

- 1 **Q.** Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,  
2 Evidence of Laurence D. Booth, April 2024, page 42, lines 1-2.  
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4 *“In Appendix B, I estimate the market risk premium of common equities over long-*  
5 *term Canada bonds at 4.87% and the equivalent in the U.S. at 6.58%.”*  
6  
7 a) Please explain how Dr. Booth computed the market risk premiums for  
8 Canada and the U.S.  
9  
10 b) Please provide the data underlying the calculation of the historical market  
11 risk premium for each country.  
12  
13 **A.** a) Please see Dr. Booth’s Appendix B, which is devoted to the market risk premium.  
14 In a nutshell, Dr. Booth relies on:  
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16 a. His own historic estimates from 1956.  
17 b. Duff and Phelps (Kroll’s) estimate of 5.5%.  
18 c. The published 2023 survey work of Dr. Fernandes.  
19 d. The work of Professor Aswath Damadoran at NYU, who has published  
20 research in this area.  
21 e. Credit Suisse annual with data going back to 1900.  
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23 Dr. Booth’s own calculations are simple annual rates of return where the market  
24 risk premium is the equity average return minus the bond average return.  
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26 b) Provided as Booth answer to NP-CA-013.