Q. **Reference:** ***Fair Return for Newfoundland Power (NP),*** **Evidence of Laurence D. Booth, September 28, 2021, page 52, lines 23-24.**

"The CAPM is the most important model used by a company in estimating their cost of equity capital."

On what basis does Dr. Booth assert that the CAPM is the most important model used in setting regulated returns for utilities in Canada or the U.S.?

A. The quoted reference does not say that. The only evidence we have is from survey data from what people say they use, which is the data on page 53 for the US and page 54 for Canada. In both cases, the CAPM, or risk premium models generally, are rated higher than the dividend growth (discount) model, which is what in regulatory hearings is referred to as the DCF model.

Regulated firms normally use the allowed equity cost, since this is what they can recover in their revenue requirement.