

1 **Q. Vander Weide Evidence (page 14) - Dr. Vander Weide states that he analyzed**  
2 **Newfoundland Power's cost of equity by identifying several groups of utilities that**  
3 **are "broadly comparable" in risk to Newfoundland Power's risk. What does Dr.**  
4 **Vander Weide mean by "broadly comparable"?**  
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6 A. Dr. Vander Weide uses the phrase "broadly comparable" to indicate that, because risk  
7 cannot be measured precisely, there is no way to identify companies that are *precisely*  
8 *comparable in risk to Newfoundland Power*. Thus, Dr. Vander Weide has chosen to  
9 estimate the cost of equity for Newfoundland Power by selecting proxy groups of  
10 companies that are comparable to Newfoundland Power along different dimensions. The  
11 BMO CM basket of Canadian utilities is comparable to Newfoundland Power in that they  
12 operate primarily in the same country and have a significant percentage of assets devoted  
13 to regulated utility operations. However, the BMO CM group has relatively few  
14 companies, and data for this group do not extend as far back in time as for some other  
15 groups. The companies in the S&P/TSX Utilities Index are comparable to Newfoundland  
16 Power in that they operate in the same country. However, these companies have  
17 significant unregulated electric and natural gas businesses. The U.S. utility groups  
18 generally operate in the U.S., and the U.S. companies have a significantly higher  
19 percentage of regulated assets compared to the Canadian publicly-traded companies; and  
20 there are considerably more publicly-traded utilities in the U.S., and more data are  
21 available to estimate the cost of equity using the U.S. utilities.