

- 1 **Q. Reference: Fair Return and Capital Structure for Newfoundland Power (NP),**
2 **Evidence of Laurence D. Booth, April 2024, page 113, lines 9-13.**
3
- 4 **a) Please state whether Dr. Booth’s proposal that *the preferred share component can be***
5 ***deemed at the cost of Fortis’ preferred shares* would be considered a short term,**
6 **interim change to a longstanding capital structure for Newfoundland Power.**
7
- 8 **b) Please explain why Dr. Booth believes that Fortis Inc.’s preferred shares are relevant**
9 **to a stand-alone operating subsidiary such as Newfoundland Power.**
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- 11 **A. a) & b)** Dr. Booth’s judgment is that NP has a better bond rating than Fortis and any
12 preferred share rating would not be inferior. Consequently, allowing the pass
13 through of Fortis’ costs would be seen as conservative, that is generous to Fortis.
14 Further, he is aware that any 5% component could not be adjusted as
15 conveniently as the common share component by changing dividend payments,
16 and is thus more flexible than an actual issue. The Regie in Quebec deems a
17 7.5% preferred share component for Energir, the provincial gas utility, so there
18 is a direct regulatory precedent for this. Finally, Dr. Booth would note that the
19 OEB determines the utility cost of capital as a deeming exercise for most of the
20 smaller utilities that cannot otherwise access the capital markets.