

October 27, 1998

ERRATA AND UPDATE SHEET

**DIRECT EVIDENCE OF  
WILLIAM R. WATERS  
ON RATE OF RETURN AND CAPTIAL STRUCTURE  
FOR GAZ MÉTROPOLITAIN**

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Page 50	Line 14	"9.63" should read "9.58"
Page 50	Line 18	"8.73" should read "8.69"
Page 51	Table V-B, Line 3	"9.43" should read "9.40" "9.63" should read "9.58"
	Table V-B, Line 4	"8.73" should read "8.69" for both BCUC and NEB
Table II-A	Page 9	Updated
Table III-1	Page 22	Updated and revised
Table 3		Updated
Table 4		Updated
Table 9		Updated
Table 10		Updated
Table 12		Updated
Table 15		Updated
Table 18		Revised

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**TABLE II-A (Updated October 26, 1998)**  
**CANADIAN AND U.S. INTEREST RATES, 1997 and 1998**

	As of July 4, 1997	As of Aug. 28, 1998	As of Oct. 23, 1998	Change	
				Oct. 23/98 from Aug. 28/98	Aug 28/98 from July 4/97
	(1)	(2)	(3)	(4)	(5)
				(basis points)	
<u>Canada</u>					
Chartered banks prime rate	4.75%	7.50%	7.00%	-50	275
3 month Govt. of Canada treas. bills	3.05	5.75	4.66	-109	270
1 year Govt. of Canada treas. bills	3.92	5.92	4.68	-124	200
Bank of Canada 10 years and over Govt. of Cda. series	6.55 (Jul 2)	5.78 (Aug 26)	5.19 (Oct 21)	-59	-77
Selected Govt. of Canada long term issues					
8.00% of 2023	6.66	5.79	5.46	-33	-87
9.00% of 2025	6.68	5.83	5.52	-31	-85
8.00% of 2027	6.67	5.81	5.49	-32	-86
<u>United States</u>					
Prime rate at major commercial banks	8.50	8.50	8.00	-50	0
3 month U.S. Govt. treasury bills	5.12	4.92	3.85	-107	-20
30 year U.S. Govt. treasury bonds	6.62	5.35	5.18	-17	-127

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TABLE III-1 (Updated and revised: October 26, 1998)

	Interest Coverage			Current DBRS bond rating
	1990-96	1996	1997	
Gaz Métropolitain	2.5	2.5	[1]	A
Others				
BC Gas Utility Ltd	1.7	1.9	2.3	A
Centra Gas Manitoba	2.6	3.3	2.8	A
Centra Gas Ontario	2.1	2.2	[2]	A
The Consumers' Gas Company	2.2	2.6	2.6	A(high)
Pacific Northern Gas Ltd.	2.1	2.7	2.6	BBB(high)
Union Gas Limited	2.3	2.3	2.4	A
High	2.6	3.3	2.8	
Low	1.7	1.9	2.3	
Average	2.2	2.5	2.5	

Notes: [1] Information not available in last DBRS rating report.

[2] DBRS discontinued rating Centra Gas Ontario on June 5/98.

Source: Table 9.

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Q. What are the interest coverage ratios that result from your use of the previously approved capital structure ratios and your recommended rate of return on deemed common equity?

A. As developed in Section V of my testimony, my recommended rate of return on deemed common equity for a utility comparable in business risk to Gaz Métro lies within a range of 8.25-9.0 percent for the 1999 test year. The resulting range for Gaz Métro's interest coverage ratio is 2.4-2.5 times (Table 13, Cases 3 and 4).

