Q. Credit Rating Reports: Moddy's and DBRS, Exhibit 4

"NPI's allowed Return on Equity (ROE) is 8.50% for 2016-2018, and we view the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) as one of the more supportive regulators in Canada because regulatory decisions are timely and balanced, deferral accounts reduce the risks from factors beyond management's control and NPI's 45% equity is among the highest authorized levels in Canada"

a) Provide by year from 2014 to 2018 the Newfoundland Power power net annual profit after tax as if Newfoundland Power allowed equity was set @ 40%.
b) Provide by year from 2018(sic) to 2018 the Newfoundland Power power net annual profit after tax as it Newfoundland Power allowed equity was set @ 37.5%.

A. Table 1 provides the *pro forma* regulated return on common equity for the years and equity capital structures requested.

Table 1
***Pro forma* Regulated Earnings[1]**
Based on 40%/37.5% Equity
Capital Structure
($millions)

	@ 40%	**@ 37.5%**
2014PF[2]	35.5	33.3
2015PF	36.6	34.3
2016PF	37.6	35.3
2017PF	38.7	36.2
2018PF	37.8	35.5

For practical reasons, the *pro forma* results assume no other changes in costs as a result of the lower capital structure. This has a number of inherent limitations.

For example, in each year requested, the Board approved both (i) a common equity component in the capital structure not to exceed 45% for ratemaking purposes and (ii) a ratemaking rate of return on common equity ("ROE"). Newfoundland Power has issued debt three times in the time period the orders have been in effect. It is uncertain what Newfoundland Power's (i) ratemaking ROE and (ii) ability and cost to issue debt *could* have been if the Company's equity capitalization was reduced to 40% or 37.5%.

[1] *Pro forma* regulated earnings are based on actual rates of returns of 9.15%, 8.98%, 8.90% and 8.93% for 2014 to 2017 respectively. The forecast rate of return used in the calculations for 2018 forecast is 8.50%.
[2] *Pro forma.*