

1 **Q. Can NP also confirm that if the preferred shares are issued by Fortis and mirrored**
2 **down to NP in the same way as Canadian Utilities does for ATCO Electric that safe**
3 **guards can be put in place to verify that the cost is reasonable as of the date of issue,**
4 **If not why not.**

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6 A. It is not confirmed.

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8 Canadian Utilities Limited does not appear to “mirror down” its preference shares to
9 ATCO Electric although CU Inc. does hold preferred shares in ATCO’s regulated Alberta
10 interests. Newfoundland Power’s understanding of these matters is described in the
11 responses to Requests for Information CA-NP-050 and CA-NP-272.

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13 At Newfoundland Power’s *2013/2014 General Rate Application* the suggestion
14 was made by Dr. Booth that Fortis Inc. could issue preferred shares and “...mirror
15 down the cost to its subsidiaries...” similar to CU Inc. However, it was also
16 acknowledged by Dr. Booth that if this were done the preferred shares issued by
17 the Company would have a Fortis credit rating.¹ This might expose
18 Newfoundland Power to a downgrade on account of the financial affairs of Fortis
19 and be contrary to the Board’s requirement in Order No. P.U. 19 (2003) that
20 Newfoundland Power “...take all steps possible to mitigate against...” such an
21 outcome.²

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23 For Newfoundland Power to do as this Request for Information suggests would
24 require the Company to defy the clear direction contained in Order No. P.U. 19
25 (2003).

¹ See *2013/2014 General Rate Application*, Transcript January 18, 2013, page 88, line 1, *et seq.* The preferred shares of ATCO Electric have a CU Inc. credit rating.

² See the response to Request for Information CA-NP-050, page 3 of 5, lines 40-41, *supra*.