

1 **Q. Reference: Dr. Cleary's Evidence, Page 36, Lines 11-14**

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3 **Please provide an analysis comparing the recommended equity cost rate for**  
4 **Newfoundland Power (i.e., 7.50% ROE X 40.0% equity ratio = 3.00%) to other**  
5 **investor owned utilities in Canada.**

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7 **If the recommended equity cost rate for Newfoundland Power is lower than**  
8 **other investor owned utilities in Canada, please provide justification for why**  
9 **this meets the Fair Return Standard.**

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11 A. Dr. Cleary does not acknowledge this measure as a valid test of the Fair Return  
12 Standard. If it were, then there would be no need for these proceedings, and the  
13 Board could simply establish an average ROE and average equity ratio (which  
14 would be well below 45%).

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16 In order to be responsive to the question, Dr. Cleary provides the following  
17 estimates of this measure using the average and median statistics for allowed  
18 ROEs and equity ratios for Canadian utilities that were provided in Table 10, as  
19 well as for NP's recommendations:

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21 Using averages from Table 10 =  $0.0872 \times 0.3805 = 3.32\%$

22 Using medians from Table 10 =  $0.0850 \times 0.3725 = 3.17\%$

23 Using NP's recommendations =  $0.095 \times 0.45 = 4.28\%$