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Q: Reference: Page 53, Lines 17-18

“To this bare-bones cost of equity range, I would add 45 bps to recognize flotation cost and financing flexibility considerations.”

Please explain how Dr. Cannon arrived at the precise 45 basis point estimate for flotation costs and financing flexibility.

A: I used a “flotation cost and financing flexibility” allowance of 50-52 basis points in my evidence in my last couple of rate hearings before the OEB with respect to the two major Ontario gas distribution utilities. I lowered the amount slightly for the current proceedings because (a) Canadian financial markets have continued to become more efficient as time has passed and (b), given its relatively slow rate-base growth, NP needs less financing flexibility than the typical rate-regulated Canadian utility.