



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: lhollett@newfoundlandpower.com

2023-12-11

Ms. Lindsay Hollett
Newfoundland Power Inc.
Senior Legal Counsel
55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6

Dear Madam:

Re: Newfoundland Power Inc. - 2024 Rate of Return on Rate Base Application - RFIs - PUB-NP-001 to PUB-NP-008

Enclosed are Requests for Information PUB-NP-001 to PUB-NP-008 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Jacqui Glynn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Sincerely,

Jo-Anne Galarneau
Board Secretary

JG/cj

ecc **Newfoundland Power Inc.**
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1 **IN THE MATTER OF** the **Public**
2 **Utilities Act**, (the “**Act**”); and
3
4 **IN THE MATTER OF** an application by
5 Newfoundland Power Inc. for the approval
6 of a 2024 forecast average rate base and
7 rate of return on rate base and to establish
8 customer electricity rates for 2024.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NP-001 to PUB-NP-008

Issued: December 11, 2023

- 1 **PUB-NP-001** Additional Information, Schedule B, Table 1. A 2024 return on equity (ROE) of
 2 8.10% is forecast if customer rates to provide the opportunity to achieve the
 3 proposed lower end of the return on rate base (6.67%) are approved. Please
 4 confirm that an 8.10% ROE for 2024 would be within the implied range of ± 40
 5 basis points reflected in the range of return on rate base of ± 18 basis points
 6 provided in recent Board orders.
 7
- 8 **PUB-NP-002** Newfoundland Power states that the proposed rate change is necessary for it
 9 to have a reasonable opportunity to earn a just and reasonable return in
 10 2024. Please confirm that the determination that new 2024 customer rates
 11 are required is based on a range violation for the forecast return on rate base
 12 for 2024, not the 2023 range of return on rate base.
 13
- 14 **PUB-NP-003** Please explain why in Newfoundland Power's opinion it would not be
 15 reasonable to set customer rates for 2024 based on the lower end of the
 16 proposed range of return on rate base.
 17
- 18 **PUB-NP-004** Please provide information on how other jurisdictions in Canada, whether
 19 under cost of service or performance-based regulation, adjust customer rates
 20 between test years, specifically addressing if rates are reset to meet the mid-
 21 point of the targeted return on rate base or to recover the explicit cost
 22 increase being incurred by the utility.
 23
- 24 **PUB-NP-005** (a) Please confirm if the information in Table 1 below is accurate with respect
 25 to Board Orders approving new rate base and return on rate base
 26 between test years. If not, please file a corrected table.

Table 1: Previous Approvals of Rate Base and Return on Rate Base			
	2015	2018	2021
Order No.	P.U. 51(2014)	P.U. 41(2017)	P.U. 36(2020)
Approved Range of Return on Rate Base	7.32% to 7.68%	6.86% to 7.22%	6.47% to 6.83%
Midpoint of Approved Range	7.50%	7.04%	6.65%
Forecast Return on Rate Base provided in Application	7.44%	6.99%	6.53%
Actual Return on Rate Base ¹	7.48%	7.13%	6.74%
Forecast Regulated Earnings Income provided in Application (000)	\$39,234	\$41,520	\$44,426
Actual Regulated Earnings (000) ²	\$40,557	\$43,375	\$46,278
Variance (000)	\$1,323	\$1,855	\$1,852

¹ Return 13 from Annual Returns of Newfoundland Power.

² Return 27 from Annual Returns of Newfoundland Power.

- 1 (b) For the years 2013 to 2023 forecast, excluding the years in the table in (a)
2 above, please complete the following table:

	2013	2014...	2023
Order No. setting approved range			
Approved Range of Return on Rate Base			
Midpoint of Approved Range			
Actual Return on Rate Base			
Approved Regulated Earnings when setting rates (000)			
Actual Regulated Earnings (000)			
Regulated Earnings Variance (000)			

- 3 (c) With respect to the data provided in PUB-NP-005 (a) and (b), for each
4 year please provide the primary reasons for Newfoundland Power's
5 actual regulated earnings varying from its forecast regulated earnings.
6

7 **PUB-NP-006** Additional Information, Schedule B, page 2 of 2. It is stated, "In Newfoundland
8 Power's view, using any rate of return on common equity other than 8.5% to
9 determine revenue requirement and customer rates amounts for 2024 would
10 not be consistent with Order No. P.U. 3(2022)." Please explain why
11 Newfoundland Power believes it would not be consistent to determine
12 revenue requirement and rates for 2024 using a return on common equity
13 within the range historically used by the Board to assess the reasonableness of
14 Newfoundland Power's returns between test years.
15

16 **PUB-NP-007** In the 2025-2026 General Rate Application, filed on November 9, 2023,
17 Newfoundland Power notes forecast 2023 Excess Earnings of approximately
18 \$5.1 million (\$3.6 million after tax).
19

- 20 (a) Did Newfoundland Power consider using the 2023 Excess Earnings to
21 partially offset the proposed 1.5% increase for July 1, 2024. If not
22 considered, please explain why. If it was considered, please explain why
23 Newfoundland Power decided not to propose to use the 2023 Excess
24 Earnings.
25 (b) Please provide the impact on the rate increase if the 2023 Excess
26 Earnings are used to offset the proposed increase for both the return on
27 equity reflecting (i) the lower end of the implied range of return on

1 equity (8.1%) and (ii) mid-point of the implied range of return on equity
2 (8.5%).
3 (c) Further to (b), under both scenarios please provide the impact on the
4 revenue shortfall if rates are implemented February 1, March 1, April 1
5 and July 1, 2024 if the 2023 Excess Earnings are used to offset the
6 proposed increase.
7
8 **PUB-NP-008** Application, Appendix B. Using the return on common equity of \$51.598
9 million and the common equity of \$602.221 million, the common equity under
10 cost of capital is calculated to be 8.55% as opposed to the 8.50% included in
11 the Appendix. Please explain the difference.

DATED at St. John's, Newfoundland this 11th day of December 2023.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per



Jo-Anne Galarneau
Board Secretary