

1 **Q. McShane Evidence – Selection of U.S. Low Risk Utility Sample –Considering that**  
2 **Ms. McShane has dropped several companies from her 2009 NP GRA sample, does**  
3 **she consider her present sample to be of lower risk on an overall basis than her 2009**  
4 **sample at the time it was selected? If not, why not?**  
5

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