

1 Q. Further to response to Request for Information NP-NLH-020:
2 Please confirm that if Hydro's recommended range of return on rate base is
3 approved by the Board, Hydro would be entitled to fully retain a rate of return on
4 equity of 9.38% in 2014 if such a return on equity were to be achieved.

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7 A. Hydro calculates the return on equity forecast for 2014 in NP-NLH-020 to be 8.2%.
8 Please refer to Hydro's response to NP-NLH-244 for the supporting calculation.

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10 Hydro would be entitled to retain a rate of return on equity greater than 8.2% in
11 2014 if such a return on equity were to be achieved and Hydro's rate of return on
12 rate base remained within its allowed range.

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14 The Board's jurisdiction over Hydro's return relates to the allowed return on rate
15 base. Subsection 80(1) of the *Public Utilities Act* states that "*A public utility is*
16 *entitled to earn annually a just and reasonable return as determined by the board*
17 *on the rate base as fixed and determined by the board for each type or kind of*
18 *service supplied by the public utility...*"

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20 Thus, Hydro would be entitled to earn in 2014 the approved range of rate of return
21 on rate base. If Hydro's requested range of return on rate base is approved by the
22 Board, Hydro would be entitled to earn a return on rate base up to 8.08% (upper
23 end of the proposed range of return on rate base).