

1 **Q. Evidence of Ms. McShane Appendix E: Please indicate any Canadian regulator that**
2 **has accepted an issue cost/financial flexibility adjustment of 1.50%.**

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4 A. While no Canadian regulator has adopted a financing flexibility allowance of 1.5%, the
5 After-Tax Weighted Average Cost of Capital (ATWACC) methodology adopted by the
6 National Energy Board for Trans Québec & Maritimes Pipeline in RH-1-2008 implicitly
7 made an adjustment to the market-based cost of equity for the difference between market
8 and book value capital structures. Please note that Ms. McShane is recommending an
9 adjustment of 1.0%, not 1.5%.