

- 1 **Q. On page 42 Mr. Coyne indicates that a three-year forecast of long term interest**
2 **rates gives estimates of 2.54% for Canada and 3.0% for the US, does Mr. Coyne use**
3 **this difference of 0.46% to downwardly adjust US equity cost estimates for use in**
4 **Canada? If so please show where in his report he adjusts his US estimates**
5 **downwards.**
6
- 7 A. Mr. Coyne has accounted for differences in his U.S. equity cost estimates for the
8 difference in the forecast government bond yields. The Canadian proxy group and
9 Canadian companies in the North American proxy group are based on the Canadian risk-
10 free bond yield forecast, and the U.S. proxy group and U.S. companies in the North
11 American proxy group are based on the U.S. forecast. As demonstrated in response to
12 Request for Information CA-NP-121, Canadian and U.S. bond yields have moved closer
13 together, and as further explained in response to Request for Information CA-NP-127,
14 Canadian regulators have not found it necessary to make such adjustments in their recent
15 decisions.