

1 **Q. Reference Evidence of Laurence Booth dated September 25, 2018**

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3 **Page 80, lines 16-18: Please clarify whether Dr. Booth's recommendation on**
4 **ROE is based on the current capital structure and what the recommendation**
5 **for ROE would be if the capital structure were changed to 60% debt.**

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7 A. Dr. Booth's judgement is that in practise, NP's ability to earn its allowed ROE is
8 unaffected by a change in common equity ratio in this range. NP consistently earns
9 more than its allowed ROE and Dr. Booth would expect this to continue and would
10 note that other utilities with lower common equity ratios do the same. Increased debt
11 financing (leverage) magnifies any variation in operating results from their target
12 (allowed) level. However, for Canadian utilities with so many deferral accounts,
13 like NP, there is nothing to magnify and therefore no increases in short-run risk as
14 the common equity ratio is reduced.