
Nova Scotia Energy Board

IN THE MATTER OF

The Public Utilities Act, R.S.N.S 1989, c. 380, as amended

and the

The Maritime Link Act, S.N.S 2012 c.9

and the

Maritime Link Cost Recovery Process Regulations, N.S. Reg. 189/2012

NSPML

2026 Assessment Application Rebuttal Evidence of NSPML

December 3, 2025

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1 **1.0 INTRODUCTION**

2
3 NSPML submits this Rebuttal Evidence in support of its 2026 Assessment Application.

4
5 NSPML notes, the only other evidence filed in this Application is the evidence of Dr. Sean
6 Cleary on behalf of NSEB Staff (N-11). Accordingly, this Rebuttal Evidence focuses on
7 responding to Dr. Cleary’s evidence. NSPML also files and relies upon the Rebuttal Expert
8 Evidence of Concentric Energy Advisors (Concentric) filed with this Rebuttal Evidence
9 (please see Appendix A).

10
11 In summary, NSPML’s 2026 Assessment Application request remains unchanged with
12 NSPML seeking approval for a 2026 assessment of \$198.6 million. NSPML continues to
13 be confident that this assessment is reasonably balanced to ensure the prudent and efficient
14 continued operation of NSPML and the Maritime Link, which has and will continue to
15 deliver substantial benefits to Nova Scotia customers.

16
17 As none of the Intervenor have filed evidence to date, NSPML is not certain what, if any,
18 other issues remain of concern to those parties. Should additional issues be raised, NSPML
19 will endeavor to respond through the hearing of this Application.

2.0 CAPITAL STRUCTURE

As set out in NSPML’s Application, NSPML seeks an equity ratio of 40% for sustaining capital investment moving forward, while maintaining the 30% equity ratio for existing capital investments (excluding FLG2 as it is removed from regulatory reporting). In his evidence, Dr. Cleary has agreed that this change is reasonable.¹

While NSPML is pleased that there appears to be alignment on this point, NSPML responds to Dr. Cleary’s comments on risk in agreeing to 40% equity going forward, and specifically the position that NSPML’s risk is reduced by the federal loan guarantee. While NSPML agrees that the federal loan guarantee was instrumental in reducing borrowing cost for NSPML and customers despite a higher debt to equity ratio, it did not reduce risk in terms of equity investment. Equity investors are subordinate to the federal loan guaranteed debt and therefore the presence of this debt introduces a higher risk to an equity investment, coupled with jurisdictional and operational risks both of which are borne exclusively by equity investors. Accordingly, the federally guaranteed debt increases, not decreases, the risk vis-à-vis equity investors. NSPML’s risks and impact of those risks on ROE are discussed further in section 3 below.

Finally, NSPML notes that Dr. Cleary did not comment on NSPML’s request for a +/- 1.5% on existing capital investments. As explained in NSPML’s Application, this is necessary to address the practical reality that NSPML’s 70/30 debt-equity ratio needs to vary slightly from time to time due to the lack of flexibility in paying down the federally guaranteed loans and limits to NSPML’s ability to rebalance debt to equity. NSPML trusts that having not commented on this, Dr. Cleary does not oppose this request either, but NSPML wishes to reiterate the importance of this change to ensuring reasonable financial flexibility in managing the 70/30 debt-equity ratio of existing capital investments moving forward.

¹ Cleary Evidence, N-11, p. 71 at l. 22 - 23

1 **3.0 RETURN ON EQUITY**

2

3 NSPML has requested approval for the continuation of its ROE at 9%, with such request

4 supported by the evidence of Concentric who, based on comparators of lower risk

5 entities, actually recommend an ROE in the range of 10.1% to 10.35%.

6

7 In response, Dr. Cleary recommended that NSPML be assessed an ROE of 7.6% that, if

8 accepted, would place NSPML in the position of having the lowest equity return of any

9 investor-owned utility in North America by a sizable margin. The implications of Dr.

10 Cleary’s evidence are significant as his recommended ROE would prejudice NSPML’s

11 ability to secure capital.

