

IN THE MATTER OF the *Public Utilities Act*,
(the “Act”); and

IN THE MATTER OF the establishment of a
just and reasonable return on rate base pursuant
to Section 80 of the Act for Newfoundland
Power Inc. (“Newfoundland Power”).

Requests for Information by the Consumer Advocate

CA-NP-201 to CA-NP-310

April 16, 2012

- 1 CA-NP-201 Company Evidence, p. 1: What formula does the Régie employ to establish
2 returns for Gáz Metro?
3
- 4 CA-NP-202 Company Evidence, p. 1: Further to the previous question, when was this
5 formula by the Régie established and in what proceeding? Please provide a
6 copy of the decision/order.
7
- 8 CA-NP-203 Company Evidence, p. 1: What formula does the Ontario Energy Board employ
9 to establish returns for electricity distributors under its jurisdiction?
10
- 11 CA-NP-204 Company Evidence, p. 1: When was the formula as is in use today established
12 by the OEB and in what proceeding? Please provide a copy of the
13 decision/order.
14
- 15 CA-NP-205 Company Evidence, p. 1: The Company, in referring to the use of formulas,
16 states in footnote 2 on p. 1 that the “BCUC may consider the matter in cost of
17 capital proceedings in 2012.” What is the basis for this statement and what is
18 the status of the cost of capital proceedings referred to?
19

- 1 CA-NP-206 Company Evidence, p. 1: The Company states in footnote 2 that in late 2011,
2 "the AUC decided not to reinstate a formula but has left the matter open for
3 reconsideration for 2013 (see Decision 2011 – 474, December 8, 2011)".
4 Please provide a copy of the referred decision and page references for these two
5 statements.
6
- 7 CA-NP-207 Company Evidence, p. 3: At p. 3 the Company states, "Operation of the
8 Formula for 2011 resulted in an estimated return on equity for Newfoundland
9 Power of 8.38%⁴. This was the lowest ratemaking return on equity for a
10 Canadian investor owned electric utility for 2011⁵." Please confirm that NP's
11 stated return for 2011 was just and reasonable and met the fair return standard in
12 all respects.
13
- 14 CA-NP-208 Company Evidence, p. 3: What were the allowed ratios for equity (versus debt)
15 in each of the Canadian investor-owned electric utilities to which reference is
16 made in footnote 5 of p. 3.
17
- 18 CA-NP-209 Company Evidence, p. 3: At p. 3, footnote 6, the Company states, "For 2012,
19 ratemaking returns on equity for Canadian investor-owned electric utilities, other
20 than Newfoundland Power, range from a low of 8.75% in Alberta to a high of
21 9.9% in British Columbia." Please indicate which Alberta utilities are allowed an
22 8.75% return on equity in 2012 and provide a copy of the decision extract or
23 order prescribing that allowed rate of return.
24
- 25 CA-NP-210 Company Evidence, p. 3, footnote 6: Please provide a copy of BCUC Order No.
26 G-20-012 which establishes a proceeding to determine the appropriate cost of
27 capital for a benchmark low risk utility effective January 1, 2013.
28
- 29 CA-NP-211 Company Evidence, p. 16, footnote 56: Which BC and Alberta utilities have
30 recovery mechanisms for employee future benefit costs? Which other Canadian
31 utilities have equivalents to Newfoundland Power's PEVDA and OPEBVA?
32
- 33 CA-NP-212 Please confirm that Newfoundland Power's various regulatory mechanisms such
34 as the PEVDA, WNR, etc. transfer the risk of costs, whether positive or negative,

1 to ratepayers?

2

3 CA-NP-213 Company Evidence, p. 18: The Company states that, “The Company’s target of
4 45% common equity units Capital Structure is consistent with Board Orders since
5 1990⁶². Newfoundland Power’s capital structure is a relative strength that
6 mitigates risks associated with the Company’s small size and low long-term
7 forecast growth estimates⁶³.” What was Newfoundland Power’s common
8 equity proportion prior to P.U. 1 (1990). Please demonstrate and explain how
9 ratepayers benefit from the present 45% proportion of equity in the Company’s
10 capital structure relative to a 40% equity component, given that the cost of debt is
11 less than the cost of equity.

12

13 CA-NP-214 Company Evidence, p. 25: The Company states, “A reasonable opportunity to
14 recover the rate of return requires consideration of the timing of Newfoundland
15 Power’s next general rate application.” When does Newfoundland Power intend
16 to file its next GRA and what are the considerations that Newfoundland Power
17 has in terms of timing for its next GRA?

18

19 CA-NP-215 Company Evidence, p. 28: The Company states, “Continued use of the 2012
20 ratemaking return on equity for 2013 would be reasonable and consistent with
21 current consistent public utility practice.” In its application, Newfoundland Power
22 does not seek, request or apply for continued use of the 2012 ratemaking return
23 on equity for 2013. Please clarify the Company’s request in relation to 2013 in
24 this proceeding.

