

- 1 **Q. (Schedule B, clause 10 (c)) What is the basis for the 5% adder to the prime rate and**
 2 **how does it compare to practice elsewhere in Canada?**
 3
 4 A. The 5% adder to the prime rate covers Newfoundland Power’s own cost of borrowing, as
 5 well as costs associated with the general administration of overdue accounts.
 6
 7 Interest on overdue accounts was set at prime plus 5% in the early 1980s. This rate
 8 remains in effect today.
 9
 10 Table 1 provides a comparison of interest rates on overdue accounts in effect for
 11 Canadian utilities as of August 2018.

Table 1:
Canadian Utility Interest Rates on Overdue Accounts

Utility	Rate per Annum
Newfoundland Power	Prime plus 5% (8.7%)
Newfoundland and Labrador Hydro	Prime plus 5% (8.7%)
Maritime Electric	21.70%
Nova Scotia Power	19.56%
NB Power	19.56%
Saint John Energy	Not indicated
Toronto Hydro	19.56%
Ottawa Hydro	19.56%
Manitoba Hydro	16.08%
Fortis Alberta	19.56%
BC Hydro	19.56%

- 12 The results of this comparison indicate customers in this province are billed the lowest
 13 interest rate on overdue accounts.