

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

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4 *“A declining tax base for a highly indebted province is a concern that*
5 *markets have noticed.”*

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

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13 **A.** At the margin it would have an impact since income affects the demand for any
14 commodity. However, for debt investors it seems to make very little difference
15 since their main concern is the ability of the utility to generate revenues to
16 make the interest payments. Usually, the utility as a monopolist charging
17 relatively low prices has more ability to recover its costs than a province
18 subjected to a broader array of revenue and cost uncertainty and a lesser ability
19 to generate enhanced revenues before people leave. Dr. Booth would note that
20 as far back as 1992 in a hearing before the CRTC he was aware that
21 Newfoundland Tel, for example, had a better bond rating than the province.