

1 **Q. McShane Evidence (p. 71) – In her section, “Equity Market Risk Premium” she**
2 **states that “with preponderant weight given to the Canadian data, the indicated**
3 **equity market risk premium at the forecast 3.5% 30-year Government of Canada**
4 **bond yield is no less than 8.0%.” Please explicitly state the weight given to the**
5 **Canadian and US data respectively in arriving at this indicated equity market risk**
6 **premium.**

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8 A. As stated at page 71, lines 1776 to 1780:

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10 The analysis of Canadian equity risk premiums in conjunction with bond income
11 returns supports a market equity risk premium of no less than 8.0% at the forecast
12 3.5% 30-year Government of Canada bond yield. Based on U.S. data, a similar
13 analysis supports an equity risk premium of 7.5% to 9.5% (mid-point of 8.5%).
14 With preponderant weight given to the Canadian data, the indicated equity market
15 risk premium at the forecast 3.5% 30-year Government of Canada bond yield is
16 no less than 8.0%.

17
18 Ms. McShane did not give an explicit weighting to the U.S. data; the Canadian data alone
19 fully support the estimated market risk premium.