

1 **Section 3: Finance/Fair Return**
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3 **Q. (Section 3) Has Newfoundland Power ever paid Fortis any issue costs attached to**
4 **any infusions of common equity from Fortis to Newfoundland Power? Further,**
5 **Fortis has a dividend reinvestment plan where shares can be purchased at a 2%**
6 **discount. In the judgment of Newfoundland Power is a 2% issue cost appropriate**
7 **for any equity issued by Fortis and then invested in Newfoundland Power? If not,**
8 **and bearing in mind the amount of equity generated through retained earnings,**
9 **what is Newfoundland Power’s best estimate of the after-tax cost paid to issue new**
10 **equity to Fortis?**

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12 A. No. Newfoundland Power has not issued new common shares to Fortis Inc. since 1994.

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14 The Company’s dividend policy is based on maintaining an average capital structure that
15 includes approximately 45% common equity, as approved by the Board. Maintaining this
16 capital structure may require dividend payments to be increased or decreased in a given
17 year.¹ This ultimately ensures that customers receive the full benefit of the cost of capital
18 approved by the Board in the ratemaking process.

¹ For example, in 2023, the Company reduced its dividend payments to \$7.3 million compared to \$28.9 million in 2022. In 2020, Newfoundland Power paid a special dividend of \$18 million.