

- 1 **Q. Coyne Evidence: Please provide citations from any and all Canadian regulators**  
2 **that have accepted the beta adjustment methodology used by both Value Line and**  
3 **Bloomberg; that is, automatically adjusting the actual beta with 1.0.**  
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- 5 A. Mr. Coyne is aware from his experience that Canadian regulators have considered the  
6 issue of beta adjustments in a broad number of cases where CAPM evidence has been  
7 presented. Commissions do not always articulate their judgments regarding the specific  
8 adjustments they have accepted, and Mr. Coyne has not researched Canadian decisions  
9 for such citations. Mr. Coyne is not aware of any commission that has relied upon “raw”  
10 betas. In his experience, the Value Line and Bloomberg methodologies are widely  
11 accepted and utilized by financial analysts, investors, corporations, and broadly accepted  
12 by U.S. regulatory commissions. The Brattle Group summarizes this widely adopted  
13 methodology in its report for the BCUC:  
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- 15 Beta estimates are provided by many data services for Canadian, American and  
16 other traded companies. The most common methodology to estimate betas is to  
17 use the most recent five years of weekly or monthly return data. These betas may  
18 then be adjusted towards one as adjustment for sampling reversion that was first  
19 identified by Professor Marshal Blume (1971, 1975). (The Brattle Group, Survey  
20 of Cost of Capital Practices in Canada, Prepared for the British Columbia utilities  
21 Commission, May 31, 2012, pp 15-16)