

- 1 **Q. Has Newfoundland Power considered what change in the long Canadian bond yield**  
2 **would be required to consider the reinstatement of the automatic adjustment**  
3 **formula?**  
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- 5 A. In Order No. P.U. 13 (2013), the Board accepted that, in the circumstances then existing,  
6 it was difficult to see how an established return could be appropriately adjusted without  
7 the exercise of further regulatory judgment. Accordingly, the Board could not conclude  
8 that *any* formula could be relied on to establish a fair rate of return after a test period.<sup>1</sup>  
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- 10 In Newfoundland Power's view, circumstances have not materially changed since 2013  
11 in a way that makes the relationship between current long Canada bond yields and the  
12 utility cost of equity any clearer.  
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- 14 Until the *relationship* between changes in long Canada bond yields and changes in the  
15 utility cost of equity becomes clear, Newfoundland Power does not think reinstatement of  
16 the automatic adjustment formula would be consistent with the fair return standard.

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<sup>1</sup> Order No. P.U. 13 (2013) page 36, line 38 to page 37, line 2.