

1 **Q. Reference Evidence of Laurence Booth dated September 25, 2018**

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3 **Page 3, footnote 1: Explain why and how the impact of the ROE on electricity**
4 **prices for customers is a factor to be considered in determining a fair and**
5 **reasonable ROE.**

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7 **A. Higher electricity prices affect NP's risk *if* they increase the probability of NP**
8 **failing to earn its allowed ROE. This requires that NP's customers drop off the**
9 **system and convert to alternative energy supplies and as they do so trigger a**
10 **further round of rate increases until NP cannot recover their allowed ROE in**
11 **rates. As long as NP can earn its ROE under any possible electricity price shock**
12 **there is no increase in risk.**

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14 **To assess this risk NP has to file a detailed demand study, since without it any**
15 **risk assessment is entirely speculative. Further, since any significant drop off**
16 **in the demand for electricity feeds through to Muskrat Falls such a demand**
17 **study has to take into account whether the Provincial government would even**
18 **allow it, since the province can also take measures to maintain the competitive**
19 **position of electricity.**
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