

1 **Q. Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,**
2 **Evidence of Laurence D. Booth, April 2024, page 28, lines 2-3.**

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4 *“As the previous graph shows, the recent unemployment rate is 5.8%, and has*
5 *increased from the 5% low at the start of 2023.”*

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7 **a) How does the current unemployment rate in NL compare to Canada overall?**

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9 **b) Where does Newfoundland and Labrador rank among Canadian provinces in**
10 **terms of its unemployment rate?**

11
12 **c) Has Dr. Booth considered the economic outlook and demographic trends in NL**
13 **as part of his ROE analysis and recommendation for NP? If so, please explain**
14 **what data were considered.**

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16 **A. a), b) & c)** Dr. Booth has previously reported on economic data for Newfoundland and
17 Labrador, but has deleted this discussion since it does not affect the main
18 macro-economic factors that affect the fair ROE through forecast interest
19 rates, inflation and GDP growth. He is aware of conditions in the province
20 and the fact that it has historically had structurally higher unemployment due
21 to its industry composition. For example, the 2023 unemployment rate was
22 10.0%, and is forecast to marginally increase to 10.3% over the next two
23 years, before recovering as forecast GDP growth returns to greater than 2.0%.

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25 Dr. Booth would also point out, as he did in past hearings, that personal
26 disposable income in the province was higher than any other province except
27 the western three of British Columbia, Alberta and Saskatchewan. It was
28 higher than in both Ontario and Quebec, while recent economic weakness is
29 in part due to the impact of returning the provincial budget to a surplus.

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31 Dr. Booth has not considered a short-term economic forecast for the province
32 because the consistent ability of NP to over earn its allowed ROE for the past
33 25 years indicates that provincial weakness or strength does not translate into
34 significant forecasting risk for NP. He also pointed this out in 1992 when
35 Newfoundland Telephone was regulated by the CRTC and had a better bond
36 rating than the province, that is, provincial risk does not easily translate into
37 utility risk.