

1 **Q. Coyne Evidence: Please provide evidence to support the statement that small**
2 **size indicates greater risk (page A-11).**
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4 A. As stated on page 5 of Appendix A, the Board explained the rationale for its decision
5 supporting the 45.0 percent deemed common equity ratio in Order No. P.U. 16(1998-99)
6 as follows: “The Board believes that in order to maintain an “A” rating and appropriate
7 access to capital markets, as a small utility, NLP will require a stable and strong capital
8 structure.” In particular, the Board observed that Newfoundland Power’s smaller size
9 reduces the Company’s financial flexibility.

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11 Mr. Coyne explains on page 11 of Appendix A that, due to its smaller size relative to
12 other investor owned electric utilities in Canada and the U.S. electric utility operating
13 companies, Newfoundland Power has greater risk associated with adverse economic
14 conditions in the province that could result in reduced customer demand for electricity
15 among residential and commercial customers. On page 18 of Appendix A, Mr. Coyne
16 explains that the higher business risk profile of Newfoundland Power due to increased
17 power supply risk magnifies the small size of Newfoundland Power and the limited
18 possibilities for growth in the Company’s service territory.