

1 **Q. Reference: Dr. Booth's Evidence, Page 34, Line 1 to Page 35, Line 1**

2
3 **Please explain whether Dr. Booth believes that Newfoundland Power's**
4 **business risk is more closely associated with the economy in the province of**
5 **Newfoundland and Labrador or the economy of Canada.**
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7 **A.** NP's business risk is based on Newfoundland and Labrador, but its investment risk
8 is based on the overall capital market. As a resource based economy like Alberta
9 the economy of Newfoundland and Labrador has been volatile and reflects the
10 activity of major projects. As Dr. Booth noted in 2016 he was not aware that the
11 then recent strong provincial economy resulted in a significant reduction in NP's
12 business risk or ability to recover its costs.
13

14 Similar to 2016 Dr. Booth's judgement is that NP has not exhibited any short run
15 risk as demonstrated by its consistent ability to earn its allowed ROE over both
16 strong and weak provincial economies. To that extent, its business risk is not
17 associated with either the provincial or national economies. Its long run risk of
18 capital recovery is clearly more associated with the provincial economy.

