Apr	il 4, 2016		NL Power GRA 2016
	Page 1		Page 3
1	(9:12 a.m.)	1	MR. COYNE:
1 2	CHAIRMAN:	2	A. No, no changes.
3	Q. So good morning everybody. We're ready to	3	KELLY, Q.C.:
4	continue our hearing and we're now dealing	4	Q. Thank you. Now Mr. Coyne, since this is the
5	with cost of capital, and I understand our	5	first time that you've testified before this
6	first witness is Mr. Coyne. Is that	6	Board, perhaps you can begin by telling us a
7	correct, sir?	7	little bit about your own background and
'	MR. COYNE:	'	· · · · · · · · · · · · · · · · · · ·
0		8 9	then Concentric Energy Advisors? MR. COYNE:
9	A. Yes, sir.	1 1	
10	CHAIRMAN:	10	A. Sure, I'd be glad to. Well first of all,
111	Q. Do you wish to use the Bible, sir, or	11	good morning, Commissioners. This is my
12	otherwise?	12	first time testifying before this Board. I
13	MR. COYNE:	13	appreciate the opportunity to be here and
14	A. I'm comfortable with the Bible.	14	now experiencing a St. John's spring
15	CHAIRMAN:	15	firsthand.
16	Q. Okay, sir.	16	CHAIRMAN:
17	MR. JAMES COYNE (SWORN) EXAMINATION-IN-CHIEF BY IAN	17	Q. It's a rare treat, isn't it?
18	KELLY, Q.C.	18	MR. COYNE:
19	CHAIRMAN:	19	A. It is. Makes Boston almost look warm. The—
20	Q. You are now sworn, sir.	20	I have—in terms of my background, and maybe
21	MR. COYNE:	21	we could just put up for reference the back
22	A. Thank you.	22	page of my CV which I think summaries the—my
23	CHAIRMAN:	23	experience. I have over 30 years of
24	Q. I think we're over to you, sir.	24	professional experience in the energy and
1	KELLY, Q.C.:	25	utility sectors.
-	* *		·
	Page 2	1	Page 4
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		Page 5			Page 7
1	Q. Sorr	ry about that.	1	KELLY, Q.C	···
2	MR. COYNE:		2	Q.	Okay. Now next, just explain briefly the
3	A. Righ	nt, thank you. So as—in sum I have over	3		purpose of the evidence that you filed in
4	30 y	rears of professional experience in the	4		this proceeding.
5	ener	gy and utility sectors. I began my	5	MR. COYNE	B:
6	care	er coming out of graduate school working	6	A.	Surely. The purpose of my evidence is
7	as ar	n energy economist for the State of	7		threefold. One is to estimate a return on
8	Mai	ne. And there I worked on regulatory and	8		equity and capital structure for
9	poli	cy matters affecting the State's	9		Newfoundland Power that will satisfy the
10	cons	sumers. From there I worked as a	10		fair return standard consistent with both
11	regu	llatory staffer for the Massachusetts	11		Canadian legal and regulatory precedent
12	Ener	rgy Facility Siting Council, and there I	12		which specifies three conditions. Those
13	was	responsible for approving the supply and	13		three conditions as this Board is well aware
14	dem	and forecast for the State's gas and	14		are comparable returns to those of like risk
15	elec	tric utilities, and also project	15		securities sufficient to enable the
16	prop	oosals from their gas and electric	16		financial integrity of the regulated
17	utili	ties that would be built and put into	17		enterprise, and also permit incremental
18	rate	base for the State's utilities. I went	18		capital to be attracted on reasonable terms.
19	on to	o work developing and publishing	19		And these conditions must be met both
20	fore	casts of North American energy markets,	20		individually and collectively. In doing so
21	wor	king for McGraw-Hill, and then served as	21		I also consider the company's financial and
22	man	ager of corporate planning and investor	22		risk characteristics on a standalone basis
23	relat	tions for an integrated energy company.	23		as is the practice of this commission and
24	Fror	n there I returned to consulting where	24		others in Canada. And thirdly, I consider
25	for t	he past 20 years I've worked in roles	25		the broad macroeconomic environment in
		Page 6			Page 8
1	stud	ying energy and capital markets and	1		Newfoundland, Canada, and the US that frames
2	wor	king with a broad array of clients in	2		the investment environment for utilities in
3	Nor	th America on matters of rate regulatory	3		general and Newfoundland Power specifically.
4	poli	cy, cost of capital, finance,	4	KELLY, Q.C.:	
5	trans	sactions and planning. I provided	5	Q.	Okay well, let's start there with the
6	expe	ert testimony on these and related	6		macroeconomic and financial market
7	matt	ters where my work is pretty much evenly	7		conditions and perhaps you can explain to us
8	divi	ded between US and Canadian	8		the state of the economic conditions which
9	juris	sdictions. My educational background	9		are relevant?
10	incl	udes a Bachelor's Degree in Business and	10	MR. COYNE:	
11	Eco	nomics; and a Master's Degree in Natural	11	A.	Sure. Yeah, generally speaking the global
12	Rese	ource Economics. I've also passed	12		economic and capital market conditions today
13		rity examinations that qualify me to act	13		I would say are moderate—modestly more
14		registered securities representative	14		favourable today than when the company last
15		supervisor of other security	15		filed its GRA in September 2012. In
16	-	essionals in the US. Turning to my	16		aggregate, although the outlook is mixed and
17		, my firm specializes in North American	17		it's certainly varies by-both by country and
18		gy, the North American energy and	18		by region on a global basis, let me first
19		ties industries. We're a firm of	19		address the situation in the US. And I
20	* *	roximately 60 professions focused on	20		thought what I might do is just compare the
21		lied economics, finance, and regulatory	21		US and Canada with one exhibit which I will
22		isory services to clients in the energy	22		acknowledge may be difficult to read, but if
23		utility sectors. We work for utilities,	23		I could focus your attention on columns 5
24	_	lic agencies, consumers and investors on	24		and 6 initially –
1	thes	e matters.	25	KELLY, Q.C.:	
25	ulles	o matters.			

Page 1 1 Q. And if I can just stop you, this is Exhibit 2 JMC 1 in your material? 3 MR. COYNE: 3 MR. COYNE: 5 KELLY, Q.C.: 6 Q. Okay. 6 C. Okay. 7 MR. COYNE: 8 A. And if I could focus your attention for a moment on columns 5 and 6, if you can make that out, what I've tracked there are 25 years of economic indicators for the 12 Canadian and US economy, and I would just 13 like to refer to those for a moment. And if 1 you go down to the end of the recession in the 2008 and '09 period, what you'll see for 16 the US, and that's in column 6, is that real 17 GJDP has grown by anywhere between 2 and 24. It is the US, and that's in column 6, is that real 18 percent page year. There was a solid growth countination of 24 percent in 2015. You can't see that not this chart because at the time I presented my evidence I didn't have that number. And expectations called for growth neur these levels in the near term 24 even though weakness in China and soft oil 23 growth neur these levels in the near term 24 even though weakness in China and soft oil 25 and gas proses were also having an effect on 25 keLLY, Q.C.: Page 10 the US economy. Nonetheless, the US is moving close to full employment of five even though weakness in China and soft oil 25 enter the supplement of five percent, and this has supported the fed's cautionary increases and short-term interest 5 rates as it riased the rate in December, and 6 if she first time if's raised that rate 10 economian 5 to show that what you can see is that Canada and the US pretty much left the 12 reception—from the recession with GDP growing between 1.8 and 3.2 percent for 22 economies have the write west for both economies swa 2.4 percent for 22 could pull up a referent correlation and indicating to me two occurrences in some of these key indicators. The control of the trate in December, and 15 the first time if's raised that rate in 25 economies have the review for your point on this chart bond yields there's been a 97 progressive, albeit humpy, recovery from the 12 reception—from t	Apr	11 4, 2016			NL Power GRA 2016
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	23		recovering from the recession and at very	23	by the company, and this is the most recent
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	1 25		economies have been impacted by the downturn	25	look at the regional economies and compare

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	Page 13		Page 15
1	them on a province-to-province basis. I	1	companies are paying for this debt if you
2	think you probably heard this outlook, but	2	take the difference between that government
3	the outlookthey characterized the outlook	3	bond yield in these spreads, it narrows the
4	for Newfoundland and Labrador as being grim.	4	difference to what they're actually paying
5	The Newfoundland economy is being hurt more	5	for capital or debt capital in this case to
6	by others by the soft oil prices with real	6	about 11 basis points. So they're nearly
7	GDP declining by 5.4 percent in 2015 and	7	identical at this period of time. And as I
8	projected to just positive in 2016, and a	8	mentioned, it's important to note that these
9	modest 1.1 percent growth in 2017. This is	9	spreads are widening and you can see the
10	the weakest near term economic outlook in	10	upward trend in these spreads. And that's
11	all of Canada.	11	indicating bond investors are requiring more
12	KELLY, Q.C.:	12	compensation for utility risk, and we're
13	Q. Okay. Now next let's turn to the financial	13	also seeing that true for corporate risk,
14	markets, and perhaps you can explain to us	14	than they did in 2012, both in relative and
15	where they are at this point in time?	15	absolute terms. And if I could turn to
16	(9:30 a.m.)	16	Figure 5, where I updated another chart in
17	MR. COYNE:	17	the Rebuttal Evidence, here what you can see
18	A. Sure. On the issue of interest rates which	18	is what utility investors or debt investors
19	factors directly into my analysis, there is	19	are requiring in terms of returns for A
20	currently a 46 basis point differential	20	rated, Canadian A rated utility and
21	between the US and Canadian long-term	21	corporate bond yields. And you can see that
22	government bond yield, but corporate and	22	they're moving pretty much in lock step over
23	utilities spreads over government bond	23	the last few years, and what you can see
24	yields are higher in Canada than they are in	24	again is they bottomed out earlier in this
25	the US. And what I'd like to refer to is	25	year. They were soft in 2012, they went up
F	Page 14	H	Page 16
1	Figure 3 submitted in my Rebuttal Evidence	1	again, they came down again and now they've
1	•	1	agam, mey came down agam and now mey ve
	which undates a slide pertaining to these	1 2	since moved up again to the point where the
$\frac{1}{3}$	which updates a slide pertaining to these	2	since moved up again to the point where the
3	spreads. So what you can see there is the	3	cost of utility debt, long-term debt for a
3 4	spreads. So what you can see there is the two blue lines on the bottom of the chart	3 4	cost of utility debt, long-term debt for a Canadian utility is now higher today than it
3 4 5	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the	3 4 5	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is
3 4 5 6	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the price of the long-term utility and A and	3 4 5 6	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is that Canadian and US utilities are paying
3 4 5 6 7	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the price of the long-term utility and A and triple B rated bond yields over and above	3 4 5 6 7	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is that Canadian and US utilities are paying about the same for the long-term debt, but
3 4 5 6 7 8	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the price of the long-term utility and A and triple B rated bond yields over and above government bond yields in both Canada and	3 4 5 6 7 8	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is that Canadian and US utilities are paying about the same for the long-term debt, but both are paying slightly more than they did
3 4 5 6 7 8 9	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the price of the long-term utility and A and triple B rated bond yields over and above government bond yields in both Canada and the US. I focus principally on the A rated	3 4 5 6 7 8 9	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is that Canadian and US utilities are paying about the same for the long-term debt, but both are paying slightly more than they did in 2012. We can directly observe these
3 4 5 6 7 8 9 10	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the price of the long-term utility and A and triple B rated bond yields over and above government bond yields in both Canada and the US. I focus principally on the A rated bond yield because that's principally where	3 4 5 6 7 8 9 10	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is that Canadian and US utilities are paying about the same for the long-term debt, but both are paying slightly more than they did in 2012. We can directly observe these costs for debt, but there's no reason to—but
3 4 5 6 7 8 9 10	spreads. So what you can see there is the two blue lines on the bottom of the chart are demoting the spreads and that is the price of the long-term utility and A and triple B rated bond yields over and above government bond yields in both Canada and the US. I focus principally on the A rated bond yield because that's principally where these utilities trade, and what you can see	3 4 5 6 7 8 9 10 11	cost of utility debt, long-term debt for a Canadian utility is now higher today than it was back in 2012. So the bottom line is that Canadian and US utilities are paying about the same for the long-term debt, but both are paying slightly more than they did in 2012. We can directly observe these costs for debt, but there's no reason to—but there's no reason to believe that it's not
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Page 19 1 different perspectives as described in 2 Appendix A of my October report, the Risk 3 Appendix. A of my October report, the Risk 4 threefold. One is a companison of the 4 threefold. One is a companison of the 5 company's risk today versus the last GRA 5 investment is ultimately spread across 6 filling in September 2012; secondly, a 6 approximately 25 billion dollars 17 companison of Newfoundland Power to other 18 investor-awned utilities in Canadia; and then 2 threefold. One of the world of North American utility 2 threefold. One of the world of North American utility 2 threefold. One of the world of North American utility 2 threefold. One of the world of North American utility 2 threefold. One of the world of North American utility 2 threefold. One of the world of North American utility 2 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 3 threefold. One of the world of North American utility 4 threefold. One of the Support of the world of North American utility 4 threefold. One of the Support of the Support of the world of North American utility 4 threefold. One of the Support of the Companison in American utility 4 threefold. One of the Support of the North American	Apri	14, 2010				NL FOWEI GRA 2010
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5 company's risk today versus the last GRA 6 filing in September 2012; secondly, a 7 comparison of Newfoundland Power to other 8 investor-owned utilities in Canada; and then 9 thirdly, a comparison to a group of 10 comparable electric utilities in the US. 11 When I do this analysis, I find higher 12 business risk today than in 2012, and the 13 reason for that is that the company is 14 exposed to more risk due to changes in the 15 company's electric supply from Newfoundland 16 and Labrador Hydro particularly in terms of 17 cost, and I'll come back to that. It also 18 is exposed to more risk as a result of a 19 weakened economy. Both of these factors 20 place Newfoundland Power in unique and 21 higher risk position than its Canadian and 22 US peers. I also find it to have comparable 23 financial risk to its Canadian peers with 24 its higher equity ratio offsetting somewhat 25 weaker credit metries on two counts, but I 26 than its Canadian peers with 27 relation to the US peer group, I find that 28 its weaker eardit metries on two counts, but I 29 place Newfoundland Power in toils smaller 30 also find that it has higher business risk 4 its weaker condinic peers due to its smaller 31 also find that it has higher business risk 4 the company has greater financial and 4 the weaker conomic and demographic 5 weaker conomic and demographic 6 findamentals. The third comparasion in 7 relation to the US peer group, I find that 18 the company has greater financial and 9 business risk in relation to its US peer 19 put the Muskrat Falls project in perspective on 10 how that affects the relationship? 11 MR.COYNE: 12 Charles The American and the financial risk of the combined from the supporting customers who will a the company and the 19 put the Muskrat Falls project in perspective on 10 put the Muskrat Falls project in perspective on 10 put the Muskrat Falls project in perspective on 11 how that affects the relationship? 12 charlies and the firm of the fir	3	Appendix. Those perspectives a	gain are	3		approximately 2.5 billion dollars
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14 exposed to more risk due to changes in the 15 company's electric supply from Newfoundland 15 The largest other megaproject that I am and Labrador Hydro particularly in terms of 16 aware of in our work is OPG's refurbishment 17 cost, and I'll come back to that. It also 17 of its four unit Darlington Nuclear Station. 18 is exposed to more risk as a result of a weakened economy. Both of these factors 19 billion dollars currently. So 9 versus 20 place Newfoundland Power in a unique and 21 thing the projected to cost 12.8 this is equivalent to OPG's existing 12.8. This is equivalent to OPG's existi	12	business risk today than in 2012,	and the	2		this is a megaproject, I am aware of of this
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electricity supply and cost associated with that, and we certainly know Muskrat Falls is coming. Can you give us your perspective on how that affects the relationship? MR. COYNE: A. Yes. I thought it might be of use to try to put the Muskrat Falls project in perspective from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in that, and we certainly know Muskrat Falls is than any other company we've analyzed in Canada or the US. One thing is clear, electricity prices will rise. Nalcor projects over 50 percent, and this creates both market and regulatory uncertainty for the company because the company and the Board only have so many tools available to you and the company in order to be able to manage these cost pressures. KELLY, Q.C.: KELLY, Q.C.: KELLY, Q.C.: So what are your conclusions then about risk and capital structure?	11	KELLY, Q.C.:	11	1		future. It's within the near-term planning
that, and we certainly know Muskrat Falls is coming. Can you give us your perspective on how that affects the relationship? MR. COYNE: A. Yes. I thought it might be of use to try to put the Muskrat Falls project in perspective from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in that, and we certainly know Muskrat Falls is coming. Can you give us your perspective on location in the US. One thing is clear, electricity prices will rise. Nalcor projects over 50 percent, and this creates both market and regulatory uncertainty for lacation in the company because the company and the Board only have so many tools available to you and the company in order to be able to manage these cost pressures. KELLY, Q.C.: KELLY, Q.C.: So what are your conclusions then about risk and capital structure?	12	Q. Okay. Now you spoke about ch	anges in 12	2		-
coming. Can you give us your perspective on how that affects the relationship? MR. COYNE: A. Yes. I thought it might be of use to try to put the Muskrat Falls project in perspective of from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in the service in 2018, although I understand there's some uncertainty regarding the cost 15 electricity prices will rise. Nalcor projects will rise. Nalcor 16 projects over 50 percent, and this creates both market and regulatory uncertainty for 18 the company because the company and the Board only have so many tools available to 20 you and the company in order to be able to 21 manage these cost pressures. 21 KELLY, Q.C.: 23 So what are your conclusions then about risk and capital structure?	13	electricity supply and cost association	iated with 13	3		than any other company we've analyzed in
coming. Can you give us your perspective on how that affects the relationship? MR. COYNE: A. Yes. I thought it might be of use to try to put the Muskrat Falls project in perspective of from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in the service in 2018, although I understand there's some uncertainty regarding the cost 15 electricity prices will rise. Nalcor projects will rise. Nalcor 16 projects over 50 percent, and this creates both market and regulatory uncertainty for 18 the company because the company and the Board only have so many tools available to 20 you and the company in order to be able to 21 manage these cost pressures. 21 KELLY, Q.C.: 23 So what are your conclusions then about risk and capital structure?	14	that, and we certainly know Mu	skrat Falls is 14	4		Canada or the US. One thing is clear,
17 MR. COYNE: 18 A. Yes. I thought it might be of use to try to 19 put the Muskrat Falls project in perspective 20 from an investor risk perspective. The 21 project is projected to cost approximately 22 nine point billion dollars when placed in 23 the service in 2018, although I understand 24 there's some uncertainty regarding the cost 17 both market and regulatory uncertainty for 18 the company because the company and the 19 Board only have so many tools available to 20 you and the company in order to be able to 21 manage these cost pressures. 22 KELLY, Q.C.: 23 Q. So what are your conclusions then about risk 24 and capital structure?	15		I	.5		electricity prices will rise. Nalcor
17 MR. COYNE: 18 A. Yes. I thought it might be of use to try to 19 put the Muskrat Falls project in perspective 20 from an investor risk perspective. The 21 project is projected to cost approximately 22 nine point billion dollars when placed in 23 the service in 2018, although I understand 24 there's some uncertainty regarding the cost 17 both market and regulatory uncertainty for 18 the company because the company and the 19 Board only have so many tools available to 20 you and the company in order to be able to 21 manage these cost pressures. 22 KELLY, Q.C.: 23 Q. So what are your conclusions then about risk 24 and capital structure?	16	how that affects the relationship	? 10	6		* *
A. Yes. I thought it might be of use to try to put the Muskrat Falls project in perspective from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in the service in 2018, although I understand there's some uncertainty regarding the cost 18 the company because the company and the Board only have so many tools available to you and the company in order to be able to 21 manage these cost pressures. 22 KELLY, Q.C.: 23 Q. So what are your conclusions then about risk and capital structure?	17	MR. COYNE:	17	7		both market and regulatory uncertainty for
from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in the service in 2018, although I understand there's some uncertainty regarding the cost projected to cost approximately manage these cost pressures. Z2 kELLY, Q.C.: Z3 Q. So what are your conclusions then about risk and capital structure?	18	A. Yes. I thought it might be of us	e to try to 18	8		
from an investor risk perspective. The project is projected to cost approximately nine point billion dollars when placed in the service in 2018, although I understand there's some uncertainty regarding the cost projected to cost approximately manage these cost pressures. Z2 kELLY, Q.C.: Z3 Q. So what are your conclusions then about risk and capital structure?	19	put the Muskrat Falls project in	perspective 19	9		Board only have so many tools available to
nine point billion dollars when placed in the service in 2018, although I understand there's some uncertainty regarding the cost	20	from an investor risk perspectiv	e. The 20	20		
the service in 2018, although I understand there's some uncertainty regarding the cost there's some uncertainty regarding the cost 24 C. So what are your conclusions then about risk and capital structure?	21			21		* *
24 there's some uncertainty regarding the cost 24 and capital structure?	22	nine point billion dollars when I	placed in 22	22	KELLY, Q.C.:	
	23	the service in 2018, although I	nderstand 23	23	Q.	So what are your conclusions then about risk
and the in-service date. The combined rate 25 MR. COYNE:	24	there's some uncertainty regard	ng the cost 2	24		and capital structure?
	25	and the in-service date. The con	nbined rate 25	25	MR. COYNE:	

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		Page 21		Page 23
1	A.	I conclude that the existing capital	1	to find comparable Canadian utilities I
2		structure is warranted by the company's risk	2	
3		profile. Any reduction in the equity	3	
4		component would send a negative message to	4	
5		credit rating agencies and debt investors	5	
6		and would expose equity investors to greater	6	
7		financial risk at a time of greater business	7	· ·
8		risk. In sum, maintaining the existing	8	*
9		capital structure reflects on financial	9	· · · · · · · · · · · · · · · · · · ·
10		management and it also reflects good	10	\mathcal{E}_{-1}
11		regulatory practice.	11	of equity. This is just before the average
12	KELLY, Q.C.		12	* * *
13		Finally then let's discuss your rate of	13	
14	Q.		13	<i>5</i>
1	MR. COYNE:	return analysis of that?		1 1 1
15		Sure. If I could turn to the October direct	15	•
16	A.		16	
17		filing in Figure 1 on page 3, where I	17	3
18		summarize our analysis and our results. As	18	, ,
19		described in detail in the October report, I	19	,
20		relied on three modeling approaches in three	20	
21		proxy groups for estimating the cost of	21	A. Yes, it does.
22		equity for the company. I believe it's	22	, <u> </u>
23		essential to use alternative models	23	, ,
24		especially in the current market environment	24	
25		to estimate the cost of equity. I also	25	Q. Mr. Johnson, I believe, sir, you are on.
		Page 22		Page 24
1		believe it's essential to draw upon market-	1	MR. JAMES COYNE, CROSS-EXAMINATION BY THOMAS JOHNSON,
2		based and transparent inputs to these models	2	Q.C.
3		so they can be appropriately reviewed and	3	JOHNSON, Q.C.:
4		critiqued both by regulators and by	4	Q. I am, I am. Just for the Commissioners, Dr.
5		stakeholders. There is an element of	5	Laurence Booth joins me at the table this
6		professional judgment in selecting inputs	6	morning.
7		and methods, but where possible, I've used	7	(9:45 a.m.)
8		market-based inputs or those from reliable	8	CHAIRMAN:
9		third-party sources to minimize any	9	Q. Yes.
10		potential for annalist bias in these	10	JOHNSON, Q.C.:
11		estimates. On the estimates you'll see a	11	Q. And behind him is Dr. Sean Cleary from
12		range of 9.0 percent on the low end to 12.8	12	Queen's University who will be testifying as
13		percent on the high end. Both of those	13	well. So Mr. Coyne, this is obviously your
14		highest and lowest estimates are coming from	14	first time testifying here, but I understand
15		the Canadian proxy group. My analysis of	15	you testify for other Fortis affiliates, is
16		the risk profiles and operating	16	that correct?
17		characteristics of these companies indicates	17	MR. COYNE:
18		the combination of the seven US utilities	18	A. Yes, I have.
19		and two Canadian utilities that would	19	JOHNSON, Q.C.:
20		satisfy my screen criteria, and the North	20	Q. Who have you testified for for other Fortis
21		American proxy group is the most	21	
		representative of Newfoundland Power. So I	22	companies? MR. COYNE:
1		TELLES PROPERTY OF THE WILLIAM AND POWER SOLL	22	IVIN AATINE
22		-	าา	
22 23		ultimately place greater weight on these	23	A. I have testified for FortisBC, and I've also
22		-	23 24 25	

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	Page 25		Page 27
1	JOHNSON, Q.C.:	1	Q. When did you begin giving cost to capital
2	Q. Okay. Were you involved in their most	2	evidence in regulatory proceedings?
3	recent case where their return on equity	3	MR. COYNE:
4	went down?	4	A. In Canada or in general?
l _	MR. COYNE:	5	JOHNSON, Q.C.:
5		1 .	
6	A. Which? Which case do you refer to?	6	Q. General.
1	JOHNSON, Q.C.:	7	MR. COYNE:
8	Q. Maritime Electric?	8	A. About ten years ago.
9	MR. COYNE:	9	JOHNSON, Q.C.:
10	Q. Yes, I was.	10	Q. Ten, okay. So you had no involvement on
11	JOHNSON, Q.C.:	11	that side of providing expert testimony
12	Q. Okay. It was down 40 basis points?	12	until ten years ago?
13	MR. COYNE:	13	MR. COYNE:
14	A. I believe that is correct, yes. That was a	14	A. I had been working on cost to capital issues
15	settlement as I recall for, I believe it's	15	for a much longer period of time, but in
16	for multiple years.	16	terms of expert testimony that's correct.
17	JOHNSON, Q.C.:	17	JOHNSON, Q.C.:
18	Q. Okay, so Fortis agreed that their return on	- 1	Q. Okay, and so in terms of your—what was your
19	equity should go down in that case from	19	first engagement in giving cost to capital
20	where it had been?	20	evidence in regulatory proceedings?
21	MR. COYNE:	$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$	MR. COYNE:
		- 1	
22	A. In the context of the settlement, apparently		A. I believe it was the—do you mean in Canada
23	SO.	23	or in general?
24	JOHNSON, Q.C.:	24	JOHNSON, Q.C.:
25	Q. Okay.	25	Q. In the United States, what was case was
	Page 26		Page 28
1	MR. COYNE:	1	that?
2	A. Yes.	2	MR. COYNE:
3	JOHNSON, Q.C.:	3	A. Well, I will look at the—my CV in the back,
4	Q. Yes. And so, you indicate that Concentric	4	but I think it might have been Aquarion
5	does work for groups, utilities, other	5	Water Company in Connecticut about ten years
6	groups. In terms of your expert testimony		1 3
7	groups. In terms of your expert testimony	1 6	ago.
1 /	· · · · · · · · · · · · · · · · · · ·	$\begin{vmatrix} 6 \\ 7 \end{vmatrix}$	ago. IOHNSON O C
\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	that you've been providing on cost to	7	JOHNSON, Q.C.:
8	that you've been providing on cost to capital, it's predominately for utilities,	7 8	JOHNSON, Q.C.: Q. 2007?
9	that you've been providing on cost to capital, it's predominately for utilities, is that correct?	7 8 9	JOHNSON, Q.C.: Q. 2007? MR. COYNE:
9	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE:	7 8 9 10	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right.
9 10 11	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true.	7 8 9 10 11	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.:
9 10 11 12	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.:	7 8 9 10 11 12	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes.
9 10 11 12 13	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes.	7 8 9 10 11 12 13	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE:
9 10 11 12 13 14	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE:	7 8 9 10 11 12 13 14	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes.
9 10 11 12 13 14 15	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board.	7 8 9 10 11 12 13 14 15	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.:
9 10 11 12 13 14	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board on this issue, provided them with an expert	7 8 9 10 11 12 13 14 15 16	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And when did first start giving cost to
9 10 11 12 13 14 15	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board.	7 8 9 10 11 12 13 14 15	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.:
9 10 11 12 13 14 15 16	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board on this issue, provided them with an expert	7 8 9 10 11 12 13 14 15 16	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And when did first start giving cost to
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9 10 11 12 13 14 15 16 17 18	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board on this issue, provided them with an expert report on this issue, but the testimony that I've done in Canada has been predominately	7 8 9 10 11 12 13 14 15 16 17 18	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And when did first start giving cost to capital expert evidence in Canada? MR. COYNE:
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9 10 11 12 13 14 15 16 17 18 19 20 21	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board on this issue, provided them with an expert report on this issue, but the testimony that I've done in Canada has been predominately for utilities. JOHNSON, Q.C.: Q. And the same is true in the United States on	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And when did first start giving cost to capital expert evidence in Canada? MR. COYNE: A. Oh I want to say that was about 2008 or '09. JOHNSON, Q.C.: Q. That's right. That would have been on
9 10 11 12 13 14 15 16 17 18 19 20 21 22	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board on this issue, provided them with an expert report on this issue, but the testimony that I've done in Canada has been predominately for utilities. JOHNSON, Q.C.: Q. And the same is true in the United States on cost to capital?	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And when did first start giving cost to capital expert evidence in Canada? MR. COYNE: A. Oh I want to say that was about 2008 or '09. JOHNSON, Q.C.: Q. That's right. That would have been on behalf of ATCO before the Alberta Utilities
9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	that you've been providing on cost to capital, it's predominately for utilities, is that correct? MR. COYNE: A. Yes, that's true. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. I have worked with the Ontario Energy Board on this issue, provided them with an expert report on this issue, but the testimony that I've done in Canada has been predominately for utilities. JOHNSON, Q.C.: Q. And the same is true in the United States on cost to capital? MR. COYNE:	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q.C.: Q. 2007? MR. COYNE: A. That would be about right. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And when did first start giving cost to capital expert evidence in Canada? MR. COYNE: A. Oh I want to say that was about 2008 or '09. JOHNSON, Q.C.: Q. That's right. That would have been on behalf of ATCO before the Alberta Utilities Commission?
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Page 29 Page 31					
2 combined electric utilities in Ontario was around the same timeframe. 4 JOHNSON, Q.C.: 5 Q. Okay, 1 think the record reflects that you— 6 that was in fact the first time you gave expert evidence was in front of the AUC. 8 MR. COYNE: 9 A. Well let me do this. Let me just go right to that record, so I can have it right on Front of me. So ATCO was 2008, and Ontario was 2009. So that's correct. 13 JOHNSON, Q.C.: 14 Q. Ves. In that Alberta case you gave cost of capital evidence. Your expert evidence was fee explicitly rejected by the Alberta Utilities Commission, was it not? 18 MR. COYNE: 19 A. I think that's a fairly broad statement. 20 Could you— 21 JOHNSON, Q.C.: 21 Q. Okay. 23 MR. COYNE: 24 Q. Okay. 25 MR. COYNE: 26 Q. Okay. 27 Q. Okay. 28 MR. COYNE: 29 Q. Okay. 30 MR. COYNE: 40 Q. Okay. 41 MR. COYNE: 41 Condul you— 42 A. There were many facets. There was evidence on both risk and cost of capital. 42 A. There were many facets. There was evidence on both risk and cost of capital. 43 MR. COYNE: 44 MR. COYNE: 45 A. That were explicitly rejected? 46 MR. COYNE: 47 Q. Okay. Can you recall any areas of your 20 devidence that was explicitly rejected? 46 MR. COYNE: 47 Q. Okay. Can you recall any areas of your 20 devidence that was explicitly rejected? 48 MR. COYNE: 49 A. That were explicitly rejected? 40 Q. You using adjusted betas in this proceeding, Yes. 40 Q. You using adjusted betas in this proceeding. Yes. 41 MR. COYNE: 42 Q. Vou using adjusted betas in this proceeding. Yes. 43 MR. COYNE: 44 A. Yes, I an using adjusting betas in this proceeding. Yes. 45 JOHNSON, Q.C.: 46 Q. Vou using adjusted betas in this proceeding. Yes. 46 JOHNSON, Q.C.: 47 Q. Okay. Can you recall any areas of your 2 devidence that was explicitly rejected? 48 MR. COYNE: 49 Q. Did you read this Sur-Rebuttal before today? 40 Q. Vou using adjusted betas in this proceeding. Yes. 40 Q. You using adjusted betas in this proceeding. Yes. 41 Q. No? Okay, we'll come to that in detail. 42 Q. You using adjusted betas in this proceeding. Yes. 43 MR. COYNE:			Page 29		Page 31
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14	12		was 2009. So that's correct.	12	the Commission, quote, says that—"The
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20 MR. COYNE: 21 A. Pardon me? 22 JOHNSON, Q.C.: 23 Q. Did you read the Sur-Rebuttal before today? 24 MR. COYNE: 25 Q. Did you read the Sur-Rebuttal before today? 26 Q. In economics? 27 A. And I had undergraduate training in finance and quantitative — 28 JOHNSON, Q.C.: 29 Q. In economics? 20 Q. In economics? 21 MR. COYNE: 22 A. And I had undergraduate training in finance and quantitative — 23 24 JOHNSON, Q.C.:	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A.	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE:
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22 JOHNSON, Q.C.: 23 Q. Did you read the Sur-Rebuttal before today? 24 MR. COYNE: 22 A. And I had undergraduate training in finance 23 and quantitative – 24 JOHNSON, Q.C.:	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE A. JOHNSON, Q MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that. C.: Did you read this Sur-Rebuttal before today?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE: A. My graduate-level training was in economics. JOHNSON, Q.C.:
23 Q. Did you read the Sur-Rebuttal before today? 23 and quantitative – 24 MR. COYNE: 24 JOHNSON, Q.C.:	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that. C.C.: Did you read this Sur-Rebuttal before today?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE: A. My graduate-level training was in economics. JOHNSON, Q.C.: Q. In economics?
24 MR. COYNE: 24 JOHNSON, Q.C.:	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE A.	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that. C.: Yes, I see that. C.: Did you read this Sur-Rebuttal before today? Pardon me?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE: A. My graduate-level training was in economics. JOHNSON, Q.C.: Q. In economics? MR. COYNE:
'\`	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE A. JOHNSON, Q Q.	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that. C.: Did you read this Sur-Rebuttal before today? Pardon me? C.:	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE: A. My graduate-level training was in economics. JOHNSON, Q.C.: Q. In economics? MR. COYNE: A. And I had undergraduate training in finance
25 A. Did I read it today? 25 Q. Okay.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. MR. COYNE A. JOHNSON, O Q.	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that. C.C.: Did you read this Sur-Rebuttal before today? Pardon me? C.: Did you read the Sur-Rebuttal before today?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE: A. My graduate-level training was in economics. JOHNSON, Q.C.: Q. In economics? MR. COYNE: A. And I had undergraduate training in finance and quantitative —
	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	Q. MR. COYNE A. JOHNSON, Q. MR. COYNE	Okay. Can you recall any areas of your evidence that was explicitly rejected? That were explicitly rejected? C.: Yes. I think the commission weighed our evidence along with other experts and accepted some and rejected others. C.: Okay. Could we bring up Dr. Booth's, Sur-Rebuttal? At page 12, line 17 Dr. Booth refers to the AUC. Yes, I see that. C.: Yes, I see that. C.: Did you read this Sur-Rebuttal before today? Pardon me? C.: Did you read the Sur-Rebuttal before today?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	MR. COYNE: A. Yes, I am using adjusting betas in this proceeding. Yes. JOHNSON, Q.C.: Q. And that would be again on the premise that utilities over time would be as risky as the market as a whole? MR. COYNE: A. No. JOHNSON, Q.C.: Q. No? Okay, we'll come to that in detail. MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. Have you taken any graduate-level training in the cost of capital financial markets? MR. COYNE: A. My graduate-level training was in economics. JOHNSON, Q.C.: Q. In economics? MR. COYNE: A. And I had undergraduate training in finance and quantitative — JOHNSON, Q.C.:

