

Q. Vander Weide Evidence - ROE Adjustment model

- a. If the Board decided to continue with a variation of its ROE adjustment model how would Dr. Vander Weide recommend they adjust the existing ROE model?
- b. Can Dr. Vander Weide review his answers to the information requests provided to the Consumer Advocate in May this year and indicate whether he would change any of his answers and if so provide the changed response.
- c. Can Dr. Vander Weide provide a concordance between his current testimony and that filed for the 2012 Cost of Capital Application, that is, provide a table showing in each case how the recommended ROE was determined and the values used and the basic macroeconomic and financial factors used to derive the estimates. At a minimum this should include:
- a) The forecast long Canada bond yield.
 - b) A forecast of an A bond yield cost.
 - c) Key macroeconomic factors, such as GDP growth etc.
 - d) The financial parameters such as relative risk (beta) coefficients, market risk premium, flotation cost allowance etc.
 - e) The values used for each of the estimates.

- A. a. Dr. Vander Weide was asked to assess the fairness of the Board's ROE adjustment formula, but he was not asked to recommend an alternative ROE formula if he found the returns resulting from the current formula to be unreasonable.
- b. Dr. Vander Weide is in the process of reviewing his answers to the Consumer Advocate May 2012 interrogatories, but has not had time to complete his review.
- c. In his March 2012 written evidence, Dr. Vander Weide's models, data sources, and estimates are described and summarised on the following pages:

March 2012

DCF Model—pp. 42 – 43, Exhibit 14, Exhibit 15, Exhibit 19

Ex Post Risk Premium—pp. 19 – 23, 39 – 41, Exhibit 1, Exhibit 2

Ex Ante Risk Premium – pp. 26 – 29, 41 – 42, Exhibit 7, Exhibit 20

September 2012

DCF Model—pp. 26 – 32, Exhibit 6, Exhibit 7, Appendix 1

Ex Post Risk Premium—pp. 32 – 36, Exhibit 8, Exhibit 9

Ex Ante Risk Premium – pp. 36 – 39, Exhibit 10, Exhibit 11, Appendix 2