Q. (Application Volume 1, page 1-8) It is indicated that NP's proposed increase in its return on equity to 9.8% for 2022 and 2023 on a common equity ratio of 45% would increase its revenue requirement by 1.5%. How much would the revenue requirement change if the return on equity were to be set at 8.34% with a common equity ratio of 40% as currently established for electric utilities in Ontario by the Ontario Energy Board for 2021? See www.oeb.ca/industry/rules-codes-and-requirements/cost-capital-parameter-updates.

A. Since the Ontario Energy Board ("OEB") issued its 2021 cost of capital parameters on November 9, 2020, forecast and actual bond yields have increased.[1] Based on the April 2021 *Consensus* forecast and actual bond yields in July 2021, the OEB's formulaic approach for determining cost of capital would result in a return on equity ("ROE") of 8.64% for the respective regulated utilities in Ontario.[2]

See response to Request for Information PUB-NP-033 which provides *pro forma* reductions in proposed 2022 and 2023 revenue requirements based upon an equity capitalization of 40% and a ROE of 8.50%.[3]

[1] *Consensus* April 2021 forecast of 3-month and 12-month 10-year Government of Canada bond yields was 1.50% and 1.70%, respectively. Actual 10-year and 30-year government bond yields in July 2021 averaged 1.26% and 1.78%, respectively. A-Rated utility bond yields in July 2021 averaged 3.10%.

[2] See response to Request for Information PUB-NP-045 for further information.

[3] An 8.50% ROE reflects the mid-point between the 8.34% ROE referred to in the Request for Information and the 8.64% ROE outlined above.