

- 1 **Q.** Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,
2 Evidence of Laurence D. Booth, April 2024, page 31, lines 3-4.
3
4 *“The graph below shows the trend in actual borrowing costs since 2000 for A and BBB*
5 *rated issuers.”*
6
7 **Please confirm that the graph shows that current average bond yields for A and BBB**
8 **rated issuers are considerably higher than in 2016, 2018, or 2021.**
9
- 10 **A.** That is correct as they are all part of the bond market and affected by the impact of
11 quantitative easing. By basing his ROE recommendations since 2012 on the 3.8%
12 minimum forecast LTC rate and the actual credit spread, Dr. Booth has consistently
13 applied a higher borrowing rate for NP than that reflected in the bond market. Therefore,
14 that reductions in NP’s borrowing cost in 2016, 2019 and 2021 did not affect his ROE
15 recommendation just as recent increases also do not affect his ROE recommendation.
16
- 17 The only impact of NP’s borrowing cost on Dr. Booth’s recommendations is through the
18 persistent reduction in NP’s embedded interest cost, which should have increased NP’s
19 times interest earned coverage ratio and financial market access.