

- 1 **Q. Please replicate Ms. McShane’s equity risk premium study using the actual**  
2 **Canadian bond yield at the time she filed her testimony. Please also describe how**  
3 **this updated equity risk premium compares to the results included in her testimony.**  
4
- 5 A. The average 30-year Canada bond yield was 4.3% during May 2007. At a 4.3% long  
6 Canada bond yield, Ms. McShane estimates that the equity risk premium for a benchmark  
7 Canadian utility based on the results of the three equity risk premium tests is in the  
8 approximate range of 4.75% to 5.25% (bare bones cost of equity of 9.05% to 9.55%).  
9 Including a 50 basis point adjustment for financing flexibility, the equity risk premium  
10 test at a 30-year Canada bond yield of 4.3% indicates a return on equity of 9.55% to  
11 10.05%.