Both values lie well above the minimum value of 2.0 times stated as a condition by the two Canadian bond rating agencies for assigning an "A" rating to a

**TABLE 3 (Updated October 26, 1998)**  
**YIELDS FOR SELECTED CANADIAN UTILITY  
AND GOVERNMENT OF CANADA LONG TERM BOND ISSUES,**  
**October 23, 1998**

Issuer	Dominion Bond Rating Service debenture rating	Maturity date	Coupon	Yield	Spread relative to Govt of Canada [1] (basis points)
Bell Canada	A(high)	15 Dec. 2032	9.70	6.68	122
BC Telephone	A(high)	08 Apr. 2022	9.65	6.65	119
Canadian Utilities	AA(low)	01 May 2023	9.40	6.25	79
Gaz Metropolitain	A	16 May 2025	9.00	6.85	139
Interprovincial Pipeline	A(high)	15 Feb. 2024	8.20	6.50	104
Nova Corporation	BBB(high)	16 Dec. 2024	9.90	6.95	149
Nova Scotia Power	A(low)	19 May 2025	8.85	6.82	136
TransCanada PipeLines	A(low)	5 Feb. 2026	8.29	7.02	156
Union Gas	A	10 Nov. 2025	8.65	6.63	117
Westcoast Energy	A(low)	21 Jul. 2025	8.85	6.65	119
<b>Mean</b>				<b>6.70</b>	
Govt. of Canada		01 Jun. 2023	8.00	5.46	

1. Spread is relative to the Government of Canada 01 June 2023 issue.

Source for yields: Toronto Globe and Mail, October 26, 1998.

**TABLE 4 (Updated October 13, 1998)**  
**COMPONENTS OF SELECTED CANADIAN UTILITY COMMON EQUITY**  
**RATE OF RETURN AWARDS**

Board/Commission		Date of Award [1]	Award [2]	L-T GofC rate as per testimony [3]	L-T GofC rate as per Board/Comm. [4]	Implied equity premium (inclusive of risk, flotation, safety factors) [5]	Equity market risk prem. as per testimony [6]	Equity market risk prem. as per Board/Comm. [7]
AEUB	(APL & TransAlta)	31-Oct-97	10.75-11.75% (p. 245)	7.50-8.00% (pp.236-242)	7.50-8.00% (p. 245)	3.25-3.75%	3.5-6.5% (p.245)	no finding
BCUC - latest (as per letter)	(BC Gas) (WKP) (PNG)	02-Dec-97	10.00% 10.25% 10.75%		6.39% 6.39% 6.39%	3.61% 3.86% 4.36%		
- first award	(BC Gas) (WKP) (PNG)	10-Jun-94	10.75% 11.00% 11.50% (pp. 31,24,35)	7.25-8.25% 7.25-8.25% 7.25-8.25% (p.5)	7.75% 7.75% 7.75% (p.5)	3.00% 3.25% 3.75%	3.5-6.0% 3.5-6.0% 3.5-6.0% (pp.8-16)	4.5-5.0% 4.5-5.0% 4.5-5.0% (p.18)
CRTC		05-Mar-98	11.00% (l.305)	6.00-7.20% (l. 204)	6.70-7.00% (l. 207)	4.15%	4.5-7.0% [A]	5.8-6.0% (l. 228)
MPUB		19-Jun-98	9.91% (p. 67)	no finding	no finding	no finding	no finding	no finding
NEB	(news release) (RH-2-94)	05-Dec-97 Mar-95	10.21% 12.25% (p.6)	8.00-9.25% (p.5)	6.53% 9.25% (p.6)	3.68% 3.00%	3.5-6.9% (p.5)	4.5-5.0% (p.6)
NFLD		31-Jul-98	9.25% (p.100)	5.45-6.00% (p.92)	5.75% (p.99)	3.50%	2.5-6.5% (p.92)	5.00% (p.99)
NS Utility and Review Board		01-Jan-96	10.75% (p.38)	7.64-7.75% (p.37)	7.25% (p.38)	3.50%		
Ontario Energy Board		31-Aug-98	9.51% (p.70)		5.73% (p.70)	3.78%		
		21-Aug-97	10.30% (p.135)	6.50-7.50%	6.79% (p.131)	3.51%	3.5-6.0% [B]	no finding
Regie De L'Energie		30-Jul-97	10.75% (p.8)	7.25% (p.2)	7.25% (p.6)	3.50%	[C]	no finding

Notes:

[A] Evidence: McShane, p. 100, Morin, p. 173, VanderWeide, p. 267 and Waters, p.8.

[B] Evidence: McShane, p. A-26 and Booth and Berkowitz, p. 58.

