

IN THE MATTER OF the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

IN THE MATTER OF a general rate application (the “Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2013 and 2014.

**Requests for Information by
Newfoundland Power Inc.**

To: Mr. Troy MacDonald

NP-PUB-1 to NP-PUB-9

December 5, 2012

Request for Information
Evidence of Troy MacDonald – 2013/2014 General Rate Application

NP-PUB-1 Reference: page 21, lines 376-378

“We also note that both DBRS and Moody’s debt rating reports contain statements that are made from a credit opinion context and not from a cost of equity analysis.”

Please provide examples of statements from DBRS and Moody’s debt rating reports made from a credit opinion context that are at odds with a cost of equity analysis.

NP-PUB-2 Reference: page 28, lines 532-534

Mr. MacDonald attributes Ms. McShane’s adjustment of 100 basis points “in part to her consideration of market to book ratios.”

Would Mr. MacDonald please confirm that Ms. McShane’s adjustment of 100 basis points is in part due to her consideration of market value capital structures, rather than market to book ratios?

NP-PUB-3 Reference: Page 28, lines 536-537

“To our knowledge fair ROE in Canada has generally been determined with reference to book values rather than market values.”

Please confirm that that what Mr. MacDonald means by this statement is that the allowed ROE has been applied to the book value of the utility equity?

NP-PUB-4 Reference: Page 28, lines 536-537

“To our knowledge fair ROE in Canada has generally been determined with reference to book values rather than market values.”

Please confirm that the cost of equity itself is generally determined with reference to market values, e.g., the DCF test relies on market values?

NP-PUB-5 Reference: Page 28, lines 536-537

“To our knowledge fair ROE in Canada has generally been determined with reference to book values rather than market values.”

Does Mr. MacDonald agree with the following statement from Richard Brealey, Stewart Myers, and Franklin Allen, *Principles of Corporate Finance*, Eighth Edition, Boston, MA: Irwin McGraw Hill, 2006, at page 504?

“Why did we show the book balance sheet? Only so you could draw a big X through it. Do so now.

When estimating the weighted-average cost of capital, you are not interested in past investments but in current values and expectations for the future.”

NP-PUB-6 Reference: page 34, lines 697-710

Mr. MacDonald lists his criteria for the selection of a sample of U.S. utilities of comparable risk to Newfoundland Power and then lists the companies selected.

Please confirm that his selected sample of utilities is a sub-set of Ms. McShane’s sample.

NP-PUB-7 Reference: page 34, lines 697-710

Mr. MacDonald lists his criteria for the selection of a sample of U.S. utilities of comparable risk to Newfoundland Power and then lists the companies selected.

Please confirm that four of the five utilities in Ms. McShane’s sample that are not in Mr. MacDonald’s sample were eliminated because they had higher Moody’s credit ratings than Newfoundland Power.

NP-PUB-8 Reference: page 34, lines 697-710

Mr. MacDonald lists his criteria for the selection of a sample of U.S. utilities of comparable risk to Newfoundland Power and then lists the companies selected.

Does Mr. MacDonald consider that these four utilities are of lower total risk than Newfoundland Power?


NP-PUB-9 Reference: Page 35, lines 715 -719

Mr. MacDonald lists several reasons why he did not apply the DCF model to Canadian utilities. Among the reasons he gave was that "Reliable analyst data is not available for the group as a whole."

Please explain what is meant by "reliable analyst data".

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 5th day of December, 2012

NEWFOUNDLAND POWER INC.



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