Q. The responses to PUB-NLH-003 and PUB-NLH-004 in this proceeding demonstrate that an increase in the test year return on equity for Newfoundland Power will result in a material increase in supply costs from Newfoundland Hydro and contribute to increased customer rates, while an increase in the test year equity component of the capital structure for Newfoundland Power could provide increased return to Newfoundland Power without increasing supply costs from Hydro. Should this relationship be considered when determining the return (in dollars) when establishing the test year revenue requirement for Newfoundland Power? If not, why not?

A. Dr. Booth would judge that both entities should be regulated independently on the basis of the fair return standard. However, the Board has two levers to meet that standard, and it is the combination that matters. Unlike the AUC that regulates the common equity ratio such that almost all the Alberta utilities get the same allowed ROE, the BCUC uses both the allowed ROE and the common equity ratio. This is further examined in answer to PUB-CA-015. Dr. Booth is not in a position to indicate how NLH would respond.