

1 **Q. McShane Evidence - In Ms. McShane’s reply to CA-NP-237 in the 2012 Cost of**
2 **Capital Application, Ms. McShane stated that, “In Canada, the typical regulatory**
3 **model has taken a form that has provided somewhat greater assurance that**
4 **regulated companies will earn the allowed return from year to year than in the**
5 **U.S.” Please explain in detail Ms. McShane’s basis for this conclusion.**
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7 A. A review of regulatory decisions over the past 30 years indicates that, historically, U.S.
8 regulators had been less prone to adoption of deferral mechanisms, largely on the grounds
9 that such mechanisms would constitute single issue ratemaking (outside of the test
10 period) and that utilities should be incented to control costs. That difference, on an
11 aggregate basis, has narrowed considerably in recent years as U.S. regulators have been
12 increasingly adopting protective mechanisms (e.g., decoupling, mechanisms for recovery
13 of capital costs) and Canadian regulators have been increasingly moving toward
14 performance-based regulation.