

1 **Q. Reference Evidence of Dr. Sean Cleary dated September 25, 2018**  
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3 **Page 36, lines 11-14: Dr. Cleary recommends that the Board reduce**  
4 **Newfoundland Power's equity ratio to 40%. Please state the ROE that this**  
5 **recommendation has taken into consideration and whether an ROE of 7.5%**  
6 **with this recommended capital structure is fair and reasonable.**  
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8 A. Dr. Cleary recommended an equity ratio of 40% in his evidence based on the  
9 existing ROE of 8.5%, but also considering the possibility that the allowed ROE  
10 could be 8% or 7.5%. The details of the impact of these ROEs is considered in terms  
11 of the credit metrics in response to PUB-CA-021, and Dr. Cleary reiterates that  
12 under these scenarios the credit metrics would remain healthy. Hence his  
13 recommendation of a 40% equity ratio would remain the same at an allowed ROE  
14 of 7.5%.