

1 **Q. Reference: Dr. Cleary's Evidence, Page 36, Lines 4-14**
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3 **In Dr. Cleary's opinion, what specific steps should Newfoundland Power take**
4 **to reduce its common equity ratio from 45.0 percent to 40.0 percent, as he is**
5 **recommending in his evidence?**
6

7 A. Dr. Cleary's analysis was based on the premise that NP would issue additional long-
8 term debt to reduce the common equity ratio. His calculations provided in
9 "Attachment A – PUB-CA-021 Worksheet.xls" suggest that a debt issue in the
10 vicinity of \$50-55 million would work; although this could be combined with
11 having NP pay a special "one-time" common share dividend on common shares to
12 accomplish the task, if deemed desirable. Given that NP's borrowing costs are near
13 all-time lows, this option would provide NP with inexpensive long-term financing.
14 Of course, there are a number of alternatives available to NP and Dr. Cleary would
15 expect that they evaluate the various options and devise a plan that would be the
16 most efficient after due consideration and analysis.