[C] Negotiations regarding the determination of shareholder equity rates were held between representatives from SCGM and ACIG.

SCGM refused to provide to the Regie the implicit risk premium or the rate of return agreed to by the parties noting that they agreed not to make any proof, comment or representations on the discussions that led to their agreement. (Page 3 of Decision D-97-27.)

**TABLE 9 (Updated October 13/98)**  
**PRE TAX INTEREST COVERAGE RATIOS FOR**  
**INVESTOR-OWNED UTILITIES IN CANADA RATED BY DBRS**  
**(GROUPED BY BUSINESS TYPE)**  
**1982-1997**

Company (grouped by business type)	Dominion Bond Ratings for		Interest Coverage [C]															Average		
	First Mtge. Bonds	L-T Debentures	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1982	1990
																			[A]	to
<b>ENERGY TRANSMISSION</b>																				
TransCanada PipeLines Limited	A	A	1.6	2.0	2.0	2.2	1.8	1.7	1.6	1.5	1.6	1.7	1.8	1.8	2.1	1.9	2.0	1.8	1.8	1.8
IPL Energy Inc.		A	5.6	6.1	7.2	5.4	4.6	2.7	2.6	3.4	3.7	3.5	2.2	2.5	1.1	1.8	[G]	[G]	4.7	2.5 [H]
Trans Mountain Pipe Line Company Ltd.		A(I)	[E]	4.4	2.5	3.3	2.5	2.1	2.2	2.0	2.0	2.6	2.7	2.4	2.8	2.1	3.1	[G]	2.7 [H]	2.5 [H]
Westcoast Energy Inc.		A(I)	2.1	2.2	2.3	2.4	1.9	2.2	1.9	2.0	1.5	1.4	1.8	1.8	1.8	1.6	1.8	[G]	2.1	1.7 [H]
NOVA Gas Transmission Ltd.		A	1.3	1.5	1.8	2.0	1.6	2.0	2.8	1.6	1.5	1.0	1.6	1.9	1.7	1.5	1.8	2.0	1.8	1.6
TransQuebec & Maritimes Pipeline [A]	A(I)		1.1	1.3	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.5	1.6	1.6	1.6	1.9	2.0	[G]	1.3	1.6 [H]
<b>GROUP MEAN</b>			2.3	2.9	2.9	2.8	2.3	2.0	2.1	2.0	1.9	2.0	2.0	2.0	1.8	1.8	2.1	1.9	2.4	2.0
<b>ELECTRIC</b>																				
TransAlta Utilities Corporation	AA(I)	AA(I)	2.4	2.7	3.6	3.8	3.7	4.3	3.7	2.9	2.7	2.8	3.6	3.6	3.5	3.8	3.7	3.6	3.4	3.4
Newfoundland Light & Power	A		4.0	3.8	3.4	3.3	3.1	2.8	2.8	2.5	2.7	2.7	2.8	2.9	2.9	2.6	2.7	2.6	3.2	2.7
West Kootenay Power Ltd. [A] [F]		BBB(h)	1.9	2.9	2.7	2.4	2.4	2.4	2.4	3.0	3.0	3.1	3.2	2.7	2.1	2.6	2.7	[G]	2.5	2.8 [H]
<b>GROUP MEAN</b>			2.8	3.1	3.2	3.2	3.1	3.2	3.0	2.8	2.8	2.9	3.2	3.1	2.8	3.0	3.0	3.1	3.0	3.0
<b>GAS DISTRIBUTION</b>																				
The Consumers' Gas Company Ltd.		A(h)	2.4	2.4	2.9	2.9	2.7	2.3	2.5	2.3	2.0	1.7	2.2	2.4	2.4	2.0	2.6	2.6	2.6	2.2
Centra Gas Manitoba [A] [B]		A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	2.5	2.7	2.8	2.7	3.0	3.5	2.8	n.a.	2.7
Centra Gas Ontario Inc. [A] [F] [I]		A	2.1	1.8	2.0	1.5	3.0	2.4	3.7	3.2	2.4	2.1	2.2	2.1	1.9	2.0	2.2	[I]	2.5	2.1 [H]
