

- 1 **Q. (page 2) It is stated “Newfoundland Power’s uncollectible customer billings appear**
2 **to be low compared to other Canadian utilities.” Has NP incorporated this reduced**
3 **risk relative to other Canadian utilities in its cost of capital assessment? Please**
4 **explain why or why not, and if it has been incorporated, please explain how.**
5
- 6 A. No, Mr. Coyne has not incorporated Newfoundland Power’s uncollectible customer
7 billings relative to other Canadian utilities into his cost of capital assessment. Exhibit
8 JMC-10 lists the most important risk factors that Mr. Coyne believes investors consider
9 in establishing their return requirements for regulated utilities such as Newfoundland
10 Power. The level of uncollectible accounts for a regulated utility generally depends on
11 economic conditions in its service territory. As Mr. Coyne explains on pages 52-53, the
12 long-term macroeconomic and demographic trends for Newfoundland and Labrador are
13 weak compared to Canada overall. Given that outlook, Mr. Coyne would not expect the
14 uncollectible customer billings to remain low for Newfoundland Power compared to
15 other Canadian utilities over the longer-term.