

1 Q. Reference: Dr. Booth Evidence, Page 71, Lines 2-3

2
3 *“In a dictionary sense risk is the probability of incurring harm. On the basis of*
4 *its demonstrated ability at earning its allowed ROE, NP has not suffered any risk*
5 *whatsoever.”*

6
7 **In Dr. Booth’s opinion, what role, if any, does sound financial management**
8 **play in his assessment of utility business risk?**

9
10 A. It is expected that management act professionally. On the other hand, if management
11 is imprudent and creates risk from that imprudence it should not be rewarded with
12 a risk premium. If a Board wants to reward good management, it can set a band
13 around the allowed ROE to allow a well-run company like NP to over-earn, which
14 it does.