

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

3
4 **Q. In terms of C&T's US sample please provide the percentage of generation for each**
5 **utility and the percentage of generation in plant and equipment coming from**
6 **nuclear power plants. In C&T's judgement is generation an important part of**
7 **business risk comparisons for US utilities? Why or why not? Please indicate**
8 **whether in any Canadian evidence a Concentric witness has made adjustments to**
9 **the results for his/her US proxy sample due to "generation" risk in a comparison for**
10 **a Canadian T&D company, for example, before the Regie in Quebec.**

11
12 A. Please see Attachment A for the requested information on generation ownership.

13
14 Ownership of generation assets is an important factor in business risk for regulated
15 utilities. In the case of Newfoundland Power, Concentric's view is that the absence of
16 generation risk is offset by the fact that the Company purchases power from a single
17 supplier. Although Newfoundland Power does not have generation risk, the Company
18 does rely on a single supplier (i.e. Newfoundland and Labrador Hydro) for 93% of its
19 power, which exposes the Company to a concentration of power supply risk. Concentric
20 has previously provided an analysis comparing authorized ROEs for U.S. integrated
21 electric utilities versus transmission and distribution only utilities. The analysis found that
22 authorized ROEs for companies that own regulated generation assets is within the range
23 of 20-30 basis points higher than for companies that do not have regulated generation
24 assets in rate base. The Alberta Utilities Commission was aware of this return differential
25 when it selected the companies to be used in the proxy group for the 2023 generic cost of
26 capital proceeding. Nevertheless, the AUC included integrated electric utilities in the
27 proxy group for Alberta without making a downward adjustment to the authorized ROE
28 for generation risk.

29
30 Additionally, as reported on pp. 55-56 of Concentric's *Cost of Capital* report, Volume 2,
31 U.S. electric utilities have an average equity ratio of 51.6%, and the T&D sample has an
32 average allowed equity ratio of 50.3%. By contrast, Newfoundland Power has a lower
33 authorized equity ratio of 45%, so there would be no basis for any further reduction in
34 Newfoundland Power's deemed equity ratio for generation risk.

35
36 In 2013, Mr. Coyne and Mr. Trogonoski provided testimony before the Regie on behalf
37 of Hydro Quebec where they concluded:

38
39 *Placing more weight on the analytical results produced by the DCF model*
40 *with U.S. proxy companies and selecting the lower end of the range due to*
41 *the lack of generation risk (even though we have not made any offsetting*
42 *adjustment for higher financial risk), the estimated cost of equity for HQD*
43 *and HQT is 9.2 percent.¹*

¹ ROE and Risk Analysis, Prepared Direct Testimony of James M. Coyne and John P. Trogonoski On behalf of Hydro-Québec Distribution and Hydro-Québec TransÉnergie, Presented to the Régie de l'énergie, April 19, 2013, at p. 113.

1 In Concentric's *Cost of Capital* report, Volume 2, Concentric recognized that:

2
3 *Newfoundland Power owns limited regulated generation assets and*
4 *therefore has lower generation risk than the U.S. Electric utility proxy*
5 *group operating companies, the majority of which own some regulated*
6 *generation assets. [Report at 80].*

7
8 But, concluded:

9
10 *One distinguishable difference in business risk between Newfoundland*
11 *Power and the U.S. proxy group is the higher percentage of U.S. proxy*
12 *group companies that own regulated generation assets. However,*
13 *Newfoundland Power has an offsetting risk related to its reliance on a*
14 *single source of electric supply and challenges associated with*
15 *integration of the Muskrat Falls project. On balance, Newfoundland*
16 *Power's business risk is somewhat higher than the operating companies*
17 *in the U.S. Electric utility proxy group that would cause an investor to*
18 *assign a higher risk profile to Newfoundland Power. [Report at 82]*

19
20 For the reasons stated above and detailed in Concentric's *Cost of Capital* report,
21 Concentric have found no basis for making any adjustments to the results of its ROE
22 models for generation risk.

