

1 **Q. Evidence of Ms. McShane, Historic returns, Page 74-77: Please estimate these**
2 **experienced returns for the two sub periods 1956 (& 1947)-1981 and 1982-2008 and**
3 **whether in her judgement the “risk premium” are the same in both periods.**
4

5 A. The experienced returns and calculated risk premiums for the sub-periods requested are
6 provided in "CA NP 121 Attachment.xlsx". The achieved risk premiums are not the
7 same in the two sub-periods.

**Experienced Returns and Calculated Risk Premiums
(CA NP 121 Attachment.xlsx)**

HISTORIC UTILITY EQUITY RISK PREMIUMS (Arithmetic Averages)

Canada **(1956-1981)**

<u>Utilities Index Return</u>	<u>Bond Total Return</u>	<u>Risk Premium</u>
11.5	3.1	8.4
<u>Utilities Index Return</u>	<u>Bond Income Return</u>	<u>Risk Premium</u>
11.5	7.1	4.4

United States **(1947-1981)**

<u>S&P/Moody's Electric Index Return</u>	<u>Bond Total Return</u>	<u>Risk Premium</u>
8.8	2.3	6.5
<u>S&P/Moody's Electric Index Return</u>	<u>Bond Income Return</u>	<u>Risk Premium</u>
8.8	5.0	3.8
<u>S&P / Moody's Gas Distribution Index Return</u>	<u>Bond Total Return</u>	<u>Risk Premium</u>
11.5	2.3	9.2
<u>S&P / Moody's Gas Distribution Index Return</u>	<u>Bond Income Return</u>	<u>Risk Premium</u>
11.5	5.0	6.5

Notes:

The Canadian Utilities Index is based on the Gas/Electric Index of the TSE 300 (from 1956 to 1981).

The S&P/Moody's Electric Index reflects S&P's Electric Index from 1947 to 1981.

The S&P/Moody's Gas Distribution Index reflects S&P's Natural Gas Distributors Index from 1947 to 1981.

Source: www.bankofcanada.ca; Canadian Institute of Actuaries, *Report on Canadian Economic Statistics 1924-2010*; www.federalreserve.gov; Ibbotson Associates, *Stocks, Bonds, Bills and Inflation: 2010 Yearbook*; www.standardandpoors.com; *TSX Review*.

HISTORIC UTILITY EQUITY RISK PREMIUMS
(Arithmetic Averages)

Canada
(1982-2008)

<u>Utilities Index Return</u>	<u>Bond Total Return</u>	<u>Risk Premium</u>
12.4	12.4	0.0
<u>Utilities Index Return</u>	<u>Bond Income Return</u>	<u>Risk Premium</u>
12.4	7.9	4.5

United States
(1982-2008)

S&P/Moody's		
<u>Electric Index Return</u>	<u>Bond Total Return</u>	<u>Risk Premium</u>
13.4	12.2	1.2
S&P/Moody's		
<u>Electric Index Return</u>	<u>Bond Income Return</u>	<u>Risk Premium</u>
13.4	7.3	6.1
S&P / Moody's Gas		
<u>Distribution Index Return</u>	<u>Bond Total Return</u>	<u>Risk Premium</u>
12.8	12.2	0.6
S&P / Moody's Gas		
<u>Distribution Index Return</u>	<u>Bond Income Return</u>	<u>Risk Premium</u>
12.8	7.3	5.5

Notes:

The Canadian Utilities Index is based on the Gas/Electric Index of the TSE 300 (from 1982 to 1987) and on the S&P/TSX Utilities Index from 1988-2008.

The S&P/Moody's Electric Index reflects S&P's Electric Index from 1982 to 1998 and Moody's Electric Index from 1999 to 2001. The 2002 to 2008 data were estimated using simple average of the prices and dividends for the utilities, and their successors, included in Moody's Electric Index as of the end of 2001.

The S&P/Moody's Gas Distribution Index reflects S&P's Natural Gas Distributors Index from 1982 to 1984, when S&P eliminated its gas distribution index. The 1985-2001 data are for Moody's Gas index. The index was terminated in July 2002. The 2002-2008 returns were estimated using simple averages of the prices and dividends for the utilities, and their successors, that were included in Moody's Gas Index as of the end of 2001.

Source: www.bankofcanada.ca; Canadian Institute of Actuaries, *Report on Canadian Economic Statistics 1924-2010*; www.federalreserve.gov; Ibbotson Associates, *Stocks, Bonds, Bills and Inflation: 2010 Yearbook*; www.standardandpoors.com; *TSX Review*.