

1 **Q. Dr. Booth Evidence, Page 3, Lines 14-17**
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3 **“I regard a 7.5% ROE for NP on 40% common equity as satisfying the fair**
4 **return standard. However, since the Board heard full business risk and capital**
5 **structure evidence in 2016 and fixed NP’s common equity ratio at 45% I have**
6 **not entered full evidence on the common equity ratio again.”**
7

8 **What impact does Dr. Booth believe a 7.5% ROE and a 40% common equity**
9 **ratio will have on Newfoundland Power’s credit ratings from Moody’s and**
10 **DBRS?**
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12 **A.** Dr. Booth would not expect any material impact on NP’s ability to raise debt on fair
13 and reasonable terms, since its current rating is significantly higher than that of its
14 parent Fortis (Moody’s BAA3) whose S&P rating is only exceeded by Hydro One
15 which gets support from its partial ownership by the province of Ontario.
16

17 Dr. Booth would repeat his statements made in the 2016 GRA that Fortis finances
18 the 45% common equity in NP with 35% common shares and 10% preferred shares,
19 while supporting what Fortis regards as a “strong” investment-grade bond rating.
20 Dr. Booth’s judgement is the same today as it was in 2016 that NP replace 5% in
21 long-term debt with 5% preferred shares, but that this should be done in an orderly
22 manner. The 5% in preferred shares supports the debt in the same way as common
23 equity since both rank behind the debt, so Dr. Booth does not view this as a material
24 changed for the bond rating.