Q. Re: Mr. Cicchetti cites the Board's three reasons for changing the formula ROE on page 4 and discounts two of them focusing on changes in financial 6 market conditions.

(a) Mr. Cicchetti cites "particularly" low Canadian long term bond yields. Is he referring to the nominal bond or the real return bond? Did he consult both to understand why these rates have changed and the conditions in the long term Canada bond market?

(b) Can Mr. Cicchetti provide the yields on both the nominal and real 30 year Canada bond yield monthly for the last five years and discuss in detail whether either or both have been "particularly" low over the last year.

(c) Can Mr. Cicchetti explain what he understands by the break-even inflation rate (BEIR) and whether changes in inflationary expectations affect the real or the nominal bond yield?

(d) Mr. Cicchetti provides no data on Canadian utility shares. Please provide the data and supporting documentation to justify the statement that their "declines" in value have been unique relative to past business cycles or the Canadian capital market.

(e) Mr. Cicchetti claims that Canada has experienced "relatively high" corporate bond yields and yet provides no data except for the last two years to support the claim that they have been unique. Please provide the supporting documentation and all data relied on for the claim that the latest corporate bond yield on June 2009 of 5.98% is in any way unique or is relatively high or anything out of the ordinary in view of the current stage in the business cycle.

A. (a.) Nominal and yes.

(b.) The yields on both the nominal and real 30 year Canada bond are publicly available and readily available to Dr. Booth. In the past year, the yield on the 30 year Canadian government bond dropped as low as 3.45 percent. Since January of 2004, the yield on the 30 year Canadian bond has averaged 4.38 percent and has been as high as 5.33 percent.

(c.) The break-even inflation rate is the spread between the yields on the nominal bond and real bond. Changes in inflation expectations can affect both yields.

(d.) The S&P/TSX Capped Utilities Index dropped substantially over the past two years from a high of approximately 240 in 2007 to a low of approximately 149 in 2009.

(e.) Mr. Cicchetti's claim that bond yields increased substantially during the past year in association with the global financial crises is generally accepted and well documented. A-rated utility bonds began increasing in the autumn of 2008. The rates experienced in 2008 and 2009 have been high relative to the yields of the prior two years.