

- 1 **Q. Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,  
2 Evidence of Laurence D. Booth, April 2024, page 83, lines 10-12.  
3  
4 *“Moreover, unlike the U.S., this is generally not a significant concern in Canada as  
5 most regulated operating utilities require approval from the regulator to issue debt and  
6 often issue secured debt.”*  
7**
- 8 **a) Is it Dr. Booth’s testimony that operating utilities in Canada generally require  
9 approval for debt issuances, while those in the U.S. do not? If yes, please provide  
10 supporting evidence for this statement regarding U.S. utilities.  
11**
- 12 **b) Is it Dr. Booth’s testimony that operating utilities in Canada “often issue secured  
13 debt”? Please provide a list of secured debt issuances for Canadian investor  
14 owned electric utilities over the past five years.  
15**
- 16 **A. a) Dr. Booth is referencing the concerns of S&P that the FERC did not protect  
17 Enron’s bond holders and state regulators did not protect the bond holders of the  
18 local telecoms during the Internet bubble and crash. In both cases, the bonds of the  
19 “safe” regulated utility were not protected from the actions of their riskier parents.  
20 Dr. Booth relies on the reports of the two main rating companies for this  
21 observation. For Canadian utilities, he is aware that the operating utility normally  
22 seeks approval from the regulator, and there are restrictions on inter corporate  
23 cash-flows, so they are generally, but not always, regarded as “structurally  
24 insulated” (ring fenced) from their parents using the terminology of S&P.  
25**
- 26 **b) No. Some Canadian utilities issue unsecured debt, for example Enbridge Gas  
27 Distribution Inc (EGI). The US problems have generally not been a concern in  
28 Canada as DBRS traditionally treated senior unsecured debt the same as secured  
29 debt using the hierarchy principle in rating individual issues. That is, if there is  
30 nothing “above” an issue, then it gets the rating of what would otherwise have been  
31 a more senior issue.**