

- 1 **Q. Reference CA-NP-218**
 2 **a) Please confirm that the AUC in 2018 specifically rejected Mr. Coyne’s forward**
 3 **looking market risk premium estimates since the growth rates were**
 4 **unrealistically too high.**
 5 **b) In answer to the question C&T state that they currently use the Kroll market**
 6 **risk premium. Please confirm that the following graphic indicates the current**
 7 **Kroll market risk premium for the US of 5.5%.**



- 8 **A. a) Confirmed as to the AUC’s decision in 2018. However, as explained in Concentric’s**
 9 **cost of capital report, Volume 2, our ROE recommendation for Newfoundland Power**
 10 **does not rely on the forward-looking market risk premium in the CAPM analysis.**
 11 **b) Concentric uses the historical market risk premium for Canada and the U.S., which is**
 12 **based on historical market return data reported by Kroll. Specifically, as explained in**
 13 **the response to CA-NP-221, the market risk premium used in our CAPM analysis is**
 14 **based on the historical average return for large company stocks less the income only**
 15 **return on government bonds for both countries.**
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