

1 **Q. Reference: Page 28, lines 536-537**

2
3 **“To our knowledge fair ROE in Canada has generally been determined with**
4 **reference to book values rather than market values.”**

5
6 **Does Mr. MacDonald agree with the following statement from Richard Brealey,**
7 **Stewart Myers, and Franklin Allen, *Principles of Corporate Finance*, Eighth Edition,**
8 **Boston, MA: Irwin McGraw Hill, 2006, at page 504?**

9
10 **“Why did we show the book balance sheet? Only so you could draw a big X**
11 **through it. Do so now.**

12
13 **When estimating the weighted-average cost of capital, you are not interested**
14 **in past investments but in current values and expectations for the future.”**

15
16 **A.** Mr. MacDonald has not reviewed the text referenced above. Mr. MacDonald believes
17 that the text may not specifically address issues in relation to the Canadian regulatory
18 environment. The comment above appears to be a generalization and simplification of the
19 issue as historical information is often necessary to form expectations about the future.