

1 **Q. What utilities would appropriately be included in a “peer group” comparison to**  
2 **Newfoundland Power?**

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4 A. Appropriate utilities to include in a “peer group” comparison to Newfoundland Power  
5 would vary in accordance with the nature and purpose of the comparison.

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7 For example, a comparison for the purpose of assessing the operational performance of  
8 Newfoundland Power would tend to be more useful if the utilities included in the peer  
9 group were electric distribution utilities with similar load densities operating in similar  
10 physical environments.

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12 If the comparison is for the purpose of assessing cost of service recovery and rate design  
13 issues, an appropriate peer group would consist of utilities with similar cost structures;  
14 for example, a similar mix of generation sources and similar load characteristics.

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16 If the comparison were related to financial matters such as the cost of capital, the peer  
17 group would be utilities having similar financial and business risk characteristics to those  
18 of Newfoundland Power. The evidence of Newfoundland Power’s cost of capital experts  
19 in this proceeding relies to a large extent on such comparisons.

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21 Because of the variety of circumstances and environments in which utility companies  
22 operate, simple comparisons may not provide useful or relevant information. In any  
23 comparison of utility companies, it is necessary to consider whether the impact of  
24 individual circumstances limit the extent to which valid conclusions can be drawn on the  
25 basis of the indicators under consideration.