

- 1 **Q. Is Mr. Coyne aware that in the past Canadian regulators, such as the Ontario**
2 **Energy Board, have allowed an ROE less than the long Canada bond yield. If so,**
3 **how does this fit with his risk premium analysis on pages 46-47?**
4
- 5 A. Mr. Coyne is not aware of the Ontario Energy Board making such a determination.
6 However, Mr. Coyne is aware that in the 1980s, when yields on government bonds were
7 as high as 18 percent in the U.S., authorized ROEs for regulated utilities were frequently
8 lower than the Treasury bond yield as regulatory decisions lagged changes in capital
9 markets. This provides additional support for Mr. Coyne’s conclusion that the authorized
10 ROE is not solely determined by the level of interest rates, even though that is one
11 important factor, as shown in the Bond Yield Plus Risk Premium analysis.