Generation Ownership

U.S. Electric Proxy Group	Ticker	Nuclear Generation		Total Sources of Energy (MWh)	Generation as % of Total Sources of Energy	Nuclear Generation as % of Net Generation
		(MWh)	Net Generation (MWh)			
Alliant Energy Corporation	LNT	0	25,518,039	34,818,810	73.3%	0.0%
American Electric Power Company, Inc.	AEP	16,623,325	71,404,446	143,172,629	49.9%	23.3%
Duke Energy Corporation	DUK	73,109,029	208,558,261	261,194,750	79.8%	35.1%
Entergy Corporation	ETR	38,150,948	115,875,150	158,372,629	73.2%	32.9%
Evergy Inc	EVRG	8,441,882	37,168,225	61,202,890	60.7%	22.7%
Eversource Energy	ES	0	42,073	65,372,294	0.1%	0.0%
NextEra Energy Inc	NEE	30,768,329	143,386,133	150,688,279	95.2%	21.5%
OGE Corp	OGE	0	13,575,657	32,640,620	41.6%	0.0%
Pinnacle West Capital Corporation	PNW	9,292,628	27,481,942	36,629,353	75.0%	33.8%
Portland General Electric Company	POR	0	13,180,945	26,888,850	49.0%	0.0%

Source:

S&P Capital IQ; FERC Form 1

Source:
S&P Capital IQ, downloaded 2.20.24

Company Name	SNL Institution Key	Ticker	Nuclear Generation (MWh)	Net Generation (MWh)	Total Sources of Energy (MWh)
COMPANY_NAME	SNL_INSTN_KEY	TICKER	NUCLEAR_GEN 2022 Y	NET_GEN 2022 Y	TOTAL_SOURCES_EN ERGY 2022 Y
AEP Texas Inc.	4056935		0	0	0
AES Indiana	4024697		0	13,859,991	15,566,139
Alabama Power Company	4014956		12,988,196	60,628,842	72,240,880
Alaska Electric Light and Power Company	4058371		0	148,434	429,294
ALLETE, Inc.	4022309	ALE	0	6,969,319	14,349,626
Alliant Energy Corporation	4057038	LNT	0	25,518,039	34,818,810
Ameren Corporation	4007308	AEE	8,860,773	37,827,379	51,448,495
Ameren Illinois Company	4272394		0	0	10,535,756
American Electric Power Company, Inc.	4006321	AEP	16,623,325	71,404,446	143,172,629
Appalachian Power Company	4056972		0	18,048,863	33,513,257
Arizona Public Service Company	4056974		9,292,628	27,481,942	36,629,353
Atlantic City Electric Company	4056975		0	0	9,965,133
Avangrid, Inc.	4057045	AGR	0	14,386,330	31,000,005
Avista Corporation	4057075	AVA	0	7,984,622	13,120,814
Baltimore Gas and Electric Company	4007784		0	0	31,089,445
Bear Valley Electric Service, Inc.	14257534		0	2,498	154,212
Berkshire Hathaway Energy Company	4057049		3,782,347	115,435,336	147,525,796
Black Hills Colorado Electric, Inc.	4215172		0	474,402	2,557,322
Black Hills Corporation	4010420	BKH	0	3,028,594	7,743,488
Black Hills Power, Inc.	4065694		0	1,740,198	3,019,129
Black Mesa Interconnection, LLC	109811056		NA	NA	NA
CenterPoint Energy Houston Electric, LLC	4057059		0	0	0
