

1 **Q. Evidence of Ms. McShane, capital market conditions, Page 23-36: Since she is**
2 **recommending a fixed ROE through at least 2013 is it her judgment that long**
3 **Canada bond yields will recover from their current 2.7% level to average 5.0% over**
4 **that period?**

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6 A. No. As stated on page 46 of Ms. McShane's testimony, she estimates the 30-year
7 Government of Canada bond yield for 2012-2013 to be 3.25%-3.50% based on the
8 January 2012 forecasts issued by the major Canadian investment banking firms. Over the
9 longer term (2014-2021), based on Consensus Economics, *Consensus Forecasts* (October
10 2011), and the historic spread between the 30-year and 10-year Canada bond yield, the
11 estimated 30-year Government of Canada bond yield was close to 5.0%.