

1   Q.    Is the determination of the proposed return on equity effected by the fact that  
2        Hydro is not a private, investor owned utility? **(JCR p. 11, line 6)**

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5   A.    The relevance of whether a company is public or private, to the question of  
6        return on equity, is based on the extent to which the shareholder can  
7        influence the business risk faced by the company. While it is true for  
8        example, that business risk to a public company can be influenced by the  
9        fact that the shareholder has legislative authority, it is also true that some  
10       private companies, because of their relative size, can influence public policy,  
11       and hence their own business risk. In the case of Hydro's shareholder, the  
12       Province not only has to consider its investment in Hydro, but also its  
13       constituents, who are likely to be direct or indirect customers of Hydro.  
14       Therefore, there is an incentive for Government to act in a manner which  
15       does not favour itself as shareholder at the expense of ratepayers. The fact  
16       that Hydro is a public company, was taken into account in concluding that  
17       Hydro faces no less business risk than the typical investor-owned electric  
18       utility in Canada, including Newfoundland Power.