Q. Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, April 2024, page 98, lines 13-15.

"*To the extent that NP is on top of its forecasting and risk assessment, the impact of customer losses is not material…*"

Page 98, lines 18-20.

"*If supply or demand changes significantly, then rates may have to rise, and the utility may not be able to recover the cost of its approved capital assets. This is often referred to as the death spiral.*"

a) Please reconcile these two statements.

b) In addition to supply and demand changes, could the impact of Muskrat Falls Project costs on customer rates also impede Newfoundland Power's ability to recover prudently incurred costs? In Dr. Booth's opinion, is this a risk that equity investors might consider?

A. a) NP has a demonstrated history of accurately predicting customer losses, particularly during prior periods where they claimed significant competitive fuel risk. Consequently, Dr. Booth does not judge this to be a material risk at the current point in time. Long run, the main risk facing a utility is the quoted passage, where despite accurate forecasting skills, a utility may not be able to recover its costs resulting in a "death spiral". The risk of a death spital for NP is not material given its increased competitive position against alternative fuels.

b) Higher costs passed on from Muskrat Falls are clearly a risk that the bond rating agencies consider, and for that to affect the bond holders it clearly has to affect equity holders earlier. However, given the relative cost of electricity in St Johns as indicated by the Hydro Quebec survey, it would have to increase much more than is currently anticipated, and even then, the question is: What can ratepayers switch to given the carbon cost of competitive fuels?