

1 Q. Reference: Dr. Booth Evidence, Page 36, Lines 8-9

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3 *“While almost all the capital market data is relevant for Canada as a whole there are*
4 *important differences in regional economic performance.”*

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

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10 A. Dr. Booth judges it to have relatively little impact, as the demand for electricity is
11 not very price or income sensitive. The only way it could directly affect NP’s business
12 risk is either through short run forecasting errors or the long run “death spiral” if the
13 customer rate base can no longer support NP’s infrastructure. The former is covered by the
14 band around NP’s allowed ROE, while the risk of the latter is extremely low; certainly
15 until the magnitude of the pass through of Hydro’s electricity costs become clearer.