WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

HAND DELIVERED

February 26, 2016

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Re: 2016/2017 General Rate Application

Please find enclosed the original and 12 copies of Newfoundland Power's Requests for Information numbered:

(1) NP-CA-001 to NP-CA-025 with respect to the prefiled evidence of Dr. Sean Cleary, and
(2) NP-CA-026 to NP-CA-084 with respect to the prefiled evidence of Dr. Laurence Booth.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours very truly,

Peter Alteen, QC
Vice President,
Regulation & Planning

Enclosures

Newfoundland Power Inc.
55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 737-5859 • FAX (709) 737-2974 • **palteen@newfoundlandpower.com**

IN THE MATTER OF the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the "Act"); and

IN THE MATTER OF a general rate application (the "Application") by Newfoundland Power Inc. ("Newfoundland Power") to establish customer electricity rates for 2016 and 2017.

Requests for Information by
Newfoundland Power Inc.

To: Dr. Sean Cleary

NP-CA-001 to NP-CA-025

February 26, 2016

Requests for Information
Evidence of Dr. Sean Cleary – 2016/2017 General Rate Application

NP-CA-001 Reference: Dr. Cleary Evidence, Page 11

Please explain if Dr. Cleary believes the current interest rate environment is atypical. The explanation should include a full description of the factors contributing to this environment.

NP-CA-002 Reference: Dr. Cleary Evidence, Page 15, Table 7 and Line 15

Please reconcile the GDP growth rates provided for Newfoundland and Labrador in Table 7 for the years 2019-2020 with the text on page 15, line 15.

NP-CA-003 Reference: Dr. Cleary Evidence, Page 16, Lines 22-23

Please provide each and every reference contained in the recent debt rating reports provided in Exhibit 4 of NP's evidence to "…S&P's 2002 opinion that NP possesses low business risk."

NP-CA-004 Reference: Dr. Cleary Evidence, Page 17, Lines 17-23

Please confirm that the excerpt quoted by Dr. Cleary is the Board's summary of the Consumer Advocate's position with respect to Newfoundland Power's business risk, and does not represent the Board's ultimate position on this issue in the 2009 Order.

NP-CA-005 Reference: Dr. Cleary Evidence, Page 17, Lines 28-29

If Dr. Cleary's analysis leads him to conclude that there have been no material changes in the business risk of Newfoundland Power since 2013, or 2003, please explain the basis for Dr. Cleary recommended reduction in the common equity ratio from 45.0 percent to 40.0 percent.

Does Dr. Cleary believe that the Board erred in its 2013 Order when it determined that it was appropriate to maintain Newfoundland Power's common equity ratio at 45.0 percent? If so, please elaborate on the reasons why Dr. Cleary disagrees with the Board's decision in 2013?

NP-CA-006 Reference: Dr. Cleary Evidence, Page 18, Lines 7-13

Please list the challenges that Newfoundland Power faces to maintaining its current credit rating according to the August 21, 2015 DBRS report that Dr. Cleary cites.

NP-CA-007 Reference: Dr. Cleary Evidence, Page 19, Lines 9-10

Please explain fully whether it is Dr. Cleary's opinion that the appropriate time horizon to determine a company's capital structure is 2 to 3 years. In the response please state the basis for Dr. Cleary's opinion.

NP-CA-008 Reference: Dr. Cleary Evidence, Page 19, Lines 15-17

Does Dr. Cleary consider the Conference Board's long-term outlook for Newfoundland and Labrador's economy to be generally weaker or stronger than the rest of Canada? How does the Conference Board's long-term outlook impact Dr. Cleary assessment of the long-term business risk for Newfoundland Power?

NP-CA-009 Reference: Dr. Cleary Evidence, Page 20, Lines 6-8

Please provide documentation to support Dr. Cleary's conclusion that Newfoundland Power's sales are more resilient than Newfoundland and Labrador's real GDP growth rates.

NP-CA-010 Reference: Dr. Cleary Evidence, Page 22, Lines 9-10

Dr. Cleary asserts there appears to be no concrete evidence to suggest that Muskrat Falls has led to an increase (or decrease) in Newfoundland Power's business risk.

