

Q. Reference Evidence of Newfoundland Power, pages 4-15: Please provide the book equity at the start of the year and the actual net income earned in the following year for each year since the company has been on an ROE adjustment mechanism. Please provide the ROE for each of these years divided into the risk free rate and the risk premium components.

A. The use of an automatic adjustment formula for the determination of the rate of return on equity was approved in Order No. P.U. 16 (1998-99). In Order No. P.U. 25 (2011), the Board suspended the use of the automatic adjustment formula for the determination of the rate of return on rate base for 2012.

Table 1 shows the actual beginning book equity, net income and the rate of return on equity for 1998 through 2011.

**Table 1
Actual ROE
1998 – 2011**

Year¹	Beginning Book Equity (\$000s)	Net Income (\$000s)	Rate of Return On Equity²
1998	227,512	22,197	9.58%
1999	229,485	23,484	9.81%
2000	242,848	27,099	10.80%
2001	250,331	29,485	11.35%
2002	260,203	29,420	10.65%
2003	279,515	30,061	10.22%
2004	299,480	31,714	10.12%
2005	316,360	31,317	9.60%
2006	323,972	30,666	9.46%
2007	335,887	30,452	8.66%
2008	356,671	32,895	9.13%
2009	373,738	33,201	8.96%
2010	381,185	35,573	9.21%
2011	400,502	34,252	9.00%

¹ The approved rates of return on equity for 1998, 1999, 2003, 2004, 2008 and 2010 were determined by the Board based on a Cost of Capital Hearing or a General Rate Application. The approved rates of return on equity for 2000, 2001, 2002, 2005, 2006, 2007, 2009 and 2011 were determined through application of the automatic adjustment formula.

² This is the actual regulated rate of return on equity achieved during the year.

Table 2 shows the ratemaking return on equity divided into the risk free rate and risk free premium for 1998 through 2011.

Table 2
Ratemaking ROE
1998 – 2011

Year¹	Return on Equity	Risk Free Rate	Risk Premium
1998	9.25%	5.75%	3.50%
1999	9.25%	5.75%	3.50%
2000	9.59%	6.18%	3.41%
2001	9.59%	6.18%	3.41%
2002	9.05%	5.50%	3.55%
2003	9.75%	5.60%	4.15%
2004	9.75%	5.60%	4.15%
2005	9.24%	4.96%	4.28%
2006	9.24%	4.96%	4.28%
2007	8.60%	4.16%	4.44%
2008	8.95%	4.60%	4.35%
2009	8.95%	4.60%	4.35%
2010	9.00%	4.50%	4.50%
2011	8.38%	3.72%	4.66%