

- 1 **Q. Vander Weide Evidence - Reference Evidence of Dr. Vander Weide Allowed ROE**
2 **and Common Equity Ratios, page 43-51**
3
4 **a. Please provide the value for the latest book equity for the Canadian utilities**
5 **in Table 4.**
6 **b. Does Dr. Vander Weide judge it to be meaningful to compare NP with PNG,**
7 **Heritage Gas, and Alta Gas since they are much smaller utilities?**
8 **c. Please confirm the common equity ratio for NSPI**
9 **d. Please provide a separate table that only includes Canadian electric**
10 **companies.**
11 **e. Please indicate whether US regulatory bodies regulate common equity ratios**
12 **in the same way as do Canadian boards.**
13 **f. If the board decides that NP should have a 40% common equity ratio since it**
14 **judges it to be an average risk Canadian utility, would this change Dr.**
15 **Vander Weide's recommended ROE and if so how?**
16
17 **A. a.** The deemed equity ratios in Table 4 are the deemed book equity ratios for these
18 Canadian utilities. It is Dr. Vander Weide's understanding that Canadian utilities
19 generally attempt to keep their actual book equity ratios close to their allowed or
20 deemed book equity ratios so that they can earn their allowed returns on equity.
21 In addition, please note that there is a typographical error in the ratio shown for
22 Gazifère, which should be 40 percent rather than 38.5 percent.
23
24 **b.** Dr. Vander Weide does not compare Newfoundland Power's deemed equity only
25 to the deemed equity ratios of PNG, Heritage Gas, and Alta Gas in Table 4.
26 Rather, Table 4 shows a comparison of Newfoundland Power's deemed equity
27 ratio to the deemed equity ratios of all the companies listed in the table. Dr.
28 Vander Weide believes it is meaningful to compare Newfoundland Power's
29 deemed equity ratio to the average deemed equity ratio for all the companies
30 shown in Table 4.
31
32 **c.** Please see page 11, paragraph 7, 2011 NSUARB 184, Nova Scotia Utility and
33 Review Board.
34
35 **d.** The requested information is shown below.
36

Company	Deemed Equity Ratio
ATCO Electric Disco	39%
ENMAX Disco	41%
EPCOR Disco	41%
FortisAlberta	41%
Newfoundland Power	45%
Nova Scotia Power	40%

- 1 e. Canadian utility commissions generally set deemed equity ratios for all the
2 utilities they regulate in one proceeding, and then apply the deemed equity ratios
3 determined in the generic proceeding until a time when the commission considers
4 that risk has materially changed. U.S. regulatory commissions generally do not
5 set a deemed equity ratio in a generic proceeding. Rather, U.S. regulatory
6 commissions typically allow each utility to present evidence in support of its
7 recommended capital structure in specific regulatory proceedings. The
8 commission then examines the company's evidence and makes a determination on
9 the reasonableness of requested capital structure.
- 10
- 11 f. Yes. If the Board were to determine that Newfoundland Power's deemed equity
12 ratio should be reduced, Dr. Vander Weide would likely increase his
13 recommended cost of equity. However, because Dr. Vander Weide considers it
14 unlikely that the Board would reduce Newfoundland Power's deemed equity
15 ratio, he has not estimated a cost of equity under this assumption.