

IN THE MATTER OF

the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the "*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (the "*Act*") as amended, and their Subordinate regulations;

AND IN THE MATTER OF

a general rate Application (the "Application") by Newfoundland Power Inc. ("*NP*") to establish Customer electricity rates for 2008.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NP-32 to PUB-NP-47

Directed to Newfoundland Power Inc. (NP) Witness Kathleen McShane

Issued: August 31, 2007

PUB-NP-32

At page 26 of Ms. McShane's testimony, she refers to a 2004 AEUB Generic Cost Of Capital Decision at lines 685-686. Please identify the authorized return on equity and the corresponding common equity ratio for the utilities considered in that Generic Cost Of Capital Decision.

PUB-NP-33

Referring to page 10 of Ms. McShane's testimony, she quotes the Board's conclusion that NP is of average business risk compared to other utilities, and concludes that this determination is still valid for the reasons she sets out in her testimony. Has Ms. McShane compared the financial risk of NP today relative to its financial risk in 2003? Specifically, has she compared the change, if any, to NP's common equity ratio; and NP's embedded cost of debt since the 2003 rate decision? If affirmative, please describe Ms. McShane's assessment of the change, if any, to NP's financial risk since 2003.

PUB-NP-34

Referring to page 13 of Ms. McShane's testimony, she refers to NP's continued reliance on Newfoundland and Labrador Hydro for close to 90% of its power supply. Please describe how NP's reliance on Newfoundland and Labrador Hydro impacts its risk and if there have been any changes since NP's last rate order (2003).

PUB-NP-35

At page 15 of Ms. McShane's testimony, she describes NP's proposed Rate Stabilization Clause and offers her opinion on what it is designed to do. In Ms. McShane's judgment, would the implementation of the proposed Rate Stabilization Clause increase or decrease NP's operating risk relative to the regulatory mechanisms currently in place? Please explain answer.

PUB-NP-36

Referring to page 15 of Ms. McShane's testimony, she states that in the absence of the proposed change to the Rate Stabilization Clause, NP's business risks would be materially higher than at the time of its last GRA. Please explain how NP's business risks could be greater if its current regulatory mechanisms are left unchanged.

Please also provide copies of credit analysts' reports and equity analysts' reports supporting Ms. McShane's assessment of the impact on NP's business risks created by the proposed change to the Rate Stabilization Clause.

PUB-NP-37

Please provide copies of all equity reports and credit analyst reports supporting Ms. McShane's understanding of the change in the investment risk of the Canadian electric utility industry since NP's last rate order. Specifically, describe whether or not Ms. McShane believes the risk has increased, decreased or remained relatively constant since 2003.

PUB-NP-38

In Volume 1: Application and Company Evidence, at page 59 of Ms. McShane's testimony, footnote 49, the Company references Consensus Economics, Inc. surveys of over 240 prominent financial and economic forecasters. Please provide a five-year history of this source forecast for future Canadian bond interest rates, in comparison to the actual Canadian bond interest rates that prevailed at the forecast period. Please highlight any instance over the last five years where Consensus Economics, Inc. forecasted that future Canadian bond yields would be lower than the prevailing actual Canadian bond yield at the time that the forecast was published. For all such instances, please provide copies of the Consensus Economists, Inc. publication that lists the forecasts and identify the prevailing Canadian bond yield.

PUB-NP-39

Please provide a complete copy of all reports Ms. McShane has reviewed which lists the authorized returns on common equity, and common equity ratios allowed for Canadian electric utilities by Regulatory Agencies and Boards since 2003.

PUB-NP-40

Referring to Ms. McShane's Schedule 3 and Schedule 4, please provide the following:

- a. Average S&P and Moody's bond rating for Canadian electric utilities.
- b. Average S&P and Moody's bond rating for U.S. electric utilities.
- c. Average return on equity and common equity ratio for Canadian electric utilities.
- d. Average return on equity and common equity ratio for U.S. electric utilities.

PUB-NP-41

In Volume 1: Application and Company Evidence, at page 68 and 69, the Company offers its proposed change in depreciation rates. Please provide a complete description and assessment of how the change in depreciation rates will impact the Company's credit metrics: 1) cash flow interest coverage ratio, and 2) cash flow to debt coverage ratio, as described at page 55.

PUB-NP-42

Please explain why Ms. McShane believes that the risk premium awarded to the NP in its last rate case of 4.15% is no longer reasonable and a 4.75% risk premium is now reasonable as proposed at page 52 of her testimony.

PUB-NP-43

Please identify the impact on customers' bills by increasing the equity risk premium from 4.15% awarded in the utility's last rate proceeding up to the proposed 4.75% in this proceeding.

PUB-NP-44

Please explain whether in Ms. McShane's judgment a reduction in NP's embedded cost of debt will improve its credit rating financial metrics, all else equal.

PUB-NP-45

Please provide a forecast of the Company's embedded cost of debt for 2008, 2009, and 2010. Please provide all workpapers, on an electronic spreadsheet with all formula intact, used to calculate this embedded debt cost.

PUB-NP-46

Referring to Exhibit 5 of Volume 1, page 1, on an electronic spreadsheet all formula intact, please show the calculation of the credit metrics shown at the bottom of this Exhibit.

PUB-NP-47

Referring to Exhibit 5 of Volume 1, page 6, on an electronic spreadsheet with all formula intact, please show the calculation of the average cost of debt, preferred shares and common equity.

DATED at St. John's, Newfoundland this 31st day of August 2007.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per Original signed by _____
Cheryl Blundon
Board Secretary