

1 Q. Further to response to Request for Information NP-NLH-028:  
2 Does Hydro believe that rates which are forecast to yield a rate of return on equity  
3 substantially higher than the 8.8% indicated in the 2013 Test Year would be “just  
4 and reasonable” within the meaning of the *Public Utilities Act*? Please provide a  
5 detailed explanation.  
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8 A. The Board’s jurisdiction over Hydro’s return relates to the allowed return on rate  
9 base. Subsection 80(1) of the Public Utilities Act states that “*A public utility is*  
10 *entitled to earn annually a just and reasonable return as determined by the board*  
11 *on the rate base as fixed and determined by the board for each type or kind of*  
12 *service supplied by the public utility...*”  
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14 Further, as stated in Supreme Court of Newfoundland, Court of Appeal, June 15,  
15 1998, paragraph 57: “*Subsection 80(1) makes no reference at all to determining, let*  
16 *alone setting and fixing, the rate of return on common equity. The calculation of an*  
17 *appropriate rate of return on common equity is truly a mere component in the*  
18 *overall process of determining a just and reasonable return on rate base.*”  
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20 In addition, as noted in Board Order No. P.U. 19(2003), “*NP’s position is that only*  
21 *where a utility’s return on rate base exceeds the upper limit of the rate of return on*  
22 *rate base as prescribed by the Board does the Board have jurisdiction over the*  
23 *disposition of those earnings.*”  
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25 The Board expresses the just and reasonable return as a range. If Hydro is able to  
26 earn an annual return on rate base within the allowable range, the corresponding  
27 rates should be viewed as just and reasonable.