

1 **Q. Reference: page 52, lines 15-16**

2
3 **“At the current point in time "A" spreads are at 180 bps or 80bps more than normal**
4 **or average for the business cycle.”**

5
6 **Please confirm that Dr. Booth is recommending that, for purposes of an automatic**
7 **adjustment mechanism, the PUB use a spread of 1.8% as a point of departure. If this**
8 **cannot be confirmed, please identify and provide support for the starting spread that**
9 **Dr. Booth is recommending.**

10
11 **A.** Dr. Booth would recommend that the Board use a credit spread consistent with its
12 determination of a fair ROE. Dr. Booth’s fair ROE is predicated on a generic spread of
13 1.80% and a long time series that indicates about 100 basis points is average. However,
14 the Board can determine a fair ROE for NP and then set a credit spread adjustment based
15 on what it feels is appropriate, as well as its judgment as to the appropriate long Canada
16 bond yield forecast. For example, the Board would be advised to use the utility credit
17 spread from the Bloomberg synthetic utility series described on page 72 of Dr. Booth’s
18 testimony. In this way it would be consistent with the approach of the Regie and OEB.