

1 **Q. Further to PUB-CA-012, Newfoundland Power in its Application, pages 1-6 to**
2 **1-7 and in the response to PUB-NP-037 refers to the ongoing review of the**
3 **reliability of the Muskrat Falls Project and the potential for additional**
4 **investment to ensure reliability as factors to be considered in the assessment of**
5 **its business risk. Mr. Coyne in his report at pages 64 and 67-68 and in the**
6 **response to PUB-NP-085 also refers to the issue of reliability and potential**
7 **additional investment in his assessment of Newfoundland Power's business**
8 **risk. What consideration, in Dr. Booth's opinion, should be given to reliability**
9 **risks arising from the Muskrat Falls Project in the assessment of**
10 **Newfoundland Power's business risk?**

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12 **A.** Dr. Booth does not consider this to be an additional factor in business risk. If NP
13 judges that additional investment is needed to ensure reliability of supply then this
14 will come before the Board in the same manner as any new capital expenditures. If
15 the Board judges such expenditures to be prudent then they will be included in NP's
16 rate base and their costs recovered in the same manner as any other capital
17 expenditures.

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19 The question is always how material are these expenditures when added to the flow
20 though of the power costs from Muskrat Falls in affecting rates. Ultimately all these
21 costs are borne by rate payers so the question is always can the utility recover these
22 costs. Here there is no evidence before the Board that these or any other costs will
23 affect the ability of NP to earn its allowed ROE over the term of the future test years.
24 Without any explicit evidence to the contrary any opinion at this stage is entirely
25 speculative.