I MR. COYNE: 2 A. Quantitative economic training and macro and microeconomic training as a graduate student, and again a series of examinations in broad securities issues. 5 JOHNSON, Q.C.: 7 Q. So in terms of — 8 MR. COYNE: 9 A. As a professional. 10 JOHNSON, Q.C.: 10 JOHNSON, Q.C.: 11 Q. In terms of your—I understand you took a Master's of Science from the University of 13 New Hampshire in resource economics? 14 MR. COYNE: 15 A. Yes. 16 JOHNSON, Q.C.: 17 Q. What was the thesis area? 18 MR. COYNE: 19 A. My thesis area was a bio-economic-my thesis area was a bio-economic model. It studied 12 the relationships between markets for 22 fisheres and proces set in these markets of 23 and how they came together and ultimately it was kind of a complex muthematical model 25 that examined the science as well as the 12 JOHNSON, Q.C.: 1 Okay. In the Northeast US? 4 MR. COYNE: 1 JOHNSON, Q.C.: 2 JOHNSON, Q.C.: 3 JOHNSON, Q.C.: 4 MR. COYNE: 4 MR. COYNE: 5 A. Third down, "Comparative Analysis of Return Equity of Natural Gas Unifuses." 6 JOHNSON, Q.C.: 6 JOHNSON, Q.C.: 7 Q. Vex. So in terms of your publications and research that you've set out at page 85 of your testimony—bar's Attachmental to the—tomore and the Canadian economies and and how they came together and ultimately it was an analysis around those is susee pertaining to the economies and allowed returns. So we did a fundamental analysis around those is susee pertaining to the economies and allowed returns. So we did a fundamental analysis around those is susee pertaining to the economies and allowed returns. So we did a fundamental analysis around those is susee pertaining to the economies and page 85 of your publications and research hat you've set out at page 85 of your publications and research hat you've set out at page 85 of your publicat	Apr	il 4, 2016			NL Power GRA 2016
A. Quantitative economics training and macros and micrococonomic training as a gradued s student, and again a series of examinations in broad securities issues. 5 IOHNSON, Q.C.: 7 Q. So in terms of - 8 MR. COYNE: 9 A. As a professional. 10 IOHNSON, Q.C.: 10 Asser's of Science from the University of New Hampshire in resource economics? 11 MR. COYNE: 12 MR. COYNE: 13 A. Yes. 15 A. Yes. 16 IOHNSON, Q.C.: 17 Q. What was the thesis area? 18 MR. COYNE: 19 A. My thesis area was a bio-economic model. It studied the relationships between markets for fisherics and prices set in these markets of fisherics and prices set in these markets and how they came together and ultimately it was kind of a complex mathematical model that examined the science as well as the cenomics sand how they came together and ultimately it was kind of a complex mathematical model that examined the science as well as the cenomics associated with fisheries markets. 1 JOHNSON, Q.C.: 1 Q. Ves. So in terms of your publications and sersearch that you've set out at page 85 of your testimony—that's Attachment 1 to the—to Mr. Coyne's evidence, his resume. Page 85. 1 MR. COYNE: 2 A. Yes, I see that. 3 JOHNSON, Q.C.: 3 Q. Okay, if you could keep coming down, okay. 4 MR. COYNE: 4 MR. COYNE: 5 A. In the Northeast US? 4 MR. COYNE: 5 A. In the Northeast US? 5 A. In the Northeast US, yes. 6 JOHNSON, Q.C.: 7 Q. Yes. So in terms of your publications and sersearch that you've set out at page 85 of your testimony—that's Attachment 1 to the—to Mr. Coyne's evidence, his resume. Page 85. 11 MR. COYNE: 12 A. Yes, I see that. 13 JOHNSON, Q.C.: 14 Q. Okay, if you could keep coming down, okay. 15 "Publications and Research." I see one, two, three, four, five, six, seven, seven materials that you've set out at page 85 of your veed your publications and research in relation to any matter? 15 Q. Whisties and the cardination to your publications and research in relation to any matter? 16 WR. COYNE: 17 Q. Was a materials that you've set out a			Page 33		Page 35
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Page 34 1 economics associated with fisheries markets. 2 JOHNSON, Q.C.: 3 Q. Okay. In the Northeast US? 4 MR. COYNE: 5 A. In the Northeast US, yes. 6 JOHNSON, Q.C.: 7 Q. Yes. So in terms of your publications and research that you've set out at page 85 of your testimony—that's Attachment 1 to the—to look Mr. Coyne's evidence, his resume. Page 85. 11 MR. COYNE: 12 A. Yes, I see that. 13 JOHNSON, Q.C.: 14 Q. Okay, if you could keep coming down, okay. 15 "Publications and Research." I see one, look where, four, five, six, seven, seven materials that you cite on that page and if last you go to the next page, we see two more. look poor the poor that he sum total of what you you've—of your publications and research in relation to any matter? 22 MR. COYNE: 23 A. Well I'm not sure of that, but certainly as as I last updated it, yes, it was. 25 A. Yeah.	- 1			1	~
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11 MR. COYNE: 12 A. Yes, I see that. 13 JOHNSON, Q.C.: 14 Q. Okay, if you could keep coming down, okay. 15 "Publications and Research." I see one, 16 two, three, four, five, six, seven, seven 17 materials that you cite on that page and if 18 you go to the next page, we see two more. 19 Does thatis that the sum total of what 20 you've—of your publications and research in 21 relation to any matter? 22 MR. COYNE: 23 A. Well I'm not sure of that, but certainly as 24 it relates to energy and utilities matters 25 as I last updated it, yes, it was. 11 impacts on their shareholders. 12 JOHNSON, Q.C.: 13 Q. So this is—that appeared in "Public 14 Utilities Fortnightly."? 15 MR. COYNE: 16 A. That's correct. 17 JOHNSON, Q.C.: 18 Q. That's every two weeks that publication 19 comes out? 20 MR. COYNE: 21 A. Fortnightly. 22 JOHNSON, Q.C.: 23 Q. There you go. 24 MR. COYNE: 25 A. Yeah.	9		your testimony—that's Attachment 1 to the—to	9	analysis of earned returns from utilities
12 A. Yes, I see that. 13 JOHNSON, Q.C.: 14 Q. Okay, if you could keep coming down, okay. 15 "Publications and Research." I see one, 16 two, three, four, five, six, seven, seven 17 materials that you cite on that page and if 18 you go to the next page, we see two more. 19 Does thatis that the sum total of what 20 you've—of your publications and research in 21 relation to any matter? 22 MR. COYNE: 23 A. Well I'm not sure of that, but certainly as 24 it relates to energy and utilities matters 25 as I last updated it, yes, it was. 12 JOHNSON, Q.C.: 13 Q. So this is—that appeared in "Public 14 Utilities Fortnightly. 15 MR. COYNE: 16 A. That's correct. 17 JOHNSON, Q.C.: 18 Q. That's every two weeks that publication 19 comes out? 20 MR. COYNE: 21 A. Fortnightly. 22 JOHNSON, Q.C.: 23 Q. There you go. 24 MR. COYNE: 25 A. Yeah.	10		Mr. Coyne's evidence, his resume. Page 85.	10	pre and post acquisitions to look at the
JOHNSON, Q.C.: Q. Okay, if you could keep coming down, okay. "Publications and Research." I see one, two, three, four, five, six, seven, seven materials that you cite on that page and if you go to the next page, we see two more. you've—of your publications and research in relation to any matter? MR. COYNE:	11	MR. COYNE:		11	impacts on their shareholders.
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23 A. Well I'm not sure of that, but certainly as 24 it relates to energy and utilities matters 25 as I last updated it, yes, it was. 28 Q. There you go. 29 MR. COYNE: 20 A. Yeah.	18 19 20		Does thatis that the sum total of what you've—of your publications and research in	19 20	comes out? MR. COYNE:
24 it relates to energy and utilities matters 25 as I last updated it, yes, it was. 24 MR. COYNE: 25 A. Yeah.	18 19 20 21	MD COVATE	Does thatis that the sum total of what you've—of your publications and research in relation to any matter?	19 20 21	comes out? MR. COYNE: A. Fortnightly.
25 as I last updated it, yes, it was. 25 A. Yeah.	18 19 20 21 22		Does thatis that the sum total of what you've—of your publications and research in relation to any matter?	19 20 21 22	comes out? MR. COYNE: A. Fortnightly. JOHNSON, Q.C.:
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	18 19 20 21 22 23 24		Does thatis that the sum total of what you've—of your publications and research in relation to any matter? Well I'm not sure of that, but certainly as it relates to energy and utilities matters	19 20 21 22 23 24	comes out? MR. COYNE: A. Fortnightly. JOHNSON, Q.C.: Q. There you go. MR. COYNE:

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		Page 37			Page 39
1	JOHNSON, Q	.C.:	1		Consulting.
2		Now the—or fortnightly every two nights, is	2	JOHNSON, Q	-
3		it? Is that right?	3	Q.	Okay.
4	MR. COYNE:		4	MR. COYNE:	•
5	A.	That's every two weeks.	5	A.	Yeah.
6	JOHNSON, Q		6	JOHNSON, Q	
7	Q.	Every two weeks.	7	Q.	Have you ever in any of your publications or
8	MR. COYNE:	· · · · · · · · · · · · · · · · · · ·	8	Q.	research, any of this go through a peer
9	A.	Yeah.	9		
1			l	MD COVNE	review process?
10	JOHNSON, Q		10	MR. COYNE:	
11	Q.	I'm sorry.	11	A.	Always internal peer review and sometimes
12	MR. COYNE:	** 1	12		the client peer reviews, and usually with
13	Α.	Yeah.	13		the editorial staff if you're publishing
14	JOHNSON, Q		14		with the "Public Utilities Fortnightly" -
15	Q.	Okay. Now in terms of any of these	15	JOHNSON, Q	·
16		publications and research that you have done	16	Q.	Yes, but not –
17		_	17	MR. COYNE:	
18	MR. COYNE:		18	A.	- they review.
19	A.	Well, I was still looking down through the	19	JOHNSON, Q	.C.:
20		list.	20	Q.	But not peer reviewed in the sense of an
21	JOHNSON, Q	.C.:	21		academic or a business journal going through
22	Q.	Okay, I'm sorry.	22		a peer review process, correct?
23	MR. COYNE:		23	MR. COYNE:	· · · · · · · · · · · · · · · · · · ·
24	A.	Yes.	24	A.	Not an academic review, no.
1	JOHNSON, Q		25	JOHNSON, Q	
1 23	JOHNSON, O	.C	1 43	JOHNSON, O	
25	JOHNSON, Q		23	JOHNSON, Q	
23	-	Page 38	1	-	Page 40
1	Q.		1	Q.	Page 40 No.
1 2	Q. MR. COYNE:	Page 38 Go ahead.	1 2	Q. MR. COYNE:	Page 40 No.
1 2 3	Q. MR. COYNE: A.	Page 38 Go ahead. "Winners and Losers in Restructuring," again	1 2 3	Q.	Page 40 No. I publish in—my focus is on the industry and
1 2 3 4	Q. MR. COYNE: A.	Page 38 Go ahead. "Winners and Losers in Restructuring," again we're looking at returns that shareholders	1 2 3 4	Q. MR. COYNE: A.	Page 40 No. I publish in—my focus is on the industry and not on academic review.
1 2 3 4 5	Q. MR. COYNE: A.	Page 38 Go ahead. "Winners and Losers in Restructuring," again we're looking at returns that shareholders were—impact of restructuring on utilities,	1 2 3 4 5	Q. MR. COYNE: A. JOHNSON, Q	Page 40 No. I publish in—my focus is on the industry and not on academic review. C.:
1 2 3 4 5 6	Q. MR. COYNE: A.	Page 38 Go ahead. "Winners and Losers in Restructuring," again we're looking at returns that shareholders were—impact of restructuring on utilities, both gas and electric utilities, and the	1 2 3 4 5 6	Q. MR. COYNE: A.	Page 40 No. I publish in—my focus is on the industry and not on academic review. C.: Yes. When you say that it's "reviewed," who
1 2 3 4 5 6 7	Q. MR. COYNE: A.	Page 38 Go ahead. "Winners and Losers in Restructuring," again we're looking at returns that shareholders were—impact of restructuring on utilities, both gas and electric utilities, and the impact on their shareholders.	1 2 3 4 5 6 7	Q. MR. COYNE: A. JOHNSON, Q	Page 40 No. I publish in—my focus is on the industry and not on academic review. C.: Yes. When you say that it's "reviewed," who is it reviewed by before it's published and
1 2 3 4 5 6 7 8	Q. MR. COYNE: A. JOHNSON, Q.	Page 38 Go ahead. "Winners and Losers in Restructuring," again we're looking at returns that shareholders were—impact of restructuring on utilities, both gas and electric utilities, and the impact on their shareholders. C.:	1 2 3 4 5 6	Q. MR. COYNE: A. JOHNSON, Q Q.	Page 40 No. I publish in—my focus is on the industry and not on academic review. C.: Yes. When you say that it's "reviewed," who is it reviewed by before it's published and before it goes out, your colleagues?
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	Page	41			Page 43
1	MR. COYNE:	1	1	A.	154 you said?
2	A. Yes.	2	2	JOHNSON, Q	.C.:
3	JOHNSON, Q.C.:	3	3	Q.	Yes, sir, at page 1 of that, page 1 of your
4	Q. Okay.		4	-	report to the Regie.
5	MR. COYNE:	5	5	MR. COYNE:	
6	A. Yes, I still do.	(6	A.	Okay. I see the—this was an attachment.
7	JOHNSON, Q.C.:	1 7	7		Okay, I have the question here. I don't
8	Q. And you still do? Is he still—is he wit	:h 8	8		have the attachment in front of me.
9	your firm?		9	JOHNSON, Q	
10	MR. COYNE:	10		Q.	Just if we can scroll up?
11	A. Yes, he is.	11		MR. COYNE:	vaso ir mo cam sorom ap.
12	JOHNSON, Q.C.:	12		A.	You'll have to bring that up online.
13	Q. And I take—I think you've prepared e			JOHNSON, Q	
14	with that gentleman before the Regie?	12		Q.	Yes, there you go. In the introduction it
15	MR. COYNE:	15		Q.	indicates, "Mr. Coyne's testimony primarily
16	A. That's correct.	16			relates to the determination of the
17	JOHNSON, Q.C.:	17			appropriate ROE, but Mr. Trogonoski's
18					
19	Q. In relation to cost of capital and capital	1 10			testimony primarily relates the associated
1	structure matters for Hydro Quebec				risk analysis."
20	Transmission and Distribution, is that	20		(10:00 a.m.)	
21	right?	21		MR. COYNE:	V 1'11'
22	MR. COYNE:	22		A.	Yes, which lines are you on?
23	A. Yes.	23		JOHNSON, Q	
24	JOHNSON, Q.C.:	\int_{0}^{24}			I'm on lines 3 to 6 it was on the screen
25	Q. Okay, yes. And what was the division		<u> </u>		there.
	Page	42			Page 44
1	work between and Mr. Trogonoski?	1	1	MR. COYNE	
2	MR. COYNE:		2	A.	Yes, okay. I see that.
_ ^	A. I'm trying to recall. I don't recall	1 3	3	JOHNSON, Q).C.:
3	A. I ill trying to recail. I don't recail	-)	JOINSON, Q	•
4	specifically at this point in time what h		4	Q.	Okay.
1	, ,	nis 2			· ·
4	specifically at this point in time what h	nis 4 t he 5	4 5 6	Q. MR. COYNE A.	Yeah.
4 5	specifically at this point in time what he work was versus mine. I do recall that	nis 2 t he 3 a lot 6	4 5 6	Q. MR. COYNE	Yeah.
4 5 6	specifically at this point in time what he work was versus mine. I do recall that focused on the risk analysis. He does	nis 2 t he 5 a lot 6	4 5 6	Q. MR. COYNE A.	Yeah.
4 5 6 7	specifically at this point in time what he work was versus mine. I do recall that focused on the risk analysis. He does of work on risk analysis with me.	nis 2 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	4 5 6 7	Q. MR. COYNE A. JOHNSON, Q	Yeah. P.C.:
4 5 6 7 8	specifically at this point in time what he work was versus mine. I do recall that focused on the risk analysis. He does of work on risk analysis with me. JOHNSON, Q.C.:	nis 2 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	4 5 6 7 8	Q. MR. COYNE A. JOHNSON, Q	Yeah. C.: So he's the one that had more to do with capital structure, is that correct?
4 5 6 7 8 9	specifically at this point in time what he work was versus mine. I do recall that focused on the risk analysis. He does of work on risk analysis with me. JOHNSON, Q.C.: Q. Yes.	nis 2 4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	4 5 6 7 8 9	Q. MR. COYNE A. JOHNSON, Q Q.	Yeah. C.: So he's the one that had more to do with capital structure, is that correct?
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4 5 6 7 8 9 10 11	specifically at this point in time what he work was versus mine. I do recall that focused on the risk analysis. He does of work on risk analysis with me. JOHNSON, Q.C.: Q. Yes. MR. COYNE: A. He does the—for example, when this—	nis t he a lot 8 9 10 —in this tk 12	4 5 6 7 8 9 0 1 2	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	Yeah. C.: So he's the one that had more to do with capital structure, is that correct? Risk—he did the heavy lifting on the risk analysis. I testified on –
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	Page 45		Page 47
1	utility has, and bringing them into our risk	1	that point in time, it suffered too much
2	analysis. You'll notice that in the	2	reputational damage to be able to continue.
3	appendix that I—appendixes that I have here,	3	I was not in the audit function.
4	that we try to break it all the way down to	4	JOHNSON, Q.C.:
5	very specific provisions that each regulator	5	Q. No. Mr. Coyne, in terms of your meeting and
6	allows concerning past cost throughs and	6	interaction with the people at Newfoundland
7	things to that nature.	7	Power for preparing your report, who would
8	JOHNSON, Q.C.:	8	you have met with personally?
9	Q. I see.	9	MR. COYNE:
10	MR. COYNE:	10	A. Primarily with their regulatory team, and
11	A. Because of his expertise as a commission	11	that would be primarily through Peter Alteen
12	staffer he does a lot of that work for us.	12	and his staff.
13	JOHNSON, Q.C.:	13	JOHNSON, Q.C.:
14	Q. I see. In preparing your – I see as well	14	Q. Can you tell us who you met with?
15	that you were at Arthur Andersen?	15	MR. COYNE:
16	MR. COYNE:	16	A. I believe it was just with Peter, until I
17		17	· · · · · · · · · · · · · · · · · · ·
1	•	ı	actually made this trip up here. Everything
18	JOHNSON, Q.C.:	18	else was by phone, as I recall.
19	Q. For a couple of years?	19	JOHNSON, Q.C.:
20	MR. COYNE:	20	Q. And would you – on the phone, who would you
21	A. Yes.	21	have conversed with?
22	JOHNSON, Q.C.:	22	(10:00 a.m.)
23	Q. And Arthur Andersen, I guess, as met its	23	MR. COYNE:
24	demise around Enron?	24	A. It would have been his team, who includes
25	MR. COYNE:	25	Mike Comerford and also Brian Menchenton.
	Page 46		Page 48
1		ı	- I
1	A. It did meet its demise.	1	JOHNSON, Q.C.:
1 2	JOHNSON, Q.C.:	1 2	Q. Any others?
1 2 3	JOHNSON, Q.C.: Q. And what was your work at Arthur Andersen?	1 2 3	Q. Any others? MR. COYNE:
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q.C.: Q. And what was your work at Arthur Andersen? MR. COYNE: A. I was head of the Corporate Energy and Utilities Practice for their – this was in a corporate finance practice. JOHNSON, Q.C.: Q. Right, and how did Enron bring about the demise of Arthur Andersen? MR. COYNE: A. That's probably a much more complex story than I think one could offer a simple answer here, but the – well, there were claims that the audit function at Arthur Andersen wasn't adequately on top of the complex structures that Enron had in place at that time, and as a result of that the auditors at Arthur Andersen failed to meet their obligations and their responsibilities, and as a result of that suit was brought against them, and as a result of that they, in essence, lost their status as a reputable accounting firm	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. Any others? MR. COYNE: A. I'm trying to recall if counsel was on — they may have been on later calls, and I quite honestly don't recall. JOHNSON, Q.C.: Q. No other company representatives? MR. COYNE: A. Not that I recall. JOHNSON, Q.C.: Q. Mr. Coyne, could we turn to your evidence, and I guess we'll start off on the ROE business, and if we could go to your report at page 3. MR. COYNE: A. Page 3? JOHNSON, Q.Q.C.: Q. Yes, sir. So we've seen this already in your direct, and, I guess, I take from this that the average of all the methods that you used comes to 10.1 percent, but you place primary reliance on the North American Proxy
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q.C.: Q. And what was your work at Arthur Andersen? MR. COYNE: A. I was head of the Corporate Energy and Utilities Practice for their – this was in a corporate finance practice. JOHNSON, Q.C.: Q. Right, and how did Enron bring about the demise of Arthur Andersen? MR. COYNE: A. That's probably a much more complex story than I think one could offer a simple answer here, but the – well, there were claims that the audit function at Arthur Andersen wasn't adequately on top of the complex structures that Enron had in place at that time, and as a result of that the auditors at Arthur Andersen failed to meet their obligations and their responsibilities, and as a result of that suit was brought against them, and as a result of that they, in essence, lost	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. Any others? MR. COYNE: A. I'm trying to recall if counsel was on—they may have been on later calls, and I quite honestly don't recall. JOHNSON, Q.C.: Q. No other company representatives? MR. COYNE: A. Not that I recall. JOHNSON, Q.C.: Q. Mr. Coyne, could we turn to your evidence, and I guess we'll start off on the ROE business, and if we could go to your report at page 3. MR. COYNE: A. Page 3? JOHNSON, Q.Q.C.: Q. Yes, sir. So we've seen this already in your direct, and, I guess, I take from this that the average of all the methods that you used comes to 10.1 percent, but you place

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		Page 49			Page 51
1	MR. COYNE	:	1	JOHNSON, Q	.C.:
2	A.	Yes, it is.	2	Q.	And then you – and that's in part of your
3	JOHNSON, Q).C.:	3		risk premium analysis, I take it, right?
4	Q.	And you end up slightly below that with a	4	MR. COYNE:	
5		recommended ROE of 9.5 percent, and with the	5	A.	No.
6		maintenance of the common equity being at	6	JOHNSON, Q	.C.:
7		45, is that right?	7	Q.	No?
8	MR. COYNE	:	8	MR. COYNE:	
9	A.	Yes.	9	A.	The risk premium analysis, CAPM is a version
10	JOHNSON, C).C.:	10		of risk premium analysis. DCF is DCF. It's
11	Q.	Okay, and you haven't changed any of these	11		not risk premium per se. It's a different
12		numbers or modified them, as you indicated	12		model.
13		in your direct, by reason of anything you've	13	JOHNSON, Q.	.C.:
14		received through the interrogation process	14	Q.	All right, and then you used DCF again, as
15		and the RFIs?	15		you've termed it, Multi-Stage DCF?
16	MR. COYNE	:	16	MR. COYNE:	
17	A.	No, I haven't. Well, I did provide – I was	17	A.	Yes, that's right.
18		requested to provide updated numbers to	18	JOHNSON, Q.	•
19		interest rates, and as a result of that to	19	Q.	And when I take the – when you say "Multi-
20		update the CAPM numbers, so I did update	20		Stage", that's a constant period of growth
21		those numbers in response to an RFI.	21		or a constant rate of growth, and then a
22	JOHNSON, Q	<u>*</u>	22		different rate of growth for an interim
23	Q.	Okay. Now in terms of –	23		period, then another rate of growth. Is
24	MR. COYNE		24		that more or less what we're talking about
25	Α.	They did not change my recommendation.	25		in terms of -
		<u> </u>	 		
		Page 50	l		Page 52
1	IOHNSON (Page 50	1	MR COYNE:	Page 52
1 2	JOHNSON, C).C.:	1 2	MR. COYNE:	:
1 2 3	JOHNSON, Q	Q.C.: Didn't change your recommendation, okay, and	1 2 3	MR. COYNE:	Yes, that's accurate, three different
3	-	O.C.: Didn't change your recommendation, okay, and in terms of your estimation methods, you	3	A.	Yes, that's accurate, three different periods.
3 4	Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM?	3 4	A. JOHNSON, Q	Yes, that's accurate, three different periods.
3 4 5	Q. MR. COYNE	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM?	3 4 5	A.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three
3 4	Q. MR. COYNE A.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did.	3 4 5 6	A. JOHNSON, Q	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I
3 4 5 6 7	Q. MR. COYNE A. JOHNSON, Q	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did.	3 4 5 6 7	A. JOHNSON, Q	Yes, that's accurate, three different periods. O.C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that
3 4 5 6 7 8	Q. MR. COYNE A.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed	3 4 5 6 7 8	A. JOHNSON, Q	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or
3 4 5 6 7 8 9	Q. MR. COYNE A. JOHNSON, Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM?	3 4 5 6 7 8 9	A. JOHNSON, Q Q.	Yes, that's accurate, three different periods. O.C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how -
3 4 5 6 7 8 9 10	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM?	3 4 5 6 7 8 9	A. JOHNSON, Q Q. MR. COYNE	Yes, that's accurate, three different periods. O.C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how -
3 4 5 6 7 8 9 10 11	Q. MR. COYNE A. JOHNSON, Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on	3 4 5 6 7 8 9 10 11	A. JOHNSON, Q. Q. MR. COYNE: A.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes.
3 4 5 6 7 8 9 10 11 12	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes.	3 4 5 6 7 8 9 10 11 12	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes.
3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes.	3 4 5 6 7 8 9 10 11 12 13	A. JOHNSON, Q. Q. MR. COYNE: A.	Yes, that's accurate, three different periods. O.C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. O.C.: I got 9.63, so perhaps you could at some
3 4 5 6 7 8 9 10 11 12 13 14	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.: And you also place some reliance on two	3 4 5 6 7 8 9 10 11 12 13 14	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm
3 4 5 6 7 8 9 10 11 12 13 14 15	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.C.: And you also place some reliance on two forms of discounted cash flow analysis, is	3 4 5 6 7 8 9 10 11 12 13 14 15	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q.	Yes, that's accurate, three different periods. O.C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. O.C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event -
3 4 5 6 7 8 9 10 11 12 13 14 15 16	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct?	3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE:	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event -
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q.	Yes, that's accurate, three different periods. O.C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. O.C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes. C.:	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. Q.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that. C.: Okay.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes. C.: Yes.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE:	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that. C.: Okay.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes. C.C.: So you use a DCF model with constant growth, which we see in the second line there for	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. Q.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that. C.: Okay. But I did recommend 9.5, so it's below that
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes. C.C.: Yes. C.C.: So you use a DCF model with constant growth, which we see in the second line there for the Canadian US and North American proxy	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that. C.: Okay. But I did recommend 9.5, so it's below that number, anyway, but I will check that.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes. C.: So you use a DCF model with constant growth, which we see in the second line there for the Canadian US and North American proxy group, right?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. JOHNSON, Q. JOHNSON, Q.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that. C.: Okay. But I did recommend 9.5, so it's below that number, anyway, but I will check that.
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Didn't change your recommendation, okay, and in terms of your estimation methods, you used the CAPM? Yes, did. C.: And you're aware that this Board has placed primary reliance on CAPM? I'm aware that they have placed reliance on CAPM in the past, yes. C.: And you also place some reliance on two forms of discounted cash flow analysis, is that correct? Yes. C.: So you use a DCF model with constant growth, which we see in the second line there for the Canadian US and North American proxy group, right?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	Yes, that's accurate, three different periods. C.: When I take the simple average of the three estimates for the North American sample, I arrive at 9.6 percent, but I take it that there must be a little bit of rounding or something, is that how - They're rounded to the single decimal, yes. C.: I got 9.63, so perhaps you could at some point at the break indicate whether I'm right or 9.7 is right, but in any event - I will check that. C.: Okay. But I did recommend 9.5, so it's below that number, anyway, but I will check that.

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		Page 53			Page 55
1		for us to assume that your estimate is	1		able to do this. I like the idea of
2		actually one-thirds CAPM, and two-thirds	2		creating a North American proxy group for
3		DCF?	3		these purposes because you have both
4	MR. COYNE:		4		Canadian and US inputs, and I think it helps
5	A.	Well, in terms of the simple average, that's	5		to alleviate some concerns that some
6		true, but I also looked at the range and the	6		regulators have had in the past in Canada
7		range is from 9.2 to 10.1. 9.5 is closer to	7		about the integration of this analysis.
8		the midpoint. So I didn't take just the	8	JOHNSON, Q	· · · · · · · · · · · · · · · · · · ·
9		simple average to determine. I also looked	9		And on page 3, you indicated in your report
10		at the range, and I also looked at all the	10		that, "While the average of all methods is
11		other methods and the results they were	11		10.1 percent, because of utilities selected
12		producing. It wasn't a mathematical	12		in the North American electric proxy groups
13		computation that got me to 9.5. I looked at	13		are most representative, I place greater
14		all these numbers.	14		weight on those results". So essentially
15	JOHNSON, Q		15		we're 7/9ths US and 2/9ths Canadian in your
16	Q.	Now your recommendation, as I understand it,	16		proxy group that you're placing primary
17	Q.	if you could turn to page 17, we see here on	17		reliance on?
18		Figure 7, this is your North American	18	MR. COYNE:	Tenance on:
19		Ç , ,	19		Vas but as I'va also mentioned I
1	MD COVNE	electric proxy group, right?	ı	A.	Yes, but as I've also mentioned, I
20	MR. COYNE:		20		calculated at a pure Canadian proxy group
21	A.	Yes, it is.	21		basis and a pure US utility proxy group
22	JOHNSON, Q		22		basis, and the reason I did that is I wanted
23	Q.	And so essentially, and because you've	23		to make sure in doing so that any other
24		indicated that North American – you found	24		analysis, i.e. a purely strictly Canadian
25		the North American electric proxy group as	25		analysis wouldn't give me substantially
		Page 54			Page 56
			ı		
1		most representative of Newfoundland Power,	1		different results.
2		and you indicated you placed greater weight	2	JOHNSON, Q	.C.:
		<u> -</u>	l	Q.	.C.: I understand.
2		and you indicated you placed greater weight	2	, ·	.C.: I understand.
2 3	MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report?	2 3	Q.	.C.: I understand.
2 3 4	MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report?	2 3 4	Q. MR. COYNE	I understand. So I was able to confirm that.
2 3 4 5		and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes.	2 3 4 5	Q. MR. COYNE A.	I understand. So I was able to confirm that.
2 3 4 5	A.	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes.	2 3 4 5	Q. MR. COYNE A. JOHNSON, Q	I understand. So I was able to confirm that.
2 3 4 5 6 7	A. JOHNSON, Q	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes.	2 3 4 5 6 7	Q. MR. COYNE A. JOHNSON, Q	C.: I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that
2 3 4 5 6 7 8	A. JOHNSON, Q	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric	2 3 4 5 6 7 8	Q. MR. COYNE A. JOHNSON, Q	C.: I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor
2 3 4 5 6 7 8 9	A. JOHNSON, Q	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see,	2 3 4 5 6 7 8 9	Q. MR. COYNE A. JOHNSON, Q	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct?
2 3 4 5 6 7 8 9 10	A. JOHNSON, Q	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right?	2 3 4 5 6 7 8 9 10	Q. MR. COYNE: A. JOHNSON, Q Q.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct?
2 3 4 5 6 7 8 9 10 11	A. JOHNSON, Q Q.	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right?	2 3 4 5 6 7 8 9 10 11	Q. MR. COYNE: A. JOHNSON, Q. Q.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct?
2 3 4 5 6 7 8 9 10 11 12	A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right.	2 3 4 5 6 7 8 9 10 11 12	Q. MR. COYNE: A. JOHNSON, Q. Q.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying
2 3 4 5 6 7 8 9 10 11 12 13	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right.	2 3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE: A. JOHNSON, Q. Q.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market
2 3 4 5 6 7 8 9 10 11 12 13 14	A. JOHNSON, Q. Q. MR. COYNE A.	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay.	2 3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE: A. JOHNSON, Q. Q.	C.: I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	Q. MR. COYNE: A. JOHNSON, Q. Q.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q.	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay. By doing that, I was able to bring those – the problem we have in doing a cost of	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed. C.:
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay. By doing that, I was able to bring those – the problem we have in doing a cost of capital analysis in Canada is that we don't have many companies that are pure play,	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	C.: I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed. C.: Now in terms of – I understand that you never made any adjustments to your United
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay. By doing that, I was able to bring those – the problem we have in doing a cost of capital analysis in Canada is that we don't have many companies that are pure play, either electric or gas companies. So in	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	C.: I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed. C.: Now in terms of – I understand that you never made any adjustments to your United States based DCF estimates to apply in
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay. By doing that, I was able to bring those – the problem we have in doing a cost of capital analysis in Canada is that we don't have many companies that are pure play, either electric or gas companies. So in this case, I was at least able to bring two	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed. C.: Now in terms of – I understand that you never made any adjustments to your United States based DCF estimates to apply in Canada, is that correct?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay. By doing that, I was able to bring those – the problem we have in doing a cost of capital analysis in Canada is that we don't have many companies that are pure play, either electric or gas companies. So in this case, I was at least able to bring two that are primarily in the business of	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed. C.: Now in terms of – I understand that you never made any adjustments to your United States based DCF estimates to apply in Canada, is that correct?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE	and you indicated you placed greater weight on those results. Do you remember saying that in your report? Yes, I do, yes. C.: So in terms of your North American electric proxy group, essentially we're – let's see, two Canadian companies and seven American utilities, is that right? That's right. C.: Okay. By doing that, I was able to bring those – the problem we have in doing a cost of capital analysis in Canada is that we don't have many companies that are pure play, either electric or gas companies. So in this case, I was at least able to bring two	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	I understand. So I was able to confirm that. C.: And, I guess, it would be fair to say that you have a desire to use data from investor owned utilities primarily engaged in electricity, is that correct? Well, it's not just my desire. We're trying to get at the cost of capital for an investor owned utility, and the market inputs required for that come from those that are publicly traded, so there's really no other way to proceed. C.: Now in terms of – I understand that you never made any adjustments to your United States based DCF estimates to apply in Canada, is that correct?

