

1 **Q. Reference: Dr. Booth Evidence, Page 79, Lines 5-6**

2

3 *“In a dictionary sense risk is the probability of incurring harm. On the basis of its*
4 *demonstrated ability at earning its allowed ROE, NP has not suffered any risk*
5 *whatsoever.”*

6

7 **In Dr. Booth’s opinion, what role, if any, does sound financial management play in**
8 **his assessment of utility business risk?**

9

10 **A.** Dr. Booth does not judge that losses arising as a result of bad management should
11 be rewarded with an extra risk premium. The expectation is that managers are “sound”
12 and act professionally as they would in a competitive firm, where their careers are at
13 stake. As a result he expects sound financial management.