Q. Evidence of Dr. Vander Weide: Equity cost estimates Page 39: Please explain where the 7.67% risk premium comes from (line 32, page 41) when the last data point January 2012 is 7.07%.

A. As explained in Dr. Vander Weide's written evidence, pp. 26 – 28, pp. 41 – 42, and Exhibit 20, Appendix 3, the 7.67 percent risk premium is obtained from a regression equation that relates the DCF risk premium to the interest rate on long-term government bonds. The 7.07 percent observed risk premium at January 2012 is only the last observation that is used as one of the data inputs in the regression equation.