

1 **Section 3: Finance/Fair Return**

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3 **Q. Volume 1, Section 3, page 3-47, lines 4-8. Newfoundland Power's view is that**
4 **current economic conditions do not provide the stability in financial markets**
5 **necessary to establish a formula that can be used to adjust the return on equity**
6 **between test years.**

7 **a) If the Automatic Adjustment Formula continues to be suspended, is**
8 **Newfoundland Power of the view that there is any mechanism or process**
9 **possible that can be used to adjust the return on equity between test years? In**
10 **the response include whether Newfoundland Power believes any process or**
11 **mechanism is required to review the return on equity in between test years.**

12 **b) If Newfoundland Power files its next general rate application with a 2028 test**
13 **year in the ordinary course and it does not believe that an Automatic**
14 **Adjustment Formula should be put in place, what does it request that the Board**
15 **order with respect to 2027?**

16
17 **A. a) If the Automatic Adjustment Formula (the "Formula") continues to be suspended, in**
18 **Newfoundland Power's view, no mechanism or process is required to adjust the**
19 **return on equity ("ROE") between test years. The Board's current practice of**
20 **establishing the Company's ROE as part of general rate applications for a period of**
21 **three years is a reasonable and efficient approach.**

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23 The Company is not aware of any other mechanism or process for establishing a ROE
24 for one year that would provide a better balance of reasonableness and regulatory
25 efficiency than the Board's current practice.

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27 **b) If the Formula continues to be suspended, Newfoundland Power suggests that as part**
28 **of its order on the Application, the Board maintain the common equity ratio and ROE**
29 **accepted for rate setting for the 2025 and 2026 test years for 2027.¹**

¹ See the response to Request for Information PUB-NP-085.