

- 1 **Q. Coyne Evidence: In Appendix A Mr. Coyne looks at NP capital structure in**
2 **comparison to 2012? Why did he not look at it in terms of the Board's decision in**
3 **1991 when NP was told to move the common equity ratio down to a range of 40-**
4 **45%?**
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- 6 A. The capital structure for Newfoundland Power was last reviewed by the Board as part of
7 the 2012 GRA filing. As explained on page 1 of Appendix A, the Board directed in its
8 Decision and Order in P.U. 13(2013) that Newfoundland Power file a comprehensive
9 report in relation to its capital structure with its next GRA. Mr. Coyne's assessment of
10 Newfoundland Power's capital structure is based on a risk analysis that covers three
11 aspects: 1) comparison of the circumstances in 2015 to those at the time of the
12 Company's last GRA filing; 2) comparison of Newfoundland Power's risk to that of
13 other investor owned electric utilities in Canada; and 3) comparison of Newfoundland
14 Power's risk to a proxy group of comparable U.S. electric utilities. Mr. Coyne believes
15 that 2012 is appropriate for the historical comparison because each subsequent decision
16 and order of the Board has considered the change in risk for Newfoundland Power since
17 the previous decision was issued.