

1 **Q. At p. 2 of the Report, Mr. McDonald states that in forming the conclusion that the**
2 **Company’s forecast common equity ratio of 45% for 2013 and 2014 is reasonable,**
3 **“we also considered the stable trend in the equity ratios of its investor-owned**
4 **Canadian utility peers for the period of 2010 – 2012. Explain how the stability of**
5 **other utilities consistently lower equity ratios support the continued need for the**
6 **Company to have the highest equity ratio in Canada?**

7
8 **A.** Mr. MacDonald does not believe the stability of other investor-owned utilities equity
9 ratios support the continued need for NP to have the highest equity ratio. Mr.
10 MacDonald believes the trend (along with other considerations noted in his expert report)
11 support his view that NP’s forecast 2013 and 2014 capital structure which includes 45%
12 common equity is reasonable.