25

26 CA-NP-216 Please provide a copy of Newfoundland Power’s five year financial forecast.
27 Please forecast all changes in the revenue requirement and required rate action
28 for the next five years.

29

30 CA-NP-217 Please provide a copy of Newfoundland Power’s Quarterly Annual Reports from
31 2008 to present as filed with the Board.

32

33 CA-NP-218 Please provide a copy of the Annual Reports of Fortis Inc. from 2008 to present.

34

- 1 CA-NP-219 Who will be testifying on behalf of Newfoundland Power at the hearing of this
2 application, and if witnesses will be testifying, other than Ms. McShane and Dr.
3 Vander Weide, please provide an overview of their anticipated evidence.
4
- 5 CA-NP-220 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
6 Utility Sample.”: Please explain the weighting scheme used by Ms. McShane in
7 arriving at her ROE recommendation for Newfoundland Power using her tests.
8
- 9 CA-NP-221 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
10 Utility Sample.”: At Appendix “B”, Ms. McShane states that the sample is
11 comprised of all U.S. electric and natural gas utilities. Please confirm that the
12 companies chosen are not utilities themselves but are holding companies that
13 own both utility companies and non-regulated businesses.
14
- 15 CA-NP-222 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
16 Utility Sample.”: In Ms. McShane’s U.S. Utility Sample, she provides
17 “Utility-specific information in respect of each of the companies from pages B-2 to
18 B-34 of Appendix “B”. Please state the source(s) of this data reported in respect
19 of each of the U.S. corporations listed at p. B-1.
20
- 21 CA-NP-223 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
22 Utility Sample.”: Please provide a copy of the latest annual report for each of
23 the U.S. companies that populate Ms. McShane’s “U.S. Low Risk Utility Sample”.
24
- 25 CA-NP-224 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
26 Utility Sample.”: With respect to Ms. McShane’s “U.S. Low Risk Utility Sample”,
27 please indicate which of the companies that populate her 13-firm U.S. company
28 sample were also used to populate the U.S. Low Risk Utility Sample which she
29 employed when she last presented evidence before the Board on behalf of
30 Newfoundland Power Inc. for Newfoundland Power’s 2010 GRA?
31
- 32 CA-NP-225 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low risk Utility
33 Sample.”: Does Ms. McShane consider her present U.S. Low Risk Utility
34 Sample on an overall basis to have “less risk, “more risk” or “equal risk” as her

1 U.S. sample of companies in her 2009 Evidence before the Board in support of
2 Newfoundland Power's GRA? Please explain the basis for the answer.

3
4 CA-NP-226 Evidence of Kathleen McShane – Appendix "B", "Selection of U.S. Low Risk
5 Utility Sample.": Please provide a list of U.S. companies used by Ms. McShane
6 in her NP 2010 GRA Evidence as well as a listing of the U.S. companies used in
7 her present U.S. Low Risk Utility Sample filed in her evidence on this application.

8
9 CA-NP-227 Evidence of Kathleen McShane – Appendix "B", "Selection of U.S. Low Risk
10 Utility Sample.": Please list any companies which Ms. McShane has eliminated
11 from her U.S. Low Risk Utility Sample as in her 2010 NP GRA Evidence in
12 constructing the sample used in support of her present evidence and application
13 and explain Ms. McShane's reasons for no longer including the same in the
14 present sample for the purposes of this proceeding.

15
16 CA-NP-228 Evidence of Kathleen McShane – Appendix "B", "Selection of U.S. Low Risk
17 Utility Sample.": Has Ms. McShane presented evidence such as found at pp.
18 B-2 to B-34 of "Appendix B – Selection of U.S. Low Risk Utility Sample: to other
19 regulatory boards. If so, state when and to what board and on behalf of what
20 client?

21
22 CA-NP-229 Evidence of Kathleen McShane – Appendix "B", "Selection of U.S. Low Risk
23 Utility Sample.": For each of the U.S. companies in Ms. McShane's Low Risk
24 Utility Sample" she refers to "RRA Regulatory Climate", which she further
25 describes at p. B-34. Please confirm that RRA is Regulatory Research
26 Associates based out of Charlottesville, Virginia, U.S.A. Please also provide a
27 copy of RRA's complete methodology and rating system for utility regulatory
28 climates.

29
30 CA-NP-230 Please provide a copy of RRA's rating for each utility regulatory regime in the
31 United States.

32
33 CA-NP-231 Please provide a copy of RRA's rating for each utility regulatory regime in
34 Canada.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

CA-NP-232 Please provide a copy of Moody's Rating Methodology for March 2005 entitled, "Rating Methodology: Global Regulated Electric Utilities".