Gaz Metropolitan and Company [A]	A	A	2.0	2.2	3.2	2.3	2.1	2.1	2.2	2.4	2.6	2.5	2.6	2.6	2.4	2.4	2.5	[G]	2.3	2.5 [H]
BC Gas Utility Ltd.		A	2.7	3.0	2.2	2.2	2.1	1.7	1.6	1.5	1.5	1.6	1.6	1.8	1.6	1.7	1.9	2.3	2.1	1.7
Union Gas Limited		A	2.0	2.5	2.6	2.6	2.5	2.4	2.2	2.0	2.1	2.2	2.4	2.6	2.1	2.2	2.3	2.4	2.4	2.3
Pacific Northern Gas Ltd.		BBB(h)	1.4	2.0	2.1	2.3	2.0	1.9	1.9	1.9	1.8	2.1	1.9	2.1	2.3	2.1	2.7	2.6	1.9	2.2
<b>GROUP MEAN</b>			2.1	2.3	2.5	2.3	2.4	2.1	2.4	2.2	2.0	2.1	2.2	2.3	2.2	2.2	2.5	2.5	2.3	2.2
<b>BINED ELECTRIC AND GAS</b>																				
Canadian Utilities Limited		AA(I)	3.6	4.1	4.2	3.7	4.1	3.6	3.2	3.1	2.6	2.4	2.7	3.0	3.1	2.7	3.0	3.0	3.7	2.8
<b>GROUP MEAN</b>			3.6	4.1	4.2	3.7	4.1	3.6	3.2	3.1	2.6	2.4	2.7	3.0	3.1	2.7	3.0	3.0	3.7	2.8
<b>TELEPHONE</b>																				
Bell Canada [A]		A(h)	3.0	3.5	3.5	3.8	4.0	3.9	3.9	4.0	3.9	3.9	3.7	3.4	3.2	2.7	2.9	3.3	3.7	3.4
BC TEL	A(h)	A(h)	2.3	2.5	2.2	2.5	2.9	3.3	3.4	3.1	3.1	3.2	3.4	3.8	3.9	3.3	4.2	4.5	2.8	3.7
Maritime Telegraph & Telephone Comp.	A	A(I)	3.3	3.4	3.3	3.1	3.0	3.1	3.0	2.9	2.7	2.9	3.3	3.1	2.5	2.0	2.6	3.1	3.1	2.8
NBTel Inc.		A	3.6	3.8	4.1	3.9	3.4	3.8	3.6	3.1	3.1	3.1	3.0	3.1	3.0	3.3	3.6	3.9	3.7	3.3
NewTel Communications Inc.		A(I)	2.9	3.4	3.9	4.3	3.5	4.0	4.1	3.1	2.8	2.9	3.1	3.2	3.1	2.7	3.0	3.3	3.7	3.0
The Quebec-Tel Group Inc.		A(I)	3.6	3.8	3.6	4.5	4.9	4.1	3.3	3.0	3.1	3.3	3.5	3.7	3.9	3.6	3.7	[G]	3.9	3.5 [H]
Island Telecom Inc.	BBB(h)		3.4	3.3	3.5	3.5	3.1	3.6	3.2	2.7	2.5	2.8	3.3	3.1	3.0	3.1	3.5	4.2	3.3	3.2
<b>GROUP MEAN</b>			3.2	3.4	3.4	3.7	3.5	3.7	3.5	3.1	3.0	3.2	3.3	3.3	3.2	3.0	3.4	3.7	3.4	3.3
<b>GRAND MEAN</b>			2.7	3.0	3.1	3.0	2.9	2.8	2.7	2.5	2.4	2.5	2.6	2.7	2.5	2.4	2.8	3.0	2.8	2.6

Note: A: Interest coverage ratios obtained from the Dominion Bond Rating Service.  
B: 1982-89 not provided since the company existed as two separate entities prior to 1990.  
C: Interest coverage =  $\frac{\text{Net income before unusual and extraordinary items, income taxes and total interest charges before taxes}}{\text{Interest charges (including amortization of long term debt expenses)}}$   
D: AFUDC is not included in the numerator of "Interest coverage before taxes".  
E: Not meaningful (zero interest expense).  
F: Calculated using data obtained from the company's 1991-1994 Annual Reports.  
G: Not included in most recent DBRS rating report.  
H: Average for years having data available.  
I: DBRS discontinued rating Centra Gas Ontario on June 5/98.

