Reference: "2025/2026 General Rate Application," Newfoundland Power Inc., December 12, 2023, vol. 2, Expert Evidence, "Cost of Capital," Concentric Energy Advisors Inc., November 7, 2023, ch. V(B)(2), p. 44, fig. 27 and Evidence of Laurence D. Booth, p. 37 and p. 54.

Q. The Evidence of Laurence D. Booth states on page 54:

> **In words, the required (fair) return is the risk-free rate (Rf) plus the risk premium comprised of the market risk premium (MRP) times the beta coefficient (P),**
>
> **The risk-free rate is normally directly observable since the practice in Canada is to use the long Canada bond yield as the risk-free rate, while the market risk premium is reasonably objective […]. Consequently, the major area of dispute is the relative risk or beta coefficient, and even here there is not much doubt that utilities are lower risk than the market.**

Does Mr. Coyne believe the fact that Canadian Group Value Line betas are lower than the US Electric Group is an indication that Canadian utilities are perceived to be lower risk than US electric utilities? Why or why not? Please explain.

A. No, Concentric does not agree. As shown in Exhibits JMC-8.1 and 8.2, Value Line only covers two of the six companies in the Canadian proxy group (i.e., Emera Inc. and Enbridge Inc.). Bloomberg, which is the other source of beta on which Concentric relies, has market data on all six companies in the Canadian proxy group. The average Bloomberg beta for the six companies in the Canadian proxy group is 0.87, while the average Bloomberg beta for the ten companies in the U.S. Electric proxy group is 0.89. On that basis, Concentric considers the Canadian and U.S. Electric proxy groups to have similar market risk.