Q. Evidence of Ms. McShane Page 56

(a) Please provide all statistical work that Ms. McShane has performed to justify the assumption that US utilities are comparable in risk to NP.

(b) Please confirm that the Concentric report referenced in footnote 56 was authored by the same people who appeared as expert witnesses on behalf of various utilities in the Alberta Utilities Commission 2008 generic cost of capital hearing.

(c) Please explain why the PUB should give more weight to the Concentric report than any other utility sponsored expert testimony that has been presented over the last two years.

(d) **Please confirm that Ms. McShane appeared alongside the authors of the Concentric report in the recent AUC generic hearing on behalf of several Alberta utilities and why this is not mentioned in her report?**

A. (a) Reliance on a sample of U.S. utilities as comparables was not based on statistical analysis. It was based on knowledge of both the regulatory and operating environments of both Canadian and U.S. utilities, an understanding of the capital markets in both countries, supplemented by the following specific considerations : (1) the U.S. utilities selected not only fall into the same S&P business risk class as the typical Canadian utility, but specific Canadian and U.S. utility company comparisons (e.g., AltaLink versus stand-alone U.S. transmission utilities) indicate that S&P considers Canadian and U.S. utilities operating in the same utility sector to be comparable; (2) Moody's assessments of specific Canadian utilities (e.g., Terasen Gas and FortisAlberta) indicate that they find Canadian and U.S. utilities operating in the same utility sector to be comparable; (3) all of the selected companies have S&P debt ratings in the A category, similar to the ratings assigned by S&P to Canadian utilities; (4) the Safety Rankings assigned by *Value Line* to the selected U.S. utilities are equal to or higher than the Safety Rankings that they have assigned to the two regulated Canadian companies (Enbridge Inc. and TransCanada Corporation) that they follow; (5) a review of the regulatory climate in each state, including the various regulatory mechanisms (see Attachment A).

(b) Confirmed.

(c) The report referenced was not utility sponsored testimony. It was a report that was commissioned by the Ontario Energy Board regulatory policy staff on behalf of the Board. As such, it would not be expected that either the organization selected to prepare the report or the report itself would have a bias toward any particular conclusions.

(d) Confirmed. As noted in response to (c), the referenced report was a report prepared at the request of the OEB staff. The report was completed and made public well in advance of Concentric's appearance on behalf of the ATCO Utilities in the generic cost of capital proceeding. In that context, Ms. McShane did not think it was critical to report in her testimony that she later appeared on behalf of the same client in a proceeding.

Regulatory Climate
U.S.A

	States Served	Type of Utility	Regulatory Climate	Moody's Reg Support Rating (Gas Only)	Test Year	Sales and Weather Normalization Features	Fuel/Gas Cost Recovery Assurance	Deferral Mechanisms
AGL Resources	Georgia	Gas LDC	Average 1	Baa	Forecast	Straight fixed variable rate (Georgia); Decoupling (Virginia); Weather Normalization (New Jersey and Tennessee)	Yes for all but Georgia where the company does not sell gas	Rider for Pipeline Replacement Costs (Georgia); rider for Environmental remediation liabilities (Georgia)
	Tennessee		Average 1		Historic with adjustment for known and measurable changes			
	New Jersey		Average 2		Partial forecast			
	Virginia		Above Average 3		Historic with adjustment for known and measurable changes			
Consolidated Edison	New York	Electric and Gas LDC	Average 3		Forecast	Revenue Decoupling (electric); weather normalization (gas)	Yes	True ups for OPEBS and environmental remediation expenses
Dominion Resources	Virginia	Vertically Integrated Electric and Gas LDC	Above Average 3		Historic with Adjustments		Yes	Legislation allows for rate adjustment clauses for environmental compliance costs, FERC approved transmission rates, conservation and energy efficiency programs
	West Virginia		Average 3		Historic with Adjustments			
	Ohio		Average2		Partial Forecast	Straight fixed variable (Ohio)		
	Pennsylvania		Average 3		Forecast			
Duke Energy	North Carolina	Vertically Integrated Electric and Gas LDC	Above Average 2		Historic with Adjustments		Yes	storm cost deferral, demand side management cost deferral, RTO cost deferral; pension expense deferral
	Ohio		Average 2		Partial Forecast	Straight fixed variable rate (gas Ohio)		
	Kentucky		Average 2		Historic with Adjustments			
	Indiana		Above Average 2		Historic with Adjustments			
	South Carolina		Average 1		Historic with Adjustments			
FPL	Florida	Vertically Integrated Utility	Above Average 2		Partial Forecast		Yes	Rate Riders for generation construction costs including pre-construction costs; securitized storm recovery costs;deferral for pension expense
New Jersey Resources	New Jersey		Average 2	Aaa	Partial Forecast	Decoupling	Yes	Deferrals for universal service fund; environmental remediation expenses; post retirement benefits;conservation incentive program
Northwest Nat. Gas	Oregon	Gas LDC	Average 3	Aaa	Partial or Full Forecast	Decoupling (Oregon)	Yes	deferral for pipeline integrity management program; pension expense deferral; environmental cost deferral
	Washington		Average 2		Historic with Adjustments			
NSTAR	Massachusetts	Electric and Gas LDC	Average 1		Historic with Adjustments	Generic order issued for gas and electric permitting development of plans for decoupling	Yes	provision for goodwill recovery;deferral for pension expense
Piedmont Natural Gas	North Carolina	Gas LDC	Above Average 2	Aaa	Historic with Adjustments	weather normalization;Customer utilization tracker (gas, NC)	Yes	deferrals for pension and retirement benefits expense, environmental remediation, demand side management; pipeline integrity expense; uncollected gas costs
	South Carolina		Average 1		Historic with Adjustments			
	Tennessee		Average 1		Historic with Adjustments			
Scana	South Carolina	Vertically integrated electric and gas	Average 1	Aaa	Historic with Adjustments	Weather normalization (gas, SC)	Yes	CWIP in rate base; storm damage reserve; deferrals for pension and employee benefit expense;environmental remediation expense; planned major maintenance
	North Carolina		Above Average 2		Historic with Adjustments	Customer utilitization tracker (gas, NC)		
Southern Co.	Georgia	Vertically Integrated electric	Average 1		Forecast		Yes	CWIP in rate base (Georgia); storm damage reserve;deferrals for pension and employee benefit expense, plant outage costs, environmental remediation costs; Rate Stabilization Mechanism (Alabama)
	Alabama		Above Average 2		Historic with Adjustments			
	Florida		Above Average 2		Partial Forecast			
	Mississippi		Above Average 2		Forecast			
Vectren	Indiana	Gas LDC and Vertically integrated	Above Average 2	Aa	Historic with Adjustments	Weather normalization (Indiana);	Yes	Employee benefit deferral; deferrals for demand side management expense and pipeline integrity expense
	Ohio		Average 2		Partial Forecast	Straight fixed variable rate design (gas, Ohio)		
WGL Holdings Inc.	Maryland	Gas LDC	Below Average 1	Baa	Partial Forecast	decoupling (MD)	Yes	trackers for pension and OPEB expenses
	D.C.		Average 2		Partial Forecast			
	Virginia		Above Average 3		Historic with Adjustments	Declining block structure (VA)		

Note: Historic with Adjustments means adjusted for known and measurable changes