

1 **Q. Evidence of Dr. Vander Weide: US allowed ROEs Pages 23-26: Please confirm that**
2 **in the allowed ROEs discussion on pages 23-26 Dr. Vander Weide has made no**
3 **adjustments for differences in the cost of capital between the US and Canada.**
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5 A. Dr. Vander Weide confirms that his allowed ROE discussion, pp. 23 – 26, makes no
6 adjustment for differences in the cost of capital between U.S. and Canadian utilities. As
7 Dr. Vander Weide explains on pp. 24 – 25, Answers 71 – 76, no adjustment is required
8 because U.S. and Canadian utilities face similar risks. Dr. Vander Weide also explains
9 why he examines data on allowed ROEs for U.S. utilities rather than Canadian utilities in
10 Answer 68, page 23:
11

12 I examine data on allowed rates of return on equity for U.S. utilities rather
13 than Canadian utilities because allowed rates of return on equity for U.S.
14 utilities are based on cost of equity studies for utilities at the time of each
15 case rather than on an ROE formula such as the ROE Formula. Thus,
16 recent allowed rates of return on equity for U.S. utilities are an
17 independent test of whether the ROE Formula provides a fair ROE for
18 Newfoundland Power.