Sources: Company Annual Reports. Dominion Bond Rating Service Limited.

TABLE 10 (Updated October 13, 1998)  
**PRE TAX INTEREST COVERAGE RATIOS FOR  
 INVESTOR-OWNED UTILITIES IN CANADA RATED BY DBRS  
 (GROUPED BY RATING CATEGORY)  
 1982-1997**

Company (grouped by rating category) [A]	Dominion Bond Ratings for		Interest Coverage [D]																	Average	
	First Mtge. Bonds	L-T Debentures																		1982	1990
			1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	[B]	to	to
<b>AA CATEGORY</b>																					
TransAlta Utilities Corporation	AA(I)	AA(I)	2.4	2.7	3.6	3.8	3.7	4.3	3.7	2.9	2.7	2.8	3.6	3.6	3.5	3.8	3.7	3.6	3.4	3.4	
Canadian Utilities Limited		AA(I)	3.6	4.1	4.2	3.7	4.1	3.6	3.2	3.1	2.6	2.4	2.7	3.0	3.1	2.7	3.0	3.0	3.7	2.8	
Bell Canada [B]		A(h)	3.0	3.5	3.5	3.8	4.0	3.9	3.9	4.0	3.9	3.9	3.7	3.4	3.2	2.7	2.9	3.3	3.7	3.4	
<b>GROUP MEAN</b>			3.0	3.4	3.8	3.8	3.9	3.9	3.6	3.3	3.1	3.0	3.3	3.3	3.3	3.1	3.2	3.3	3.6	3.2	
<b>A CATEGORY</b>																					
BC TEL	A(h)	A(h)	2.3	2.5	2.2	2.5	2.9	3.3	3.4	3.1	3.1	3.2	3.4	3.8	3.9	3.3	4.2	4.5	2.8	3.7	
The Consumers' Gas Company Ltd.		A(h)	2.4	2.4	2.9	2.9	2.7	2.3	2.5	2.3	2.0	1.7	2.2	2.4	2.4	2.0	2.6	2.6	2.6	2.2	
IPL Energy Inc.		A	5.6	6.1	7.2	5.4	4.6	2.7	2.6	3.4	3.7	3.5	2.2	2.5	1.1	1.8	[H]	[H]	4.7	2.5 [I]	
NBTel Inc.		A	3.6	3.8	4.1	3.9	3.4	3.8	3.6	3.1	3.1	3.1	3.0	3.1	3.0	3.3	3.6	3.9	3.7	3.3	
TransCanada PipeLines Limited	A	A	1.6	2.0	2.0	2.2	1.8	1.7	1.6	1.5	1.6	1.7	1.8	1.8	2.1	1.9	2.0	1.8	1.8	1.8	
Newfoundland Light & Power	A		4.0	3.8	3.4	3.3	3.1	2.8	2.8	2.5	2.7	2.7	2.8	2.9	2.9	2.6	2.7	2.6	3.2	2.7	
BC Gas Utility Ltd.		A	2.7	3.0	2.2	2.2	2.1	1.7	1.6	1.5	1.5	1.6	1.6	1.8	1.6	1.7	1.9	2.3	2.1	1.7	
Centra Gas Manitoba [B] [C]		A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	2.5	2.7	2.8	2.7	3.0	3.5	2.8	n.a.	2.7	
Centra Gas Ontario Inc. [B] [G] [J]		A	2.1	1.8	2.0	1.5	3.0	2.4	3.7	3.2	2.4	2.1	2.2	2.1	1.9	2.0	2.2	[J]	2.5	2.1 [I]	
Gaz Metropolitan and Company [B]	A	A	2.0	2.2	3.2	2.3	2.1	2.1	2.2	2.4	2.6	2.5	2.6	2.6	2.4	2.4	2.5	[H]	2.3	2.5 [I]	
Maritime Telegraph & Telephone Company	A	A(I)	3.3	3.4	3.3	3.1	3.0	3.1	3.0	2.9	2.7	2.9	3.3	3.1	2.5	2.0	2.6	3.1	3.1	2.8	
NewTel Communications Inc.	A(I)		2.9	3.4	3.9	4.3	3.5	4.0	4.1	3.1	2.8	2.9	3.1	3.2	3.1	2.7	3.0	3.3	3.7	3.0	
