

1 **Q. Pg. 56 - Please explain how your CAPM conclusion range of 6.95%-8.00%**
2 **compares to other investor-owned utilities' ROEs allowed in 2012.**

3
4 **A.** Utility allowed ROEs are in Schedule 3 to Ms. McShane's testimony and average
5 9.08% for 2012. These allowed ROE are always generous as indicated by the fact
6 that market to book ratios for Canadian utility holding companies are significantly
7 above 1.0, where 1.0 indicates that one dollar of book equity invested in the utility is
8 actually worth a dollar. Currently for Fortis every dollar invested in its utility
9 operations is immediately worth \$1.62. The high market to book ratios indicate that
10 the market views the allowed ROEs as generous.