

IN THE MATTER OF
the *Electrical Power Control Act*,
RSNL 1994, Chapter E-5.1 (the “*EPCA*”)
and the *Public Utilities Act*, RSNL 1990,
Chapter P-47 (the “*Act*”), as amended;

AND

IN THE MATTER OF a General Rate
Application (the “*Application*”) by
Newfoundland Power Inc. to establish
customer rates to be effective January 1, 2010.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB - CA - 1 to PUB - CA - 27

Issued: August 21, 2009

PUB – CA – 1

Please provide in electronic form all work papers, including formulas used in any calculations, relied on by Laurence Booth in developing his recommended cost of equity and overall rate of return.

PUB – CA– 2

Please provide a copy of all documents, reports, articles, etc. cited by Dr. Booth in his testimony.

PUB – CA – 3

Has Dr. Booth tested the betas used in his analyses, including those on page 35 of his testimony, for statistical significance? If so, please provide the results of those tests and his interpretations of those results.

PUB - CA – 4

Please provide a definition, with any appropriate citations, of the term “beta” as used by Dr. Booth in this cost of capital testimony.

PUB – CA – 5

What level of statistical significance does Dr. Booth believe is sufficient for determining whether a regression coefficient is not equal to zero?

PUB – CA – 6

Has Dr. Booth recommended an allowed return on equity in any regulatory proceeding in the past three years that resulted in a lower pretax interest coverage than the one in the instant case? If so, please provide copies of those testimonies.

PUB – CA – 7

Please provide any citations recommending the appropriate use of a “judgment adjusted beta” as used by Dr. Booth on page 34 of his testimony.

PUB – CA – 8

Please provide the pretax interest coverage ratio for Newfoundland Power given Dr. Booth’s recommended allowed return on equity.

PUB – CA – 9

Please define the term “judgment adjusted beta” used by Dr. Booth on page 34 line 15 of his testimony.

PUB – CA – 10

On page 41 line 21 of his testimony, Dr. Booth states, “Overall I rely on my judgment and the tendency of betas to revert to their long run average and continue to use my normal beta range of 0.45 – 0.55 even though the recent statistical evidence is for lower betas.” What empirical evidence does Dr. Booth have that the long run average beta for utilities is in the range of 0.45 – 0.55?

PUB – CA – 11

What empirical evidence does Dr. Booth have that the current beta for utilities is in the range of 0.45 – 0.55?

PUB – CA – 12

Please confirm that the current utility betas calculated by Dr. Booth are not in the range of 0.45 – 0.55.

PUB – CA – 13

Please confirm that the beta used by Dr. Booth in his risk premium analyses of 0.50, for example on page 47, line 20 of his testimony, is simply his judgment as to what the beta ought to be and is not the result of a calculation of the current beta for utilities.

PUB – CA – 14

Please explain how Dr. Booth arrived at his estimates of K on Schedule 4 of Appendix C of his testimony.

PUB – CA – 15

Please confirm that the ROE’s in Schedule 4 of Appendix C are earned returns and not expected returns.

PUB – CA – 16

The risk premiums Dr. Booth utilizes in Schedule 4 of Appendix C include negative risk premiums. Please explain if it is logical that the expected risk premium for utilities’ Returns on Equity can ever be negative.

PUB – CA – 17

If a methodology for determining the risk premium produces illogical results such as negative risk premiums, is this an indication that the methodology is flawed?

PUB – CA – 18

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of -0.05 for Canadian Utilities, Ltd.

- a. Is the beta for CU, Ltd. statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 19

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of -0.07 for Emera.

- a. Is the beta for Emera statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 20

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of 0.20 for Enbridge.

- a. Is the beta for Enbridge statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 21

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of -0.08 for Fortis.

- a. Is the beta for Fortis statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 22

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of -0.40 for PNG.

- a. Is the beta for PNG statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 23

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of -0.57 for TransAlta.

- a. Is the beta for TransAlta statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 24

Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of 0.23 for TransCanada Pipeline.

- a. Is the beta for TransCanada statistically significant?
- b. Does this limit its value for determining a ROE in this proceeding?

PUB – CA – 25

Is it Dr. Booth's opinion that the current economic recession has generally increased the risk to investors in common equities in the financial markets in Canada?

PUB – CA – 26

Is it Dr. Booth's opinion that the credit crisis at the end of 2008 and early 2009 in Canada has no influence presently on the risk perceptions of current investors contemplating investment in Canadian common equities?

PUB – CA – 27

Is it Dr. Booth's opinion that investors in current markets who are contemplating investment in Canadian common equities perceive the same or smaller risk premium over A- rated utility bonds than investors one year ago? If the answer is yes, please provide copies of all studies of risk premiums and empirical studies showing this risk premium relationship.

DATED at St. John's, Newfoundland this 21st day of August 2009.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Original signed by

Per Cheryl Blundon
Board Secretary