

1 **Q. Reference: CA-NP-078**  
2

3 **Could Mr. Coyne please repeat the following analyses for the Canadian proxy**  
4 **groups, after removing Valener from the Canadian proxy group:**  
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- 6 **a) ROE using constant-growth DCF (on page 2 of Exhibit JMC-3)**
- 7 **b) ROE using multi-stage-growth DCF (on page 2 of Exhibit JMC-4)**
- 8 **c) Allowable ROE and Equity Ratio comparisons – Appendix A, Exhibit JMC-1**
- 9 **d) Credit metric comparisons – Appendix A, Exhibit JMC-2**

10  
11 **A.** Please see Attachment A to this response.  
12

13 While Mr. Coyne has provided the requested information, he does not agree that it is  
14 appropriate to remove Valener from the Canadian proxy group. Given the small number  
15 of publicly-traded utilities in Canada, the removal of Valener from the Canadian proxy  
16 group results in a group consisting of only three companies. Further, one of those three  
17 companies, Enbridge, Inc., is not engaged in the electric utility business through any of  
18 its subsidiaries. In the case of Valener, while the electric utility business does not  
19 represent a significant portion of its regulated operating income, Valener does own Green  
20 Mountain Power and Central Vermont Public Service, both of which provide electric  
21 utility service in the state of Vermont. For all of these reasons, Mr. Coyne believes it is  
22 reasonable to place greater weight on the results of the North American electric utility  
23 proxy group, which consists of seven U.S. electric utilities and two Canadian utilities that  
24 are primarily engaged in the provision of electric utility service, because these companies  
25 are more representative of Newfoundland Power.

**Proxy Group Statistics**

**90-DAY CONSTANT GROWTH DCF -- CANADIAN PROXY GROUP**

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	
Company	Ticker	Annualized Dividend	Stock Price	Dividend Yield	Expected Dividend Yield	Zacks EPS Growth	SNL EPS Growth	Value Line EPS Growth	First Call Growth	Average Growth Rate	Low DCF ROE	Mean DCF ROE	High DCF ROE
Canadian Utilities Limited	CU	\$1.18	\$35.79	3.30%	3.37%	N/A	3.60%	N/A	4.78%	4.19%	6.96%	7.56%	8.16%
Emera Incorporated	EMA	\$1.60	\$43.69	3.66%	3.78%	N/A	6.60%	N/A	5.99%	6.30%	9.76%	10.07%	10.38%
Enbridge Inc.	ENB	\$1.86	\$54.98	3.38%	3.61%	12.00%	N/A	10.50%	18.40%	13.63%	14.06%	17.25%	22.09%
MEAN				3.45%	3.59%	12.00%	5.10%	10.50%	9.72%	8.04%	10.26%	11.63%	13.54%
Flotation Costs											0.50%	0.50%	0.50%
											10.76%	12.13%	14.04%

Notes:

- [1] Source: Bloomberg Professional
- [2] Source: Bloomberg Professional, 90-day average as of August 31, 2015
- [3] Equals [1] / [2]
- [4] Equals [3] x (1 + 0.5 x [9])
- [5] Source: Zacks at August 31, 2015
- [6] Source: SNL Financial Median Long-Term EPS Growth Rate as of September 21, 2015
- [7] Source: Value Line
- [8] Source: Yahoo! Finance at August 31, 2015
- [9] Equals Average([5], [6], [7], [8])
- [10] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7], [8])) + Minimum([5], [6], [7], [8])
- [11] Equals [4] + [9]
- [12] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7], [8])) + Maximum([5], [6], [7], [8])

### 90-DAY MULTI-STAGE DCF -- CANADIAN PROXY GROUP

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	
Company	Ticker	Annualized Dividend	Stock Price	Growth Rate, Years 1-5	Year 6	Year 7	Year 8	Year 9	Year 10	GDP Growth (perpetuity)	ROE
Canadian Utilities Limited	CU	\$1.18	\$35.79	4.19%	4.15%	4.11%	4.06%	4.02%	3.98%	3.94%	7.54%
Emera Incorporated	EMA	\$1.60	\$43.69	6.30%	5.90%	5.51%	5.12%	4.72%	4.33%	3.94%	8.52%
Enbridge Inc.	ENB	\$1.86	\$54.98	13.63%	12.02%	10.40%	8.79%	7.17%	5.55%	3.94%	10.45%
MEAN				8.04%	7.36%	6.67%	5.99%	5.31%	4.62%	3.94%	8.84%
Flotation Costs											0.50%
											9.34%

Notes:

