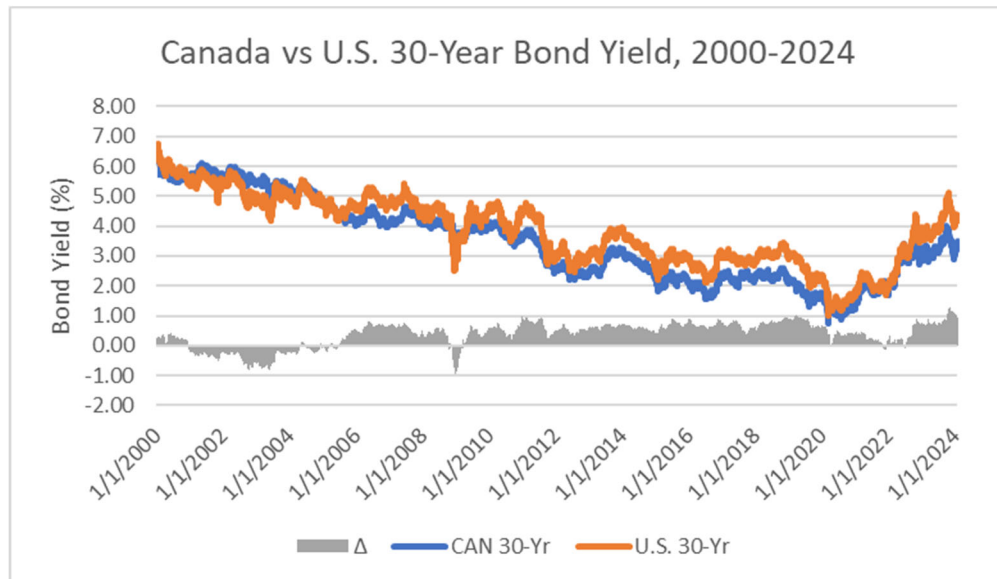


1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk**  
 2 **Profile**

3  
 4 **Q. In the discussion of interest rates and the integration of US and Canadian capital**  
 5 **markets, nowhere do C&T graph the yields on long (30 year) bonds issued by the**  
 6 **US Treasury and those issued by the Government of Canada since 2000. Please**  
 7 **estimate the average difference between these two government bond yields since**  
 8 **2000 and whether it is greater or less than the 10-year yield difference. What does**  
 9 **the fact that US interest rates are higher than those in Canada say about the base**  
 10 **for the risk premium and other fair return models, that is, what justification is there**  
 11 **for treating US estimates as identical to Canadian estimates when the objective fact**  
 12 **is that US interest rates are higher and have been for a significant period of time?**

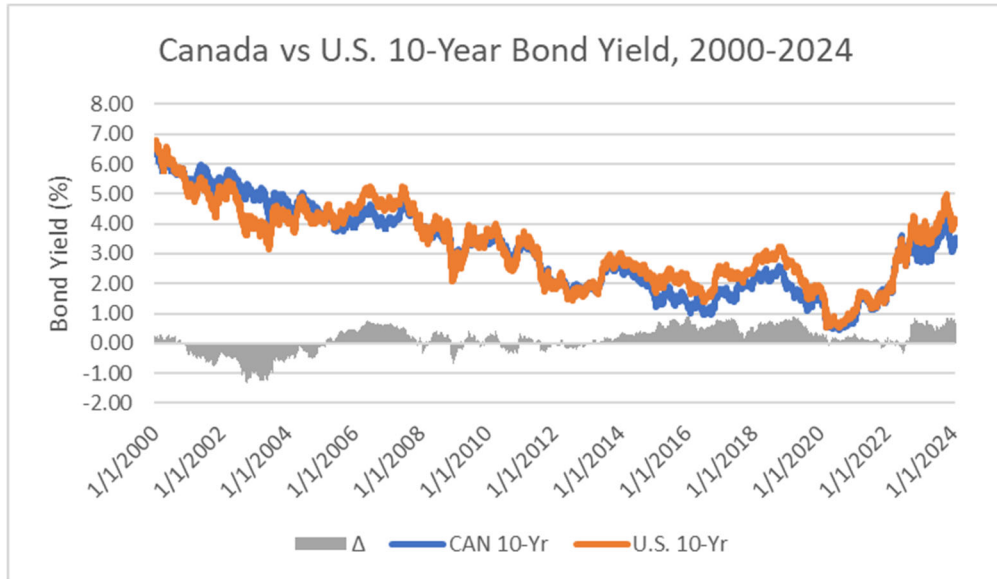
13  
 14 A. Please see Graph 1, which details the comparison between Canadian and U.S. 30-year  
 15 bond yields. The average difference over the period 2000 to 2024 is 0.36%; i.e., on  
 16 average, U.S. 30-year bond yields have historically been 36 basis points higher than  
 17 Canadian 30-year bond yields.

**Graph 1**



1 Graph 2 also compares 10-year bond yields. U.S. 10-year bond yields have historically  
 2 been 14 basis points higher than Canadian 10-year bond yields.

**Graph 2**



3 Referring to the Consensus Economics forecast for 10-Year Bond Yields (See page  
 4 21 of Concentric’s *Cost of Capital* report), which forms the basis of Concentric’s  
 5 analysis in the CAPM and Risk Premium models, the difference between U.S. and  
 6 Canadian yields is expected to remain in the 20 basis point range through 2033. In  
 7 our models, the risk free rate does not enter the DCF analysis. We use a Canadian risk  
 8 free rate in the CAPM for the Canadian proxy group, a U.S. risk free rate for the U.S.  
 9 group, and either a Canadian or U.S. risk free rate in the North American proxy  
 10 group. In the Risk Premium model, we use U.S. interest rates. Based on the narrow  
 11 difference in the yields, the combination of models used, and the integrated nature of  
 12 North American capital markets, Concentric is of the view that no further adjustments  
 13 are required. We would further note that the results of the Canadian Proxy group  
 14 (using only Canadian risk free rates) are higher than the North American Proxy group  
 15 results, which formed the basis of Concentric’s recommended ROE.