Q. **Reference:** ***Fair Return and Capital Structure for Newfoundland Power (NP)*, Evidence of Laurence D. Booth, April 2024, page 116, line 13.**

"Why don't you use the AUC's allowed ROE of 9.0%?"

Please confirm that the AUC's authorized ROE for electric and gas utilities in 2024 is 9.28%.

A. The allowed ROE of 9.0% refers to Schedule 13 from the AUC decision. The following is the AUC description from its Decision 27084-D02-2023 (October 9, 2023) page 57.

> 249. Table 15 sets out the minimum equity ratio that would be required, in conjunction with an approved ROE of 9.0 per cent, for distribution and transmission utilities in Alberta with an income tax rate of 23 per cent, as well as distribution and transmission utilities in Alberta with an income tax rate of zero per cent, to meet the corresponding credit ratio threshold or range used by the Commission to establish a credit rating in the A-range. For example, as shown in Table 15, a distribution utility in the 2024 GCOC proceeding that has an income tax rate of zero per cent, would require a deemed equity ratio of 32 per cent to achieve an EBIT coverage ratio of 2.0. That same utility would require a deemed equity ratio somewhere below 30 per cent, in order to achieve an FFO coverage ratio of 2.0, and an FFO coverage ratio of 3.0. Finally, that same utility would require a deemed equity ratio below 30 per cent, in order to achieve an FFO/debt ratio of 9.0, while it would require a deemed equity ratio of 34 per cent to achieve an FFO/debt ratio of 13.0.

Following the application of the AUCs new ROE formula, the allowed ROE for 2024 has increased to 9.28%.