

- 1 **Q. Mr. Coyne refers to integration generally. Whereas no-one denies that the US and**
2 **Canadian capital markets are very close, can he refer to any academic studies that**
3 **indicate that they are *perfectly* integrated, which is what is required for the law of**
4 **one price to hold and securities to be valued identically in both markets?**
5
- 6 A. Mr. Coyne has not assumed that Canadian and U.S. markets are perfectly integrated. As
7 explained on page 27 of Concentric’s *Cost of Capital* report, and as shown in Exhibit
8 JMC-2, there is a high degree of correlation between the economic and investment
9 environment in the two countries. This leads Mr. Coyne to conclude that: “Based on
10 these macroeconomic indicators, there are no fundamental dissimilarities between
11 Canada and the U.S. (in terms of economic growth, inflation, or government bond yields)
12 that would cause a reasonable investor to have a materially different return expectation
13 for a group of comparable risk utilities in the two countries.”