

1 Q. Reference: *Fair Return and Capital Structure for Newfoundland Power (NP)*,
2 Evidence of Laurence D. Booth, April 2024, page 96, line 8 (graph).

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4 **Given Dr. Booth's position that risk is forward looking, please explain the relevance**
5 **of Newfoundland Power's historical achieved ROE in assessing its business risk.**

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7 A. Earning the allowed ROE is a question of accurately forecasting future revenues and
8 expenses. NP's demonstrated experience of over earning its allowed ROE in the last 25
9 years is indicative of either its excellent forecasting and managerial skills, or the fact that
10 the bulk of its cost structure as a regulated utility are fixed or under management control.
11 Either way there is no indication that this is likely to change in the near term, or if it is
12 then NP should have brought the reasons to the Board's attention and requested, for
13 example, another deferral account to help manage the risk.