

**Automatic Adjustment Formula
Proposal by Mr. MacDonald**

**Pro Forma
2014 Estimated Return
on Common Equity**

1		
2		
3		
4	2013 Return on Common Equity¹	8.91%
5		
6	50% Change in Long Canada Bond Yields	
7	Current Forecast ²	2.59%
8	Base Forecast ¹	<u>3.04%</u>
9		-0.45%
10		
11	Change in Long Canada Bond Yield adjusted by 50%	-0.23%
12		
13		
14	50% Change in Utility Bond Spread	
15	Current Spread ³	1.45%
16	Base Spread ⁴	<u>1.45%</u>
17		0.00%
18		
19	Change in Utility Bond Spread adjusted by 50%	<u>0.00%</u>
20		
21	2014 Estimated Return on Common Equity	<u>8.68%</u>
22		
23	Reduction in ROE	<u>0.23%</u>

¹ Per the November 2012 *Report on Opinion of Capital Structure, Return on Equity and the Automatic Adjustment Formula for Newfoundland Power Inc.*

² Based on the November 2012 Consensus Forecasts and the average daily spreads of GOC 10/30's for the month of October 2012.

³ Based on the difference in the bond yields between the Bloomberg Fair Value 30 year Canada A Rated Utility Bond Index (Series 29530Y) and Long Canada bond yields for October 2012.

⁴ The derivation of the base Utility Bond Spread was not specified in the proposal by Mr. MacDonald. The base Utility Bond Spread is assumed to be the current spread based on the average daily yields for October 2012.