

1 **Volume 2: Cost of Capital: Expert Opinion of Mr. James Coyne – Return on Equity**
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3 **Q. Volume 2, Cost of Capital Report, page 86, lines 1-3. Mr. Coyne provides a “more**
4 **conservative “estimate of the cost of equity for Newfoundland Power in Figure 43.**
5 **Please explain why this is necessary and what weight, if any, should be given to the**
6 **results in Figure 42.**
7

8 A. Concentric’s ROE recommendation of 9.85 percent for Newfoundland Power is based on
9 the average results of the three models in Figure 43 for the North American proxy group.
10 This is consistent with the BCUC’s September 2023 decision in Order G-236-23 in which
11 it established the authorized ROE for FortisBC Energy Inc. and FortisBC Inc. based on
12 an equal weighting of the results of the multi-stage DCF model, the capital asset pricing
13 model using a historical market risk premium, and the bond yield plus risk premium
14 approach. This is a more conservative estimate of the cost of equity for Newfoundland
15 Power at this time than the results in Figure 42 because it excludes the results of the
16 constant growth DCF model and the CAPM using a forward-looking market risk
17 premium. While we continue to support consideration of the constant growth DCF and
18 forward CAPM results for purposes of estimating the cost of equity, depending on market
19 circumstances, Concentric has not placed any weight on the results in Figure 42 in this
20 proceeding.