Year	
Net Income	13,130	55,035	Note 1
Add: Cost of Service Exclusions			
Depreciation on Assets Excluded from Rate Base	402	397	Note 1
Interest Cost of Service Exclusions	8,253	8,792	Note 1
Net Income Adjusted for Cost of Service Exclusions (A)	21,785	64,224	Note 1
Contributed Capital	100,000	100,000	
Retained Earnings Cost of Service Exclusions	88,103	97,292	Note 2
Retained Earnings	526,780	581,816	
Closing Equity	714,883	779,107	
Opening Equity		714,883	
Average Equity (B)		746,995	
ROE % (A/B)		8.60%	

Note 1: Unadjusted net income includes interest and depreciation which are not approved for recovery. Excluding the identified cost of service exclusions reduces expenses and, therefore, increases net income.

Note 2: Retained earnings have been adjusted to reflect the cumulative impact of cost of service items not approved for recovery.