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		Page 57		Page 59
1	Q.	Right, and I take it that you would be aware	1	MR. COYNE:
2		from this Board's 2013 GRA decision, that	2	A. No.
3		the Board found that it was appropriate to	3	JOHNSON, Q.C.:
4		make a 50 to 100 basis point adjustment to	4	
5		United States based DCF results. Are you	5	
6		aware of that?	6	
7	MR. COYNE		7	JOHNSON, Q.C.:
8	A.	I'm aware of the prior Board's decision, and	8	
9	11.	one of the reasons I presented this analysis	9	
10		in this way, including an overall assessment	10	3
11		of debt and equity cost, is to try to give	11	
12		the Board a greater assurance around the	12	*
13		_	13	6 1 6
1	IOHNGON (comparability of these results.	14	, , , , , , , , , , , , , , , , , , ,
14	JOHNSON, (ı	\mathcal{E}
15	Q.	And you'd also be aware that other	15	
16		regulatory boards in Canada have similarly	16	, , , , , , , , , , , , , , , , , , ,
17		said that you need to take – you can take US	17	
18		results and look at them, but you got to	18	· · · · · · · · · · · · · · · · · · ·
19		apply adjustments. You're aware of findings	19	, C 1
20		like that from other boards?	20	
21	MR. COYNE		21	<u> </u>
22	A.	I'm aware of one, and that was BCUC, and I	22	, , ,
23		believe it was back in – I think it was back	23	8
24		in 2009 reached that conclusion, but they	24	•
25		reversed that conclusion in 2012. They found	25	but the numbers just don't fall out that
		Page 58		Page 60
1		no such adjustment necessary, and I think	1	way, and as I mentioned, you know, we look
2		for good reason if you look at – you need to	2	at the indicators of bond markets and debt
3		look at two things. One is you could look	3	markets specifically to see if there's
4		at the level of overall debt cost for	4	anything there that would signal a
5		Canadian and US utilities, and you find that	5	difference, and I also look at the risk
6		they're moving together suggesting that	6	profiles in great detail of these companies
7		investors are not finding a reason to price	7	to see if they're comparable, and we also
8		that debt differently for Canadian and US	8	have done detailed country analysis on how
9		utilities today, and secondly, you need to	9	
10		look at the comparability of the utilities	10	None of those suggest to me that a
11		underlying the analysis. I think those have	11	
12		both been concerns to regulators, and what	12	
13		you'll find -	13	· ·
14	JOHNSON, Q		14	$\boldsymbol{\varepsilon}$
15	Q.	But just to be clear, and we're going to go	15	
16		through over the course of the next little	16	
17		while some of the differences and	17	
18		distinctions, but you're firmly on the	18	•
19		record as telling this Board, don't be	19	
20		worried about making any adjustments because	20	
21		the companies we see in the North American	21	
$\begin{vmatrix} 21\\22\end{vmatrix}$		electric proxy group, from the point of view	22	•
23		of James Coyne, are close enough to	23	
24		Newfoundland Power, is that basically it in	24	,
25		a nutshell?	25	•
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		Page 61		Page 63
1		that I looked at this and I thought it was	1	A. No.
2		close enough, and, therefore, there's no	2	JOHNSON, Q.C.:
3		need for adjustment. There's a lot of	3	Q. No?
4		analysis behind that, that shows the	4	MR. COYNE:
5		comparability of these utilities; country	5	A. No. They're all in the electric
6		risk, capital market risk, that all leads me	6	distribution business. Every company in my
7		to that conclusion. It wasn't a "close	7	sample has been carefully screened for being
8		enough" kind of a conclusion.	8	a predominant electric utility provider.
9	JOHNSON, Q	-	9	Some of them have diversified assets,
10	Q.	Let's put it this way, if this Board is of	10	including generation; others are pure T & D
11	`	the view that there are distinctions of	11	companies. I've also looked at a sample of
12		significance between Newfoundland Power and	12	pure T & D companies in my analysis as well,
13		the American companies that you're using,	13	and I would find no reason to distinguish
14		for instance, would you not recommend to	14	that. It is important –
15		them that they make an adjustment for that?	15	JOHNSON, Q.C.:
16	MR. COYNE	•	16	Q. Just excuse me for –
17	A.	If the Board has that concern, then I would	17	MR. COYNE:
18		hope that they would look to – well, if they	18	A. It's an important question, so I'd like to
19		look at all the analysis and the comparative	19	complete the answer if I could. What's
20		work that we've done, I would hope give them	20	important for a regulated electric utility
21		comfort around this comparability. If after	21	is to understand; (a) the business it's in,
22		all that then they still have that concern,	22	and then (b) what provisions it has in its
23		then they could look to the Canadian proxy	23	regulatory treatment that allows it to
24		group results.	24	manage the cost and the risk associated with
25	JOHNSON, Q).C.:	25	that business. So that's how I would have
		Page 62		Page 64
1	Q.	But even if they still had the concern about	1	dealt with it. Those are very large
2	_	difference between Newfoundland Power and	2	integrated utilities, there are sub-business
3		the US utilities, would you not suggest that	3	aspects that are different than Newfoundland
4		they should then make an adjustment?	4	Power, and we will not find a utility that's
5	MR. COYNE	•	5	exactly like Newfoundland Power in Canada or
6	A.	I would – I guess, I would have to	6	the US, but they're carefully screened for
7		understand what that concern was, just a	7	ones that are low risk predominantly
8		hypothetical for me. I would have to	8	electric utility providers that have credit
9		understand what the concern was in order to	9	ratings that are comparable or better than
10		suggest what that adjustment could be that	10	that of Newfoundland Power, to ensure that I
11		would ameliorate the concern.	11	have a sample that's reasonable for these
12	JOHNSON, Q).C.:	12	purposes. That's about as good as it gets
13	Q.	I see. Well, what if the thought, boy, you	13	when it comes to cost of capital work.
14		know, there's a lot of these companies, and	14	JOHNSON, Q.C.:
15		we'll get into this, they have heavy duty	15	Q. Okay, let's explore this a little bit further.
16		generation, some of whom have nuclear, for	16	Why don't we look at your evidence for Hydro
17		instance. You know, that's a pretty big	17	Quebec distribution and Hydro Quebec
18		distinction between Newfoundland Power and a	18	TransEnergie, which is again at CA-NP-154.
19		small hydro plant in Petty Harbour. So if	19	MR. COYNE:
20		they said, you know, this is one of the	20	A. I think I'll find the page, but I don't have
1		things where we don't think that these	21	the report in my book, so I'll have to rely
21		-		
21 22		companies really look like Newfoundland	22	on what's up on the screen for us.
21 22 23		Power, would that be the type of things that	23	JOHNSON, Q.C.:
21 22	MR. COYNE	Power, would that be the type of things that would invite an adjustment in your view?	ı	-

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1		Page 65			Page 67
1	KELLY, Q.C.:	· ·	1	A.	That's correct.
2		Perhaps the witness could be provided with a	2	JOHNSON, Q	
3	`	copy if you have it.	3		And you come up with a CAPM estimate of
Ι.,	MR. COYNE:	copy if you have it.	4		
4		Then 1 12 1:1 0	'		8.47, right?
5		Thank you, and page 13, did you say?	5	MR. COYNE:	mi a ti
6	JOHNSON, Q.		6	Α.	That's right.
7	-	Yes, we'll go to 13 and then we'll work our	7	JOHNSON, Q	
8	,	way through a couple of little areas first.	8	Q.	And you make some adjustments for other
9]	Mr. Coyne, this was your – this is a summary	9		models, a three-quarter point adjustment to
10		of your results that you did for these two	10		come to 9.22?
11]	Hydro Quebec companies, correct?	11	MR. COYNE:	
12	MR. COYNE:		12	A.	That's right.
13	Α.	Right.	13	JOHNSON, Q	· ·
14	JOHNSON, Q.	-	14	Q.	And your overall recommended ROE for those
15		Okay, and we see here, Mr. Coyne, that you	15	•	firms was 9.2 percent, right?
1		· · · · · · · · · · · · · · · · · · ·	ı	MR. COYNE:	innis was 9.2 percent, right!
16		at least framed your recommendation for the	16		V '4
17		ROE in CAPM terms, would that be a fair	17	A.	Yes, it was.
18		comment, and 9.22 percent was your overall	18	JOHNSON, Q	
19		recommendation?	19	Q.	And you accepted Hydro Quebec TransEnergie's
20	MR. COYNE:		20		common equity ratio of 30 percent and Hydro
21	A.	Yes, it was.	21		Quebec distributions of 35 percent, is that
22	JOHNSON, Q.	C.:	22		correct?
23	Q.	Okay, and at that time, Mr. Coyne, you were	23	MR. COYNE:	
24	-	forecasting a long Canada yield of 4.23	24	A.	That's correct.
25		percent as the risk free rate?	25	JOHNSON, Q	
		Page 66		, ,	Page 68
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I 1	MD COVNE.	8	١,	0	Č
1	MR. COYNE:	-	1	Q.	And you're aware that the Regie actually
1 2	A.	I would have to check that in the report.	2	Q.	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same
3	A.	I would have to check that in the report. Can you give me the page?	2 3		And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios?
3 4	A. JOHNSON, Q.	I would have to check that in the report. Can you give me the page? C.:	2	MR. COYNE	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios?
3	A. JOHNSON, Q. Q.	I would have to check that in the report. Can you give me the page? C.: It's right there on that summary of the	2 3	MR. COYNE	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios? I believe that's correct, yes.
3 4	A. JOHNSON, Q. Q.	I would have to check that in the report. Can you give me the page? C.:	2 3 4	MR. COYNE	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios? I believe that's correct, yes.
3 4 5	A. JOHNSON, Q. Q.	I would have to check that in the report. Can you give me the page? C.: It's right there on that summary of the	2 3 4 5	MR. COYNE	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios? I believe that's correct, yes.
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3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q.	I would have to check that in the report. Can you give me the page? C.: It's right there on that summary of the table right there. Yes, right. C.: So that was a beta of .59? Correct. C.: What beta are you using in this case? Well, there's a different beta for the US	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q.	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios? I believe that's correct, yes. C.: So take that subject to check, if you wish. Well, I have it right here, so I will check. C.: Okay. Yes, that is correct. C.: So that would have been 8.2 percent on 30 percent common equity for transmission and
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q.	I would have to check that in the report. Can you give me the page? C.: It's right there on that summary of the table right there. Yes, right. C.: So that was a beta of .59? Correct. C.: What beta are you using in this case? Well, there's a different beta for the US and the Canadian proxy group, and those are .64 and .73 respectively. C.: Okay, and then we go back to market risk premium. You're using 6.67 with a .3 flotation cost, and you're using, I think, 50 basis point flotation cost in this	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. Q.	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios? I believe that's correct, yes. C.C.: So take that subject to check, if you wish. Well, I have it right here, so I will check. C.C.: Okay. Yes, that is correct. C.C.: So that would have been 8.2 percent on 30 percent common equity for transmission and 35 percent for common equity for distribution? Right. C.C.: Okay, and to be absolutely clear on this, you did assess these two individual
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q.	I would have to check that in the report. Can you give me the page? C.: It's right there on that summary of the table right there. Yes, right. C.: So that was a beta of .59? Correct. C.: What beta are you using in this case? Well, there's a different beta for the US and the Canadian proxy group, and those are .64 and .73 respectively. C.: Okay, and then we go back to market risk premium. You're using 6.67 with a .3 flotation cost, and you're using, I think,	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. Q.	And you're aware that the Regie actually awarded an ROE of 8.2 percent on these same common equity ratios? I believe that's correct, yes. C.: So take that subject to check, if you wish. Well, I have it right here, so I will check. C.: Okay. Yes, that is correct. C.: So that would have been 8.2 percent on 30 percent common equity for transmission and 35 percent for common equity for distribution? Right. C.: Okay, and to be absolutely clear on this, you did assess these two individual companies on a standalone basis, correct?

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		Page 69			Page 71
1	A.	Yes.	1		independently seeking to attract capital in
2	JOHNSON, (2		the financial markets", and isn't that how
$\frac{2}{3}$			$\frac{1}{3}$		you went about preparing your evidence?
Ι.	Q.	That's right. In other words, that they had	Ι.	MD COVNE	
4		to be viewed as if these entities were	4	MR. COYNE	
5		independently seeking to attract capital in	5	A.	It's certainly how I went about preparing
6		the financial markets, right?	6		the ROE analysis.
7	MR. COYNE);	7	JOHNSON, Q	2.C.:
8	A.	That was the standard, yes.	8	Q.	Is there anywhere in your report that you
9	JOHNSON, (Q.C.:	9		say, you know, I made some adjustments
10	Q.	That's right. That's the one that was	10		because they crown owned?
11		applied in that case. You were aware as	11	MR. COYNE:	•
12		well that HQD and HQT both pay for a	12	A.	No, but the companies –
13		provincial guarantee of their debt, right?	13	JOHNSON, Q	•
14	MR. COYNE		14	Q.	No?
1			1	MR. COYNE:	
15	A.	Yes, I do.	15		
16	JOHNSON, (~	16	A.	May I –
17	Q.	But still this was a standalone analysis	17	JOHNSON, Q	
18		that you did?	18	Q.	Okay.
19	MR. COYNE);	19	MR. COYNE	
20	A.	Standalone, but also recognition that they	20	A.	The companies made it clear to me that they
21		are a – they're both crown corporations, so	21		were not looking to change their capital
22		it's standalone with that recognition.	22		structures, and they were looking for an ROE
23	JOHNSON, (_	23		estimate based on existing capital
24	Q.	Well, can I turn to your report, page 20,	24		structure, so I made no such adjustments.
25	٧.	lines 13 to 19?	25		It's also -
123		mics 15 to 17.	123		it 5 tibo
		D 70	+		D 72
		Page 70			Page 72
1	MR. COYNE	:	1	JOHNSON, Q	.C.:
1 2	A.	: Which page again? 20?	1 2	JOHNSON, Q Q.	<u> </u>
1 -		: Which page again? 20?	1 2 3		.C.: But you -
2	A.	: Which page again? 20?	1	Q.	.C.: But you -
2 3	A. JOHNSON, Q	: Which page again? 20? O.C.: Yes, sir.	3 4	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also
2 3 4 5	A. JOHNSON, Q Q.	: Which page again? 20? O.C.: Yes, sir.	3 4 5	Q. MR. COYNE:	.C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations
2 3 4 5 6	A. JOHNSON, Q Q. MR. COYNE A.	: Which page again? 20? O.C.: Yes, sir. : Yes.	3 4 5 6	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that
2 3 4 5 6 7	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q	Which page again? 20? O.C.: Yes, sir. Yes. O.C.:	3 4 5 6 7	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned
2 3 4 5 6 7 8	A. JOHNSON, Q Q. MR. COYNE A.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro	3 4 5 6 7 8	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor
2 3 4 5 6 7 8 9	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q.	Which page again? 20? O.C.: Yes, sir. Yes. C.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence.	3 4 5 6 7 8 9	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in
2 3 4 5 6 7 8 9 10	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence.	3 4 5 6 7 8 9 10	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a
2 3 4 5 6 7 8 9 10	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A.	Which page again? 20? O.C.: Yes, sir. Yes. C.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that.	3 4 5 6 7 8 9 10 11	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital
2 3 4 5 6 7 8 9 10 11 12	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.:	3 4 5 6 7 8 9 10 11 12	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they
2 3 4 5 6 7 8 9 10 11 12 13	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.: I haven't seen it yet. Yeah, so you and	3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they faced, and they were very sensitive to cost
2 3 4 5 6 7 8 9 10 11 12	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.: I haven't seen it yet. Yeah, so you and your colleagues posed yourselves the	3 4 5 6 7 8 9 10 11 12 13 14	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they faced, and they were very sensitive to cost and rate pressure, and as crown corporations
2 3 4 5 6 7 8 9 10 11 12 13	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.: I haven't seen it yet. Yeah, so you and	3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE:	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they faced, and they were very sensitive to cost
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.: I haven't seen it yet. Yeah, so you and your colleagues posed yourselves the question, "Are there other key principles that Canadian regulators have adopted with regard to establishing a fair return on equity. Yes, Canadian regulatory authorities have determined that another key principle when establishing a fair return on equity for a regulated utility is the standalone principle. The Regie has	3 4 4 5 6 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE: A. JOHNSON, Q	C.: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they faced, and they were very sensitive to cost and rate pressure, and as crown corporations they had a different set of factors that they needed to consider. So I made no such adjustments. I did not make adjustments pertaining to their capital structure. C.: But in any event, at the end of the day, you found that on a standalone basis that 30 percent and 35 percent common equity
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.: I haven't seen it yet. Yeah, so you and your colleagues posed yourselves the question, "Are there other key principles that Canadian regulators have adopted with regard to establishing a fair return on equity. Yes, Canadian regulatory authorities have determined that another key principle when establishing a fair return on equity for a regulated utility is the standalone principle. The Regie has indicated in prior decisions that the ROE for HQD and HQT should be set on a	3 4 4 5 6 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	Q. MR. COYNE: A. JOHNSON, Q	If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they faced, and they were very sensitive to cost and rate pressure, and as crown corporations they had a different set of factors that they needed to consider. So I made no such adjustments. I did not make adjustments pertaining to their capital structure. C.: But in any event, at the end of the day, you found that on a standalone basis that 30 percent and 35 percent common equity respectively, and at 8.2 percent, they met all three fair standard tests that you
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q.	Which page again? 20? O.C.: Yes, sir. Yes. O.C.: Lines 13 to – it's page 20 of the Hydro Quebec evidence. Yes, I see that. O.C.: I haven't seen it yet. Yeah, so you and your colleagues posed yourselves the question, "Are there other key principles that Canadian regulators have adopted with regard to establishing a fair return on equity. Yes, Canadian regulatory authorities have determined that another key principle when establishing a fair return on equity for a regulated utility is the standalone principle. The Regie has indicated in prior decisions that the ROE	3 4 5 6 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. MR. COYNE: A. JOHNSON, Q	C:: But you - If I may, it's also clear to me, it was also clear to me then, that as crown corporations they had capabilities to raise capital that wouldn't be available to an investor owned utility. I'm not aware of any investor owned distributor or transmission company in North America that does raise capital on a standalone basis with that type of capital structure. So that was the situation they faced, and they were very sensitive to cost and rate pressure, and as crown corporations they had a different set of factors that they needed to consider. So I made no such adjustments. I did not make adjustments pertaining to their capital structure. C:: But in any event, at the end of the day, you found that on a standalone basis that 30 percent and 35 percent common equity respectively, and at 8.2 percent, they met

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		Page 73			Page 75
1		your direct, is that correct?	1	JOHNSON, Q.C.:	
2	MR. COYNE		2	Q. You did not do that in this	s case. I notice.
3	A.	Yes, I thought as crown corporations, they	3	Can you confirm that?	· · · · · · · · · · · · · · · · · ·
4	7 1.	could do so, yes.	4	MR. COYNE:	
5	JOHNSON, Q	· •	5	A. Yes, I've gone more towa	ords the multi-stage
6	Q.	And is there any reference at all in that	6	approach.	irus tiic iiiuiti-stage
7	Q.	testimony, Mr. Coyne, to your – any	7	JOHNSON, Q.C.:	
8		discussion about the fact that they're	8	, ,	Llaak at tha
1		crowns in this context?	9	<u> </u>	
9	MD COMME		l	sustainable growth approx	
10	MR. COYNE		10	there at the bottom line of	
11	A.	Well, I know there was discussion on the	11	talks – where it says on the	
12		stand. I don't recall if it's in the	12	ROE with flotation costs"	
13		testimony or not.	13	growth it's 9.58; for susta	•
14	JOHNSON, Q	•	14	it's 9.2, and for multi-stag	
15	Q.	All right.	15	so it was the lowest of the	
16	MR. COYNE		16	that you provided to the R	Regie, right?
17	A.	We had substantial discussion of that issue	17	MR. COYNE:	
18		on the stand.	18	A. It was.	
19	JOHNSON, Q	0.C.:	19	(10:30 a.m.)	
20	Q.	Can we go back to that page 13 of the	20	JOHNSON, Q.C.:	
21		summary of your evidence for Hydro Quebec?	21	Q. Would it be reasonable to	assume that it
22		So if we could down, we see your discounted	22	would be the lowest again	n if you used it in
23		cash flow section of your report, and we see	23	this evidence for your clie	•
24		- see that, Mr. Coyne?	24	Power?	,
25	MR. COYNE		25	MR. COYNE:	
		Page 74			Page 76
	A.	If I might, I am checking one thing. I'm	1	A. I'm not sure of that short of	•
Ι.	A.				-
$\begin{vmatrix} 2 \\ 2 \end{vmatrix}$		refreshing my memory regarding the	2	numbers and seeing them, l	but the – I guess,
3		testimony. I want to make sure I'm giving	3	I'd have to say I'm not sure	
4				IOIINICON O C .	2.
5		you a reliable answer to your last question.	4	JOHNSON, Q.C.:	
1		Okay, please proceed.	5	Q. You didn't run those numb	
6	JOHNSON, Q	Okay, please proceed.	5 6	Q. You didn't run those numb this case?	
6 7	JOHNSON, Q	Okay, please proceed. O.C.: Thank you. You were looking for a reference	5 6 7	Q. You didn't run those numb this case? MR. COYNE:	ers, did you, in
6 7 8		Okay, please proceed. O.C.: Thank you. You were looking for a reference to the crown in your evidence, were you,	5 6 7 8	Q. You didn't run those numb this case? MR. COYNE: A. As we discussed earlier, I r	ers, did you, in an the multi-
6 7 8 9	Q.	Okay, please proceed. O.C.: Thank you. You were looking for a reference to the crown in your evidence, were you, that time?	5 6 7	Q. You didn't run those numb this case? MR. COYNE: A. As we discussed earlier, I r stage, and the reason I've d	ers, did you, in an the multi- lone that is I do
6 7 8		Okay, please proceed. O.C.: Thank you. You were looking for a reference to the crown in your evidence, were you, that time?	5 6 7 8	Q. You didn't run those numb this case? MR. COYNE: A. As we discussed earlier, I r stage, and the reason I've d a lot of work before the FE	ers, did you, in an the multi- lone that is I do RC pertaining to
6 7 8 9 10 11	Q. MR. COYNE A.	Okay, please proceed. O.C.: Thank you. You were looking for a reference to the crown in your evidence, were you, that time? No, I was not.	5 6 7 8 9 10 11	Q. You didn't run those numb this case? MR. COYNE: A. As we discussed earlier, I r stage, and the reason I've d a lot of work before the FE cost of capital, and the FER	ers, did you, in an the multi- lone that is I do RC pertaining to RC has moved away
6 7 8 9 10	Q. MR. COYNE	Okay, please proceed. O.C.: Thank you. You were looking for a reference to the crown in your evidence, were you, that time? No, I was not.	5 6 7 8 9 10	Q. You didn't run those numb this case? MR. COYNE: A. As we discussed earlier, I r stage, and the reason I've d a lot of work before the FE	ers, did you, in an the multi- lone that is I do RC pertaining to RC has moved away
6 7 8 9 10 11	Q. MR. COYNE A.	Okay, please proceed. O.C.: Thank you. You were looking for a reference to the crown in your evidence, were you, that time? No, I was not.	5 6 7 8 9 10 11	Q. You didn't run those numb this case? MR. COYNE: A. As we discussed earlier, I r stage, and the reason I've d a lot of work before the FE cost of capital, and the FER	ers, did you, in an the multi- lone that is I do RC pertaining to RC has moved away h model. One of
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_	il 4, 2016			NL Power GRA 201
		Page 77		Page 79
1		either earnings of dividends, depending on	1	1 MR. COYNE:
2		how you're running the model.	2	2 A. That's right.
3	JOHNSON, Q	· ·	3	3 JOHNSON, Q.C.:
4	Q.	But in 2013, you were quite able to run a	4	Q. And I understand that the basis of your
5		sustainable growth methodology before the	5	5 analysis was that you analyzed their
6		Regie. You could have done the same here,	6	operating and financial profile, and you
7		couldn't you?	7	7 selected Canadian and US proxy samples
8	MR. COYNE	•	8	8 comparable to HQD and HQT in terms of both
9	A.	Yes. It was unusual that I did. I have in	9	business and operating risk, is that fair?
10		a few cases, but for the most part, I run	10	MR. COYNE:
11		constant growth multi-stage and CAPM.	11	1 A. Yes.
12	JOHNSON, Q	0.C.:	12	2 JOHNSON, Q.C.:
13	Q.	The FERC is not dictating how you prepare	13	Q. And as we've established this evidence is
14		your evidence in Canada, is it?	14	based on a standalone principle, and
15	MR. COYNE		15	5 presumably that's why you base your evidence
16	A.	No, it's not, but the reason I bring that up	16	on proxy samples of comparable firms, is
17		is that for similar reasons, the FERC has	17	7 that right?
18		moved away from the sustainable growth	18	8 MR. COYNE:
19		model. It's not the common form of the DCF	19	A. That's right.
20		to present and utilize. It's either constant	20) JOHNSON, Q.C.:
21		growth or multi-stage.	21	1 Q. And so in many respects, this would be the
22	JOHNSON, Q	0.C.:	22	same as what you've done here since
23	Q.	So just to be clear, when we look at your	23	Newfoundland Power is basically a
24		Hydro Quebec testimony which you had CAP	24	4 transmission and distribution company,
25		reconciled to 9.22 percent, and your	25	5 right?
		Page 78		Page 80
1		recommendation was 9.2 percent, I take it,	1	1 MR. COYNE:
2		it would be fair for us to say that you've	2	A. They have generation resources.
3		now moved your estimates to two-thirds DCF,	3	3 JOHNSON, Q.C.:
4		but you've dropped the sustainable growth	4	Q. It's minimal generating assets. They buy
5		model that gave you the lowest DCF figure in	5	5 most of their power from Newfoundland Hydro,
6		Quebec when you come here to testify?	6	is that correct?
7	MR. COYNE		7	7 MR. COYNE:
8	A.	Well, as I mentioned, I looked at a variety	8	A. That's correct, about 93 percent, as I
9		of models here, three different	9	
10		of models here, three different	′	erecall.
10		alternatives, three different proxy groups,	10) JOHNSON, Q.C.:
10		alternatives, three different proxy groups, and three different alternative estimation	l	O JOHNSON, Q.C.: O Q. Right, so just a tiny fraction. They've
1		alternatives, three different proxy groups,	10	JOHNSON, Q.C.: Q. Right, so just a tiny fraction. They've been traditionally referred to as poles and
11		alternatives, three different proxy groups, and three different alternative estimation methods. So I felt as though I was well bracketing what the range of results would	10 11	JOHNSON, Q.C.: Q. Right, so just a tiny fraction. They've been traditionally referred to as poles and
11 12		alternatives, three different proxy groups, and three different alternative estimation methods. So I felt as though I was well bracketing what the range of results would be. If the difference there is 20 basis	10 11 12	JOHNSON, Q.C.: Q. Right, so just a tiny fraction. They've been traditionally referred to as poles and wires. You're familiar with that, right?
11 12 13		alternatives, three different proxy groups, and three different alternative estimation methods. So I felt as though I was well bracketing what the range of results would be. If the difference there is 20 basis points, I have a far greater difference in	10 11 12 13	JOHNSON, Q.C.: Q. Right, so just a tiny fraction. They've been traditionally referred to as poles and wires. You're familiar with that, right? MR. COYNE: A. I am.
11 12 13 14		alternatives, three different proxy groups, and three different alternative estimation methods. So I felt as though I was well bracketing what the range of results would be. If the difference there is 20 basis points, I have a far greater difference in that between the alternative models and	10 11 12 13 14	JOHNSON, Q.C.: Q. Right, so just a tiny fraction. They've been traditionally referred to as poles and wires. You're familiar with that, right? MR. COYNE: A. I am. JOHNSON, Q.C.:
11 12 13 14 15 16 17		alternatives, three different proxy groups, and three different alternative estimation methods. So I felt as though I was well bracketing what the range of results would be. If the difference there is 20 basis points, I have a far greater difference in that between the alternative models and proxy groups. So at some point in time, I	10 11 12 13 14 15 16 17	JOHNSON, Q.C.: Q. Right, so just a tiny fraction. They've been traditionally referred to as poles and wires. You're familiar with that, right? MR. COYNE: A. I am. JOHNSON, Q.C.: Q. And if you go to your Hydro Quebec testimony
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	Page 81		Page 83
1	companies in the proxy groups of cost of	1	poles and wires. So regulators accounted
2	recovery and revenue stabilization	2	for that in one or two ways. They allow
3	mechanisms that mitigate many of the	3	utilities to have those assets in rate base,
4	important business risks, such as fuel	4	in which case they compensate them for that
5	supply, fluctuations in volume demand,	5	risk, or they compensate them for the cost
6	capital investment costs, operating costs	6	of the fuel or they compensate them for the
7	that tend to fluctuate significantly from	7	pass through of the power cost associated
8	year to year". Then you go on to say this,	8	with generation. Both can create risk. You
9	"Based on the business risk identified in	9	can have a utility, such as Newfoundland
10	this testimony, the only important	10	Power, for example, that has risk associated
11	difference is that a percentage of electric	11	with purchase power, and that risk can be
12	utilities in the United States proxy group	12	greater than a company that has generation
13	and in Canada own some regulated generation,	13	because in this case Newfoundland Power
14	which suggests that those companies have	14	actually has risk associated with purchase
15	somewhat more business risk than HQD and	15	power than a generator might not have if it
16	HQT".	16	has a full cost pass through in its purchase
17	MR. COYNE:	17	power costs in assets and rate base. So
1		18	-
18	A. Yes. JOHNSON, Q.C.:	19	it's not – generation per se doesn't mean
19	, <u> </u>	1	that a company is always riskier than one
20	Q. Mr. Coyne, I guess, in your judgment,	20	with it. It really depends on the specific
21	generation poses more risk than straight	21	regulatory protection they have as well that
22	transmission and distribution assets, even	22	allows them to recover those costs.
23	if they're regulated, correct?	23	JOHNSON, Q.C.:
24	MR. COYNE:	24	Q. Okay, very good. Now let me just go back to
25	A. On that basis alone, yes, if you consider	25	page 50 then for a second of your Quebec
	Page 82		Page 84
1	that in the totality for the business risk	1	testimony.
1 2	that in the totality for the business risk for the firm.	1 2	testimony. MR. COYNE:
1 2 3	that in the totality for the business risk for the firm. JOHNSON, Q.C.:	1 2 3	testimony. MR. COYNE: A. Page 50?
1	that in the totality for the business risk for the firm. JOHNSON, Q.C.: Q. So what makes a straight transmission and	ı	testimony. MR. COYNE: A. Page 50? JOHNSON, Q.C.:
3	that in the totality for the business risk for the firm. JOHNSON, Q.C.: Q. So what makes a straight transmission and distribution less risky than having	3	testimony. MR. COYNE: A. Page 50? JOHNSON, Q.C.: Q. Yes, sir, line 17 to 19. This comes after a
3 4	that in the totality for the business risk for the firm. JOHNSON, Q.C.: Q. So what makes a straight transmission and distribution less risky than having generation?	3 4	testimony. MR. COYNE: A. Page 50? JOHNSON, Q.C.: Q. Yes, sir, line 17 to 19. This comes after a discussion of Hydro Quebec's business risk
3 4 5	that in the totality for the business risk for the firm. JOHNSON, Q.C.: Q. So what makes a straight transmission and distribution less risky than having	3 4 5	testimony. MR. COYNE: A. Page 50? JOHNSON, Q.C.: Q. Yes, sir, line 17 to 19. This comes after a discussion of Hydro Quebec's business risk and you conclude that – I'm looking at line
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3 4 5 6 7 8 9	that in the totality for the business risk for the firm. JOHNSON, Q.C.: Q. So what makes a straight transmission and distribution less risky than having generation? MR. COYNE: A. As we talked about in the context of the Nalcor project, generation project sometimes are large, they stretch out over many years. It's not that transmission projects can't be	3 4 5 6 7 8 9	testimony. MR. COYNE: A. Page 50? JOHNSON, Q.C.: Q. Yes, sir, line 17 to 19. This comes after a discussion of Hydro Quebec's business risk and you conclude that – I'm looking at line 10, "From the perspective of establishing the ROE for HQD and HQT, Concentric
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4 exactly again. We're always trying to move it forward. 5 it forward. 6 JOHNSON, Q.C.: 7 Q. So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 9 Land Hard Hard Hard Hard Hard Hard Hard Har	1		•	1	· ·
So	1 -		make reasonable decisions. So it's not a	l	unlike distribution and transmission outfits
So	2		make reasonable decisions. So it's not a static process for us where I just take what	2	unlike distribution and transmission outfits had regulated transmission in their rate
6 JOHNSON, Q.C.: 7 Q. So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 8 P. JOHNSON, Q.C.: 9 Q. I have – 10 MR. COYNE: 11 A. 53, yes. 11 A. We have – as you recall, we have three difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of equity related to the US proxy group and the use of discussed in the following section of this discussed in the following section of this regulated generation", and your answer is, "As basis points". 9 Q. I have – 10 MR. COYNE: 11 A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have at the generation, some have very little generation, some have very little some have a mix, and it also depends on what the was proxy group and the use of the cost of the cost of discussed in the following section of this testimony, the incremental ROE required to offset the increased operating risk of regulated generation is approximately 41 basis points. 16 would not reach the conclusion that that was 7 41 basis points that would apply here. 28 JOHNSON, Q.C.: 29 Q. I have – 10 MR. COYNE: 11 A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have at the generation, some have a mix and it also depends on what the proxy generation, such as Newfoundland Power, and some have a mix, and it also depends on what the proxy is pushed to the US proxy group in their cost recovery mechanisms are. So that would be a very narrow issue to focus on pushed their cost recovery mechanisms are so that would be a very narrow issue to focus on pushed their cost recovery mechanisms are used to focus on pushed their cost recovery mechanisms are used to focus on pushed their cost recovery mechanisms are used to focus on pushed their cost recovery mechanisms are used to focus on pushed their cost recovery mechanisms are. So that would be a very narrow issue to focus on pushed their	2 3		make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that	2 3	unlike distribution and transmission outfits had regulated transmission in their rate base?
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8 evidence. There's a question that – are you there, Mr. Coyne? 9 there, Mr. Coyne? 10 MR. COYNE: 11 A. 53, yes. 11 A. We have – as you recall, we have three 12 JOHNSON, Q.C.: 13 Q. There's a question, "How does this adjustment for the difference in equity 14 adjustment for the difference in equity 15 ratios between HQD and HQT and US proxy group compare to the effect on the cost of 17 equity related to the US proxy group 18 companies ownership of regulated companies ownership of regulated to discussed in the following section of this testimony, the incremental ROE required to offset the increased operation is approximately 41 basis points". 8 JOHNSON, Q.C.: 9 Q. I have – 10 MR. COYNE: 11 A. We have – as you recall, we have three difference in equity at the generation portion only. Some have a mit the generation, some have very little generation, such as Newfoundland Power, and some have a mix, and it also depends on what 16 would be a very narrow issue to focus on 17 just that number and apply it here. 18 would be a very narrow issue to focus on 19 just that number and apply it here. 29 JOHNSON, Q.C.: 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 12 testimony and certainly I couldn't see any 12 adjustment for the fact that the proxy 12 groups involving in your analysis all had 12 fairly significant generation, and you	2 3 4 5	JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward.	2 3 4 5	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I
there, Mr. Coyne? 10 MR. COYNE: 11 A. 53, yes. 11 A. We have – as you recall, we have three 12 JOHNSON, Q.C.: 13 Q. There's a question, "How does this 14 adjustment for the difference in equity 15 ratios between HQD and HQT and US proxy 16 group compare to the effect on the cost of 17 equity related to the US proxy group 18 companies ownership of regulated 19 Q. I have – 10 MR. COYNE: 11 A. We have – as you recall, we have three 12 different proxy groups, and that's looking 13 at the generation portion only. Some have 14 generation, some have very little 15 generation, such as Newfoundland Power, and 16 some have a mix, and it also depends on what 17 their cost recovery mechanisms are. So that 18 would be a very narrow issue to focus on 19 generation", and your answer is, "As 20 discussed in the following section of this 21 testimony, the incremental ROE required to 22 offset the increased operating risk of 23 regulated generation is approximately 41 24 basis points". 29 Q. I have – 10 MR. COYNE: 10 MR. COYNE: 11 A. We have – as you recall, we have three different proxy groups, and that's looking 12 at the generation portion only. Some have 13 at the generation, such as Newfoundland Power, and 14 generation, such as Newfoundland Power, and 16 some have a mix, and it also depends on what 17 their cost recovery mechanisms are. So that 18 would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 22 testimony and certainly I couldn't see any 23 adjustment for the fact that the proxy 24 groups involving in your analysis all had 25 MR. COYNE: 26 fairly significant generation, and you	2 3 4 5 6		make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward.	2 3 4 5 6	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was
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11 A. 53, yes. 12 JOHNSON, Q.C.: 13 Q. There's a question, "How does this 14 adjustment for the difference in equity 15 ratios between HQD and HQT and US proxy 16 group compare to the effect on the cost of 17 equity related to the US proxy group 18 companies ownership of regulated 19 generation", and your answer is, "As 19 just that number and apply it here. 20 discussed in the following section of this 21 qe. 22 offset the increased operating risk of 23 regulated generation is approximately 41 24 basis points". 21 A. We have – as you recall, we have three different proxy groups, and that's looking 11 at the generation portion only. Some have 12 generation, some have very little 13 generation, such as Newfoundland Power, and 16 some have a mix, and it also depends on what 17 their cost recovery mechanisms are. So that 18 would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Liguess, I've searched your current 22 testimony, the incremental ROE required to 23 adjustment for the fact that the proxy 24 basis points". 24 groups involving in your analysis all had 25 MR. COYNE: 26 different proxy groups, and that's looking 27 at the generation portion only. Some have 28 different proxy groups, and that's looking 29 at the generation, some have and the generation where 29 different proxy groups involving in your analysis all had 29 fairly significant generation, and you	2 3 4 5 6 7 8		make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you	2 3 4 5 6 7 8	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.:
12 JOHNSON, Q.C.: 13 Q. There's a question, "How does this 14 adjustment for the difference in equity 15 ratios between HQD and HQT and US proxy 16 group compare to the effect on the cost of 17 equity related to the US proxy group 18 companies ownership of regulated 19 generation", and your answer is, "As 20 discussed in the following section of this 21 testimony, the incremental ROE required to 22 offset the increased operating risk of 23 regulated generation is approximately 41 24 basis points". 12 different proxy groups, and that's looking 13 at the generation portion only. Some have 14 generation, some have very little 15 generation, such as Newfoundland Power, and 16 some have a mix, and it also depends on what 17 their cost recovery mechanisms are. So that 18 would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 testimony, the incremental ROE required to 22 testimony and certainly I couldn't see any 23 regulated generation is approximately 41 24 basis points". 24 groups involving in your analysis all had 25 MR. COYNE: 26 different proxy groups at the generation portion only. Some have 28 due the generation, some have very little 29 generation, some have very little 20 generation, such as Newfoundland Power, and 21 some have a mix, and it also depends on what 22 hericovery mechanisms are. So that 23 basis points are So that 24 groups involving in your analysis all had 25 MR. COYNE:	2 3 4 5 6 7 8 9	Q.	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne?	2 3 4 5 6 7 8 9	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have –
13 Q. There's a question, "How does this 14 adjustment for the difference in equity 15 ratios between HQD and HQT and US proxy 16 group compare to the effect on the cost of 17 equity related to the US proxy group 18 companies ownership of regulated 19 generation", and your answer is, "As 20 discussed in the following section of this 20 discussed in the following section of this 21 testimony, the incremental ROE required to 22 offset the increased operating risk of 23 regulated generation is approximately 41 24 basis points". 13 at the generation portion only. Some have 14 generation, some have very little 15 generation, such as Newfoundland Power, and 16 some have a mix, and it also depends on what 17 their cost recovery mechanisms are. So that 18 would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 22 testimony and certainly I couldn't see any 23 adjustment for the fact that the proxy 24 groups involving in your analysis all had 25 MR. COYNE: 26 discussed in the following section of this 27 groups involving in your analysis all had 28 fairly significant generation, and you	2 3 4 5 6 7 8 9 10	Q. MR. COYNE	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne?	2 3 4 5 6 7 8 9 10	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE:
adjustment for the difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of equity related to the US proxy group companies ownership of regulated generation, such as Newfoundland Power, and their cost recovery mechanisms are. So that would be a very narrow issue to focus on generation", and your answer is, "As generation, some have very little some have a mix, and it also depends on what their cost recovery mechanisms are. So that would be a very narrow issue to focus on just that number and apply it here. JOHNSON, Q.C.: I guess, I've searched your current offset the increased operating risk of regulated generation is approximately 41 basis points". MR. COYNE: I guess, I've searched your current testimony and certainly I couldn't see any adjustment for the fact that the proxy groups involving in your analysis all had fairly significant generation, and you	2 3 4 5 6 7 8 9 10	Q. MR. COYNE A.	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? : 53, yes.	2 3 4 5 6 7 8 9 10 11	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three
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group compare to the effect on the cost of equity related to the US proxy group their cost recovery mechanisms are. So that companies ownership of regulated generation", and your answer is, "As discussed in the following section of this testimony, the incremental ROE required to offset the increased operating risk of regulated generation is approximately 41 basis points". 16 some have a mix, and it also depends on what their cost recovery mechanisms are. So that would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 22 testimony and certainly I couldn't see any 23 regulated generation is approximately 41 basis points". 24 groups involving in your analysis all had 25 MR. COYNE: 26 some have a mix, and it also depends on what 27 their cost recovery mechanisms are. So that 28 would be a very narrow issue to focus on 29 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 22 adjustment for the fact that the proxy 23 groups involving in your analysis all had 25 MR. COYNE:	2 3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 53, yes. O.C.: There's a question, "How does this	2 3 4 5 6 7 8 9 10 11 12 13	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have
17 equity related to the US proxy group 18 companies ownership of regulated 19 generation", and your answer is, "As 20 discussed in the following section of this 21 testimony, the incremental ROE required to 22 offset the increased operating risk of 23 regulated generation is approximately 41 24 basis points". 17 their cost recovery mechanisms are. So that 18 would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 22 testimony and certainly I couldn't see any 23 regulated generation is approximately 41 24 groups involving in your analysis all had 25 MR. COYNE: 26 their cost recovery mechanisms are. So that 28 would be a very narrow issue to focus on 29 just that number and apply it here. 20 JOHNSON, Q.C.: 21 quess, I've searched your current 22 testimony and certainly I couldn't see any 23 adjustment for the fact that the proxy 24 groups involving in your analysis all had 25 MR. COYNE:	2 3 4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 53, yes. O.C.: There's a question, "How does this adjustment for the difference in equity	2 3 4 5 6 7 8 9 10 11 12 13	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little
companies ownership of regulated generation", and your answer is, "As discussed in the following section of this testimony, the incremental ROE required to offset the increased operating risk of regulated generation is approximately 41 basis points". 18 would be a very narrow issue to focus on 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current 22 testimony and certainly I couldn't see any 23 adjustment for the fact that the proxy 24 groups involving in your analysis all had 25 MR. COYNE: 28 groups involving in your analysis all had 29 MR. coyne involving in your analysis all had	2 3 4 5 6 7 8 9 10 11 12 13 14 15	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? There's a question, "How does this adjustment for the difference in equity ratios between HQD and HQT and US proxy	2 3 4 5 6 7 8 9 10 11 12 13 14 15	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little generation, such as Newfoundland Power, and
generation", and your answer is, "As discussed in the following section of this testimony, the incremental ROE required to offset the increased operating risk of regulated generation is approximately 41 basis points". 19 just that number and apply it here. 20 JOHNSON, Q.C.: 21 Q. I guess, I've searched your current testimony and certainly I couldn't see any adjustment for the fact that the proxy groups involving in your analysis all had fairly significant generation, and you	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 53, yes. O.C.: There's a question, "How does this adjustment for the difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little generation, such as Newfoundland Power, and some have a mix, and it also depends on what
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testimony, the incremental ROE required to offset the increased operating risk of regulated generation is approximately 41 basis points". O. I guess, I've searched your current testimony and certainly I couldn't see any adjustment for the fact that the proxy groups involving in your analysis all had fairly significant generation, and you	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? There's a question, "How does this adjustment for the difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of equity related to the US proxy group companies ownership of regulated	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little generation, such as Newfoundland Power, and some have a mix, and it also depends on what their cost recovery mechanisms are. So that would be a very narrow issue to focus on
offset the increased operating risk of regulated generation is approximately 41 basis points". 22 testimony and certainly I couldn't see any adjustment for the fact that the proxy groups involving in your analysis all had 25 MR. COYNE: 25 fairly significant generation, and you	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? There's a question, "How does this adjustment for the difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of equity related to the US proxy group companies ownership of regulated generation", and your answer is, "As	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little generation, such as Newfoundland Power, and some have a mix, and it also depends on what their cost recovery mechanisms are. So that would be a very narrow issue to focus on just that number and apply it here.
regulated generation is approximately 41 23 adjustment for the fact that the proxy 24 basis points". 24 groups involving in your analysis all had 25 MR. COYNE: 25 fairly significant generation, and you	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE A. JOHNSON, Q	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 53, yes. O.C.: There's a question, "How does this adjustment for the difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of equity related to the US proxy group companies ownership of regulated generation", and your answer is, "As discussed in the following section of this	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little generation, such as Newfoundland Power, and some have a mix, and it also depends on what their cost recovery mechanisms are. So that would be a very narrow issue to focus on just that number and apply it here. JOHNSON, Q.C.:
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Discoveries Unlimited Inc. (700)/427-5029 Dage 95 Dage 99	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	Q. MR. COYNE A. JOHNSON, Q. Q.	make reasonable decisions. So it's not a static process for us where I just take what we did last time and say let's do that exactly again. We're always trying to move it forward. O.C.: So just go to page 53 for a moment of your evidence. There's a question that – are you there, Mr. Coyne? 53, yes. O.C.: There's a question, "How does this adjustment for the difference in equity ratios between HQD and HQT and US proxy group compare to the effect on the cost of equity related to the US proxy group companies ownership of regulated generation", and your answer is, "As discussed in the following section of this testimony, the incremental ROE required to offset the increased operating risk of regulated generation is approximately 41 basis points".	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	unlike distribution and transmission outfits had regulated transmission in their rate base? MR. COYNE: A. I was trying to isolate generation only. I would not reach the conclusion that that was 41 basis points that would apply here. JOHNSON, Q.C.: Q. I have – MR. COYNE: A. We have – as you recall, we have three different proxy groups, and that's looking at the generation portion only. Some have generation, some have very little generation, such as Newfoundland Power, and some have a mix, and it also depends on what their cost recovery mechanisms are. So that would be a very narrow issue to focus on just that number and apply it here. JOHNSON, Q.C.: Q. I guess, I've searched your current testimony and certainly I couldn't see any adjustment for the fact that the proxy groups involving in your analysis all had

