Q: Reference: Page 33, Lines 1-4.

Does Dr. Cannon agree that a utility must be allowed the opportunity to earn a rate of return high enough to achieve and maintain a sound credit rating in the financial markets of the world and attract new equity capital in both strong and poor capital market conditions?

A: The referenced statement in lines 1-4 on page 33 of Dr. Cannon's evidence expresses Dr. Cannon's views in this regard. A "sound credit rating" is an investment grade credit rating. Dr. Cannon states that a utility should be allowed the opportunity to earn a return high enough to enable it "to attract new equity capital without impairing, under normal circumstances," (i.e., *not* very poor market conditions) "its equity book value." In some poor capital market conditions, there are no purchasers for new equity issues no matter how high the promised return from the issuer is. These circumstances do not help to define or identify what a "fair" utility rate of return is.