1Q.Referring to page 50, lines 1-6, please provide all studies and evidence supporting2the conclusion that "changes in the cost of equity bear a[n] 80% sensitivity to3changes in interest rates during periods of stable and low inflation."4

5	A.	The various regression coefficients (actually, 1 minus the slope coefficient)
6		reported at pages 39 (lines 10-11), 40 (lines 7-8), 41 (lines 8-9 and 12-13) and 42
7		(lines 8-9) of Dr. Morin's testimony imply that changes in the cost of equity bear
8		a 0.60-0.70 sensitivity to changes in interest rates. The NEB formula uses a
9		sensitivity factor of 0.75, while many provincial regulatory boards use either 0.75
10		or 0.80. Because the sensitivity factor is higher in periods of very low inflation,
11		Dr. Morin recommends the top of the range for Newfoundland Power at this time.