

1 **Q. Reference Evidence of Newfoundland power, pages 3 & 21: Please confirm that the**  
2 **Regie regards Gaz Metro as an above average risk utility and the referenced 9.20%**  
3 **allowed ROE includes the impact of this extra risk premium.**  
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5 A. In Decision 2009-156, the Regie de l'énergie (the "Regie") determined that the risk of  
6 Gaz Metro had not changed significantly since Decision 2007-116, where the Regie  
7 evaluated the overall risk of Gaz Metro to be above average, and higher than that of a  
8 reference distributor. The Regie determined that the higher risk justified maintaining an  
9 upward adjustment in relation to the risk premium of a reference distributor of 25 to 35  
10 basis points (see Decision 2009-156, paras. 281-282, page 24<sup>1</sup>).  
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12 In Decision 2009-156, the Regie set the rate of return on shareholders' equity of Gaz  
13 Metro at 9.20%, from October 1, 2009. The Regie stated that, "On the basis of a risk-free  
14 rate of 4.30%, the allowed rate of return corresponds to an implied risk premium of  
15 4.90% for the distributor." (see paras. 301-302, page 28<sup>1</sup>). The Regie did not specifically  
16 state any further breakdown of the rate of return on equity that was awarded.  
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18 The Regie did not make any explicit reference to an amount for an *extra* risk premium  
19 built into the 9.20% allowed rate of return.

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<sup>1</sup> Of the English translation version.