Q. Provide particulars of any decisions by Canadian utility regulators in the past 20 years which have specifically adopted and relied upon the comparable earnings test for the purpose of determining rate of return on equity for a utility.

A. In E.B.R.O. 485 (12/93) for Consumers Gas, the Ontario Energy Board stated,

> "With respect to the results of the equity return tests, the Board notes that the experts reach different conclusions as to the appropriate (in their judgements) return on equity based on their use and various applications of the different tests. Despite the lack of precision as to the ultimate resolution of a fair rate of return on equity based on the results of the various tests, in general the Board finds the analyses helpful. The Board has taken account of the different results of all the tests and the other evidence presented in the proceeding in its deliberations."

In E.B.R.O. 470 (4/91) for Union Gas, the OEB stated,

> "Taking all of the evidence into account, including the likelihood that the economic downturn will not be sustained for all of 1992 test year and that a modest recovery can be expected late in the year and giving most weight to the comparable earnings test incorporating a market-to-book ratio adjustment and the risk premium test, the Board concludes that a "band of reasonableness" for a fair rate of return on Union's common equity lies between 13.25 and 13.75%."

In E93069 (10/93) for Alberta Power, the Public Utilities Board stated,

> "The Board does not concur with the opinion of the witness for MI that the comparable earnings test has outlived its usefulness. The Board considers that there is still some merit in the test to the extent that regulation is considered a surrogate for competition and the comparable earnings test attempts to measure the achieved accounting rates of return on common equity of enterprises of similar risk. The Board does recognize that there may well be distortion in the market to book ratios caused by the effect of inflation on retained earnings of companies, notwithstanding their similarity in risk. Similarly, the comparable earnings test may be sensitive to the selection of the business cycle under study."

In RH-2-92 (2/93) for TransCanada PipeLines the National Energy Board stated,

> "Both the comparable earnings and equity risk premium techniques provided the Board with useful information in its determination of the appropriate rate of return to be allowed on TransCanada's deemed common equity component. However, the Board remains of the view that the results of the risk premium method should be given more weight than those of the comparable earnings method. The Board shares the concerns expressed by all rate of return witnesses as to the usefulness of the DCF test results in this case and has therefore given these little weight."