

WHENEVER, WHEREVER.  
We'll be there.



October 12, 2021

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Ladies and Gentlemen:

**Re: Newfoundland Power's 2022/2023 General Rate Application – RFIs on Expert Reports**

Please find enclosed the original and 10 copies of Newfoundland Power's Requests for Information NP-CA-001 to NP-CA-064 with respect to the pre-filed evidence of Dr. Laurence Booth. A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,

A handwritten signature in black ink that reads "Lindsay Hollett".

Lindsay Hollett  
Legal Counsel

Enclosures

c. Shirley Walsh  
Newfoundland and Labrador Hydro

Dennis Browne, QC  
Consumer Advocate

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

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**IN THE MATTER OF** the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

**IN THE MATTER OF** a general rate application (the “Application”) by Newfoundland Power Inc. (“Newfoundland Power”) to establish customer electricity rates for 2022 and 2023.

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**Requests for Information by  
Newfoundland Power Inc.**

**To: Dr. Laurence D. Booth**

**NP-CA-001 to NP-CA-064**

**October 12, 2021**

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## Requests for Information

NP-CA-001

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021.

Table 1 summarizes Dr. Booth's recommended benchmark ROEs and their component parts as set forth in his evidence as filed with various Canadian regulatory boards from August 2009 to September 2021. Please confirm the information in the table is accurate, or revise as required.

Date Filed	Board/ Client/ Company	Dr. Booth's Forecast Long Canada	Market Risk Premium/ Benchmark Utility Beta	Base Risk Premium (Midpoint) Over Long Canada	Flotation Cost	Adjustments to Base ROE and Reasons for Adjustments	Dr. Booth's Benchmark ROE
Aug-09	NL PUB/ Consumer Advocate/ Newfoundland Power	2010: 4.5%	5.00% 0.45-0.55	2.50%	0.50%	0.25% Margin of Error	7.75%
Jun-10	Régie/ IGUA/ Gazifère	2011: 4.5%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.5% Crisis Premium	8.25%
Jul-11	Régie/ IGUA/ Gaz Métro	2012: 4.5%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.325% Spread Adjustment (midpoint 25-40bp)	8.10%
Sep-11	NSUARB/ NSUARB/ Heritage Gas	2012: 4%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.5% Financial Crisis Premium	7.75%
Mar-12	NEB/ CAPP/ TCPL Restructuring	Restructuring: 2012: 3.3% 2013: 3.8%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Adjustment (.4%) Operation Twist (.8%)	2012: 7.80% 2013: 8.30%
May-12	NL PUB/ Consumer Advocate / Newfoundland Power	2012: 4.5% 2013: 3.5%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.40% financial crisis/spread in 2012 0.40% plus 0.80% Operation Twist in 2013	2012: 8.15% 2013: 7.95% Fixed Rate for 2 years: 8.15%
Aug-12	NSUARB/ NSUARB/ NSPI	2013: 3.0% 2014: 4.0%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Spread Adjust. (.41%) Operation Twist (.8%)	2012: 7.5% 2013: 8.5%
Nov-12	NL PUB/ Consumer Advocate / Newfoundland Power	2013: 3.0%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Spread Adjust. (.4%) Operation Twist (.8%)	7.50%
Feb-13	BCUC/ AMPC/CEC/ FortisBC	2014: 3.00%	5.00%-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Spread Adjust (0.40%) Operation Twist (0.80%)	7.50%

