

1 **Q. NP does not want to return to an automatic ROE adjustment formula for the**
2 **current test years. Please indicate the forecast ROE stemming from the last ROE**
3 **adjustment formula before it was suspended by the Board in 2013 for the forecast**
4 **test years.**
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6 A. The Automatic Adjustment Formula (the “Formula”) was adopted by the Board in 1998
7 to determine changes to the Company’s return on equity (“ROE”) between general rate
8 applications. It is not used to determine the ROE that would apply to Newfoundland
9 Power’s test years.

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11 The Formula last operated to adjust the Company’s ROE for 2011. Operation of the
12 Formula resulted in a ROE of 8.38% for that year. Use of the Formula was subsequently
13 suspended by the Board in Order No. P.U. 25 (2011).

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15 The Formula requires information only available in the months leading up to the year in
16 which the adjusted ROE is to apply.¹ To estimate the ROE that the Formula would
17 calculate for 2022 would require information that would only become available in
18 October and November of 2021.

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20 Had the Formula been reinstated by the Board following Newfoundland Power’s
21 *2019/2020 General Rate Application*, it would have resulted in a ROE of 7.21% for 2021.
22 See response to Request for Information PUB-NP-042.

¹ The Formula requires: (i) a November Consensus Economics forecast of 10-year government of Canada bond yields; and (ii) actual 10-year and 30-year government of Canada bond yields in October.