

**Q. Reference Evidence of Newfoundland power, pages 4-15: The Company discusses the main factors that determine its business risk. Please provide the company's actual and allowed ROE for each year since 1990 and discuss any material under earning where the company can define what it regards as "material".**

**A.** Table 1 provides details on Newfoundland Power's allowed return on equity (ROE) and actual ROE for the years 1990 to 2011.

**Table 1  
Return on Equity  
1990-2011**

<b>Year</b>	<b>Allowed ROE</b>	<b>Actual ROE</b>	<b>Actual to Allowed</b>
1990	13.95%	13.71%	-0.24%
1991	13.95%	13.29%	-0.66%
1992	13.25%	13.47%	0.22%
1993	13.25%	12.79%	-0.46%
1994	13.25%	12.03%	-1.22%
1995	13.25%	12.07%	-1.18%
1996	11.00%	11.21%	0.21%
1997	11.00%	11.14%	0.14%
1998	9.25%	9.58%	0.33%
1999	9.25%	9.81%	0.56%
2000	9.59%	10.80%	1.21%
2001	9.59%	11.35%	1.76%
2002	9.05%	10.65%	1.60%
2003	9.75%	10.22%	0.47%
2004	9.75%	10.12%	0.37%
2005	9.24%	9.60%	0.36%
2006	9.24%	9.46%	0.22%
2007	8.60%	8.66%	0.06%
2008	8.95%	9.13%	0.18%
2009	8.95%	8.96%	0.01%
2010	9.00%	9.21%	0.21%
2011	8.38%	9.00%	0.62%

In 1994 and 1995, actual ROEs were 1.22% and 1.18%, respectively, below the 13.25% allowed ROE. During these years, actual returns were affected by a number of matters including general economic conditions in the early to mid 1990s and the Company's response to those conditions. This included reduced capital expenditure, early retirement programs, and an increased proportion of common equity in the Company's capital structure. These matters were considered by the Board in Order Nos. P.U. 7 (1996-1997) and P.U. 36 (1998-1999). In addition, these matters were the subject of the Board's stated case to the Court of Appeal in 1996.