

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

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4 **Pg. 4, #6g - Please explain why the comparable earnings test is now noted as an**
5 **alternative approach and not given any weight. Is this a deviation from your March**
6 **2012 report?**

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8 A. Although Ms. McShane is of the view that the comparable earnings test is entitled to
9 significant weight, she acknowledges that regulators, including the PUB, have afforded it
10 a small amount or no weight in recent years. As a result, Ms. McShane has presented the
11 comparable earnings test in conjunction with the market based tests as an alternative
12 approach only, and demonstrated that the fair ROE is similar with and without the
13 comparable earnings test. Ms. McShane used the same approach in her March 2012
14 report as in her September 2012 report.