CA-NP-233 Please provide a copy of Moody's August 2009 Rating Methodology for "Regulated Electric and Gas Utilities".

CA-NP-234 Please provide a copy of Moody's most recent rating methodology for Regulated Electric and Gas Utilities.

CA-NP-235 For each of Ms. McShane's U.S. companies in her "U.S. Low Risk Utility Sample" she provides a block called "Moody's Rating Methodology" and Ms. McShane then reports the ratings for the following categories: Regulatory framework, Ability to Recover Costs/Earn Return, Diversification and Financial Strength. For each of the U.S. companies in Ms. McShane's U.S. Low Risk Utility Sample, please provide a copy of the Moody's source document containing the ratings reported by Ms. McShane in respect of each of the U.S. companies in her sample.

CA-NP-236 For each of Ms. McShane's U.S. companies in her "U.S. Low Risk Utility Sample" she provides a block called S&P's Regulatory Comment and then Ms. McShane reports a quotation in the adjacent box from S&P. For each of the U.S. companies in Ms. McShane's U.S. Low Risk Utility Sample please provide a copy of the S&P report from which Ms. McShane quotes in her chart.

CA-NP-237 In Newfoundland Power's last GRA – Moody's Credit Opinion, August 3, 2009 (see Application 1st Revision, Exhibit 4) acknowledges the differences the regulatory and business environments in the U.S. and Canada, stating:

"NPI's Baaa 1 issues rating reflects the fact that the company's operations are exclusively based in Canada, a jurisdiction where regulatory and business environments in general are relatively more supportive than those of other international jurisdictions such as the United States, in Moody's view."

1 In Ms. McShane's view, was Moody's wrong when it made this statement
2 pertaining to the regulatory and business environments in Canada and the U.S.?
3

4 CA-NP-238 With reference to the previous question, is Ms. McShane aware of any
5 statements from Moody's since August 3, 2009 in which Moody's states that it no
6 longer thinks that Canada's regulatory and business environments in general are
7 relatively more supportive than those of the United States?
8

9 CA-NP-239 In its Credit Opinion of 19 July 2011 on Newfoundland Power Inc., Moody's
10 states,
11

12 "All of NPI's operations are located in Canada whose regulatory and
13 business environments we consider to be supportive relative to those in
14 other jurisdictions. Further, we consider the PUB to be one of the more
15 supportive regulators in Canada. Notwithstanding that NPI's 2011
16 allowed ROE of 8.38% is currently one of the lowest in Canada, its 45%
17 deemed equity is one of the highest in Canada and the PUB's decisions
18 tend to be timely and balanced. We believe that the PUB's review and
19 approval of NPI's capital spending plans and long term debt issuances
20 significantly reduces the risk of cost allowances or the inability to fully
21 recover costs on a timely basis. NPI submits a proposed capital plan for
22 PUB approval annually. Furthermore, NPI is required to obtain PUB
23 pre-approval for the issuance of any First Mortgage Bonds (FMB) or the
24 incurrence of credit facilities with maturities exceeding one year."
25

26 Does Ms. McShane know why Moody's considers Canada's regulatory and
27 business environments to be supportive relative to those in other jurisdictions,
28 which the Consumer Advocate takes to include the U.S.? Does Ms. McShane
29 agree with Moody's opinion? If not, why not?
30

31 CA-NP-240 Evidence of Kathleen McShane – Appendix "B", "Selection of U.S. Low Risk
32 Utility Sample.": Out of her U.S. Low Risk sample, please indicate for which
33 U.S. utility companies (and indicate the parent name) Ms. McShane has provided
34 expert evidence for in cost of capital matters since 2000. (Please state date of
35 testimony).
36

37 CA-NP-241 Evidence of Kathleen McShane – Appendix "B", "Selection of U.S. Low Risk

1 Utility Sample.”: For each of the U.S. utility holding companies in Ms.
2 McShane’s sample, Ms. McShane lists the holding company’s regulated
3 subsidiaries, eg. AGL Resources – Nicor Gas, Atlanta Gas Light, etc. When
4 these regulated subsidiaries file rate cases in their respective U.S. jurisdictions,
5 do they file credit opinions from rating agencies such as Moody’s and/or
6 S&P, as Newfoundland Power does in this jurisdiction?
7

8 CA-NP-242 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
9 Utility Sample.”: Please provide a copy of the latest credit opinions from
10 Moody’s and S&P for each of the regulated subsidiaries of the 13 U.S.
11 companies that populate the “U.S. Low Risk Utility Sample”. Should the latest
12 credit opinion not be available, please file the credit opinion last filed with the
13 respective regulator.
14

