Q. Reference: Dr. Booth Evidence, Page 84, Line 3: Does Dr. Booth believe that the Board erred in its 2013 Order when it determined that it was appropriate to maintain Newfoundland Power's common equity ratio at 45.0 percent? If so, please elaborate on the specific reasons why Dr. Booth disagrees with the Board's decision in 2013.

A. Dr. Booth makes no inferences on the Board's judgment except that the Board put the issue on the agenda for this hearing. However, Dr. Booth would note that he recommended a 40% common equity ratio in 2012 and in 2009 stated

> "I do not see any increase in the relative riskiness of NP and regard business risk analysis to be of marginal importance in this hearing. This is particularly true given that Moody's on August 3, 2009 upgraded NP's first mortgage bonds two notches from Baa1 to A2. Although much of this significant upgrade is due to technical factors more related to Moody's rating philosophy than NP's business risk, nonetheless it does signal NP's very strong credit background. For this reason I relegate a discussion of NP's business risk and financial health to Appendix H. However, it does point out that NP's common equity ratio of 45% significantly exceeds the Canadian norm for a low risk regulated utility. As more of the financial market uncertainty recedes I would recommend that this be reduced to bring NP more in line with practises in other Canadian jurisdictions."