Please explain fully what weight, if any, Dr. Cleary places on the observations of Moody's Investors Services relating to Muskrat Falls and Newfoundland Power's ability to fully recover costs and earn returns in the future.

NP-CA-011 Reference: Dr. Cleary Evidence, Page 22, Lines 9-10

Dr. Cleary asserts there appears to be no concrete evidence to suggest that Muskrat Falls has led to an increase (or decrease) in Newfoundland Power's business risk.

Please explain fully what weight, if any, Dr. Cleary places on the observations of DBRS relating to Newfoundland and Labrador Hydro's high capex program making it more difficult for Newfoundland Power to receive approval for future rate increases.

NP-CA-012 Reference: Dr. Cleary Evidence, Page 22, Line 4 to Page 23, Line 4

Dr. Cleary indicates that he disagrees with Mr. Coyne that the Muskrat Falls development will lead to increased potential weather related risk for Newfoundland Power. Does Dr. Cleary agree or disagree with the other power supply related risks discussed by Mr. Coyne on pages 15-17? Please explain in detail Dr. Cleary's position on this issue.

NP-CA-013 Reference: Dr. Cleary Evidence, Page 23, Lines 5-7

Please confirm that the Board has previously recognized that the small size of Newfoundland Power limits the Company's financial flexibility and makes it more risky than other electric utilities in Canada, and that this finding has been used by the Board to support a higher than average common equity ratio in prior Orders.

NP-CA-014 Reference: Dr. Cleary Evidence, Page 25, Figure 7

Is Dr. Cleary aware of any Canadian or U.S. utility regulators that have used his measures of EBIT volatility to determine a regulated utility's equity ratio? If so, please identify the utility regulators and the docket numbers.

NP-CA-015 Reference: Dr. Cleary Evidence, Page 25, Figure 7

Is Dr. Cleary aware of any debt rating agency that has used his measures of EBIT volatility to determine a utility's business or financial risk? If so, please identify the debt rating agency and provide a copy of the report(s).

NP-CA-016 Reference: Dr. Cleary Evidence, Page 25, Figure 7

Please state whether the data provided in Figure 7 is at the holding company level or the operating company level for the U.S. Group, the Canadian Group, and Newfoundland Power.

NP-CA-017 Reference: Dr. Cleary Evidence, Page 27, Lines 10-13

Please provide all studies that have been performed by Dr. Cleary relating to returns achieved by U.S. utilities, or the sources Dr. Cleary relied upon pertaining to U.S. utility risk and returns.

NP-CA-018 Reference: Dr. Cleary Evidence, Page 33, Table 12

Please provide Dr. Cleary's understanding of whether Moody's and DBRS' credit ratings are based entirely on the credit metrics shown in Table 12, or whether the rating agencies also take into consideration other factors. If other factors are considered, please identify those factors.

NP-CA-019 Reference: Dr. Cleary Evidence, Page 35, Line 22 to Page 36, Line 6

Please provide all working papers for the calculations contained in Table 15.

NP-CA-020 Reference: Dr. Cleary Evidence, Page 35, Line 22 to Page 36, Line 6

Moody's Investors Services weights Regulatory Framework at 25%, Ability to Recover Costs and Earn Returns at 25% and Diversification at 10% in arriving at utility credit ratings.

Please provide the values that Dr. Cleary believes Moody's Investors Services will attribute to each of these 3 factors if the Board were to accept his recommendation that Newfoundland Power's equity ratio be reduced to 40%.

NP-CA-021 Reference: Dr. Cleary Evidence, Page 37

Is it Dr. Cleary's opinion that a reduction in Newfoundland Power's equity ratio to 40% and a reduction in the allowed ROE would permit Newfoundland Power to maintain its existing credit rating? Please explain.

