

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

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4 **Q. On page 38, C&T reference research from 2010 that the median analyst forecast**
5 **growth rate bias has declined significantly. Please confirm that “declined” does not**
6 **mean “removed” and indicate the size of the remaining bias, and whether more**
7 **recent research has documented any changes in the bias since stock markets**
8 **recovered after 2010.**

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10 A. According to the referenced article on page 38 of Concentric’s *Cost of Capital* report,
11 Volume 2:

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13 *After the Global Settlement, the mean forecast bias declined significantly,*
14 *and the median forecast bias essentially disappeared.*

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16 The SNL earnings growth rates used by Concentric are median growth rates, while those
17 from Zacks and Thomson First Call are mean consensus earnings growth rates, and those
18 from Value Line are those of a single analyst.

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20 It is worth noting that Concentric places reliance on the multi-stage version of the DCF
21 model, which diminishes the potential impacts of any analyst bias if it did exist for
22 utilities, and we are aware of no research which demonstrates it does.