

- 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 outside of the band set**  
 3 **by the board. Please discuss any material deviations and whether such causes are**  
 4 **now covered by deferral accounts.**  
 5
- 6 A. Newfoundland Power is regulated on return on rate base. In determining the Company's  
 7 allowed return on rate base, the Board approves a ratemaking return on equity ("ROE").<sup>1</sup>  
 8  
 9 Newfoundland Power has an Excess Earnings Account which is credited with any  
 10 earnings in excess of the upper limit of the allowed return on rate base as approved by the  
 11 Board.<sup>2</sup> The sole purpose of the Excess Earnings Account is to protect customer interests  
 12 by ensuring that Newfoundland Power's earned returns do not materially exceed those  
 13 approved by the Board for ratemaking purposes. This limits the Company's return on  
 14 equity to approximately 40-50 basis points above the approved return for ratemaking  
 15 purposes.  
 16  
 17 Table 1 shows Newfoundland Power's actual ROE and approved ROE for the years 1990  
 18 through 2017.

**Table 1**  
**Actual ROE and Approved ROE**  
**1990-2017**

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

<sup>1</sup> 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 Formula.

<sup>2</sup> 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.

<sup>3</sup> In 1994 Newfoundland Power's actual return on equity was 1.2% percent less than the approved return. This was related to a severe sleet storm in 1994.

<sup>4</sup> In 1995, Newfoundland Power's actual return on equity was 1.2% below the ratemaking return due primarily to a 1995 Early Retirement Program and costs related to an income tax reassessment.

**Table 1**  
**Actual ROE and Approved ROE**  
**1990-2017**  
**(Cont'd)**

1997	11.00%	11.14%
1998	9.25%	9.58%
1999	9.25%	9.81%
2000 <sup>5</sup>	9.59%	10.80%
2001 <sup>5</sup>	9.59%	11.35%
2002 <sup>5</sup>	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%

<sup>5</sup> 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 successful conclusion of a tax reassessment audit by the Canada Revenue Agency.