NP-CA-022 Reference: Dr. Cleary Evidence, Page 37, Lines 9-13

In Dr. Cleary's opinion, what steps should Newfoundland Power take to reduce its common equity ratio from 45.0 percent to 40.0 percent? Does Dr. Cleary support the proposal of Dr. Booth to treat this 5.0 percent differential as preferred stock for ratemaking purposes, or does Dr. Cleary have an alternative proposal for this change would be effectuated?

NP-CA-023 Has Dr. Cleary ever evaluated a utility's business risk for purposes of determining an appropriate capital structure? If so, please list those cases and provide copies of all testimony and exhibits filed by Dr. Cleary.

NP-CA-024 Please provide all workpapers and supporting documents used by Dr. Cleary in the development of Figure 4, Figure 5, Figure 6, Figure 7, Table 8, Table 11, Table 12, Table 13, Table 14, and Table 15. Please provide all electronic workpapers in working Excel format with all formulas intact.

NP-CA-025 Can Dr. Cleary please confirm that bond rating agencies use *actual* financial results in the assessment of a company's credit metrics?

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 26th day of February, 2016.

NEWFOUNDLAND POWER INC.

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IN THE MATTER OF the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the "Act"); and

IN THE MATTER OF a general rate application (the "Application") by Newfoundland Power Inc. ("Newfoundland Power") to establish customer electricity rates for 2016 and 2017.

Requests for Information by
Newfoundland Power Inc.

To: Dr. Laurence Booth

NP-CA-026 to NP-CA-084

February 26, 2016

Requests for Information
Evidence of Dr. Laurence Booth – 2016/2017 General Rate Applicaiton

NP-CA-026 Reference: *Fair Return and Capital Structure for Transénergie*, Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, Page 2, Lines 22-24

"In our judgment, capital structures should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis."

Does Dr. Booth still agree with the above statement regarding the *long-lived* nature of capital structures?

NP-CA-027 Reference: *Fair Return and Capital Structure for Transénergie*, Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, Page 2, Lines 22-24

"In our judgment, capital structures should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis."

Please explain why Dr. Booth believes that now is a good time for the Board to change Newfoundland Power's capital structure.

NP-CA-028 Reference: *Fair Return and Capital Structure for Transénergie*, Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, Page 2, Lines 22-24

"In our judgment, capital structures should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis."

Given that (i) the Board found 45% equity to be the appropriate capital structure for Newfoundland Power in each Order since 1998 and (ii) Dr. Booth states that there has been no material change in NP's business risk since 2012, why does Dr. Booth believe that the Board should deviate from its conclusion at the Company's last GRA?

NP-CA-029 Reference: *Fair Return and Capital Structure for Transénergie,* Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, Page 2, Lines 22-24

"In our judgment, capital structures should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis."

and…

Reference: Dr. Booth Evidence, Page 3, Lines 17-22

"As a short term measure I recommend the 5% equity reduction be deemed using Fortis' cost of preferred shares until the next rate hearing. At that time, it will be clearer whether or not there is any power cost rate shock. If there is, I would recommend the 5% be replaced with long term debt to lower NP's cost of capital, which, together with other regulatory techniques, can minimize the impact of any rate shock."

Please state whether or not Dr. Booth's proposal that *the 5% equity reduction be deemed using Fortis' cost of preferred shares until the next rate hearing* would be a considered a short term, interim change to a long standing capital structure for Newfoundland Power. If not, why not?

NP-CA-030 Reference: *Fair Return and Capital Structure for Transénergie,* Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, Page 2, Lines 22-24

"In our judgment, capital structures should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis."

and…

Reference: Dr. Booth Evidence, Page 3, Lines 17-22

"As a short term measure I recommend the 5% equity reduction be deemed using Fortis' cost of preferred shares until the next rate hearing. At that time, it will be clearer whether or not there is any power cost rate shock. If there is, I would recommend the 5% be replaced with long term debt to lower NP's cost of capital, which, together with other regulatory techniques, can minimize the impact of any rate shock."

Please explain why Dr. Booth believes that Fortis Inc.'s preferred shares are relevant to a stand-alone operating subsidiary such as Newfoundland Power.

