

**Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk Profile**

**Q. At pages 51-52 C&T reference the Board’s 2016 decision to maintain Newfoundland Power’s 45% common equity ratio. Did C&T check Fortis 2023 AIF where the following graphic indicates that Newfoundland Power has 274,000 customers, but Maritime Electric (PEI) only has 88,000 and Fortis Ontario 68,000, both of which operate with a 40% common equity ratio while Fortis BC electric is smaller at 188,000 customers but has significant generating facilities? Do C&T regard Newfoundland Power as a “small” utility and if so, how do they regard FortisBC Electric, Maritime Electric and Fortis Ontario?**

**Annual Information Form**

**Summary of Operations**

The following table and sections describe the Corporation’s operations and reportable segments.

	Customers	Peak Demand <sup>(1)</sup>	Electric T&D Lines (circuit km)	Gas T&D Lines (km)	Generating Capacity (MW)	Revenue (\$ millions)	GWh Sales	Gas Volumes (PJ)	Employees
<b>Regulated Utilities</b>									
ITC	—	22,971 MW	25,800	—	—	1,906	—	—	726
UNS Energy	712,000	2,949 MW	23,500	5,100	3,328	2,758	16,059	16	1,994
		111 TJ							
Central Hudson	380,000	1,109 MW	15,100	2,400	65	1,325	5,002	25	1,130
		149 TJ							
FortisBC Energy	1,076,000	1,562 TJ	—	51,200	—	2,084	—	231	2,061
FortisAlberta	584,000	2,767 MW	90,200	—	—	680	16,923	—	1,138
FortisBC Electric	188,000	835 MW	7,300	—	225	487	3,542	—	556
<b>Other Electric</b>									
Newfoundland Power	274,000	1,254 MW	11,500	—	143	735	5,785	—	660
Maritime Electric	88,000	292 MW	6,600	—	90	236	1,391	—	219
FortisOntario	68,000	257 MW	3,500	—	5	224	1,343	—	222
Caribbean Utilities	33,000	114 MW	810	—	166	354	674	—	253
FortisTCl	17,000	46 MW	700	—	86	103	277	—	155
<b>Non-Regulated</b>									
Energy Infrastructure	—	—	—	—	51	151	225	—	76
Corporate and Other	—	—	—	—	—	—	—	—	52
<b>Total</b>	<b>3,420,000</b>	<b>32,594 MW</b>	<b>185,010</b>	<b>58,700</b>	<b>4,159</b>	<b>11,043</b>	<b>51,221</b>	<b>272</b>	<b>9,242</b>
		<b>1,822 TJ</b>							

**A. Yes, Concentric considers Newfoundland Power a small utility, as demonstrated in Figures 36 and 37 of Concentric’s *Cost of Capital* report that compares Newfoundland Power’s customer count and PP&E (as a proxy for rate base) to the Canadian and U.S. electric utility operating companies. Concentric notes that Newfoundland Power is substantially smaller than all but a few of the proxy operating companies, which from an investor’s standpoint, creates greater risk. The other Fortis utilities mentioned in the question are also small utilities. Size is one factor among others that regulators consider in determining authorized equity ratios and ROEs, and Concentric notes that all of the utilities mentioned in the question have higher ROEs than Newfoundland Power’s.**