

## **APPENDIX A**

### **RETURN ON EQUITY CALCULATION**

## SCHEDULE A

### Determination of Union's Return on Equity for 2004

<b>2004 ROE using November 2003 data</b>	
2003 ROE	9.43%
3-month forward 10-year yield (CF, Nov. 2003)	5.0%
12-month forward 10-year yield (CF, Nov. 2003)	5.3%
10-year forecast yield = Average of 3-month and 12-month forward yields	5.15%
Average spread between 30-year and 10-year yields (Bank of Canada, data for Nov. 2003)	0.5265%
2004 Forecast Long Yield = 10-year forecast yield + Avg. spread between 30-year and 10-year yields	5.6765%
2003 Long Yield (J18.144 corrected, Sept. 2003, RP-2003-0063)	5.42%
Adjustment = $0.75(5.6765\% - 5.42\%)$	0.1923%
<b>2004 ROE = 2003 ROE + Adjustment</b>	<b>9.62%</b>
Implicit Risk Premium	394 bp