

1 **Q. Please address the degree, if any, Mr. Rolph believes the Board should consider the**
2 **inter-affiliate code of conduct between Newfoundland Power and its affiliates in**
3 **assessing inter-affiliate transactions between Hydro and its affiliates.**
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6 **A.** Newfoundland Power Inc.'s ("Newfoundland Power") Inter-Affiliate Code of Conduct
7 (the "Code") establishes standards and conditions for the interactions between
8 Newfoundland Power and its utility and non-utility affiliates. These affiliate transactions
9 are by definition non-arm's length transactions, as are the affiliate transactions involving
10 other Canadian regulated utilities I surveyed. For transactions to be used as comparable
11 benchmark, including those within the industry, the transactions need to involve the same
12 or similar services rendered between arm's length parties. Accordingly, I believe that the
13 extent to which the Board should consider the Code or other similar documents prepared
14 by regulated Canadian utility companies should be limited to providing anecdotal
15 evidence of industry practices in assessing inter-affiliate transactions between Hydro and
16 its affiliates. I developed the evaluation framework presented in my report dated June 1,
17 2015 entitled *Newfoundland and Labrador Hydro, Expert Report, Evaluating the Pricing*
18 *Policy of Affiliate Common Services, Common Expenses and Corporate Services* based
19 on my experience, the managerial accounting literature, industry practice and the
20 guidance provided by the Organisation for Economic Cooperation and Development
21 ("OECD"), the Canada Revenue Agency ("CRA"), and other tax administrators around
22 the world. The OECD, the CRA and the other tax administrators provided more robust
23 guidance on how to apply the arm's length principle.