Q. **Reference:** ***Fair Return and Capital Structure for Newfoundland Power (NP)*****, Evidence of Laurence D. Booth, April 2024, page 100, lines 7-10.**

"*Finally, the Board and the Government of newfoundland (sic) and Labrador have tools to manage any rate shock should the cost of power from Hydro increase significantly, such as changing the depreciation rate, reducing the +/- 0.40% band around the allowed ROE, and changing to a more efficient capital structure*."

a) Please detail the supporting analysis completed by Dr. Booth that compares the scope of rate increases stemming from the Muskrat Falls Project with the rate mitigating effects of changes in the depreciation rate, narrowing the ROE band, and reducing Newfoundland Power's equity thickness by 5%.

b) What is Dr. Booth's understanding of the ability of the Government of Newfoundland to change the recovery period of costs associated with the Muskrat Falls Project and whether agreements, such as the Muskrat Falls Power Purchase Agreement, place limitations on any such ability? Please explain.

c) In Dr. Booth's opinion, is there a risk that cost recovery associated with the Muskrat Falls Project could place increased pressure on customers' ability to pay?

d) In Dr. Booth's opinion, is manipulating Newfoundland Power's capital structure in order to mitigate costs associated with the Muskrat Falls Project consistent with the fair return standard and the stand-alone principle?

A. a) Dr. Booth is simply stating that in his judgement Boards and governments have a variety of tools available to mitigate rate shock, which is part of the regulatory compact in Canada. This judgment has been confirmed by the measures subsequently announced by the provincial government and Newfoundland and Labrador Hydro.

b) The legislation under which NP is regulated is provincial and determined by the Government of Newfoundland and Labrador, so that ultimately it is the provincial government's ability that is the matter of concern. Dr. Booth judges this ability to be extensive.

c) It is Dr. Booth's judgement that any increase in electricity prices will cause some deterioration in demand. However, compared to earlier periods, where fossil fuels were more competitive, Dr. Booth does not judge that any loss in demand is beyond the forecasting ability of NP's financial staff.

d) Dr. Booth is not doing what the question states. He is simply stating that if the Board judges NP to be a normal T&D utility like other T&D Canadian utilities, as does Dr. Booth, then operating with 40% common equity satisfies the fair return standard. To believe otherwise would question the legitimacy of other regulatory boards, such as the Alberta Utilities Commission and the Ontario Energy Board.