NOVA Gas Transmission Ltd.		A	1.3	1.5	1.8	2.0	1.6	2.0	2.8	1.6	1.5	1.0	1.6	1.9	1.7	1.5	1.8	2.0	1.8	1.6	
The Quebec-Tel Group Inc.	A(I)	A(I)	3.6	3.8	3.6	4.5	4.9	4.1	3.3	3.0	3.1	3.3	3.5	3.7	3.9	3.6	3.7	[H]	3.9	3.5 [I]	
Union Gas Limited		A	2.0	2.5	2.6	2.6	2.5	2.4	2.2	2.0	2.1	2.2	2.4	2.6	2.1	2.2	2.3	2.4	2.4	2.3	
Trans Mountain Pipe Line Company Ltd.		A(I)	[F]	4.4	2.5	3.3	2.5	2.1	2.2	2.0	2.0	2.6	2.7	2.4	2.8	2.1	3.1	[H]	2.7 [I]	2.5 [I]	
TransQuebec & Maritimes Pipeline [B]	A(I)		1.1	1.3	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.5	1.6	1.6	1.6	1.9	2.0	[H]	1.3	1.6 [I]	
Westcoast Energy Inc.		A(I)	2.1	2.2	2.3	2.4	1.9	2.2	1.9	2.0	1.5	1.4	1.8	1.8	1.8	1.6	1.8	[H]	2.1	1.7 [I]	
<b>GROUP MEAN</b>			2.7	2.9	3.0	2.9	2.8	2.6	2.6	2.4	2.3	2.4	2.5	2.6	2.4	2.3	2.7	2.8	2.7	2.5	
<b>BBB CATEGORY</b>																					
Island Telecom Inc.	BBB(h)		3.4	3.3	3.5	3.5	3.1	3.6	3.2	2.7	2.5	2.8	3.3	3.1	3.0	3.1	3.5	4.2	3.3	3.2	
Pacific Northern Gas Ltd.		BBB(h)	1.4	2.0	2.1	2.3	2.0	1.9	1.9	1.9	1.8	2.1	1.9	2.1	2.3	2.1	2.7	2.6	1.9	2.2	
West Kootenay Power Ltd. [B] [G]		BBB(h)	1.9	2.9	2.7	2.4	2.4	2.4	2.4	3.0	3.0	3.1	3.2	2.7	2.1	2.6	2.7	[H]	2.5	2.8 [I]	
<b>GROUP MEAN</b>			2.2	2.7	2.8	2.7	2.5	2.6	2.5	2.5	2.4	2.7	2.8	2.6	2.5	2.6	3.0	3.4	2.6	2.7	
<b>GRAND MEAN</b>			2.7	3.0	3.1	3.0	2.9	2.8	2.7	2.5	2.4	2.5	2.6	2.7	2.5	2.4	2.8	3.0	2.8	2.6	

- Note: A: Companies are grouped according to their lowest long term debt rating.  
 B: Interest coverage ratios obtained from the Dominion Bond Rating Service.  
 C: 1982-89 not provided since the company existed as two separate entities prior to 1990.  
 D: Interest coverage  $\frac{\text{Net income before unusual and extraordinary items, income taxes and total interest charges before taxes}}{\text{Interest charges (including amortization of long term debt expenses)}}$   
 E: AFUDC is not included in the numerator of "Interest coverage before taxes".  
 F: Not meaningful (zero interest expense).  
 G: Calculated from data obtained from company's 1991-1994 Annual Reports.  
 H: Not included in most recent DBRS rating report.  
 I: Average for years having data available.  
 J: DBRS discontinued rating Centra Gas Ontario on June 5/98.

