

1 **Reference: Volume 3, Cost of Capital Report by James Coyne**  
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3 **Q. Volume 3, Cost of Capital Report by James Coyne, page 79. Has Mr. Coyne**  
4 **considered the impact on Newfoundland Power's credit metrics and financial**  
5 **integrity with different common equity ratios than 45%? If yes, explain what was**  
6 **considered and provide the analysis. If no, explain why not.**  
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8 A. No, Mr. Coyne has not considered the impact on Newfoundland Power's credit metrics  
9 and financial integrity at common equity ratios other than 45%. The credit rating  
10 agencies have considered Newfoundland Power's equity ratio a source of strength, which  
11 is particularly important for a company of Newfoundland Power's size and business risk  
12 profile. A change in the equity ratio would signal to the rating agencies that the  
13 regulatory environment in Newfoundland and Labrador had changed and that the credit  
14 supportiveness of the past 20 years had been reduced.