

**Q. Evidence of Ms. McShane Page 15**

- (a) With reference to the NEB's TQM decision please provide the full passage in the decision that indicates that the NEB believes that US companies were relevant proxies for the cost of capital for *all* Canadian utilities rather than pipelines that have pipe on both sides of the border and are fully integrated into one continental pipeline system.
- (b) Please confirm that the NEB's TQM decision was specifically restricted to TQM for 2007 and 2008 just as its 2001 decision was restricted to the TransCanada Mainline.
- (c) Please indicate whether the NEB regarded TQM's business risk as having increased or decreased since 1994 and why.
- (d) Please indicate whether in its 2001 and 2004 decision the NEB regarded the TransCanada Mainline's business risks as having increased or decreased and how the NEB responded to that assessment.
- (a) The NEB did not state that it believes U.S. companies were relevant proxies for the cost of capital for all Canadian utilities, nor did it state that U.S. companies were only relevant to pipelines that have pipe on both sides of the border and are fully integrated into one continental pipeline system. At page 80, of the decision, the NEB stated that it "found market returns of U.S. companies to be relevant to the cost of capital of Canadian firms, as U.S. market returns can be a useful proxy for investment opportunities in the increasingly integrated global capital markets."
- (b) The decision was specifically for TQM for 2007 and 2008. The NEB did however reach conclusions (as per pages 14 and 15 of Ms. McShane's testimony) that are generic in nature even though the conclusions were applied specifically to TQM.
- (c) Increased, due to increased supply, competitive and market risk (which are interrelated).
- (d) Increased. In those decisions, the NEB increased the deemed equity ratio.