15 CA-NP-243 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
16 Utility Sample.”: Please provide a copy of the latest credit opinions from
17 Moody’s and S&P for each of the 13 U.S. companies that populate the “U.S. Low
18 Risk Utility Sample”.
19

20 CA-NP-244 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
21 Utility Sample.”: For each of Ms. McShane’s U.S. companies in her “U.S. Low
22 Risk Utility Sample” she provides a block called “Percentage of Assets in Utility
23 Operations”. Ms. McShane also states at p. B-1 that her U.S. sample
24 companies have “Utility assets equal to or greater than 80% of total assets”.
25 Please explain the reasons why the proportion of non-regulated business was a
26 factor for Ms. McShane in constructing her sample.
27

28 CA-NP-245 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
29 Utility Sample.”: Please clarify whether the term “Percentage of Assets in Utility
30 Operations” used by Ms. McShane means the percentage of assets in regulated
31 utility operations.
32

33 CA-NP-246 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
34 Utility Sample.”: For each of Ms. McShane’s U.S. companies in her “U.S. Low

1 Risk Utility Sample”, Ms. McShane provides “Customers by Type”. Please
2 explain how the “Customers by Type” is relevant to the comparison for the
3 purposes of this application of the companies in her sample to Newfoundland
4 Power Inc.

5
6 CA-NP-247 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
7 Utility Sample.”: Moody’s credit opinion of 19 July 2011 on Newfoundland
8 Power states:

9
10 “NP’s own generation assets are regulated and represent roughly 15% of
11 NPI’s property, plant and equipment. Accordingly, Moody’s considers
12 NPI’s business risk profile to be more like that of a T&D utility than a
13 vertically integrated utility. The T&D segment is regarded as a relatively
14 lower risk segment of the electric utility industry since it is typically not
15 exposed to commodity price and volume risks or the operational,
16 financial, and environmental risks associated with electricity generation.”
17

18 Which of the U.S. companies in Ms. McShane’s 13 company U.S. Low Risk
19 Utility Sample are a Transmission and Distribution utility like NP?
20

21 CA-NP-248 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
22 Utility Sample.”: Please confirm that Ms. McShane, in constructing her sample,
23 makes no distinction between small, mid-cap and large-cap companies.
24

25 CA-NP-249 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
26 Utility Sample.”: Which of Ms. McShane’s companies would be considered by
27 Ms. McShane to be small, mid-cap and large-cap?
28

29 CA-NP-250 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
30 Utility Sample.”: Would Ms. McShane please identify which of the companies in
31 her Low Risk Utility Sample would be considered by her to be,
32 (a) less risky than Newfoundland Power?
33 (b) more risky than Newfoundland Power?
34 (c) equally risky as Newfoundland Power?
35

36 CA-NP-251 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk

1 Utility Sample.”: Further to the previous question, please provide reasons why
2 Ms. McShane classifies the particular U.S. companies as being “less risky than
3 NP”, “equally as risky” and “more risky” as the case may be.
4

5 CA-NP-252 Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk
6 Utility Sample.”: Can Ms. McShane cite any instances in the U.S. where a utility
7 has applied for and been granted a determination of its cost of equity (without the
8 necessity of filing a general rate application) in the manner proposed by
9 Newfoundland Power in this instance?
10

11 CA-NP-253 Evidence of Kathleen McShane – Appendix “B”: Ms. McShane refers to
12 “Percentage of Assets in Utility Operations.” On the measure of “Percentage of
13 Assets in Utility Operations”, please confirm that Newfoundland Power (which
14 has 100% of its assets in regulated utility operations) is less risky than each of
15 the U.S. companies in her sample. If Ms. McShane cannot confirm this, please
16 explain why not.
17

18 CA-NP-254 Evidence of Kathleen McShane – Appendix “B”: Ms. McShane refers to
19 “Customers by Type”. DBRS’s Rating Report of January 24, 2012 notes that
20 “Newfoundland Power has a stable customer base, with power sales comprised
21 solely of residential and commercial customers. Serving industrial customers
22 exposes organizations to a greater level of counterparty risk and increased
23 earnings volatility.” Does Ms. McShane agree with DBRS’ assessment?
24

25 CA-NP-255 Evidence of Kathleen McShane – Appendix “B”: On the measure of “Customers
26 by Type”, please confirm that Newfoundland Power (which has a stable customer
27 base with power sales comprised solely of residential and commercial
28 customers) is less risky than each of the U.S. companies in Ms. McShane’s
29 sample. If Ms. McShane cannot confirm this, please explain why not.
30

31 CA-NP-256 Evidence of Kathleen McShane – Appendix “B”: Ms. McShane refers to “Test
32 Year” in her descriptions of her U.S. companies. One notes that her companies’
33 subsidiaries are variously subject to “Partially Forecast”, “Forecast”, “Historic”,
34 and “Historic (adj. for known and measurable changes)”. Please explain the

1 difference between each type of test year. Please also indicate which type, if
2 any, is “least risky” to the utility and which is “most risky” to the utility.

