

1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk**
2 **Profile**

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4 **Q. In terms of C&T's Canadian sample:**

- 5 a) **Please discuss AltaGas' exposure to electricity earnings and whether its utility**
6 **operations are in the US or Canada.**
7 b) **For how long has Mr. Coyne and C&T been including AltaGas in their**
8 **Canadian sample? Please indicate whether the AltaGas in this sample is the**
9 **same AltaGas covered in previous decisions by the Alberta Utilities Commission**
10 **and whether in Table 19 AltaGas's % of Canadian operations relate to rate of**
11 **return regulated utility assets.**
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- 13 A. a) AltaGas is headquartered in Calgary, Alberta, and its stock is traded on the Toronto
14 Stock Exchange. AltaGas Ltd. operates in two primary business segments: 1) the
15 Utilities segment; and 2) the Midstream segment. The Utilities segment owns gas
16 distribution companies in the states of Maryland, Virginia, Delaware, the District of
17 Columbia, Pennsylvania and Ohio and interstate natural gas transport and storage.
18 The Midstream segment engages in natural gas gathering and extraction. AltaGas was
19 included in the Canadian proxy group because it is publicly-traded and has an
20 investment grade credit rating, which were the only screening criteria.
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22 b) Concentric has been including AltaGas Ltd. in the Canadian proxy group since
23 market data from more than one source (i.e., earnings growth rates) became available
24 for the company. In July 2018, AltaGas completed the acquisition of WGL Holdings,
25 Inc., a large U.S. based holding company that was engaged in gas distribution service
26 in Maryland, Virginia, Delaware, and Washington, D.C. As shown in Figure 21 of
27 Concentric's report, Volume 2, AltaGas was not included in the North American
28 Electric proxy group that was used by Concentric to establish the recommended ROE
29 for Newfoundland Power, because the company is not engaged in electric utility
30 operations. Figure 19 of Concentric's report, Volume 2, shows that AltaGas derives
31 39% of its normalized EBITDA in Canada and 61% in the U.S. That 39% relates to
32 the Midstream segment, not the Utilities segment. AltaGas was covered by the
33 previous AUC decisions, but the company has divested its regulated gas utility in
34 Alberta.