Table 1

Date Filed	Board/ Client/ Company	Dr. Booth's Forecast Long Canada	Market Risk Premium/ Benchmark Utility Beta	Base Risk Premium (Midpoint) Over Long Canada	Flotation Cost	Adjustments to Base ROE and Reasons for Adjustments	Dr. Booth's Benchmark ROE
Jul-14	AUC/CAPP/ GCOC	2014: 3.00%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.66% Credit Spread Adjust (0.26) Operation Twist (0.40%)	7.50%
Oct-15	NL PUB/ Consumer Advocate / Newfoundland Power	2016: 2.81%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.75% Credit Spread Adjust (0.45%) Operation Twist (1.3%)	7.50%
Jan-16	BCUC/ Utility Customers/ FortisBC Energy	2016: 3.00%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.75% Credit Spread Adjust (0.45%) Operation Twist (1.3%)	7.50%
Sep-18	NL PUB/ Consumer Advocate / Newfoundland Power	2019: 3.00%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.98% Credit Spread Adjust (0.18%) Operation Twist (0.80%)	7.50%
Mar-19	PEI IRAC/ Commission/ Maritime Electric	2020: 2.65%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.13% Credit Spread Adjust (0.33%) Operation Twist (0.80%)	7.50%
Jun-21	NBEUB/ Public Intervenor/ Liberty Gas New Brunswick	2025: 3.07%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.00% Credit Spread Adjust (0.25%) Operation Twist (0.75%)	7.50%

NP-CA-002

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 2, lines 20-21.

*“Currently we are rapidly emerging from a serious recession caused by COVID 19.”*

Please provide the annualized GDP growth rate for the second quarter of 2021 for Canada.

NP-CA-003

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 4, lines 8-12.

Please describe the relevance of LUNB’s requested risk premium and EGNB’s underlying business risk to Newfoundland Power’s cost of capital in this proceeding.

NP-CA-004

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 6, footnote 3.

Please detail the basis for Dr. Booth's understanding of how U.S. equity ratios are established in regulatory proceedings.

NP-CA-005

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 21, line 9.

Please provide a copy of the Royal Bank of Canada's forecast dated August 12, 2021, as referenced.

NP-CA-006

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 24, lines 9-11.

*"The main risk is political, since neither short nor long term interest rates are currently being determined by private sector investors. Instead, and since the financial crisis, they have been determined by the actions of central banks supporting their government's active fiscal policy."*

What are the implications for the financial models used to estimate the cost of equity based on Dr. Booth's observation that interest rates are not being determined by private sector investors?

NP-CA-007

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 31, lines 7-9.

Please provide the source from the Federal Reserve Bank of Kansas City that indicates values below 0 reflect "easy" or "stress-free" capital market conditions.

NP-CA-008

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 33, line 12, to page 36, line 2.

In Dr. Booth's view, have there been any changes in "the money market" since 2012, or have conditions remained exactly the same over that period? Please explain.

NP-CA-009 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 34, lines 5-6.

Please provide, in Excel format, daily market data for the S&P 500 and the VIX for the period May 2021 to October 2021.

NP-CA-010 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 36, line 12.

*"This indicates that Newfoundland and Labrador is not a poor province."*

Please describe all economic information relied upon by Dr. Booth in assessing Newfoundland Power's business risk.

NP-CA-011 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 37, lines 4-6.

*"The problem with Newfoundland is the outmigration below where apart from the period from 2008 to 2016 there has been a net outward migration."*

Please describe all demographic information relied upon by Dr. Booth in assessing Newfoundland Power's business risk.

NP-CA-012 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 38, lines 1-3.

*"A declining tax base for a highly indebted province is a concern that markets have noticed."*

How would an investor view a utility business operating in an environment characterized by a declining tax base and a highly indebted province, compared to a utility business operating in an environment with a less indebted province with an increasing tax base?

NP-CA-013

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 38, lines 1-2.

*"I was asked to talk at a September 15, 2021 conference at Memorial University on the economic and fiscal trajectory of the Province."*

Please provide all presentation materials used by Dr. Booth in the above referenced conference.

NP-CA-014

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, pages 38-39.

Is Dr. Booth aware of the principal factors that have caused Newfoundland and Labrador's debt and credit spreads to increase? If so, please explain those factors.

NP-CA-015

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 39, lines 1-3.

*"There is no question that the province's fiscal position is not as strong as in 2016 or even 2018, as it seems to have reverted to pre 2007. Whether this affects the risk of Newfoundland Power, however, is question."*

Does Dr. Booth believe the province's fiscal position affects the risk of Newfoundland Power? Please explain.

