

1 **Q. Evidence of Dr. Vander Weide: US allowed ROEs Pages 23-26: Please confirm that**
2 **banks in the US and Canada are similarly regulated in the same manner and use the**
3 **same technology as per the discussion of utilities in A72.**
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5 A. As Dr. Vander Weide explains on pp. 24 – 26 of his filed written evidence, the risk of
6 investing in U.S. and Canadian utilities is similar because: (1) U.S. electric and natural
7 gas utilities rely on essentially the same electric and natural gas technologies; (2) the
8 economics of electric and natural gas transmission and distribution is similar in the
9 United States and Canada; (3) U.S. and Canadian electric and natural gas utilities are
10 regulated under similar cost-based regulatory structures and fair rate of return principles;
11 and (4) U.S. and Canadian utilities have similar cost adjustment and revenue stabilization
12 mechanisms. The risk of investing in U.S. and Canadian banks is not similar because
13 U.S. and Canadian banks have different operating economics and regulatory structures.
14 For example, the economics of home mortgages is different in the U.S. than in Canada
15 because: (1) mortgage loans of Canadian banks are secured by all of a borrowers' assets,
16 whereas mortgage loans of U.S. banks are secured only by the property on which the
17 mortgage is being provided; (2) Canadian banks generally require larger down payments
18 than U.S. banks; and (3) Canadian banks are not subject to the same public policy
19 guidelines regarding the percentage of home mortgages that must be made to borrowers
20 that otherwise would not be eligible to obtain financing. In addition, U.S. and Canadian
21 banks are subject to greater competition than U.S. and Canadian utilities, and are not
22 regulated under cost-based regulatory structures and fair rate of return principles.