

1 **Q. Reference: the fair return standard on page 6: Did Mr. MacDonald review the**
2 **ability of NP to earn its allowed ROE as a factor in determining whether debt**
3 **magnified returns to the common shareholder in NP?**
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5 A. Mr. MacDonald did review NP's ability to earn its allowed ROE in the development of
6 his opinion on capital structure and return on equity. Mr. MacDonald believes that an
7 allowed ROE must consider both the level of business risk and the level of financial risk.