

1 **Q.** NP-CA-027 Reference: *Fair Return and Capital Structure for Transénergie,*  
2 **Evidence of Laurence D. Booth and Michael K. Berkowitz before the Régie de**  
3 **P'énergie du Québec, November 2000, Page 2, Lines 22-24**

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5 *"In our judgment, capital structures should be long lived as they are primarily a*  
6 *function of the business risk of the firm. In particular, it is not standard practice to*  
7 *change equity ratios on an ongoing basis."*

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9 **Please explain why Dr. Booth believes that now is a good time for the Board to**  
10 **change Newfoundland Power's capital structure.**

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12 **A.** Please see Dr. Booth's answers to PUB-CA-016 and PUB-CA-017.

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14 Note that being reluctant to change common equity ratios does not mean that they should  
15 never be changed.