

1 **Q. Reference: Response to PUB-NLH-008, Table 1**

2 Hydro states that its next rate setting year will be 2031. Explain how approval of the proposed
3 rates would be in compliance with the legislative requirement that approved rates “should
4 provide sufficient revenue to the producer or retailer of the power to enable it to earn a just and
5 reasonable return as construed under the *Public Utilities Act* so that it is able to achieve and
6 maintain a sound credit rating in the financial markets of the world”.

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9 **A.** Newfoundland and Labrador Hydro ("Hydro") submits that approval of the proposed rates
10 would be consistent with the legislative requirement that rates provide sufficient revenue to
11 enable Hydro to earn a just and reasonable return and maintain financial integrity.

12 The proposed rates have been developed based on Hydro's 2027 Test Year and are designed to
13 provide Hydro with the opportunity to earn its approved return on rate base and return on
14 equity. While Hydro has provided forecasts for 2028 through 2030,¹ these forecasts have not yet
15 been fully updated to reflect all assumptions, methodologies, and proposals contained within
16 Hydro's 2026 General Rate Application. Forecasts for 2028–2030 are based on estimates
17 developed for long-term forecasting and planning purposes and were supplemented, where
18 necessary, with targeted calculations to address the specific information requested.

19 The forecast decline in return on rate base and return on equity following the 2027 Test Year is
20 primarily driven by expected increases in depreciation expense, operating and maintenance
21 costs, and forecast capital investments that occur after the establishment of rates. By their
22 nature, these forecasts are subject to change as actual capital expenditures, asset-in-service
23 dates, operating costs, system requirements, and other factors evolve over time.

24 Hydro will continue to monitor its financial performance and earned return throughout the
25 period following implementation of the proposed rates. Should actual or forecast results

¹ Please refer to PUB-NLH-008 (Revision 1) of this proceeding.

1 indicate that Hydro's earnings are materially below levels required to provide a just and
2 reasonable return and maintain financial integrity, Hydro has potential regulatory mechanisms it
3 could consider to address those circumstances. For example, Hydro may seek approval to
4 update rate base through a Return on Rate Base Application or pursue other regulatory relief as
5 warranted by the facts and circumstances at that time.

6 Hydro has indicated that its next rate-setting year is currently expected to be 2031. Depending
7 on circumstances at the time, Hydro could also utilize a 2030 Test Year with rates established for
8 2031.