

1 **Volume 2: Cost of Capital: Expert Opinion of Mr. James Coyne – Return on Equity**  
2

3 **Q. Volume 2, Cost of Capital Report, page 28, lines 10-20. Please explain any changes**  
4 **in the economic and capital market conditions described in Section III of Mr.**  
5 **Coyne’s report that have occurred since the time the report was prepared and**  
6 **whether these changes impact Mr. Coyne’s recommendations.**  
7

8 A. Figure 3 on page 10 of Volume 2, Concentric’s *Cost of Capital* report, provides a  
9 comparison of key economic and market indicators in August 2023 to those in March  
10 2021. Concentric has updated Figure 3 through January 31, 2024. As shown in the  
11 Updated Figure 3, interest rates on Canadian government and utility bonds decreased by  
12 approximately 30-35 basis points, as inflation moderated to 3.4%. The Bank of Canada,  
13 however, has maintained the overnight rate at 5.0% due to concerns that consumer price  
14 inflation remains persistent. The spread between 2-year and 10-year Treasury bonds in  
15 Canada has narrowed, while the TSX volatility index has decreased. The State Street  
16 Investor Confidence Index in the U.S. was not available from Bloomberg as of January  
17 2024.

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

| <b>Indicator</b>                                  | <b>March<br/>2021</b> | <b>August<br/>2023</b> | <b>January<br/>2024</b> |
|---|-----------------------|------------------------|-------------------------|
| Bank of Canada Overnight Rate                     | 0.25%                 | 5.0%                   | 5.0%                    |
| 10-year Government of Canada bond                 | 1.50%                 | 3.65%                  | 3.29%                   |
| 30-year Government of Canada bond                 | 1.94%                 | 3.50%                  | 3.21%                   |
| A-rated Canadian utility bond                     | 3.24%                 | 4.98%                  | 4.65%                   |
| Consumer Price Inflation – Canada                 | 2.2%                  | 4.0%                   | 3.4%                    |
| Spread between 2 yr /10 yr Treasury bond - Canada | 1.24%                 | (1.05%)                | (0.65%)                 |
| TSX Volatility Index                              | 13.0                  | 11.2                   | 10.1                    |
| State Street Investor Confidence Index – U.S.     | 91.9                  | 96.8                   | N/A                     |

18 Consensus Economics published an updated forecast of 10-year bond yields in Canada  
19 and the U.S. in October 2023. As shown in the tables below, the long-term forecast for  
20 10-year government bond yields in both Canada and the U.S. increased by 30 basis points  
21 from 2024-2026 as compared with the values in Figure 25 of Concentric’s *Cost of*  
22 *Capital* report, Volume 2.

**Figure 25: Long-term Forecast for 10-Year Government Bond Yields 2024-2026<sup>1</sup>**

|               | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>Average</b> |
|---------------|-------------|-------------|-------------|----------------|
| <b>Canada</b> | 3.0%        | 3.2%        | 3.2%        | <b>3.13%</b>   |
| <b>U.S.</b>   | 3.5%        | 3.4%        | 3.4%        | <b>3.43%</b>   |

<sup>1</sup> Consensus Forecasts by Consensus Economics Inc., Survey Date April 11, 2023, at 28 and 3.

**Updated Figure 25: Long-term Forecast for 10-Year Government Bond Yields 2024-2026<sup>2</sup>**

|               | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>Average</b> |
|---------------|-------------|-------------|-------------|----------------|
| <b>Canada</b> | 3.4%        | 3.4%        | 3.5%        | <b>3.43%</b>   |
| <b>U.S.</b>   | 3.9%        | 3.7%        | 3.6%        | <b>3.73%</b>   |

<sup>2</sup> Consensus Forecasts by Consensus Economics Inc., Survey Date October 9, 2023, at 28 and 3.