

1 Q. Further to the response to PUB-NLH-063, confirm that the ROE of 4.47% was the
2 result of a negotiated settlement among the parties and explain how in its
3 agreement on an ROE of 4.47% consideration was given by Hydro to the comments
4 made by DBRS in 2003 and 2005 which are referred to in the response.

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7 A. With regard to Hydro's ROE in its last GRA, Hydro's 2006 Evidence on page 20, lines
8 12 – 16, states as follows:

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10 *Pursuant to Order No. P.U. 14(2004), Hydro is presently entitled to earn*
11 *a rate of return on equity equal to Hydro's marginal cost of long-term*
12 *new debt. In this Application, Hydro is not seeking to revisit this*
13 *methodology and has calculated the return on equity component of*
14 *proposed rates in a manner consistent with Order No. P.U. 14(2004).*

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16 Consideration was given to the comments made by DBRS in 2003 and 2005 and at
17 page 21, lines 21 - 26 of the same filing it is noted as follows:

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19 *According to credit rating agencies, the current rate of return is low*
20 *when compared to investor-owned utilities and many crown-owned*
21 *utilities. Hydro believes there continues to be inherent risks of a low rate*
22 *of return on Hydro's financial integrity. Hydro is working to address the*
23 *Board's areas of concern related to this matter and intends to bring this*
24 *issue to the Board for reconsideration in the future.*