Q. **Reference:** ***Fair Return for Newfoundland Power (NP),*** **Evidence of Laurence D. Booth, September 28, 2021, page 43, lines 13-15.**

"In financial terms NP's actual ROE stochastically dominated the LTC bond in the sense that no investor would have held the LTC bond if they could have earned NP's actual ROE."

If investors view an LTC bond the same as an equity investment in a regulated utility, how would that influence the expected return on those investments?

A. See the answer to NP-CA-022 where Dr. Booth judges preferred shares to be a better comparison with NP's common equity. However, common equity shares suffer more market risk than preferred shares even though they are all part of shareholder's equity. Having said that, there is an active industry among investment banks repackaging bank and utility shares into pure preferred shares and riskier residual equity shares. The first such repackaging was of shares involving BCE in 1986 by Mcleod Young Weir which is now part of Scotia Bank.

It is discussed on pages 22-23 to 22-24 in Dr. Booth's textbook. The modern way of accomplishing this "equity stripping" is through split shares.