Q. Reference Evidence of Newfoundland Power, pages 3.14 to 3.25

NP discusses its business risk.

a. The company states that "these risk elements" have not changed materially over the last five years. Please confirm that NP is referring to its business risk.
b. Please confirm that NP judges that its business risk has not changed materially since the introduction of the automatic adjustment formula in 1998. If it disagrees please indicate the major changes in business risk since then that supports the opposite conclusion.
c. Please indicate all deferral accounts that have either been introduced or materially expanded since NP was placed on an automatic adjustment ROE formula.
d. NP states that (3-16) relative to its peers the Board has assessed NP to be an average risk utility. Does NP agree with this assessment? If it disagrees please indicate what Canadian utility NP regards as a most appropriate benchmark for NP?
e. On pages 3-17 to 3-25, NP discusses it business risk, would NP accept Maritime Electric and Nova Scotia Power as comparable Canadian electric utilities? If not why not?
f. Would NP confirm that NP has a 45% common equity ratio, whereas Maritime Electric has 40% and NSPI 37.5%?
g. Would NP regard an award equivalent to that allowed NSPI, that is NSPI's allowed ROE and common equity ratio, as fair and reasonable?

A. a. The Company states on page 3-14 of its pre-filed evidence that, "These risk elements have not changed materially over the past 5 years". The Company is referring to overall, or total, risk which includes business, regulatory and financial elements.

b. In Order No. P.U. 19 (2003), page 33, the Board indicated that the business risk of Newfoundland Power had not changed appreciably since 1998 (when the Board first adopted the Formula). In Order No. P.U. 43 (2009) Reasons for Decision, p.13, the Board found that Newfoundland Power continues to be an average risk utility.

Newfoundland Power's evidence in this case is that its overall, or total, risk has not appreciably changed.

c. The response to Request for Information PUB-NP-022 shows all current Newfoundland Power regulatory assets and liabilities together with (i) authorizing Board Order; (ii) effective date; (iii) length of amortization; (iv) forecast year end 2012 balance and (v) the planned manner of disposition.

d. Please see the response to Request for Information PUB-NP-020.

e. Newfoundland Power has not performed any assessment of the relative risk of Maritime Electric or Nova Scotia Power.

f. At Volume *3: Expert Evidence and Studies, Tab 1, Cost of Capital Evidence: Ms. Kathleen McShane, Schedule 5*, page 1 and 2, it is indicated that the 2011 common equity ratio for Nova Scotia Power was 38.3% and for Maritime Electric was 43.5%. Newfoundland Power's proposed common equity ratio for 2013 is 44.9%.

g. In this proceeding Newfoundland Power has proposed a return on equity of 10.4% and a proposed common equity ratio of 45%. Newfoundland Power considers these proposals to be fair and reasonable.