

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

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4 *“Mr. Coyne states that “from a business investment perspective, Canada and*
5 *the U.S are highly comparable.’ A conclusion he draws from the Coface*
6 *ratings.”*

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

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

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22 **A.** a) Note the date provided in answer to NP-CA-44 where the volatility of the US
23 market since 1926 is 19.66% versus 18.26% in Canada. The objective data is
24 that the Canadian equity market has been lower risk than that of the US for the
25 period 1926-2020. Until relatively recently it has been partly insulated from
26 US influence due to a variety of government controls such as direct ownership
27 restrictions, with-holding taxes and differential tax rates. However, the effect of
28 most of these have now been reduced or removed.
29
30 b) Dr. Booth is not aware of investors using the fair return standard. This is a
31 regulatory standard and until relatively recently US evidence was not widely
32 used in Canada.
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34 c) Identical means that US allowed rates of return can be used in Canada without
35 adjustment. Dr. Booth is not aware of any Canadian regulator that has accepted
36 that proposition. Quite the opposite most regulators have accepted that US
37 evidence is useful but needs to be adjusted to ensure that it is comparable, that
38 is, identical in terms of risk. Please see Dr. Booth’s testimony pages 92-94
39 citing various regulatory decisions.