1 Q.   **The following is a comparison of the "average" results from Figure 1 of Mr. Coyne's**
2   **2015 and 2018 reports on NP and his current report:**
3

	2015	**2018**	**2021**
CAPM	**9.80%**	**9.33%**	**10.60%**
Constant growth DCF	**10.70%**	**9.85%**	**10.80%**
Multi-stage DCF	**9.60%**	**9.47%**	**9.90%**
Average:	**10.10%**	**9.55%**	**10.40%**

10   **a)**   **Please confirm that these averages are correctly reported and that it is Mr.**
11   **Coyne's judgment that the fair rate of return is 0.85% higher currently than**
12   **in 2018 and 0.30% higher than in 2015.**
13   **b)**   **Given that in 2018 the ROE was settled at the same value as in 2015 would**
14   **Mr. Coyne judge that the current 0.30% *increase* from 2015 and the 2018**
15   **0.55% *decrease* from 2015 are both within a similar zone of reasonableness**
16   **leading to a similar unchanged allowed ROE? If not please explain why not.**
17   **c)**   **Please explain the main driver of the increase in his estimate of the fair ROE**
18   **in 2021 over his estimate in 2018 given that the largest increases come from**
19   **his CAPM and constant growth DCF estimates and the smallest from his**
20   **multi-stage DCF. Is the difference largely coming from his forward-looking**
21   **analyst growth estimates that are indirectly in his CAPM estimates as part of**
22   **the market risk premium and directly in the growth estimates in the constant**
23   **growth DCF estimates? If not please explain why not and provide a**
24   **quantitative assessment.**
25

26 A.   a)   Mr. Coyne confirms that the average results for 2015, 2018, and 2021 are
27   correctly reported. However, Mr. Coyne's ROE recommendation for
28   Newfoundland Power is not based on the average of all model results. For
29   example, in the 2021 report, Mr. Coyne's ROE recommendation is 9.80%, which
30   is 20 basis points lower than the average for the North American Electric proxy
31   group and the U.S. Electric Proxy group and 130 basis points lower than the
32   Canadian proxy group average. In addition, Mr. Coyne notes that in Concentric's
33   2021 report he also includes a risk premium analysis for the U.S. proxy group.
34

35   b)   No, Mr. Coyne relies on the estimates produced in each case as determinative.
36

37   c)   In Mr. Coyne's CAPM analysis, the increased return estimate from 2018 to 2021
38   is due primarily to the higher Beta coefficients for utilities. While the forward-
39   looking market risk premium has increased in both Canada and the U.S., this is
40   offset to some degree by a lower forecast of the risk-free rate in both countries. In
41   the Constant Growth DCF analysis, the higher return estimates are being driven
42   by the average growth rate for the Canadian proxy group, which has increased
43   from 2018 to 2021.