Apr	11 4, 2016				NL Power GRA 2016
		Page 89			Page 91
1		applied no adjustment for that, right?	1	Q.	I see. You're aware that Moody's considers
2	MR. COYNE:		2		the business risk of Newfoundland Power to
3	A.	No, what you'll find in there is an analysis	3		be lower than that of a typical vertically
4		of which companies did and did not have	4		integrated utility, "which is exposed to the
5		generation, and I've also looked at the	5		operational, financial, and environmental
6		results from those that did or did not have	6		risks of generation", to quote Moody's?
7		generation.	7	(10:45 a.m.)	3 , ₁
8	JOHNSON, Q		8	MR. COYNE:	
9	Q.	What do you mean -	9	A.	Can you refer to a specific Moody's issue?
10	MR. COYNE:	•	10	JOHNSON, Q	* *
11	A.	And I found no need to make an adjustment.	11	Q.	Exhibit 4 of Volume 2, the bottom of page 2.
12	JOHNSON, Q	•	12	MR. COYNE:	_ _
13	Q.	No need for any adjustment on that?	13	A.	I think this was submitted in response to
14	MR. COYNE:	• •	14	71.	one of the – was this a company exhibit, as
15	A.	No.	15		I recall?
16	JOHNSON, Q		16	JOHNSON, Q	
17	Q.	Okay.	17	Q.	Yes, it's a company exhibit.
18	MR. COYNE:	•	18	MR. COYNE:	
19	A.	And again we looked at the regulatory	19	A.	Okay. I do have it. Thank you. So bottom
20	11.	mechanisms that are in place for those	20	11.	of page 2?
21		companies as well.	21	JOHNSON, Q	* •
$\begin{vmatrix} 21\\22\end{vmatrix}$	JOHNSON, Q	*	22	Q.	Yes, sir.
$\begin{vmatrix} 22 \\ 23 \end{vmatrix}$	Q.	I see.	23	MR. COYNE:	
$\begin{vmatrix} 23 \\ 24 \end{vmatrix}$	MR. COYNE:		24	A.	Yes, okay.
25	A.	And compared to Newfoundland Hydro, and we	25	JOHNSON, Q	
123	71.	Thia compared to rewinding and re-	23	3011110011, Q	.c
		Daga 00			Do 22 02
,		Page 90	1	0	Page 92
1		did not find a difference to make an	1	-	Moody's is saying, "Although NPI is
2	IOIINGON C	did not find a difference to make an adjustment on that basis.	2		Moody's is saying, "Although NPI is vertically integrated, NPI's only generation
2 3	JOHNSON, Q	did not find a difference to make an adjustment on that basis.	2 3		Moody's is saying, "Although NPI is vertically integrated, NPI's only generation assets are regulated and represent only 14
2 3 4	Q.	did not find a difference to make an adjustment on that basis. O.C.: Okay.	2 3 4		Moody's is saying, "Although NPI is vertically integrated, NPI's only generation assets are regulated and represent only 14 percent of NPI's net property, plant, and
2 3 4 5	Q. MR. COYNE	did not find a difference to make an adjustment on that basis. O.C.: Okay.	2 3 4 5		Moody's is saying, "Although NPI is vertically integrated, NPI's only generation assets are regulated and represent only 14 percent of NPI's net property, plant, and equipment at year end 2014. Accordingly, we
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE	did not find a difference to make an adjustment on that basis. C.C.: Okay. Again a distinction for this company is it has exposure through its purchase power cost that these companies don't have. C.C.: What exposure to the purchase power cost does Newfoundland Power have? They have - in their annual purchase power recovery mechanism they have some exposure to what their actual purchase power costs are vis-a-vis their forecast of those costs. C.C.: In the test year for 2016, is there any exposure to power purchase cost, Mr. Coyne? There should be a forecast, would be my understanding, and around that forecast	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	Moody's is saying, "Although NPI is vertically integrated, NPI's only generation assets are regulated and represent only 14 percent of NPI's net property, plant, and equipment at year end 2014. Accordingly, we consider the business risk of NPI to be lower than that of a typical vertically integrated utility which is often exposed to commodity price and volume risks, or the operational, financial, environment risk associated with electricity generation". Yes, I see that. C.: Right. The next sentence, they talk about the uncertainties and timing due to their expected of the Muskrat Falls Project, which they see as offsetting, and that's a point I'm getting to, that in isolation, yes, but you have to look at the whole power supply
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		Page 93			Page 95
1	Q.	No, but – I understand there will be	1		pay dividends, so we can use the models that
2		discussion on that, what your perception is	2		we need to use, they have positive earnings
3		of those future risks, but Moody's for quite	3		growth projections, they have at least 70
4		a while, to my memory, has been having an	4		percent of their operating income derived
5		identical passage in each of their credit	5		from regulated operations, and at least 90
6		rating reports about Newfoundland Power	6		percent of their regulated operating income
1 7		being essentially exposed to less business	7		is derived from electric utility service and
8		risk than the typical vertically integrated	8		they're not involved in a merger. So the
9		utility. Would you not agree with Moody's	9		combination of those screens gave me my
10		that that is, in fact, the case, Mr. Coyne?	10		proxy group. I then eliminated two
11	MR. COYNE		11		companies that I did not find comparable.
12	A.	As I've said, yes, generation is usually	12		Then if you go back to JMC 1, where I
13		associated with higher risk than the T & D	13		present high level summary data for these
14		business on an isolated basis. You have to	14		companies, what I'm doing there is I'm
15		look at the entirety of the company, though,	15		analyzing the operating statistics for each
16		to understand what its full risk profile is.	16		of the – I'm trying to break the holding
17	JOHNSON, Q	÷	17		company down to the operating subsidiary
18	0.	Okay.	18		because these companies manage their risk
19	MR. COYNE	•	19		from a regulatory perspective.
20	A.	Just as Moody's has done here in the next	20	JOHNSON, Q	
21	11.	sentence and more broadly in the report.	21	Q.	JMC 1?
22	JOHNSON, Q		22	MR. COYNE:	
23	Q.	Thank you. Mr. Coyne, when you put together	23	A.	Exhibit JMC 5, Schedule 1, and there you can
24	ζ.	your proxy samples for Newfoundland Power,	24	11.	see I'm recognizing those that have
25		you didn't screen companies based on whether	25		regulated generation versus those that
23		Page 94			
1		they owned regulated generation, correct?	1		Page 96
$\begin{bmatrix} 1 \\ 2 \end{bmatrix}$	MR. COYNE		$\begin{bmatrix} 1 \\ 2 \end{bmatrix}$	JOHNSON, Q	don't, and then if you look at -
$\frac{2}{3}$	A.	The screens that I used did not, but then I	$\frac{2}{3}$	Q.	Excuse me.
4	11.	analyzed the amount of generation they did	4	MR. COYNE:	
5		own in my risk appendix. I have it in	5	A.	JMC 5, Schedule 1. Let's see, JMC 5,
6		there.	6	11.	Schedule 1. Eet 3 see, 5WE 3,
7	JOHNSON, O		7	JOHNSON, Q	
8	Q.	But in terms of the companies that made it	8	Q.	Oh, I think you're talking about to your
9	Q.	into your samples, it was immaterial to you	9	Q.	capital structure.
10		whether they owned significant generation or	10	MR. COYNE:	•
11		not, and that wasn't a test, right?	11	A.	This would have been the capital structure
12	MR. COYNE	, ,	12	Λ.	appendix, right.
13	A.	No, I wouldn't – I did not say it was	13	JOHNSON, Q	
14	Λ.	immaterial. If you go to page 16 of my	14	Q.	Oh, I see.
15		primary evidence, you can see there	15	MR. COYNE:	
16		beginning on page 5 that we started with the	16	A.	That denotes the companies in my sample that
17		46 Value Line companies that are classified	17	A.	have regulated generation or not, or those
18		as electric utilities.	18		that have limited regulated generation.
1	IOHNICON (ı	ІОПИСОИ О	
19	JOHNSON, O		19	JOHNSON, Q	
$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$	Q. MR. COYNE	On line 5?	20	Q.	Mr. Coyne, just before we go off, like, I
21			21		asked you a question and I understand you
22	A.	Yes, and then I screened the companies	22		want to tell me a few things, but what I was
23		according to six different criteria; a	23		basically trying to establish was that in
24		credit rating that would be comparable to	24		the screens that you apply, you don't screen
25		that of Newfoundland Power, they currently	25	(=00\ 10===	for regulated generation. I thought you
		Discoveries Unlimite	d Ind	· (709)437 ₋ 50′	Page 93 - Page 96

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		Page 97			Page 99
1	would be able	to agree with me on that.	1	Q.	I see. So Canadian Utilities is one of the
2	MR. COYNE:	-	2		companies in your North American proxy
3	A. We did not scr	een a regulated generation. We	3		group. There's a total of nine companies,
4		re after we screened.	4		two of which are Canadian based. JMC 2, at
5	JOHNSON, Q.C.:		5		page 1. That's to the first part of Mr.
6	Q. Right.		6		Coyne's evidence. In the overview at the
7	MR. COYNE:		7		top, 6800 employees, assets of approximately
8		ccording to the six screens I	8		17 billion, Canadian Utilities is an ATCO
9	just described.	ecording to the six screens i	9		company, diversified global company
10	JOHNSON, Q.C.:		10		delivering service excellence, innovative
11		company that had nuclear and	11		business solutions, utilities, pipeline,
12		* *	12		
- 1	_	atts of generating capacity,			natural gas, transmission and distribution.
13		fail a screen of yours? That's	13		They're into power generation and sales as
14	all I'm getting	at, right.	14	MD COMME	well, Mr. Coyne?
15	MR. COYNE:	a sea	15	MR. COYNE:	
16		nese other criteria, then	16	A.	What was your specific question?
17	it could still be	e in.	17	JOHNSON, Q	
18	JOHNSON, Q.C.:		18	Q.	They're into power generation, Canadian
19	Q. All right.		19		Utilities?
20	MR. COYNE:		20	MR. COYNE:	
21	A. Then I do the r	risk analysis on the proxy	21	A.	Yes.
22	group, and incl	luding how they generate power	22	JOHNSON, Q	.C.:
23	and what risk p	provisions they have in place	23	Q.	And would that be Calgary Power, for
24	to cover them	from a regulatory perspective.	24		instance, they have coal power generation, I
25	JOHNSON, Q.C.:		25		understand?
	· · ·	Page 98			
		Page 98	1	MR. COYNE:	Page 100
1 2	Q. So did Mr. Tr	Page 98 rogonoski do that risk analysis?	1 2	MR. COYNE:	Page 100
2	Q. So did Mr. Tr MR. COYNE:	· · · · · · · · · · · · · · · · · · ·	1 2 3	MR. COYNE:	Page 100 That may very well be where that's cited,
2 3	Q. So did Mr. Tr MR. COYNE: A. In this case?	· · · · · · · · · · · · · · · · · · ·	3	A.	Page 100 That may very well be where that's cited, yes.
2 3 4	Q. So did Mr. Tr MR. COYNE: A. In this case? JOHNSON, Q.C.:	· · · · · · · · · · · · · · · · · · ·	3 4	A. JOHNSON, Q	Page 100 That may very well be where that's cited, yes. C.:
2 3 4 5	Q. So did Mr. Tr MR. COYNE: A. In this case? JOHNSON, Q.C.: Q. Yeah.	· · · · · · · · · · · · · · · · · · ·	3 4 5	A.	Page 100 That may very well be where that's cited, yes. C.: And they have assets in Australia as well, I
2 3 4 5 6	Q. So did Mr. Tr MR. COYNE: A. In this case? JOHNSON, Q.C.: Q. Yeah. MR. COYNE:	rogonoski do that risk analysis?	3 4 5 6	A. JOHNSON, Q	Page 100 That may very well be where that's cited, yes. C.: And they have assets in Australia as well, I take it. Do you know if they have
2 3 4 5 6 7	Q. So did Mr. Tr MR. COYNE: A. In this case? JOHNSON, Q.C.: Q. Yeah. MR. COYNE: A. Yes, he assist	rogonoski do that risk analysis?	3 4 5 6 7	A. JOHNSON, Q Q.	Page 100 That may very well be where that's cited, yes. C.: And they have assets in Australia as well, I take it. Do you know if they have generating down there too?
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2 3 4 5 6 7 8 9	Q. So did Mr. Tr MR. COYNE: A. In this case? JOHNSON, Q.C.: Q. Yeah. MR. COYNE: A. Yes, he assist JOHNSON, Q.C.: Q. He assisted years.	rogonoski do that risk analysis? ed me with it.	3 4 5 6 7 8 9	A. JOHNSON, Q Q.	Page 100 That may very well be where that's cited, yes. C.: And they have assets in Australia as well, I take it. Do you know if they have generating down there too? In Australia, I'm not sure. It is one of the
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	il 4, 2016			NL Power GRA 2016
	Page 101			Page 103
1	is Nova Scotia Power?	1	Q.	1277, which is coal fired, 81 megawatts is
2	MR. COYNE:	2	`	wind, 105 is hydro. I'm sorry, 81 is
3	A. That's correct.	3		biomass, 522 megawatts is wind, 1059 is
4	JOHNSON, Q.C.:	4		hydro, 1277 is coal fired. Do you take
5	Q. That's a fully integrated electric utility,	5		that, subject to check?
6	right?	6	MR. COYNE	
7	MR. COYNE:	7	A.	If you go to – on Allete, if you go over to
8	A. It is.	8	71.	page 2, I have a breakdown there of the
9	JOHNSON, Q.C.:	9		percentage by – and I do this for each of
10	Q. Have you provided evidence for Nova Scoti	1		the companies, the percentage that they own
11	Power before?	11		by each fuel type.
12	MR. COYNE:	12	JOHNSON, Q	*
13	A. I've provided risk evidence for Nova Scotia	13	Q.	Yeah.
14	Power before.	14	MR. COYNE	
15	JOHNSON, Q.C.:	15	A.	I just don't see the total megawatts there,
16	Q. Okay, and I understand that Nova Scotia	16	A.	but I'll accept your megawatts subject to
17	Power has about – I thought it had less	17		check.
18		18	JOHNSON, Q	
1	generating capacity than this, actually, but	19		
19	I looked it up, 2368 megawatts of	1	Q.	Okay, thank you. Duke Energy, if you could turn to page 6 up der "Symply, eveilebility."
$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$	generation, does that sound right to you?	$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$		turn to page 6 under "Supply, availability,
21	MR. COYNE:	21	MD COVNE	and deliverability".
22	A. Which –	22	MR. COYNE	
23	JOHNSON, Q.C.:	23	A.	Right. I have the same data there, yeah.
24	Q. Nova Scotia Power.	24	JOHNSON, Q	•
25	MR. COYNE:	25	Q.	So they generate 87 percent of their own
	Page 102			Page 104
1	A. Yes, which page are you on?	1		power, including coal, nuclear, gas, and
1 2	A. Yes, which page are you on? JOHNSON, Q.C.:	2		power, including coal, nuclear, gas, and oil?
3	A. Yes, which page are you on? JOHNSON, Q.C.: Q. I think I just looked it up online. Would	2 3	MR. COYNE:	power, including coal, nuclear, gas, and oil?
3 4	A. Yes, which page are you on? JOHNSON, Q.C.: Q. I think I just looked it up online. Would you accept 2368 megawatts of generation,	2 3 4	A.	power, including coal, nuclear, gas, and oil? That's correct.
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Yes, which page are you on? JOHNSON, Q.C.: Q. I think I just looked it up online. Would you accept 2368 megawatts of generation, subject to check, Mr. Coyne? MR. COYNE: A. Yes, I'll accept that, subject to check. JOHNSON, Q.C.: Q. I understand that's with both renewable and fossil fuels, and if we keep on going, and I'm passing over Enbridge because they're not in your North American proxy group. MR. COYNE: A. No, they're not. JOHNSON, Q.C.: Q. If you look at Allete, I understand they have 1985 megawatts of regulated generation MR. COYNE: A. I'll accept that, subject to check. JOHNSON, Q.C.: Q. I take that from CA-NP-160, page 19 of 299.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	power, including coal, nuclear, gas, and oil? That's correct. C.: They're also into merchant generation in Latin America, are you aware of that? Yes, but they're nearly 100 percent electric and nearly 100 percent regulated. C.: And I - I have those statistics on Duke and all the other companies in the back of the appendix. C.: I understand Duke owns 49,600 megawatts of generating capacity in 2014? I have the breakdown by percentage. I don't have the total megawatts, but why don't I just accept that, subject to check.
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	Page 105		Page 107
1	A. Are you in the 10K?	1	by operating utility.
2	JOHNSON, Q.C.:	2	JOHNSON, Q.C.:
3	Q. I might have got that from 10K. I don't	3	Q. Where are you now, sir?
1	have the reference, but if you could take	4	MR. COYNE:
4	· · · · · · · · · · · · · · · · · · ·	Ι'	
5	that subject to check -	5	A. I'm on page - JMC 5, schedule 1, and this is
6	MR. COYNE:	6	attached to my risk appendix.
7	A. Okay. Are you looking for check on Allete	7	JOHNSON, Q.C.:
8	as well?	8	Q. JMC 5, Schedule 1, yes.
9	JOHNSON, Q.C.:	9	(11:00 a.m.)
10	Q. Yes.	10	MR. COYNE:
111	MR. COYNE:	11	A. Right, and you can see there that there are
12	A. And what was the number that you had for	12	four operating companies; Duke Energy, Ohio,
13	Allete?	13	2 2 2
1		1	Connecticut Light and Power, ENSTAR
14	JOHNSON, Q.C.:	14	Electric, that have none, and then Western
15	Q. 1985 megawatts.	15	Mass Electric that has a little. They're
16	MR. COYNE:	16	somewhat more like Newfoundland Power in
17	A. Okay. 1985?	17	that regard.
18	JOHNSON, Q.C.:	18	JOHNSON, Q.C.:
19	Q. Yes, sir.	19	Q. Right, and we can see everybody else, with
20	MR. COYNE:	20	the exception of – everybody else has
21	A. What was the number that you had for Duke?	21	regulated generation?
1	JOHNSON, Q.C.:	$\begin{vmatrix} 21\\22\end{vmatrix}$	MR. COYNE:
22	, <u> </u>	1	
23	Q. 49,600 megawatts of generating capacity in	23	A. On the US side, that's correct.
24	2014.	24	JOHNSON, Q.C.:
25	MR. COYNE:	25	Q. Yeah.
	Page 106		Page 108
1	Page 106 A. 49?	1	Page 108 MR. COYNE:
1	A. 49?	1 2	MR. COYNE:
2	A. 49? JOHNSON, Q.C.:	1 2 3	MR. COYNE: A. And in the case of CU, I had none for
2 3	A. 49? JOHNSON, Q.C.: Q. 49,600.	3	MR. COYNE: A. And in the case of CU, I had none for regulated generation, so you may have been
2 3 4	A. 49? JOHNSON, Q.C.: Q. 49,600. MR. COYNE:	3 4	MR. COYNE: A. And in the case of CU, I had none for regulated generation, so you may have been citing merchant generation elsewhere.
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7 1 1 1 1	il 4, 2016			NL Power GRA 2016
		Page 109		Page 111
1	Q.	Thank you.	1	A. That's right.
2	(11:02 a.m.)		2	JOHNSON, Q.C.:
3	RECESS		3	Q. Including coal 82 percent, nuclear 15
4	(11:37 a.m.)		4	percent – flip back to page 19, the bottom
5	CHAIRMAN:		5	of that first box on the left. It's in the
6	Q.	Mr. Johnson.	6	middle of our screen now towards the end of
7	JOHNSON, Q	.C.:	7	that paragraph talks about the company
8	Q.	Thank you, sir. Mr. Coyne, we were about to	8	having pending rate cases in Missouri and
9		discuss for a moment Great Plains Energy,	9	Kansas, in part to begin recovery costs from
10		which is a company at page 19 of your	10	the La Cygne emissions control construction
11		Exhibit JMC-2.	11	and spending at the Wolf Creek Nuclear
12	MR. COYNE:		12	facility. I understand that's a 1200
13	A.	Mr. Johnson, if you don't mind, I'd like to	13	megawatt facility. Is that your
14		supplement an answer I gave you earlier. I	14	understanding?
15		checked my memory, and you had asked had we	15	MR. COYNE:
16		provided a sustainable growth rate analysis,	16	A. Yes, it is.
17		and I actually did in my rebuttal in	17	JOHNSON, Q.C.:
18		response to Dr. Booth's testimony, and	18	Q. And I understand that in 2014, Great Plains
19		that's on page 45 of my rebuttal evidence.	19	Energy generated around 6660 megawatts. Can
20	JOHNSON, Q	* *	20	you – is that your understanding as well?
$\frac{1}{21}$	Q.	I see. It doesn't change your	21	MR. COYNE:
$\begin{vmatrix} 21 \\ 22 \end{vmatrix}$	ζ.	recommendation?	22	A. Again I don't have the megawatts. I have
23	MR. COYNE:		23	the percentage of generation in front of me.
$\begin{vmatrix} 23 \\ 24 \end{vmatrix}$	A.	No.	24	JOHNSON, Q.C.:
25	JOHNSON, Q		25	Q. Would you accept 6600, subject to check?
1	, ,	Page 110	_	Page 112
$ $ $ $	Q.	And you're not relying on it for the	1	MR. COYNE:
2	Q.	recommendation for Newfoundland Power, I	2	A. Yes.
$\frac{1}{3}$		take it?	3	JOHNSON, Q.C.:
4	MR. COYNE		4	, .
5	MIL. COTTL			() And if we go over to ()(i.e. Energy ()orn this I
	Α		5	Q. And if we go over to OGE Energy Corp., this apparently is the parent company of OG & E.
1 .	A.	No, I presented it for illustrative purposes	5	apparently is the parent company of OG & E,
6	A.	No, I presented it for illustrative purposes in response to the methodology he employed	6	apparently is the parent company of OG & E, a regulated electric utility with over
6 7	A.	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to	6 7	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western
6 7 8		No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution.	6 7 8	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3
6 7 8 9	JOHNSON, Ç	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution.	6 7 8 9	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50
6 7 8 9 10		No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. O.C.: In terms of Great Plains Energy at page 19,	6 7 8 9 10	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of
6 7 8 9 10 11	JOHNSON, Ç	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. 2.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under	6 7 8 9 10 11	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those
6 7 8 9 10 11 12	JOHNSON, Ç	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. O.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and	6 7 8 9 10 11 12	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is
6 7 8 9 10 11 12 13	JOHNSON, Ç	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. O.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a	6 7 8 9 10 11 12 13	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts
6 7 8 9 10 11 12 13 14	JOHNSON, Ç	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. 2.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company,	6 7 8 9 10 11 12 13 14	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that?
6 7 8 9 10 11 12 13 14 15	JOHNSON, Ç Q.	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. C.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right?	6 7 8 9 10 11 12 13 14 15	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE:
6 7 8 9 10 11 12 13 14 15 16	JOHNSON, Q Q. MR. COYNE	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. O.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right?	6 7 8 9 10 11 12 13 14 15 16	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to
6 7 8 9 10 11 12 13 14 15 16 17	JOHNSON, Q. Q. MR. COYNE A.	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. C.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right.	6 7 8 9 10 11 12 13 14 15 16	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it.
6 7 8 9 10 11 12 13 14 15 16 17 18	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. O.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right.	6 7 8 9 10 11 12 13 14 15 16 17	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.:
6 7 8 9 10 11 12 13 14 15 16 17 18 19	JOHNSON, Q. Q. MR. COYNE A.	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. C.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right. C.C.: And so if we look at their supply	6 7 8 9 10 11 12 13 14 15 16 17 18	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.: Q. Okay. Are you aware whether this company
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. O.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right. O.C.: And so if we look at their supply availability, they are generating – they	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.: Q. Okay. Are you aware whether this company faces competition?
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. (C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right. (C.: And so if we look at their supply availability, they are generating – they purchase power an average of 16 percent of	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.: Q. Okay. Are you aware whether this company faces competition? MR. COYNE:
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. C.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right. C.C.: And so if we look at their supply availability, they are generating – they purchase power an average of 16 percent of their total megawatt hour requirements over	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.: Q. Okay. Are you aware whether this company faces competition? MR. COYNE: A. Competition in one of its service areas?
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. C.C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right. C.C.: And so if we look at their supply availability, they are generating – they purchase power an average of 16 percent of their total megawatt hour requirements over the last three years. So they're about 80	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.: Q. Okay. Are you aware whether this company faces competition? MR. COYNE: A. Competition in one of its service areas? JOHNSON, Q.C.:
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	No, I presented it for illustrative purposes in response to the methodology he employed versus how I deemed to be the proper way to employ a sustainable growth solution. (C.: In terms of Great Plains Energy at page 19, and actually if we go over to page 20 under the box, "Supply availability and deliverability", I understand this is a Kansas City, Missouri headquartered company, Mr. Coyne, is that right? Yes, that's right. (C.: And so if we look at their supply availability, they are generating – they purchase power an average of 16 percent of their total megawatt hour requirements over the last three years. So they're about 80 percent plus of their generation?	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	apparently is the parent company of OG & E, a regulated electric utility with over 800,000 customers in Oklahoma and Western Arkansas. In addition, they hold 26.3 percent limited partnership interest and 50 percent general partnership interest of Enable Midstream, and they go on for those interests in that, but my understanding is that in 2014 this company had 6845 megawatts of generation. Would you accept that? MR. COYNE: A. Again subject to check, I have no reason to doubt it. JOHNSON, Q.C.: Q. Okay. Are you aware whether this company faces competition? MR. COYNE: A. Competition in one of its service areas?

