

1 **Q. Vander Weide Evidence – In reply to CA-NP-270 from the March 2012**  
2 **Newfoundland Power Cost of Capital matter, there is an extract taken from the**  
3 **Alberta Utilities Commission 2009 Generic Cost of Capital decision of November 12,**  
4 **2009. At page 53 of the decision of the AUC there is an exchange between**  
5 **Commission Counsel and Dr. Vander Weide:**  
6

7 **Q: Thank you sir. Sir, if Canadian [and] U.S. utilities have similar business risk**  
8 **but different financial risk, wouldn't you have Canadian utilities to have lower**  
9 **credit ratings than comparable utilities in the United States?**  
10

11 **A: I'm looking at the question again. I'm not a credit rating expert, so it's**  
12 **difficult for me to comment on what credit ratings I would expect them to have, with**  
13 **the same degree of understanding as say a Susan Abbott would who has a lot of**  
14 **years of experience working for credit rating agencies.**  
15

16 **Based on the financial metrics alone, I would. . . I am surprised that the Canadian**  
17 **utilities have slightly higher credit ratings than the U.S. utilities because the**  
18 **financial metrics are quite a bit lower even for what I consider similar businesses. I**  
19 **don't know how to explain it, I'm just surprised at it, but I don't know how to**  
20 **explain it."**  
21

22 **Is Dr. Vander Weide able to explain the question posed to him in the AUC**  
23 **proceeding at this time?**  
24

25 **A.** Because Dr. Vander Weide is not a bond rating expert, he cannot explain why Canadian  
26 utilities have a slightly higher average bond rating than U.S. utilities, even though the  
27 average financial metrics for Canadian utilities are worse than those of U.S. utilities.  
28 However, Dr. Vander Weide notes that bond ratings are a poor indicator of the risk of  
29 investing in a company's equity. Please see Vander Weide written evidence at 22 – 23,  
30 including Table 1.