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2 **Q. References: Page 4 and 20**
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4 **At Page 4, Lines 5-8, Dr. Booth indicates that as “...more of the financial market**
5 **uncertainty recedes...” he would recommend that Newfoundland Power’s equity ratio**
6 **be reduced.**
7

8 **At Page 20, Lines 15 *et. seq.* of Appendix H, it is indicated that Dr. Both would, in**
9 **“normal” times, recommend Newfoundland Power’s common equity be trimmed back**
10 **to the 35-40% level.**
11

12 **Can Dr. Booth confirm that current financial market conditions are (i) uncertain and**
13 **(ii) not “normal”? If not, why not?**
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16 **A.** Dr. Booth believes that poor regulatory practises in the US coupled with a very poor policy
17 response to the problems of Lehman Brothers caused the largest financial meltdown in 70
18 years and the widest Canadian “A” rated spreads that he is aware of. The conditions that
19 existed in the capital market from September 2008-March 2009 could not be regarded as
20 normal.
21

22 In contrast current capital market conditions are normal and consistent with the current stage
23 of the business cycle.
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