

REQUESTOR NAME: **BCOAPO**
INFORMATION REQUEST ROUND NO: **1**
TO: **The Brattle Group**
DATE: **June 22, 2012**
PROJECT NO: **3698659/G-20-12**
APPLICATION NAME: **Generic Cost of Capital Proceeding**

1.0 Reference: Exhibit A2-3, Cover Page

- 1.1 Please provide CVs for each of the three authors of the Survey.
- 1.2 If not specifically included in the CVs, please provide a listing of the cost of capital-related projects that each of the three authors have participated in over the past 5 years and, in each case, indicate the client.

2.0 Reference: Exhibit A2-3, pages 1, 4, 25, 29, 33, 36 and 40

- 2.1 On various pages of the Survey the authors discuss the pros/cons of each of the four cost of equity estimation methods. Please indicate whether the pros/cons cited are based on the authors' views or derived from other sources. If the latter, please indicate primary sources relied upon and provide the requisite references.

3.0 Reference: Exhibit A2-3, page 4

- 3.1 The first full paragraph lists certain features that make "models more useful from a regulatory perspective". Is this list of features one that is generally accepted by regulators and, if so, please provide the requisite references indicating this acceptance.

4.0 Reference: Exhibit A2-3, page 8

- 4.1 What is the basis for the observation that "it (CAPM) is typically viewed as a reasonable model"?

5.0 Reference: Exhibit A2-3, pages 2, 13, 22, 35, 39 and 41

- 5.1 On various pages of the Survey the authors make reference to business risk and the need for returns to reflect those of companies with comparable business risks. The survey also notes that various regulators have considered business risk (e.g., BCUC, {page 48}, AUC {pages 58-59}, Régie {page 75}). However, nowhere do the authors indicate/summarize what factors are considered when assessing business risk. What factors have the various surveyed regulators identified as being contributors to business risk for purposes of establishing comparator companies?

6.0 Reference: Exhibit A2-3, page 34

- 6.1 The text expresses a preference for using industry as opposed to government bond rates in the Risk Premium model. Is this expressed preference based on the authors' views or are there sources that support it?
- 6.2 If the latter, please provide references and comment on whether there are also (offsetting) references/views that support the use of government bonds.

7.0 Reference: Exhibit A2-3, page 68

- 7.1 Please confirm that, prior to EB-2009-0084, the allowed ROEs for Enbridge Gas and Union Gas were different and provide the authors' understanding as to the basis for the difference.

8.0 Reference: Exhibit A2-3, page 78

- 8.1 Please provide the source for the expected ROEs cited for Manitoba Hydro for 2008 and 2009.