

- Q. In Schedule 33, each of the indicated allowed Returns on Common Equity of the selected Canadian utilities is in excess of Dr. Kalymon's recommendation in this hearing and in excess of his recommendation to this Board during the Newfoundland Hydro General Rate Application of 2001. Please state whether it is Dr. Kalymon's opinion that each of the regulatory agencies that made the decisions referred to in Schedule 33 allowed excessive returns on common equity.
- A. **The allowed returns shown in Schedule 33 are the result of Board decisions taken on the basis of the evidence and the conditions of the capital markets at the time of the hearings. As capital markets change, the appropriate return on equity will change. As a result, the allowed return on equity may have been appropriate at a given time and currently be inappropriate. In addition, the risk of each regulated enterprise must be assessed and the return must reflect that risk. Thus, Dr. Kalymon has not assessed the appropriateness of the decisions shown.**