CenterPoint Energy, Inc.	4074390	CNP	0	4,855,050	5,722,804
Central Hudson Gas & Electric Corporation	4057076		0	69,471	3,043,827
Central Maine Power Company	4056978		0	0	679,212
CH Energy Group, Inc.	4057039		0	69,471	3,043,827
Chesapeake Utilities Corporation	4057113	CPK	0	0	679,236
Cheyenne Light, Fuel and Power Company	4059189		0	813,994	2,167,037
Cleco Corporate Holdings LLC	4056937		NA	NA	NA
Cleco Power LLC	4056982		0	10,996,131	12,621,861
CMS Energy Corporation	4004172	CMS	0	17,999,210	39,306,467
Commonwealth Edison Company	4000672		0	0	93,287,067
Consolidated Edison Company of New York, Inc.	4057080		0	3,012,672	56,735,187
Consolidated Edison, Inc.	4057041	ED	0	3,012,672	62,564,305
Consolidated Water Power Company	4059417		0	161,267	678,777
Consumers Energy Company	4057081		0	17,999,210	39,306,467
Dahlberg Light & Power Company	4059540		NA	NA	NA
Delmarva Power & Light Company	4057082		0	0	13,209,845
DesertLink, LLC	26560876		0	0	0
Dominion Energy South Carolina, Inc.	4057099		5,727,321	19,900,877	24,153,217
Dominion Energy, Inc.	4001616	D	32,269,234	92,334,080	119,150,763
DTE Electric Company	4057083		6,649,409	40,492,455	49,184,812
DTE Energy Company	4057044	DTE	6,649,409	40,492,455	49,184,812
Duke Energy Carolinas, LLC	4004320		44,225,032	82,743,293	95,552,353
Duke Energy Corporation	4121470	DUK	73,109,029	208,558,261	261,194,750
Duke Energy Florida, LLC	4056998		0	42,524,307	47,983,596
Duke Energy Indiana, LLC	4062444		0	19,607,255	33,825,450
Duke Energy Kentucky, Inc.	4057103		0	2,878,964	4,758,056
Duke Energy Ohio, Inc.	4057079		0	0	7,068,672
Duke Energy Progress, LLC	4004192		28,883,997	60,804,442	72,006,623
Duquesne Light Company	4004307		0	8,358,097	13,284,627
Duquesne Light Holdings, Inc.	4004306		0	8,358,097	13,284,627
Edison International	4056943	EIX	5,054,105	11,543,960	68,702,338
El Paso Electric Company	4056994		5,045,365	9,647,535	12,399,633
Entergy Arkansas, LLC	4056995		14,307,110	27,975,340	32,264,417
Entergy Corporation	4007889	ETR	38,150,948	115,875,150	158,372,629
Entergy Louisiana, LLC	4112564		16,104,780	52,675,143	68,038,284
Entergy Mississippi, LLC	4008616		0	12,018,567	16,688,203
Entergy New Orleans, LLC	4057085		0	3,520,515	8,144,146
Entergy Texas, Inc.	4199135		0	11,946,527	23,121,922
Evergy Kansas Central, Inc.	4057066		4,220,251	19,953,392	30,583,364
Evergy Kansas South, Inc.	4057089		4,220,251	9,288,984	11,171,313
Evergy Metro, Inc.	4072456		4,221,631	14,918,658	21,047,717
Evergy Missouri West, Inc.	4000843		0	2,296,175	9,571,809

