

1 Q. Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,
2 Evidence of Laurence D. Booth, April 2024, page 3, lines 7-9.

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4 *“My recommendation is that the Board set what it regards as a fair and reasonable*
5 *ROE, and any excess earned above that amount be shared 50:50 with ratepayers.*
6 *Otherwise, it is difficult to understand what the Board considers to be a fair and*
7 *reasonable allowed ROE.”*

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9 a) Is Dr. Booth recommending that the Board place a hard cap on NP’s authorized
10 ROE such that any earnings above the authorized ROE be shared evenly with
11 customers?

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13 b) Please explain what an earnings sharing mechanism has to do with
14 understanding what the Board considers a fair and reasonable allowed ROE.

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16 c) Under Dr. Booth’s proposal, would the earnings sharing mechanism be
17 symmetrical, that is, if NP earns less than the authorized ROE, would the
18 Company be allowed to adjust rates upward to recover the full authorized ROE?

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20 A. a) No. Dr. Booth has not presented evidence on earnings sharing mechanisms.
21 Instead, he is pointing out that in practise NP has consistently earned in excess of
22 what the Board has decided is a fair and reasonable ROE. This over earning calls
23 into question whether the Board in effect has decided that NP’s fair and reasonable
24 ROE is not that allowed, but instead that allowed plus about 0.3%. Dr. Booth would
25 also point out that he has been contacted by a lawyer involved in a certified class
26 action suit against Hydro Quebec for “knowingly and recklessly” presenting
27 evidence on its costs and expenses resulting in consistent over earning over an
28 eight-year period. Dr. Booth wonders whether a similar suit would be certified in
29 Newfoundland and Labrador given NP’s 25-year history of over earning.

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31 b) See a) above.

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33 c) See a) above.