Q. Volume 2: Cost of Capital: Expert Opinion of James Coyne-Return on Equity

Reference: "2025/2026 General Rate Application," Newfoundland Power Inc., December 12, 2023, vol. 1, Evidence, sec. 3.3.1, p. 3-20/7–9 and vol. 2, Expert Evidence, "Cost of Capital," Concentric Energy Advisors Inc., November 7, 2023, ch. VI(B)(1)(c), sec. C, p. 55, fig. 33.
Page 3-20, lines 7–9 state:

> **The Board has acknowledged that a fair return cannot be determined independently of a utility's capital structure.**

Please confirm that Newfoundland Power's proposal of 9.85% Return on Equity and 45% Deemed Equity Ratio would be the highest of investor-owned utilities in Canada, as listed in Figure 33.

A. Please see the response to Request for Information PUB-NP-124 part a) where Figure 33 of Concentric's *Cost of Capital* report, Volume 2, was updated to include the most recent authorized ROEs in Alberta and Ontario. As shown in the restated Figure 33, the average authorized ROE for investor-owned electric utilities in Canada is 9.30% and the average deemed equity ratio is 39.6%. Concentric confirms that Newfoundland Power's requested ROE of 9.85% and equity ratio of 45.0%, if approved by the Board, would produce the highest weighted ROE (authorized ROE X deemed equity ratio) of any electric IOU in Canada. However, Newfoundland Power must also compete for capital with other North American utilities, as explained in Concentric's *Cost of Capital* report. Figure 33 shows that in the U.S., the average authorized ROE for electric utilities is 9.66% and the average authorized equity ratio is 51.6%.