

1 **Volume 3, Section 1 – McShane, Cost of Capital**

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3 **Q. (Statistical Exhibit, Schedule 26)**

4
5 **a. Please provide a table of annual common equity book returns for the industrial**
6 **sample Ms. McShane employed in her NP 2003GRA evidence, covering the years**
7 **1994 through 2005, in the same format as Schedule 26.**

8
9 **b. For each low-risk industrial that appears in Ms. McShane’s NP 2003 GRA**
10 **industry sample that does not appear in her current sample (as shown in**
11 **Schedule 26), please explain the reason for the absence.**

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13 A. (a) See Attachment A.

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15 (b) Cara Operations Ltd has become a private company. Molson Inc has merged with
16 Coors. Jean Coutu Group was eliminated because its S&P Rating of B- is non-
17 investment grade. Magna International was eliminated because its five-year “raw”
18 beta ending September 2006 was over 1.0. Rothmans Inc and Shaw Communication
19 Inc were eliminated because their 1995-2005 average returns fell outside 1 standard
20 deviation from the average.

**Returns on Average Common Stock Equity For
15 Low Risk Canadian Industrials**

**RETURNS ON AVERAGE COMMON STOCK EQUITY FOR
15 LOW RISK CANADIAN INDUSTRIALS**

	Returns on Equity												Average 1994-2005
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	
CANADIAN TIRE CORP	0.5	10.2	10.4	11.4	13.0	11.2	10.6	11.5	11.9	12.8	13.6	13.9	10.9
CARA OPERATIONS LTD	9.5	12.2	10.9	13.8	7.4	10.5	34.6	10.3	12.8	@NA	@NA	@NA	13.6
EMPIRE CO LTD	9.4	3.9	11.9	17.9	21.7	13.3	69.1	16.4	11.4	11.6	11.4	16.2	17.8
FINNING INTERNATIONAL INC	14.9	16.3	16.0	16.2	0.5	8.7	10.5	14.1	15.5	14.0	10.1	12.0	12.4
JEAN COUTU GROUP	17.0	15.2	16.2	15.3	15.5	15.7	14.9	15.7	16.6	16.2	8.9	6.6	14.5
LEONS FURNITURE LTD	15.3	14.0	13.4	15.1	16.7	21.1	19.3	17.3	17.1	16.5	18.9	19.2	17.0
LOBLAW COS LTD	12.4	13.3	14.2	15.3	12.8	13.7	15.7	16.8	18.9	19.1	19.1	13.2	15.4
MAGNA INTERNATIONAL	21.7	21.8	15.8	21.6	12.3	12.0	15.9	14.7	11.8	9.5	13.3	10.5	15.1
MAPLE LEAF FOODS INC	7.5	-6.7	14.8	14.7	-6.3	17.9	8.0	10.3	12.2	4.8	13.0	9.9	8.3
MOLSON INC	6.5	-26.8	3.7	11.8	16.3	-4.1	14.7	18.0	28.3	21.0	@NA	@NA	8.9
ROTHMANS INC	45.2	39.7	40.2	37.2	38.4	41.7	38.6	40.1	45.2	60.4	51.4	64.7	45.2
SHAW COMMUNICATN INC	10.2	6.2	11.8	2.9	-0.1	1.9	5.5	-8.4	-14.1	-4.5	2.8	7.7	1.8
THOMSON CORP	14.6	22.4	14.2	12.9	34.7	8.0	17.9	10.2	7.3	8.8	10.3	9.3	14.2
TORSTAR CORP	7.9	6.7	11.3	38.4	-0.7	12.8	5.4	-14.6	21.3	17.8	14.6	14.5	11.3
WESTON (GEORGE) LTD	8.7	12.9	15.1	14.5	37.3	14.0	17.4	18.5	18.3	19.4	10.2	16.2	16.9
Mean	13.4	10.8	14.7	17.3	14.6	13.2	19.9	12.7	15.6	16.2	15.2	16.4	14.9
Median	10.2	12.9	14.2	15.1	13.0	12.8	15.7	14.7	15.5	15.1	13.0	13.2	14.2
Average of Annual Medians													13.8

Source: Standard & Poor's Research Insight