

- 1 **Q. Page 69, lines 1-21: Describe the conditions that would need to exist in Mr. Coyne’s**
2 **opinion before an automatic adjustment mechanism could be re-instituted for**
3 **Newfoundland Power.**
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- 5 A. In Mr. Coyne’s view, after a period of abnormally low levels, long-term Canada bond
6 yields would need to continue increasing from current levels to more average historical
7 levels in order for an automatic adjustment mechanism to reasonably reflect the
8 appropriate ROE for Newfoundland Power. In addition, changes to the ROE formula
9 might be needed, such as consideration of the annual change in utility bond yields as well
10 as government bond yields, because utility bond yields better reflect the investment risk
11 associated with utilities than do government bond yields.