Q. Coyne Evidence: Would Mr. Coyne accept that all equities are “similar”, but to use an estimate from say Apple to apply to a US utility we have to make a risk adjustment? Alternatively, to use an estimate directly without adjustment requires the two companies to have the same risk?

A. As discussed on pages 15-17 of Concentric’s report, Mr. Coyne believes that it is important to select a proxy group of companies that possess similar business and financial characteristics for the cost of equity analysis. If the proxy group companies are chosen based on reasonable screening criteria, such as those used in Mr. Coyne’s analysis, then the resulting proxy group will be risk comparable to the company for which the cost of equity is being estimated (in this case, Newfoundland Power). Under those circumstances, Mr. Coyne believes it would be unusual for the slight differences in risk across the proxy companies to rise to the level of significance to warrant an adjustment to the ROE estimate to account for differences in risk between the proxy group companies and Newfoundland Power.