Apri	14, 2016				NL Power GRA 2016
		Page 113			Page 115
1	A.	If you look on page 24, we say no electric	1	Q.	I see, okay. Just go to Pinnacle West for a
2		residential retail choice in Oklahoma, so	2	`	moment at page 27 of JMC-2. This is a
3		that would suggest "no".	3		company out of Phoenix, Arizona, and at the
4	JOHNSON, (4		top indicates, "6400 megawatts of generating
5	Q.	If we could bring up just for your comment,	5		capacity"?
6	٧.	the 10K for this particular company.	6	MR. COYNE:	1 7
7	MR. COYNE	* * *	7	A.	Yes.
8	A.	I don't have a physical copy of that. I'm	8	JOHNSON, Q	
9	A.	hoping we can bring it up on the screen.	9		
1	IOHNCON (l	Q.	And they generate about 78 percent of their
10	JOHNSON, (ca-NP-164.	10		own power, according to page 28, right, in
11	Q. MR. COYNE		11 12	MR. COYNE:	their supply availability?
12			1		
13	A.	Would we be able to bring that up on the	13	A.	Right.
14	IOIDIGON (screen? Those were too large to print out.	14	JOHNSON, Q	
15	JOHNSON, (~	15	Q.	Including nuclear again?
16	Q.	If you could go to page 21 of 47. Just come	16	MR. COYNE:	
17		down a little bit further. What I read, and	17	A.	Right.
18		I thought this was the page, Mr. Coyne, but	18	JOHNSON, Q	
19		I read in the 10K that OGE is subject to	19	Q.	Westar.
20		competition in Oklahoma, where Oklahoma	20	MR. COYNE:	
21		prohibits an exclusive – I'm sorry, that's	21	A.	This is pretty much the data that we
22		actually at page 12 of 47. There you go,	22		summarized in the large table that I showed
23		right there in front of us there now, that	23		you.
24		middle paragraph, "OGE is subject to	24	JOHNSON, Q	.C.:
25		competition in various degrees from	25	Q.	right, and Westar at page 31, that's the
		Page 114			Page 116
1		Page 114 government owned electric systems and	1		Page 116 State of Kansas, largest electric utility,
1 2		government owned electric systems and	1 2		State of Kansas, largest electric utility,
2		government owned electric systems and municipally owned electric systems, rural	2	MR COYNE	State of Kansas, largest electric utility, according to the company overview.
2 3		government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain	2 3	MR. COYNE:	State of Kansas, largest electric utility, according to the company overview.
2 3 4		government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power	2 3 4	A.	State of Kansas, largest electric utility, according to the company overview.
2 3 4 5		government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law	2 3 4 5	A. (11:45 a.m.)	State of Kansas, largest electric utility, according to the company overview. Right.
2 3 4 5 6		government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive	2 3 4 5 6	A. (11:45 a.m.) JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right.
2 3 4 5 6 7		government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing	2 3 4 5 6 7	A. (11:45 a.m.)	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric
2 3 4 5 6 7 8	MR COVNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity".	2 3 4 5 6 7 8	A. (11:45 a.m.) JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal,
2 3 4 5 6 7 8 9	MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity".	2 3 4 5 6 7 8 9	A. (11:45 a.m.) JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill
2 3 4 5 6 7 8 9 10	A.	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes.	2 3 4 5 6 7 8 9 10	A. (11:45 a.m.) JOHNSON, Q Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear?
2 3 4 5 6 7 8 9 10 11	A. JOHNSON, Q	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes.	2 3 4 5 6 7 8 9 10 11	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear?
2 3 4 5 6 7 8 9 10 11 12	A.	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. C.: Okay, so does that indicate competition to	2 3 4 5 6 7 8 9 10 11 12	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is.
2 3 4 5 6 7 8 9 10 11 12 13	A. JOHNSON, Q Q.	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Oc.: Okay, so does that indicate competition to you?	2 3 4 5 6 7 8 9 10 11 12 13	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.:
2 3 4 5 6 7 8 9 10 11 12 13 14	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Okay, so does that indicate competition to you?	2 3 4 5 6 7 8 9 10 11 12 13 14	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your
2 3 4 5 6 7 8 9 10 11 12 13 14 15	A. JOHNSON, Q Q.	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. C.: Okay, so does that indicate competition to you? Well, we're describing on page 24 of our	2 3 4 5 6 7 8 9 10 11 12 13 14 15	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. 2C.: Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Oc.: Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So within OG & E's service area, they have not	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	A. (11:45 a.m.) JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is that right?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. 2C.: Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So within OG & E's service area, they have not restructured or unbundled so that	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. (11:45 a.m.) JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is that right?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. O.C.: Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So within OG & E's service area, they have not restructured or unbundled so that residential customers can shop, but what	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. (11:45 a.m.) JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is that right? We cited 41 basis points, yes.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So within OG & E's service area, they have not restructured or unbundled so that residential customers can shop, but what they're saying here is that the State of	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. (11:45 a.m.) JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is that right? We cited 41 basis points, yes.
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. C.: Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So within OG & E's service area, they have not restructured or unbundled so that residential customers can shop, but what they're saying here is that the State of Oklahoma, there are other agencies that can	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. (11:45 a.m.) JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is that right? We cited 41 basis points, yes. C.: Right, and when I go through your sample,
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	A. JOHNSON, Q Q. MR. COYNE	government owned electric systems and municipally owned electric systems, rural electric cooperatives, and in certain respects from other private utilities, power marketers, and co-generators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity". Yes. Okay, so does that indicate competition to you? Well, we're describing on page 24 of our report, residential/retail choice program. There's a difference between exclusive jurisdictions and residential choice. So within OG & E's service area, they have not restructured or unbundled so that residential customers can shop, but what they're saying here is that the State of Oklahoma, there are other agencies that can compete for newly opened service areas.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. (11:45 a.m.) JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q.	State of Kansas, largest electric utility, according to the company overview. Right. C.: It says 7200 megawatts of electric generation capacity, fuelled by coal, uranium, natural gas, wind, and landfill gas. So uranium, I guess, is nuclear? Yes, it is. C.: Now we saw in Quebec that you said in your report, yours and Mr. Trogonoski, that the incremental ROE to offset the increased operating risk of regulated generation is approximately 41 basis points, right? Is that right? We cited 41 basis points, yes.

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1	assets. These would be integrated electric	1	don't find it necessary to make that type of
2	companies – that's a fair statement, isn't	2	an adjustment here. As we talked about,
3	it?	3	there are other mitigating issues for
4	MR. COYNE:	4	Newfoundland Power that we have not made
5	A. To varying degrees, yes.	5	positive adjustments for either. You look
6	JOHNSON, Q.C.:	6	at the basket of risk for these companies in
7	Q. And can you explain for me, and perhaps for	7	its entirety.
8	the Board's understanding as well, why you	8	JOHNSON, Q.C.:
9	don't make a 41 basis point or larger	9	Q. I see. I take it, Mr. Trogonoski, would he
10	reduction from your ROE estimates to reflect	10	have a role to play in terms of whether
11	generation risk in this case?	11	there should be a 41 basis point reduction
12	MR. COYNE:	12	like he signed on to in Quebec?
13	A. Sure. The analysis we've done here screens	13	MR. COYNE:
14	for a companies that are electric utilities	14	A. I'm not sure if I understand your question.
15	that are predominantly regulated, and their	15	JOHNSON, Q.C.:
16	income and their assets are dedicated to the	16	Q. Mr. Trogonoski, I guess, didn't feel that
17	electricity business, generation,	17	there should be a reduction for generation
18	transmission, and/or distribution. We	18	in this case either, did he?
19	examined their overall risk profile and we	19	MR. COYNE:
20	find that from an investor standpoint, they	20	A. No, he did not.
21	have credit ratings, they're comparable to	21	JOHNSON, Q.C.:
22	Newfoundland Power, so they're not being	22	Q. I see, okay.
23	diminished in their credit rating as a	23	MR. COYNE:
24	result in that business. If they were	24	A. But nor was that – he assisted me in
25	significantly disadvantaged as a result of	25	conducting the risk analysis and pulling it
	Page 118		Page 120
1	being generators, we might see that show up	1	all together, but it was ultimately my
		١,	
2	in their credit rating. So we don't see	2	recommendation when it came to the ROE.
2 3	in their credit rating. So we don't see that here. The research that we cited in	$\frac{2}{3}$	JOHNSON, Q.C.:
1	that here. The research that we cited in	1	JOHNSON, Q.C.:
3 4	· ·	3	JOHNSON, Q.C.: Q. Mr. Coyne, a client of yours in Wisconsin is
3	that here. The research that we cited in Quebec was we looked at a period of time for	3 4	JOHNSON, Q.C.:
3 4 5	that here. The research that we cited in Quebec was we looked at a period of time for allowed returns, not earned returns, and not set returns, allowed returns for companies	3 4 5	JOHNSON, Q.C.: Q. Mr. Coyne, a client of yours in Wisconsin is Northern States Power Company, isn't it?
3 4 5 6	that here. The research that we cited in Quebec was we looked at a period of time for allowed returns, not earned returns, and not set returns, allowed returns for companies in the United States that were vertically	3 4 5 6	JOHNSON, Q.C.: Q. Mr. Coyne, a client of yours in Wisconsin is Northern States Power Company, isn't it? MR. COYNE: A. Yes.
3 4 5 6 7	that here. The research that we cited in Quebec was we looked at a period of time for allowed returns, not earned returns, and not set returns, allowed returns for companies in the United States that were vertically integrated full generation companies versus	3 4 5 6 7	JOHNSON, Q.C.: Q. Mr. Coyne, a client of yours in Wisconsin is Northern States Power Company, isn't it? MR. COYNE: A. Yes. JOHNSON, Q.C.:
3 4 5 6 7 8	that here. The research that we cited in Quebec was we looked at a period of time for allowed returns, not earned returns, and not set returns, allowed returns for companies in the United States that were vertically integrated full generation companies versus those that were T & D only companies, and	3 4 5 6 7 8	JOHNSON, Q.C.: Q. Mr. Coyne, a client of yours in Wisconsin is Northern States Power Company, isn't it? MR. COYNE: A. Yes.
3 4 5 6 7 8 9	that here. The research that we cited in Quebec was we looked at a period of time for allowed returns, not earned returns, and not set returns, allowed returns for companies in the United States that were vertically integrated full generation companies versus those that were T & D only companies, and that was the basis of that 41 basis points,	3 4 5 6 7 8 9	JOHNSON, Q.C.: Q. Mr. Coyne, a client of yours in Wisconsin is Northern States Power Company, isn't it? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. And you've filed ROE testimony for Northern
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1	A.	I probably need that document as well. Will	1	A. Yes, in that case, that's right.
2		that be in this book? Okay. Did you say	2	JOHNSON, Q.C.:
3		155?	3	Q. That's right, and just look at – we see
4	JOHNSON, Q).C.:	4	here, "Please describe the specific
5	Q.	Yes, sir, Attachment "A", and specifically,	5	screening criteria you've utilized", and you
6		could you turn to page 9 of 49, where you	6	say, "I began with 46 companies that Value
7		describe that utility?	7	Line classifies as electric utilities and
8	MR. COYNE	•	8	then screen companies according to the
9	A.	Yes.	9	following criteria", and do you see the
10	JOHNSON, Q		10	fifth criteria, "Owns generation assets"?
11	Q.	So we're saying that, "NSPW is an operating	11	MR. COYNE:
12	Q.	utility primarily engaged in the generation,	12	A. Right.
13		transmission, and distribution of	13	JOHNSON, Q.C.:
14		electricity, and the distribution of natural	14	Q. "That are included in rate base"?
15		gas in portions of North Western Wisconsin,	15	MR. COYNE:
16		and in the Western portion of the Upper	16	A. Right, that's what I just said, yeah.
17		Peninsula of Michigan. The company provides	17	JOHNSON, Q.C.:
18		electric utility service to approximately	18	
19		255,000 customers, and natural gas	19	Q. And the 46 companies you start off with, that's the same 46 companies you started off
20		distribution service to approximately	20	with for Newfoundland Power too, isn't it?
1		**	21	MR. COYNE:
21		110,000. Approximately 98 percent of their	ı	
22		retail electric operating revenues are	22	A. It would have been, yes.
23		derived from operations in Wisconsin during	23	JOHNSON, Q.C.:
24		2014". So that gives us a little – and they	24	Q. That's right, and just go to the next page,
25		own, I see at line 11, NSPU directly owns	25	screening criteria #6, so not only did it
		Page 122		Page 124
1		approximately 830 megawatts of generation	1	have to own generation, your screening was
2		capacity?	2	"own generation comprises greater than 25
3	MR. COYNE		3	percent of the company's megawatt hour sales
4	A.	Right.	4	to ultimate customers", right?
5	JOHNSON, O	~	5	MR. COYNE:
6	Q.	Can you confirm for the Roard that when you		
7		Can you confirm for the Board that when you	6	A. Yes.
1 0		were preparing your evidence on behalf of	7	A. Yes. JOHNSON, Q.C.:
8		were preparing your evidence on behalf of Northern States Power, that you screened out	7 8	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the
9		were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation	7 8 9	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland
9 10		were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets?	7 8 9 10	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is
9 10 11	MR. COYNE	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets?	7 8 9 10 11	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent?
9 10 11 12	A.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there.	7 8 9 10 11 12	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE:
9 10 11 12 13		were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.:	7 8 9 10 11 12 13	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes.
9 10 11 12	A.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your	7 8 9 10 11 12	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE:
9 10 11 12 13	A. JOHNSON, O Q.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case.	7 8 9 10 11 12 13	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland
9 10 11 12 13 14	A. JOHNSON, O	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case.	7 8 9 10 11 12 13 14	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed
9 10 11 12 13 14 15	A. JOHNSON, O Q.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case.	7 8 9 10 11 12 13 14 15	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland
9 10 11 12 13 14 15 16	A. JOHNSON, O Q. MR. COYNE	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case.	7 8 9 10 11 12 13 14 15 16	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed
9 10 11 12 13 14 15 16 17	A. JOHNSON, O Q. MR. COYNE	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned	7 8 9 10 11 12 13 14 15 16 17	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it
9 10 11 12 13 14 15 16 17 18	A. JOHNSON, O Q. MR. COYNE	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned generations that are include in rate base to	7 8 9 10 11 12 13 14 15 16 17	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it just didn't have enough generation, is that
9 10 11 12 13 14 15 16 17 18	A. JOHNSON, O Q. MR. COYNE	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned generations that are include in rate base to get at companies that looked like NSPW, yes. I was screening to include them.	7 8 9 10 11 12 13 14 15 16 17 18	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it just didn't have enough generation, is that right?
9 10 11 12 13 14 15 16 17 18 19 20	A. JOHNSON, C Q. MR. COYNE A.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned generations that are include in rate base to get at companies that looked like NSPW, yes. I was screening to include them.	7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it just didn't have enough generation, is that right? MR. COYNE:
9 10 11 12 13 14 15 16 17 18 19 20 21	A. JOHNSON, O Q. MR. COYNE A.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. Q.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned generations that are include in rate base to get at companies that looked like NSPW, yes. I was screening to include them. Q.C.:	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it just didn't have enough generation, is that right? MR. COYNE: A. That's correct.
9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, O Q. MR. COYNE A.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. O.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned generations that are include in rate base to get at companies that looked like NSPW, yes. I was screening to include them. O.C.: I see, you were screening to include them,	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it just didn't have enough generation, is that right? MR. COYNE: A. That's correct. JOHNSON, Q.C.:
9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	A. JOHNSON, O Q. MR. COYNE A.	were preparing your evidence on behalf of Northern States Power, that you screened out companies who did not have generation assets? I'll have to look to the screens there. C.C.: If you could turn to page 21 of 49 of your evidence in that case. Yes. I screened companies that owned generations that are include in rate base to get at companies that looked like NSPW, yes. I was screening to include them. C.C.: I see, you were screening to include them, but you were screening out companies that didn't own enough generation, is that right?	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. Yes. JOHNSON, Q.C.: Q. And I think you've acknowledged that the percentage of electricity that Newfoundland Power provides directly to its customers is what, 7 percent? MR. COYNE: A. Yes. JOHNSON, Q.C.: Q. So you would have screened out Newfoundland Power if it had been a publicly listed company in that Wisconsin case because it just didn't have enough generation, is that right? MR. COYNE: A. That's correct. JOHNSON, Q.C.: Q. That's right, and when you were preparing

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		Page 125		Page 127
1		companies with either no or small amounts of	1	like Northern States Power unregulated
2		generation?	2	generation of rate base, and bear the risk
3	MR. COYNE		3	of generation in their asset mix. Those
4	A.	Just for the discussion we just had, that	4	screens collectively reflect the risk
5		generally speaking, generation is considered	5	factors that investors consider in making
6		to be a risk element in the electric	6	their investment decisions in utility
7		business, and in this case when you are	7	companies". So I take it, Mr. Coyne, that
8		screening these companies, you can screen	8	that is something that an investor would
9		more readily for those, as you can tell from	9	consider, whether there's generation?
10		this sample, that do have generation in	10	MR. COYNE:
11		their asset base than vice versa.	11	A. Yes.
12	JOHNSON, C		12	JOHNSON, Q.C.:
13	Q.	I see. Just –	13	Q. Yeah, because it affects the risk?
14	MR. COYNE		14	MR. COYNE:
15	A.	You cannot find – if you screen publicly	15	A. They would consider whether or not they have
16	Λ.	traded electric utilities, you can screen	16	generation. Most utilities do, but they
17		for those that are heavily generation rated,	17	would also consider the full range of other
18		but you cannot screen for pure play set of T	18	factors associated with the business risk,
19		& D companies for the reasons that we	19	,
20		described.	20	and if they do on generation, what mitigating regulatory factors are in place
1	JOHNSON, Q		21	
21	· ·	~	22	that help them manage the exposures associated with that and other elements of
22	Q.	Okay, you could screen for companies that		
23		had relatively low amounts of generation,	23	the business.
24	MD COVAID	couldn't you?	24	JOHNSON, Q.C.:
25	MR. COYNE		25	Q. Did you make any attempt in this case to
1		Page 126		Page 128
	A.	You can, but it will not pass the other	1	screen out companies that had relatively low
2		screenings is the problem. When you're	2	levels of generation?
3		trying to screen for the other five,	3	MR. COYNE:
4		including credit ratings and the percentage	4	A. No, as I mentioned, I can't get to –
5		of operations in the electric business, you	5	JOHNSON, Q.C.:
6		can't get to a representative proxy group	6	Q. Relative or high levels of generation, I
7		that way. I've tried it; you can't do it.	7	should say, in Newfoundland Power's case?
8	JOHNSON, Q		8	MR. COYNE:
9	Q.	So, I guess, what you're saying is if there	9	A. No, I screened according to those that would
10		was low generation capacity companies out	10	give me – as it is with those screens, I get
11		there, you would have preferred to have them	11	down to seven companies, and I don't like to
12		in your proxy group for Newfoundland Power?	12	get smaller than that. Then what I did is I
13	MR. COYNE:		13	examined whether or not they owned regulated
14	A.	If I could have screened for pure plays that	14	generation, and I counted forward in my risk
15		satisfied all my other criteria, yes.	15	analysis. If I could screen just on pure
16	JOHNSON, Q		16	play T & D companies as we talked about, I'd
17	Q.	Okay. Just to –	17	end up with Eversource, and that's not a
18	MR. COYNE:		18	proxy group that meet all the other criteria
19	A.	It foregoes this type of a discussion when	19	that I had. So you can't do cost of capital
20		you're trying to determine whether or not	20	analysis with one company. I can't find any
21		there's incremental risk there or not.	21	publicly traded companies in Canada that
22	JOHNSON, Q		22	would satisfy that criterion. It's a
23	Q.	And just to page 24 of 49 of your evidence,	23	desirable criterion to have, but it's not a
24		starting at line 6, you say, "Further, the	24	possible one to have and still do this
25		generation screens identify utilities that,	25	analysis.

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		Page 129			Page 131
1	JOHNSON, Q.O	Z.:	1		group were also included in the proxy group
2	Q.	You screened out ITC Holdings Corp, didn't	2		for Northern States Power, is that right?
3	•	ou?	3	MR. COYNE:	
4	MR. COYNE:		4	A.	At the outset, yes, because you're starting
5	Α. Υ	Yes.	5		with the same global group, but in terms of
6	JOHNSON, Q.O	C.:	6		the final proxy group, no, there are many
7		Why did you screen ITC Holdings Corp out?	7		companies here that aren't included in this
8	MR. COYNE:		8		proxy group.
9	Α. 7	They're a pure play transmission company	9	JOHNSON, Q	.C.:
10	V	with a lot of development projects, and they	10	Q.	But just to understand my question, all the
11	Ċ	lon't look anything like Newfoundland Power.	11		companies – the American companies that
12	JOHNSON, Q.O	C.:	12		you're relying on in Newfoundland Power's
13	Q. A	At least they're in the transmission. They	13		case in this GRA, okay, all of those
14	Ċ	lidn't contain generation, right?	14		companies with the exception of Eversource
15	MR. COYNE:		15		were in your Wisconsin proxy group for the
16	Α. 7	They did not, but they're a development	16		Northern States Power?
17	C	company, they're not a mature electric	17	MR. COYNE:	
18	t	ransmission and distribution company. The	18	A.	Would you like me to check to see if the
19	I	FERC screens them out when it comes to	19		other six are here? Is that your question?
20	S	setting transmission rates for other	20	JOHNSON, Q	.C.:
21	t	ransmission companies for that reason.	21	Q.	Yes, sure, page 23, I think. So they use
22	JOHNSON, Q.O	Z.:	22		some more companies, but included in that
23		see, but, I guess, the presence of – I	23		are all the companies you used for
24	t	ake it we'd be in agreement that the	24		Newfoundland Power, with the exception of
25	ŗ	presence or absence of generation is no more	25		Eversource?
		Page 130			Page 132
1	i	important in Wisconsin as a factor for a	1	MR. COYNE:	
2	J	Board to consider than it is in Newfoundland	2	A.	Well, certainly Canadian Utilities is not
1 2					
3	8	and Labrador?	3		there and Emera is not there.
4	MR. COYNE:	and Labrador?	3 4	JOHNSON, Q	
1	MR. COYNE:	and Labrador? Certainly not, no, and I account for it in	l		
4	MR. COYNE:		4		.C.: I'm speaking of the US ones.
4 5	MR. COYNE:	Certainly not, no, and I account for it in my analysis.	4 5	Q.	.C.: I'm speaking of the US ones.
4 5 6	MR. COYNE: A. O JOHNSON, Q.	Certainly not, no, and I account for it in my analysis.	4 5 6	Q. MR. COYNE:	.C.: I'm speaking of the US ones. Right, okay.
4 5 6 7	MR. COYNE: A. O JOHNSON, Q.	Certainly not, no, and I account for it in my analysis. C.:	4 5 6 7	Q. MR. COYNE: A. JOHNSON, Q	.C.: I'm speaking of the US ones. Right, okay.
4 5 6 7 8	MR. COYNE: A. O JOHNSON, Q. Q. O MR. COYNE:	Certainly not, no, and I account for it in my analysis. C.:	4 5 6 7 8	Q. MR. COYNE: A. JOHNSON, Q	C.: I'm speaking of the US ones. Right, okay. C.: Ellete?
4 5 6 7 8 9	MR. COYNE: A. O JOHNSON, Q. Q. O MR. COYNE: A. I	Certainly not, no, and I account for it in my analysis. C.: Okay.	4 5 6 7 8 9	Q. MR. COYNE: A. JOHNSON, Q Q.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete?
4 5 6 7 8 9 10	MR. COYNE: A. O JOHNSON, Q. Q. O MR. COYNE: A. I	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it.	4 5 6 7 8 9 10	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	C.: I'm speaking of the US ones. Right, okay. C.: Ellete?
4 5 6 7 8 9 10 11	MR. COYNE: A. O JOHNSON, Q. O MR. COYNE: A. I JOHNSON, Q. O	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it.	4 5 6 7 8 9 10 11	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke?
4 5 6 7 8 9 10 11 12	MR. COYNE: A. O JOHNSON, Q. Q. O MR. COYNE: A. I JOHNSON, Q. Q. O	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.:	4 5 6 7 8 9 10 11 12	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke?
4 5 6 7 8 9 10 11 12 13	MR. COYNE: A. G. JOHNSON, Q. G. MR. COYNE: A. I. JOHNSON, Q. G. Q. G. JOHNSON, Q. G. Q. G.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource	4 5 6 7 8 9 10 11 12 13	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke?
4 5 6 7 8 9 10 11 12 13 14	MR. COYNE: A. G. JOHNSON, Q. G. MR. COYNE: A. I. JOHNSON, Q. G. Q. G. JOHNSON, Q. G. Q. G.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is	4 5 6 7 8 9 10 11 12 13 14	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke?
4 5 6 7 8 9 10 11 12 13 14 15	MR. COYNE: A. O JOHNSON, Q. Q. O MR. COYNE: A. I JOHNSON, Q. Q. S MR. COYNE:	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is	4 5 6 7 8 9 10 11 12 13 14 15	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke?
4 5 6 7 8 9 10 11 12 13 14 15 16	MR. COYNE: A. G. JOHNSON, Q. G. MR. COYNE: A. I. JOHNSON, Q. G. Q. G. MR. COYNE: A. A. MR. COYNE: A. A.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right?	4 5 6 7 8 9 10 11 12 13 14 15 16	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains?
4 5 6 7 8 9 10 11 12 13 14 15 16 17	MR. COYNE: A. G. JOHNSON, Q. G.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right? Well, that would have been one of the	4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains?
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	MR. COYNE: A. G. JOHNSON, Q. G. Q. MR. COYNE: A. I. JOHNSON, Q. G. Q. S. MR. COYNE: A. J.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right? Well, that would have been one of the criteria. I don't know if they were	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains?
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	MR. COYNE: A. G. JOHNSON, Q. G. MR. COYNE: A. I. JOHNSON, Q. G. Q. G. MR. COYNE: A. G. MR. COYNE: A. G. MR. COYNE: A. G. S. MR. COYNE: A. G. S. MR. COYNE: A. G. S. MR. COYNE: A. G. MR. COYNE: A	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right? Well, that would have been one of the criteria. I don't know if they were screened out on that basis or not without	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A. JOHNSON, Q Q.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains? Eversource was screened out, Great Plains is in.
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	MR. COYNE: A. G. JOHNSON, Q. G. MR. COYNE: A. I. JOHNSON, Q. G. Q. G. MR. COYNE: A. G. MR. COYNE: A. G. MR. COYNE: A. G. S. MR. COYNE: A. G. S. MR. COYNE: A. G. S. MR. COYNE: A. G. MR. COYNE: A	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right? Well, that would have been one of the criteria. I don't know if they were screened out on that basis or not without looking at the screening page, but they would have been screened on that basis, yes.	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE: A. JOHNSON, Q	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains? Eversource was screened out, Great Plains is in.
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	MR. COYNE: A. G. JOHNSON, Q. G. G. MR. COYNE: A. J. JOHNSON, Q. G.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right? Well, that would have been one of the criteria. I don't know if they were screened out on that basis or not without looking at the screening page, but they would have been screened on that basis, yes.	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. MR. COYNE: A. JOHNSON, Q. Q.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains? Eversource was screened out, Great Plains is in. C.: OGE?
4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MR. COYNE: A. G.	Certainly not, no, and I account for it in my analysis. C.: Okay. I acknowledge that openly and readily. It's the reason why we look at it. C.: So in Wisconsin, you screened out Eversource because it didn't have enough generation, is that right? Well, that would have been one of the criteria. I don't know if they were screened out on that basis or not without looking at the screening page, but they would have been screened on that basis, yes. C.:	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	C.: I'm speaking of the US ones. Right, okay. C.: Ellete? Ellete. C.: Yeah, Duke? Duke. C.: Great Plains? Eversource was screened out, Great Plains is in. C.: OGE?
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		Page 133		Page 135
1	Q. Pinnacle West?	1	Q.	Just turn to a further discussion of proxy
2	MR. COYNE:	2		group selection, if you go back to your
3	A. Yeah.	3		Hydro Quebec testimony in 2013 at CA-NP-154,
4	JOHNSON, Q.C.:	4		and page 24 of that evidence.
5	Q. Is there any other further ones	? 5	MR. COYNE:	• •
6	MR. COYNE:	6	Α.	Yes.
7	A. And Westar, yes.	7	(12:00 p.m.)	
8	JOHNSON, Q.C.:	8	JOHNSON, Q	.C.:
9	Q. Westar, okay, all right.		Q.	So as a starting point, you're saying,
10	MR. COYNE:	10		"Concentric utilized 48 companies that the
11	A. And you can see it's a much la	I		Value Line classified as a selection of
12	group because it's easier to fin			utility companies to ensure the companies
13	that are vertically integrated th	· 1		considered to be primarily engaged in
14	for those who are pure play T			electric utility operations. From that
15	and that's the practical issue the			group, Concentric screened for companies
16	face.	16		that have credit ratings of at least A- from
17	JOHNSON, Q.C.:	17		Standard and Poor's". That was your number
18	Q. Okay. So that's the reason yo			one listed screen there. Mr. Coyne, as I
19	seven US companies as oppos	·		understand it, now you're using a S & P cut
20	sample?	20		off of BBB+, or BAA1 from Moody's, so a
21	MR. COYNE:	21		lower level of credit rating?
22	A. Yes.	22	MR. COYNE	<u> </u>
23	JOHNSON, Q.C.:	23	A.	Right, consistent with this company's credit
24	Q. I see. Typically in the United	I	11.	rating.
25	use how many companies in y	·	JOHNSON, Q	· ·
	, <u>, , , , , , , , , , , , , , , , , , </u>	*		•
		Page 134		Page 136
1	MR COYNE:	Page 134	0	Page 136 Well Newfoundland Power when they go to
1 2	MR. COYNE: A It varies It varies by jurisdic	1	Q.	Well, Newfoundland Power, when they go to
1 2 3	A. It varies. It varies by jurisdic	tion. If 2	Q.	Well, Newfoundland Power, when they go to the bond market with their first mortgage
3	A. It varies. It varies by jurisdic you're before FERC, the stan	tion. If 2 dard there is to 3	Q.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you
3 4	A. It varies. It varies by jurisdic you're before FERC, the stan use all national utilities even	tion. If 2 dard there is to though 4		Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that?
3 4 5	A. It varies. It varies by jurisdic you're before FERC, the stan use all national utilities even you're setting the rate for a re	tion. If 2 dard there is to though 4 egulated 5	Q. MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that?
3 4	A. It varies. It varies by jurisdic you're before FERC, the stan use all national utilities even you're setting the rate for a re transmission company, becau	tion. If 2 dard there is to 3 though 4 egulated 5 se if you use 6	MR. COYNE	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds.
3 4 5 6	A. It varies. It varies by jurisdic you're before FERC, the stan use all national utilities even you're setting the rate for a re transmission company, becauterically integrated electric to	tion. If 2 dard there is to though 4 egulated 5 use if you use 6 utilities as 7	MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings.
3 4 5 6 7	A. It varies. It varies by jurisdic you're before FERC, the stan use all national utilities even you're setting the rate for a re transmission company, becau	tion. If dard there is to though egulated see if you use attilities as rs, so you use in 1 2 3 4 5 6 7 7 8 8	MR. COYNE	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings.
3 4 5 6 7 8	A. It varies. It varies by jurisdic you're before FERC, the stan use all national utilities even you're setting the rate for a retransmission company, becauterically integrated electrical being appropriate comparator	tion. If dard there is to though egulated see if you use atilities as rs, so you use in eccept for those 1 2 3 4 5 8 7 8 8 9	MR. COYNE A. JOHNSON, O	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. Q.C.:
3 4 5 6 7 8 9	A. It varies. It varies by jurisdicty you're before FERC, the stand use all national utilities even you're setting the rate for a retransmission company, becauterically integrated electrical being appropriate comparator that case all 46 companies, expenses.	tion. If dard there is to though egulated sse if you use attilities as rs, so you use in accept for those n a credit rating 1 2 3 4 6 7 7 8 8 9 10	MR. COYNE A. JOHNSON, O	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. Q.C.: Yeah, but when they go to the market, aren't
3 4 5 6 7 8 9 10	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a retransmission company, becaute vertically integrated electrical being appropriate comparator that case all 46 companies, exwho would be screened out of	tion. If dard there is to though egulated see if you use attilities as rs, so you use in accept for those n a credit rating lved in a	MR. COYNE A. JOHNSON, O	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in
3 4 5 6 7 8 9 10 11	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaute vertically integrated electrical being appropriate comparation that case all 46 companies, example who would be screened out of basis, or those that were involved.	tion. If dard there is to though egulated sse if you use atilities as rs, so you use in accept for those n a credit rating lved in a lvek that I'm 1 2 3 4 6 7 7 8 10 11 11 12	MR. COYNE A. JOHNSON, O	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how
3 4 5 6 7 8 9 10 11 12	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaute vertically integrated electrical being appropriate comparators that case all 46 companies, exwho would be screened out of basis, or those that were involved.	tion. If dard there is to though egulated see if you use attilities as rs, so you use in ecept for those n a credit rating led in a ork that I'm there I'm left 1 2 3 3 4 6 7 7 8 9 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	MR. COYNE A. JOHNSON, O	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company?
3 4 5 6 7 8 9 10 11 12 13	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becautivertically integrated electrical being appropriate comparator that case all 46 companies, exwho would be screened out of basis, or those that were involved merger, but for the typical word doing at a state jurisdiction were standard to the standard transfer of	tion. If dard there is to though egulated see if you use attilities as rs, so you use in accept for those n a credit rating leved in a ork that I'm there I'm left do, I would	MR. COYNE A. JOHNSON, O Q.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company?
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaute vertically integrated electrical being appropriate comparators that case all 46 companies, exwho would be screened out of basis, or those that were invorted merger, but for the typical were doing at a state jurisdiction we free to do the screening that I narrow it down on a basis like I'm using one hour criteria to smaller group. What I'm tryito the capital market informations starts with the ROE analysis,	tion. If dard there is to though egulated see if you use attilities as rs, so you use in accept for those n a credit rating lived in a ork that I'm there I'm left do, I would e this where get me to a ng to do is get tion that and then I 1 2 3 3 4 2 3 4 1 1 1 1 1 1 1 1 1 1 1 1	MR. COYNE A. JOHNSON, O Q. MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company? Well, I'm trying to use screens or apples or apples. If I were to use that screen – if I were to apply it to their first mortgage bonds, I'd want to do the same here and look at a different set of credit ratings. It's
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaute vertically integrated electrical being appropriate comparator that case all 46 companies, example who would be screened out of basis, or those that were involved merger, but for the typical we doing at a state jurisdiction we free to do the screening that I narrow it down on a basis like I'm using one hour criteria to smaller group. What I'm tryito the capital market informat starts with the ROE analysis, could do more detailed risk a	tion. If dard there is to though egulated see if you use attilities as rs, so you use in accept for those n a credit rating lived in a ork that I'm there I'm left do, I would e this where get me to a ng to do is get tion that and then I nalysis at the	MR. COYNE A. JOHNSON, O Q. MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company? Well, I'm trying to use screens or apples or apples. If I were to use that screen – if I were to apply it to their first mortgage bonds, I'd want to do the same here and look at a different set of credit ratings. It's unusual for an electric utility to use first
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaut vertically integrated electrical being appropriate comparator that case all 46 companies, extended where the word would be screened out of basis, or those that were invorted as a state jurisdiction with the screening that I marrow it down on a basis like I'm using one hour criteria to smaller group. What I'm trying to the capital market informates starts with the ROE analysis, could do more detailed risk a company level to determine in	tion. If dard there is to though egulated sse if you use attilities as rs, so you use in accept for those n a credit rating lived in a ork that I'm there I'm left do, I would e this where get me to a ng to do is get tion that and then I nalysis at the f there are any 1 2 3 3 3 4 2 3 3 4 4 2 3 4 4 4 4 5 5 6 7 7 8 8 7 7 8 8 10 11 12 12 13 14 15 15 16 17 17 18 19 19 19 19 10 10 11 11 12 12 13 14 15 15 16 17 17 18 19 19 10 10 11 11 12 12 13 14 15 16 17 17 18 19 19 19 10 10 10 10 10 10 10	MR. COYNE A. JOHNSON, O Q. MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company? Well, I'm trying to use screens or apples or apples. If I were to use that screen – if I were to apply it to their first mortgage bonds, I'd want to do the same here and look at a different set of credit ratings. It's unusual for an electric utility to use first mortgage bonds. Most of them are not using
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaut vertically integrated electrical being appropriate comparators that case all 46 companies, examples who would be screened out of basis, or those that were invorted merger, but for the typical word doing at a state jurisdiction with free to do the screening that I narrow it down on a basis like I'm using one hour criteria to smaller group. What I'm trysto the capital market informates starts with the ROE analysis, could do more detailed risk a company level to determine it necessary adjustments necessary	tion. If dard there is to though egulated se if you use attilities as rs, so you use in accept for those n a credit rating led in a ork that I'm there I'm left do, I would e this where get me to a ng to do is get tion that and then I nalysis at the f there are any ary for either	MR. COYNE A. JOHNSON, O Q. MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company? Well, I'm trying to use screens or apples or apples. If I were to use that screen – if I were to apply it to their first mortgage bonds, I'd want to do the same here and look at a different set of credit ratings. It's unusual for an electric utility to use first mortgage bonds. Most of them are not using secured debt in that way. So this is going
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. It varies. It varies by jurisdict you're before FERC, the stand use all national utilities even you're setting the rate for a restransmission company, becaut vertically integrated electrical being appropriate comparator that case all 46 companies, extended which would be screened out of basis, or those that were involved doing at a state jurisdiction with free to do the screening that I narrow it down on a basis like I'm using one hour criteria to smaller group. What I'm trysto the capital market informates starts with the ROE analysis, could do more detailed risk a company level to determine it necessary adjustments necessary adjustments necessary adjustments necessary of these companies.	tion. If dard there is to though egulated se if you use attilities as rs, so you use in accept for those n a credit rating led in a ork that I'm there I'm left do, I would e this where get me to a ng to do is get tion that and then I nalysis at the f there are any ary for either	MR. COYNE A. JOHNSON, O Q. MR. COYNE A.	Well, Newfoundland Power, when they go to the bond market with their first mortgage bonds, they're rate A2 by Moody's, do you know that? I do, but those are first mortgage bonds. I'm talking about issuer security ratings. C.C.: Yeah, but when they go to the market, aren't the bond people who are interested in Newfoundland Power bonds interested in how much security they have, and whether they cover the whole assets of the company? Well, I'm trying to use screens or apples or apples. If I were to use that screen – if I were to apply it to their first mortgage bonds, I'd want to do the same here and look at a different set of credit ratings. It's unusual for an electric utility to use first mortgage bonds. Most of them are not using secured debt in that way. So this is going