- [1] Source: Bloomberg Professional
- [2] Source: Bloomberg Professional, 90-day average as of August 31, 2015
- [3] Source: Constant Growth DCF
- [4] Equals [3] - ([3] - [9]) / 6
- [5] Equals [4] - ([3] - [9]) / 6
- [6] Equals [5] - ([3] - [9]) / 6
- [7] Equals [6] - ([3] - [9]) / 6
- [8] Equals [7] - ([3] - [9]) / 6
- [9] Consensus Economics Inc., Consensus Forecasts, April 13, 2015, at 28.
- [10] Internal rate of return

**Proxy Group Stats**

U.S. Proxy Group	S&P Rating	Bloomberg Beta [2]	Operating Company	Authorized ROE	Allowed Equity Ratio	Decision Date
ALLETE, Inc.	BBB+	0.71	Minnesota Power	10.38%	54.29%	11/2/2010
Duke Energy Corporation	A-	0.49	Duke Energy Florida	10.50%	46.74%	3/5/2010
			Duke Energy Indiana	10.50%	44.44%	5/18/2004
			Duke Energy Kentucky	N/A [1]	N/A [1]	12/21/2006
			Duke Energy Carolinas - NC	10.20%	53.00%	9/24/2013
			Duke Energy Carolinas - SC	10.20%	53.00%	9/11/2013
			Duke Energy Ohio	9.84%	53.30%	5/1/2013
Eversource Energy	A	0.65	Connecticut Light and Power	9.17%	50.38%	12/17/2014
			NSTAR Electric	10.50%	N/A [1]	12/30/2005
			Public Service of New Hampshire	9.67%	52.40%	6/28/2010
			Western Mass. Electric	9.60%	50.70%	1/31/2011
Great Plains Energy Inc.	BBB+	0.72	Kansas City Power and Light - KS	9.30%	50.48%	9/10/2015
			Kansas City Power and Light - MO	9.50%	50.09%	9/2/2015
OG&E Energy Corporation	A-	0.77	Oklahoma Gas and Electric - OK	10.20%	N/A [1]	7/9/2012
Pinnacle West Capital Corp.	A-	0.69	Arizona Public Service	10.00%	53.94%	5/15/2012
Westar Energy, Inc.	BBB+	0.65	Kansas Gas and Electric	10.40%	50.13%	1/27/2010
			Westar Energy	10.00%	52.63%	11/21/2013
Average	A-	0.67		10.00%	51.11%	

Canadian Proxy Group	S&P Rating	Bloomberg Beta [2]	Operating Company	Authorized ROE	Deemed Equity Ratio	Decision Date
Canadian Utilities	A	0.68	ATCO Electric Distribution	8.30%	38.00%	3/23/2015
Emera Corp.	BBB+	0.59	Nova Scotia Power Inc.	9.00%	37.50%	12/21/2012 also has 3.8% preferred
Enbridge, Inc.	A-	1.05	Enbridge Gas Distribution, Inc.	9.30%	36.00%	11/20/2014
Average	A-	0.77		8.87%	37.17%	
Fortis, Inc.	A-	0.48	Newfoundland Power	8.80%	45.00%	4/17/2013

Notes:

[1] Not specified in most recent rate case, which was resolved through settlement agreement.

[2] Bloomberg beta as of July 31, 2015.

<b>Company Name</b>	<b>Ticker</b>	<b>Debt to Capital Ratio</b>	<b>EBITDA to Interest Coverage</b>	<b>FFO to Interest Coverage</b>	<b>FFO / Debt (%)</b>	<b>Debt to EBITDA</b>
Newfoundland Power		[1] 55%	4.52	3.61	17.5%	3.30
		U.S. Proxy Group				
ALLETE, Inc.	ALE	49%	4.92	3.90	18.9%	4.19
Duke Energy Corporation	DUK	53%	4.42	3.95	18.4%	4.86
Eversource Energy	ES	53%	5.18	4.07	16.5%	4.75
Great Plains Energy Inc	GXP	57%	4.13	3.15	16.5%	4.60
OG&E Energy Corp	OGE	49%	5.78	4.86	25.8%	3.26
Pinnacle West Capital Corp	PNW	48%	5.12	3.89	25.7%	2.95
Westar Energy, Inc	WR	56%	4.68	3.67	19.4%	4.04
U.S. Proxy Group		52%	4.89	3.92	20.2%	4.09
		Canadian Proxy Group				
Canadian Utilities Limited	CU	63%	3.69	4.48	13.4%	5.18
Emera Incorporated	EMA	59%	5.13	5.13	17.8%	4.19
Enbridge Inc.	ENB	69%	3.55	2.57	10.0%	7.25
Canadian Proxy Group		63%	4.12	4.06	13.7%	5.54

**Notes & Sources:**

Unless otherwise noted, all values are based on Standard and Poor's adjusted credit metrics for the holding-company

[1] Provided by Newfoundland Power in response to data request.

[2] Credit metrics for Valener are for 2013; the S&P report does not include interest coverage metrics for Valener.