

1 **Q. Evidence of Kathleen McShane – Appendix “B”: Ms. McShane refers to**  
2 **“Percentage of Assets in Utility Operations.” On the measure of “Percentage of**  
3 **Assets in Utility Operations”, please confirm that Newfoundland Power (which has**  
4 **100% of its assets in regulated utility operations) is less risky than each of the U.S.**  
5 **companies in her sample. If Ms. McShane cannot confirm this, please explain why**  
6 **not.**

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8 A. Ms. McShane confirms that Newfoundland Power does not have any unregulated assets.  
9 Ms. McShane cannot confirm that Newfoundland Power is less risky than each of the  
10 U.S. companies in her sample. Most of the utilities in the sample are more diversified  
11 across operating territories and regulatory jurisdictions than Newfoundland Power and, as  
12 noted in response to CA NP 221, the preponderance of their unregulated operations are  
13 directly related to their regulated operations. On average, they have thicker equity ratios  
14 and stronger credit metrics. As regards the debt rating, which provides an objective  
15 assessment of overall risk, Newfoundland Power has the same debt rating as the sample  
16 average. By construction, no company in the sample has a lower rating than  
17 Newfoundland Power and some of the ratings are higher.