

- 1 **Q. Laurence D. Booth Report, Appendix E, page 22, lines 20-22. Please confirm that if**
2 **the Board determines as in recent general rate applications for Newfoundland**
3 **Power that a general rate application should be filed after three years that Dr. Booth**
4 **would not recommend the re-introduction of an automatic adjustment formula at**
5 **this time.**
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- 7 **A.** Dr. Booth notes that a vast amount of testimony is repetitive, the cost of which is borne
8 by ratepayers. He judges three years to be a short period of time between ROE testimony
9 given that the Bank of Canada seems to have inflation under control, so that we can look
10 forward to more stable inflation and consequently more stable interest rates. Should the
11 Board decide to continue with hearing ROE testimony in three-year GRAs, then there is
12 relatively little difference between a fixed rate for three years and a formula determined
13 ROE for the third year. The virtue of an ROE adjustment formula is that it should last
14 longer than three years, as the original NEB formula did.
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- 16 Dr. Booth would note that if there are dramatically changed circumstances, as there were
17 in late 2011, the company can go to the Board and request relief. This the Consumer
18 Advocate agreed to at the time with the recommendation of Dr. Booth.
19
- 20 A final comment would be that if the Board adopts Dr. Booth's suggestion of a 3.8%
21 trigger on the forecast LTC bond yield, then NP can only gain. If the forecast LTC yield
22 does not exceed 3.8%, then NP continues to get an allowed ROE of 8.5% similar to that
23 of the last 8 years. If the forecast LTC yield exceeds 3.8% as we revert to more normal
24 bond markets, then NP's allowed ROE increases by 75% of the increase above 3.8%.