3
4 CA-NP-257 Evidence of Kathleen McShane – Appendix “B”: For each of her U.S.
5 companies, Ms. McShane refers to “Earnings Sharing.” For instance, in the
6 case of AGL Resources, Ms. McShane reports at p. B-3 that in Virginia – Virginia
7 Natural Gas (which was apparently allowed a 10% Return on Equity for 2011)
8 “shares equally with rate payers any gas costs that deviate from
9 commission-approved benchmarks.” Does this mean that equity investors in
10 this firm are at financial risk for gas costs deviations?

11
12 CA-NP-258 Evidence of Kathleen McShane – Appendix “B”: Ms. McShane refers to “Deferral
13 Mechanisms” in relation to her U.S. sample of companies. What is an
14 “Infrastructure Cost Recovery Mechanism”? (as referenced for example at p.
15 B-5 as being applicable to AGL’s utilities in GA, NJ)

16
17 CA-NP-259 Evidence of Kathleen McShane – Appendix “B”: Newfoundland Power has the
18 Weather Normalization Reserve, Rate Stabilization Account, Demand
19 Management Incentive Account, Pension Expense Variance Deferral Account,
20 and Other Post-Employments costs deferral account. Please name all
21 companies in the U.S. sample of low risk utilities that Ms. McShane considers to
22 have more deferral/recovery mechanism protection than Newfoundland Power
23 does, less deferral/recovery mechanisms protection than Newfoundland Power
24 does and equal deferral/recovery mechanism protection as does Newfoundland
25 Power.

26
27 CA-NP-260 Up until the last GRA Order, Newfoundland Power did not have a Pension
28 Expense Variance Deferral Account (PEVDA). Is the PEVDA a new risk reducer
29 for Newfoundland Power?

30
31 CA-NP-261 Up until the Board’s Order in Order No. P.U. 31 (2010) Newfoundland Power did
32 not have the other post-employment benefit variation account (OPEBVA). Is this
33 OPEBVA a new risk reducer for Newfoundland Power?

34

1 CA-NP-262 Evidence of Kathleen McShane – Appendix “B”: Ms. McShane refers to RRA
2 Regulatory Climate. On the measure of Regulatory Climate, please confirm that
3 Newfoundland Power enjoys a regulatory climate in Newfoundland and Labrador
4 that is more supportive than any jurisdiction in the United States. If this cannot
5 be confirmed, please name all states that is/are generally as supportive or more
6 supportive than Newfoundland Power’s regulatory climate, in Ms. McShane’s
7 opinion and provide the basis for this opinion.

8
9 CA-NP-263 In Ms. McShane’s 2007 evidence before the Board filed in support of
10 Newfoundland Power’s GRA, Ms. McShane stated at p. 9:
11
12 “The regulatory framework in which a utility operates is frequently viewed
13 as the most significant aspect of risk to which investors in the utility are
14 exposed. The financial community is very conscious of the regulatory
15 environment. . .”

16
17 Is this statement as true today as it was in 2007?

18
19 CA-NP-264 Ms. McShane, in her pre-filed evidence before the Board in 2002 (p. 56 of 67)
20 stated that for her proxy utilities she selected a sample of relatively “pure play”
21 U.S. local gas distribution companies that serve as proxy for Newfoundland
22 Power. Ms. McShane explained:

23
24 “Further, I relied on LDCs rather than electric utilities for three reasons.
25 First, Newfoundland Power is primarily an electric distribution utility.
26 There are a very limited number of U.S. electric utilities whose operations
27 are primarily distribution and/or transmission. Second, the operations of
28 electric and gas distribution utilities have significant parallels, and are
29 frequently considered to be proxies for one another. Third, as noted in
30 Section II, a business profile score of “3” which is likely to be assigned to
31 Newfoundland Power is the same as that of the typical U.S. LDC
32 (Schedule 8). In contrast, the typical business score of the U.S. electric
33 utilities is “4” (Schedule 8).

34
35 CA-NP-265 Does Ms. McShane still believe that there are a very limited number of U.S.
36 electric utilities whose operations are primarily distribution and/or transmission?