Evergy, Inc.	8603803	EVRG	8,441,882	37,168,225	61,202,890
Eversource Energy	4057052	ES	0	42,073	65,372,294
Exelon Corporation	4057056	EXC	0	0	210,947,743
FirstEnergy Corp.	4056944	FE	0	16,829,945	70,600,892
Fitchburg Gas and Electric Light Company, Inc.	4060026		0	0	240,714
Florida Power & Light Company	4056997		30,768,329	143,386,133	150,688,279
Florida Public Utilities Company	4057086		0	0	679,236
Georgia Power Company	4004152		16,212,200	59,727,894	93,564,880
Golden State Water Company	4063057		NA	NA	NA
Green Mountain Power Corporation	4056999		142,570	740,646	4,923,853
GridLiance High Plains LLC	4625922		0	0	0
Hawaii Electric Light Company, Inc.	4060446		0	528,566	1,121,095
Hawaiian Electric Company, Inc.	4057001		0	3,584,967	6,495,139
Hawaiian Electric Industries, Inc.	1031123	HE	NA	NA	NA
IDACORP, Inc.	4056949	IDA	0	11,325,243	18,379,323
Idaho Power Company	4057002		0	11,325,243	18,379,323
Indiana Michigan Power Company	4057003		16,623,325	19,718,018	27,183,716
Integrus Holding, Inc.	4057067		NA	NA	NA
Interstate Power and Light Company	4057087		0	12,933,870	17,849,899
ITC Interconnection LLC	4674873		0	0	0
Jersey Central Power & Light Company	4057004		0	0	12,400,542
Kentucky Power Company	4057006		0	2,261,055	6,433,073
Kentucky Utilities Company	4042397		0	18,998,970	21,093,057
Kingsport Power Company	4060895		0	0	1,938,878
Liberty Utilities (CalPeco Electric) LLC	4232403		0	153,820	608,342
Liberty Utilities (Granite State Electric) Corp.	4060294		0	0	916,593
Lockhart Power Company	4061118		0	98,012	599,388
Louisville Gas and Electric Company	4057090		0	12,590,332	13,669,815
Madison Gas and Electric Company	4008754		0	2,424,067	3,741,207
Massachusetts Electric Company	4057008		0	0	5,753,024
Maui Electric Company, Ltd.	4061329		0	898,376	1,146,020
MDU Resources Group, Inc.	4010692	MDU	0	2,006,713	3,624,407
Metropolitan Edison Company	4057009		0	0	6,455,563
MGE Energy, Inc.	4072883	MGEE	0	2,424,067	3,741,207
MidAmerican Energy Company	4057091		3,782,347	43,493,045	48,087,483
Minnesota Power Enterprises, Inc.	4061513		0	6,969,319	13,424,572
Mississippi Power Company	4057010		0	18,236,810	19,035,272
Monongahela Power Company	4057011		0	13,068,422	15,733,328
Mt. Carmel Public Utility Co.	4061646	MCPB	0	0	97,696
Nantucket Electric Company	4061671		0	0	23,894
National Grid USA	4008408		NA	NA	NA
Nevada Power Company	4061726		0	14,250,080	23,079,963
New York State Electric & Gas Corporation	4004389		0	7,779,441	17,490,070
New York Transco LLC	4723796		0	0	0
NextEra Energy, Inc.	3010401	NEE	30,768,329	143,386,133	150,688,279
Niagara Mohawk Power Corporation	4057014		0	0	16,296,125
NiSource Inc.	4057051	NI	0	6,992,292	16,491,310
North Central Power Co., Inc.	4061866		NA	NA	NA
Northern Indiana Public Service Company, LLC	4012860		0	6,992,292	16,491,310
Northern New England Energy Corporation	4137492		142,570	740,646	4,923,853
Northern States Power Company	4057754		14,658,149	37,833,977	57,595,651
Northern States Power Company	4061925		0	1,072,798	7,500,272
NorthWestern Energy Group, Inc.	4057053	NWE	0	5,615,540	9,804,532
Northwestern Wisconsin Electric Co Inc	4061951		0	23	198,707
NSTAR Electric Company	4008369		0	42,073	26,297,461
OGE Energy Corp.	4057055	OGE	0	13,575,657	32,640,620
Ohio Edison Company	4014480		0	0	5,863,414
Ohio Power Company	4057015		0	0	19,867,121
Oklahoma Gas and Electric Company	4057016		0	13,575,657	32,640,620
Oncor Electric Delivery Company LLC	4080589		0	148,662,829	148,662,829
Orange and Rockland Utilities, Inc.	4057093		0	0	4,287,693
Otter Tail Corporation	4057017	OTTR	0	3,128,315	6,106,796
Otter Tail Power Company	4147257		0	3,128,315	6,106,796
Pacific Gas and Electric Company	4004218		17,619,931	28,564,962	78,193,396
PacifiCorp	4001587		0	52,514,326	66,488,092
PECO Energy Company	4062222		0	0	38,647,595
Pennsylvania Electric Company	4057018		0	0	5,161,592
Pennsylvania Power Company	4018463		0	0	1,849,046
Pepco Holdings LLC	4078763		NA	NA	NA
PG&E Corporation	4057057	PCG	17,619,931	28,564,962	78,193,396
Pike County Light and Power Company	4062303		NA	NA	NA
Pinnacle West Capital Corporation	4056951	PNW	9,292,628	27,481,942	36,629,353
Pioneer Power and Light Company	4062320		NA	NA	NA