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		Page 137		Page 139
1	JOHNSON, ().C.:	1	A. That's right, they merged.
2	Q.	So none of your US proxy groups issue debt	2	JOHNSON, Q.C.:
3	٧.	that are secured by the assets of the	3	Q. So that's in your sample for Newfoundland
4		utilities?	4	Power?
1	MD COVNE		l	
5	MR. COYNE		5	MR. COYNE:
6	A.	They used to, but they've gotten away from	6	A. That's right.
7		it. It gives them far more financing	7	JOHNSON, Q.C.:
8		flexibility. Some still exist out there.	8	Q. Con Ed is still around, and you're aware of
9		Those that have them have been steadily	9	that. Why did you reject Con Ed?
10		trying to undo them as they're able to over	10	MR. COYNE:
11		time.	11	A. Well, it would have been on one of the other
12	JOHNSON, ().C.:	12	screens. I'm not sure if it was credit
13	Q.	I see. You can understand why a credit	13	rating or – I'd have to check the screen
14	٧.	rating agency would give a higher rating to	14	itself to see where they fell out.
15		a secured bond versus unsecured, can you?	15	JOHNSON, Q.C.:
1	MD COVNE	•	ı	
16	MR. COYNE		16	Q. I think there was a bankruptcy associated
17	A.	Surely, you have more security.	17	with one of the utilities with Con Ed, is
18	JOHNSON, O	•	18	that right?
19	Q.	Less risk for the lender?	19	MR. COYNE:
20	MR. COYNE	:	20	A. With Con Ed?
21	A.	I didn't hear your last comment.	21	JOHNSON, Q.C.:
22	JOHNSON, ().C.:	22	Q. One of their utilities went bankrupt?
23	Q.	Less risk for the lender?	23	MR. COYNE:
24	MR. COYNE	:	24	A. Not that I'm aware of. Con Ed?
25	A.	Well, more security associated with that	25	JOHNSON, Q.C.:
		Page 138		Page 140
,			,	· · · · · · · · · · · · · · · · · · ·
		risk, so if there is a default, at least the		Q. Yeah, I think there was an RFI on that that
2		lender in that case has a claim on the	2	asked why your report indicated that you had
3		assets of the company, which of course you	3	screened out two. One was screened out on
4		don't with an unsecured bond. The market	4	the fact that it didn't have any
5		for most utility debt is strong enough so	5	distribution, which we talked about a moment
6		that they're able to issue unsecured debt	6	ago, and the other one was screened out was
7		relying on the good faith of the company and	7	Con Ed because it failed another test.
8		its reputation, but you don't have the same	8	MR. COYNE:
9		level of security associated with the assets	9	A. Yes, and I just don't recall what that test
10		of the company.	10	was.
11	JOHNSON, Q	* ·	11	JOHNSON, Q.C.:
12	Q.	Okay. Just in terms of your sample then for	12	Q. I'll check the record this evening just to
13	Q.	· · · · · · · · · · · · · · · · · · ·	13	·
1		the Quebec transmission and distribution,	ı	bring you back to the RFI. I won't spend a
14		okay, if we could turn to page 25, Quebec	14	lot of time on it. Now NextEra, that's
15		Evidence. Let's look at your six companies	15	still around. That's listed as an electric
16		that you felt met those criteria. You've	16	company. Why did you reject them?
17		got Consolidated Edison, NextEra, Northeast	17	MR. COYNE:
18		Utilities, Southern Company, Wisconsin	18	A. Well, first of all, I didn't reject these
19		Energy, and Xcel, right?	19	companies. I used the screens that I described
20	MR. COYNE	:	20	and they pass the screens or not, and I can go
21	A.	Yes.	21	– let me see if I have the page here that'll
22	JOHNSON, Q		22	tell me on which basis they either passed or
23	Q.	Okay, so I understand that Northeast is now	23	not. I may not have that in front of me, but
24	∢.	Eversource, is that your understanding?	24	it would have been for one of those factors.
25	MR. COYNE	•	25	Obviously, if your concern is whether or not
123	IVIIX. COTNE	•	ر ^ے ا	Ouviousiy, ii your concern is whether or not

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1	they're a vertically integrated company, they	1	used the screens, not the same companies
2	certainly are. The other issue in NextEra is	2	because you're trying to screen for today's
3	that I don't think they would have passed the	3	capital market conditions and how an
4	regulated income and asset test because NextEra	4	investor would perceive these companies
5	is broadly diversified, oh, and lastly, they're	5	without other information that would suggest
6	involved with a merger with Hawaiian Electric	6	that the results wouldn't be reliable.
7	right now, so they probably would have failed	7	Merger is a very common way, a common
8	on that basis. They're in a long protracted	8	mechanism to get screened out, the revenue
9	proposed merger with Hawaiian Electric. That's	9	concentration could be another, that changes
10	the answer for NextEra, I'm sure.	10	over time as well.
11	JOHNSON, Q.C.:	11	JOHNSON, Q.C.:
12	Q. And Southern, you rejected Southern?	12	Q. So with the exception of Eversource, we see
13	MR. COYNE:	13	a wholesale change in your sample that even
14	A. Yeah, they're also in a merger with AGL.	14	though we're in Newfoundland dealing with a
1	JOHNSON, Q.C.:	15	
15		1	T&D company. MR. COYNE:
16	Q. And Wisconsin Energy, that's now WEC Group,	16	
17	traded on the New York Stock Exchange, I	17	A. Right, and I see this from time to time, it
18	understand?	18	just depends on whether or not those
19	MR. COYNE:	19	companies can pass these screens today. And
20	A. Yeah, I'm not sure if that was a merger or	20	especially with the amount of merger
21	if they fell out on one of the screens, I'd	21	activity we've had over the last few years,
22	have to check.	22	that's certainly an issue. The screens are
23	JOHNSON, Q.C.:	23	objective; I don't put a company in that's
24	Q. And Xcel Energy, they're still around and	24	not passing them or vice versa.
25	listed on the Stock Exchange, the New York	25	JOHNSON, Q.C.:
	Page 142		Page 144
1	Stock Exchange?	1	Q. But I guess the screens, you get to pick
2	MR. COYNE:	2	what criteria goes in your screen, right?
3	A. Yes.	3	MR. COYNE:
4	JOHNSON, Q.C.:	4	A. Right, and I lay those out. I want
5	Q. Do you know why you rejected Xcel?	5	everybody to know what screens we're using
6	MR. COYNE:	6	and what companies are in or out on that
7	A. I would have to check, yes.	7	basis and then we conduct risk analysis
8	JOHNSON, Q.C.:	8	around the companies that are through the
9	Q. So I guess the bottom line, Mr. –	9	screens so that we can look at it and invite
10	MR. COYNE:	10	the Board and stakeholders to look at it to
11	A. Yeah, I guess here, you know, here I was	11	see if it's a legitimate comparator group
12	using, again, I'll check, but it could be	12	for purposes of cost of capital analysis.
13	that their revenue, either that they didn't	13	JOHNSON, Q.C.:
14	pass their revenue test or they didn't pass	14	Q. So that's the work that you and Mr.
15	the asset concentration test associated with	15	Trogonoski do?
16	the electric utility business.	16	MR. COYNE:
17	JOHNSON, Q.C.:	17	A. And others, yes.
11/	Q. So I guess the bottom line is that a few	18	JOHNSON, Q.C.:
1 2	O. BO I EUCSS HIC DULUM HITE IS HIAL A ICW	1	Q. So let's look at capital expenditure
18	· · · · · · · · · · · · · · · · · · ·	1 10	
19	years ago in Quebec you used six U.S.	19	
19 20	years ago in Quebec you used six U.S. companies to base your estimates for the	20	protection because I think you've looked at-
19 20 21	years ago in Quebec you used six U.S. companies to base your estimates for the transmission and distribution assets in	20 21	protection because I think you've looked at— I understand that you've identified capital
19 20 21 22	years ago in Quebec you used six U.S. companies to base your estimates for the transmission and distribution assets in Quebec.	20 21 22	protection because I think you've looked at— I understand that you've identified capital cost recovery risk as a factor to compare
19 20 21 22 23	years ago in Quebec you used six U.S. companies to base your estimates for the transmission and distribution assets in Quebec. MR. COYNE:	20 21 22 23	protection because I think you've looked at— I understand that you've identified capital cost recovery risk as a factor to compare the business risk of Newfoundland Power in
19 20 21 22	years ago in Quebec you used six U.S. companies to base your estimates for the transmission and distribution assets in Quebec.	20 21 22 23 24	protection because I think you've looked at— I understand that you've identified capital cost recovery risk as a factor to compare

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		Page 145		Page 147	'
1	A.	Yes.	1	about a project that might later be	
2	JOHNSON, 0	Q.C.:	2	disapproved.	
3	Q.	Okay, and that's at Appendix A of your	3	JOHNSON, Q.C.:	
4		evidence.	4	Q. So that's a benefit to equity investors?	
5	MR. COYNE	<u>:</u>	5	MR. COYNE:	
6	A.	Yes.	6	A. Yes.	
7	JOHNSON, 0).C.:	7	JOHNSON, Q.C.:	
8	Q.	Pages 28 to 29.	8		
9	MR. COYNE	•	9	· · · · · · · · · · · · · · · · · · ·	
10	A.	Yes, page 29, capital recovery risk.	10	**	ans
11	JOHNSON, O		11		
12	Q.	So that's, as I understand it, when you're	12		
13		making your comparisons to the U.S. electric	13		
14		utility proxy group, you're looking at	14		
15		regulated generation risk, fuel and purchase	15		
16		power cost risk, volume and demand risk,	16		
17		capital cost recovery risk, rate regulation	17	, ,	
18		and earning sharing, regulatory lag and	18		th
19		operating cost recover mechanisms, is that	19	, ,	VII
20		right?	20		
21	MR. COYNE	_	21		
22	A.	That's right.	22	, , , , , , , , , , , , , , , , , , , ,	
23	JOHNSON, O	<u> </u>	23		So
24	Q.	So just starting off then just dealing with	24	* **	50
25	Ψ.	the capital cost recovery risk, you're	25	, , , , , , , , , , , , , , , , , , , ,	
		Page 146		Page 148	
1		aware, Mr. Coyne, that Newfoundland Power	1		
2		files annual capital budget applications for	2	•	
$\frac{1}{3}$		1 0 11	_		
1 -		review and approval to this Board?	3		
1 4	MR COYNE	review and approval to this Board?	3	A. Yes.	
4 5	MR. COYNE		4	A. Yes. JOHNSON, Q.C.:	
5	A.	Yes.	4 5	A. Yes. JOHNSON, Q.C.: Q. So if we look at –	
5 6	A. JOHNSON, Q	Yes. .C.:	4 5 6	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE:	
5 6 7	A.	YesC.: And how is Newfoundland Power's preapproval	4 5 6 7	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I	n
5 6 7 8	A. JOHNSON, Q	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its	4 5 6 7 8	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to	
5 6 7 8 9	A. JOHNSON, Q Q.	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk?	4 5 6 7 8 9	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're	
5 6 7 8 9	A. JOHNSON, Q Q. MR. COYNE	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk?	4 5 6 7 8 9 10	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms	
5 6 7 8 9 10 11	A. JOHNSON, Q Q.	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your	4 5 6 7 8 9 10 11	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have	3
5 6 7 8 9 10 11 12	A. JOHNSON, Q Q. MR. COYNE	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting	4 5 6 7 8 9 10 11 12	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for	3
5 6 7 8 9 10 11 12 13	A. JOHNSON, Q Q. MR. COYNE. A.	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting it.	4 5 6 7 8 9 10 11 12 13	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating	s or
5 6 7 8 9 10 11 12 13 14	A. JOHNSON, Q. Q. MR. COYNE: A.	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting itC.:	4 5 6 7 8 9 10 11 12 13 14	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have	or
5 6 7 8 9 10 11 12 13 14 15	A. JOHNSON, Q Q. MR. COYNE. A.	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting it. C.: Well, is the fact that a utility has its	4 5 6 7 8 9 10 11 12 13 14 15	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI	s or IP
5 6 7 8 9 10 11 12 13 14 15 16	A. JOHNSON, Q. Q. MR. COYNE: A.	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting it. C.: Well, is the fact that a utility has its capital budgets pre-approved before it	4 5 6 7 8 9 10 11 12 13 14 15 16	A. Yes. JOHNSON, Q.C.: Q. So if we look at – MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital	s or IP
5 6 7 8 9 10 11 12 13 14 15 16 17	A. JOHNSON, Q. Q. MR. COYNE: A.	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting itC.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its	4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism.	s or IP
5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. JOHNSON, Q. Q. MR. COYNE. A. JOHNSON, Q. Q.	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting it. C.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its level of business risk?	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism. JOHNSON, Q.C.:	s or IP
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5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A.	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting it. C.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its level of business risk? Yes.	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism. JOHNSON, Q.C.: Q. So if we start with ALLETE in Minnesota, they have no preapproval?	s or IP
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q.	Yes. C.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting it. C.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its level of business risk? Yes. C.:	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism. JOHNSON, Q.C.: Q. So if we start with ALLETE in Minnesota, they have no preapproval? MR. COYNE:	or IP
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. Q.	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting itC.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its level of business risk? YesC.: Okay, how is it relevant?	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism. JOHNSON, Q.C.: Q. So if we start with ALLETE in Minnesota, they have no preapproval? MR. COYNE: A. Right, and let me refer to the schedule, so	or IP
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE:	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting itC.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its level of business risk? YesC.: Okay, how is it relevant?	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism. JOHNSON, Q.C.: Q. So if we start with ALLETE in Minnesota, they have no preapproval? MR. COYNE: A. Right, and let me refer to the schedule, so we can go down that column but what I wo	or IP
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. MR. COYNE: A. JOHNSON, Q. Q.	YesC.: And how is Newfoundland Power's preapproval regime for capital budgets relevant to its level of business risk? Could you be more specific in terms of your question? I'm not sure if I'm quite getting itC.: Well, is the fact that a utility has its capital budgets pre-approved before it commits and spends the money relevant to its level of business risk? YesC.: Okay, how is it relevant?	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Yes. JOHNSON, Q.C.: Q. So if we look at — MR. COYNE: A. And maybe for the benefit of the Board, I think some of these schedules aren't easy to look at, so what we're doing there is we're looking at the capital recovery mechanisms that each of the operating companies have within the proxy groups that we're using for purposes of the analysis and we're rating them according to whether or not that have preapproval, whether or not they have CWI or AFUDC treatment or some other capital cost tracking mechanism. JOHNSON, Q.C.: Q. So if we start with ALLETE in Minnesota, they have no preapproval? MR. COYNE: A. Right, and let me refer to the schedule, so we can go down that column but what I wo like to indicate here is that there are a	or IP

Page 149 1 have managed their cost risks with a 2 regulator. Preapproval is one, CWIP is 3 another, AFUDC is another and a cost- 4 tracking mechanism is another. So I would 5 rely on all the columns and their answers to 6 indicate the exposure that company has to 7 capital investment risk, not just that one. 8 JOHNSON, Q.C.: 9 Q. Okay, just if you could bear with me for a 10 moment now. 1 have cash flow from it and that r 2 the risk associated with that proj 2 they have CWIP, they're earning 4 equity return, typically along wit 5 interest return on that project, if 6 building a many years' project th 7 combination of CWIP along with 9 tracking mechanism, gives the un 10 assurance that it's going to have	ect, of if g both an th an they're nat's over
regulator. Preapproval is one, CWIP is another, AFUDC is another and a cost- tracking mechanism is another. So I would tracking mechanism is another. So I would rely on all the columns and their answers to indicate the exposure that company has to capital investment risk, not just that one. JOHNSON, Q.C.: Q. Okay, just if you could bear with me for a the risk associated with that project the risk associated with that project in the place of the place of the project of the place of the place of the project of the place of the place of the place of the project of the place of the pl	ect, of if g both an th an they're nat's over
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another, AFUDC is another and a cost- tracking mechanism is another. So I would they have CWIP, they're earning they have CWIP, they have CWIP, they have CWIP, they have conditioned the equity return, typically along with the columns they have conditioned the equity return, typically along with the columns they have conditioned the equity return, typically along with the columns they have conditioned they have conditioned they have conditioned they have conditio	th an they're nat's over
tracking mechanism is another. So I would rely on all the columns and their answers to indicate the exposure that company has to capital investment risk, not just that one. 8 JOHNSON, Q.C.: 9 Q. Okay, just if you could bear with me for a 4 equity return, typically along with the equity return, the equity return retu	th an they're nat's over
5 rely on all the columns and their answers to 6 indicate the exposure that company has to 7 capital investment risk, not just that one. 8 JOHNSON, Q.C.: 9 Q. Okay, just if you could bear with me for a 5 interest return on that project, if 6 building a many years' project th 7 four, five, six or seven years more 8 combination of CWIP along with 9 tracking mechanism, gives the uncertainty of the project, if 9 the project,	they're nat's over
6 indicate the exposure that company has to 7 capital investment risk, not just that one. 8 JOHNSON, Q.C.: 9 Q. Okay, just if you could bear with me for a 6 building a many years' project the four, five, six or seven years more combination of CWIP along with tracking mechanism, gives the unit of the four	nat's over
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8 JOHNSON, Q.C.: 9 Q. Okay, just if you could bear with me for a 8 combination of CWIP along with tracking mechanism, gives the uncertainty of the combination of CWIP along with the combinati	
9 Q. Okay, just if you could bear with me for a 9 tracking mechanism, gives the ut	
10 distribute now.	•
11 MR. COYNE: 11 flow and it already has the appro	
12 A. I will. 12 its regulator in terms of the CPC	
that's the company at the bottom.	•
16 MR. COYNE: 16 by those mechanisms. Preappro	val is just
17 A. That's correct. 17 one way to get there.	
18 JOHNSON, Q.C.: 18 JOHNSON, Q.C.:	
19 Q. And Pinnacle doesn't either? That's the 19 Q. So if I look at Duke Energy in the	
20 Arizona utility just up from it? 20 Carolinas, they have preapprova	•
21 MR. COYNE: 21 plus AFUDC and do they have a	cost-tracking
22 A. They have a cost-tracking mechanism along 22 mechanism? No. So –	
with CWIP and AFDUC, which is at least as 23 MR. COYNE:	
24 good as preapproval. 24 A. That actually, in Florida they act	ually do,
25 JOHNSON, Q.C.: 25 yes.	
Page 150	
1 Q. How is it as least as good? 1 JOHNSON, Q.C.:	Page 152
1 Q. How is it as least as good? 1 JOHNSON, Q.C.:	Page 152
1 JOHNSON, Q.C.: 2 MR. COYNE: 2 Q. In Florida they do, yeah. And so	· ·
	o in terms
2 MR. COYNE: 3 A. Well, utilities get capital projects 2 Q. In Florida they do, yeah. And so of, is it your evidence that CWII	o in terms P provides
2 MR. COYNE: 3 A. Well, utilities get capital projects 4 approved in a couple of different ways, the 2 Q. In Florida they do, yeah. And so of, is it your evidence that CWII more certainty that the expenditure of the couple of different ways, the	o in terms P provides ures will be
2 MR. COYNE: 3 A. Well, utilities get capital projects 4 approved in a couple of different ways, the 5 large projects and large projects where the 5 Q. In Florida they do, yeah. And so of, is it your evidence that CWII 4 more certainty that the expendite 5 approved than the budget preapp	o in terms P provides ures will be
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Page 153 A Cm not aware of a jurisdiction that doesn't have something like a CPCN, although the name may differ and the same has been my separate typically come as part of an overall capital filing or they come explicitly around that grape projects. I demands as well, large projects and the other is can 1 carn something while I'm building that have something like a CPCN, although the name may differ and the same has been my separate the utility's risk from an investor standpoint. Specially come as part of an overall capital filing or they come explicitly around that glage projects and them the question is, okay, once the project is deemed as being a large project. And then the question is, okay, once the project is deemed as being the project is deemed as being a large project. And then the question is, okay, once the project is deemed as being the project is officer ways to mitigate that. One is the recovery for that? There are a couple of different ways to mitigate that. One is the through CWPL, whereas they're earning a few they full recovery of the equity cost, along with the debt cost and all of that's placed in rate base. With a large that the capity cost, along with the debt cost and all of that's placed in rate base. With a large that the cost, with CWP they'l actually be equity cost, along with the very large that the cost, with CWP they'l actually be equity cost, along with the debt cost and all of that's placed in rate base. With a large that the cost, with CWP they'l actually be experted and the fister they happen, the better. So with cost tracking they're allowed into rate base with full cost receivery as you go. Page 154	Дрп	14, 2010			INL FUWEI GRA 201
MR. COYNE: A. I'm not aware of a jurisdiction that doesn't have something like a CPCN, although the name may differ and the same has been my sexperience in Canada as well, large projects. From Canada as well, large projects are something while I'm building that project. Both are good, both mitigate the utility's risk from an investor standpoint. The project of a giant later in prudence finding or they come expiritly around that a filing or they come and they sell the untility around that a filing or they come are a couple of different ways to mitigate that. One is the thing of the project without any after the fact, prudence finding they are they are caming a filing that bease, on top, and they come t			Page 153		Page 155
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24 two different types of risk there, you know, 25 one is the preapproval risk associated with 24 JOHNSON, Q.C.: 25 Q. It's been termed in the past "exceptional",	1		•	ı	
one is the preapproval risk associated with 25 Q. It's been termed in the past "exceptional",	1			ı	1 0
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			Discoveries Unlimite	d In	nc. (709)437-5028 Page 153 - Page 15

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		Page 157			Page 159
1		would you agree with that?	1	JOHNSON, Q	.C.:
2	MR. COYNE	:	2	Q.	Okay.
3	A.	I don't think I've used the word	3	MR. COYNE:	•
4		"exceptional", but think I've used the words	4	A.	Because these differences are generally
5		"very good".	5		pretty small, but we look at it as a risk
6	JOHNSON, Q		6		factor, yes. Do equity investors look at
7	Q.	In Nova Scotia, do you know whether Nova	7		it? I think, frankly, probably not.
8		Scotia Power gets preapproval on capital	8	JOHNSON, Q	
9		budgets?	9	Q.	Let's put it this way, it's something of
10	MR. COYNE	-	10		relevance to an equity investor.
11	A.	I don't know that we've—well, let me see, we	11	MR. COYNE:	- ·
12		have Emera here and the answer is no.	12	Α.	It should be.
13	JOHNSON, Q		13	JOHNSON, Q	
14	Q.	Now in terms of regulatory lag, that's a	14	Q.	Yes. Now when I look at the forecast test
15	٧.	factor that you also used to compare the	15	ζ.	year, like Newfoundland Power uses, can you
16		business risk of Newfoundland Power and the	16		explain why that would be better than a
17		U.S. electric utility group. That's at your	17		historical test year when it comes to
18		Appendix A, page 29, I think you make	18		regulatory lag?
19		reference to that.	19	MR. COYNE:	regulatory lag:
$\begin{vmatrix} 1 \\ 20 \end{vmatrix}$	MR. COYNE		20	A.	If you're able to fully anticipate your
$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$	A.	Page 29, yes.	21	11.	expenditures in a forward-test year, as
$\begin{vmatrix} 21\\22\end{vmatrix}$	JOHNSON, Q	-	22		opposed to having to file for them with a
$\begin{vmatrix} 22 \\ 23 \end{vmatrix}$	Q.	And what do you mean by regulatory lag, just	23		historic test year with known and knowable
$\begin{vmatrix} 23 \\ 24 \end{vmatrix}$	Q.	briefly?	24		changes, you may be able to better reflect
25	MR. COYNE	·	25		this cost increase than you might otherwise
23	WIRC. COTTAL	•	25		tins cost increase than you might otherwise
		Do co 150			Daga 160
1	A	Page 158	1		Page 160
1	A.	Regulatory lag is the period of time from	1		and therefore, not have the delay in
2	A.	Regulatory lag is the period of time from when a utility files for rate change to when	2		and therefore, not have the delay in recovering the increment for that cost
2 3	A.	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate	2 3	IOHNCON (and therefore, not have the delay in recovering the increment for that cost change in rates.
2 3 4		Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change.	2 3 4	JOHNSON, (and therefore, not have the delay in recovering the increment for that cost change in rates. 2.C.:
2 3 4 5	JOHNSON, O	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.:	2 3 4 5	JOHNSON, (Q.	and therefore, not have the delay in recovering the increment for that cost change in rates. 2.C.: In Canada the forecast test year is
2 3 4 5 6		Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. 2.C.: And how does regulatory lag affect business	2 3 4	Q.	and therefore, not have the delay in recovering the increment for that cost change in rates. 2.C.:
2 3 4 5 6 7	JOHNSON, Q	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. 2.C.: And how does regulatory lag affect business risk?	2 3 4 5 6 7	Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. O.C.: In Canada the forecast test year is practically universal, is it?
2 3 4 5 6 7 8	JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk?	2 3 4 5 6 7 8	Q. MR. COYNE: A.	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah.
2 3 4 5 6 7 8 9	JOHNSON, Q	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? E: If, in the type of inflation or environment	2 3 4 5 6 7 8 9	Q. MR. COYNE: A. JOHNSON, Q	and therefore, not have the delay in recovering the increment for that cost change in rates. O.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.:
2 3 4 5 6 7 8 9	JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's	2 3 4 5 6 7 8 9 10	Q. MR. COYNE: A.	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite
2 3 4 5 6 7 8 9 10	JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an	2 3 4 5 6 7 8 9 10 11	Q. MR. COYNE: A. JOHNSON, Q	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would
2 3 4 5 6 7 8 9 10 11 12	JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. 2.C.: And how does regulatory lag affect business risk? 3: If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back	2 3 4 5 6 7 8 9 10 11 12	Q. MR. COYNE: A. JOHNSON, Q Q.	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	JOHNSON, O Q. MR. COYNE A.	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	JOHNSON, O Q. MR. COYNE A.	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs. Q.C.:	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference between those two is that with a historic,
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q.	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs. Q.C.: So regulatory lag is important to an equity investor?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference between those two is that with a historic, the latter, is that if you can show that I've just signed a union contract that says
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs. Q.C.: So regulatory lag is important to an equity investor?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference between those two is that with a historic, the latter, is that if you can show that I've just signed a union contract that says that my labour costs are going to go up by
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q.	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs. Q.C.: So regulatory lag is important to an equity investor? Most equity investors expect that utilities	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference between those two is that with a historic, the latter, is that if you can show that I've just signed a union contract that says that my labour costs are going to go up by three percent, then you will be allowed to
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs. Q.C.: So regulatory lag is important to an equity investor? Most equity investors expect that utilities are going to recover their prudently	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE:	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference between those two is that with a historic, the latter, is that if you can show that I've just signed a union contract that says that my labour costs are going to go up by three percent, then you will be allowed to put that into your adjustment to the
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, O Q. MR. COYNE A. JOHNSON, O Q. MR. COYNE	Regulatory lag is the period of time from when a utility files for rate change to when it typically gets approval for that rate change. Q.C.: And how does regulatory lag affect business risk? If, in the type of inflation or environment they were in right now, it's modest. It's much more important when we're in an inflationary period, as we experienced back in the mid '80s where if you're delayed by six or 12 months, that can make a significant difference in terms of your ability to fully recover your costs. Q.C.: So regulatory lag is important to an equity investor? Most equity investors expect that utilities are going to recover their prudently incurred costs and we focus on this because	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. MR. COYNE: A. JOHNSON, Q Q. MR. COYNE: A.	and therefore, not have the delay in recovering the increment for that cost change in rates. Q.C.: In Canada the forecast test year is practically universal, is it? It is, yeah. C.: And the United States is quite the opposite with using—where forecast test years would be pretty much the exception? Most states have either a forecast test year or they have a historic test year with known and knowable changes, so the difference between those two is that with a historic, the latter, is that if you can show that I've just signed a union contract that says that my labour costs are going to go up by three percent, then you will be allowed to put that into your adjustment to the historic test year.
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1		otherwise you're at risk?	1		jurisdiction.
2	MR. COYNE:		2	JOHNSON, Q	.C.:
3	A.	That's the—well, you're at risk until you	3	Q.	So if we could turn back to your Exhibit
4		file if you anticipate those changes, yes.	4		JMC-5, Schedule 5? So this is your
5	JOHNSON, Q		5		regulatory lag schedule?
6	Q.	Right.	6	MR. COYNE:	
7	MR. COYNE:	8	7	Α.	Yes.
8	A.	The other issue there, and I think this is	8	JOHNSON, Q	
9		another distinguishing feature in the U.S.,	9		So we see the Canadian Proxy Group at the
10		is that in Canada utilities typically file	10	-	bottom all have forecasts, we see
11		every year or two. In the United States,	11		Newfoundland Power at the very bottom under
12		it's more common for utilities to stay out	12		Fortis Inc., having a forecast and
13		for multiple years and so between those	13		practically everybody else for the U.S.
14		multiple-year periods, what they're doing is	14		Proxy Group companies being historical, with
15		they're measuring their own ability to be	15		the exception of Kansas City Power & Light
1		able to manage their costs within that	16		· · · · · · · · · · · · · · · · · · ·
16					and Missouri which are only partial
17		timeframe associated with existing rates,	17		forecasts and Minnesota Power being only
18		and they may be counting on load growth to	18		partial forecast?
19		assist them in that regard and they're	19	MR. COYNE:	V
20		looking at when in forecasting, for internal	20	A.	Yes.
21		purposes, when they think those rates will	21	JOHNSON, Q	
22		no longer be able to support their cost	22	-	So I guess, in all fairness, let's put it
23		profile.	23		this way, Mr. Coyne, would Great Plains
24	JOHNSON, Q		24		Energy in Kansas City Power & Light, if
25	Q.	So how long would it be routine or average	25		given a choice, do you think they'd keep on
		Page 162			Page 164
1		for a U.S. utility to stay out without	1		the historical or were they like forecast?
2		coming in for rates?	2	MR. COYNE:	
3	MR. COYNE:		3	A.	Well I think that most utilities would
4	A.	It varies significantly by state, it also	4		probably prefer forecast if they're asked on
5		varies according to that utility's specific	5		that solution alone. They do have interim
6		situation, what their capital expenditure	6		rates, so that means that if they find that
7		profile is, their load growth patterns and	7		there is a shortfall between their revenues
8		things of that nature. In these low	8		and their costs, they can come in and ask
9		inflation environments, we've seen utilities	9		for an interim rate increase, pending a full
10		that have been able to stay out for quite	10		blown rate filing. So they have the ability
11		some long period of time. We've seen some	11		to be able to remedy that situation.
12		that have been able to stay out of rate	12	JOHNSON, Q	0.C.:
13		hearings for ten years or even longer, and	13	Q.	You've read my examination of Ms. Jocelyn
14		what that means is that those rates have	14	`	Perry in this proceeding?
15		been adequate for that utility to be able to	15	MR. COYNE:	
16		continue to cover their costs during that	16	A.	I have read excerpts of it, I haven't read
17		period of time and still earn what their	17		it in its entirety.
18		allowed ROE. The regulator can call them	18	(12:30 p.m.)	•
19		back in at any time if they have reason to	19	JOHNSON, Q	o.C.:
20		believe or if a complaint is brought forward	20	Q.	You recall my discussion with her about how
21		to them that suggests that their rates are	21	٨.	Fortis Inc. puts in its MD&A discussion the
22		no longer reasonable. So there are	22		fact that in the United States one of its
23		protective measures in place, but all	23		utilities, I think it was in Arizona,
24		parties generally believe that fewer rate	24		subject to historic test year and that that
144		· · · · · · · · · · · · · · · · · · ·			•
25		cases are a good thing, but it does vary by	25		implies a different level of risk? Do you

