

1 Q. Please provide a table that lists the “target debt/equity” and “target return on
 2 equity” for each Crown-owned electrical utility in Canada, and explain if the
 3 comparisons of “target equity” and “target return on equity” among Crown-owned
 4 electrical corporations, are a viable comparison to the 25% and 8.5% respective
 5 Newfoundland Hydro targets, given the business risk profiles and earnings/cash
 6 flow volatility of Newfoundland Hydro in comparison to the others.

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 9 A. The requested information is provided in Table 1.

Table 1 – Target Capital Structure & Return of Crown Owned Electric Utilities

Utility	Target Equity	Target Return on Equity	Weighted Average Return on Equity
	A	B	$C = A * B$
Ontario Power Generation ¹	45%	8.8%	3.96%
New Brunswick Power ²	35%	10.0%	3.50%
SaskPower ³	40-25%	8.5%	3.40-2.13%
Hydro Québec Distribution ⁴	35%	8.2%	2.87%
Hydro Québec Transenergie ⁵	30%	8.2%	2.46%

¹ OPG 2017 Annual Report, page 40.

² New Brunswick Energy and Utilities Board Regulation 2013-67, paragraphs 4 and 5. Maintained in a December 13, 2018 Decision related to approval of NB Power’s 2018/2019 Transmission Revenue Requirements.

³ Saskatchewan Rate Review Panel Report to the Minister Regarding SaskPower 2017 Rate Application, page 31.

⁴ Regie de l’Energie, Decision D-2018-025, paragraphs 139, 140 and 143.

⁵ Regie de l’Energie, Decision D-2018-021, paragraphs 577-580.

Utility	Target Equity	Target Return on Equity	Weighted Average Return on Equity $C = A * B$
	A	B	
BC Hydro ⁶	20%	11.84% ⁷	2.37%
NL Hydro⁸	25%	8.5%	2.13%
Manitoba Hydro ⁹	25%	N/A	N/A

1 Taking into account both target rate of return and target equity thickness, Table 1
 2 shows that Hydro's target weighted average return on equity is among the lowest in
 3 Canada for crown owned electric utilities.

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5 Hydro is not able to comment on the business risks, earnings volatility, and cash
 6 flow volatility of the other utilities listed in Table 1.

⁶ Direction No. 8 to the British Columbia Utilities Commission, Basis for Establishing Authority Revenue Requirements, page 3 of 4.

⁷ BC Hydro 2017 – 2019 Revenue Requirement Application, Section 8.3. Note: OC 51/2019 requires that the British Columbia Utilities Commission ensure rates allow BC Hydro to achieve a rate of return on deemed equity which would yield a distributable surplus of \$712 million.

⁸ Newfoundland and Labrador Hydro is permitted to have up to 45% equity in its capital structure for ratemaking. Actual corporate target is 25%.

⁹ Manitoba Public Utilities Board Order No. 59/18, pages 47-49. Note: Manitoba Hydro's rates are not set to produce a target return on equity.