

- 1 **Q.** Please provide a recalculation of schedules MAC 10 and 11 using only the
2 companies you have identified that have a safety rank of 1.
3
4 **A.** Please see attached amended Schedule MAC 10 and amended Schedule MAC 11.

Newfoundland Power Company

Schedule MAC -10 amended as per CA's request

Comparable Electric Companies

Two Stage, Annually Compounded Discounted Cash Flow

	Expected Dividends					Est. EPS 2013	Est. ROE 2013	Dividend Growth 2013	Stock Price Jul-09
	2009	2010	2011	2012	2013				
Nstar	1.53	1.63	1.73	1.84	1.95	3.25	14.50	5.80%	\$31.34
MGE Energy	1.45	1.47	1.49	1.52	1.54	2.80	12.00	5.40%	\$35.18
CH Energy Group	2.16	2.16	2.16	2.16	2.16	3.00	8.00	2.24%	\$48.56
Average	1.71	1.75	1.79	1.84	1.88	3.02	11.50	4.48%	\$38.36

The cost of common equity is calculated using a two-stage, annually compounded discounted cash flow model:

$$P_0(1-fc) = \sum_{t=1}^n D_t/(1+k)^t + (D_n(1+g_n))/(k-g_n) * (1/(1+k))^{n+1}$$

Solving the above equation for k, for the group, using $P_0 = \$38.36$, $fc = 5\%$, and $n = 5$, provides a cost of common equity of 8.98%.

Sources:

Value Line Investment Survey

The stock price is the average of the high and low July 2009, Yahoo! FINANCE

Newfoundland Power Company

Schedule MAC -11 amended as per CA's request

Comparable Gas Companies

Two Stage, Annually Compounded Discounted Cash Flow

	Expected Dividends					Est. EPS 2013	Est. ROE 2013	Dividend Growth 2013	Stock Price Jul-09
	2009	2010	2011	2012	2013				
New Jersey Resources	1.24	1.28	1.32	1.36	1.40	2.90	10.50	5.43%	\$38.30
Northwest Natural Gas	1.58	1.66	1.77	1.88	2.00	3.45	11.00	4.62%	\$44.12
WGL Holdings	1.45	1.50	1.53	1.57	1.60	2.75	11.00	4.60%	\$32.08
Average	1.42	1.48	1.54	1.60	1.67	3.03	10.83	4.88%	\$38.17

The cost of common equity is calculated using a two-stage, annually compounded discounted cash flow model:

$$P_0(1-fc) = \sum_{t=1}^n \frac{D_t}{(1+k)^t} + \frac{D_n(1+g_n)}{(k-g_n)} * \frac{1}{(1+k)^t}$$

Solving the above equation for k, for the group, using $P_0 = \$38.17$, $fc = 5\%$, and $n = 5$, provides a cost of common equity of 8.79%.

Sources:

Value Line Investment Survey

The stock price is the average of the high and low July 2009, Yahoo! FINANCE