

1 **Q. Volume 3, Appendix A, Page 24, lines 15 to 16 of NP’s application state:**
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3 **“Concentric concludes that Newfoundland Power has above average**
4 **business risk compared to other Canadian electric utilities”**
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6 **First, please confirm that the table below is currently accurate. If this cannot be**
7 **confirmed, please explain.**
8

	(a)	(b)	(c)	(d)	(e)	(g) Average of columns (a) through (e)	(h)
	<u>ATCO</u>	<u>Nova Scotia</u>	<u>Fortis</u>	<u>Fortis BC</u>	<u>Maritime</u>	<u>Comparator</u>	<u>NP</u>
	<u>Electric</u>	<u>Power</u>	<u>Alberta</u>	<u>Electric</u>	<u>Electric</u>	<u>Group Average</u>	<u>Proposed</u>
Common Equity	38.00%	37.50%	40.00%	40.00%	41.90%	39.48%	45.00%
Return on Equity	8.30%	9.00%	9.00%	9.15%	9.75%	9.04%	9.50%
Weighted Average Return on Equity	3.15%	3.38%	3.60%	3.66%	4.09%	3.57%	4.28%

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11 **Second, please reconcile the statement by Concentric with the level of return**
12 **requested by NP relative to the returns of these above Canadian Utilities.**
13

14 A. The information in the table is correct with the exception of the Return on Equity for
15 FortisAlberta, which is currently 8.30%.
16

17 Concentric’s ROE and capital structure recommendation is fully supported by our risk
18 analysis showing that Newfoundland Power has above average business risk compared to
19 other investor-owned Canadian electric utilities. In particular, on pages 18-25 of
20 Appendix A, Concentric presents a comparison of the business risk of Newfoundland
21 Power to that of other Canadian investor-owned electric utilities. As discussed in that
22 section of Appendix A, factors contributing to this higher risk profile of Newfoundland
23 Power include the Company’s small size, dependence on one supplier, weather and storm
24 related risk, and weaker macroeconomic and demographic trends as compared to the
25 remainder of Canada.