**Q.** **Evidence of Dr. Vander Weide: Equity cost estimates Page 39: Please provide the returns on the long Canada bond for both the periods in Table 4 to compare like with like.**

A. For information on returns on the long Canada bond, please see response to CA NP 150. However, with regard to the underlying implication of this request that it is only appropriate to compare returns with returns ("like with like"), Dr. Vander Weide notes that the Board's ROE formula calculates Newfoundland Power's required return on equity by comparing the required return on an equity investment in Newfoundland Power to the risk-free rate of interest, as measured by the forecasted yield on long Canada bonds. The average annual return on long Canada bonds, including capital gains and losses, is not risk free. For long-term investors, the risk-free rate is best measured by the yield on long Canada bonds, not the return on long Canada bonds. Thus, to be consistent with the principles of the Board's ROE formula, the experienced risk premium calculation requires a comparison of the return on Canadian utility stocks to the yield on long Canada bonds.