

- 1 **Q. Has NP ever paid Fortis any issue costs attached to any infusions of common equity**
2 **from Fortis? Further, Fortis has a dividend reinvestment plan where shares can be**
3 **purchased at a 2% discount. In the judgment of NP is a 2% issue cost appropriate**
4 **for any equity issued by Fortis and then invested in NP? If not, and bearing in mind**
5 **the amount of equity generated through retained earnings, what is NP's best**
6 **estimate of the after tax cost paid to issue new equity to Fortis?**
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- 8 A. No. Newfoundland Power has not issued new common shares to Fortis Inc. since 1994.
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- 10 The Company's dividend policy is based on maintaining an average capital structure that
11 includes approximately 45% common equity, as approved by the Board. Maintaining this
12 capital structure may require dividend payments to be increased or decreased in a given
13 year.¹ This ultimately ensures that customers receive the full benefit of the cost of capital
14 approved by the Board in the ratemaking process.

¹ For example, in 2020, Newfoundland Power paid a special dividend of \$18 million. In 2015, the Company reduced its dividend payments to \$9.5 million compared to \$23.1 million in 2014.