Q. Further to the response to PUB-NP-033, re-state Table 1, which already includes a reduction in the return on equity to 8.5%, to show the *pro forma* 2022 and 2023 revenue requirements and customer rate impacts with common equity ratios of 43% and 40% after the inclusion of the increases in the cost of debt arising from re-financing to reduce the common equity from 45%. In the response include the assumptions used to forecast the increased cost of debt in this scenario.

A. Table 1 in response to Request for Information PUB-NP-033 reflects *pro forma* finance charges associated with re-financing the Company's capital structure to reduce the common equity from 45% to 43% and 40%, as requested.

At common equity ratios of 43% and 40%, the *pro forma* estimates for 2023 in Table 1 reflect common share dividends of approximately $25 million and $65 million, respectively, and a corresponding increase in long-term debt. The cost of debt assumed in the *pro forma* revenue requirement is approximately 4.7%, consistent with the existing average cost of debt for 2023.[1]

The *pro forma* estimates in Table 1 are based on Newfoundland Power's current financial position and existing credit ratings. They do not reflect any other potential increases in the Company's cost of capital, including the impact of any downgrade in Newfoundland Power's credit ratings.

See response to Request for Information PUB-NP-100 for further information on risks associated with maintaining the Company's credit ratings if the common equity ratio is reduced to 43% and the existing approved return on equity is maintained at 8.5%.

[1] See the *2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.2.5: Finance Charges,* Table 3-9.