Reference: Volume 3, Cost of Capital Report by James Coyne

Q. Volume 3, Cost of Capital Report by James Coyne, page 68, lines 16-20. How did Mr. Coyne select the five investor-owned electric utilities for comparison of their business risks compared to Newfoundland Power and why were no companies from the Canadian proxy group used for the ROE analysis included for the comparison of business risks?

A. As explained on pages 28-29 of Concentric's report, Mr. Coyne's ROE analysis is conducted at the holding company level because it is necessary for companies to be publicly-traded so that market data is available for the cost of capital estimation methodologies such as the CAPM and DCF methods. Risk analysis can, and should where possible, be conducted at the operating company level.

Mr. Coyne's comparison to five investor-owned electric utilities in Canada includes the following companies: ATCO Electric; FortisAlberta; FortisBC Electric; Maritime Electric; and Nova Scotia Power. Two of these five companies are included in Mr. Coyne's Canadian proxy group used for the ROE analysis. Specifically, ATCO Electric is an operating utility of Canadian Utilities Limited and Nova Scotia Power is an operating utility of Emera Inc. Mr. Coyne's risk analysis also included three other electric utility subsidiaries of Fortis Inc., which is the parent of Newfoundland Power, but which is not included in the Canadian proxy group for that reason. These are the same five Canadian electric investor-owned untilities that were included in Mr. Coyne's 2018 risk analysis for Newfoundland Power.