

1 **Q. Pg. 4 - Please state your Newfoundland Power risk assessment on an overall basis**
2 **(business and financial combined).**

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4 A. I would rate Newfoundland Power as an average risk Canadian utility with lower financial
5 risk due to its generous common equity ratio. Overall it would be marginally below average
6 risk, ie., the risk of a benchmark utility.

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8 However, financial leverage simply magnifies risk, which is why it is called leverage. The
9 fact is that Canadian utilities have very, very, little risk to magnify so Dr. Booth does not
10 judge the change in the common equity ratio as seriously affecting NP's fair ROE. It would
11 only do so if it did not have the full range of deferral accounts that passes on risks to the
12 rate payer rather than being borne by the shareholder.