NP-CA-031 Reference: *Fair Return and Capital Structure for Transénergie*, Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du Québec, November 2000, Page 2, Lines 22-24

"In our judgement, capital structures should be long lived as they are primarily a function of the business risk of the firm. In particular, it is not standard practice to change equity ratios on an ongoing basis."

and…

Reference: Dr. Booth Evidence, Page 3, Lines 17-22

"As a short term measure I recommend the 5% equity reduction be deemed using Fortis' cost of preferred shares until the next rate hearing. At that time, it will be clearer whether or not there is any power cost rate shock. If there is, I would recommend the 5% be replaced with long term debt to lower NP's cost of capital, which, together with other regulatory techniques, can minimize the impact of any rate shock."

Given that (i) Newfoundland Power typically goes through a general rate hearing about every 3 years and given (ii) Dr. Booth proposals regarding capital structure for Newfoundland Power at this rate hearing and potentially the next, is it Dr. Booth's position that the long standing capital structure for Newfoundland Power could be changed two times in the next 3 years?

NP-CA-032 Reference: Dr. Booth Evidence, Page 8, Lines 6-7

Please confirm that Hydro Quebec Distribution and Hydro Quebec Transmission are owned by the Government of Quebec, and are not investor owned utilities.

NP-CA-033 Reference: Dr. Booth Evidence, Page 8, Lines 6-7

Please explain why Dr. Booth believes it is reasonable to compare the business and financial risk of a government owned electric distribution or transmission company such as Hydro Quebec Distribution and Hydro Quebec Transmission to an investor owned utility such as Newfoundland Power for purposes of determining the appropriate capital structure for the investor owned utility.

NP-CA-034 Reference: Dr. Booth Evidence, Page 32, Lines 11-13

Please explain the basis for Dr. Booth's conclusion that with the end of QE3, conditions in US markets returned to average or normal. What markets is Dr. Booth referring to – bond markets, equity markets, futures markets, options markets, or some combination of these?

NP-CA-035 Reference: Dr. Booth Evidence, Page 36, Lines 8-9

"While almost all the capital market data is relevant for Canada as a whole there are important differences in regional economic performance."

Please explain if Dr. Booth believes that Newfoundland Power's business risk is more closely associated with the economy in the province of Newfoundland and Labrador versus the economy of Canada.

NP-CA-036 Reference: Dr. Booth Evidence, Page 36, Lines 8-9

"While almost all the capital market data is relevant for Canada as a whole there are important differences in regional economic performance."

What weight does Dr. Booth give to the Newfoundland and Labrador economy versus the Canadian economy in developing his recommended return on equity and capital structure?

NP-CA-037 Reference: Dr. Booth Evidence, Page 36, Lines 21-23

"Overall, RBC's forecast reflects the passing of some unique events and unfortunately a return to normal for the province as one of the weakest sectors of the Canadian economy."

Please provide the referenced RBC forecast.

NP-CA-038 Reference: Dr. Booth Evidence, Page 37, Lines 18-20

If Dr. Booth believes that risk is constantly changing and so too are beta coefficients, please explain why Dr. Booth holds beta coefficients constant for Canadian utilities at 0.45-0.55 in his application of the CAPM.

NP-CA-039 Reference: Dr. Booth Evidence, Page 37, Lines 18-20

Has Dr. Booth ever utilized a different beta coefficient in any evidence he has submitted in the past ten years for a regulated gas or electric utility company? If so, please specify.

NP-CA-040 Reference: Dr. Booth Evidence, Page 37, Line 25 to Page 38, Line 1

Please provide any more recent studies or surveys that support Dr. Booth's assertion that the CAPM remains the most important model used by a company in estimating its cost of capital.

NP-CA-041 Reference: Dr. Booth Evidence, Page 39, Lines 10-14

For each stock in the Dow 30, please indicate whether Dr. Booth considers it to be a value stock or a growth stock. Please explain how Dr. Booth categorizes stocks as being "value" or "growth".

