

Q. 2013-2014 General Rate Application, Company Evidence

Pg. 3-34, line 14 - Please define what is meant by “unusually” low long term bond yields.

A. The Company’s comment with respect to “unusually” low bond yields was made in the context of the drop in the Government of Canada 30-Year Bond Yield in the last half of 2011. During 2011, the Government of Canada 30-Year Benchmark Bond Yield fell from an April 1, 2011 yield of 3.77% to a December 30, 2011 yield of 2.49%.¹

Long term Government of Canada bond yields have not been at this level for many decades. This also qualifies yields on the order of 2.5% as “unusually” low.

¹ See *Volume 1, Application and Company Evidence, Section 3.3.2 Automatic Adjustment Formula, Graph 3-2*. Graph 3-2 shows the Government of Canada 30-Year Benchmark Bond yield from November 2, 2009 to August 31, 2012. In November 2009, Long Canada Bond Yields averaged 3.94%. In August 2012, Long Canada Bond Yields averaged 2.38%. See *Volume 1, Application and Company Evidence, Section 3.3.2 Automatic Adjustment Formula, Footnote 115*.