PNM Resources, Inc.	4006880	PNM	3,257,339	9,122,059	19,009,108
Portland General Electric Company	4057019	POR	0	13,180,945	26,888,850
Potomac Electric Power Company	4044391		0	0	24,748,658
Potomac-Appalachian Transmission Highline LLC	6882810		NA	NA	NA
PPL Corporation	4057058	PPL	0	31,589,302	75,684,924
PPL Electric Utilities Corporation	4057021		0	0	40,922,052
Public Service Company of Colorado	4057094		0	23,254,744	39,060,710
Public Service Company of New Hampshire	4057022		0	0	8,832,768
Public Service Company of New Mexico	4073320		3,257,339	9,122,059	19,009,108
Public Service Company of Oklahoma	4057023		0	8,748,395	20,936,697
Public Service Electric and Gas Company	4057095		0	157,107	42,030,431
Public Service Enterprise Group Incorporated	4050911	PEG	0	157,107	42,030,431
Puget Energy, Inc.	4026154		0	11,198,936	29,024,510
Puget Sound Energy, Inc.	4062485		0	11,198,936	29,024,510
Rochester Gas and Electric Corporation	4057096		0	4,209,331	7,678,861
Rockland Electric Company	4062660		0	0	1,541,425
San Diego Gas & Electric Company	4057097		0	3,904,150	19,355,412
SCANA Corporation	4057061		NA	NA	NA
Sempra	4057062	SRE	0	152,566,979	168,018,241
Sempra Texas Holdings Corporation	4057064		NA	NA	NA
Sharyland Utilities, L.L.C.	4082747		NA	NA	NA
Sierra Pacific Power Company	4057098		0	5,177,885	9,870,258
Silver Run Electric, LLC	11038613		0	0	0
Southern California Edison Company	4009083		5,054,105	11,543,960	68,702,338
Southern Indiana Gas and Electric Company	4057100		0	4,855,050	5,722,804
Southwestern Electric Power Company	4057026		0	17,915,847	25,089,504
Southwestern Public Service Company	4057027		0	15,368,567	29,667,647
Superior Water, Light and Power Company	4063281		0	0	925,054
Tampa Electric Company	3010781		0	19,900,257	22,008,326
TECO Energy, Inc.	3010780		0	19,900,257	22,008,326
Texas-New Mexico Power Company	4057028		NA	NA	NA
The AES Corporation	4055465	AES	0	13,859,991	20,381,465
The Cleveland Electric Illuminating Company	4056983		0	0	3,823,131
The Connecticut Light and Power Company	4056992		0	0	30,242,065
The Dayton Power and Light Company	4017451		0	0	4,815,326
The Empire District Electric Company	3005475		0	4,281,236	6,114,100
The Narragansett Electric Company	4057012		0	0	4,367,980
The Potomac Edison Company	4057020		0	3,761,523	8,716,664
The Southern Company	4004298	SO	29,200,396	139,893,200	186,140,686
The Toledo Edison Company	4057029		0	0	2,339,307
The United Illuminating Company	3004222		0	2,397,558	5,151,862
Transource Maryland, LLC	10704277		0	0	0
Transource Pennsylvania, LLC	10704134		0	0	0
Tucson Electric Power Company	4057030		0	12,249,885	15,606,068
UGI Corporation	4057537	UGI	0	0	1,078,466
UGI Utilities, Inc.	4057538		0	0	1,078,466
UIL Holdings Corporation	4057523		0	2,397,558	5,151,862
Union Electric Company	4057102		8,860,773	37,827,379	40,912,739
Unitil Corporation	4056953	UTL	NA	NA	NA
Unitil Energy Systems, Inc.	4059391		0	0	818,261
UNS Electric, Inc.	4092733		0	778,252	2,122,554
UNS Energy Corporation	4056952		0	13,028,137	17,728,622
Upper Michigan Energy Resources Corporation	4887639		0	716,259	1,919,823
Upper Peninsula Power Company	4081463		0	120,045	807,994
Vectren, LLC	4057065		0	4,855,050	5,722,804
Versant Power	3001167		0	0	495,037
Virginia Electric and Power Company	4057032		26,541,913	70,691,285	93,255,628
WEC Energy Group, Inc.	4009725	WEC	0	29,436,511	45,452,315
West Penn Power Company	4057033		0	0	8,258,305
Westar Energy (KPL)	4082573		0	9,764,946	18,512,589
Wheeling Power Company	4063994		0	1,751,093	5,249,208
Wilderness Line Holdings, LLC	26565813		0	0	22,098
Wisconsin Electric Power Company	4057105		0	18,364,649	29,641,408
Wisconsin Power and Light Company	4008669		0	12,584,169	16,968,911
Wisconsin Public Service Corporation	4057106		0	10,355,603	13,891,084
Xcel Energy Inc.	4025308	XEL	14,658,149	77,530,086	133,824,280