

- 1 **Q. Does Newfoundland Power consider that the current formula would be more**  
2 **reliable in determining fair return on equity if there were a mechanism added which**  
3 **accounted for any material sudden drop/increase in the risk free rate?**  
4
- 5 A. Absent clarity concerning the relationship between changes in long Canada bond yields  
6 and changes in the utility cost of equity, adding a mechanism to the existing automatic  
7 adjustment formula (the “Formula”) to account for material sudden drops or increases in  
8 long Canada bond yields, would not necessarily make the Formula more reliable.  
9
- 10 The impact on the utility cost of equity resulting from a sudden change in long Canada  
11 bond yields which is the result of severe financial market instability or massive  
12 government intervention in markets does not appear to Newfoundland Power to be  
13 capable of reliable prediction.  
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- 15 Please refer to the responses to Requests for Information PUB-NP-042, PUB-NP-043,  
16 PUB-NP-044, PUB-NP-045, PUB-NP-047 and PUB-NP-048.