

1 **Q. McShane Evidence – In light of the Board’s statements in P.U. 43 (2009) at p. 17,**  
2 **please fully explain the basis for Ms. McShane’s opinion that her newly constructed**  
3 **sample should be considered by the Board to be comparable to Newfoundland**  
4 **Power.**

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6 A. To assess comparability of investment (equity) risk, it is critical to recognize that it is a  
7 function of all three elements of risk, business, regulatory and financial. In Ms.  
8 McShane’s view, the financial risk element of investment risk has been largely  
9 overlooked in the comparability assessment. Nevertheless, to address the PUB’s  
10 concerns, Ms. McShane applied additional selection criteria, specifically a Moody’s  
11 rating criteria that required the selected companies have a Moody’s rating no lower than  
12 Newfoundland Power’s Baa1 issuer rating and a cut-off point for percentage of  
13 unregulated assets.