

1 **Q. Evidence of Dr. Vander Weide: Equity cost estimates Page 39: Please indicate**
2 **whether or not Dr. Vander Weide believes that market prices reflect expected**
3 **future profitability.**
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5 A. Dr. Vander Weide generally believes that stock market prices reflect investors'
6 expectations of future earnings. However, he recognizes that there may be times when
7 market prices seem to be based on “irrationally exuberant” expectations of future
8 earnings. This latter statement tends to be less true for utility stocks compared to non-
9 utility stocks.