

- 1 **Q.**           **Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of Laurence**  
2           **D. Booth, September 28, 2021, page 42, lines 14-15.**  
3  
4           **Please provide support from credit rating agencies or equity analysts that**  
5           **a utility that is able to earn its allowed ROE faces “no material short run**  
6           **risk regardless of its use of debt financing.”**  
7  
8  
9 **A.**           No external validation is needed since this is a statement of fact. Risk is  
10           defined by Merriam-Webster as the possibility of loss or injury. In a finance  
11           sense this is losing money and the fact that NP invariably earns its allowed  
12           ROE means that it has not experienced any material short run risk. This  
13           situation will not change if the common equity ratio is reduced from 45% to  
14           40% in line with other Canadian companies that invariably earn their allowed  
15           ROE such as Maritime Electric.