

1 **Q. Evidence of Ms. McShane: Overall recommendations Pages 2-3: Please confirm**  
2 **that in previous cases Ms. McShane has accepted a 50 bps issue cost/flexibility**  
3 **adjustment to add to her equity cost estimates and indicate why she thinks that issue**  
4 **costs/financial flexibility have increased over the last 3-4 years.**

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6 A. Confirmed, when she utilized the comparable earnings test as an integral part of her  
7 testimony. If the comparable earnings test is to be given no weight, then in Ms.  
8 McShane's opinion, it is critical to directly recognize through the financing flexibility  
9 allowance the disparity between the levels of financial risk in the market value capital  
10 structures on which market-based cost of equity tests are based and the utility book value  
11 capital structures to which those returns are applied.