

1 **Q. Reference: *Fair Return and Capital Structure for Transénergie*, Evidence of**
2 **Laurence D. Booth and Michael K. Berkowitz before the Régie de l'énergie du**
3 **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 **Given that (i) the Board found 45% equity to be the appropriate capital structure**
10 **for Newfoundland Power in each Order since 1998 and (ii) Dr. Booth states that**
11 **there has been no material change in NP's business risk since 2012, why does Dr.**
12 **Booth believe that the Board should deviate from its conclusion at the Company's**
13 **last GRA?**

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

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17 Note the Board indicated it was time to review NP's appropriate common equity ratio and
18 Dr. Booth prepared his testimony on that basis and agrees with what he stated in 2009
19 and 2012 and what he understands was Professor Kalymon's judgment in those earlier
20 hearings.

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22 Note also the word primarily in the quote attributed to him. Like the Ontario Energy
23 Board Dr. Booth judges the common equity ratio to be the most important factor,
24 particularly for Boards applying a common allowed ROE. However, other factors are
25 maintaining an efficient capital structure and market access as noted by both the National
26 Energy Board and the Alberta Utilities Commission.