

**Q. Reference: Transcript January 18, 2013  
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**Please provide an analysis of your suggested formula to determine whether it would have given approximately the same rate of return on equity to NP since the inception of the formula in this jurisdiction.**

A. In the table below, Mr. MacDonald has provided historical information starting from 2010 onwards using his proposed Automatic Adjustment Formula (“AAF”) as described in his November 2012 expert report.

The primary difference between the proposed and existing AAF is that the calculated ROE is less sensitive to the changes in the risk free rate which is a result of proposed decrease of the adjustment coefficient from 0.80 to 0.50.

**Return on equity**

<b>Year</b>	<b>Approved</b>	<b>Existing Formula*</b>	<b>GT**</b>	
<b>2010</b>	9.00%	9.00%	9.00%	Per PUB Order
<b>2011</b>	8.38%	8.38%	8.65%	Per GT's proposed formula
<b>2012</b>	8.80%	7.85%	8.38%	Per GT's proposed formula
<b>2013</b>	TBD	7.47%	8.06%	Per GT's proposed formula***

**Notes**

\* Existing formula

$ROE = \text{Base ROE} + (0.80 (\text{LCBF} - \text{Base LCBF}))$

\*\* Grant Thornton's proposed formula:

$ROE = \text{Base ROE} + (0.50 (\text{LCBF} - \text{Base LCBF})) + (0.50 (\text{Utility Bond Spread} - \text{Base Utility Bond Spread}))$

\*\*\* Per Grant Thornton's November 2012 expert report, ROE conclusion is 8.91% and was not based on proposed formula.