

1 Q. Reference: Page 7, Lines 25-30

2 Confirm that, if the Board defers all proposals in the Company's
3 Application affecting rates until a GRA in 2010, the forecast return
4 on equity for 2010 is 6.87% (see Volume 1 of Company Evidence,
5 Exhibit 3, line-37).
6

7 A. Confirmed. Exhibit 3, line 37 indicates that the forecast return on book equity for
8 2010 is 6.87%. The rate of return on rate base is shown to be 7.27% at line 35 of
9 Exhibit 3.

10 These return figures are based on:

- 11 • Transfers from the RSA that have increased by over \$3 million (from
12 \$3,031,000 to \$6,128,000) that would still be recovered from customers in
13 the absence of a GRA (Exhibit 3, line 3);
- 14 • Operating expenses “before adjustment for non-regulated expenses”
15 (footnote on Exhibit 3, page 1) that are forecast to increase by 11.97% in
16 2010 as compared to the 2008 actual operating expenses (\$52,774,000
17 for 2010 vs. \$47,132,000 in 2008) (Exhibit 3, line 18); and
- 18 • Pension costs that have increased by 120% (from \$2,577,000 to
19 \$5,701,000) which could have been addressed by means of a non-GRA
20 application similar to Newfoundland Power’s 2007 Amortization and Cost
21 Deferrals Application, dated September 13, 2006 which was disposed of
22 expeditiously by Order No. P.U. 39(2006) (Exhibit 3, line 19).