

1
2 **Q. Reference: Page 72, Lines 16-17**
3

4 **“If Ms. McShane’s analysis is correct her fair ROE estimates should now be lower by**
5 **a similar amount.”**
6

7 **Please explain in more detail why the fair ROE estimates for a utility should be lower**
8 **by a similar amount.**
9

10
11 **A.** Ms. McShane uses the higher TSX dividend yield at the time of her testimony as indicative
12 of higher risk aversion and required rates of return. Their subsequent collapse should be
13 indicative of the opposite, causing her fair ROE to fall. How much it should fall depends on
14 how she weights her estimation procedures and her relative risk assessment. Dr. Booth would
15 not presume to re-estimate all of Ms. McShane’s estimates and assumes that she will do this
16 prior to the hearing given the dramatic changes that have occurred in capital markets since
17 she prepared her testimony.
18
19