Q. Vander Weide Evidence (page 31) – Dr. Vander Weide explains that his smaller utility group only retains companies that have equal to or greater than 80% of total assets devoted to regulated utility operations and bond ratings equal to or greater than BBB. Is the smaller group of less risk than his larger group of companies?

A. No. As shown in Exhibit 3, Exhibit 4, and Exhibit 5, the average percentage of regulated assets for both Dr. Vander Weide's larger group and his smaller group is greater than eighty percent and the average bond rating is "BBB+" or higher. Recognizing that criteria, percentage of regulated assets and bond ratings, are merely potential indicators of equity risk rather than precise measures of equity risk, Dr. Vander Weide believes that the equity risk for each group is approximately the same. In this regard, Dr. Vander Weide notes that the average DCF result for the larger proxy group, 10.3 percent, is close to the 10.1 percent average DCF result for the smaller group. These results are significantly higher than Newfoundland Power's current allowed ROE.