

Q. Opinion on Capital Structure and Return on Equity
Kathleen McShane – Volume 3

Pg. 2, #4 - Can you confirm that Newfoundland Power's common equity ratio exceeds the typical equity ratio of a similar size Canadian utility? If not, what comparable Canadian utilities would you regard as being similar risk but with a higher common equity ratio?

A. Yes. FortisBC Inc. is the only Canadian investor-owned utility of reasonably comparable size to Newfoundland Power, considering size of rate base, number of customers and load. FortisBC Inc.'s allowed common equity ratio is 40%, but it has also been allowed an incremental equity risk premium 0.40% higher than the benchmark utility in the province (FortisBC Energy Inc.).