

1 **Q. Reference: Dr. Booth Evidence, Page 36, Lines 18-20**

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3 **If Dr. Booth believes that risk is constantly changing and so too are beta**
4 **coefficients, please explain why Dr. Booth holds beta coefficients constant for**
5 **Canadian utilities at 0.45-0.55 in his application of the CAPM.**

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7 A. As Dr. Booth explains in his Appendix C beta estimates are backward looking and
8 as a result are always changing. They only estimate what actually happened during
9 the estimation window, not what might have happened or what normally happens.
10 In contrast, for a forward estimate we need what the investor thinks is likely to
11 happen. Dr. Booth's 0.45-0.55 beta range is a forward estimate, not a backward
12 estimate and reflects his judgement on the historic evidence of the relative risk of a
13 Canadian regulated utility.