Q. In terms of Mr. Coyne's forward looking DCF estimates for the market on page 39 and Exhibits JMC-5 &6, please provide the source and term (horizon) of the expected growth rate. If this is a short-term (less than 5 year) forecast from investment analysts, please explain why this is acceptable embedded in a market risk premium estimate when FERC found it unreliable in a straight DCF constant growth estimate?

A. Mr. Coyne confirms that he uses short-term EPS growth rates in Exhibits JMC-5 and 6. This is consistent with FERC's approach to computing the forward-looking risk premium for the broader market. FERC explained its rationale for this approach in response to intervenors' appeals as follows:

> *The rationale for incorporating a long-term growth rate estimate in conducting a two-step DCF analysis of a specific group of utilities does not necessarily apply when conducting a DCF study of the companies in the S&P 500. That is because the S&P 500 is regularly updated to include only companies with high market capitalization. While an individual company cannot be expected to sustain high short-term growth rates in perpetuity, the same cannot be said for a stock index like the S&P 500 that is regularly updated to contain only companies with high market capitalization, and the record in this proceeding does not indicate that the growth rate of the S&P 500 stock index is unsustainable.*[1]

[1] Federal Energy Regulatory Commission, Opinion No. 531-B, issued March 3, 2015, at para 113.