

1 **Q. Would it be correct to say that as Newfoundland Power borrows more money it will**  
2 **need to increase its common equity to maintain current capital structure. If not,**  
3 **please explain why?**  
4

5 A. Newfoundland Power targets the common equity component of its capital structure to be  
6 approximately 45% in keeping with the capital structure approved by the Public Utilities  
7 Board in Order No. P.U. 36 (1998-99). As the Company borrows additional funds to  
8 finance capital investment in the electrical system, the Company must also increase its  
9 equity to maintain the desired capital structure.