Q. Please provide the estimated ROE since 2005 assuming that the Board had continued to use the ROE adjustment methodology consistently throughout that period. At what point did the company judge the allowed ROE from the formula to be inconsistent with a fair ROE?

A. Table 1 provides Newfoundland Power's return on equity ("ROE") from 2005 to present (2015) assuming the continued use of the automatic adjustment formula ("AAF"), where applicable.

Table 1
ROE
(AAF Scenario)
2005 – 2015
(%)

2005	9.24
2006	9.24
2007	8.60
2008[1]	8.95
2009	8.95
2010[2]	9.00
2011	8.38
2012[3,4]	7.85
2013[5]	8.80
2014[5]	8.80
2015[5]	8.80

[1] The ROE for 2008 was set during the 2008 General Rate Application and approved by the Board in Order No. P.U. 32 (2007).

[2] The ROE for 2010 was set during the 2010 General Rate Application and approved by the Board in Order No. P.U. 43 (2009).

[3] An estimate of the ROE for 2012 has been provided based on the most recently approved formula methodology. In Order No. P.U. 12 (2010), the Board approved the use of a forecast long Canada Bond yield based on the November Consensus Forecasts of 10 year Government of Canada Bonds and the average observed spread between 10-year and 30-year Government of Canada Bonds for all trading days in the preceding October.

[4] In 2012, the Board suspended use of the formula and set an allowed ROE of 8.80% based on a negotiated settlement agreement. The ROE of 8.80% for 2012 was approved in Order No. P.U. 17 (2012). Newfoundland Power's customer rates for 2012 were not adjusted for the approved ROE of 8.80% and reflected an ROE of 8.38% as approved in Order No. P.U. 36 (2010).

[5] The ROE of 8.80% for 2013 through 2015 was set in the 2013/2014 General Rate Application and approved by the Board in Order No. P.U. 13 (2013).