

1 **Q. In reference to the evidence of Barry Perry, page 13 “Returns on Equity”, please**  
2 **advise, from a dollar perspective, the amount of money the Company earned over**  
3 **and above the opportunity rate for return on equity as provided by the Board after**  
4 **the 1998 rate hearing for each of the years Newfoundland Power earned above the**  
5 **opportunity rate as provided by the Public Utilities Board.**

6  
7 A. The Supreme Court of Newfoundland, Court of Appeal, determined in an opinion  
8 rendered on June 15, 1998 that the return that Newfoundland Power may earn annually  
9 must be determined with reference to return on rate base and not return on equity. Please  
10 refer to the Company’s responses to CA-512 and CA-342 for further information on this  
11 issue.

12  
13 As such, there is no “opportunity rate” for return on equity against which Newfoundland  
14 Power’s actual dollar earnings can be compared.

15  
16 The maximum return allowed by the Company is determined by the upper limit of the  
17 range of return on rate base as established since 1999 through the operation of the  
18 automatic adjustment formula. These ranges are presented in Exhibit BVP-17, Table 4,  
19 page 8. In 2000 and 2001 Newfoundland Power earned returns at the maximum of the  
20 range of return on rate base.

21  
22 In 2000, the Company returned \$6.6 million of revenue to the Excess Revenue Account.  
23 This amount, plus adjustment for municipal taxes, was subsequently approved by the  
24 Board for refund to customers (along with \$1.0 million of HST for a total of \$7.7  
25 million).

26  
27 In 2001, the Company returned \$944,000 to the Excess Revenue Account. As described  
28 on page 73 of the pre-filed evidence of Mr. Barry Perry, the Company is proposing that  
29 the 2001 excess revenue be applied to reduce revenue requirements by \$472,000 in each  
30 of the years 2003 and 2004. This will result in lower rates to customers over this two  
31 year period.