

- 1 **Q. Evidence of Dr. Vander Weide: Experienced “risk premia” Pages 19-23: Please**
2 **provide all theoretical justification for taking a U.S. risk premium and adding it to a**
3 **Canadian long term interest rate forecast.**
4
- 5 A. Dr. Vander Weide disagrees with the premise that he has taken a “U.S. risk premium”
6 and added it to a “Canadian long term interest rate forecast.” His evidence on pp. 19 – 23
7 reports the experienced equity risk premiums on two groups of Canadian utility stocks,
8 namely, the S&P/TSX utilities stock index and a basket of Canadian utility stocks created
9 by BMO Capital Markets. In Answer 126, p. 40 of his written evidence, Dr. Vander
10 Weide adds the experienced risk premiums described on pp. 19 – 23 to the expected yield
11 on long Canada bonds in order to obtain an estimate of the cost of equity for
12 Newfoundland Power.