

- 1 **Q. (Reference Application, 2023 Capital Budget Overview, pages 10 and 11)**
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 3 **a) It is stated "Approval of the Company's 2023 revenue requirement**
 4 **resulted in a decrease in customer rates of approximately 1% effective**
 5 **March 1, 2022." Please provide details showing how NP's 2023 revenue**
 6 **requirement resulted in a decrease in customer rates.**
 7 **b) Table 1 and Table 2 show NP's inflation-adjusted contribution to revenue**
 8 **requirement and customer rates, respectively, for the years 2014 and**
 9 **2023. (i) What were the Board-determined rates of return on NP's rate**
 10 **base for each of those years? (ii) What role did the change in the rate**
 11 **of return on rate base play in the changes in the inflation-adjusted**
 12 **contribution to revenue requirement and customer rates?**
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 14 **A. a) Table 1 provides the requested information.**

Table 1 Breakdown of the 2023 Revenue Requirement and Rate Decrease ¹		
	Change in Revenue Requirement (\$millions)	Customer Rate Change (%)
Continued Investment ²	10.7	1.5
Operating Costs ³	3.1	0.4
GRA Proposals - Amortizations ⁴	(2.2)	(0.3)
Rebalancing Wholesale Supply Costs and Forecast Energy Sales ⁵	(19.9)	(2.7)
Total	(8.3)	(1.1)

¹ The information reflects the changes in revenue requirement for the 2023 test year as compared to the 2020 test year, both as approved by the Board.

² Continued investment includes the change in return on rate base and depreciation. It excludes other effects of continued investment, such as lower operating costs from capital projects such as the *LED Street Lighting Replacement Plan*.

³ Operating costs include the change in operating costs, employee future benefit costs and other revenue requirement items – primarily interest on the Company's rate stabilization account.

⁴ GRA proposals include: (i) amortizations associated with the 2022 revenue shortfall; (ii) the impact of implementing the depreciation rates included in the *2019 Depreciation Study*, and (iii) changes resulting from the *General Expenses Capitalized Review*.

⁵ A general rate application requires forecast supply costs to be reconciled with forecast revenue from energy sales during the test period.

- 15 b) In Order No. P.U. 3 (2022), the Board approved a rate of return on average rate
16 base for 2023 of 6.39%, in a range of 6.21% to 6.57%.⁶ In Order No.
17 P.U. 23 (2013), the Board approved a rate of return on average rate base for
18 2014 of 7.88%, in a range of 7.70% to 8.06%.⁷
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20 On an inflation-adjusted basis, the 2023 revenue requirement related to return
21 on rate base is lower by approximately \$6 million when compared to the revenue
22 requirement in the 2014 test year. This translates into a decrease of
23 approximately 0.1 ¢/kWh in Newfoundland Power's contribution to customer
24 rates since 2014 on an inflation-adjusted basis.

⁶ See Order No. P.U. 3 (2022), page 20.

⁷ See Order No. P.U. 23 (2013), page 3.