Q. In Mr. Coyne's article at CA-NP-149, Attachment A, p. 1 of 4, it states:

> **"In order to estimate the cost of common equity, financial analysts typically develop a proxy group of companies with similar operating characteristics and risk profiles to the company under review, and apply the various financial methods outlined above to that proxy group. The results are used to establish a range of reasonableness, and adjustments are made to reflect differences between the proxy group and the company under review". (emphasis added)**

Can Mr. Coyne provide instances where in providing cost of capital evidence in Canada, he made adjustments to reflect differences between the proxy group and the company under review?

A. Mr. Coyne's ROE recommendations always take into consideration the relative risk of the company under review to the proxy group companies. Based on this relative risk assessment and Mr. Coyne's assessment of economic and capital market conditions, he selects a point estimate for the cost of equity for the company under review from within the range of results produced by his various analyses (e.g., Constant Growth DCF, Multi-Stage DCF, CAPM, and Risk Premium) for the proxy group companies.