1 **Volume 3, Section 1 – McShane, Cost of Capital**
2
3 **Q.** **(page 3, lines 62-75)**
4
5 **a.** **Please provide the weighting scheme that Ms. McShane used to translate the**
6 **results of her three cost-of-capital or ROE tests into her final**
7 **recommendation of a "fair return" for Newfoundland Power (NP) of 10.25-**
8 **10.50%.**
9 **b.** **Is the weighting scheme (with respect to her ROE tests) that McShane uses in**
10 **this NP hearing at all different than the ones she has used in any other**
11 **Canadian regulatory hearings (including NP 2003GRA) over the past 6**
12 **years?**
13 **c.** **If the answer to (b) is "yes" - that is, she has used different weighting schemes**
14 **in different hearings in Canada over the past 6 years - then please provide**
15 **the details of her weighting schemes in each of her Canadian regulatory**
16 **testimonies over the past 6 years.**
17 **d.** **If the answer to (b) is "yes," please explain why the weighting scheme Ms.**
18 **McShane is using in her current NP evidence differs from those she has**
19 **employed elsewhere during the past 6 years.**
20
21 A. (a) The weightings are approximately 75% cost of attracting capital tests (risk
22 premium and discounted cash flow) and 25% comparable earnings, with equal
23 weight to the risk premium and DCF tests.
24
25 (b) No.
26
27 (c) Not applicable.
28
29 (d) Not applicable.