Q. Schedule 1, Page 4 of the application states:

"For 2016, Newfoundland Power's forecast return on equity is 8.08%. This is below the 8.80% allowed in Order No. P.U. 13 (2013). It is also below the returns on equity currently allowed other investor owned Canadian regulated utilities.[11]

For ratemaking purposes, is NP's 45% common equity ratio currently the highest of all investor owned Canadian regulated utilities? Please provide a detailed comparison of NP's common equity ratio to that of other investor owned utilities in Canada.

A. Historically, Newfoundland Power's 45% common equity ratio has been higher than the average for investor-owned Canadian regulated utilities. Newfoundland Power observes that the Board has consistently approved a common equity ratio of 45% for ratemaking purposes for Newfoundland Power since 1996. Over the 20 years since 1996, the Board has reviewed Newfoundland Power's common equity ratio numerous times and reached the conclusion that a 45% equity ratio for ratemaking purposes continued to be appropriate.

In the Application, Newfoundland Power seeks the Board's approval for 2016 deferred cost recovery to permit the Company to file its next general rate application ("GRA") by June 1, 2016 with a 2017 test year. At this GRA, a comprehensive review of the continued appropriateness of Newfoundland Power's 45% common equity ratio will be undertaken by the Board.

Newfoundland Power has not yet had an expert complete a review of the Company's forecast cost of capital for 2016. So, it is not in the position to provide the detailed comparison requested.

Refer to the response to Request for Information PUB-NP-004 for copies of current Canadian regulatory decisions related to utility cost of capital.