

1 **Q. Evidence of Dr. Vander Weide: Equity cost estimates Page 39: Please confirm that**
2 **Dr. Vander Weide's DCF estimates for his US comparables runs from 7.8% to**
3 **15.4%. Would he regard this as a reasonable range for utilities that he regards as**
4 **relatively homogeneous?**
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6 A. Dr. Vander Weide's DCF results for his comparable electric group are in the range
7 7.8 percent to 15.4 percent. However, Dr. Vander Weide believes that because there is
8 uncertainty surrounding a DCF result for an individual company, the average DCF result
9 for the proxy group is the best estimate of the cost of equity for each company in the
10 proxy group. The average DCF result for the proxy group is more reliable than an
11 individual company DCF result because the DCF model, like other cost of equity models,
12 requires estimates of inputs that are not known with certainty. However, uncertainty
13 surrounding individual DCF results can be reduced by applying the DCF model to a
14 relatively large group of proxy companies.