

1 **Q. Reference Evidence of Laurence Booth dated September 25, 2018**
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3 **Page 80, lines 16-18: Dr. Booth states that Newfoundland Power is a “low risk”**
4 **utility with an “excessively conservative common equity ratio”. If the Board**
5 **concludes Newfoundland Power is an average risk Canadian utility as it has in**
6 **the past, how would this affect Dr. Booth’s opinion on what a fair ROE is?**
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8 **A.** It wouldn’t, as Dr. Booth’s assessment is that NP is a low risk utility similar to other
9 Canadian low risk utilities. In practice, Dr. Booth’s observation is that the regulated
10 utility’s capital structure has a minimal impact on shareholder risk, since Canadian
11 utilities routinely earn their allowed ROE. As the National Energy Board and the
12 Ontario Energy Board have both stated the common equity ratio should reflect this
13 business risk, so the same allowed ROE can be awarded to different risk utilities.
14 The only outlier in NP’s regulation is the very conservative common equity ratio,
15 which can’t be justified either on business risk or the “small” size of NP.