

1 **Q. Opinion on Capital Structure and Return on Equity**  
2 **Kathleen McShane – Volume 3**

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4 **Pg. 4, #6b - Please explain why you did not use the latest available forecast yield of**  
5 **30 year Government of Canada bonds for 2013 and 2014 using Consensus**  
6 **Economics.**

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8 A. *Consensus Forecasts* only provides forecasts for 10-year Government of Canada bond  
9 yields. Its monthly forecasts of 10-year Government of Canada bond yields are only for  
10 two points in time, three-months and twelve months forward. In other words, the July  
11 2012 *Consensus Forecasts* would have provided the consensus forecast of 10-year  
12 Canada bond yields for October 2012 and July 2013. As Ms. McShane required forecasts  
13 of 30-year Government of Canada bond yields for all of 2013 and 2014, she relied on the  
14 average of the investment banks' forecasts for 2013 which are actually for 30-year  
15 Government of Canada bond yields and which covered all of 2013. All of these  
16 forecasters are contributors to the Consensus Economics, *Consensus Forecasts*. Please  
17 see response to PUB-NP-58 for the explanation of why she used the *Consensus Forecasts*  
18 for 2014. The April 2012 *Consensus Forecasts* provided a 10-year Government of  
19 Canada bond yield forecast for the full year 2014. As stated at footnote 78, Ms. McShane  
20 derived a 30-year Government of Canada bond yield forecast from the 10-year bond yield  
21 forecast by adding a spread to the latter.