

1 **Q. Can C&T confirm that in its risk premium analysis it is using allowed returns for**  
2 **US not Canadian utilities and that if US returns are consistently higher than in**  
3 **Canada by say a constant 2%, this will be reflected in their risk premium estimates?**  
4 **Further can it confirm that the use of allowed ROEs from US utilities has been**  
5 **specifically rejected by, for example, the AUC possibly because of the “fairness gap”**  
6 **that Mr. Coyne claims existed in 2009 because AUC allowed ROEs were so much**  
7 **lower than those in the US? Please provide the underlying data in machine readable**  
8 **form (Excel) so that C&T’s “risk” premium analysis can be verified.**

9  
10 A. As explained on page 48 of Volume 2, Concentric’s *Cost of Capital* report, the Risk  
11 Premium analysis is based on authorized returns in more than 700 U.S. electric rate case  
12 decisions because there are not a sufficient number of Canadian decisions to develop a  
13 statistically meaningful regression analysis.

14  
15 While U.S. authorized returns are, on average, higher than those in Canada, there is no  
16 evidence that the differential is two percentage points. Figure 32 in Concentric’s *Cost of*  
17 *Capital* report shows that the average Canadian electric utility authorized ROE is 49 basis  
18 points lower than the average U.S. electric utility.

19  
20 The British Columbia Utilities Commission accepted this same application of the Risk  
21 Premium model in September 2023 in Order G-236-23. The Risk Premium model is also  
22 used by federal and state U.S. regulators including the Federal Energy Regulatory  
23 Commission, and state utility commissions in California, Florida, Georgia, North  
24 Carolina, Virginia, West Virginia and Wisconsin.

25  
26 The underlying data for the Risk Premium analysis is provided as Attachment A,  
27 CONFIDENTIAL.

28  
29 Attachment A is available in electronic format on Newfoundland Power’s stranded  
30 website at: <https://ftp.nfpower.nf.ca/>.

31  
32 Attachment A contains commercially sensitive information that is proprietary, subject to  
33 copyright, or otherwise injurious to commercial interests. Concentric requests that the  
34 Board not make the contents of Attachment A publicly available, including refraining  
35 from posting same on its public website.