37

- 1 CA-NP-266 Further to the previous question, does Ms. McShane still believe that the
2 operations of electric and gas distribution utilities have significant parallels?
3
- 4 CA-NP-267 Further to the previous two questions, does Ms. McShane still believe that
5 Newfoundland Power would have a different business profile score than the
6 typical business score of the U.S. electric utilities?
7
- 8 CA-NP-268 Evidence of Kathleen McShane – Appendix “B”: What are the Value Line
9 Rankings for each of the U.S. companies in Ms. McShane’s sample and what is
10 Ms. McShane’s opinion as to what the Value Line Ranking would be for
11 Newfoundland Power? How would Ms. McShane’s opinion on Newfoundland
12 Power’s cost of capital be influenced if Ms. McShane were to use only U.S.
13 companies with the top or highest Value Line rating?
14
- 15 CA-NP-269 Evidence of Kathleen McShane – Appendix “B”: Please provide a copy of all
16 documents, reports, articles, etc. cited by Ms. McShane in her testimony
17 including those listed on p. G-2.
18
- 19 CA-NP-270 Evidence of Kathleen McShane: Please provide an update reply to CA-NP-369
20 from Newfoundland Power’s 2010 GRA.
21
- 22 CA-NP-271 Evidence of Dr. Vander Weide: Please provide a copy of “Measuring Investors’
23 Growth Expectations: Analysts vs. History. . .” noted at p. 89 of 106.
24
- 25 CA-NP-272 Evidence of Dr. Vander Weide: Please provide a copy of Principles for Lifetime
26 Portfolio Selection: Lessons for Portfolio Theory. . .” noted at p. 89 of 106.
27
- 28 CA-NP-273 Evidence of Dr. Vander Weide: Please provide a copy of Dr. Vander Weide’s
29 testimony for Gulf Power Florida of July 11 (Docket No. 110138-EI) noted at p.
30 90 of 106.
31
- 32 CA-NP-274 Evidence of Dr. Vander Weide: Can Dr. Vander Weide please file a copy of his
33 Curriculum Vitae.
34

1 CA-NP-275 Evidence of Dr. Vander Weide: When did Dr. Vander Weide last file evidence
2 on behalf of a U.S. electricity utility in which he provided an estimate of the firm's
3 cost of equity? Please provide a copy of the evidence filed.
4

5 CA-NP-276 Evidence of Dr. Vander Weide: Please provide extracts from Canadian
6 Board/Regulator decisions which commented upon the evidence of Dr. Vander
7 Weide (going back to the year 2000).
8

9 CA-NP-277 Evidence of Dr. Vander Weide: When was Dr. Vander Weide retained by
10 Newfoundland Power pertaining to its Cost of Capital?
11

12 CA-NP-278 Evidence of Dr. Vander Weide, p. 12: Dr. Vander Weide states:
13

14 "Investors are painfully aware that regulators in some jurisdictions have
15 been unwilling at times to set rates that allow companies an opportunity to
16 recover their cost of service in a timely manner and earn a fair and
17 reasonable return on investment. As a result of the perceived increase
18 in regulatory risk, investors will demand a higher rate of return for electric
19 utilities operating in those jurisdictions."
20

21 What jurisdictions/states is Dr. Vander Weide referring to?
22

23 CA-NP-279 Evidence of Dr. Vander Weide, p. 12: Further to the previous question, what is
24 the current allowed return for the electric and gas utilities in these
25 jurisdictions/states? Please name the utilities.
26

27 CA-NP-280 Evidence of Dr. Vander Weide, p. 12: What are the 5 least regulatory supportive
28 jurisdictions in the U.S. and what are the current allowed returns on equity for its
29 utilities, by name?
30

31 CA-NP-281 Evidence of Dr. Vander Weide: Has Dr. Vander Weide carried out a survey or
32 research whereby he has specifically compared all of Newfoundland Power's
33 cost recovery mechanisms and risk transfer mechanisms to those available to
34 electric utilities in the U.S.? If so, please provide it.
35

- 1 CA-NP-282 Evidence of Dr. Vander Weide: What does Dr. Vander Weide know about the
2 quality and level of regulatory support that Newfoundland Power receives in this
3 province and what is/are his source(s) of knowledge?
4
- 5 CA-NP-283 Evidence of Dr. Vander Weide: At Newfoundland Power's last GRA, the Board's
6 Cost of Capital expert, Mr. Mark Cicchetti of the United States stated that the
7 regulatory support in Newfoundland and Labrador is "phenomenal" (Transcript
8 October 22, p. 145] and that Newfoundland Power has "exceptional regulation"
9 [Transcript October 22, p. 227-8]. Does Dr. Vander Weide agree?
10
- 11 CA-NP-284 Evidence of Dr. Vander Weide: At Newfoundland Power's last GRA, Mr. Mark
12 Cicchetti testified that given Newfoundland Power's isolated geographic location
13 and customer mix, he had not seen a single utility in his U.S. samples as well
14 protected from competition as was Newfoundland Power [Transcript October 22,
15 p. 162]. Can Dr. Vander Weide list the U.S. utilities in his sample U.S.
16 companies that are as well protected from competition as is Newfoundland
17 Power?
18
- 19 CA-NP-285 Evidence of Dr. Vander Weide: At p. 14 of 106, Dr. Vander Weide concludes
20 that Newfoundland Power is an "average risk utility". Does that mean that he
21 considers Newfoundland Power to be average risk relative to utilities in both
22 Canada and the U.S.?
23
- 24 CA-NP-286 Evidence of Dr. Vander Weide: Relative to Canada utilities, how would Dr.
25 Vander Weide classify Newfoundland Power in terms of risk?
26
- 27 CA-NP-287 Evidence of Dr. Vander Weide: Would Dr. Vander Weide confirm that the basis
28 for his concluding (at p. 24, line 11-16) that the business risk of electric and
29 natural gas utilities are "approximately the same in the U.S. as it is in Canada"
30 are the three reasons provided in reply to question 72 at p. 24 of his pre-filed
31 evidence.
32
- 33 CA-NP-288 Evidence of Dr. Vander Weide: Is the business risk of a U.S. electric utility and
34 a U.S. natural gas utility the same? Why or why not?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

