Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk Profile

Q. At Figure 39 C&T compares residential electric bills across 6 Canadian jurisdictions:

a) Why were these specific locations chosen? Why for example are Ontario and Quebec ignored?

b) It appears from Figure 39 that electricity is cheaper in Newfoundland than the comparators. Has C&T estimated or been provided by Newfoundland Power a demand study indicating how high electricity prices can go in Newfoundland before Newfoundland Power loses a significant number of customers and experiences an inability to recover its costs?

c) It appears from Figure 39 that Newfoundland Power's residential rates could increase by 63% before reaching Fortis Alberta's level, where Fortis Alberta is currently allowed a 37% common equity ratio by the AUC. On what basis is Newfoundland Power riskier than Fortis Alberta when it is larger, residential users have lower electricity costs reducing the stranded asset risk, and faces no competition risk from natural gas?

A. a) Figure 39 compares residential electric bills for customers of investor-owned electric utilities across Canada. Quebec was not included because Hydro Quebec is a crown corporation. In Ontario, there are 60 electric distributors in the province, and most are government or municipally owned.

b) Please see the Company's response to PUB-NP-103 for a full discussion of the price elasticity of demand and the impacts of price increases on demand in both the short and long-term.

c) Concentric's cost of capital analysis and recommendations are based on the complete financial modeling and risk assessment provided in its Report, and not a rate comparison to a single affiliated company. Concentric also notes that FortisAlberta has a higher allowed return than Newfoundland Power, currently 9.28% for 2024.