1   **Q.**   **Volume 2: Cost of Capital: Expert Opinion of James Coyne-Return on Equity**
2
3   **References: "2025/2026 General Rate Application," Newfoundland Power Inc.,**
4   **December 12, 2023, vol. 1, Evidence, sec. 3.3.1, p. 3-20/7–9 and vol. 2, Expert**
5   **Evidence, "Cost of Capital," Concentric Energy Advisors Inc., November 7, 2023,**
6   **ch. IV, pp. 28–30 and ch. VI(B)(1)(c), p. 55, fig. 33 and "2025/2026 General Rate**
7   **Application," Newfoundland Power Inc., December 12, 2023, vol. 1, exh. 4: "Rating**
8   **Report," DBRS Morningstar Inc., October 28, 2022, p. 3.**
9   **a) Does Newfoundland Power believe the Canadian Proxy Group of publically (sic)**
10   **traded companies, provided in Figure 18, are better comparators for**
11   **determining a reasonable Return on Equity than the Operating Utilities in**
12   **Figure 33? Why or why not?**
13   **b) Why is it appropriate for Newfoundland Power to use a Canadian Proxy Group**
14   **of which four of six companies have less than 53% Canadian operations?**
15   **Exhibit 4: DBRS Morningstar Inc. Report states:**
16   **Newfoundland Power has a stable customer base with power sales consisting**
17   **solely of those to residential and commercial customers. As such, the**
18   **Company is somewhat less sensitive to economic cycles than utilities with**
19   **exposure to industrial customers, and it has relatively more stable**
20   **throughputs YOY.**
21   **c) How does the mix of customer classes within the Canadian Proxy Group**
22   **compare to Newfoundland Power? Please confirm the proportion of customer**
23   **type (industrial versus non-industrial) in the Canadian Proxy Groups.**
24
25   **A.**   a)   As explained in Concentric's *Cost of Capital* report, Volume 2, Concentric believes
26   that the companies in the North American Electric proxy group in Figure 21 are the
27   best comparators for Newfoundland Power. The operating utilities in Figure 33
28   cannot be used for the ROE analysis because they are not publicly-traded companies
29   and therefore do not have the market data necessary (growth rates, dividend yields,
30   beta coefficients) for the DCF and CAPM models that Concentric uses to estimate the
31   cost of equity.
32
33   b)   Concentric's ROE recommendation is based on the three model average for the North
34   American electric proxy group because Concentric believes the Canadian and U.S.
35   companies in that group are most comparable to Newfoundland Power in terms of
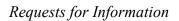36   business and financial risk.
37
38   c)   Please see Attachment A for the requested data.

Electric Utility Customer Breakdown

NLH-NP-086 Part c)
Electric Utility Customer Breakdown

	% Residential	Residential Customers	Sales	Commercial Customers	Sales	Industrial Customers	Sales	Total Customers	Sales	Year
Newfoundland Power[1]	87%	238,353		23,069		1,317		273,764		2022
Algonquin Power and Utilities Corp.[2]	85%	261,900		42,800				309,000		2022
AltaGas Inc.[3]										
Canadian Utilities Limited										
ATCO Electric[4]	69%	159,239		29,710		9,251		230,599		2022
Emera Inc.										
Nova Scotia Power[5]	91%	499,699	4,822	37,729	3,006	2,291	2,480	549,500	10,456	2022
										2024[6]
Enbridge Inc.[7]										
Hydro One, Ltd.[8]	90%	1,297,109		142,195		5,780		1,445,687		2021

Notes	**Source**
[1] *Newfoundland Power's 2025/2026 General Rate Application, Volume 2: Supporting Materials, Tab A, Report 3. Customer, Energy and Demand Forecast, Appendix B* .	
[2] All U.S., Combined C&I reported	https://s25.q4cdn.com/253745149/files/doc_financials/2022/ar/2022-AQN-Annual-Report-vF2.pdf, pp. 18-19.
[3] Natural gas only	https://www.altagas.ca/sites/default/files/2023-03/AltaGas-Ltd_Q4%202022%20Press%20Release%20and%20MD%26A.pdf
[4]	https://media.www.auc.ab.ca/prd-wp-uploads/ReportDocuments/2022-Finance-ATCOElectric-distribution.pdf
[5] GWH, except total customer count	https://s25.q4cdn.com/978989322/files/doc_earnings/2023/q4/supplemental-info/Emera-Q4-2023-MD-A.pdf, p. 24.
[6]	Data on customer count provided by Nova Scotia Power
[7] Natural gas only	
[8]	https://www.oeb.ca/ontarios-energy-sector/performance-assessment/natural-gas-and-electricity-utility-yearbooks#elec