Sources: Company Annual Reports. Dominion Bond Rating Service Limited.

**TABLE 12 (Updated October 13, 1998)**  
**ALLOWED RATES OF RETURN, ALLOWED COMMON EQUITY RATIOS**  
**AND MARKET TO BOOK RATIOS, MAJOR CANADIAN UTILITIES**

Company	Year of Award	Common Equity Ratio	Allowed ROE	Market/Book Ratio [5]
<b>ELECTRIC</b>				
Alberta Power Limited (exclusive of CIAC)	1997 [6]	35.7	11.25	n/a
Newfoundland Light & Power (Fortis)	1998	45.0	9.25	1.7
Nova Scotia Power Inc.	1996	33.0-34.0	10.75	1.7
TransAlta Utilities Corporation (exclusive of CIAC)	1997 [6]	40.0 max	11.25	2.2
West Kootenay Power Ltd.	1998	40.0 [4]	10.25	n/a
<b>GAS DISTRIBUTION</b>				
BC Gas Utility Ltd. (BC Gas Inc.)	1998	33.0	10.00	1.8
Canadian Western Natural Gas Company Ltd. (exclusive of CIAC)	1993 [2]	34.1	12.25	n/a
(inclusive of CIAC)	1993 [2]	28.2	12.25	n/a
Centra Gas Manitoba Inc.	1998	39.1	9.91	n/a
Centra Gas Ontario Inc.	1997	36.0	11.25	n/a
Consumers' Gas Company Ltd.	1998	35.0	9.51	n/a
Gaz Metropolitan	1997	38.5	10.75	n/a
Northwestern Utilities Limited (exclusive of CIAC)	1994	35.6	11.875	n/a
(inclusive of CIAC)	1994	30.9	11.875	n/a
Pacific Northern Gas Ltd.	1998	36.0	10.75	1.7
Union Gas Limited	1997	34.0	11.00	n/a
<b>GAS TRANSMISSION</b>				
Alberta Natural Gas Ltd	1998	30.0	10.21	n/a
Foothills Pipe Lines Limited	1998	30.0	10.21	n/a
TransCanada PipeLines Limited	1998	30.0	10.21	2.1
Trans Quebec & Maritimes Pipeline Inc.	1998	30.0	10.21	n/a
Westcoast Energy Inc.	1998	35.0	10.21	1.7
NOVA Gas Transmission Ltd. (Nova Corporation)	1997	32.0	10.67	1.6
<b>OIL PIPELINE</b>				
Interprovincial Pipe Line Inc. (IPL Energy Inc.)	1993 [3]	45.0 [1]	11.50	3.0
Trans Mountain Pipe Line Company Ltd.	1995	45.0	12.25	n/a
<b>TELEPHONE</b>				
AGT Limited (Telus)	1998	55.0 max	11.00	2.0
Bell Canada (BCE Inc.)	1998	55.0 max	11.00	3.8
BC Telecom	1998	55.0 max	11.00	2.4
Island Telephone Company Limited	1998	55.0 max	11.00	1.9
Maritime Telephone & Telegraph Company Limited	1998	55.0 max	11.00	2.9
New Brunswick Telephone Company (Bruncor)	1998	55.0 max	11.00	2.6
Newfoundland Telephone Company Limited (NewTel Ent.)	1998	55.0 max	11.00	2.4
Quebec Telephone	1995	54.7	11.25-12.25	2.0

**Notes:**

- [1] Deferred taxes deducted from total capitalization. With deferred taxes included, common equity ratio is 38.4.  
[2] The common equity and allowed ROE pertain to the 1992 test year.  
[3] The values reflect the Settlement Agreement, dated November 19, 1993, between Interprovincial Pipe Line Inc., and the IPL Industry Task Force.  
[4] Deferred taxes are included in capital structure.  
[5] Defined as the closing price for December 1997 divided by the estimated year end book value per share.  
[6] For 1996.