NP-CA-016

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 41, line 14.

*"All businesses face short run and long run risks."*

Does Dr. Booth believe the short run and long run business risks of Newfoundland Power are different from those of other Canadian utilities? If so, please explain in detail how Newfoundland Power's business risk is different from other Canadian utilities.

- NP-CA-017                   Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 42, lines 11-12.
- “Of importance is that the utility can be shielded from almost all these risks by rate design and the use of deferral accounts.*
- Has Dr. Booth compared Newfoundland Power’s deferral and variance accounts to those of peer companies? If so, please provide that comparison.
- NP-CA-018                   Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 42, lines 14-15.
- Please provide support from credit rating agencies or equity analysts that a utility that is able to earn its allowed ROE faces “no material short run risk regardless of its use of debt financing.”
- NP-CA-019                   Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 42, lines 21-22.
- Please explain the basis for the assertion that Newfoundland Power’s ability to earn its allowed ROE means “there has been no discernable risk borne by the common shareholders.”
- NP-CA-020                   Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 42, lines 22, to page 43, line 5.
- Does Dr. Booth believe Newfoundland Power’s annual earnings are simply based on its allowed ROE and are not dependent on differences in costs and management decision making? Please explain.
- NP-CA-021                   Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 43, lines 11-12.
- “In practical terms NP has never incurred any risk over the period since 1990.”*
- Does Dr. Booth consider an equity investment in Newfoundland Power to be a risk-free investment? Please explain.



NP-CA-022

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 43, lines 13-15.

*“In financial terms NP’s actual ROE stochastically dominated the LTC bond in the sense that no investor would have held the LTC bond if they could have earned NP’s actual ROE.”*

In Dr. Booth’s opinion, what considerations does an investor give to investment in a LTC bond compared to an investment characterized by regulated utility operations?

NP-CA-023

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 43, lines 13-15.

*“In financial terms NP’s actual ROE stochastically dominated the LTC bond in the sense that no investor would have held the LTC bond if they could have earned NP’s actual ROE.”*

If investors view an LTC bond the same as an equity investment in a regulated utility, how would that influence the expected return on those investments?

NP-CA-024

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 44, lines 1-2.

*“However, what is striking is the standard deviation of the annual earned ROEs (variability), which is a broad measure of risk.”*

- a) Please provide published references that define equity investment risk in terms of variability of earned ROEs.
- b) Please confirm that equity investment risk is typically measured through the standard deviation of the security’s price over a number of periods.

NP-CA-025

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, pages 44, lines 15-21.

In Dr. Booth’s opinion, do equity investors ignore prospective risks, and not require a premium over a risk-free investment, if a company has a track record of successfully mitigating historic risks? Please explain.

NP-CA-026 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 44, line 17.

*“Risk itself is forward looking not backward looking.”*

Given Dr. Booth’s position that risk is forward looking, please explain the relevance of Newfoundland Power’s historical achieved ROE in assessing its business risk.

NP-CA-027 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 46, lines 2-6.

*“NP was specifically asked whether its risk assessment applied to the immediate test years 2022 and 2023 (CA-NP-018) and specifically stated it did not confirm that assumption and that its risk assessment reflects both near-term and long-term analyses. In my judgment this goes against the regulatory compact in Canada, the explicit policy of the OEB and past practise of most Canadian boards.”*

Does Dr. Booth agree that investors consider both short-term and long-term investment risks? Please explain.

NP-CA-028 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 48, lines 13-14.

*“In other words, the possibility of higher electricity costs due to Muskrat Falls is not a factor during the upcoming test years.”*

Please describe Dr. Booth’s understanding of when and to what extent customer rates will increase as a result of the Muskrat Falls Project.

NP-CA-029 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 48, lines 13-14.

*“In other words, the possibility of higher electricity costs due to Muskrat Falls is not a factor during the upcoming test years.”*

Does the Muskrat Falls Project present any short-term or long-term risk to Newfoundland Power? Please explain.

