Q. 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?

A. Dr. Booth's understanding is that the legal requirement in Canada is that the equity cost is a cost and that it cannot be reduced to "share the pain." Hence he does not accept that any Canadian regulator would allow an unfair and unreasonable ROE. He also cannot see what costs the Board could disallow as imprudent that would make any material difference, since the main concern is not NP's costs but the flow through of Hydro's commodity costs. If this flow through becomes material he expects both the provincial government and the Board to take appropriate action. In this he is in agreement with the OEB which stated in an Enbridge Decision (EB-2011-0354, page 7)

> *"Regarding the risk of future events, the Board agrees with CCC that the relevant future risks are those that are likely to affect Enbridge in the near term. Any risks that may materialize over the longer term can be taken into account in subsequent proceedings. In considering the risk of future events, the Board will take into account the fact that, generally, the more distant the potential event, the more speculative is any conclusion on the likelihood that the risk will materialize."*

He would expect that in an extreme situation NP, like any competitive organization, will look to cut costs wherever possible if its basic business model was under threat.