NP-CA-042 Reference: Dr. Booth Evidence, Page 41, Lines 11-13

Does Dr. Fernandez, whose survey Dr. Booth relies on for his market risk premium, support the use of the CAPM to estimate the return on equity? If not, why not?

NP-CA-043 Reference: Dr. Booth Evidence, Page 41, Lines 11-13

Does Dr. Fernandez express concern regarding the ability to estimate betas?

NP-CA-044 Reference: Dr. Booth Evidence, Page 43, Lines 7-11

Please explain the theoretical basis for the Conditional CAPM. Please provide any academic literature that supports the use of the Conditional CAPM model to adjust for the artificially low interest rate environment that has been created by monetary policy.

NP-CA-045 Reference: Dr. Booth Evidence, Page 46, Lines 16-17

Given Dr. Booth's testimony that current bond yields are not being determined by ordinary investors trading off risk versus return, as assumed in standard risk premium models, would Dr. Booth agree that the CAPM is not producing reliable results under current market conditions and is essentially "broken"? Please explain.

NP-CA-046 Reference: Dr. Booth Evidence, Page 51, Lines 1-2

"If the 1.30% spread of the preferred share yield over the A bond yield is added to the CCAPM estimate as a current "Operation Twist" adjustment similar to 2012 we get the following."

Please explain in detail why it is appropriate for Dr. Booth to use the "1.30% spread of the preferred share yield over the A bond yield" as the Operation Twist adjustment.

NP-CA-047 Reference: Dr. Booth Evidence, Page 51, Lines 1-2

"If the 1.30% spread of the preferred share yield over the A bond yield is added to the CCAPM estimate as a current "Operation Twist" adjustment similar to 2012 we get the following..."

Is Dr. Booth aware of any cost of capital evidence filed in the past 5 years in Canada, other than his own, that relies on adjustments involving the spread of the preferred share yields over A bond yields, to determine an appropriate cost of capital for a regulated utility? If so, please provide such evidence.

NP-CA-048 Reference: Dr. Booth Evidence, Page 51, Lines 12-13

Please provide evidence to support the assertion that allowed ROEs in Quebec have been lowered since 2012.

NP-CA-049 Reference: Dr. Booth Evidence, Page 62

Please provide the data used to prepare the chart on page 62 in Excel executable format.

NP-CA-050 Reference: Dr. Booth Evidence, Page 65, Lines 20-22

Please provide the calculation that supports Dr. Booth's statement that "a DCF analysis of the electric utilities in the S&P 500 Index leads to an average risk premium of about 3.4% over the 10 year US Treasury bond."

NP-CA-051 Reference: Dr. Booth Evidence, Page 67

Please provide the data used to prepare the chart on page 67 in Excel executable format.

NP-CA-052 Reference: Dr. Booth Evidence, Page 69, Lines 14-16

Since Dr. Booth believes that yields on long-term Canadian bonds are well below any normal equilibrium level, would he agree that one of the underlying assumptions of the CAPM is not being met under current market conditions, thereby rendering the results of the CAPM less reliable than other models? If not, why not?

NP-CA-053 Reference: Dr. Booth Evidence, Page 71, Lines 4-6

"I judge the best way to handle capital structure as the approach adopted by the National Energy Board, the Alberta Utilities Commission, the Regie and the Ontario Energy Board, which is to determine capital structure based on the business risk of the utility."

Does Dr. Booth believe the business risk of Newfoundland Power is different from the business risk of other Canadian utilities? If so, please explain in detail how Newfoundland Power's business risk is different from other Canadian utilities.

NP-CA-054 Reference: Dr. Booth Evidence, Page 72, Lines 23-26

Please explain the basis for Dr. Booth's decision to use Alberta as the benchmark for measuring the reasonableness of equity cost rates and capital structures in Newfoundland and Labrador.

NP-CA-055 Reference: Dr. Booth Evidence, Page 72, Lines 23-26

Why has Dr. Booth not considered Ontario, or other provinces, in this assessment?

NP-CA-056 Reference: Dr. Booth Evidence, Page 75, Lines 10-11

Please confirm that Moody's updated its credit rating methodology for regulated electric and gas utilities in December 2013.

