

Q. Written Evidence of James H. Vander Weide – Volume 3

Pg. 35, Table 2 - Given the relatively short time frame for the BMO CM utilities index, and the large difference between equity risk premiums noted in Table 2, does this make the BMO CM data less reliable? If not, why not?

A. No. Dr. Vander Weide believes the ex post risk premium results for the S&P/TSX Utilities Index are less reliable than the ex post risk premium results for the BMO CM utilities stock data set because the BMO CM utilities stock data set reflects historical risk premiums for companies with a relatively high percentage of assets devoted to regulated utility operations, whereas six of the ten companies currently in the S&P/TSX Utilities Index have little or no assets devoted to regulated utility services. However, recognizing that the S&P/TSX ex post risk premium is based on data for a longer time period, Dr. Vander Weide concludes that the Board should consider the average of the ex post risk premium cost of equity results derived from both data sets. Please also see response to PUB-NP-083.