

- 1 **Q.** Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,
2 Evidence of Laurence D. Booth, April 2024, page 24, lines 2-4
3
4 *“I am, therefore, confident that the LTC yield will increase over the next 18 months*
5 *unless something dramatic happens, for example in Ukraine.”*
6
7 **If Dr. Booth expects higher LTC bond yields in the next 18 months (e.g., he uses a**
8 **risk free rate of 3.80% plus a credit risk adjustment of 0.23%) as compared to the**
9 **current average LTC yield of 3.40% in March 2024, why does he recommend a**
10 **reduction of 80 basis points in NP’s authorized ROE?**
11
12 **A.** Dr. Booth’s recommendations in 2016, 2019 and 2021 were all based on a 3.8% forecast
13 LTC yield as he made an Operation Twist adjustment to reflect the distorted conditions
14 in the bond market. So, in that regard nothing has changed. Dr. Booth would point out
15 that his own recommendations are 0.20% higher than in these cases, not 0.80% lower,
16 due to the increase in his market risk premium estimate starting in 2022.