

1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne-Return on Equity**  
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3 **Q. With reference to capital structure and ROE (page 7) please confirm that if the**  
4 **capital structures of two utilities are set at different levels to equalise risk, then they**  
5 **can both be allowed the same ROE even though their capital structures are**  
6 **different. For example, the National Energy Board in 1994 set gas pipelines at a**  
7 **30% common equity ratio and oil pipelines at 45%, so both could be allowed the**  
8 **same ROE through the NEB’s automatic ROE adjustment formula. If not, why not?**  
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10 **A. Confirmed, assuming all other factors that determine the ROE are accounted for.**