

- 1 **Q. Please confirm that it is Newfoundland Power’s position that the current state of the**
2 **financial market, specifically the abnormally low long Canada bond yields, is the**
3 **only reason for the continued suspension of the automatic adjustment formula.**
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- 5 A. Since the Board’s decision to suspend operation of the automatic adjustment formula (the
6 “Formula”) for 2015 in Order No. P.U. 13 (2013), there has not been an appreciable
7 change in long Canada bond yields.
8
- 9 Newfoundland Power does not believe that changes in a fair return on equity can be
10 estimated any more accurately on a formulaic basis today than in 2013. This is
11 substantially a reflection of current financial market conditions which include such
12 features as substantial (and sporadic) government intervention specifically aimed at
13 keeping bond yields low.
14
- 15 The regulatory consensus that existed at the time of the Board’s adoption of the Formula
16 in 1998 does not exist today. In Newfoundland Power’s view, the current lack of
17 consensus illustrates the difficulties in crafting a formula that can be expected to yield a
18 fair result based upon current long Canada bond yields. Part of this difficulty is likely
19 attributable to increased complexity. Part is also likely due to the inherent limitations of
20 formula based approaches.