

1 **Volume 1, Section 3 – Finance**
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3 **Q. (Section 3.3.3, The Automatic Adjustment Formula) Is the Company aware of any**
4 **studies of the accuracy of “Consensus Forecasts” (“CF”) 10-year Canada bond yield**
5 **forecasts as predictors of the subsequently-observed 10-year yields, or has the**
6 **Company or its experts performed any such historical study? If so, please provide**
7 **copies of the studies/research and the CF yield forecast values that were used. If not,**
8 **why has the Company not performed or commissioned such a study?**
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10 A. The Company has not commissioned any external studies with respect to the accuracy of
11 the *Consensus Forecasts* as predictors of 10-year bond yields. The Company has
12 performed a comparison of the average 10-year Canada Benchmark Bond Rates to the
13 prior year’s November issue of the *Consensus Forecasts* for the period 2001 to 2006. The
14 results are shown in Table 1.
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Table 1
Selected 10-Year Bond Yields
(percent)

	November Consensus Forecasts Prior Year¹	Average Benchmark 10-year Bond Yield²
2001	5.85	5.47
2002	5.15	5.29
2003	5.50	4.79
2004	5.15	4.59
2005	5.05	4.05
2006	4.55	4.22

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19 The use of *Consensus Forecasts* is consistent with Canadian regulatory practice
20 including that of the BCUC, AEUB, NEB and OEB.

¹ For example, the 2001 forecast of the 10-year bond rate would be based on the November, 2000 issue of the *Consensus Forecasts*. The November issue of the *Consensus Forecasts* is used by the BCUC, NEB and AEUB in their respective annual adjustment mechanisms for the establishment of return on equity.

² The average 10-year bond yields are based on the average 10-year Government of Canada benchmark bond yields for 2001 to 2006 as published on the Bank of Canada website.