

Q. Re: Canadian samples of firms

- (a) Can Mr. Cicchetti confirm that he did not use estimates for any Canadian firms because "none of them were similar to Newfoundland Power and had long term analyst forecasts for growth, earnings return on equity or dividends."
- (b) Please indicate what analysis Mr. Cicchetti did of the Canadian firms that lead him to believe that they were not similar to Newfoundland Power. In particular can he confirm whether or not he did the following and if he did provide the supporting documentation:
- i. An analysis of their ability to earn their allowed ROE;
 - ii. An examination of their use of deferral accounts;
 - iii. An analysis of their deemed common equity ratios;
 - iv. An analysis of their stock market betas;
 - v. An analysis of equity or bond credit reports indicating that the companies were not used as comparables and the reasons for the decision;
 - vi. An analysis of recent regulatory decisions
- (c) Is Mr Cicchetti aware that both the Alberta Utilities Commission and the BC Utilities Commission adjust for differences in business risk by adjusting deemed common equity ratios and then allow a common ROE (with a premium by the BCUC) for different utilities under their jurisdiction including both gas distribution companies and electric transmission and distribution companies? If he is aware of this why does he believe there are no comparables to Newfoundland power in Canada when other regulatory bodies have in effect decided there are?
- (d) In terms of the analyst growth forecasts, can Mr. Cicchetti confirm that these forecasts are only needed for the DCF tests, and that you can still estimate a DCF equity cost without such forecasts. If not why not.
- (e) Further to 3) above if the analyst forecasts are only needed for the DCF test can Mr. Cicchetti confirm that he ruled out the Canadian firms simply because he couldn't do his one form of DCF test using them?

- 1
2 (f) **Can Mr Cicchetti provide copies of all testimony presented by him**
3 **over the last two years and indicate the tests that he performed and**
4 **the sample of firms that he used. It would be sufficient to indicate that**
5 **all his evidence over the last two years is based on the same techniques**
6 **and samples presented in this hearing if that is the case.**
7
8 A. (a.) Confirmed.
9
10 (b.) Canadian firms were reviewed regarding whether or not they were
11 publicly traded, the nature of their operations, their business risk, financial
12 risk, bond rating, beta, equity ratio, Value Line Safety Rating, size,
13 earnings, and regulatory support. Mr. Cicchetti reviewed all the items
14 listed.
15
16 (c.) Mr. Cicchetti is aware of the practices cited and is of the opinion that the
17 methodology he followed is the best way to estimate the required return on
18 common equity for Newfoundland Power.
19
20 (d.) Confirmed. See (c.) above.
21
22 (e.) Not confirmed.
23
24 (f.) Mr. Cicchetti has used similar analyses in his testimony over the last two
25 years.