

1 **Q. Evidence of Kathleen McShane – Appendix “B”, “Selection of U.S. Low Risk Utility**
2 **Sample.”: Does Ms. McShane consider her present U.S. Low Risk Utility Sample on**
3 **an overall basis to have “less risk, “more risk” or “equal risk” as her U.S. sample of**
4 **companies in her 2009 Evidence before the Board in support of Newfoundland**
5 **Power’s GRA? Please explain the basis for the answer.**
6

7 A. On balance, Ms. McShane would consider the current sample to be of similar overall risk
8 to the 2009 sample at the time it was selected. The 2012 sample's S&P and Moody's
9 debt ratings are marginally lower (one notch) than those of the 2009 sample, and the
10 Value Line average safety rating for the 2012 sample is marginally higher (1.6 versus 1.5
11 for the 2009 sample). The S&P average business risk rankings for both samples were
12 “Excellent”. With the caveat that calculated betas do shift from period to period for
13 reasons unrelated to changes in risk, the sample mean Value Line betas were virtually
14 identical. On the other hand, the equity ratio of the 2012 sample is higher (50% versus
15 44%) and the 2012 sample has a lower percentage of non-regulated operations than the
16 2009 sample.