

1 **Q. Re: Volume 3, Section 1 - McShane, Cost of Capital - Statistical Exhibit, Schedule**
2 **26: With respect to Schedule 26 in the Statistical Exhibit:**

- 3
4 (a) **Please extend the table forward to include 2006 ROCE values and make the**
5 **appropriate adjustments to the averages at the bottom and right-hand side of**
6 **the table;**
7
8 (b) **Please check the accuracy and/or relevancy of the 69.1% ROCE value for**
9 **Empire Company for year 2000;**
10
11 (c) **Please describe how Ms. McShane's Comparable Earnings Test conclusions**
12 **may be changed on account of the adjustments requested in (a) and (b)**
13 **above; and**
14
15 (d) **Please indicate which of Ms. McShane's low-risk industrial sample**
16 **companies are not included in the S&P/TSX Composite Index and would,**
17 **therefore, not have been eligible for inclusion the industrial sample she**
18 **employed in her direct evidence in NP's 2003 GRA.**

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20 A. (a) The requested table is provided as Attachment A. The average of annual medians
21 for the period 1994-2005 on the original Schedule 26 should have been 12.4%.

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23 (b) The 69.1% ROE is as reported by Empire for the year ending April 30th, 2001
24 reflecting the impact of the sale of part of Empire's investment portfolio,
25 specifically its investment in Hannaford Brothers, in July 2000. Any individual
26 year's return for a particular company may include non-recurring elements, either
27 positive or negative. For example, the -49% earned by TVA Group in 2001
28 reflects the write-down of their international operations. By focusing on the
29 returns of a sample of companies and the achieved returns over a full business
30 cycle, the impacts of non-recurring elements of earnings, positive and negative,
31 would be expected to balance out.

32
33 If the returns in any year that are more than one standard deviation above or
34 below that year's average return were to be eliminated, the average of the annual
35 medians for the period 1994-2005 would be 12.7% versus the as-corrected 12.4%
36 referenced in response to (a) above. For 1994-2006 the corresponding average of
37 annual medians would be 12.6% versus the 12.3% indicated in Attachment A.

- 38
39 (c) Updating for 2006 would lower the returns for the sample to a range of 12.25% to
40 12.5% and the comparable earnings test result as applicable to a benchmark utility
41 to the lower end of that range, i.e., to 12.25%.

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- 1 (d) Six companies are not currently included in the S&P/TSX Composite. They are
2 Algoma Central, Arbor Memorial Services, Canada Bread, Leon's Furniture,
3 TVA Group and Uni-Sélect. Three of these companies had previously been
4 included in the Composite Index. They are: Uni-Sélect – removed December
5 2003; Leon's Furniture – removed March 2004; and TVA Group – removed
6 September 2005.

Update to Schedule 26

Response to CA-NP-418 a
Update to Schedule 26

Company Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average	
														1994-2005	1994-2006
ALGOMA CENTRAL CORP	19.0	13.3	12.3	52.7	8.5	3.8	1.1	14.8	9.3	4.7	9.2	11.2	13.4	13.3	13.3
ARBOR MEMORIAL SERVICES-CL B	8.1	7.1	7.3	7.5	7.6	2.2	7.5	5.1	14.5	19.7	13.0	10.6	10.5	9.2	9.3
ASTRAL MEDIA INC -CL A	7.0	1.3	-9.5	7.1	7.8	6.4	4.4	8.2	10.0	10.0	10.9	12.1	13.1	6.3	6.8
CANADA BREAD CO LTD	14.5	12.6	12.8	14.2	1.3	2.7	7.4	8.6	13.9	9.6	14.3	14.5	9.5	10.5	10.5
CANADIAN TIRE CORP -CL A	0.5	10.2	10.4	11.4	13.0	11.2	10.6	11.5	11.9	12.8	13.6	13.9	13.4	10.9	11.1
EMPIRE CO LTD -CL A	9.4	3.9	11.9	17.9	21.7	13.3	69.1	16.4	11.4	11.6	11.4	16.2	9.8	17.8	17.2
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	13.4	12.4	12.5
LEON'S 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	19.6	17.0	17.2
LOBLAW COMPANIES 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	-3.9	15.4	13.9
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	0.5	8.3	7.7
REITMANS (CANADA) -CL A	9.0	6.2	0.8	8.9	9.4	30.1	10.2	12.6	10.5	15.4	22.0	23.5	20.0	13.2	13.7
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	11.0	14.2	14.0
TORSTAR CORP -CL B	7.9	6.7	11.3	38.4	-0.7	12.8	5.4	-14.6	21.3	17.8	14.6	14.5	9.2	11.3	11.1
TRANSCONTINENTAL INC -CL A	8.1	9.3	0.8	10.6	11.2	11.4	13.7	4.0	18.9	17.5	13.9	13.3	12.2	11.1	11.1
TVA GROUP INC -CL B	0.3	9.2	10.4	15.0	20.5	19.8	16.4	-49.5	27.0	23.7	20.9	12.9	-1.7	10.6	9.6
UNI-SELECT INC	24.7	21.4	19.9	20.7	20.6	18.7	15.2	16.1	16.7	19.2	15.5	16.3	15.4	18.8	18.5
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	1.6	16.9	15.7
Mean	10.7	10.2	10.4	17.3	12.7	12.7	14.7	7.1	15.0	14.4	14.2	14.1	9.8	12.8	12.5
Median	9.0	10.2	12.3	14.7	11.2	12.8	10.6	11.5	14.5	15.4	13.6	13.3	11.0	12.4	12.5
Average of Annual Medians														12.4	12.3
Results Excluding Returns +/- 1 Standard Deviation from Above Mean															
Mean	10.6	10.4	12.6	13.5	12.6	13.0	11.3	12.3	14.6	15.6	13.1	13.6	11.9	12.7	12.7
Median	9.0	10.2	12.8	14.5	12.0	13.0	10.5	12.6	14.5	16.5	13.3	13.3	12.2	12.3	12.3
Average of Annual Medians														12.7	12.6