

1 **Q. Reference: Dr. Booth Evidence, Page 79, Lines 12-13: Given Dr. Booth's**  
2 **testimony that "it is not risk when you only earn more than the risk free rate,**  
3 **regardless of whether or not there is variability in that return", would Dr. Booth**  
4 **agree that if the utility earns more than the risk free rate, the variability in earnings**  
5 **does not matter? If not, please clarify Dr. Booth's position on this issue.**

6

7 **A. Dr. Booth does not understand the question. Regardless of the allowed ROE, say**  
8 **it is 10%, if the firm earns one of two rates of return 11% and 12% neither can be**  
9 **regarded as indicating risk as risk is the probability of losing money. The above situation**  
10 **is regarded as one of stochastic dominance.**

11

12 **As stated on many occasions Dr, Booth judges the main risk facing Canadian utilities to**  
13 **be market or investment risk and not business or financial risk.**