Q. Evidence of Ms. McShane: Overall recommendations Pages 2-3: Please confirm that with her all in 7.0-7.25% utility risk premium this implies a market risk premium much higher. Please indicate her market risk premium, consistent with her utility risk premium.

A. The appropriate point of departure is the "bare bones" utility cost of equity which is based on the various market based tests, excluding any allowance for financing flexibility. The corresponding market risk premium should be inferred relative to the "bare bones" utility cost of equity of 9.5% for a utility risk premium relative to what is still an abnormally low forecast long-term Canada bond yield of 3.25%-3.50%. The corresponding inferred market risk premium, based on Ms. McShane's estimated utility relative risk adjustment, is 9.1%.