

- 1 **Q. Evidence of Dr. Vander Weide: Experienced “risk premia” Pages 19-23: Why**
2 **would Dr. Vander Weide compare yields with returns rather than returns with**
3 **returns?**
4
- 5 A. Dr. Vander Weide compares returns on Canadian utility stocks to yields on long Canada
6 bonds because he is testing the reasonableness of the risk premium implied by the
7 Commission’s ROE formula. The ROE formula calculates the required rate of return on
8 an investment in Newfoundland Power’s equity from information on the forecasted yield
9 on long Canada bonds, not the return on long Canada bonds.