

- 1 **Q. Reference CA-NP-230**
- 2 **a) C&T reference Dr. Roger Morin and the increased risk from using debt**
- 3 **financing (page 54, and footnote 75). Are C&T aware that Dr Morin regularly**
- 4 **provides expert testimony on behalf of utilities? Would C&T agree that a utility**
- 5 **with extensive deferral accounts that very rarely suffers a below regulated ROE**
- 6 **has, by definition, not suffered any business risk that its debt financing has**
- 7 **magnified?**
- 8 **b) This answer did not fully answer the question which is an “after the fact”**
- 9 **question. To repeat, “If a utility has always earned its allowed ROE has it in**
- 10 **practise experienced any business risk that has been magnified by the use of debt**
- 11 **financing?”**
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- 13 **A. b) A utility’s ability to earn its authorized ROE is not the only indicator of whether that**
- 14 **utility has experienced any business risk that has been magnified by the use of debt**
- 15 **financing. Concentric’s assessment of business risk considers, among other things,**
- 16 **whether Newfoundland Power and the proxy group companies have deferral**
- 17 **accounts, regulatory mechanisms and adjustment clauses that mitigate specific**
- 18 **business risks. Credit rating agencies have indicated that all regulation is credit**
- 19 **supportive to some degree for utilities. However, that does not mean that utilities**
- 20 **have no business risk, or that utilities that are able to earn their authorized ROE have**
- 21 **no business risk. Concentric’s view is that business risk is magnified by the higher**
- 22 **leverage of Canadian companies as compared to their peers in the U.S.**