

1 **Q. Page 51: Dr. Booth's recommendation of an ROE of 7.5% for a benchmark**
2 **utility is considerably lower than the current allowed ROE's of Canadian investor-**
3 **owned utilities. Please explain whether this is an indication that your recommended**
4 **ROE is not reflective of regulators' assessment of the fair return or ROE for**
5 **Canadian utilities in the current market conditions.**

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7 A. The Regie currently allows an ROE of 8.2% and the AUC 8.3%, both of which
8 exceed Dr. Booth's recommended ROE, but he would not regard 7.5% as "considerably
9 lower" than these allowed ROEs, any more than 9% would be considerably above.

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11 The BCUC's allowed ROE of 8.75% is 1.25% higher, while Dr. Booth discounts the
12 OEB allowed ROE since it is determined by a formula set in 2009 and the OEB has not
13 had a litigated ROE hearing since 2004. Dr. Booth regards the OEB ROE as an outlier,
14 which has not been reviewed for reasons known only to the OEB.

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16 Dr. Booth would judge regulators to be conservative in setting an allowed ROE in the
17 same way that they are conservative in protecting the utility through the extensive use of
18 deferral accounts. Further, there is a floor to the fair ROE recommended by experts, but
19 almost no ceiling. The result is that litigated hearings tend to result in an allowed ROE,
20 which is on the high side. The only way to avoid this is for intervener witnesses to
21 recommend unreasonably low ROEs, which Dr. Booth refuses to do as it violates the
22 responsibilities of an expert before a regulatory panel.

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