NP-CA-057 Reference: Dr. Booth Evidence, Page 79, Lines 5-6

"In a dictionary sense risk is the probability of incurring harm. On the basis of its demonstrated ability at earning its allowed ROE, NP has not suffered any risk whatsoever."

Is it Dr. Booth's opinion that Newfoundland Power has no risk whatsoever because of its demonstrated ability at earning its allowed ROE?

NP-CA-058 Reference: Dr. Booth Evidence, Page 79, Lines 5-6

"In a dictionary sense risk is the probability of incurring harm. On the basis of its demonstrated ability at earning its allowed ROE, NP has not suffered any risk whatsoever."

In Dr. Booth's opinion, what role, if any, does sound financial management play in his assessment of utility business risk?

NP-CA-059 Reference: Dr. Booth Evidence, Page 79, Lines 12-13

Given Dr. Booth's testimony that *"it is not risk when you only earn more than the risk free rate, regardless of whether or not there is variability in that return"*, would Dr. Booth agree that if the utility earns more than the risk free rate, the variability in earnings does not matter? If not, please clarify Dr. Booth's position on this issue.

NP-CA-060 Reference: Dr. Booth Evidence, Page 80, Lines 17-19

"Significantly higher electricity costs could happen, but to affect NP they have to cause significant numbers of customers to drop off its system so that NP can no longer allocate the higher costs to its remaining customers."

Please provide any evidence or studies conducted by or relied upon by Dr. Booth that would quantify *significant numbers of customers* that would need to drop off Newfoundland Power's system in order to affect the Company.

NP-CA-061 Reference: Dr. Booth Evidence, Page 80, Lines 17-19

"Significantly higher electricity costs could happen, but to affect NP they have to cause significant numbers of customers to drop off its system so that NP can no longer allocate the higher costs to its remaining customers."

Please explain in detail the degree to which Dr. Booth agrees or disagrees with the concern raised by Moody's Investors Services in Exhibit 4 relating to Newfoundland Power's "…future ability to fully recover costs and earn returns may be compromised as the Province of Newfoundland and Labrador undertakes development of the Muskrat Falls hydroelectric project on the lower Churchill river and the related transmission infrastructure."

NP-CA-062 Reference: Dr. Booth Evidence, Page 80, Lines 17-23

In addition to the "death spiral" discussion that Dr. Booth provides in this section of his testimony, does Dr. Booth agree with the credit rating agencies (Moody's and DBRS) that investors are also concerned that higher electricity supply costs in Newfoundland could also increase the likelihood that the Board will be more likely to look for ways to reduce customer rates, such as reducing the allowed ROE or deemed equity ratio, or disallowing certain operating costs, or challenging the prudence of capital costs? If not, why not?

NP-CA-063 Reference: Dr. Booth Evidence, Page 80, Lines 27-29

"In contrast, NP estimated that oil had a 40% cost advantage in the 1990s (CA-NP-042) and yet only 6,000 customers or 3.7% of the total switched from electric space heating."

What would Dr. Booth believe to be the number of customers required to switch from electric space heating to impact Newfoundland Power's business risk?

NP-CA-064 Reference: Dr. Booth Evidence, Page 84, Line 3

If Dr. Booth believes that "there has been no material changes in NP's business risk since 2012," please explain the basis for Dr. Booth's recommended reduction in the common equity ratio from 45.0 percent to 40.0 percent.

NP-CA-065 Reference: Dr. Booth Evidence, Page 84, Line 3

Does Dr. Booth believe that the Board erred in its 2013 Order when it determined that it was appropriate to maintain Newfoundland Power's common equity ratio at 45.0 percent? If so, please elaborate on the specific reasons why Dr. Booth disagrees with the Board's decision in 2013.

NP-CA-066 Reference: Dr. Booth Evidence, Page 86, Lines 8-9

Given Dr. Booth's position that "costs and revenues from utility operations are stable so the underlying uncertainty in operating income is very low," please explain the basis for Dr. Booth's concern that analyst's earnings per share growth rates are upwardly biased and overly optimistic for electric utilities.