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		Page 165			Page 167
1		recall that discussion?	1	MR. COYNE:	-
2	MR. COYNI		2	A.	Yes.
3	A.	I do not, no.	3	JOHNSON, Q	
4	JOHNSON,		4		And volume and demand risk, at page 27, you
5	Q.	Now regarding interim rates, we see	5		talk about that.
6	Q.	Newfoundland Power is down under	6	MR. COYNE:	taik about that.
7			7		Daga 27
1	MR. COYNI	"Emergency"?	'		Page 27.
8			8	JOHNSON, Q	
9	A.	Right.	9	Q.	Yes. And over on page 28 you get into, at
10	JOHNSON,		10		lines 25 to 28, you start talking about
11	Q.	Where did that information come from?	11		volume demand risk, okay? So this—now, Mr.
12	MR. COYNI		12		Coyne –
13	A.	I will have to check. I suspect it came	13	MR. COYNE:	
14		from the company.	14	A.	You're in 27, 28 of Appendix A.
15	JOHNSON,	Q.C.:	15	JOHNSON, Q	.C.:
16	Q.	So what do you mean by "emergency"?	16	Q.	Yes, that's right. So, again you're aware
17	MR. COYNI	Ξ:	17		that that provides regulatory protection to
18	A.	That is if there's dire circumstance	18		Newfoundland Power against changes caused by
19		between—because the company is able to file	19		abnormal weather conditions?
20		periodically but if there's a significant	20	MR. COYNE:	
21		issue between rate cases, it's able to come	21	A.	Weather, yes. I understand they are exposed
22		back on an emergency basis is my typical	22		to forecast risk otherwise, though.
23		interpretation of that, but I'm not sure	23	JOHNSON, Q	
24		what the provision is beyond that.	24	Q.	To forecast risk otherwise?
25	JOHNSON,	÷	25	MR. COYNE:	
		(
		Daga 166			Daga 169
1	0	Page 166	1	A	Page 168
1	Q.	Would you confirm that Newfoundland Power	1	A.	Yes, other changes in demand that they are
1 2	Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column	2		Yes, other changes in demand that they are responsible for and are at risk for.
3	Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of	2 3	JOHNSON, Q	Yes, other changes in demand that they are responsible for and are at risk for. O.C.:
3 4	Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're	2 3 4		Yes, other changes in demand that they are responsible for and are at risk for. 2.C.: Now, in terms of Exhibit JMC-5, Schedule 2
3 4 5	Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six	2 3	JOHNSON, Q	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that
3 4 5 6		Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture.	2 3 4	JOHNSON, Q	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly
3 4 5 6 7	Q. MR. COYNE	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture.	2 3 4 5	JOHNSON, Q Q.	Yes, other changes in demand that they are responsible for and are at risk for. 2.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America?
3 4 5 6	MR. COYNE A.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good.	2 3 4 5 6 7 8	JOHNSON, Q	Yes, other changes in demand that they are responsible for and are at risk for. 2.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America?
3 4 5 6 7	MR. COYNE	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good.	2 3 4 5 6 7	JOHNSON, Q Q.	Yes, other changes in demand that they are responsible for and are at risk for. 2.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? : Well we can see that Duke Kentucky is six
3 4 5 6 7 8	MR. COYNE A.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good.	2 3 4 5 6 7 8	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America?
3 4 5 6 7 8 9	MR. COYNE A. JOHNSON, Q	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good.	2 3 4 5 6 7 8 9	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. 2.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? : Well we can see that Duke Kentucky is six
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3 4 5 6 7 8 9 10 11	MR. COYNE A. JOHNSON, Q	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you	2 3 4 5 6 7 8 9 10 11	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I
3 4 5 6 7 8 9 10 11 12	MR. COYNE A. JOHNSON, Q	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public	2 3 4 5 6 7 8 9 10 11 12	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We
3 4 5 6 7 8 9 10 11 12 13 14	MR. COYNE A. JOHNSON, Q	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months.	2 3 4 5 6 7 8 9 10 11 12 13 14	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every
3 4 5 6 7 8 9 10 11 12 13 14 15	MR. COYNE A. JOHNSON, Q Q. MR. COYNE	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months.	2 3 4 5 6 7 8 9 10 11 12 13 14 15	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little
3 4 5 6 7 8 9 10 11 12 13 14 15 16	MR. COYNE A. JOHNSON, Q Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	MR. COYNE A. JOHNSON, Q Q. MR. COYNE	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions. C.:	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim rates in the meantime or emergency rates,
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions. C.: Yes, and then, but it all —	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim rates in the meantime or emergency rates, then if there is an issue for them, they're
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions. C.: Yes, and then, but it all—	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim rates in the meantime or emergency rates, then if there is an issue for them, they're able to mitigate it by filing for those
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions. C.: Yes, and then, but it all — There's a reason we presented this analysis.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim rates in the meantime or emergency rates, then if there is an issue for them, they're able to mitigate it by filing for those interim rates, so it's not an issue that
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions. C.: Yes, and then, but it all — There's a reason we presented this analysis.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim rates in the meantime or emergency rates, then if there is an issue for them, they're able to mitigate it by filing for those interim rates, so it's not an issue that prevents them from coming in and asking for
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	Would you confirm that Newfoundland Power and I'm going over to the second last column on the right, rate case lag in terms of months, Newfoundland Power has—well, they're tied with just a couple of others at six months, so the lowest lag in the picture. Pretty darn good. C.: Pretty darn good, yes. So when you compare it, let's say to ALLETE who are already, you know, they're a year; Duke in Florida is 11 months; Duke in Indiana is 16 months; Public Service of New Hampshire, they're 12 months. Yes, I ranked Newfoundland Power higher on this basis, we acknowledge these regulatory provisions. C.: Yes, and then, but it all — There's a reason we presented this analysis.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q Q. MR. COYNE	Yes, other changes in demand that they are responsible for and are at risk for. O.C.: Now, in terms of Exhibit JMC-5, Schedule 2 and by the way, on the regulatory lag, that six months, that would be truly exceptionable, wouldn't it in North America? Well we can see that Duke Kentucky is six months; Duke Carolinas is five, I would say it's at the lower end of the range, but I wouldn't characterize it as exceptional. We have others that are at that rank or lower, and again, if you're coming back in every year too for rates, that's probably a little bit more important to you than a company that's able to stay out for five years and if they have the ability to file for interim rates in the meantime or emergency rates, then if there is an issue for them, they're able to mitigate it by filing for those interim rates, so it's not an issue that

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		Page 169			Page 171
1		they can file—that emergency rate would be	1	Ċ	decoupling, not only don't they have risk
2		accepted, but then they're going to have to	2	f	for weather, they don't have risk for
3		come back and show that it was actually	3	e	economic changes in their—or load changes,
4		justified in their full rate case.	4		so they have the most protection under full
5	JOHNSON, O		5		decoupling, the next most under partial
6	Q.	Newfoundland Power, do you know how often	6		decoupling and then the least would be under
7		they come in?	7		weather normalization.
8	MR. COYNE	•	8	JOHNSON, Q.O	
9	A.	Their GRA proceedings have been averaging	9		So full decoupling is very rare and I think
10		about every three years.	10		here's Duke in Ohio, Connecticut Light and
11	JOHNSON, (•	11		Western Mass Electric.
12	Q.	And that's more often than average in the	12	MR. COYNE:	11 4500111 111405 21001101
13	٧.	United States, I take it?	13		Γhat's right.
14	MR. COYNE	•	14	JOHNSON, Q.O	-
15	A.	I'd say these days it's probably moving	15		Okay. Now, in terms of this partial
16	71.	there because there's just, in the utility	16		decoupling or LRAM, what does that stand
17		industry, there's just so much going on,	17		for?
18		everything from smart meters to significant	18	MR. COYNE:	.01 :
19		investments and distribution and	19		Load Reduction Adjustment Mechanism, subject
20		transmission reliability, I think that it's	20		o check. If not, it's equivalent to that.
21		probably moving closer to three years than	21	JOHNSON, Q.O	· •
22		otherwise, I'd say probably three to five is	22		Okay, and you're saying that Nova Scotia
23		the range I see; in other jurisdictions, it	23		Power has this or Emera, you're saying that
- 1		is one to two. We do have clients that file	24		
24			1		hey have partial decoupling?
25		on an annual basis across five jurisdictions	25	MR. COYNE:	
		Page 170			Page 172
1 1					
1		because that's their history where the	1	A.	Yes.
2		regulator or the company likes it that way	1 2	JOHNSON, Q	.C.:
1		regulator or the company likes it that way and the regulator likes it that way.	3	JOHNSON, Q.	
2 3 4	JOHNSON,	regulator or the company likes it that way and the regulator likes it that way. Q.C.:	3 4	JOHNSON, Q. Q. MR. COYNE:	.C.: Okay, what partial decoupling do they have?
2 3	JOHNSON, Q.	regulator or the company likes it that way and the regulator likes it that way. Q.C.: Okay, so if we look at JMC5, Schedule 2,	3 4 5	JOHNSON, Q. Q. MR. COYNE:	C.: Okay, what partial decoupling do they have? Let me see if I have it specified in the
2 3 4 5 6	-	regulator or the company likes it that way and the regulator likes it that way. Q.C.: Okay, so if we look at JMC5, Schedule 2, having to do with volume and demand risk,	3 4 5 6	JOHNSON, Q. Q. MR. COYNE: A.	C.: Okay, what partial decoupling do they have? Let me see if I have it specified in the Emera sheet exactly what they have.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYN A. JOHNSON,	regulator or the company likes it that way and the regulator likes it that way. Q.C.: Okay, so if we look at JMC5, Schedule 2, having to do with volume and demand risk, just on the weather normalization piece, that looks to be pretty weird, just Newfoundland Power and Gas Metro in the Province of Quebec having weather normalization. E: Yeah, you'll see, again, there are several mechanisms, either full decoupling, partial decoupling or weather normalization. Q.C.: So just, if I can understand first before moving off of the weather normalization protection, in other utilities' cases that don't have weather normalization, is the risk of weather variances, in terms of sales, left with the utility in those circumstances?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q. MR. COYNE: A. JOHNSON, Q. Q.	C.: Okay, what partial decoupling do they have? Let me see if I have it specified in the Emera sheet exactly what they have. C.: Mr. Coyne, my understanding in Nova Scotia Power is that they might get protected from variations from one or two of its industrial customers? Large industrial customers, yes, that's true. C.: That's what you're referring to there. But they're at risk in all other respects, is that right? I would have to—well if you'd like, I can check that, subject to check, I'm aware of
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1	Q.	Okay, if you could take that subject to	1		U.S. over the past decade, as we've seen
2		check?	2		more decoupling between GDP growth and
3	MR. COYNE	:	3		electricity growth. I wouldn't call one
4	A.	Yes. If you could just hold on just one	4		percent robust, I would say one percent
5		moment?	5		might be average across the industry at this
6	JOHNSON, (6		point in time and the reason for that is,
7	Q.	Certainly.	7		well twofold, one is that we're seeing
8	MR. COYNE	•	8		significant increases, albeit they've been
9	Α.	Right. All set, thank you.	9		moderated by gas prices associated with
10	JOHNSON, (•	10		major electric utility infrastructure
11	Q.	Okay. So if we look at some of these	11		investments, so we're seeing demand effects,
12	ζ.	utilities, some of these are very large	12		but we're also just seeing much more energy
13		utilities on Exhibit JMC-5, Schedule 2, so	13		efficient appliances being used in all
14		if we look at Duke and the Carolinas, North	14		aspects and all segments of the electric
15		Carolina, South Carolina, they have no full	15		consuming economy. And we've also seen
16		decoupling, they have no partial decoupling	16		deliberate programs, promulgated by
17		or LRAM and they have no weather	17		regulators and state agencies designed to
18		normalization, so all the risks stay with	18		assist customers with consuming less
19		the shareholder of that utility in these	19		electricity, so it's both a policy result as
$\frac{1}{20}$		states, is that right?	20		well as an economic result.
$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$	MR. COYNE	<u> </u>	21	JOHNSON, Q	
$\frac{1}{22}$	A.	In the case of Duke Energy—you're asking	22	Q.	It's your report that I drew upon in my
23	71.	those that don't have any of these?	23	ζ.	discussion with Ms. Perry that described one
24	JOHNSON, (•	24		percent growth as "robust".
25	Q.	Yeah.	25	MR. COYNE:	· -
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1	MR. COYNE	C	1	A.	I don't know that I used the word "robust".
2	A.	Then they would be bearing the risk between	2	JOHNSON, Q	
$\frac{1}{3}$	71.	rate cases, yes.	3	Q.	Well your report did. JMC-2, page 4. See
4	JOHNSON, Q	· ·	4		under "business risk, strong", partway down
5	Q.	Same with ALLETE, they would bear all that	5		through that -
6	₹.	risk too?	6	MR. COYNE:	umough unut
7	MR. COYNE		7		Right, we're citing S&P there.
8	A.	Right. What you're seeing there is that if	8	JOHNSON, Q	-
9	11.	they have no protection whatsoever, in the	9		Oh, I see. You see where it says, "On
10		case of Duke Florida, what they're counting	10		aggregate, Duke Energy's customer base grew
11		on is the overall—is the trend line in	11		by about one percent reflecting the service
12		growth being sufficient to offset whatever	12		territory's robust economic profile."
13		kind of mitigating factors they might have	13	MR. COYNE:	,
14		due to weather, but they're at risk for it.	14	A.	Where are in on the page? I appreciate the
15		Hence the purpose of this analysis.	15		prompt, I'm just noticing that we now have
16	JOHNSONS,		16		the capability.
17	Q.	I think during discussion with Ms. Perry	17	JOHNSON, Q	- · ·
18		earlier in the case, I think Duke's service	18	Q.	There you go.
19		area had about one percent sales' and	19	MR. COYNE:	
20		customer growth and they describe that as	20	A.	Yeah, I'm quote it—that's S&P.
21		"robust". Would that be your understanding	21	JOHNSON, Q	· •
22		of what the type of sales' growth would be	22		Okay.
23		considered, robust, in the United States?	23	MR. COYNE:	
145					
24	MR. COYNE	:	24	A.	Well one percent reflecting the service

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1		the customer base that grew by one percent,	1	JOHNSON, Q	.C.:
2		it's not talking about demand; customer	2	Q.	No, I'm talking about Newfoundland now, I
3		count.	3		moved on to talking about breakdown of
4	JOHNSON,	Q.C.:	4		customers, like what type of customers.
5	Q.	So you're saying the sales grew something	5	MR. COYNE:	* *
6		different than that, are you?	6	A.	Right.
7	MR. COYN	· · · · · · · · · · · · · · · · · · ·	7	JOHNSON, Q	•
8	Α.	Right. That's not bad growth for customer	8	Q.	And I notice that when you do your
9		account. Let's see what period of time	9	ζ.	comparison of Newfoundland Power to other
10		they're talking about here. One percent,	10		utilities on a risk type of discussion, you
11		I'm not sure if that's just one year or not,	11		don't look at the breakdown of customers as
12		but yeah, that's not bad customer count	12		being a factor.
13		growth, that's just steady demographic and	13	MR. COYNE:	· ·
14		business growth will count that.	14	A.	We do look at the breakdown of customers as
15	JOHNSON,		15	Λ.	a factor across each of the companies. We
16	Q.	Now –	16		look at commercial, residential, industrial
17	MR. COYN		17		words. In each of the risk appendix
1			ı		**
18	A.	For a utility that's staying up between rate	18	IOHNGON O	profiles, we're looking at that issue.
19		cases, that gives them flexibility to be	19	JOHNSON, Q	
20		able to spread their existing cost structure	20	Q.	I thought we listed the ones that you looked
21		over more customers, and therefore, the	21		at, just go back to page 27 of your Appendix
22		ability to stay out, the point I was trying	22	NO COLDIE	A.
23		to make about how does a utility manage	23	MR. COYNE:	
24		those risks if they have customer growth	24	A.	We have volume demand risks listed there,
25		like that and they have sales' growth, then	25		that would be covered under the –
		Page 178			Page 180
1		they're able to mitigate any risk they have	1	JOHNSON, Q	
2		associated with weather, for example, by	2	Q.	Oh, that's where that is, is it?
3		having that underlying trend and positive	3	MR. COYNE:	
4		sales or a customer count growth.	4	A.	Right. If the customer mix is causing the
5	JOHNSON, Ç).C.:	5		company volume or demand risk, that's where
6	Q.	In terms of the breakdown of customers, in	6		we would be picking it up.
7		terms of, you know, whether it's a	7	JOHNSON, Q	.C.:
8		residential profile, commercial or	8	Q.	But as I understand your volume demand risk
9		industrial profile, I note that when you	9		discussion, that's—you talked about weather
10		compare Newfoundland Power to your U.S.	10		conditions there at the bottom of page 28.
11		electric utility proxy group in that capital	11	MR. COYNE:	
12		structure report there, that you didn't	12	A.	Right.
13		address how the breakdown of customers that	13	JOHNSON, Q	.C.:
14		Newfoundland Power has, compares with others	14	Q.	Right?
15		as a risk issue.	15	MR. COYNE:	
16	MR. COYNE	:	16	A.	Uh-hm.
17	A.	I don't recall. They have a couple of major	17	JOHNSON, Q	.C.:
18		industrial customers, they've been losing	18	Q.	And nothing about the type of customers
19		their industrial load, primarily paper	19	`	served, and then if you flip over, then
20		companies.	20		you're into talking about revenue decoupling
21	JOHNSON, Q	•	21		mechanisms that we already talked about, but
		Who is that?	22		that's not addressing the breakdown of
22	O.	who is that?			
1	Q. MR. COYNE		23		_
22		:	ı		customers as to whether you got a high concentration of industrial or commercial or
22 23	MR. COYNE		23		customers as to whether you got a high

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1	MR. COYNE	:	1	A.	Right, we have that cited on page 2.
2	A.	Right, that's just a high level summary	2	JOHNSON, Q	0.C.:
3		there. If you go to each of the company	3	Q.	So they're over half industrial customers
4		profiles, we have percentage breakdown on	4		primarily involved in mining, iron
5		residential, commercial and industrial	5		concentrate, pulp and paper? These are
6		customers.	6		somewhat cyclical industries; would that be
7	JOHNSON, Q		7		fair to say?
8	Q.	Okay, well how did that get figured into	8	MR. COYNE	·
9	ζ.	your overall risk assessment then of	9	A.	Yes, they would be, yes.
10		Newfoundland Power?	10	JOHNSON, Q	· · · · · · · · · · · · · · · · · · ·
11	MR. COYNE		11	Q.	And, of course, as we saw ALLETE has no
12	A.	We didn't see it as being a significantly	12	ζ.	protection against volume risk, right?
13	71.	differentiating factor for the company.	13	MR. COYNE	•
14	JOHNSON, Q	1 .	14	A.	Let's go back.
15	Q.	Okay, so you're aware that Newfoundland	15	JOHNSON, Q	•
16	Q.	Power is basically residential and	16	Q.	Well we did that, but if you want to, go
17		commercial, right?	17	Q.	ahead.
18	MR. COYNE		18	MR. COYNE	
19	A.		19	A.	
20	JOHNSON, Q	That's right.	20	JOHNSON, Q	Right.
$\begin{vmatrix} 20 \\ 21 \end{vmatrix}$			21		•
$\begin{vmatrix} 21\\22\end{vmatrix}$	Q.	With larger customers served by the	ı	Q.	Right, and just if you go to the next page
$\begin{vmatrix} 22 \\ 23 \end{vmatrix}$		generator, Newfoundland and Labrador Hydro	22 23		in the exhibits, over to Duke, JMC-2 and in
23	MR. COYNE	directly, industrial customers?	23		particular on page 5 we see the customer
1			l	(12.45)	mix.
25	A.	Yes.	25	(12:45 p.m.)	7. 101
Ι.		Page 182			Page 184
	JOHNSON, Q		l	MR. COYNE:	
2	Q.	And you would be aware that domestic usage	2	A.	Right, we have it broken down by service
3		is around 61 percent of total sales? And	3		area.
4		this is from the company's energy and demand	4	JOHNSON, Q	
5		forecast.	5	Q.	Yeah, so we see relatively modest
6	MR. COYNE		6		residential sales for the Duke subsidiaries,
7	A.	By domestic, you mean residential?	7		with the exception of Florida, in Florida
8	JOHNSON, Q	`	8		it's about half, but in the rest it's, you
9	Q.	Domestic residential, yes.	9		know, 25 percent in residential and Carolina
10	MR. COYNE		10		was 32 percent, residential in Duke Energy
11	٨	That are de marca a 1-1 at a marc	11		Progress, 29 percent; Indiana, 28 percent;
1	A.	That sounds reasonable to me.	ı		• • • • • • •
12	JOHNSON, Q).C.:	12		and we see industrial for each of those at
12 13	JOHNSON, Q Q.	And general service is about 38 percent?	12 13		and we see industrial for each of those at around 25 percent in the Carolinas; 16
12 13 14	JOHNSON, Q Q. MR. COYNE	And general service is about 38 percent?	12 13 14		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana;
12 13	JOHNSON, Q Q. MR. COYNE A.	And general service is about 38 percent? I accept that.	12 13		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an
12 13 14	JOHNSON, Q Q. MR. COYNE	And general service is about 38 percent? I accept that.	12 13 14		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a
12 13 14 15 16 17	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	And general service is about 38 percent? I accept that. C.: And street lighting is about one percent?	12 13 14 15 16 17		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on
12 13 14 15 16 17 18	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	And general service is about 38 percent? I accept that. C.:. And street lighting is about one percent?	12 13 14 15 16 17 18		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on account of their being more into residential
12 13 14 15 16 17	JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A.	And general service is about 38 percent? I accept that. O.C.: And street lighting is about one percent? I accept that.	12 13 14 15 16 17 18 19		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on
12 13 14 15 16 17 18 19 20	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q MR. COYNE A. JOHNSON, Q	And general service is about 38 percent? I accept that. C.C.: And street lighting is about one percent? I accept that. C.C.:	12 13 14 15 16 17 18 19 20	MR. COYNE:	and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on account of their being more into residential and not into the industrial?
12 13 14 15 16 17 18 19 20 21	JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A.	And general service is about 38 percent? I accept that. C.: And street lighting is about one percent? I accept that. C.: Right, now in terms of ALLETE, if you go to	12 13 14 15 16 17 18 19 20 21	MR. COYNE:	and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on account of their being more into residential and not into the industrial? Well on that basis alone, yes. A difference
12 13 14 15 16 17 18 19 20	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q MR. COYNE A. JOHNSON, Q	And general service is about 38 percent? I accept that. C.C.: And street lighting is about one percent? I accept that. C.C.:	12 13 14 15 16 17 18 19 20		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on account of their being more into residential and not into the industrial?
12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q MR. COYNE A. JOHNSON, Q	And general service is about 38 percent? I accept that. C.C.: And street lighting is about one percent? I accept that. C.C.: Right, now in terms of ALLETE, if you go to JMC-2, Mr. Coyne, I take it you're aware that ALLETE has a high concentration of	12 13 14 15 16 17 18 19 20 21		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on account of their being more into residential and not into the industrial? Well on that basis alone, yes. A difference in this service area is it's a growing service area, as opposed to one that has a
12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q MR. COYNE A. JOHNSON, Q	And general service is about 38 percent? I accept that. C.: And street lighting is about one percent? I accept that. C.: Right, now in terms of ALLETE, if you go to JMC-2, Mr. Coyne, I take it you're aware	12 13 14 15 16 17 18 19 20 21 22		and we see industrial for each of those at around 25 percent in the Carolinas; 16 percent in Progress; 32 percent in Indiana; 24 percent in Ohio. Now, would this be an example of where Newfoundland Power has a better risk profile than these utilities on account of their being more into residential and not into the industrial? Well on that basis alone, yes. A difference in this service area is it's a growing

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		Page 185			Page 187
1		between those two, you would take the	1		risk faced by the utility, would you agree
2		growing service area along with those	2		with that statement?
3		industrial customers, but it does create	3	MR. COYNE:	
4		cyclicality.	4	A.	No.
5	JOHNSON, Q	•	5	JOHNSON, Q	
6	Q.	But I'm just looking at a customer base	6	Q.	Would the ROE earned by a regulated utility
7		versus a customer base.	7		reflect its business risk, its regulatory
8	MR. COYNE		8		risk and its financial risk?
9	A.	I know you are and on that basis, yes, but	9	MR. COYNE:	
10		if you ask me, I think the question from an	10	A.	No.
11		equity investor standpoint is what's the	11	JOHNSON, Q	
12		overall health of the service area as well,	12	Q.	It wouldn't?
13		that's a key issue. So you wouldn't look at	13	MR. COYNE:	
14		it in isolation, but on that basis, yes,	14	A.	No.
15		residential customers are less cyclical and	15	JOHNSON, Q	
16		from that standpoint, they're preferable.	16	Q.	Okay, so tell us then what the actual ROE
17	JOHNSON, Q		17	ζ.	earned by a utility does reflect.
18	Q.	Are you aware that DBRS is a credit rating	18	MR. COYNE:	•
19	ζ.	agency for Newfoundland Power, you're aware	19	A.	The earned ROE?
20		of that, right.	20	JOHNSON, Q	
21	MR. COYNE		21	Q.	That's right.
22	A.	Yes.	22	MR. COYNE:	
23	JOHNSON, Q		23	A.	Well from an accounting standpoint it's
24	Q.	Have you read their reports in this case?	24	11.	those earnings that flow to the bottom line
25	MR. COYNE	*	25		after all other expenses are paid in that
		Page 186			
	Α	Page 186	1		Page 188
1 2	A.	I have.	1 2		Page 188 year after interest and that's the bottom
2	JOHNSON, Q	I have.	2		Page 188 year after interest and that's the bottom line that flows to the equity investor in
2 3		I have. O.C.: And you're aware that they have noted that a	2 3	IOHNSON O	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time.
2 3 4	JOHNSON, Q	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable	2 3 4	JOHNSON, Q	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of timeC.:
2 3 4 5	JOHNSON, Q	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting	2 3 4 5	JOHNSON, Q Q.	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of timeC.: Okay, so what I thought I was putting to you
2 3 4 5 6	JOHNSON, Q	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and	2 3 4 5 6		Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of timeC.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you
2 3 4 5 6 7	JOHNSON, Q Q.	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers?	2 3 4 5 6 7		Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of timeC.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over
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2 3 4 5 6 7 8 9	JOHNSON, Q Q. MR. COYNE A.	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes.	2 3 4 5 6 7 8 9		Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory
2 3 4 5 6 7 8 9 10	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. O.C.:	2 3 4 5 6 7 8 9 10		Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of timeC.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they
2 3 4 5 6 7 8 9 10 11	JOHNSON, Q Q. MR. COYNE A.	I have. O.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. O.C.: Why would you expect DBRS would regard that	2 3 4 5 6 7 8 9 10 11		Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over
2 3 4 5 6 7 8 9 10 11 12	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	I have. C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power?	2 3 4 5 6 7 8 9 10		Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time.
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2 3 4 5 6 7 8 9 10 11 12 13 14 15	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical.	2 3 4 5 6 7 8 9 10 11 12 13 14 15	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical.	2 3 4 5 6 7 8 9 10 11 12 13 14	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical. C.: Right. Now let's look at Newfoundland Power risk for a moment. Let's start at a basic premise level, Mr. Coyne. The actual return on equity earned by a utility is after	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect how they manage—those risks in that period, in terms of how they fell to the bottom line, but it's also a prospective thing
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical. C.: Right. Now let's look at Newfoundland Power risk for a moment. Let's start at a basic premise level, Mr. Coyne. The actual return on equity earned by a utility is after interest charges, would that be correct?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect how they manage—those risks in that period, in terms of how they fell to the bottom line, but it's also a prospective thing going forward, so there's not just a one-
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical. C.: Right. Now let's look at Newfoundland Power risk for a moment. Let's start at a basic premise level, Mr. Coyne. The actual return on equity earned by a utility is after interest charges, would that be correct?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect how they manage—those risks in that period, in terms of how they fell to the bottom line, but it's also a prospective thing
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical. C.: Right. Now let's look at Newfoundland Power risk for a moment. Let's start at a basic premise level, Mr. Coyne. The actual return on equity earned by a utility is after interest charges, would that be correct? Yes.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect how they manage—those risks in that period, in terms of how they fell to the bottom line, but it's also a prospective thing going forward, so there's not just a one- dimensional element to risk, there's a time
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	JOHNSON, Q. Q. MR. COYNE. A. JOHNSON, Q. Q. MR. COYNE. A. JOHNSON, Q. Q.	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical. C.: Right. Now let's look at Newfoundland Power risk for a moment. Let's start at a basic premise level, Mr. Coyne. The actual return on equity earned by a utility is after interest charges, would that be correct? Yes.	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect how they manage—those risks in that period, in terms of how they fell to the bottom line, but it's also a prospective thing going forward, so there's not just a one- dimensional element to risk, there's a time element too, but it would reflect how you
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A. JOHNSON, Q Q.	I have. C.C.: And you're aware that they have noted that a strength of Newfoundland Power is its stable customer base with power sales consisting solely of those to residential and commercial customers? Yes. C.: Why would you expect DBRS would regard that as a strength of Newfoundland Power? As we just discussed, they're less cyclical. C.: Right. Now let's look at Newfoundland Power risk for a moment. Let's start at a basic premise level, Mr. Coyne. The actual return on equity earned by a utility is after interest charges, would that be correct? Yes. C.:	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q. MR. COYNE:	Page 188 year after interest and that's the bottom line that flows to the equity investor in that period of time. C.: Okay, so what I thought I was putting to you is a simple proposition and that is, if you look at a utility's actual earnings over time, that those actual earnings reflect that utility's business risk, regulatory risk and financial risk; whatever risk they face show up in its record of earnings over time. It would reflect how they manage those risk over time, but risk is a—risk has a time dimension to it as well, it would reflect how they manage—those risks in that period, in terms of how they fell to the bottom line, but it's also a prospective thing going forward, so there's not just a one- dimensional element to risk, there's a time element too, but it would reflect how you managed those risks in that specific period.