NP-CA-030

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 48, lines 13-14.

*“In other words, the possibility of higher electricity costs due to Muskrat Falls is not a factor during the upcoming test years.”*

In his assessment of Newfoundland Power’s business risk and in consideration of the Muskrat Falls Project, did Dr. Booth identify any utilities with supply risk similar to that of Newfoundland Power? If so, please identify those utilities.

NP-CA-031

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 48, lines 25-26.

*“Until the magnitude of any price increases is clarified it is difficult to assess their impact, but the risk is not as great now as it was three years ago since mitigation is under way.”*

Please describe how concerns regarding the reliability of the Labrador-Island Link and the adequacy of generation resources on the Island of Newfoundland were factored into Dr. Booth’s assessment of Newfoundland Power’s business risk.

NP-CA-032

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 51, lines 1-7.

*“In 2019 I provided evidence before the Island Regulatory and Appeals Commission of PEI (IRAC) on Maritime Electric. Of relevance is that Charlottetown has almost the highest customer rates in Canada which are significantly higher than NP’s current rates yet there was no discussion of Maritime Electric’s customers cutting the power cord and switching to alternative fuels. In fact, quite the opposite. At Schedule 5 is an extract from Concentric Energy’s report on Maritime Electric’s business risk from alternative fuels. They note that customers are switching from fuel oil to electricity using heat pumps.”*

How does the adoption of heat pumps and resulting impact on energy sales for Maritime Electric compare to the adoption of heat pumps and resulting impact on energy sales for Newfoundland Power?

NP-CA-033

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 51, lines 10-13.

*“Finally, the litmus test for the competitiveness of electricity versus alternative fuels is new build, where the installation cost is not a factor the way that it is to get people to switch from one fuel to another. In answer to CA-NP-024 NP estimates that 88% of the housing starts in Newfoundland are within its territory and 84% will use electricity as the primary heat source.”*

- a) In his assessment of Newfoundland Power’s business risk, what weight has Dr. Booth given to the 79% reduction in housing starts in Newfoundland and Labrador over the period 2010 to 2020?
- b) In his assessment of Newfoundland Power’s business risk, what weight has Dr. Booth given to the increased adoption of heat pumps to offset electric baseboard heating?

NP-CA-034

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 52, lines 23-24.

*“The CAPM is the most important model used by a company in estimating their cost of equity capital.”*

On what basis does Dr. Booth assert that the CAPM is the most important model used in setting regulated returns for utilities in Canada or the U.S.?

NP-CA-035

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 59, lines 2-5.

*“What is important is that both the market risk premium and the associated risk-free rate have declined from both 2010 and 2019 to 2020, that is, there is no evidence of an inverse relationship between the market risk premium and the level of interest rates over the last ten years either in Canada or the US.”*

Please provide the annual market equity returns in Canada and the U.S. from 2010 to 2020, and the corresponding 10-year treasury yields.

- NP-CA-036      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 67, lines 14-23.
- Has Dr. Booth relied on market data or estimates from third party sources as direct inputs in his CAPM analysis to generate this estimate? If yes, please list those sources, and indicate where that data was directly utilized as inputs to his CAPM analysis.
- NP-CA-037      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 74, lines 16-17.
- What has been the average annual return for the U.S. stock market (as measured by the S&P 500 Index) since TD Economics published its forecast of 4.5% on January 5, 2016?
- NP-CA-038      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 81, line 1.
- a) Please provide the source data, in Excel format, for the unnamed chart at the top of page 81 showing the earned ROE for Corporate Canada since 1988.
- b) Has Dr. Booth calculated the variability of the earned ROE for Corporate Canada, as shown in this chart? If so, please provide that analysis in Excel format with all formulas and links intact.
- NP-CA-039      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 83, lines 18-20.
- "The basic message is that the equity market return is tied to the ROE earned by the overall stock market, which has been around 10%."*
- Please provide support for the statement that the ROE earned on the overall stock market has been around 10%. Please indicate for which market, over what time period, and for what market capitalization.

