

1 **Q. Evidence of Ms. McShane, Equity risk premium tests, Pages 44-56: Please agree**
2 **that if 0.30% difference in return between the US and Canada due to higher**
3 **volatility is “de minimus” that she would not object to reducing her US estimates by**
4 **that amount since that is her estimate?**

5
6 A. For clarification, Ms. McShane’s testimony does not refer only to the 0.30% difference.
7 The complete reference is “In other words, based on the longer period, the equity market
8 return required would be 0.30% higher in the U.S. than in Canada and based on the post-
9 World War II period, the equity market return required would be the same in the U.S. and
10 in Canada. In sum, the differences are *de minimus*.”

11
12 Ms. McShane’s evidence explains in detail how her estimate of the equity risk premium
13 was derived. It is not simply based on historic averages, either from Canada or from the
14 United States. The deduction of a range of 0.0% to 0.30% from the historic U.S. equity
15 market returns would not change her estimate of the equity market risk premium relevant
16 to Canada.