

1 **Q. Evidence of Ms. McShane, DCF Based Risk Premium Model estimates Page 68 on:**
2 **Please confirm that Ms. McShane's US estimates of the DCF fair return have**
3 **dropped from 11.1% in 2009 to 9.7% for 2011 or a decline of 1.4% (Schedule 14-1).**
4

5 A. In isolation, based on the constant growth DCF model using analysts' earnings forecasts,
6 the cost of equity for the utility sample in 2011 was 9.7%, compared to 11.1% in 2009.
7 The estimated 9.7% for 2011 is relatively similar to the 2008 and 2010 levels, and higher
8 than the annual estimates for each year 2004-2007.