

1 Q. The Public Utilities Board allowed Newfoundland Power in Order No. P.U. 19
2 (2003) to earn up to 10.25%. Does NLH expect to be treated accordingly?

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5 A. Hydro is of the view that an automatic adjustment mechanism may be
6 appropriate at such time as the rate structure permits the indicated change in
7 revenue requirement to be easily distributed across rate classes.

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9 In P.U. 19 (2003) the Board stated that “Where the actual rate of return on
10 regulated equity in any intervening year exceeds the cost of equity
11 determined by the Formula by more than 50 basis points, then NP will be
12 required to file a report with the Board in its annual return setting out the
13 circumstances and facts contributing to the difference.” Even if Hydro was
14 able to arrive at a rate structure that permits the indicated change in revenue
15 requirement to be easily distributed across rate classes, there would still
16 have to be a recognition of the much smaller equity base of Hydro relative to
17 Newfoundland Power. Fifty basis points of added return on equity for Hydro
18 is considerably less in absolute dollar terms than for NP, despite the fact that
19 Hydro’s rate base is almost three times as large.