

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

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4 **Q. Will Mr. Coyne agree that the “statistical” argument he uses on page 43 implies that**
5 **utility betas move toward 1.0? If so, will he report the last time he has empirically**
6 **observed a beta of 1.0 for a Canadian utility?**

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8 A. As observed in Professor Blume’s study, companies with low betas in the range of 0.50
9 tend to migrate toward 1.0 over time. The raw beta coefficients for two companies in the
10 Canadian proxy group (Algonquin Power and Utility Corp. and AltaGas Ltd.) currently
11 exceed or approximate 1.0. Further, in the U.S. Electric proxy group, OGE Energy Corp.
12 currently has an observed beta of 1.0 as reported by both Bloomberg and Value Line.