Q. Evidence of Ms. McShane, capital market conditions, Page 23-36: Is Ms. McShane aware of any other objective estimate of the long run expected rate of return in the capital market other than the yield on the long Canada bond? If the answer is yes, please provide the information.

A. No, on the premise that the term "long run expected rate of return in the capital market" is intended to mean the rate of return that investors expect solely as compensation for deferring present consumption and for anticipated inflation. However, that estimate is problematic when the yields are abnormally low, as they are currently. At a 10-year bond yield of 2% and inflation forecast over the longer-term at 2%, the implied real return is 0%, which is not a realistic estimate of the long-term risk-free return on capital. Further, what is being estimated is a fair return on equity for Newfoundland Power, which is a function of returns available to investments of comparable risk.