

1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk**  
2 **Profile**

3  
4 **Q. Please provide the forward-looking DCF market risk premium estimate from the**  
5 **data in JMC-7 using a multi-stage DCF model. Can C&T confirm that unlike**  
6 **Canada most of the firms in JMC-7 do have short term growth forecasts, so that the**  
7 **procedure may be more acceptable in a US regulatory environment? If not why**  
8 **not?**  
9

10 A. See Attachment A for the requested calculation using a multi-stage DCF model to  
11 compute the forward-looking market risk premium (“MRP”) for the companies in both  
12 the S&P/TSX Index (Exhibit JMC-6) and the S&P 500 (Exhibit JMC-7).  
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14 Attachment A is available in electronic format on Newfoundland Power’s stranded  
15 website at” <https://ftp.nfpower.nf.ca/>.  
16

17 Concentric notes that the Federal Energy Regulatory Commission (“FERC”) specifically  
18 rejected the use of a multi-stage DCF approach for the purpose of estimating the forward  
19 market equity risk premium and uses the constant growth DCF model for this purpose  
20 (see 156 FERC ¶ 61,234, Opinion 551, September 28, 2016, at paras 170 and 171).  
21

22 Concentric continues to believe it is appropriate to use the constant growth DCF model to  
23 perform this calculation of the forward-looking MRP; however, as shown in Figure 2,  
24 Concentric’s ROE recommendation for Newfoundland Power is based on the average  
25 results of three models for the North American proxy group: the multi-stage DCF model,  
26 the CAPM using a historical market risk premium, and the Risk Premium model.  
27 Concentric did not rely on the forward-looking MRP for either Canada or the U.S. in this  
28 proceeding.