Q. Vander Weide Evidence – Please detail any and all methodological change(s) that Dr. Vander Weide has made in evidence filed in this GRA compared to his evidence for Newfoundland Power Inc. in March of 2012.

A. The only methodological changes in Dr. Vander Weide's September 2012 evidence compared to his March 2012 evidence relate to a slight change in criteria for selection of proxy companies and to his application of the ex ante risk premium model to an additional comparable group. In his March 2012 written evidence, Dr. Vander Weide applied the DCF model to an electric utility group and a natural gas utility group that had sufficient data to reliably estimate the cost of equity. After selecting the companies in each group, Dr. Vander Weide verified suitability by noting that: (1) the companies in his electric group had on average eighty-five percent of total assets devoted to regulated utility operations and a "BBB+" bond rating; and (2) the companies in his natural gas utility group had on average eighty-four percent of total assets devoted to regulated utility operations and an "A" bond rating. In his March 2012 written evidence, Dr. Vander Weide applied the ex ante risk premium model only to a group of electric utilities.

In his written evidence filed in September 2012, Dr. Vander Weide applied the DCF model to: (1) a large group of electric and natural gas utilities with sufficient data to reliably estimate the cost of equity; and (2) a smaller group of electric and natural gas utilities that have at least 80 percent of total assets devoted to regulated utility operations and a Standard & Poor's bond rating equal to or greater than "BBB." Dr. Vander Weide also applied his ex ante risk premium model to comparable groups of both electric and natural gas utilities.

Dr. Vander Weide notes that the average percent regulated assets and bond rating for the companies in his March 2012 and September 2012 evidence are approximately the same; thus, the slight change in methodology has little impact on his results. Dr. Vander Weide made the change in procedure to support his contention that selection criteria such as the percentage of regulated assets and bond ratings have little impact on the cost of equity.