

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

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

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

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11 A. Possibly, but NP has not entered material evidence in this hearing that allows
12 an objective determination of that risk.

13 For example, if the Board set up a deferral account for all power costs in excess
14 of say a 25% increase, then NP would be shielded in the short term for any
15 costs that cause power costs in St. John’s to exceed those in Charlottetown
16 charged by Maritime Electric. Since in the 2019 hearing in PEI there was no
17 material discussion of the risk posed by Maritime Electric’s power costs, which
18 are almost the highest in Canada, that would seem to be an obvious upper
19 bound.

20 If this happens I would suggest that after the situation clarifies, and in NP’s
21 next rate hearing, the Board ask the company for a demand study to assess how
22 the disposition of the amount in the deferral account (if any) and any higher
23 costs might affect the company’s ability to earn its allowed ROE.

24 However, even with this approach it seems to be NP’s view that it can recover
25 all costs without affecting its ability to earn its allowed ROE, that is, it is *not* in
26 a death spiral.