NP-CA-040

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 84, lines 1-16.

- a) Please provide the pages from the cited S&P Analyst Handbook that provide the overall utility index growth rates.
- b) Which companies in the overall utility index are electric utilities?
- c) Has Dr. Booth examined more recent market data for a sample of electric utilities? If so, please provide that analysis.

NP-CA-041

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 85, lines 1-4.

*"I would regard long run growth at 65-68% of the GDP growth rate as being reasonable based on actual experienced median growth rates. This would mean 3.3-3.4% long run growth rates based on a 5% GDP growth rate, and a DCF equity cost of 6.8-6.9% when added to their current typical dividend yield of 3.4%."*

- a) Please provide any analysis Dr. Booth has performed to demonstrate that the long-term EPS growth of 65-68% of GDP growth is reasonable for utilities. If Dr. Booth has not performed any analysis, what is the basis for this statement?
- b) Has Dr. Booth conducted an analysis on a proxy group of utilities that would support an EPS growth rate of 3.3% to 3.4%? If so, please provide the analysis.

NP-CA-042

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 85, lines 3-4.

*"This would mean 3.3-3.4% long run growth rates based on a 5% GDP growth rate, and a DCF equity cost of 6.8-6.9% when added to their current typical dividend yield of 3.4%."*

Please provide current market data for Canadian and U.S. utilities that would support a dividend yield of 3.4%.

- NP-CA-043      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 87, lines 3-5.
- a) Please confirm that Mr. Coyne utilizes a Canadian proxy group and risk comparisons in his evidence.
  - b) Please indicate whether Mr. Coyne’s Canadian proxy group results are higher or lower than his US proxy group results.
- NP-CA-044      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 87, lines 9-11.
- Please indicate where in Dr. Booth’s Appendix B the market risk premium is higher in the U.S. than in Canada.
- NP-CA-045      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 87, lines 12-13.
- Please provide the basis for the statement that it is “widely recognised” that the implementation of regulation in the U.S. is different than in Canada.
- NP-CA-046      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 88, line 2.
- Please provide a copy of the referenced Morningstar report for Emera.
- NP-CA-047      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 89, lines 4-7.
- “In answer to CA-NP-62 Mr. Coyne reported the self-generation for each of the U.S. utilities in his sample. The average is 69%. Quite strikingly nuclear generation was present for 6 of the 9 U.S. utilities with an average of 43% nuclear generation.”*
- a) Please provide the source of the information in the above-referenced passage.
  - b) Please provide a copy of the Morningstar report quoted on line 7.

NP-CA-048

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 90, lines 3-4 and 14-16.

*"Mr. Coyne states that 'from a business investment perspective, Canada and the U.S are highly comparable.' A conclusion he draws from the Coface ratings."*

*"While such rankings are fun to look at, they should not be the basis for a conclusion that any two countries are identical as is implicitly assumed if U.S. data is used in Canada without qualification."*

- a) Is Dr. Booth aware of reports that suggest that Canada is lower risk than the U.S. for an equity investor? If so, please provide these reports.
- b) Does Dr. Booth believe that investors require countries to be "identical" in order to use sample companies that satisfy the Fair Return Standard?
- c) Is Dr. Booth aware of any Canadian regulator that has found that "identical" is a requirement in determining sample companies to satisfy the Fair Return Standard?

NP-CA-049

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 90, lines 10-11.

Please describe the "dramatically different cultural and institutional values" between Canada and the U.S. that makes "the comparison misleading."

NP-CA-050

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, pages 90, line 19, to page 91, line 25.

Is Dr. Booth aware of any updates to the 2009 Moody's report that assesses regulatory risks in Canada and the U.S.?



