



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

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2021-10-08

Mr. Dennis Browne, Q.C.
Browne Fitzgerald Morgan & Avis
Terrace on the Square, Level 2
P.O. Box 23135
St. John's, NL A1B 4J9

Dear Mr. Browne:

**Re: Newfoundland Power Inc. - NP 2022-2023 General Rate Application
Requests for Information**

Enclosed are Information Requests PUB-CA-001 to PUB-CA-021 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Sincerely,

Sara Kean
Assistant Board Secretary

SK/cj
Enclosure

ecc **Newfoundland Power Inc.**
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Liam O'Brien, E-mail: lobrien@curtisdawe.com
NP Regulatory, E-mail: regulatory@newfoundlandpower.com
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1 **IN THE MATTER OF** the *Public*
2 *Utilities Act*, (the “Act”); and

3
4

5 **IN THE MATTER OF** a general rate
6 application by Newfoundland Power Inc.
7 to establish customer electricity rates for
8 2022 and 2023.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-CA-001 to PUB-CA-021

Issued: October 8, 2021

1 **Evidence of Dr. Laurence Booth dated September 28, 2021**

- 2
- 3 **PUB-CA-001** Evidence, page 2, lines 6-9. Reference is made to the forecast net income for
 4 Newfoundland Power as a % of the future average rate base and a comparison
 5 is provided for the same metric for other Fortis' Canadian regulated utilities.
 6 (a) Explain why and how this metric should be considered by the Board in
 7 determining the equity and fair return on equity for Newfoundland
 8 Power.
 9 (b) Has any Canadian regulator explicitly taken this metric into account in
 10 its decision?
 11 (c) Has Dr. Booth calculated this metric for other Canadian electric utilities,
 12 other than Fortis ones? If yes, provide the results.
 13
- 14 **PUB-CA-002** Evidence, page 3, lines 16-26. In the response to NP-CA-059 in the 2019
 15 Newfoundland Power General Rate Application Dr. Booth confirmed that the
 16 table summarizing his recommended benchmark ROEs and their component
 17 parts in evidence filed with various Canadian regulators for the period August
 18 2009 to September 2018 was correct. Provide the same details as in the table
 19 for all evidence filed by Dr. Booth with Canadian regulators since September
 20 2018 to the present.
 21
- 22 **PUB-CA-003** Evidence, page 3, lines 16-26. Dr. Booth has given evidence in several
 23 Canadian regulatory proceedings on the recommended ROE and capital
 24 structure for regulated utilities. List each decision by a regulator that accepted
 25 Dr. Booth's recommendations fully or partially and, if partially accepted, state
 26 what was accepted.
 27
- 28 **PUB-CA-004** Evidence, page 4, lines 8-12 and footnote 2. Explain the acronyms LUNB and
 29 EGNB and footnote 2 and their relevance to this proceeding.
 30
- 31 **PUB-CA-005** Evidence, pages 14-15 and page 36, lines 1-2. Have any of the events since
 32 the evidence was prepared, including rising infection rates during the fourth
 33 wave of Covid-19 and volatility in capital markets, affected Dr. Booth's
 34 opinion that the bulk of the Covid-19 crisis has largely passed and that we are
 35 rapidly emerging from a serious recession?
 36
- 37 **PUB-CA-006** Evidence, page 15, line 9. Confirm that the date 2020 in this line should be
 38 2022.
 39
- 40 **PUB-CA-007** Evidence, page 43, lines 1-5. Do other utilities have similar earnings sharing
 41 mechanisms as Newfoundland Power? If yes, do the regulatory boards of
 42 those utilities consider the "true" ROE to be what is allowed by the regulator
 43 before the earnings sharing mechanism or the allowed ROE plus the potential
 44 additional ROE under the earnings sharing mechanism?
 45
- 46 **PUB-CA-008** Evidence, page 44, line 22 to page 45, line 23. Explain how the non-
 47 materialization of risks should be considered by the Board in determining the
 48 equity component in the capital structure and the ROE for Newfoundland
 49 Power.