NP-CA-067 Reference: Dr. Booth Evidence, Page 94, Lines 12-14

Please confirm that Dr. Booth's testimony is that FortisBC Electric has an allowed ROE of 8.3% on 40% common equity. If not confirmed, please provide the correct figures.

NP-CA-068 Reference: Dr. Booth Evidence, Page 98, Line 9

"Consequently, the metrics are not the most important issue."

What does Dr. Booth believe to be the most important factor in determining Newfoundland Powers capital structure?

NP-CA-069 Reference: Dr. Booth Evidence, Page 98, Line 9

"Consequently, the metrics are not the most important issue."

Please list each proceeding in which Dr. Booth has testified in the last 10 years. Please identify any case during the period in which Dr. Booth has not recommended an ROE of 7.5%, and state what the alternative ROE recommendation was.

NP-CA-070 Reference: Dr. Booth Evidence, Page 98, Line 9

Does Dr. Booth disagree with Dr. Cleary that credit metrics are not an important consideration in assessing the relative business risk of Newfoundland Power. Please elaborate.

NP-CA-071 Reference: Dr. Booth Evidence, Page 98, Footnote 65

Please provide Dr. Booth's understanding of whether Moody's has changed its view of the credit supportiveness of U.S. regulation, or whether Moody's has only sought comments on this issue.

NP-CA-072 Reference: Dr. Booth Evidence, Schedule 7

Please confirm that the utility ROEs on Schedule 7 are earned ROEs for each year from 1990-2014.

NP-CA-073 Reference: Dr. Booth Evidence, Schedule 7

Please explain why Dr. Booth believes it is appropriate to compare the earned ROE for Newfoundland Power at the operating company level to the earned ROE for Fortis, Inc. and the U.S. proxy group at the holding company level.

NP-CA-074 Reference: Dr. Booth Evidence, Schedule 7

Please explain why Dr. Booth does not compare the earned ROE for Newfoundland Power at the operating company level to the ROEs of other operating companies.

NP-CA-075 Reference: Dr. Booth Evidence, Schedules to Appendices B, C and D

Please provide the source data underlying each of the schedules for Appendix B, Appendix C, and Appendix D in Excel executable format.

NP-CA-076 Reference: Dr. Booth Evidence, Appendix D, Page 4, Lines 26-27

Please explain in detail why Dr. Booth believes that for non-regulated firms and utility holding companies, the underlying assumptions of the DCF model are frequently violated.

NP-CA-077 Reference: Dr. Booth Evidence, Appendix D, Page 12, Lines 13-14

Please confirm that utilities have other sources of capital to fuel growth other than those reflected in the sustainable growth formula (i.e., the br growth rate) such as the issuance of new shares.

NP-CA-078 Reference: Dr. Booth Evidence, Appendix D, Page 12, Lines 13-14

Why has Dr. Booth not included the standard "S X V" component in the sustainable growth rates for regulated utilities?

NP-CA-079 Reference: Dr. Booth Evidence, Appendix D, Page 13, Lines 14-16

Please explain how Dr. Booth assesses the reliability of DCF estimates as being more reliable for the market as a whole and the S&P utility indexes than for individual companies.

NP-CA-080 Reference: Dr. Booth Evidence, Appendix D, Page 17, Lines 23-25

Please explain how smoothing of dividend payments necessarily leads to a higher long-term growth rate for earnings. Could the earnings growth rate also be lower?

NP-CA-081 Reference: Dr. Booth Evidence, Appendix D, Schedule 18

Please state the term (i.e., one year, five years, etc.) of the projected growth rates shown in Schedule 18 to Appendix D. Also, please state the source of the growth rate, whether it is a consensus growth rate, and the specific index to which it pertains.

NP-CA-082 Reference: Past Evidence of Dr. Booth

The following table summarizes Dr. Booth's recommended Benchmark ROEs and their component parts as set forth in his evidence as filed with various Canadian regulatory boards over the period August 2009 to January 2016.

