

1 **Q. Concerning Ms. McShane’s financing flexibility adjustment described in section V.**
2 **D. of her direct testimony, please identify all Canadian jurisdictions where she**
3 **proposed such an adjustment to the return on equity estimate and include:**
4 **jurisdiction, utility, docket number and date of commission order. Please state**
5 **explicitly whether the commissions have approved such an adjustment to the return**
6 **on equity as proposed by Ms. McShane.**

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8 A. Ms. McShane has consistently recommended a financing flexibility adjustment of 50
9 basis points. Please see response to CA-NP-295 for a summary of all of the Canadian
10 cases in which Ms. McShane filed cost of capital testimony in the past seven years for
11 which there is a regulatory decision.

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13 The regulatory jurisdictions that have explicitly adopted a 50 basis point financing
14 flexibility adjustment are the Alberta Energy and Utilities Board (“EUB”) and the
15 Ontario Energy Board (“OEB”).

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17 The most recent EUB decision allowing a 50 basis point adjustment is Decision 2004-
18 052, Generic Cost of Capital (page 21) where the EUB stated:

19 “Based on the above, the Board finds that continuation of a 0.50% allowance for
20 flotation costs and financing flexibility is appropriate.”
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23 The most recent reference to the OEB’s practice of allowing a 50 basis point adjustment
24 is found in its December 2006 *Report of the Board on Cost of Capital and 2nd*
25 *Generation Incentive Regulation for Ontario’s Electricity Distributors* (page 17) where
26 the OEB stated:

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28 “The Board’s method will continue to include an implicit premium of 50 basis
29 points (0.5%) for flotation and transaction costs. This premium is included in, and
30 not an addition to, the ERP. The Board notes that this has been the case ever since
31 the Board first introduced the premium in the early 1990s, and that similar treatment
32 is used by other Canadian regulators.”