

**Q. Exhibit BVP-17, page 4, states that since 1998 the automatic adjustment formula has forecast a cost of common equity that is below that forecast by similar mechanisms created by the NEB and BCUC. Are these the only other two automatic adjustment formulas in use in Canada? If not, provide details of other formulas in use including the cost of common equity that they have forecasted since 1998.**

**A.** Newfoundland Power is aware of at least three other jurisdictions that are using, or have used, automatic adjustment mechanisms to forecast the cost of common equity. These jurisdictions are the Manitoba Public Utilities Board, the Ontario Energy Board and the Regie de L'Energie (Quebec).

The methodologies used by these regulators are similar to the one used by the British Columbia Utilities Commission (BCUC) and the National Energy Board (NEB). Attachment A contains details regarding the formula used by the Manitoba Public Utilities Board, as described in Section 14 of their Board Order No. 49/95, pages 42 to 52. Attachment B contains details regarding the formula used by the Ontario Energy Board. The Company does not have detailed information regarding the formula used by the Regie de L'Energie.

Table 1 below contains a summary of approved returns on common equity for rate-making purposes for selected utilities under the jurisdiction of the Manitoba Public Utilities Board, the Ontario Energy Board and the Regie de L'Energie for the years 1998 to 2002.

<b>Table 1</b> <b>Approved Returns on Common Equity</b> <b>For Rate-Making Purposes<sup>1</sup></b> <b>1998 – 2002</b>					
<b>Regulator/Utility</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<i>Manitoba Public Utilities Board</i> Centra Gas Manitoba	9.91%	9.91%	9.91%	9.91%	9.91%
<i>Ontario Energy Board</i> Consumers Gas	10.30%	9.51%	9.73%	9.54%	- <sup>2</sup>
Union Gas	10.53% <sup>3</sup>	9.61%	9.95%	9.95%	9.95%
Hydro One	--	9.35%	9.88%	9.88%	9.88%
<i>Regie de L'Energie</i> Gaz Metropolitan	10.75%	9.64%	9.72%	9.60%	9.67%

<sup>1</sup> Source: DBRS Credit Analysis Reports.

<sup>2</sup> ROE for 2002 not yet approved. A decision is pending.

<sup>3</sup> Weighted average ROE for Union Gas & Centra Gas Ontario. Approved ROE for Union Gas alone in 1998 was 10.44%.