

- 1 **Q. Please provide the actual return on equity and the allowed ROE for each year since**
 2 **1990 and discuss any deviations of the actual from allowed ROE outside of the band**
 3 **set by the board. Please discuss any material deviations and whether such causes are**
 4 **now covered by deferral accounts.**
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- 6 A. Newfoundland Power’s return on rate base is regulated by the Board. In determining the
 7 Company’s allowed return on rate base, the Board approves a ratemaking return on
 8 equity (“ROE”).¹
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- 10 Newfoundland Power has an Excess Earnings Account, which is credited with any
 11 earnings in excess of the upper limit of the allowed return on rate base as approved by the
 12 Board.² The sole purpose of the Excess Earnings Account is to protect customers’
 13 interests by ensuring that the Company’s earned returns do not materially exceed those
 14 approved by the Board for ratemaking purposes. This limits the Company’s return on
 15 equity to approximately 40-50 basis points above the approved return for ratemaking
 16 purposes.
 17
- 18 Table 1 shows Newfoundland Power’s actual and approved ROE from 1990 to 2020.

**Table 1:
Actual ROE and Approved ROE
1990-2020**

Year	Approved ROE	Actual ROE
1990	13.95%	13.71%
1991	13.95%	13.29%
1992	13.25%	13.47%
1993	13.25%	12.79%
1994 ³	13.25%	12.03%
1995 ⁴	13.25%	12.07%
1996	11.00%	11.21%

¹ In Order No. P.U. 19 (2003), the Board ordered, in effect, that Newfoundland Power file a report explaining the circumstances and facts contributing to any difference between an actual rate of ROE that was greater than 50 basis points (0.50%) above the cost of equity as determined by the Automatic Adjustment Formula.

² The upper limit on the allowed rate of return on rate base, as established by the Board in Order No. P.U. 19 (2003), is 18 basis points above that used for ratemaking purposes.

³ In 1994, Newfoundland Power’s actual return on equity was 1.2% below the approved return due primarily to a severe sleet storm in 1994.

⁴ In 1995, Newfoundland Power’s actual return on equity was 1.2% below the approved return due primarily to an Early Retirement Program and costs related to an income tax reassessment.

**Table 1:
Actual ROE and Approved ROE
1990-2020
(Cont'd)**

Year	Approved ROE	Actual ROE
1997	11.00%	11.14%
1998	9.25%	9.58%
1999	9.25%	9.81%
2000 ⁵	9.59%	10.80%
2001 ⁵	9.59%	11.35%
2002 ⁵	9.05%	10.65%
2003	9.75%	10.22%
2004	9.75%	10.12%
2005	9.24%	9.60%
2006	9.24%	9.46%
2007	8.60%	8.66%
2008	8.95%	9.13%
2009	8.95%	8.96%
2010	9.00%	9.21%
2011	8.38%	9.00%
2012	8.80%	8.98%
2013	8.80%	9.16%
2014	8.80%	9.15%
2015	8.80%	8.98%
2016	8.50%	8.90%
2017	8.50%	8.93%
2018	8.50%	8.76%
2019	8.50%	8.79%
2020	8.50%	8.93%

⁵ In 2000, 2001 and 2002, Newfoundland Power's actual return on equity was 1.2%, 1.8% and 1.6%, respectively, over the approved returns. The variances in regulated returns for 2000 through 2002 were primarily attributable to the conclusion of a tax reassessment audit by the Canada Revenue Agency.