

1 **Q. McShane Evidence (p. 104) – Ms. McShane states that, “adding an allowance for**
2 **financing flexibility of 1.0%, reflecting the approximate mid-point of a range of**
3 **.50% to 1.60%, results in a recommended ROE for Newfoundland Power of**
4 **10.5%.” Please confirm that in the 2011 Generic Cost of Capital proceeding before**
5 **the AUC Ms. McShane recommended a flotation allowance of 100 basis points and**
6 **furtherconfirm that the Board in Decision 2011-474 rejected Ms. McShane’s**
7 **recommendation and stated at paragraphs 75 and 76 as follows:**

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9 **“75. The Commission does not agree with Ms. McShane’s argument for increasing**
10 **the flotation allowance above the historically allowed 0.50 per cent. Arguments that**
11 **a market return should be applied to a market value based rate base, rather than a**
12 **book value rate base, are circular since the market value is clearly dependent on the**
13 **awarded return.**

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15 **76. Accordingly, the Commission finds that the usual regulatory convention of**
16 **awarding a flotation allowance of 0.50 per cent continues to be reasonable.”**

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18 **A. It is confirmed.**