

1 **Q. Page 3-38, lines 4-10: Has Newfoundland Power considered any other alternative,**
2 **other than continued suspension, to the current automatic adjustment formula to**
3 **adjust the return on equity between rate applications?**
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5 A. In Order No. P.U. 13 (2013), the Board accepted that the automatic adjustment formula
6 (the “Formula”) may not result in a fair return for Newfoundland Power in the
7 circumstances that existed at the time. The Board indicated that in the absence of a clear
8 relationship between the long-term Canada bond yield and the cost of equity that it was
9 difficult to see that the established return could be appropriately adjusted without the
10 exercise of further judgment. Accordingly the Board could not conclude that *any* formula
11 could be relied on to establish a fair rate of return after a test period.¹
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13 In Order No. P.U 16 (2016) the Board accepted the settlement agreement in relation to
14 the Formula and was satisfied, based on evidence, that the continued suspension of the
15 Formula was appropriate.²
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17 In Newfoundland Power’s view, circumstances have not materially changed since 2013
18 in a way that makes the relationship between current long Canada bond yields and the
19 utility cost of equity any clearer. Given this lack of clarity, formulaic alternatives to the
20 continued suspension of the automatic adjustment formula do not appear viable to
21 Newfoundland Power.
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23 Please refer to the response to Requests for Information PUB-NP-037.

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

² Order No. P.U. 18 (2016), page 10, lines 15-26.