Q. Further to PUB-CA-009, in Dr. Booth's opinion is it ever appropriate in setting the return on equity for a utility to consider increases in business risk that will arise beyond the test years, that is, medium or long term?

A. Yes. The National Energy Board started increasing the common equity ratio for the Mainline in 2001 based on potential supply competition. Initially the increase was from 30% to 33% then to 36% and finally in 2013 to 40%. However, these were not "speculative" risks, but medium-term risks that got closer to the test years as a result of known supply developments that threatened to strand part of the Mainline. The important consideration was that the NEB was presented with significant evidence as to the effect of this risk as it developed.