- 1 **PUB-CA-009** Evidence, page 46, lines 1-6. Dr. Booth states that Newfoundland Power’s
2 statement in the response to CA-NP-018 that its risk assessment reflects both
3 near-term and long-term analyses goes against “past practice of most
4 Canadian boards”. What decisions by Canadian boards does Dr. Booth rely on
5 for this conclusion?
6
- 7 **PUB-CA-010** Further to PUB-CA-009, in Dr. Booth’s opinion is it ever appropriate in
8 setting the return on equity for a utility to consider increases in business risk
9 that will arise beyond the test years, that is, medium or long term?
10
- 11 **PUB-CA-011** Evidence, page 47, line 4 to page 48, line 27.
12 (a) Is Dr. Booth familiar with the evidence of Dr. John Todd filed by the
13 Consumer Advocate in Newfoundland Power’s 2022 Capital Budget
14 Application that states concerns that utilities are already experiencing a
15 “death spiral” because of technological changes?
16 (b) How does Dr. Booth reconcile Dr. Todd’s opinion that technological
17 changes will impact utility operations with Dr. Booth’s opinion that it
18 does not increase Newfoundland Power’s risk?
19
- 20 **PUB-CA-012** Evidence, page 48, lines 17-27. Dr. Booth states that “mitigation is under
21 way” and that the risk for Newfoundland Power is not as great as three years
22 ago. In Dr. Booth’s opinion has the recent Federal and Provincial
23 Governments’ announcement on a rate mitigation plan eliminated all the
24 uncertainty arising from the in-service of the Muskrat Falls Project so that it
25 has become insignificant or irrelevant in assessing Newfoundland Power’s
26 business risk? In the response include Dr. Booth’s opinion as to whether the
27 Board should consider in any way that the recovery of costs related to the
28 Muskrat Falls Project is a factor to be considered in assessing Newfoundland
29 Power’s business risk and whether the fact there is uncertainty as to how
30 mitigation will be implemented is a material risk for Newfoundland Power.
31
- 32 **PUB-CA-013** Further to PUB-CA-012, Newfoundland Power in its Application, pages 1-6
33 to 1-7 and in the response to PUB-NP-037 refers to the ongoing review of the
34 reliability of the Muskrat Falls Project and the potential for additional
35 investment to ensure reliability as factors to be considered in the assessment
36 of its business risk. Mr. Coyne in his report at pages 64 and 67-68 and in the
37 response to PUB-NP-085 also refers to the issue of reliability and potential
38 additional investment in his assessment of Newfoundland Power’s business
39 risk. What consideration, in Dr. Booth’s opinion, should be given to reliability
40 risks arising from the Muskrat Falls Project in the assessment of
41 Newfoundland Power’s business risk?
42
- 43 **PUB-CA-014** Evidence, page 61, lines 16-20. What regulators have explicitly rejected
44 mechanically adjusting utility betas toward the market mean of 1.0 and have
45 any regulators accepted the adjustment?
46
- 47 **PUB-CA-015** Evidence, page 67, lines 11-13. Confirm that Dr. Booth does not recommend
48 the implementation of an Automatic Adjustment Formula at this time.

- 1 **PUB-CA-016** Evidence, page 67, lines 16-23 and page 62, lines 1-4. Confirm that the ROE
2 for Newfoundland Power, applying the CAPM method would, without any
3 adjustments to reflect current market conditions, be in the range 5.82% and
4 6.87%.
5
- 6 **PUB-CA-017** Evidence, page 67, lines 14-23. Dr. Booth makes a number of adjustments in
7 determining his recommendation on the fair CAPM return to adjust for current
8 market conditions. Have these specific adjustments been accepted by any
9 Canadian regulator in setting the return for a Canadian electric utility?
10
- 11 **PUB-CA-018** Further to PUB-CA-017:
12 (a) In Dr. Booth's opinion are there any other appropriate ways to make
13 adjustments for the current market conditions in determining a fair
14 return on equity for Newfoundland Power using CAPM?
15 (b) In Dr. Booth's opinion can the application of judgment to select the
16 overall magnitude of the adjustment required also be an appropriate way
17 to adjust for abnormal market conditions?
18
- 19 **PUB-CA-019** Evidence, page 70, lines 21-23; page 74, lines 3-9 and page 85.
20 (a) Explain how, in Dr. Booth's opinion, the DCF method and DCF
21 estimates should be considered by the Board in its determination of a
22 fair return for Newfoundland Power in this proceeding.
23 (b) Is CAPM, with adjustments to reflect current market conditions, still Dr.
24 Booth's preferred method?
25
- 26 **PUB-CA-020** Evidence, page 98, lines 10-11. Dr. Booth's personal recommendation is for a
27 7.5% allowed ROE on 40% common equity, which is significantly below the
28 ROEs currently approved for Canadian electric utilities with similar allowed
29 equity ratios to 40%. (ROEs for Canadian electric utilities are provided in Mr.
30 Coyne's report in Figure 29 on page 50 and the allowed equity ratios are
31 provided in Figure 30 on page 54) What impact would the implementation of
32 this recommendation have, in Dr. Booth's opinion, on Newfoundland Power's
33 credit ratings from Moody's and DBRS? In the response explain whether Dr.
34 Booth agrees with Mr. Coyne's response in PUB-NP-090 and Newfoundland
35 Power's response in PUB-NP-030 that credit metrics are not the only thing
36 that credit rating agencies consider.
37
- 38 **PUB-CA-021** Evidence, page 98, lines 10-11. Implementation of Dr. Booth's personal
39 recommendation would result in Newfoundland Power having the lowest
40 approved ROE of any electrical utility in Canada.
41 (a) Why, in Dr. Booth's opinion, should Newfoundland Power have a lower
42 ROE than any other electrical utility in Canada or are the ROEs for the
43 others higher than required for the fair return standard?
44 (b) In Dr. Booth's opinion does Newfoundland Power have the lowest
45 business risk of regulated utilities in Canada?

DATED at St. John's, Newfoundland this 8th day of October, 2021.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per


Sara Kean
Assistant Board Secretary