

1 **Q. The evidence provided in Hydro's Second Interim Rate Application shows a**
2 **forecast return on equity of 1.1% under the existing rates that are now anticipated**
3 **to be in effect for all of 2014. Does Newfoundland Power believe 1.1% provides a**
4 **reasonable return on equity for an electric utility?**

5 A. Newfoundland Power does not believe that a return on equity of 1.1% is a reasonable
6 return on equity for an electric utility.

7 The evidence provided in the Second Interim Rate Application does not indicate *why* the
8 2014 forecast return on equity of 1.1% deviates from the return approved by the Board in
9 Order No. P.U. 8 (2007) which was Newfoundland and Labrador Hydro's ("Hydro") last
10 general rate case. For example, the degree, if any, to which Hydro's low 2014 forecast
11 return is the result of increased costs is unclear.

12 Since Order No. P.U. 8 (2007), there have been a number of material changes in Hydro's
13 management, costs and sales. The impact, if any, of these changes on Hydro's 2014
14 forecast return on equity are not clear from the evidence filed in support of the Second
15 Interim Rate Application.