Date Filed	**Board/ Client/ Company**	**Dr. Booth's Forecast Long Canada**	**Market Risk Premium/ Benchmark Utility Beta**	**Base Risk Premium (Midpoint) Over Long Canada**	**Flotation Cost**	**Adjustments to Base ROE and Reasons for Adjustments**	**Dr. Booth's Benchmark ROE**
Aug-09	NL PUB/ Consumer Advocate/ Newfoundland Power	2010: 4.5%	5.00% 0.45-0.55	2.50%	0.50%	0.25% Margin of Error	7.75%
Jun-10	Régie/ IGUA/ Gazifère	2011: 4.5%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.5% Crisis Premium	8.25%
Jul-11	Régie/ IGUA/ Gaz Métro	2012: 4.5%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.325% Spread Adjustment (midpoint 25-40bp)	8.10%

Date Filed	Board/ Client/ Company	Dr. Booth's Forecast Long Canada	Market Risk Premium/ Benchmark Utility Beta	Base Risk Premium (Midpoint) Over Long Canada	Flotation Cost	Adjustments to Base ROE and Reasons for Adjustments	Dr. Booth's Benchmark ROE
Sep-11	NSUARB/ NSUARB/ Heritage Gas	2012: 4%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.5% Financial Crisis Premium	7.75%
Mar-12	NEB/ CAPP/ TCPL Restructuring	Restructuring: 2012: 3.3% 2013: 3.8%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Adjustment (.4%) Operation Twist (.8%)	2012: 7.80% 2013: 8.30%
May-12	NL PUB/ Consumer Advocate / Newfoundland Power	2012: 4.5% 2013: 3.5%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.40% financial crisis/spread in 2012 0.40% plus 0.80% Operation Twist in 2013	2012: 8.15% 2013: 7.95% Fixed Rate for 2 years: 8.15%
Aug-12	NSUARB/ NSUARB/ NSPI	2013: 3.0% 2014: 4.0%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Spread Adjust. (.41%) Operation Twist (.8%)	2012: 7.5% 2013: 8.5%
Nov-12	NL PUB/ Consumer Advocate / Newfoundland Power	2013: 3.0%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Spread Adjust. (.4%) Operation Twist (.8%)	7.50%
Feb-13	BCUC/ AMPC/CEC/ FortisBC	2014: 3.00%	5.00%- 6.00% 0.45-0.55	2.775%	0.50%	1.2% Credit Spread Adjust (0.40%) Operation Twist (0.80%)	7.50%
Jul-14	AUC/CAPP/ GCOC	2014: 3.00%	5.00-6.00% 0.45-0.55	2.775%	0.50%	0.66 Credit Spread Adjust (0.26) Operation Twist (0.40%)	7.50%
Jan-16	BCUC/ Utility Customers/ FortisBC Energy	2016: 3.00%	5.00-6.00% 0.45-0.55	2.775%	0.50%	1.75% Credit Spread Adjust (0.45%) Operation Twist (1.3%)	7.50%

Please confirm that the information in the above table is accurate, or revise as required.

NP-CA-083 Reference: Newfoundland Power 2013/2014 General Rate Application, Transcript, January 18, 2013, Page 59, Lines 15-25

"As I've said repeatedly, the only thing we – problem we've got in Canada at the moment is in fact – and from the point of view of the estimate of the cost of capital, is the low level of the long Canada bond yield, and that's why I'm perfectly happy for this Board to fix the ROE based upon five percent long Canada bond yield, which I would regard as a normal bond yield average for the business cycle, and that's what my 8.25 percent fixed rate recommendation is based upon."

Does Dr. Booth continue to regard a five percent long Canada bond yield as *"a normal bond yield average"* and be perfectly happy for the Board to fix Newfoundland Power's ROE at 8.25%? If not, please describe in detail the change in Dr. Booth's views on this matter.

NP-CA-084 Can Dr. Booth please confirm that bond rating agencies use *actual* financial results in the assessment of a company's credit metrics?

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 26th day of February, 2016

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