

- 1 Q. Reference: *Fair Return and Capital Structure for TransÉnergie*, Evidence  
2 of Laurence D. Booth and Michael K. Berkowitz before the Régie de  
3 l'énergie du Québec, November 2000, page 2, lines 22-24.  
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5 *"In our judgment, capital structure decisions should be long lived as they are*  
6 *primarily a function of the business risk of the firm. In particular, it is not*  
7 *standard practice to change equity ratios on an ongoing basis"*  
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9 Does Dr. Booth agree with the above statement regarding the long-  
10 lived nature of capital structures? Please explain.  
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13 A. Dr. Booth 100% agrees with that statement, which he has made in many  
14 subsequent hearings over the last 36 years. However, that does not mean to say  
15 that common equity ratios should never change, particularly if they are out of  
16 line with those of other utilities with similar business risk.