- NP-CA-051                      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 95, lines 4-13.
- What does Dr. Booth believe to be the most important factor considered by Moody's and DBRS in determining Newfoundland Power's credit rating?
- NP-CA-052                      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 96.
- Please confirm that Newfoundland Power's issuer rating from Moody's is Baa1 and that the A2 credit rating referenced on page 96 of Dr. Booth's evidence is the secured debt credit rating associated with Newfoundland Power's first mortgage bonds.
- NP-CA-053                      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 97, lines 3-12.
- Please confirm whether bond rating agencies use *actual* financial results in assessing a company's credit metrics.
- NP-CA-054                      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 98, lines 10-11
- What impact does Dr. Booth believe a 7.5% allowed ROE on a 40% common equity ratio would have on Newfoundland Power's credit ratings from Moody's and DBRS?
- NP-CA-055                      Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, page 98, lines 10-11
- Please identify any authorized equity returns for investor-owned utilities in Canada as low as Dr. Booth's ROE recommendation of 7.5%. If there are no returns in Canada as low as Dr. Booth's recommendation, please explain how his ROE recommendation of 7.5% meets the comparable return requirement of the Fair Return Standard.

NP-CA-056

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Schedule 3 – US. Electric UHC ROEs.

- a) Please provide the source and source data in Excel format with all formulas and links intact.
- b) Please explain the relevance of the calculated earned ROEs for this group of electric utility holding companies to the proxy group companies used in Mr. Coyne's analysis of Newfoundland Power.
- c) Has Dr. Booth researched the earned versus allowed ROEs for any operating companies in this group? If so, please provide that analysis.

NP-CA-057

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Schedule 4 – U.S. Electric UHC Market (price) to book ratios.

Please provide the source and source data in Excel format with all formulas and links intact.

NP-CA-058

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Appendix B, page 9, lines 6-16.

*"Further, we have to bear in mind that Canada is in a favourable position as an AAA rated borrower that until recently had solved most of its structural deficit problems.... Typically, long Canada bonds have recently had yields about 0.50% less than equivalent US Treasuries."*

- a) When did Dr. Booth last update this appendix?
- b) What are the current Canadian and U.S. sovereign bond ratings?
- c) What are the current 10 and 30-year Canadian and U.S. Treasury bond yields?

NP-CA-059

Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Appendix B, Schedule 1.

Please provide an Excel spreadsheet showing the annual returns for the Canadian stock market since 1924.

NP-CA-060 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Appendix C, page 11, lines 23-24.

*“Why this is important is that Mr. Coyne uses adjusted betas estimated over weekly time periods from Value Line and Bank of America Merrill Lynch.”*

Please identify where Mr. Coyne has utilized betas from Bank of America Merrill Lynch.

NP-CA-061 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Appendix C, page 12, table of Canadian Betas; page 13, tables of US Gas Companies and US Electrics.

Please provide the source data used to create these tables of beta estimates in Excel format with all formulas and links intact.

NP-CA-062 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Appendix C, page 15, lines 1-2.

*“From this analysis, I can see no reason that would cause me to deviate from my normal generic risk assessment for a Canadian utility of a beta range of 0.45-0.55.”*

Has Dr. Booth ever deviated from his generic estimate of a beta for an electric or gas distributor? If yes, please provide that estimate and the relevant testimony.

NP-CA-063 Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, September 28, 2021, Appendix D, Schedule 15 – US Electric UHC Data.

- a) Please provide the source data in Excel format with all formulas and links intact.
- b) Is the ROE based on historical or projected data?
- c) Is the retention ratio based on historical or projected data?

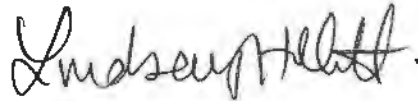
NP-CA-064

Reference: *Fair Return and Capital Structure for TransÉnergie*, Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, page 2, lines 22-24.

*"In our judgment, capital structure decisions should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis"*

Does Dr. Booth agree with the above statement regarding the long-lived nature of capital structures? Please explain.

**RESPECTFULLY SUBMITTED** at St. John's, Newfoundland and Labrador, this 12<sup>th</sup> day of October, 2021.



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