

1 **Q. (Reference CA-NP-086)**

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

10 **b) Newfoundland Power notes it last issued shares to Fortis in 1994 at no cost and**  
11 **in answer to CA-NP-085 and CA-NP-084 declined to provide any information on**  
12 **the issue costs of its parent Fortis. If there is no evidence presented in the**  
13 **hearing on Newfoundland Power's issue or floatation cost, or those incurred by**  
14 **its parent Fortis, how can such a cost be passed on to Newfoundland Power's**  
15 **customers? In other words, what is the basis for a floatation or issue cost that**  
16 **Newfoundland Power wants its customer to pay when there are no data on the**  
17 **magnitude of the cost?**

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19 A. a) See the response to Request for Information CA-NP-086.

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21 b) It is common practice for Canadian regulators to allow an adjustment for flotation  
22 costs and financing flexibility in the determination of a fair return on equity.<sup>1</sup> The  
23 Board found that a 50 basis point allowance for flotation costs is appropriate.<sup>2</sup> The  
24 Board has continued to recognize a 50 basis point allowance for flotation costs for the  
25 Company. For example, in its determination of an appropriate cost of capital during  
26 the Company's *2016/2017 General Rate Application*, the Board acknowledged that  
27 the CAPM results provided by Dr. Booth included 50 basis points for financial  
28 flexibility and flotation costs.<sup>3</sup>

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30 See the response to Request for Information PUB-NP-170 for a discussion on the  
31 basis for including an adjustment for flotation costs and financing flexibility.

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<sup>1</sup> See the *2025/2026 General Rate Application, Volume 2, Supporting Materials, Cost of Capital: Mr. James Coyne, Concentric Energy Advisors, Inc.*, page 47.

<sup>2</sup> See Order No. P.U. 16 (1998-99), page 99.

<sup>3</sup> See Order No. P.U. 18 (2016), page 34.