

1 **Q. McShane Evidence – At p. 104, Ms. McShane provides her conclusions as to the Fair**
2 **Return on Equity for Newfoundland Power. Please explicitly state the weighting (by**
3 **percentage) Ms. McShane gives to the tests she utilizes in arriving at her 10.5%**
4 **recommendation for Newfoundland Power?**

5
6 A. Ms. McShane gave equal weight (50% each) to the equity risk premium tests and
7 discounted cash flow tests. Within the equity risk premium tests, she gave equal weight
8 to each of the three tests. Within the discounted cash flow tests, she gave equal weight to
9 the constant growth and multi-stage growth tests and equal weight to the Canadian and
10 U.S. samples. Under the alternative approach, described at page 104 of Ms. McShane's
11 testimony, which provides further support to her recommended ROE, she gave 75%
12 weight to the market-based risk premium and DCF tests and 25% weight to comparable
13 earnings. The weightings for each of the market-based tests were the same as described
14 above.