Q. **Reference:** ***Fair Return for Newfoundland Power (NP),*** **Evidence of Laurence D. Booth, September 28, 2021, pages 44, lines 15-21.**

In Dr. Booth's opinion, do equity investors ignore prospective risks, and not require a premium over a risk-free investment, if a company has a track record of successfully mitigating historic risks? Please explain.

A. Stock market risk is always forward looking. A standard phrase is the "markets have no memory". This is not quite true as the basis for a forward looking estimate is judgment based on past experience, but it is the essence of efficient market theory. In the case of utilities as indicated previously this risk is primarily the re-pricing risk prevalent in stock markets.