

IN THE MATTER OF the *Public Utilities Act*, RSNL
1990, Chapter P-47, as amended (“*Act*”); and

IN THE MATTER OF an application by
Newfoundland Power Inc. (“Newfoundland Power”)
to establish customer electricity rates for 2025 and
2026 (“Application”).

Newfoundland and Labrador Hydro

Requests for Information

NLH-CA-001 to NLH-CA-010

May 8, 2024

1 **LAURENCE D. BOOTH – FAIR RETURN AND CAPITAL STRUCTURE FOR NEWFOUNDLAND**
2 **POWER (NP) (“EVIDENCE OF LAURENCE D. BOOTH”)**

3 **NLH-CA-001 Reference: Evidence of Laurence D. Booth, p. 2.**

4 Dr. Booth states “...there is no doubt that a 45% common equity ratio for NP is excessive
5 compared to its Canadian peer group.” Please provide all evidence that supports this
6 statement.

7 **NLH-CA-002 Reference: Evidence of Laurence D. Booth, p. 2.**

8 Concerning the Canadian peer group identified in NLH-CA-001, please identify the
9 authorized return on equity the applicable regulatory body approved in combination with
10 a ratemaking capital structure equity ratio.

11 **NLH-CA-003 Reference: Evidence of Laurence D. Booth, p. 2.**

12 Dr. Booth states his suggested 7.7% allowed Return on Equity (“ROE”) in this case is
13 slightly higher than previous recommendations to the Board. Please identify the return on
14 equity recommendation Dr. Booth made to the Board concerning Newfoundland Power’s
15 ROE in 2016, 2019, and 2022.

16 **NLH-CA-004 Reference: Evidence of Laurence D. Booth, p. 3.**

17 Dr. Booth states that in 2011 he accepted the use of the automatic Return on Equity
18 (“ROE”) adjustment mechanism to be suspended due to massive bond buying in the US
19 and Europe by central banks.

20 **a)** What would the ROE adjustment mechanism indicate is the ROE in this case based
21 on Dr. Booth’s projected Canadian bond yield? Please provide all supporting
22 calculations.

23 **b)** Does Dr. Booth’s Canadian bond yield projection of 3.8% reflect a return to a more
24 normal valuation of Canadian bond yields, given the suspension of massive bond
25 buying in the U.S. and Europe by central banks? Please explain.

26 **NLH-CA-005 Reference: Evidence of Laurence D. Booth, p. 3**

27 Please provide any independent economists’ projections of the long-term Canada (“LTC”)
28 bond yield outlook over the next two to five years, and note whether or not it aligns with
29 Dr. Booth’s projected normalized LTC yield of 3.8%.

1 **NLH-CA-006 Reference: Evidence of Laurence D. Booth, p. 3.**

2 Please provide Dr. Booth's calculation of NEB's ROE formula currently indicating a fair ROE
3 for 2025 of 8.15%, with a forecasted LTC yield of 3.8% and 8.44%. Please provide all input
4 calculations, and provide Dr. Booth's assessment of these results based on his outlook for
5 a normalized LTC yield.

6 **NLH-CA-007 Reference: Evidence of Laurence D. Booth, p. 49.**

7 Please provide all supporting calculations and estimates of market participants supporting
8 a market and a utility risk premium relied on by Dr. Booth to produce the Capital Asset
9 Pricing Model fair return estimates. Specifically, identify the market risk premium that
10 produced a utility risk premium of 2.75% and 3.60%, respectively.

11 **NLH-CA-008 Reference: Evidence of Laurence D. Booth, p. 53/11–12.**

12 Please provide the input assumptions and any support from market participants that
13 support Dr. Booth's finding that a fair return for the Canadian equity market is in the
14 range of 8.1% to 8.75%.

15 **NLH-CA-009 Reference: Evidence of Laurence D. Booth, p. 60.**

16 Please provide a copy of the TD Economics updated report that expects bond investors to
17 earn 3.5% to 4.5% and equity investors to earn a 4.5% market risk premium over the
18 10-year Canadian bond yield.

19 **NLH-CA-010 Reference: Evidence of Laurence D. Booth, p. 63.**

20 Dr. Booth outlines certain asset classes' return assumptions based on a report dated
21 September 30, 2023. Please provide any updates resulting from the inclusion of the most
22 recent publication available with the same information.

DATED at St. John's, in the province of Newfoundland and Labrador this 8th day of May, 2024.



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