

1 **Q.** Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of
2 Laurence D. Booth, September 28, 2021, page 42, lines 22, to page 43, line
3 5.

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5 **Does Dr. Booth believe Newfoundland Power's annual earnings are simply**
6 **based on its allowed ROE and are not dependent on differences in costs**
7 **and management decision making? Please explain.**

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10 **A.** The ability to earn the allowed ROE obviously relies on competent
11 management, but that is assumed and NP's shareholders should not be
12 compensated for hiring incompetent managers that expose them to losses. The
13 Board gives NP the tools to manage its risk through deferral accounts, such that
14 unexpected shocks beyond management control are usually allocated to
15 deferral accounts for future recovery from rate payers.