

- 1 **Q. Page 35, lines 1-4: State the impact of each adjustment made to the calculation of**
2 **the ROE using the CAPM model that was made to adjust for current market**
3 **conditions.**
4
- 5 A. Mr. Coyne made two adjustments to the calculation of the cost of equity using the CAPM
6 in order to adjust for current and expected market conditions. The effect of each
7 adjustment is shown below:
8
- 9 1) Risk free rate adjusted from 30-day average Canadian long bond yield as of August 29,
10 2015 of 2.24% to forecasted Canadian long bond yield of 3.68% (as shown in Figure 11
11 of Concentric's report). This adjustment increases the CAPM result for the Canadian
12 proxy group from approximately 6.8% to approximately 8.2%.
13 2) Market risk premium adjusted from historical average MRP for Canada and U.S. of 6.3%
14 to combination of historical and forward-looking MRP for Canada and the U.S. of 7.6%
15 (as shown in Figure 13 of Concentric's report). This adjustment increases the CAPM
16 result for the Canadian proxy group from approximately 8.2% to approximately 9.0%.