12

13 In commenting on Dr. Cleary’s much lower ROE results, Concentric demonstrates that

14 Dr. Cleary’s calculations are based on a series of assumptions and inputs that fail to

15 recognize market realities and the unique operational and financial risks associated with

16 NSPML. Concentric has aptly summarized the overarching failure of Dr. Cleary to

17 consider NSPML’s situation:

18

19 Dr. Cleary has not performed a comparative risk analysis that assesses the

20 business and regulatory risk of NSPML relative to his proxy group. Absent

21 such evidence, there is no basis for his return recommendation that is 140

22 basis points below the current level for NSPML and even lower by comparison

23 to comparable utilities in other jurisdictions. The key question is one based on

24 the economic concept of opportunity cost. Why would investors choose to

25 invest in NSPML when they can earn a higher return for a lower level of risk by

26 investing in other companies?²

27

28 The fact is that Dr. Cleary’s evidence is primarily addressed to NS Power, is based on

29 other Canadian utilities generally, and virtually ignores any substantive consideration of

30 NSPML. This lack of consideration of NSPML’s unique risks is perhaps most simply

31 demonstrated by Dr. Cleary’s conclusion that Canadian utilities are, in general, “low

32 risk”. As support for this conclusion, Dr. Cleary comments that one energy utility in

² Concentric Rebuttal Evidence, p. 9

1 Ontario (Enbridge) and utilities in Alberta have tended to earn above their approved
2 ROE³ but fails to note that this is not the recent trend in Nova Scotia.

3
4 As stated in NSPML's application and both of Concentrics's filings, NSPML faces a
5 unique and higher than normal risk profile in consideration of both operational and
6 financial risk.

7
8 Operationally, the complexity of its assets and commercial agreements requiring
9 cooperation with Newfoundland and Labrador Hydro introduces risk not normally
10 present for a typical T&D utility. This must also be viewed in the context of NSPML's
11 relative lack of flexibility as compared to larger utilities, with even relatively modest
12 expense fluctuations posing the risk to push NSPML's actual ROE up (subject to a cap
13 of 9.25%) or down (with no floor).

14
15 Financially, with a uniquely low equity ratio for investor-owned utilities, the highly
16 secured debt ratio introduces a greater risk for equity investors whose interests are
17 subordinate to that debt. NSPML also competes across Canada and the United States for
18 capital with utilities that have materially lower debt equity profiles.

19
20 Even putting NSPML's specific risks aside, the fact remains that Dr. Cleary's
21 recommended ROE is significantly below even the 9.35% ROE for an average-risk
22 North American T&D utility. This goes even further to show that Dr. Cleary's
23 recommended ROE is well below a fair assessment for NSPML and would place it in
24 the precarious position of having a materially lower ROE than any other investor-owned
25 T&D utility in North America, let alone an investor-owned utility responsible for
26 operating a subsea HVDC cable system. NSPML submits that Dr. Cleary's
27 recommendation fails to meet the Fair Return Standard.

³ Cleary Evidence, p. 76

1 It is in that context that NSPML is asking instead to maintain an ROE of 9%, materially
2 lower than the ROE recommended by Concentric and in recognition of the significant
3 cost challenges for customers at this time.

4.0 REQUEST FOR RELIEF

NSPML respectfully requests approval of its 2026 Assessment as detailed in its July 18, 2025 Application.

REBUTTAL EVIDENCE

CONCENTRIC ENERGY ADVISORS, INC.

PREPARED FOR:

NSP MARITIME LINK INC.

BEFORE THE:

NOVA SCOTIA ENERGY BOARD

DECEMBER 2025



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1 SECTION 1:

2 INTRODUCTION

3 **Q. Please state your names and business address.**

4 A. My name is James M. Coyne, and I am employed by Concentric Energy Advisors, Inc.
5 ("Concentric") as a Senior Vice President. My name is John P. Trogonoski, and I am also
6 employed by Concentric as an Assistant Vice President. Our business address is 293 Boston
7 Post Road West, Suite 500, Marlborough, MA 01752.

8 **Q. Did you also submit a pre-filed expert report in this proceeding?**

9 A. Yes, we submitted evidence on behalf of NSP Maritime Link Inc. ("NSPML," "Maritime Link"
10 or the "Company"). NSPML is a subsidiary of Emera Newfoundland and Labrador Holdings
11 Inc. ("ENL"), which is a wholly-owned subsidiary of Emera Inc.; Nova Scotia Power Inc. ("NS
12 Power") is, similarly, a wholly-owned subsidiary of Emera Inc.

13 **Q. What is the purpose of your Reply Evidence?**

14 A. The purpose of our Reply Evidence is to respond to the evidence of Dr. Sean Cleary on behalf
15 of Board Counsel for the Nova Scotia Energy Board ("NSEB" or the "Board").

