<u>IN THE MATTER OF</u>
the *Electrical Power Control Act*, SNL 1994, Chapter E-5.1 (the "*EPCA*") and the *Public Utilities Act,* RSNL 1990, Chapter P-47 (the "*Act*"), as amended;

AND

<u>IN THE MATTER OF</u> a General Rate Application (the *"Application"*) by Newfoundland Power Inc. to establish customer electricity rates for 2013 and 2014.

PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION

PUB-CA-1 to PUB-CA-38

Issued: December 5, 2012

Direct Testimony of Jack Pous dated November 28, 2012

PUB-CA-1 Pg. 6, lines 5-6 - Mr. Pous states that there is a credit reserve variance amortization of $3,275,383 if the ALG calculation is used by Newfoundland Power rather than the ELG procedure. Please confirm that this would increase the rate base.

PUB-CA-2 Further to PUB-CA-1, please explain in detail the implications for ratepayers of this increase in rate base.

PUB-CA-3 Pg. 9, lines 13-14 - Mr. Pous states that the ALG procedure is used by the vast majority of energy utilities. On pg. 15, lines 14-16 - Mr. Pous states that the vast majority of energy utility deprecation rates are based on the ALG procedure, not the ELG procedure. Please list the procedure, whether ALG or ELG, used by each Canadian regulated utility.

PUB-CA-4 Further to PUB-CA-3 have any of the Canadian regulated utilities changed procedures from ELG to ALG? If the answer is yes, state which utilities and the dates when the changes occurred.

PUB-CA-5 Pg. 17, lines 24-26 - Mr. Pous states that some utilities that have sought ELG based rates have had their requests denied by regulators. Please provide the details of such requests including the names of the utilities and the dates the requests were denied.

PUB-CA- 6 Please describe the administrative effort and the related cost Mr. Pous believes would be required by Newfoundland Power to switch from the ELG to the ALG procedure.

PUB-CA-7 Pg. 27, lines 13-15 - Mr. Pous states the reduction in annual depreciation expense and reserve variance amortization, Account 355.1 – Transmission Poles, is $175,000 "*after the removal of the ALG to ELG impact*". Please explain what is meant by the removal of the "*ALG to ELG impact*".

PUB-CA-8 Pg. 28, lines 6-8 - Mr. Pous states that the reduction in annual depreciation expense and reserve variance amortization for Account 355.2 – Transmission Poles and Fixtures is $93,000 after "*removal of the ALG calculation procedure*". Please explain what is meant by the removal of the ALG calculation procedure.

Direct Testimony of Dr. Laurence Booth dated November 28, 2012

PUB-CA-9 Pg. 2 - Please describe how you have assessed the impact of your ROE and capital structure recommendations on Newfoundland Power's credit metrics such as those used by DBRS and Moody's for each of 2013 and 2014.

PUB-CA-10	Pg. 2 - Please state your Newfoundland Power revised credit metrics for 2013 and 2014 using your ROE and capital structure recommendations.
PUB-CA-11	Pg. 2 - Please describe how you have assessed the impact of your ROE and capital structure recommendations on qualitative factors such as those used by DBRS and Moody's for each of 2013 and 2014.
PUB-CA-12	Pg. 4, lines 10-12 - Please provide your analysis supporting that Newfoundland Power has lower financial risk.
PUB-CA-13	Pg. 4 - Please state your Newfoundland Power risk assessment on an overall basis (business and financial combined).
PUB-CA-14	Pg. 4, line 24 - Please explain what is meant by "*I would regard NP's financial parameters as being overly generous*".
PUB-CA-15	Pg. 4 - Please describe the changes in capital markets since your previous expert report on Newfoundland Power dated May, 2012 which supported no change in capital structure.
PUB-CA-16	Pg. 41 - Please confirm and outline all of your adjustments to the standard CAPM formula.
PUB-CA-17	Pg. 41, lines 26-27 - Please state whether you have any surveys, other than the 2001 survey, that address commonly used models to calculate cost of equity.
PUB-CA-18	Pg. 46, lines 14-22 - Given that the simple CAPM formula is not appropriate under current conditions, as you note, did you consider using other primary ROE estimation methodologies which do not need to be adjusted? If yes, which methodologies did you consider? If not, why not?
PUB-CA-19	Pg. 46 - Please explain whether your adjustments to the standard CAPM formula are supported by finance theory. If yes, please provide details.
PUB-CA-20	Pg. 46, lines 21-22 - Please provide all recent examples where Canadian regulators have applied a credit spread adjustment in their allowed ROE conclusions.
PUB-CA-21	Pg. 46 - Please provide all recent examples where Canadian regulators have applied an adjustment for Operation Twist in their allowed ROE conclusions.
PUB-CA-22	Pg. 46 - Please explain whether you believe that adjustments made to the standard CAPM formula result in making the formula less reliable.

PUB-CA-23 Pg. 56 - Please explain how your CAPM conclusion range of 6.95%-8.00% compares to other investor-owned utilities' ROEs allowed in 2012.

PUB-CA-24 Pg. 56 - Please provide an example in the past three years (2010, 2011 and 2012) where a Canadian regulator of an investor-owned power or gas utility has established an allowed ROE below 7.5% and 8.25%.

PUB-CA 25 Pg. 56 - Please explain what is meant by "*benchmark utility*".

PUB-CA-26 Pg. 57 - Please explain why the DCF methodology was not used as a primary technique.

PUB-CA-27 Pg. 57 - Please explain why the ERP methodology was not used as a primary technique.

PUB-CA-28 Pg. 64 – As your DCF and comparable earnings result in higher ROEs than your CAPM conclusion, should your CAPM results be considered too low and/or not reliable?

PUB-CA-29 Pg. 64 – As your DCF and comparable earnings result in higher ROEs than your CAPM conclusion, should your conclusion be based on more than one ROE methodology?

PUB-CA-30 Pg. 74 - Please confirm that your 2013 ROE conclusion is 7.50% and that you are recommending fixing the ROE indefinitely at 8.25% if no ROE adjustment formula is kept. Do these recommendations imply that your fair ROE conclusion for both 2013 and 2014 is 8.25%?

PUB-CA-31 Pg. 75 - Have you completed similar analyses for other Canadian utilities regarding their ability to achieve their allowed ROE? If yes, provide details.

PUB-CA-32 Pg. 76 - Have you compared the use of deferral accounts by Newfoundland Power to those of other Canadian utilities (other than Nova Scotia Power)? If yes, provide details.

PUB-CA-33 Pg. 80 - If Newfoundland Power's credit rating was changed or perceived to be at risk of change, what impact would it have on Newfoundland Power's borrowing costs?

PUB-CA-34 What would Newfoundland Power have to do to restore its credit rating (in fact or perception) should the credit agencies have a negative view on a change in equity ratio?

PUB-CA-35 Pg. 80 - Please explain how the pre-tax (7.2%) and after-tax (5.4%) savings were calculated?

PUB-CA-36 Calculations of a required rate of return on equity often include an allowance for flotation costs. Please explain the history and the rationale for the inclusion of such an allowance in this calculation.

PUB-CA-37 Would the inclusion of an allowance for flotation costs be equally applicable regardless of the methodology used to calculate an appropriate rate of return on equity? Why or why not?

PUB-CA-38 In calculating your market risk premium you include an allowance for flotation costs of 0.50%. Please provide a detailed explanation of why this is considered to be an appropriate allowance.

DATED at St. John's, Newfoundland this 5th day of December, 2012.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per ____________________
Cheryl Blundon
Board Secretary