

1 Q. Page 26: Please explain the basis for the selection of the utilities in the U.S  
2 and Canadian Groups in Table 8 and their comparability to Newfoundland Power  
3 for the purpose of assessing Newfoundland Power's business risks.

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5 A. The purpose of Dr. Cleary's analysis reported in Table 8 was to provide  
6 quantitative evidence to evaluate Mr. Coyne's claims that NP had higher business risk  
7 than both his Canadian proxy group and his U.S. proxy group. In order to avoid debate  
8 over Dr. Cleary's sample choices, he used the same companies for comparables as Mr.  
9 Coyne.

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11 The three Canadian utilities examined in Table 8 were the operating companies of three  
12 of the Canadian utilities that Mr. Coyne included in his Canadian proxy group. Dr. Cleary  
13 was unable to find the required information in public annual reports at the operating level  
14 for the operating company of CU Ltd. that was referenced by Mr. Coyne (ATCO  
15 Electricity Distribution).

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17 Table 8 has the results for six of the seven U.S. utilities that Mr. Coyne included in his  
18 U.S. proxy group – with Eversource being left out since data was not available for them  
19 in the Compustat database used by Dr. Cleary. As mentioned, in order to avoid debate  
20 over sample selection, Dr. Cleary used information for the companies that were chosen  
21 by Mr. Coyne even though all seven are holding companies, most of which are involved  
22 heavily in transmission as well as distribution, and even though six of them (with  
23 Eversource being the lone exception) have a significant amount of assets devoted to  
24 generation.

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26 Not surprisingly, Dr. Cleary's evidence shows clearly that NP had significantly lower  
27 volatility in operating income than all of the utilities included in Mr. Coyne's U.S. proxy  
28 group, which shows that they have much higher business risk. As a result, Dr. Cleary

- 1 does not use the U.S. sample when further analyzing NP's business and financial risk –
- 2 since they are not good comparators.