

1 **Q. Evidence of Dr. Vander Weide: US versus Canadian utility risk Pages 30-39: Please**
2 **indicate whether Dr. Vander Weide judges NP to be of equivalent risk to the utilities**
3 **in the TSX sub index.**

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5 A. Dr. Vander Weide's evidence at pp. 30 – 39 discusses the merits of using four groups of
6 utilities to estimate Newfoundland Power's cost of equity: (1) companies in the BMO
7 CM basket of Canadian utilities; (2) companies in the S&P/TSX utilities index; (3) a
8 group of comparable risk U.S. electric utilities; and (4) a group of comparable risk U.S.
9 natural gas utilities. Dr. Vander Weide presents cost of equity evidence for these groups
10 of utilities because each of these groups provides information relevant to determining the
11 reasonableness of cost of equity produced by the ROE formula and to determining the
12 appropriate cost of equity for Newfoundland Power. Dr. Vander Weide notes in his
13 written evidence that six of the companies in the S&P/TSX Utilities Index do not have
14 significant percentage of assets devoted to regulated utility services; for this reason, Dr.
15 Vander Weide believes that lower weight should be given to evidence relating to the
16 S&P/TSX Utilities than to the results for the BMO CM basket of utilities and to U.S.
17 groups of comparable risk utilities. Dr. Vander Weide also notes that he considers
18 Newfoundland Power to be of approximately equivalent risk to the average North
19 American electric utility.