

1 **Q. Opinion on Capital Structure and Return on Equity**
2 **Kathleen McShane – Volume 3**

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4 **Pg. 4, #6e and Appendix E - Have you made this adjustment for a financing**
5 **flexibility allowance, in the same amount, in any previous cases, particularly those**
6 **relating to Newfoundland Power? If the adjustment varies from previous**
7 **assessments specific to Newfoundland Power, please explain the rationale for the**
8 **variance.**
9

10 A. Yes. It is the same as in Ms. McShane's March 2012 report. In earlier testimony, e.g.,
11 in Newfoundland Power's 2010 GRA, where she gave significant weight to the
12 comparable earnings test, she recommended a financing flexibility allowance of 0.50%,
13 i.e., as she did with her alternative approach in the March and September 2012 reports.
14 With respect to the rationale for differences between March and September 2012
15 compared to earlier testimony, please see response to PUB-NP-063.