

1 **Q. Reference: Dr. Booth Evidence, Schedule 7: Please explain why Dr. Booth**
2 **believes it is appropriate to compare the earned ROE for Newfoundland Power at**
3 **the operating company level to the earned ROE for Fortis, Inc. and the U.S. proxy**
4 **group at the holding company level.**

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6 A. If the CAPM and DCF estimates of Mr. Coyne's US sample are to be used as
7 proxies for NP, it follows that it useful to look at the variability risk in their ROEs. If
8 these are not similar, there is no reason to believe their DCF and CAPM equity cost
9 estimates are similar either.

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11 Fortis' data is useful since it indicates how the rating agencies evaluate NP's ultimate
12 parent, given that it is financing NP with only 35% common equity.