Q. **Reference:** ***Fair Return and Capital Structure for Newfoundland Power (NP)*****, Evidence of Laurence D. Booth, April 2024, page 69, lines 8-11.**

"*However, we can get some insights from the data in my Appendix D, Schedule 13 repeated below, where I estimate the median DCF cost using analyst forecast data at 8.84% for a sample of 13 electric utilities in the U.S., most of which at one time or another have been in 'comparable samples' for Canadian electric utilities.*"

a) Please explain why Dr. Booth includes a forecast EPS growth rate of -12.34% for OGE Energy and a sustainable growth rate of -9.07% for Eversource Energy.

b) Does the constant growth DCF model allow for the use of negative growth rates, or is this inconsistent with the assumptions underlying the model?

c) Please explain how the values in the column labeled "ROE" are calculated. Is this value based on historical or projected data?

A. a) Dr. Booth provides all the results of the consistent application of the model, as to do otherwise is simply to express bias. The correct way to avoid relying on extreme outliers is to use the median value, which removes them, and which is what Dr. Booth also reports.

b) The constant growth rate is still applicable when growth rates are expected to be negative. This occurs in many declining businesses, and it also occurs in the calculation of CCA tax shields, which automatically decline. However, as in any valuation the correct approach is to look at the data and confirm what is expected to happen, not what has happened.

c) The ROEs were as reported by Morningstar in their Quantitative equity reports (QER).