

1 **Q. Page 3.38, lines 4-11: Please confirm that it is Newfoundland Power’s position that**  
2 **the current state of the financial market, specifically the abnormally low long**  
3 **Canada bond yield, is the only reason for the continued suspension of the automatic**  
4 **adjustment formula.**

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6 A. Suspension of the Automatic Adjustment Formula (the “Formula”) was most recently  
7 approved by the Board in Order No. P.U. 18 (2016)<sup>1</sup>. In its Order, the Board was  
8 satisfied that the continued suspension of the Formula was appropriate.<sup>2</sup>  
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10 Since the Board’s decision to suspend operation of the Formula, long Canada bond yields  
11 have remained low. For the month of April 2018, the average long Canada bond yield  
12 was 2.4%, which is consistent with long Canada bond yields in 2013 and 2016 when the  
13 Formula was suspended.  
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15 Newfoundland Power does not believe that changes in a fair return on equity using the  
16 Formula can be estimated any more accurately today than in 2013 and 2016. This is  
17 substantially a reflection of the continuation of low long Canada bond yields.  
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19 The regulatory consensus that existed at the time of the Board’s adoption of the Formula  
20 in 1998 does not exist today. In Newfoundland Power’s view, the current lack of  
21 consensus illustrates the difficulties in crafting a formula that can be expected to yield a  
22 fair result based upon current long Canada bond yields. Part of this difficulty is likely  
23 attributable to increased complexity. Part is also likely due to the inherent limitations of  
24 formula based approaches.

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<sup>1</sup> The Board also approved suspension of the Formula in Order No. P.U. 13 (2013).

<sup>2</sup> Suspension of the Automatic Adjustment Formula was included in the settlement agreement between Newfoundland Power and the Consumer Advocate in relation to Newfoundland Power’s 2016/2017 General Rate Application. See Order No. P.U. 18 (2016), page 10, lines 15-26.