

1 Q. If a shareholder in an investor-owned average risk utility receives a before-
2 tax return of 11.5%, what is, on average, the shareholder's after tax return?

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5 A. It depends on the identity of the shareholder. If the shareholder is a pension
6 fund, or if the stock is held in an RRSP, the after-tax return is 11.5%. If the
7 shareholder is an individual, the after-tax return depends on how much of the
8 return is in the form of dividends versus capital gains. The latter is only
9 incurred when the investment is sold.

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11 It should be noted that, to Ms. McShane's knowledge, there are no instances
12 in Canada in which the taxability of the shareholder has been a determinant
13 of the fair return.