

1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne-Return on Equity**
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3 **Q. In Figure 3 compare key economic assumptions at the time of their 2021 and 2023**
 4 **reports. Given that the 2021 8.5% ROE was set through a settlement approved by**
 5 **the Board, please provide the equivalent data for a comparison between 2015 and**
 6 **2023 since the allowed ROE in 2015 was set by the Board.**
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8 A. We assume from the question that it refers to when the allowed ROE in 2016 was set (not
 9 2015, which was set in 2013). The 2016 GRA application was filed on October 16, 2015,
 10 with trailing economic data through July 2015, so we have used July 2015 as the previous
 11 GRA datapoint. The requested economic data are provided in restated Figure 3 below. As
 12 shown in the Figure, government and utility bond yields were substantially higher in
 13 August 2023 than in July 2015, the Bank of Canada's monetary policy is much more
 14 restrictive than in July 2015, and inflation was significantly higher in August 2023 than
 15 in July 2015. The spread between 2-year and 10-year Canadian government bonds was
 16 positive in July 2015, while it was negative in August 2023; the TSX volatility index has
 17 decreased slightly since July 2015; and investor sentiment was much stronger in July
 18 2015 than it was in August 2023. These indicators show that the cost of capital for all
 19 companies, including regulated utilities, was higher in August 2023 compared to prior
 20 GRA applications when the Board authorized ROEs of 8.50%.

**Restated Figure 3:
 Comparison of Key Economic and Market Indicators**

Indicator	July 2015	March 2021	August 2023
Bank of Canada Overnight Rate	0.50%	0.25%	5.0%
10-year Government of Canada bond	1.58%	1.50%	3.65%
30-year Government of Canada bond	2.24%	1.94%	3.50%
A-rated Canadian utility bond	3.89%	3.24%	4.98%
Consumer Price Inflation – Canada	1.3%	2.2%	4.0%
Spread between 2 yr /10 yr Treasury bond - Canada	1.13%	1.24%	(1.05%)
TSX Volatility Index	12.8	13.0	11.2
State Street Investor Confidence Index – U.S.	126.5	91.9	96.8