

1 **Volume 2: Cost of Capital: Expert Opinion of Mr. James Coyne - Capital Structure and**
2 **Risk Analysis**

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4 **Q. Volume 2, Cost of Capital Report, page 59, lines 13-24. Mr. Coyne concludes that**
5 **Newfoundland Power has a comparable financial risk profile in relation to the U.S.**
6 **Electric proxy group based on 2022 credit metrics. Please explain Mr. Coyne’s**
7 **conclusion on the comparability of Newfoundland Power’s financial risk to that of**
8 **other Canadian investor-owned electric utilities.**

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10 A. As explained by Concentric on page 57 of its Report, Volume 2, comparison to the
11 Canadian proxy group is limited because Emera Inc. and Hydro One Limited are the only
12 companies in the Canadian peer group that have relevant credit metrics from Moody’s.
13 Enbridge Inc. is rated by Moody’s but has different credit metrics that do not align with
14 these categories. The other companies in the Canadian proxy group are not rated by
15 Moody’s. As a result, it’s difficult to draw meaningful conclusions based on this data
16 alone. Concentric further notes on page 59 that Newfoundland Power, with its 45 percent
17 common equity ratio, has a higher percentage of common equity in its capital structure
18 than the other Canadian investor-owned electric utilities and falls between the long-term
19 issuer ratings from Moody’s for Emera Inc. and Hydro One Ltd. On the basis of this
20 limited data, Concentric concluded that Newfoundland Power has comparable financial
21 risk to its Canadian peers.