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1	JOHNSON,	Q.C.:	1	f	familiar with the full suite of deferral
2	Q.	It's certainly a reflection, what other	2	a	accounts that Newfoundland Power has?
3		risks are there besides business risk,	3	MR. COYNE:	
4		regulatory risk and financial risk?	4	A. I	have looked at them, yes.
5	MR. COYNI		5	JOHNSON, Q.O	· · ·
6	A.	Those are the risks.	6		Okay, so those numbers would also reflect
7	JOHNSON,		7		risks that they don't have to manage, is
8	Q.	Those are the risks, okay.	8		hat correct?
9	MR. COYNI		9	MR. COYNE:	nat confect.
10	A.	Yes, but they have a time dimension to them.	10		wouldn't say don't have to manage, there's
11	11.	You ask in any given period, in any given	11		an element of prudence associated with every
12		period that's a reflection of how they	12		expenditure an utility makes, so even in the
13		manage those risks and how they flow to the	13		context of a deferral account, if the
14		bottom line, but that may not be at all	14		atility is deemed to be imprudent in how
15		reflective of what the future risks are for	15		hey incurred that expense, they would be
16		the company.	16		exposed for it, in my estimation.
17	JOHNSON,		17	JOHNSON, Q.O	
18	-	I see, I thought you might say that and we	18		So will you not grant me that that graph
19	Q.	can have that discussion. Just for the	19		represents both risks, as you call them
20			20		isks, that had been managed versus those
1		moment, though, can we turn to Dr. Booth's			•
21	MD COVNI	testimony at page 78?	21	MR. COYNE:	hey don't have to manage?
22	MR. COYNI		22		
23	A.	Yes.	23 24		would agree that it reflects risk that
24	JOHNSON,				hey have managed versus, I don't know how
25	Q.	So here at page 78 of Dr. Booth's testimony,	25	У	you could say that reflects risks that they
		Page 190	l .		Page 192
		he has a graph of Newfoundland Power's	1		didn't have to manage. It's a reflection
2		allowed versus actual pre-sharing ROE, okay?	2		of—it's a picture of this Board's allowed
3		You've seen this graph in his evidence?	3		returns over time and like most boards, they
4	MR. COYNE		4		set those allowed returns based on capital
5	A.	Yes, I have.	5		nformation, capital market information,
6	JOHNSON,		6		such as we're discussing here, and then the
7	Q.	Okay, now this goes back from 1990 right up	7		ability of that, you know, that then becomes
8		to 2014. Now Mr. Coyne, in your judgment	8		a cost, it's passed through rates and the
9		does this graph indicate the actual risk	9		ability of that utility to, in that
10		borne by Newfoundland Power's shareholders	10		operating period, manage their costs in such
11		over the last 25 years?	11		a way so that they're still left with that
12	MR. COYNE		12		allowed return. It's a general expectation
13	A.	It's an indicator of how they managed that	13		for regulated utilities, that's the contact
14		risk on behalf of their shareholders and	14		with its regulator is that the regulator
15		customers.	15		sets a fair return. The utility, with
16	JOHNSON,		16		prudent management, is expected to go out
17	Q.	So it's, in terms of an indicator of how	17		and earn that rate of return and have the
18		they manage that risk, what does that	18		opportunity to earn it. Most utilities in
19		indicate as to how they manage that risk?	19		North America do earn their allowed returns,
20	MR. COYNI		20		so to me, it's a reflection of the
21	A.	That they have been a solidly run company	21		regulatory compact in this province and a
22		able to earn their allowed return.	22	ŀ	nealthy relationship between the Board and
23	JOHNSON,	Q.C.:	23	t	he company and an indication of sound
24	Q.	Right, and in terms of the risks that are	24	r	nanagement.
25		left to management to manage, are you	25	JOHNSON, Q.O	C.:

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1	Q.	Did you say that most North American	1	gives me, at least, a secondary source of
2	`	utilities earn their allowed returns?	2	how they are being viewed by the credit
3	MR. COYNE		3	rating agencies. But I think, by and large,
4	A.	Yes.	4	it's a pretty transparent business and the
5	JOHNSON, (5	graph that you show me here is one that's
1 .	Q.	Okay, do you have evidence of that on the	6	looked at by shareholders other places. You
6	Q.	record?	ı	· · · · · · · · · · · · · · · · · · ·
7	MD COVNE		7	had the opportunity to earn this return. If
8	MR. COYNE		8	you didn't, I expect that a management team
9	A.	We have looked at this issue in the past. I	9	would be held accountable to its board for
10	TOTP (GOV)	have not filed it here.	10	reasons why it wasn't able to earn its
11	JOHNSON, O		11	allowed return. An exception here in
12	Q.	We'll come to-we'll explore that a little	12	Newfoundland is that other utilities, if
13		bit further because that view is not shared	13	they are able to manage their expenses in
14		everywhere, Mr. Coyne. Now, so the fact	14	such a way to extend that return, they are
15		that Newfoundland Power has earned and	15	able to do so unless they have an explicit
16		exceeded its allowed return almost every	16	earning sharing mechanism in place. My
17		year since the mid 1990s, what can we take	17	understanding is that here in Newfoundland
18		away from that, if anything.	18	if that earnings exceeds 40 basis points
19	MR. COYNE	i:	19	over and above the allowed return, that
20	A.	That the—like I just said, that the company	20	that's fully returned to customers. So,
21		has done a good job of managing within its	21	that's not the usual case elsewhere in North
22		allowed costs profile including its rate of	22	America.
23		return to be able, or in that rate of return	23	(1:00 p.m.)
24		it's done a good job as a company of	24	JOHNSON, Q.C.:
25		managing to be able to do so. It's had the	25	Q. So, Mr. Coyne, are you aware that
		Page 194		Page 196
1		opportunity and it has earned its return.	1	Newfoundland Power's currently allowed ROE
$\frac{1}{2}$		* * · · · · · · · · · · · · · · · · · ·		· · · · · · · · · · · · · · · · · · ·
$\frac{1}{2}$		It's been able to manage within its environment to do so.	2	of 8.8 percent, that's about 6 percent
3	IOHNICON O		3	greater than the yield presently on the Long
4	JOHNSON, Q		4	Canada Bond, would you accept that?
5	Q.	Are Newfoundland Power's managers and	5	MR. COYNE:
6		leadership any more gifted or skilled than	l 6	
7			l _	A. Yes, present yield, yes.
8		managers of utilities south of the border?	7	JOHNSON, Q.C.:
1 0	MR. COYNE:		7 8	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with
9	MR. COYNE:	I have read that they are characterized as	7 8 9	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more
10		I have read that they are characterized as being strong in the credit rating reports,	l	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk
10 11		I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation	9 10 11	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual
10		I have read that they are characterized as being strong in the credit rating reports,	9 10	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk
10 11		I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that.	9 10 11	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual
10 11 12	A.	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that.	9 10 11 12	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor
10 11 12 13	A. JOHNSON, Q	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.:	9 10 11 12 13	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that
10 11 12 13 14	A. JOHNSON, Q	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.: How would you characterize how typical U.S.	9 10 11 12 13 14	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that graph we've been discussing?
10 11 12 13 14 15	A. JOHNSON, Q	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.: How would you characterize how typical U.S. utilities are equipped in terms of management, direction and skill?	9 10 11 12 13 14 15	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that graph we've been discussing? MR. COYNE:
10 11 12 13 14 15 16 17	A. JOHNSON, Q Q. MR. COYNE:	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.: How would you characterize how typical U.S. utilities are equipped in terms of management, direction and skill?	9 10 11 12 13 14 15 16 17	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that graph we've been discussing? MR. COYNE: A. Could you re-phrase the question or repeat it, please?
10 11 12 13 14 15 16 17 18	A. JOHNSON, Q Q.	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.: How would you characterize how typical U.S. utilities are equipped in terms of management, direction and skill? Their strengths vary by company. One of the	9 10 11 12 13 14 15 16 17 18	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that graph we've been discussing? MR. COYNE: A. Could you re-phrase the question or repeat it, please? JOHNSON, Q.C.:
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10 11 12 13 14 15 16 17 18 19 20	A. JOHNSON, Q Q. MR. COYNE:	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.: How would you characterize how typical U.S. utilities are equipped in terms of management, direction and skill? Their strengths vary by company. One of the reasons I like credit ratings as a screen is it gives me an indicator of how credit	9 10 11 12 13 14 15 16 17 18 19 20	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that graph we've been discussing? MR. COYNE: A. Could you re-phrase the question or repeat it, please? JOHNSON, Q.C.: Q. Yes. Well, as we look at that graph, Mr. Coyne, that graph indicates that
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10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. JOHNSON, Q Q. MR. COYNE:	I have read that they are characterized as being strong in the credit rating reports, but I've not done an independent evaluation of it beyond that. C.: How would you characterize how typical U.S. utilities are equipped in terms of management, direction and skill? Their strengths vary by company. One of the reasons I like credit ratings as a screen is it gives me an indicator of how credit rating agencies are viewing the company. If there's a management team in place that's not deemed as doing a good job, then I think	9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	JOHNSON, Q.C.: Q. Okay. So, do you see anything wrong with Newfoundland Power consistently earning more than it's allowed ROE and thus, its risk premium while never experiencing actual risks of being hurt, as we see in Doctor Booth's evidence of its earnings, in that graph we've been discussing? MR. COYNE: A. Could you re-phrase the question or repeat it, please? JOHNSON, Q.C.: Q. Yes. Well, as we look at that graph, Mr. Coyne, that graph indicates that Newfoundland Power consistently earns more than its allowed ROE while never actually experiencing, in terms of the input on its
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1	MR. COYNE	:	1	Q. Are you aware of any Canadian utilities or
2	A.	Well, no, I wouldn't say that. I would say	2	American utilities that are at a straight
3		that they've experienced those risks and	3	forward cost of service methodology, not PBR
4		they've managed them.	4	and have consistently over-earned the
5	JOHNSON, C	,	5	allowed return for this period of time?
6	Q.	But they have not manifested themselves in a	6	MR. COYNE:
7		hit to their bottom line.	7	A. I have not examined from 1990 through 2014
8	MR. COYNE		8	any one utility to see if that's the case.
9	A.	Well, in terms of under earning their	9	I've examined—I've done other examinations
10	A.	return, yes, they've managed them within	10	on this issue and what I find is that on
11		that allowed return and effectively so.	11	average, both Canadian and U.S utilities
12		•	12	earn their allowed returns.
		It's typical, I think—what is unusual for a	ı	
13		Canadian company is that they don't have	13	JOHNSON, Q.C.:
14		periods where they exceed that return more,	14	Q. What material is that?
15		you know, as we've seen in looking at other	15	MR. COYNE:
16		evidence in other jurisdictions. Some	16	A. Well we presented work in Hydro Quebec on
17		companies substantially exceed their allowed	17	this issue. It's probably in that evidence—
18		return by being able to manage costs or have	18	I think that's the last time I've looked at
19		other things fall in their favor during	19	it, in fact. Because the Regie had
20		these periods, but that's a pretty tight	20	expressed a concern because a witness had
21		relationship between allowed and earned.	21	indicated that that wasn't the case in the
22	JOHNSON, C).C.:	22	U.S. So, we bought evidence forth to show
23	Q.	Are you referring to PBR jurisdictions in	23	that by and large U.S. utilities do earn
24		relation to –	24	their allowed returns. That's the last
25	MR. COYNE	:	25	time, I think, we looked at it. But the
		Page 198		Page 200
1	A.	Yes and others.	1	other issue here is –
2	JOHNSON, Q		2	JOHNSON, Q.C.:
3	Q.	Yes, PBR typically permits that and with	3	Q. And you're saying, to your knowledge, that's
4	ζ.	sharing mechanisms, is that right?	4	filed. Can we go back to your Hydro-Quebec
5	MR. COYNE:		5	testimony then, for a moment?
6	A.	Permits it in its shared and the	6	MR. COYNE:
7	11.	distinguishing feature there is typically	7	A. Sure.
8		there is a dead band where the company	8	JOHNSON, Q.C.:
9		1 .	9	
		retains earnings up to some level. The	l	Q. CA NP 154. MR. COYNE:
10		typical dead band is 50 basis point and then	10	
11		after that, those excess earnings are shared	11	A. I have it open.
12		and the typical sharing relationship is	12	JOHNSON, Q.C.:
13		about 50 percent to the customer and 50	13	Q. Can you see what you're referring to there?
14		percent to the company. The exception here	14	MR. COYNE:
15		is that all earnings are returned to the	15	A. I don't have the page in front of me. Do
16		customer after 40 basis points.	16	you happen to know?
			17	JOHNSON, Q.C.:
17		We do a lot of work on performance	18	Q. No.
18				A COATE TO SEE SEE SEE SEE SEE SEE SEE SEE SEE SE
18 19		based regulation mechanisms and setting them	19	MR. COYNE:
18		based regulation mechanisms and setting them up. And look at the incentives implied in	19 20	MR. COYNE: A. Okay. Well, I'll find it. I think we have
18 19		based regulation mechanisms and setting them	ı	
18 19 20		based regulation mechanisms and setting them up. And look at the incentives implied in	20	A. Okay. Well, I'll find it. I think we have
18 19 20 21		based regulation mechanisms and setting them up. And look at the incentives implied in each of those and the strongest incentives	20 21	A. Okay. Well, I'll find it. I think we have some colorful charts in here that show that
18 19 20 21 22		based regulation mechanisms and setting them up. And look at the incentives implied in each of those and the strongest incentives associated with PBR or non-PBR are those	20 21 22	A. Okay. Well, I'll find it. I think we have some colorful charts in here that show that issue and maybe I'll put my hand on it. Let
18 19 20 21 22 23	JOHNSON, Q	based regulation mechanisms and setting them up. And look at the incentives implied in each of those and the strongest incentives associated with PBR or non-PBR are those that have a significant potential for the company to exceed its allowed return.	20 21 22 23	A. Okay. Well, I'll find it. I think we have some colorful charts in here that show that issue and maybe I'll put my hand on it. Let me just check my index. Okay, page 54 is

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		Page 201		Page 203
1		returns.	1	of analysis that we have done like this.
2	JOHNSON, Q	0.C.:	2	And the reason for that is –
3	Q.	That's relative in proxy group companies and	3	JOHNSON, Q.C.:
4		not –	4	Q. Just one second now.
5	MR. COYNE		5	MR. COYNE:
6	A.	Yes, okay, let me just re-orient myself in a	6	A. Okay.
7	11.	moment. Okay, those were authorized returns	7	JOHNSON, Q.C.:
8		and charts through—okay, on chart 4, page	8	Q. Just to clarify, Chart 4 in your Hydro
9		59. So, where what I'm showing is, in that	9	Quebec testimony, that would indicate that
10		case, is 11 years of history and the average	10	there are years, in fact, where the earned
11		differential between the earned and the	11	ROEs below the authorized ROE which is no
12			12	
		allowed returns for the U.S. proxy group		the case that happens in Newfoundland Powe
13		that I used versus the authorized ROE. And	13	for the last twenty odd years, right?
14		you can see that over time they're nearly	14	MR. COYNE:
15		identical, 11.41 versus 11.42 percent.	15	A. Right. And as I mentioned, companies in
16	JOHNSON, Q	·	16	this proxy group have the ability to stay
17	Q.	So, is that the only analysis that you've	17	out for multiple years.
18		done where you've determined or where you've	18	JOHNSON, Q.C.:
19		looked at how returns for U.S. utilities	19	Q. Right.
20		compare with allowed returns?	20	MR. COYNE:
21	MR. COYNE		21	A. And one of the things that they will look at
22	A.	No, it's most recent that I've done.	22	is, in our planning horizon are we going to
23	JOHNSON, Q).C.:	23	fall below our earned ROE and then we'll
24	Q.	That's the most recent that you've done.	24	come back in for a rate case. So, it
25	MR. COYNE		25	becomes measured calculus on the company's
		Page 202		Page 204
1	A.	The most recent that I recall, put it that	1	behalf whether or not they need to come back
2	11.	way.	2	in because cost pressures are forcing them
$\frac{1}{3}$	JOHNSON, O	•	3	to do so. So, they'll stay out for longer
4	Q.	Okay. So there's nothing more recent that	4	and as a result of that, they may have
_ ا	Q.	you recall and it was limited to those just	_ ا	periods in the beginning of the rate case
5		3	5	where they're higher and then towards the
$\begin{vmatrix} 6 \\ 7 \end{vmatrix}$	MR. COYNE	proxy groups companies.	6	· · · · · · · · · · · · · · · · · · ·
7			7	end of the rate case where they're lower.
8	A.	Right. And this was in specific response to	8	But they're looking to do the same thing, to
9		the Regie and its prior decision having	9	earn their allowed ROE and then in that
10	IOIDIGON A	asked to see evidence on this issue.	10	case, within one basis point over an 11 year
11	JOHNSON, O		11	period. And my other experience with U.S.
12	Q.	And have you done research more broadly as	12	utilities is the same as it is with Canadian
13		to how U.S utilities do in relation to	13	utilities, that by and large they do earn
14		earned versus actual returns? It's	14	their allowed ROEs. But there was something
15		certainly not mentioned in your resume.	15	I did want to add –
16	MR. COYNE		16	JOHNSON, Q.C.:
17	A.	No. We sometimes do it on a company	17	Q. So, by and large you mean the average
18		specific basis because we dothe other work	18	utility earns it's ROE in the United States?
19		that I do and we do is to work with	19	MR. COYNE:
20		investors that are actually looking at	20	A. Well, I haven't studied the average utility
21		acquire utilities. And we'd look at this	21	because there are hundreds of gas and
22		issue on a utility over time to see if it is	22	electric utilities and what I was about to
23		able to earn its allowed return. So, I do	23	say is that in order to do so, first of all,
24		look at it on a company specific basis, but	24	you have to do it at the operating company
25		in aggregate I think this is the last piece	25	level. You can't take accounting data on
1		00 ·0··· · · · · · · · · · · · · · · ·	<u></u>	

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1		earnings and do this because there are	1	find important and I did not feel so.
2		adjustments to the—there are regulatory	2	JOHNSON, Q.C.:
3		adjustments for each utility. So, you have	3	Q. So, did you regard it as important or
4		to be able to look at whether or not they've	4	unimportant as to whether the U.S. operating
5		earned their allowed ROE on their regulated	5	companies in your proxy group are actually
6		rate base. And that's the determining	6	are able to earn their return on a—have a
7		factor. If you're looking just at	7	track record of actually earning their
1		accounting data, you won't be able to do so	8	allowed return? Is that important or
8			I	*
9		with accuracy. So, it's a real burden to do	9	unimportant?
10		this work unless you happen to have an	10	MR. COYNE:
11		annual report from the company to its	11	A. Well, it is important in what I looked at
12		commission that says this was our earned ROE	12	beyond—and again, I mentioned the problems
13		in that year. And we have that for some	13	in the accounting data—it is important and
14		utilities and others we don't. So, it's not	14	the way I looked at it is I looked at the
15		as easy as just simply aggregating data from	15	regulatory provisions that they had down to
16		SNL or any other source and determining	16	the tariff level in place that allowed them
17		that's how they did against their allowed	17	to manage their costs so that they would be
18		ROE.	18	able to earn their allowed returns. So, we
19	JOHNSON, O).C.:	19	looked at a more fundamental way because
20	Q.	But you filed no evidence that this was	20	you're trying to look—this would tell you
21	ζ.	important to the Quebec regulator.	21	what they are able to do historically, but
22	MR. COYNE		22	it doesn't tell you what they're going to be
23	A.	The Quebec regulator asked for it.	23	able to do on a going forward basis.
24	JOHNSON, (24	JOHNSON, Q.C.:
25	-	Asked for it, but you didn't go through any	25	, ` ` ·
23	Q.		23	
		Page 206		Page 208
1		exercise of determining, in this case,	1	that as much as you looked as to whether or
2		whether your North American proxy group or	2	not, for instance, they had a partial de-
3		U.S. proxy group operating companies	3	coupling mechanism and then you drew a
4		actually earned their allowed returns.	4	conclusion from that as to whether they've
5	MR. COYNE) :	5	earned their returns in the past or not.
6	A.	There's a lot that's not in my evidence, but	6	MR. COYNE:
7		this regulatory did not ask for it. I	7	A. No, the reason I'm looking at that partial
8		presented it in my evidence everything that	8	de-coupling mechanism is it's a forward
9		I thought this Board would like to see	9	looking view that we're trying to provide
10		pertaining to this evidence, but that was	10	here and what I'm trying to get at is
11		something that I hadn't seen expressed by	11	whether or not the utility has in place
12		this Board as it was by the Regie as being a	12	adequate regulatory protection to be able to
13		constraint for them in terms of being able	13	manage its costs on a going forward basis.
14		to utilize U.S. data and U.S. proxy groups.	14	So, that's the purpose of that analysis.
	JOHNSON, (1	JOHNSON, Q.C.:
15	-		15	· ·
16	Q.	All I ask you Mr. Coyne is whether you did	16	Q. So, you –
17		and it's going to take a fair bit of time if	17	MR. COYNE:
18		when I ask you a direct question, you go on,	18	A. This would only tell me what they've done
19		but I wish to stop you, but I just asked you	19	historically, but if there was a significant
20		whether you did, in this case, and the	20	shift in their regulatory paradigm, that's
21		answer is you didn't.	21	what I want to know. Are they going to have
22	MR. COYNE	ì:	22	the ability to look for it on a going
23	A.	Well, but the implication, I'm sorry, was	23	forward basis?
24		that I was not providing something that I	24	JOHNSON, Q.C.:
25		felt was important or that the Board might	25	Q. Just to be clear, Mr. Coyne, are you saying
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1	as you sit there this afternoon that you do	1	by the lower business risk and that the
2	not know whether the operating companies in	2	median debt rating of utility in Canada I
3	your proxy sample actually have a tract	3	higher than that in the United States, even
4	record of earning their allowed returns? Is	4	though debt ratios are lower in the United
5	that your evidence?	5	States. And then if you go cover to the
6	MR. COYNE:	6	next page, her response, she says, "Ms.
7	A. Well, I'm familiar with these companies and	7	McShane's evidence states that further it is
8	I've done enough work on this to know that	8	important to recognize that prior to
9	most of these utilities do because, if not,	9	decision 2009-216 the allowed common equity
10	they will have a discussion again with their	10	ratios of the Alberta utilities were
11	board and it will probably come back to the	11	regarded by the debt rating agencies as
12	regulator. I have seen situations where	12	weak. Then she"—this is the point I'm
13	that's not the case and we usually become	13	bringing to your attention—"she would agree
14	aware of them.	14	that the universe of U.S. utilities has
1	JOHNSON, Q.C.:	15	higher business risk than the typical
15		1	
16	Q. I see. We sent over a cross aide to you	16	Canadian utility which is a wires or pipes
17	regarding a statement Ms. McShane who used		utility whereas the preponderance of U.S.
18	to be Newfoundland Power's Cost of Capital	18	utilities are integrated electric utilities
19	expert, sent over on April 1st.	19	which are of inherently higher business risk
20	MR. COYNE:	20	than distribution utilities. This may not
21	A. Yes.	21	be true of the proxy sample of similar risk
22	MS. GLYNN:	22	utilities presented in Ms. McShane's
23	Q. Is that number 6 from the letter, Mr.	23	evidence". I just wanted to see if we could
24	Johnson?	24	whether you accept that the typical U.S.
25	JOHNSON, Q.C.:	25	utility is perceived as being riskier than
1	Page 210	1	D 010
	1 age 210		Page 212
1	Q. No, sorry, Ms. Glynn, I'm sorry. Item 4.	1	the typical Canadian utility.
1 2	2	1 2	•
1 2 3	Q. No, sorry, Ms. Glynn, I'm sorry. Item 4.	1 2 3	the typical Canadian utility.
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. No, sorry, Ms. Glynn, I'm sorry. Item 4. MS. GLYNN: Q. Number 4, yes that will be entered as Information No. 18. (1:15 p.m.) JOHNSON, Q.C.: Q. Thank you. This is an RFI that Ms. McShane answered in the 2011 generic Cost of Capital Proceeding in Alberta. And in this question, the question was Ms. McShane states that Canadian utilities have weak debt ratios. Would she agree that this off set by the lower business risk and that the median debt rating of utility in Canada – MR. COYNE: A. I'm sorry, can you just tell me where in the RFI you are? JOHNSON, Q.C.: Q. I'm reading from A, right on the page here, on the screen right here now. MR. COYNE: A. Okay, oh, the question?	3 4 5 6 7 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	the typical Canadian utility. MR. COYNE: A. No, I would not. I mean, it's too broad of a statement because I'm not sure there is a typical U.S. or typical Canadian utility. They're all different in some respects. There's much more diversity. There are many more utilities in the U.S. than there are in Canada and there are some that are riskier and some that are less. So, I don't know that I would make that judgment in the same way. JOHNSON, Q.C.: Q. Now, Ms. McShane was Newfoundland Power's expert previous to you. In fact, she testified in the 2013 case. Doesn't this statement that Ms. McShane acknowledge, doesn't this simply reflect what you and your colleagues said in your HQ testimony, that you make an adjustment, in that case, of 41 basis points for the generating risk in the U.S. sample that Newfoundland Power

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		Page 213			Page 215
1	MR. COYNE	E:	1	A.	I've gone through an exercise of screening
2	A.	No, because to me the telling line there is	2		at the outset to get them as close as I can
3		her last line, is to say it may not be true,	3		from a capital market screening standpoint.
4		the proxy sample of similar risk utilities	4		Then I've done risk analysis at the
5		presented in Ms. McShane's evidence. So,	5		operating company level because where those
6		what's she's saying, she characterizing a	6		risks get managed.
7		universe of Canadian/U.S. utilities, put	7	JOHNSON, Q	
8		that aside for a moment, but what she's	8	Q.	Right, and you could have put, I take it you
9		saying is that I screened for companies that	9		would agree, you could have put a lot more
10		are comparable risk for purposes of my cost	10		riskier companies in your sample, would that
11		of capital analysis, the same as we have	11		be right?
12		done without returning that field again	12	MR. COYNE:	<i>y</i>
13		pertaining to integrated utility versus	13	A.	Yes.
14		wires and pipes risks. I acknowledge that,	14	JOHNSON, Q	
15		that if you're fully integrated on that	15	Q.	Yes, okay.
16		basis, you have more generation risk than a	16	MR. COYNE:	•
17		company that's doesn't, but that's not the	17	A.	By the way, you're talking about the U.S.
18		entirety of the risk profile of that	18	11.	sample; we also did a Canadian sample.
19		company. That's why we look at all these	19	JOHNSON, Q	÷ · · · · · · · · · · · · · · · · · · ·
20		other screens that we discussed including	$\frac{1}{20}$	Q.	No, no, I understand, but understand
21		credit rating risks to see how they're	21	Q.	something else though, that your North
$\begin{vmatrix} 21\\22\end{vmatrix}$		viewed from an investor perspective.	$\begin{vmatrix} 21\\22\end{vmatrix}$		American group is 7/9ths U.S., right?
23	JOHNSON, O		$\begin{vmatrix} 22 \\ 23 \end{vmatrix}$	MR. COYNE:	American group is 7/3ms O.S., right!
24			24		It is but I also have a near Canadian
25	Q.	So you would not agree that typically the U.S. utility sector is regarded the higher	25	A.	It is, but I also have a peer Canadian sample as well.
		C.S. attitty sector is regarded the inglier	1 22		bumple us well.
		Dogo 21/			Daga 216
,		Page 214	1	IOHNSON C	Page 216
1	MD COVNE	risk than the Canadian utility sector?	1	JOHNSON, Q	.C.:
2	MR. COYNE	risk than the Canadian utility sector?	1 2 2	JOHNSON, Q Q.	P.C.: I understand that and we'll come to that.
2 3	A.	risk than the Canadian utility sector? No. And –	3		I understand that and we'll come to that. Now, so you've tried to construct this sort
2 3 4	A. JOHNSON, Q	risk than the Canadian utility sector? No. And – O.C.:	3 4		I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that
2 3 4 5	A. JOHNSON, Q Q.	risk than the Canadian utility sector? No. And – O.C.: Okay.	3 4 5	Q.	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right?
2 3 4 5 6	A. JOHNSON, Q Q. MR. COYNE	risk than the Canadian utility sector? No. And – O.C.: Okay.	3 4 5 6	Q. MR. COYNE	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right?
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2 3 4 5 6 7 8 9	A. JOHNSON, Q Q. MR. COYNE	risk than the Canadian utility sector? No. And – O.C.: Okay. nor would Moody's whose done a report ton this recently. And again, when you say typical, there is a broader array of	3 4 5 6 7 8 9	Q. MR. COYNE A. JOHNSON, Q	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right? Comparable risk sample for Newfoundland Power. C.:
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2 3 4 5 6 7 8 9 10 11	A. JOHNSON, Q Q. MR. COYNE A.	risk than the Canadian utility sector? No. And — C.: Okay. - nor would Moody's whose done a report ton this recently. And again, when you say typical, there is a broader array of electric utilities in the U.S. than there are in Canada.	3 4 5 6 7 8 9 10 11	Q. MR. COYNE A. JOHNSON, Q	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right? Comparable risk sample for Newfoundland Power. CC: Okay. Now, is it your judgment that the U.S. market recognizes the lower risk of
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q.	risk than the Canadian utility sector? No. And — C.: Okay. - nor would Moody's whose done a report ton this recently. And again, when you say typical, there is a broader array of electric utilities in the U.S. than there are in Canada. C.: And now you have put together a selected sample of 6 U.S. utilities that you're saying we should be looking upon those as similar to Newfoundland Power for risk purposes, correct?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q. MR. COYNE A. JOHNSON, Q Q.	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right? Comparable risk sample for Newfoundland Power. C.: Okay. Now, is it your judgment that the U.S. market recognizes the lower risk of your carefully created lower risk sample and just doesn't look at them as U.S. utilities when they're assessing these stocks and investors are looking at these utilities, investing in utility stocks?
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q.	risk than the Canadian utility sector? No. And — O.C.: Okay. - nor would Moody's whose done a report ton this recently. And again, when you say typical, there is a broader array of electric utilities in the U.S. than there are in Canada. O.C.: And now you have put together a selected sample of 6 U.S. utilities that you're saying we should be looking upon those as similar to Newfoundland Power for risk purposes, correct?	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q. MR. COYNE A. JOHNSON, Q Q.	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right? Comparable risk sample for Newfoundland Power. C.: Okay. Now, is it your judgment that the U.S. market recognizes the lower risk of your carefully created lower risk sample and just doesn't look at them as U.S. utilities when they're assessing these stocks and investors are looking at these utilities, investing in utility stocks? When you say "they", who are you referring
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. Q. MR. COYNE A.	risk than the Canadian utility sector? No. And — O.C.: Okay. - nor would Moody's whose done a report ton this recently. And again, when you say typical, there is a broader array of electric utilities in the U.S. than there are in Canada. O.C.: And now you have put together a selected sample of 6 U.S. utilities that you're saying we should be looking upon those as similar to Newfoundland Power for risk purposes, correct? There are seven.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Q. MR. COYNE A. JOHNSON, Q Q. MR. COYNE A.	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right? Comparable risk sample for Newfoundland Power. C.: Okay. Now, is it your judgment that the U.S. market recognizes the lower risk of your carefully created lower risk sample and just doesn't look at them as U.S. utilities when they're assessing these stocks and investors are looking at these utilities, investing in utility stocks? When you say "they", who are you referring to?
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. JOHNSON, Q. Q. MR. COYNE A. JOHNSON, Q. MR. COYNE A. JOHNSON, Q.	risk than the Canadian utility sector? No. And — O.C.: Okay. - nor would Moody's whose done a report ton this recently. And again, when you say typical, there is a broader array of electric utilities in the U.S. than there are in Canada. O.C.: And now you have put together a selected sample of 6 U.S. utilities that you're saying we should be looking upon those as similar to Newfoundland Power for risk purposes, correct? There are seven. O.C.: Seven, okay, seven. And so you've gone through an exercise to try to make sure that	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. MR. COYNE A. JOHNSON, Q Q. JOHNSON, Q Q. MR. COYNE	I understand that and we'll come to that. Now, so you've tried to construct this sort of low risk sample for this case, is that right? Comparable risk sample for Newfoundland Power. C.: Okay. Now, is it your judgment that the U.S. market recognizes the lower risk of your carefully created lower risk sample and just doesn't look at them as U.S. utilities when they're assessing these stocks and investors are looking at these utilities, investing in utility stocks? When you say "they", who are you referring to? C.: Equity investors.
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1		looked at entire sector. But ultimately it	1	sample?
2		boils down to a company specific investment	2	MR. COYNE:
3		unless you are buying some sort of	3	A. Well, I don't know; I've never run it.
4		electronic product that trades the entirety	4	JOHNSON, Q.C.:
5		of a sector.	5	Q. Do you expect it would higher than what
6	JOHNSON, C).C.:	6	you're putting forward here now?
7	Q.	What evidence do you have that, in fact, the	7	MR. COYNE:
8		U.S. capital market distinguishes between	8	A. No, I don' think so. I think these
9		the typically higher risk of U.S. utilities	9	companies representative enough, so they're
10		that are in the big broad universe and your	10	probably not going vary materially—and one
11		carefully selected lower risk utility group?	11	of the reasons I can say that is we also do
12	MR. COYNE	* * * *	12	this work before the FERC and the before the
13	A.	I'm not sure I characterized it that way, as	13	FERC—the FERC has specified very specific
14		high risk versus this proxy group. This	14	screen criteria for utilities in that as
15		proxy group was selected based on 6 criteria	15	they want to use a national sample. And
16		that are designed to give me companies that	16	that national sample is typically 26, maybe
17		look more like Newfoundland Power than other	17	30 of these companies. And those results
18		companies in that universe. I didn't make a	18	don't materially differ from those that I'm
19		judgment as to whether or not, nor did I	19	looking at here, but I think it's better to
20		need to, as to whether or not the universe	20	show more care than to narrow it down to a
21		was more or less risky. Because if I did	21	sample that's as close as the company's
22		so, I can take Bonneville Power which is	22	starting with because to do the risk
23		rated Triple A and I don't want to do that	23	analysis we've done at the operating company
24		because that is much higher credit rating,	24	level, if I try to do that on 46 companies I
25		that looking more like a Hydro Quebec, you	25	think we'd still be back doing our work and
23			23	-
		Page 218	١.	Page 220
1		know. Or I could take a very small utility	1	not able to file the testimony. Because you
2		that had a very lousy credit rating, for	2	do the capital market work at the holding
3		example, and I wouldn't want them in there	3	company level, but all the work that you've
4		as well. I'm trying to come up with	4	been looking at in the appendix has to be
5		something that looks to an investor as a	5	done at the operating company level to look
6		risk that has a comparable profile to that	6	at those risk elements. So, you'd be
7		of the target, in this case, Newfoundland	7	forever and a day trying to do the work at
8		Power.	8	that level. But I don't think that the
9	JOHNSON, Q		9	aggregate numbers would really significantly
10	Q.	Mr. Coyne, what would your ROE and common	10	deviate from the sample, would be my
11		equity recommendation be for a run of the	11	judgment. You know, Triple A companies and
12		mill, typical U.S. utility, not like,	12	then you may have—you will have companies
13		particularly your lower risk one like we're	13	lower on the range as well.
14		looking at here?	14	JOHNSON, Q.C.:
15	MR. COYNE	:	15	Q. So, some companies with pretty inferior bond
16	A.	Well, there's no such thing as a run of the	16	ratings in that group you're referring to.
17		mill typical utility". We do it on a	17	MR. COYNE:
18		company specific basis. I suppose you could	18	A. You'd have a couple that would be Triple B-
19		say run of the mill would be that I would	19	probably.
20		take all 46 companies and value line and not	20	JOHNSON, Q.C.:
21		screen out any, but we never do that.	21	Q. Mr. Chairman, I was going to go to another
22	JOHNSON, Q	•	22	cross aide, but I don't that I'd get very
23	Q.	So, if you were to do that, what do you	23	far into it.
	≺.		24	CHAIRMAN:
		think your ROE comment equity ratio	1 47	CHAIRMAN.
24 25		think your ROE comment equity ratio recommendation would be, for the 46 company	25	Q. Okay, we'll adjourn until tomorrow.

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1 Upon conclusion at 1:25 p.m.	
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CERTIFICATE	
I, Judy Moss, do hereby certify that the	
foregoing is a true and correct transcript of a	
hearing in the matter of a General Rate Application by	
Newfoundland Power Inc. to establish customer	
electricity rates for 2016 and 2017 heard on the 4th	
day of April, 2016 at the Public Utilities Commission	
office, St. John's, Newfoundland and Labrador and was	
transcribed by me to the best of my ability by means	
of a sound apparatus.	
of a sound apparatus.	
Dated at St. John's, NL this	
4th day of April	
The day of ripin	
Judy Moss	
Discoveries Unlimited Inc.	
Discoverios ciminiou inc.	

Α

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