

1 **Q. Reference: Dr. Booth’s Evidence, Page 34, Line 1 to Page 35, Line 1**

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3 **What weight does Dr. Booth give to the Newfoundland and Labrador economy**  
4 **versus the Canadian economy in developing his recommended return on**  
5 **equity?**  
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7 A. Dr. Booth judges it to have relatively little impact, as the demand for electricity is  
8 not very price or income sensitive. The only way it could directly affect NP’s  
9 business risk is either through short run forecasting errors or the long run “death  
10 spiral” if the customer rate base can no long support NP’s infrastructure. The former  
11 is covered by the band around NP’s allowed ROE, while the risk of the latter is  
12 extremely low; certainly until the magnitude of the pass through of Hydro’s  
13 electricity costs become clearer.  
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15 Dr. Booth places very little weight on the forecast behavior of the provincial  
16 economy since any changes are within the norms of NP’s experience over the last  
17 two decades. Dr. Booth places significant weight on the national economy since  
18 this reflects growth and interest rate expectations.