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Q. Reference: Page 88, Lines 4-5

Dr. Booth indicates that “...what matters is the outcome of the formula not how the formula is constructed.”

Does Dr. Booth believe that this reasoning is applicable to the estimation of a fair return for Newfoundland Power generally? If not, why not?

A. Yes, a board is required to award a fair and reasonable ROE. How it gets there is up to the board to decide. Dr. Booth is not a lawyer but as long as a board looks at all the available evidence and acts in a conscientious and prudent manner it seems that a Canadian court of appeals will not second guess the board’s judgment. For example, the National Energy Board awarded an ATWACC in its recent TQM decision, but it took great care to consider all the evidence and show that its allowed ATWACC was consistent with “acceptable” parameters under traditional regulation.