

- 1 **Q. Coyne Evidence, p. 31 – Flotation Costs and Financing Flexibility. Please provide**
2 **the evidence that Mr. Coyne relies upon to conclude that out of pocket expenditures**
3 **for preparation, filing, underwriting and other costs of issuance of common equity**
4 **including the cost of financial flexibility requires an allowance of 50 basis points.**
5
- 6 A. As stated on page 31 of Concentric’s report, the Board has consistently determined that it
7 is appropriate to add an allowance for flotation costs and financing flexibility of 0.50
8 percent to the allowed equity return. An adder of 50 bps to the allowed equity return is a
9 common adjustment among regulators in Canada,¹ and in Mr. Coyne’s opinion is
10 generally appropriate to provide a cushion to maintain financial integrity during periods
11 of unexpected market volatility and to recover past issuance costs.

¹ A 50 bps flotation adjustment was allowed by the BCUC in its May 2013 GCOC Decision (p. 80); the OEB in its December 2009 Decision EB-2009-0084 on the Cost of Capital for Ontario’s Regulated Utilities (p.37); the AUC in its March 2015, Generic Cost of Capital Decision 2191-D01-2015 (p.30); the Régie in its November 2011 Decision D-2011-182, R-3752-2011 Phase 2, allowed 30 to 40 bps for flotation, 25 to 50 bps for the CAPM model, and 25 to 40 bps to adjust for credit spreads (p.27); the Newfoundland & Labrador Board of Commissioners of Public Utilities in its 2013 Decision P.U. 13 (p. 21). This list is not intended to be all-inclusive; there may be other Canadian jurisdictions that have allowed 50 bps for flotation and financing flexibility.