

1 **Q. Reference Evidence of Newfoundland power, pages 3 & 21: Further to CA-NP-16**  
2 **above if the Board had simply added a financial crisis risk premium of 0.52% to the**  
3 **formula ROE for 2010 and indicated that this premium would exist until markets**  
4 **returned to normal, would the company regard the resulting ROEs to be just and**  
5 **reasonable?**

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7 A. The Evidence of Newfoundland Power makes no reference to a “financial crisis risk  
8 premium”.

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10 In its 2010 General Rate Application, it was Newfoundland Power’s submission that the  
11 Formula should be discontinued in light of prevailing financial market conditions. (see  
12 May 28, 2009 Evidence of Newfoundland Power, Pages 3-19, lines 8 to 20). The Board  
13 did not accept Newfoundland Power’s view in Order No. P.U. 43 (2009).  
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15 In this Application, the Evidence of Newfoundland Power at Page 25, lines 8 *et. seq.*  
16 states:

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18 “The current increased uncertainty associated with forecasting Long  
19 Canada Bond Yields largely reflects monetary policy. The Formula  
20 should be discontinued as it does not accurately estimate the appropriate  
21 return on equity under current financial market conditions.”  
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23 It was not the Evidence of Newfoundland Power at its 2010 General Rate Application,  
24 and it is not the Evidence of Newfoundland Power in this Application, that it would  
25 regard returns on equity generated by the Formula to be just and reasonable simply as a  
26 result of the addition of a “financial crisis risk premium” as suggested by the question.  
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28 Please refer to the Response to Request for Information CA NP 016.