

R-3752-2011 Phase 2
COMPARATIVE APPROACHES FOR GAZ MÉTRO'S ROE
BASED UPON THE CURRENT 38.5% COMMON EQUITY RATIO

FACTOR	D-2009-156 (GAZ MÉTRO)	D-2010-147 (GAZIFÈRE)	DR. MORIN (GAZ MÉTRO)	DR. BOOTH (GAZ MÉTRO)
Risk-free rate	4.23 – 4.50	4.15 – 4.50	4.40	4.50
MRP (before crisis)	5.50 – 5.75	5.50 – 5.75	6.70	5.00 – 6.00 (5.50)
BETA	0.50 – 0.55	0.50 – 0.55	0.70	0.45 – 0.55 (0.50)
Issuance costs	0.30 – 0.40	0.50	0.30	0.50
Benchmark CAPM ROE	7.28 – 8.06	7.40 – 8.16	9.40	7.78
Adj. for other models				
Empirical CAPM	N/A	N/A	+ 0.50 (9.9)	N/A
Historical R.P. (S+P)	N/A	N/A	+ 0.80 (10.2)	N/A
Historical R.P. (Nat. Gas)	N/A	N/A	+ 1.00 (10.4)	N/A
Allowed R.P.	N/A	N/A	+ 1.20 (10.6)	N/A
DCF Value Line	N/A	N/A	- 0.80 (8.6)	N/A
DCF Zacks	N/A	N/A	- 0.80 (8.6)	N/A
DCF Combo Value Line	N/A	N/A	+ 1.40 (10.8)	N/A
DCF Combo Zacks	N/A	N/A	+ 0.90 (10.3)	N/A
Average adj.	0.25 – 0.50	0.25 – 0.50	+ 0.40 (9.8)	0.00
Benchmark ROE before crisis adj.	7.78 – 8.91	7.65 – 8.66	9.80	7.78
Crisis adj.	0.25 – 0.55	0.25 – 0.55	N/A	0.25 – 0.40 (0.325) ¹
Incremental risk adj.	0.25 – 0.35	0.25 – 0.50	+ 0.40 ²	0.00 ³
Final ROE	8.03 – 9.46⁴	8.15 – 9.71⁵	10.20	8.10

Régie de l'énergie
DOSSIER: R-3752-2011
DÉPOSÉE EN AUDIENCE Phox2
Date: 14/sep/2011
Pièces n°: C-ACIG-072

¹ Dr. Booth proposes an adjustment for credit spreads in the ROE adjustment mechanism.

² Dr. Morin also believes that Gaz Métro's higher business risk could be reflected in a higher common equity ratio of 40 to 45% (average 42.5%).

³ Dr. Booth believes that Gaz Métro's higher business risk is captured in the 7.5% deemed preferred share component.

⁴ The Régie opted for a mid-range of 9.20%.

⁵ The Régie opted for a mid-range of 9.10%.