

1 **Q. Reference Evidence of Newfoundland power, pages 1-2: Would the company accept**
2 **that its higher common equity ratio reduces the financial risk faced by its common**
3 **shareholders and all else constant should result in a lower allowed ROE compared**
4 **to other Canadian utilities of equivalent business risk?**
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6 A. Newfoundland Power accepts that a higher common equity ratio reduces the financial
7 risk faced by common shareholders. But financial risk is only one aspect of the overall
8 risk of Newfoundland Power.
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10 Please refer to the Response for Request for Information CA NP 004 for the risk elements
11 of Newfoundland Power which justify a target equity ratio of 45%.