

- 1 Q. **(Reference CA-NP-100) Newfoundland Power was asked to confirm that Fortis had**
2 **had very large common and preferred share issues over the last few years and was**
3 **further asked to provide details of both the amounts and the issue costs attached to**
4 **these share issues. In response, Newfoundland Power directed the Consumer**
5 **Advocate to find this information independently by reviewing Fortis Inc.'s annual**
6 **reports.**
- 7 (a) **Would Newfoundland Power agree that it has the onus of proof in this GRA**
8 **to establish its costs justifying its revenue requirement?**
- 9 (b) **Would Newfoundland Power agree that the costs of the share issues by Fortis**
10 **are passed on to Newfoundland Power in the 0.50% flotation cost allowance**
11 **used by Mr. Coyne.**
- 12 (c) **Would Newfoundland Power agree that it is seeking recovery of these costs in**
13 **the GRA?**
- 14 (d) **Would Newfoundland Power agree that Fortis is the only party that would**
15 **have full knowledge of these costs?**
- 16
- 17 A. (a) Newfoundland Power agrees that the burden of proof is on the Company to justify
18 the costs included in its revenue requirement as part of this application.
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- 20 (b) The Company agrees that the 50 basis point adjustment for flotation costs and
21 financing flexibility included in Mr. Coyne's recommendation for Newfoundland
22 Power's return on equity compensates the equity holder for the costs associated
23 with the sale of new issues of common equity. These costs include out-of-pocket
24 expenditures for the preparation, filing, underwriting and other costs of issuance
25 of common equity.¹
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- 27 (c) Newfoundland Power's proposed revenue requirement includes the return on
28 equity recommended by Mr. Coyne, including the adjustment for flotation costs
29 and financing flexibility described in part (b).
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- 31 (d) Fortis Inc.'s Annual Reports would include details on gross and net proceeds of
32 an equity offering, the difference of which is the cost of the equity offering.

¹ See the 2022/2023 General Rate Application, Volume 3, Expert Evidence, Cost of Capital: Mr. James Coyne, page 46.