Q. Reference: NP 2010 GRA, Booth's Testimony, October 21, 2009, Page 144, Lines 15-25 and Page 145, Line 1

Dr. Booth stated "The long Canada Rate will pick up. There is absolutely no question." In addition, Dr. Booth stated "...we can expect the long Canada rate to fluctuate between three and a half and, say, five and half or six percent over the business cycle."

Please provide the actual long Canada rate over the referenced business cycle and provide an explanation of why the actual rates differ from the forecast rates as expected by Dr. Booth.

A. The business cycle is not complete, in fact nowhere near complete. In 2009 we were at the initial recovery stage, barely out of recession whereas currently we are at the middle stage. However, as discussed in Appendix B, page 9 consistent with historic experience and current government deficits we should have long Canada bond yields about 6.0%. However, long Canada bond yields are impacted by a new variable which is global investor interest and are not being "made in Canada." As the Governor of the Bank of Canada has indicated it is events outside of Canada that are his main concern. In 2009 Dr. Booth, like other analysts, could not have forecast that the US (and France) would lose its AAA bond rating.