CA-NP-289 Evidence of Dr. Vander Weide: Ms. McShane's evidence before the Board in 2002 was that the typical U.S. LDC would not have the same business profile score as a typical U.S. electric utility. (McShane, Evidence of 2002 at p. 56 of 67). Does Dr. Vander Weide agree that this is still the case? Please explain why it is or is not still the case?

CA-NP-290 Evidence of Dr. Vander Weide: Does Dr. Vander Weide dispute that Newfoundland Power has lower regulatory risk than the typical U.S. electrical utility?

CA-NP-291 Evidence of Dr. Vander Weide: Does Dr. Vander Weide dispute that Newfoundland Power has lower regulatory risk than the typical U.S. natural gas utility?

CA-NP-292 At Newfoundland Power's last GRA – Moody's Credit Opinion, August 3, 2009 (see Application 1st Revision, Exhibit 4) acknowledge the differences in operations in the U.S. and Canada, stating:

"NPI's Baaa 1 issues rating reflects the fact that the company's operations are exclusively based in Canada, a jurisdiction where regulatory and business environments in general are relatively more supportive than those of other international jurisdictions such as the United States, in Moody's view."

In Dr. Vander Weide's view, was Moody's wrong when it made this statement pertaining to the regulatory and business environments in Canada and the U.S.?

CA-NP-293 With reference to the previous question, is Dr. Vander Weide aware of any statements from Moody's in which Moody's states that it no longer thinks that Canada's regulatory and business environments in general are relatively more supportive than those of the United States?

CA-NP-294 In its Credit Opinion of 19 July 2011 on Newfoundland Power Inc., Moody's states,

1
2 "All of NPI's operations are located in Canada whose regulatory and
3 business environments we consider to be supportive relative to those in
4 other jurisdictions. Further, we consider the PUB to be one of the more
5 supportive regulators in Canada. Notwithstanding that NPI's 2011
6 allowed ROE of 8.38% is currently one of the lowest in Canada, its 45%
7 deemed equity is one of the highest in Canada and the PUB's decisions
8 tend to be timely and balanced. We believe that the PUB's review and
9 approval of NPI's capital spending plans and long term debt issuances
10 significantly reduces the risk of cost allowances or the inability to fully
11 recover costs on a timely basis. NPI submits a proposed capital plan for
12 PUB approval annually. Furthermore, NPI is required to obtain PUB
13 pre-approval for the issuance of any First Mortgage Bonds (FMB) on the
14 incurrence of credit facilities with maturities exceeding one year."
15

16 Does Dr. Vander Weide know why Moody's considers Canada's regulatory and
17 business environments to be supportive relative to those in other jurisdictions,
18 which the Consumer Advocate takes to include the U.S.? Does Dr. Vander
19 Weide agree with Moody's opinion? If not, why not?
20

21 CA-NP-295 Evidence of Dr. Vander Weide: At p. 24 of 106, Dr. Vander Weide states:
22

23 "Some observers have argued that Canada utilities have lower regulatory
24 risk than U.S. utilities because Canadian regulators generally make
25 greater use of cost adjustment and revenue stabilization mechanisms
26 than U.S. regulators."
27

28 Who are the "observers" referred to by Dr. Vander Weide? Would Moody's be
29 considered such an "observer" by Dr. Vander Weide?
30

31 CA-NP-296 Evidence of Dr. Vander Weide: Please confirm that Dr. Vander Weide's
32 basis for disputing that Canadian utilities have lower regulatory risk than U.S.
33 utilities is his assertion at p. 24 of his pre-filed evidence that "U.S. utilities have
34 many cost adjustment and revenue stabilization mechanisms similar to those of
35 Canadian utilities."
36

