

1 **Q. Reference: Dr. Booth Evidence, Page 8, Lines 6-7: Please confirm that**  
2 **Hydro Quebec Distribution and Hydro Quebec Transmission are owned by the**  
3 **Government of Quebec, and are not investor owned utilities.**

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5 A. Correct, but ownership is immaterial as Mr. Coyne explains in his 2013 HQ  
6 testimony. They are both regulated on a stand-alone basis, which was the basis of his  
7 evidence on behalf of HQT and HQD at the time. This is what Mr. Coyne stated on page  
8 4 of his HQ evidence,

12 The analysis provided in this testimony supports Concentric's overall  
13 recommendation on the cost of equity for ratemaking purposes. That analysis  
14 includes the following:

- 15 (1) assessment of HQD's and HQT's operating and financial profile;  
16 (2) examination of the legal and regulatory requirements for determination of a  
17 fair rate of return;  
18 (3) selection of Canadian and U.S. proxy groups with companies comparable to  
19 HQD and HQT with respect to business and operating risks;

- 1 And again the implication of page 13 of his HQ testimony:

Application of the traditional CAPM formula, not including flotation costs, using the Canadian proxy group would produce an ROE of 7.81 percent.<sup>4</sup> This return would not be within the reasonable range of ROE estimates, and in Concentric's opinion would not meet the measures of a fair return. In addition, it would not be consistent with the stand-alone principle, which requires the allowed ROE for HQD and HQT to be set at a level as if the companies were independently going to the equity markets to raise capital.