

1 **Q. Evidence, page 61, lines 16-20. What regulators have explicitly rejected**  
2 **mechanically adjusting utility betas toward the market mean of 1.0 and have**  
3 **any regulators accepted the adjustment?**  
4

5 A. In the AUC's 2009 Generic Cost of Capital Decision (paragraph 251) the AUC  
6 stated:  
7

8 *"The Commission is persuaded by the empirical analysis of Drs.*  
9 *Kryzanowski and Roberts that there is insufficient evidence to support the use of*  
10 *adjusted betas for Canadian utilities if the purpose of the adjustment is to adjust the*  
11 *beta towards one and therefore, beta should not be adjusted towards one. Therefore,*  
12 *the Commission rejects Mr. Coyne's beta results as unreasonably high, because he*  
13 *adjusted his beta estimates on the assumption that they would revert to 1.00. In other*  
14 *words, his analysis assumes that, in time, utilities would be as risky as the market*  
15 *as a whole."*  
16

17 This is the only explicit decision Dr. Booth is aware of.  
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19 In Dr. Booth's judgement only very rarely do Board's limit themselves by restricting  
20 evidence on certain topics and even then a subsequent Board often implicitly  
21 reverses a decision to justify an allowed ROE.