

**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-311 to CA-NP-342**

**May 23, 2012**

- 1 CA-NP-311 Further to CA-NP-221, in that reply it is stated that, "On average, slightly over  
2 90% of the companies' assets are related to regulated operations". For each of  
3 the last 3 years, what percentage of each of the companies' earnings was  
4 attributable to its non-regulated operations? In providing the answer, please  
5 show the actual earnings attributable to regulated operations and non-regulated  
6 earnings.  
7
- 8 CA-NP-312 Further to CA-NP-222, please provide a copy of the AGA report referenced  
9 therein.  
10
- 11 CA-NP-313 Further to CA-NP-225, in that reply it states that the 2012 sample's Standard &  
12 Poor's and Moody's debt ratings are marginally lower than those of  
13 the 2009 Sample. Please provide a table showing the 2009 Sample and the  
14 2012 Sample, together with the respective Standard & Poor's and Moody's  
15 ratings.  
16
- 17 CA-NP-314 Further to CA-NP-229, in the attachment to that reply pages 3 to 6 are enclosed.  
18 Please also provide pages 1 and 2.  
19

1 CA-NP-315 Further to CA-NP-229, in the attachment to the reply, at page 3 it refers to RRA's  
2 "State Regulatory Reviews/Commission Profiles". Please provide a copy of the  
3 most recent of these reports for each of the 50 States in the US.  
4

5 CA-NP-316 Further to CA-NP-235, reference is made in the Moody's report on Allete Inc. (p.  
6 2 of 6; 3 of 6) to the MPUC's finding of "exigent circumstances". Please explain  
7 the concept of "exigent circumstances" as applied by the MPUC, including its  
8 basis in the Minnesota utility regulatory framework.  
9

10 CA-NP-317 Further to CA-NP-236, in the Standard & Poor's report on Allete Inc. of October  
11 24, 2011 it refers to at page 2 to its "Criteria Methodology: Business  
12 Risk/Financial Risk Matrix Expanded" published on May 27, 2009. Please  
13 provide a copy of the same.  
14

15 CA-NP-318 Further to CA-NP-236 in the Standard & Poor's report on Alliant Energy Corp. at  
16 p. 2 it states, "(For more on regulatory jurisdictions, see "assessing U.S. Utility  
17 Regulatory Environments, published November 7, 2007). Please provide a copy  
18 of the same.  
19

20 CA-NP-319 Further to CA-NP-237, in the reply given, Ms. McShane did not address whether  
21 she believes Moody's was wrong in stating that in Canada the "business  
22 environment" is in general relatively more supportive than those of other  
23 international jurisdictions such as the United States. Could Ms. McShane  
24 please address this part of the question?  
25

26 CA-NP-320 Further to CA-NP-237, please provide Standard & Poor's rankings for the 48  
27 state regulatory jurisdictions.  
28

29 CA-NP-321 Further to CA-NP-247, in that reply, Ms. McShane lists seven (7) companies that  
30 she considers to be "largely transmission and distribution utilities." How would  
31 Ms. McShane categorize the other six (6) companies in her sample?  
32

33 CA-NP-322 Further to CA-NP-247, does Ms. McShane agree with the statement of Moody's  
34 in the question that the T&D Segment is regarded as a relatively lower risk

1 segment of the electric utility industry?

2

3 CA-NP-323 Further to CA-NP-250 and 251, please confirm that Ms. McShane's basis for  
4 comparing the risk of the companies in her sample to that of Newfoundland  
5 Power, is their respective credit/debt rating.

6

7 CA-NP-324 In reply to CA-NP-241, Ms. McShane stated that it was her understanding that  
8 credit rating reports are not generally required to be filed but, if required, will be  
9 filed. How do US boards go about determining whether a sample of companies  
10 is comparable in risks to the applicant-utility in a cost of equity context?

11

12 CA-NP-325 Further to CA-NP-253, what regard would an equity investor have to a firm's  
13 credit rating?

14

15 CA-NP-326 Further to CA-NP-254, would Newfoundland Power's customers who happen to  
16 be in goods producing industries be considered an industrial customer in the US?  
17 Are such users considered "industrial" in the US?

18

19 CA-NP-327 Further to CA-NP-255, which of the US holding companies in Ms. McShane's  
20 sample are comprised of utilities that only have power sales to residential and  
21 commercial customers?

22

23 CA-NP-328 How does the capital budget approval process for Newfoundland Power compare  
24 to the utilities that are owned by Ms. McShane's sample companies?

25

26 CA-NP-329 Further to CA-NP-262, please confirm that Newfoundland and Labrador, under  
27 the 2005 Moody's Methodology, would be considered an SRE1 jurisdiction (see  
28 CA-NP-232, Attachment A, p. 5) and that not a single US state is given that  
29 rating by Moody's.

