

Q. Please reference Appendix H: Schedule 4 of the Evidence of Laurence D. Booth. Dr. Booth calculated a ROE Beta of 0.23 for TransCanada Pipeline.

- a. Is the beta for TransCanada statistically significant?**
- b. Does this limit its value for determining a ROE in this proceeding?**

A. a) Not at normal levels since there are only 16 observations. The T statistic is 0.86, which means the ROE beta is insignificantly different from zero at normal significance levels.

- b) Dr Booth places no reliance on these ROE betas. He would regard them as a reasonableness check at best and perhaps suggestive rather than indicative. To place reliance on them would require data going back at least a couple of business cycles, and unfortunately very few firms are stable that long, that is in the same line of business

The one value that the PUB did not ask about is Gaz Metro which was significant at normal levels with a T statistic of -2.52. Dr. Booth judges the general results to be suggestive that the purest utilities have negative ROE betas with those for Gaz Metro, PNG and TransAlta all close to normal significance levels whereas the more diversified firms like TransCanada and Enbridge have positive ROE betas.