

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

Pg. 39, A112 - Did you consider using the betas for your two Canadian utility comparable samples and your small US comparable sample? If not, why not?

A. No. Dr. Vander Weide did not consider using betas for his two Canadian utility comparable samples because his ex post risk premium studies for these samples provide strong evidence that the CAPM does not explain the returns on Canadian utility stocks. With regard to using the average beta for the smaller U.S. utility group, the average Value Line beta for this group, 0.71, is approximately equal to the average Value Line beta for the larger U.S. utility group, 0.73. However, Dr. Vander Weide also calculates a beta equal to 0.92 for U.S. utilities based on the historical ratio of the average utility risk premium to the average S&P 500 risk premium (see Exhibit 13).