

1 **Q. Dr. Cleary Evidence, Page 27, Lines 10-13: Please provide all studies that**
2 **have been performed by Dr. Cleary relating to returns achieved by U.S. utilities, or**
3 **the sources Dr. Cleary relied upon pertaining to U.S. utility risk and returns.**

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5 A. The quote referred to above states:

6 *“This may explain some of the rationale for U.S. regulators providing for higher*
7 *average allowed ROEs and equity ratios than their Canadian counterparts –*
8 *although I cannot say for sure, since I have not examined the rationale provided*
9 *for recent U.S. regulatory decisions.”*

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11 As Dr. Cleary acknowledges in the statement above, he does not claim to have examined
12 the rationale provided for recent U.S. regulatory decisions. Dr. Cleary was simply
13 pointing out that it is a basic tenet of finance that firms with greater business risk should
14 take less financial risk, and vice-versa – and that higher allowed ROEs and higher ERs
15 for utilities with higher business risk would be consistent with this tenet. He further notes
16 on page 27 that the fact that U.S. utilities have higher betas despite using less leverage is
17 also consistent with U.S. utilities possessing higher business risk than Canadian utilities.