**Sources:**

Decisions and orders of the appropriate regulatory boards and commissions.  
Market-to-book ratios calculated with data from various annual and interim reports, the TSE Review and Stock Guide.

TABLE 15 (Updated October 26, 1998)

**PREMIUMS FOR GAZ MÉTROPOLITAIN LONG TERM DEBT  
OVER SELECTED UTILITY AND GOVERNMENT OF CANADA ISSUES**

	Dec. 31/93	Dec. 31/97	Sept. 4/98	Oct. 23/98
<b>A. Yields</b>				
				(percent)
Gaz Métro, 10.45% Oct. 16, 2016	8.23	6.51	6.41	6.44
Consumers Gas, 10.80% Apr. 15, 2011	8.02	6.30	6.16	6.16
TCPL, 11.80% Nov. 20, 2020	8.23	6.56	6.41	6.75
Westcoast, 8.50% Sep. 4, 2018	8.20	6.54	6.34	6.44
BC Gas, 10.30% Sept. 30, 2016	8.22	6.49	6.29	6.44
Canada, 9.75% June 1, 2021	7.40	5.93	5.64	5.50
<b>B. Premium over Government of Canada issue</b>				
				(basis points)
Gaz Métro, 10.45% Oct. 16, 2016	83	58	77	94
Consumers Gas, 10.80% Apr. 15, 2011	62	37	52	66
TCPL, 11.80% Nov. 20, 2020	83	63	77	125
Westcoast, 8.55% Sep. 4, 2018	80	61	70	94
BC Gas, 10.30% Sept. 30, 2016	82	56	65	94
<b>C. Premium over Gaz Métro issue</b>				
				(basis points)
Consumers Gas, 10.80% Apr. 15, 2011	-21	-21	-25	-28
TCPL, 11.80% Nov. 20, 2020	0	5	0	31
Westcoast, 8.55% Sep. 4, 2018	-3	3	-7	0
BC Gas, 10.30% Sept. 30, 2016	-1	-2	-12	0

## Sources:

*Canadian Bond Prices*, Financial Post (1993 and 1997 issues).

*Globe and Mail*, various issues.

TABLE 18 (Revised October 13, 1998)

**MOST RECENT ROE AWARDS BY THE BRITISH COLUMBIA UTILITIES  
COMMISSION AND THE NATIONAL ENERGY BOARD AND ALTERNATIVE  
AWARDS UNDER VARIOUS ASSUMPTIONS**

	British Columbia Utilities Commission	National Energy Board
<b>1. <u>Most recent award</u></b>		
Based on data as of	November 1997	November 1997
Assumed 30 year bond yield	6.39 %	6.53 %
Computed equity risk premium	<u>3.57</u>	<u>3.68</u>
Awarded ROE	9.96 % rounded to 10.00%	10.21 %
<b>2. <u>Most recent award if original equity risk premium of 3.0% had been used</u></b>		
Assumed 30 year bond yield	6.39 %	6.53 %
Original equity risk premium	<u>3.00</u>	<u>3.00</u>
Resulting ROE	9.39 % rounded to 9.50%	9.53 %
<b>3. <u>Award consistent with current financial market expectations</u></b>		
Based on data as of	August 28, 1998	August 28, 1998
Assumed 30 year bond yield	5.69 % [a]	5.69 % [a]
Computed equity risk premium	<u>3.71</u> [b]	<u>3.89</u> [d]
Resulting ROE	9.40 % [c] rounded to 9.50%	9.58 % [e]
<b>4. <u>Award if current financial market expectations used with original equity risk premium of 3.0%</u></b>		
Assumed 30 year bond yield	5.69 % [a]	5.69 % [a]
Original equity risk premium	<u>3.00</u>	<u>3.00</u>
Resulting ROE	8.69 % [f] rounded to 8.75%	8.69 % [f]

[a] Revised from 5.73% to 5.69%.

[b] Revised from 3.70% to 3.71%.

[c] Revised from 9.43% to 9.40%.

[d] Revised from 3.90% to 3.89%.

[e] Revised from 9.63% to 9.58%.

[f] Revised from 8.73% to 8.69%.