

1 **Q. McShane Evidence – At Schedule13 to Ms. McShane’s Evidence, Ms. McShane inter**
2 **alia provides the Safety Ranking of each of the 13companies, 1 or 2. If Ms.**
3 **McShane were to use only the 6 companies with the “1” ranking for Safety, please**
4 **indicate how her cost of equity calculations used in the case would be impacted.**
5

6 A. The U.S. sample of utilities is used in the DCF-based Risk Premium test and the DCF
7 test. The DCF based risk premium results for the six utilities with a Safety Rank of 1 is
8 approximately 9.1% (before any adjustment for financing flexibility) compared to 9.5%
9 for the full sample. The DCF test results based on the constant growth and three stage
10 models are approximately 8.9% and 9.1% for the six utilities with a Safety Rank of 1 and
11 the full sample respectively.