

1 **Q. In reference to the evidence of Philip Hughes, page 19, line 10, please advise as to**
2 **the Company's position as to the duration the Company is suggesting for the**
3 **automatic adjustment formula before rates are reset following the Order pursuant**
4 **to this hearing.**

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6 A. Newfoundland Power is proposing that the automatic adjustment formula, modified as
7 proposed by the Company in this proceeding, be used to set rates for a further three years,
8 as was done to set rates for 2000, 2001 and 2002.

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10 Given the proposed effective date of the rate increase, and the financial forecasts for 2003
11 and 2004 provided by Newfoundland Power in its application, the Company feels that the
12 rates set as a result of this proceeding could remain in effect throughout 2004. This
13 would provide rate predictability and stability over the period. The Company proposes
14 that the formula therefore be used to set rates for 2005, 2006 and 2007.

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16 The Board will ultimately decide as to the rates to be set as a result of the Company's
17 application, the effective date of any rate change and the period over which these rates
18 will apply. The Board will also decide as to the use of the automatic adjustment formula
19 for setting rates in future years without a specific hearing on the full cost of capital.
20 However, this does not preclude the Company from requesting rate relief, nor the Board
21 from requesting Newfoundland Power to appear before it with respect to rates, depending
22 on the prevailing circumstances at any time.