Q. Evidence of Ms. McShane Page 18 and 26

(a) With reference to the fair return standard and Ms. McShane's prior references to the NEB's TQM decision. Please indicate whether the NEB stated that there were three standards or three implications of one standard and provide the full statement and citation.

(b) Does Ms. McShane regard the rates that Canadian utilities have been paying for debt capital as fair and reasonable?

(c) Please provide all the weekly copies of the RBC publication listed on page 27 for 2008 and 2009 so the spreads can be tracked and assessed.

A. (a) In the TQM decision on pages 6-7, the NEB stated, "Therefore, the Board reaffirms the Fair Return Standard as articulated on page 17 of the RH-2-2004, Phase II Decision. The Fair Return Standard requires that a fair or reasonable overall return on capital should:

- be comparable to the return available from the application of the invested capital to other enterprises of like risk (comparable investment requirement);
- enable the financial integrity of the regulated enterprise to be maintained (financial integrity requirement); and
- permit incremental capital to be attracted to the enterprise on reasonable terms and conditions (capital attraction requirement)."

As per footnote 14 to the citation, the NEB noted that that in previous decisions it had used the word "standard" for each of the elements of the Fair Return Standard. It then stated that "the Board has changed the description to "requirement" to clarify that there are three requirements which should be met under the Fair Return Standard."

(b) Yes.

(c) The requested publications were provided to Newfoundland Power on a confidential basis. Therefore, Newfoundland Power objects to placing them on the public record.

An electronic copy of the publication is available on the Newfoundland Power's stranded website at the link *ftp.nfpower.nf.ca.*