

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

Have you considered any alternatives, other than discontinuance, to the current automatic adjustment formula to adjust the return on equity between rate applications? If yes, what alternatives were considered? If no, why not?

A. Yes. Ms. McShane has considered alternatives which would incorporate changes in A-rated utility bond yields instead of the 30-year Canada bond yield, changes in the A rated utility bond/long-term Government of Canada yield spread in addition to the long-term Government of Canada bond yield itself, as well as incorporating the change in dividend yields on Canadian utility common shares along with changes in interest rates. Please see response to PUB-CA-078 and PUB-CA-079.