37 CA-NP-297 Evidence of Dr. Vander Weide: In Dr. Vander Weide's opinion, what role should
38 customer hardship have as a factor influencing allowed equity returns of public

- 1 utilities?
- 2
- 3 CA-NP-298 Evidence of Dr. Vander Weide: At p. 27 of 106, Dr. Vander Weide states that
4 the group of 24 electric utilities in the Moody's group have a Value Line Safety
5 Rank of 1, 2, or 3. Please provide a copy of the Value Line Safety Rank
6 Methodology.
- 7
- 8 CA-NP-299 Evidence of Dr. Vander Weide: Further to the previous question, please provide
9 the specific Value Line Safety Rank of each of the firms in his U.S. company
10 sample.
- 11
- 12 CA-NP-300 Evidence of Dr. Vander Weide: At p. 36, Dr. Vander Weide refers to the
13 "primary advantages" of using U.S. utility groups to estimate the cost of equity for
14 Newfoundland Power. What are the disadvantages of using U.S. utility groups
15 to estimate the cost of equity for Newfoundland Power?
- 16
- 17 CA-NP-301 Evidence of Dr. Vander Weide: At p. 38, Dr. Vander Weide refers to the NEB's
18 decision in RH-1-2008. The quotation taken from the decision refers to risk
19 differences between Canada and the U.S. and that they can be understood and
20 accounted for. What are the risk differences between Canada and the U.S. and
21 how has Dr. Vander Weide addressed and accounted for these in his evidence
22 on behalf of his client, Newfoundland Power?
- 23
- 24 CA-NP-302 Evidence of Dr. Vander Weide: Do U.S. regulatory boards find that cost of
25 equity evidence for Canadian utilities is useful in determining the cost of equity
26 for the utilities they regulate? Please provide extracts from U.S. regulatory
27 decisions where reliance was placed upon cost of equity evidence for Canadian
28 utilities.
- 29
- 30 CA-NP-303 Evidence of Dr. Vander Weide: At p. 42, Dr. Vander Weide states that he has
31 applied the DCF model to the Value Line electric and natural gas utilities shown
32 in Exhibit 14 and Exhibit 15. Dr. Vander Weide also states that the companies
33 in his sample have a Value Line Safety Rank of 1, 2 or 3. Please identify the
34 companies in each of Exhibits 14 and Exhibits 15 in accordance with their Value

1 Line Safety Rank.

2
3 CA-NP-304 Evidence of Dr. Vander Weide: Please provide the Value Line ranking
4 methodology and criteria as well as copies of the Value Line ranking documents
5 wherein these companies are ranked.

6
7 CA-NP-305 Evidence of Dr. Vander Weide: How would Dr. Vander Weide rank
8 Newfoundland Power using the Value Line methodology and criteria?

9
10 CA-NP-306 Evidence of Dr. Vander Weide: Dr. Vander Weide states at p. 43 that the
11 application of the DCF model to his comparable group of electric utilities
12 produces a result of 10.1 percent without an allowance for financial flexibility.
13 Please indicate what the result would be if only Value Line Safety Rank 1 to
14 companies were used, and please provide a copy of Exhibit 14 as re-stated using
15 this assumption.

16
17 CA-NP-307 Evidence of Dr. Vander Weide: Dr. Vander Weide states at p. 43 that the
18 application of the DCF model to his compared group of natural gas utilities
19 produces a result of 9.4 percent without an allowance for financial flexibility.
20 Please indicate what the result would be if only Value Line Safety Rank 1
21 companies were used and please provide a copy of Exhibit 15 as re-stated using
22 this assumption.

23
24 CA-NP-308 Evidence of Dr. Vander Weide: At p. 43, Dr. Vander Weide states that the
25 average DCF result including a fifty basis point allowance for financial flexibility
26 from his two comparable groups is 10.3 percent. What would the average DCF
27 result be using only Value Line Safety Rank 1 companies?

28
29 CA-NP-309 Evidence of Dr. Vander Weide: At P. 43 (line 28-31) Dr. Vander Weide states
30 that he has conservatively concluded that his comparable companies' cost of
31 equity is 10.4 percent as shown in Table 5 at p. 44. Please re-state Table 5
32 assuming the use of Value Line Safety Rank 1 companies.

33
34 CA-NP-310 Evidence of Dr. Vander Weide: Fully explain on what basis Dr. Vander Weide

1 believes it is appropriate to compare Newfoundland Power to companies with
2 an inferior Value Line Safety Risk?
3
4
5

6 Dated at St. John's in the Province of Newfoundland and Labrador, this 16th day of April, 2012.

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23



Thomas Johnson
Consumer Advocate
323 Duckworth Street
St. John's, NL A1C 5X4
Telephone: (709)726-3524
Facsimile: (709)726-9600
Email: tjohnson@odeaearle.ca