

1 **Q. Reference: Dr. Booth's Evidence, Page 40, Lines 4-5**

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3 **What is the average Canadian market return and the average LTC yield used**  
4 **to compute the historical market risk premium of 5.0% to 6.0% in Canada?**

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6 A. Dr. Booth's market risk premium estimates are based on the historic data in  
7 Schedule 9 of his Appendix B, his understanding of how the Canadian market has  
8 evolved relative to that in the US and his review of current return expectations from  
9 market professionals. It is not a simple arithmetic average based on actual returns.  
10 The historic average data is below.

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12 For Canada, the 4.67% market risk premium estimate is based on average arithmetic  
13 returns since 1926 of 11.07% for equities and 6.40% for LTC bonds.

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15 For the US, the 6.08% market risk premium estimate is based on average arithmetic  
16 returns of 12.05% for equities and 10.27% for bonds.