Q. Can NP confirm that if its proposals are accepted it is forecasting earnings to its shareholders of $56.788 million in 2023 (Exhibit 5) and intends to payout a dividend to them of $48.918 million or a dividend payout ratio of 88%? In NP's judgment is an 88% dividend payout ratio indicative of a high or low risk company?

A. The Company's dividend policy is based on maintaining an average capital structure that includes approximately 45% common equity, as approved by the Board. Maintaining this capital structure may require dividend payments to be increased or decreased in a given year.[1] This ultimately ensures that customers receive the full benefit of the cost of capital approved by the Board in the ratemaking process.

Under proposed customer rates, regulated earnings are forecast to be $56.8 million in 2023. Based on the Company's proposed forecast, a dividend would be required in 2023 of $48.9 million to maintain the 45% average common equity capitalization included in the 2023 forecast average capital structure.

In Newfoundland Power's view, changes in annual dividend amounts in accordance with its dividend policy do not change its risk profile from year to year.

[1] For example, in 2020, Newfoundland Power paid a special dividend of $18 million. In 2015, the Company reduced its dividend payments to $9.5 million compared to $23.1 million in 2014.