

1 **Q. Reference Evidence of Laurence Booth dated September 25, 2018**
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3 **Page 3, lines 7-13: Dr. Booth states here that the province “will in all likelihood**
4 **reallocate some of those costs to other entities to reduce rate shock”. A similar**
5 **opinion is expressed at page 5, lines 16-20 and pages 74-75. Assuming that the**
6 **province will take action as Dr. Booth believes and that is known or assumed**
7 **by capital and financial markets, there is at this time, still no certainty with**
8 **respect to the extent of any action by the Government of Newfoundland and**
9 **Labrador to “reduce rate shock” including the magnitude of any reduction in**
10 **electricity price increases. Explain how and to what degree this existing**
11 **uncertainty affects the assessment of business risks.**
12

13 **A. Dr. Booth has always believed that many of the risks “claimed” by company**
14 **witnesses in rate hearings end up being allocated to rate-payers, if they ever**
15 **materialize. In this Dr. Booth agrees with the Ontario Energy Board in an Enbridge**
16 **Gas Distribution Inc., (EGDI) hearing, where Mr. Coyne presented evidence on**
17 **behalf of EGDI. The OEB stated that¹**
18

19 *“Regarding the risk of future events, the Board agrees with CCC that the*
20 *relevant future risks are those that are likely to affect Enbridge in the near*
21 *term. Any risks that may materialize over the longer term can be taken into*
22 *account in subsequent proceedings. In considering the risk of future events,*
23 *the Board will take into account the fact that, generally, the more distant the*
24 *potential event, the more speculative is any conclusion on the likelihood that*
25 *the risk will materialize.”*
26

27 Currently, I would regard it as speculative as to the magnitude of the increase in
28 electricity costs that will flow through to ratepayers *beyond* the current test years. It
29 is also speculative as to whether any increases will be of such a magnitude as to
30 impair NP’s ability to earn its allowed ROE, since there is no evidence on the record
31 to indicate that NP will not be able to pass these costs on to ratepayers.

¹ EB2011-0354 Decision, page 7.