Q. Vander Weide Evidence – Exhibit 16 shows that Orange & Rockland Utilities of New York was allowed a ROE of 9.4% in September, 2010 (#41) and a ROE of 9.2% in June of 2012 (#123). Connecticut Light and Power (#50) shows an allowed rate of 9.4% as of December, 2010. Please confirm that these utilities are predominantly engaged in Transmission and Distribution and are considered to be Baa1-rated peers of Newfoundland Power by Moody's in its credit opinion of 19 July, 2011 found at Exhibit 4. Please explain why these utilities' allowed returns are significantly less than the average of 10.5% return at Exhibit 16.

A. Dr. Vander Weide confirms that these utilities are predominantly engaged in transmission and distribution. With regard to Moody's comparison of Newfoundland Power to Connecticut Light and Power and Orange & Rockland Utilities, Dr. Vander Weide notes that the Moody's report also states that Newfoundland Power's financial metrics are "somewhat weaker" than those of "Connecticut Light and Power Company ("CLP"), Orange and Rockland Utilities, Inc.("O&R"), and Public Service Electric and Gas Company ("PSE&G"):

> MODESTLY WEAKER FINANCIAL METRICS EXPECTED IN FUTURE
> NPI's ratios continue to be somewhat weaker than those of other Baa1-rated peers predominantly engaged in T&D such as FortisAlberta Inc (FAB, a sister company), Connecticut Light and Power Company (CLP), Orange and Rockland Utilities, Inc.(O&R), and Public Service Electric and Gas Company (PSE&G). We expect FAB to generate CFO pre-WC plus interest / interest (cash flow interest coverage) in the 4x range and CFO pre-WC to debt of about 18% going forward. CLP, O&R and PSE&G have reported cash flow interest coverage in the 4x to 5x range and CFO pre-WC to debt in the 20% range. In contrast we expect NPI to generate cash flow interest coverage in the low 3x range and CFO pre-WC to debt in the 15% to 17% range. These figures are modestly weaker than NPI's 2010 results and reflect, in part, NPI's 2011 allowed ROE of 8.38% (down from 9% in 2010).

Dr. Vander Weide further notes that Moody's expresses its opinions from a bond investor's point of view, whereas the cost of equity depends on the opinions of equity investors.

With regard to an explanation for the lower than average allowed returns for CLP and O&R, Dr. Vander Weide believes that these utilities operate in jurisdictions that have less constructive, higher risk regulatory environments, as evidenced by their below average RRA regulatory risk rankings. Thus, in Dr. Vander Weide's opinion, it is not that these utilities are lower risk than other utilities in the U.S.; rather, they operate in less supportive regulatory jurisdictions.