1   **Q.   Reference: PUB-NP-056 and PUB-NP-057**
2
3   **Mr. Coyne obtains DCF growth estimates in JMC-3 for the U.S., Canadian and**
4   **North American proxy groups of 5.32%, 8.03% and 5.28% respectively. Please**
5   **verify that it is common practice among analysts that use the constant-growth DCF,**
6   **or that use a multi-stage growth DCF model (which also requires the use of a "long-**
7   **term" growth estimate), to employ a long-term growth rate estimate that is close to**
8   **the expected nominal GDP growth rate.**
9
10 A.   As stated in the response to Request for Information CA-NP-294, Mr. Coyne has
11   provided the results of both a constant growth DCF model and a multi-stage DCF model
12   for the Canadian, U.S., and North American proxy groups. Mr. Coyne notes that the
13   Federal Energy Regulatory Commission employs a constant growth DCF model in which
14   it assigns 2/3 weight to short-term EPS growth rates and 1/3 weight to long-term nominal
15   GDP growth. Mr. Coyne's ROE recommendation in this proceeding is supported by the
16   results of his constant growth and multi-stage DCF models for the North American proxy
17   group and the U.S. proxy group.