

1 **Q. Reference Evidence of Newfoundland power, pages 22-23: Please confirm that the**  
2 **decline in its own borrowing cost as well as that of the Government of Canada are**  
3 **both objective indicators of a decline in the fair (just) rate of return? If not please**  
4 **provide an objective indicator (for example read from a newspaper or Bloomberg**  
5 **pages) that indicates that the fair rate of return has increased since the 2010 GRA.**  
6

7 A. Newfoundland Power is unable to confirm that "...the decline in its own borrowing cost  
8 as well as that of the Government of Canada are both objective indicators..." of a fair  
9 return for utility equity.  
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11 Please refer to the Response to Request for Information CA NP 20 for detail on changes  
12 to Newfoundland Power's cost of debt since 2010.  
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14 Please refer to the Evidence of Newfoundland Power, page 22 *et. seq.*, for detail on  
15 Government of Canada long-bond yields.  
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17 The relationship between the decline in long-term Government of Canada bond yields  
18 and its relationships to the cost of equity is specifically addressed in the McShane  
19 Evidence at page 34, line 844 *et. seq.*  
20

21 Finally, returns on equity allowed by Canadian utility regulators have not declined in  
22 tandem with the decline in Government of Canada borrowing costs. Please refer to the  
23 Evidence of Newfoundland Power, Suspending the Operation of the Formula for 2012,  
24 page 8, Table 1-Ratemaking Rates of Return on Equity Canadian Electric IOUs and also,  
25 page 5, Graph 1- Government of Canada Benchmark 30-Year Bond Daily Yields.