

1 **Q. Evidence of Dr. Vander Weide: ROE formula Pages 14-17: Would Dr. Vander**
2 **Weide accept that in setting NP's allowed ROE this Board, like most boards in**
3 **Canada, received expert evidence based on a variety of models, i.e., that**
4 **recommendations were not based solely on the CAPM (his A44)?**
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6 A. Yes. In its Reasons for Decision: Order No. P. U. 43 (2009), the Board first uses its
7 opinion of individual CAPM parameters to calculate an 8.60 percent allowed ROE for
8 Newfoundland Power. The Board then states:
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10 While the Board relies primarily on the CAPM approach it acknowledges
11 that this model has limitations and looks to the other evidence in the
12 Application to determine if it is appropriate to make further adjustments.
13 While the Board was not guided by the results of other methodological
14 approaches in its determination of an allowed return on equity as
15 discussed above, these results provide the Board another check on
16 reasonableness. The Board notes that range of returns determined using
17 the other approaches taken by the experts is 9.0% to 11.75%. [page 21]
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19 Finally, the Board concludes:
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21 The Board is satisfied that 9.0% is an appropriate return on regulated
22 common equity for Newfoundland Power, given a common equity
23 component of 45%, and considering the CAPM calculation of 8.6%, the
24 financial market conditions, and Newfoundland Power's credit metrics.
25 [page 24]
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27 Dr. Vander Weide interprets the Board's statements to mean that the Board has relied
28 primarily on the results of the CAPM, but has modified the results of the CAPM to reflect
29 other factors.