Q. Vander Weide Evidence (page 25) – Dr. Vander Weide refers to a passage from the BCUC's Terasen Gas Decision on December 16, 2009. What use did the BCUC make of the data of U.S. utilities in that case?

A. The BCUC gave most weight to Ms. McShane's and Dr. Vander Weide's applications of the DCF Model to U.S. utilities, which produced cost of equity estimates in the range 10.0 percent to 10.5 percent. However, the Commission reduced this 10.0 – 10.5 percent range to arrive at a final DCF-based ROE range of 9.0 percent to 10.0 percent, with a midpoint of 9.5 percent (Decision, December 16, 2009, at 50 -51). The BCUC also gave weight to Ms. McShane's and Dr. Vander Weide's ex post risk premium results for Canadian utilities, but adjusted these ex post risk premium results upward to reflect Dr. Vander Weide's evidence based on his ex ante risk premium analysis that the required risk premium increases by fifty to seventy-five basis points when interest rates decline by one hundred basis points. From the equity risk premium method, the Commission established a cost of equity range of 9.25 percent to 10.25 percent before an allowance for financial flexibility. (Decision at 59 – 60) The Commission gave little weight to the CAPM applied to Canadian utilities, which, in the Commission's opinion, had produced results in the range 7.3 percent to 8.3 percent. After considering the above evidence, the Commission determined that the allowed ROE for Terasen should be 9.5 percent. (Decision at 66)