

1 **Q.** **Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of**
2 **Laurence D. Booth, September 28, 2021, page 6, footnote 3.**

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4 **Please detail the basis for Dr. Booth’s understanding of how U.S. equity**
5 **ratios are established in regulatory proceedings.**

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8 **A.** Dr. Booth understands that they are not normally deemed the way they are in
9 Canada, but accepted unless egregious. Note unlike Canada for a long time the
10 US had the Public Utility Holding Company Act of 1935 where the US
11 Securities and Exchange Commission had the authority to regulate, license and
12 break up utility holding companies. The rationale being that US UHCs through
13 pyramiding had only limited equity which exacerbated the effects of the 1929
14 Stock market crash and the Great Depression. Consequently, the concern in the
15 US was to ensure that the operating company actually did have enough equity.

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17 As far as Dr. Booth is aware no securities regulator in Canada ever had such
18 oversight responsibilities or that Canadian regulated utilities did not have
19 enough equity capital.