30

31 CA-NP-330 Further to CA-NP-262, please confirm that under the August 2009 Moody's  
32 Rating Methodology (see CA-NP-233, Attachment A, p. 7), Moody's states that,  
33 "Generally speaking, an SRE1 score from our previous methodology would  
34 roughly equate to Aaa or Aa ratings in this methodology; an SRE2 score to A or

1 high Baa; an SRE3 score to low Baa or Ba, and an SRE4 score to a B.”

2  
3 CA-NP-331 Further to CA-NP-262, please confirm that only 4 out of the 13 companies in Ms.  
4 McShane's sample has utilities that operate in states that were classified as  
5 SRE2 by Moody's.

6  
7 CA-NP-332 Further to CA-NP-262, please confirm that 9 out of 13 companies in Ms.  
8 McShane's sample have a lower rating than Newfoundland Power for  
9 regulatory framework.

10  
11 CA-NP-333 Further to CA-NP-267, please provide a copy of the Standard & Poor's business  
12 risk ranking methodology.

13  
14 CA-NP-334 Further to CA-NP-268, how would Ms. McShane's opinion on Newfoundland  
15 Power's Cost of Equity be influenced if Ms. McShane were to use only  
16 companies in her sample which have a Value Line Safety Rank of 1 of 2?

17  
18 CA-NP-335 In reply to CA-NP-270, there is an extract taken from the Alberta Utilities  
19 Commission 2009 Generic Cost of Capital decision of November 12, 2009. At  
20 page 53 of the extract there is an exchange between Commission Counsel and  
21 Dr. Vander Weide:

22  
23 Q: Thank you sir. Sir, if Canadian [and] U.S. utilities have similar business  
24 risk but different financial risk, wouldn't you have Canadian utilities to  
25 have lower credit ratings than comparable utilities in the United States?

26  
27 A: I'm looking at the question again. I'm not a credit rating expert, so it's  
28 difficult for me to comment on what credit ratings I would expect them to  
29 have, with the same degree of understanding as say a Susan Abbott  
30 would who has a lot of years of experience working for credit rating  
31 agencies.

32  
33 Based on the financial metrics alone, I would. . . I am surprised that the  
34 Canadian utilities have slightly higher credit ratings than the U.S. utilities

1 because the financial metrics are quite a bit lower even for what I  
2 consider similar businesses. I don't know how to explain it, I'm just  
3 surprised at it, but I don't know how to explain it."  
4

5 Is Dr. Vander Weide able to explain the question posed to him in the AUC  
6 proceeding at this time?  
7

8 CA-NP-336 Further to CA-NP-270, would both Ms. McShane and Dr. Vander Weide please  
9 confirm that in the 2009 General Cost of Capital hearing (Decision 2009 – 216)  
10 the Alberta Board found (p. 54) "that the regulatory risk faced by these U.S.  
11 utilities in general remain materially higher than the regulatory risk of Alberta  
12 utilities. As a consequence, the returns awarded by regulators for U.S. LDCs  
13 would be expected to reflect this materially higher level of risk leading the  
14 Commission to conclude that U.S. allowed return should not be used in  
15 determining a fair return for Alberta utilities."  
16

17 CA-NP-337 Would both Dr. Vander Weide and Ms. McShane please file a copy of their  
18 evidence before the AUC in the 2009 General Cost of Capital proceeding which  
19 led to Decision 2009 – 216.  
20

21 CA-NP-338 Further to CA-NP-305, what is the Value Line Safety Ranking of Fortis Inc.?  
22

23 CA-NP-339 Further to CA-NP-306, would Dr. Vander Weide please indicate what the result  
24 would be if:  
25 a. only Value Line Safety Rank 1 and 2 companies were used, and  
26 b. if only Safety Rank 2 companies were used and please provide a copy of  
27 Exhibit 14 as re-stated using these assumptions.  
28

29 CA-NP-340 Further to CA-NP-307, would Dr. Vander Weide please indicate what the result  
30 would be if:  
31 a. only Value Line Safety Rank 1 and 2 companies were used, and  
32 b. only Safety Rank 2 companies were used and please provide a copy of  
33 Exhibit 15 as re-stated using these assumptions.  
34

1 CA-NP-341 Further to CA-NP-308, would Dr. Vander Weide please indicate what the  
2 average DCF result would be if:

- 3 a. only Value Line Safety Rank 1 and 2 companies were used, and
- 4 b. only Value Line Safety Rank 2 companies were used.

5  
6 CA-NP-342 Further to CA-NP-309, please re-state Table 5 assuming:

- 7 a. the use of Value Line Safety Rank 1 and 2 companies, and
- 8 b. the use of Value Line Safety Rank 2 companies.

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11 Dated at St. John's in the Province of Newfoundland and Labrador, this 23<sup>rd</sup> day of May, 2012.



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