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Q: Reference: Page 13, Lines 16-19.

Given that Newfoundland Power’s earnings are regulated within a range of rate of return on rate base and not rate of return on common equity, please provide legislative or other regulatory evidence that Newfoundland Power has over-earned during each of the past eleven years.

A: Dr. Cannon defines “over-earned its allowed ROCE” as the historical situation where NP earns an actual return on common equity (ROCE) during a year that exceeds the mid-point of the ROCE range that is used to establish NP’s allowed return on rate base for the corresponding year. The data to make these comparisons is set out on page 1 of Schedule 4. The data comparisons convey economic and risk content, but are not intended to convey any notion of legislative or regulatory impropriety on NP’s part. However, it may be helpful to note that the trigger mechanism in NP’s automatic rate adjustment procedure, as established by the Board in P.U.19(2003), is activated by a comparison of NP’s actual ROCE and the ROCE value used in setting its allowed return-on-rate-base range for each year beyond the test year.