16 **Q. How is the remainder of your Reply Evidence organized?**

17 A. The remainder of our Reply Evidence is organized as follows: In Section 2, we summarize
18 our key conclusions and recommendations in response to the testimony of Dr. Cleary. In
19 Section 3, we explain why Dr. Cleary's ROE and equity ratio recommendations for NSPML fail
20 to meet the Fair Return Standard. In Section 4, we respond to Dr. Cleary's comments on
21 economic and capital market conditions and how those conditions affect the models used to
22 estimate the cost of equity. In Section 5, we discuss the proxy group used by Dr. Cleary and



1 the comparability of those companies to NSPML. In Section 6, we discuss areas of
2 disagreement with the CAPM analyses presented by Dr. Cleary. In Section 7, we discuss how
3 the inputs and overall results of our DCF model differ from those of Dr. Cleary. In Section 8,
4 we discuss the Bond Yield plus Risk Premium analysis provided by Dr. Cleary and how it
5 differs from our analysis. In Section 9, we discuss areas of disagreement including the
6 relevance of decisions in Alberta and how to measure business risk for regulated utilities such
7 as NSPML. In Section 10, we respond to Dr. Cleary's position regarding the deemed equity
8 ratio for NSPML. In Section 11, we summarize our conclusions and recommendations.



SECTION 2:

EXECUTIVE SUMMARY

Q. Please provide a brief overview of Dr. Cleary's ROE analyses and recommendation.

A. Dr. Cleary recommends an authorized ROE of 7.60% for NSPML based on the average results of his Capital Asset Pricing Model ("CAPM"), Discounted Cash Flow ("DCF") model, and Risk Premium analysis. Even though Dr. Cleary is recommending a 140 basis point reduction in the authorized ROE for NSPML, he acknowledges that interest rates on government and utility bonds have increased in recent years, as shown in Figure 8 of his evidence. Throughout his report, Dr. Cleary repeatedly refers to the authorized ROE for NS Power, and he argues that the authorized return for NSPML should continue to be linked to the return for NS Power, as it has been since 2018 when the Maritime Link was placed into service. Dr. Cleary does not address the business risk of NSPML in his report, such as the fact High Voltage Direct Current ("HVDC") interconnection creates increased operational risk as compared to a traditional High Voltage Alternating Current ("HVAC") overhead transmission line, the subsea component of the ML and the 170Km subsea cables, and the risk NSPML bears in relation to managing material contracts. Nor does Dr. Cleary compare Maritime Link to the companies in his Canadian proxy group.

Q. How does Dr. Cleary's ROE recommendation for NSPML compare to the authorized returns for regulated utilities in other Canadian and U.S. jurisdictions.

A. The authorized ROE that Dr. Cleary recommends is 140 basis points below the current authorized ROE of 9.0% for both NSPML and NS Power, and well below the authorized ROE for other regulated electric utilities in Canada and the U.S., including subsea cable transmission companies. Returns at the level recommended by Dr. Cleary are not comparable to those available to investors in companies with similar business and financial risk as



NSPML. As shown in Figure 14 of our Report, the authorized ROE for other subsea transmission cable projects ranges from 10.5% to 13.57%.¹ As discussed in more detail in Section 3 of our Reply evidence, the equity return recommended by Dr. Cleary does not satisfy the Fair Return Standard because it does not meet any reasonable measure of the comparable investment standard.

Q. What are your key conclusions and recommendations?

A. We disagree with a number of the assumptions, assertions, and analytical approaches that underlie Dr. Cleary's ROE recommendation, as well as the overall reasonableness of his results. Our key conclusions and recommendations are as follows:

- Dr. Cleary's evidence is not specific to the business and operational risks of electric transmission companies, and in particular subsea cable companies such as NSPML. Dr. Cleary continuously refers to NS Power throughout his evidence; there is no recognition on his part that an electric subsea transmission company has a different risk profile than a vertically-integrated electric utility such as NS Power. Furthermore, Dr. Cleary has provided no risk analysis comparing NSPML to his proxy group.
- Dr. Cleary's ROE recommendation does not meet the Fair Return Standard, which is a legal requirement that the authorized return must:
 1. be sufficient to ensure the financial integrity of the regulated utility company,
 2. enable utilities to attract capital on reasonable terms and conditions, and;
 3. be comparable to returns available to investors in entities with similar risk.

¹ Direct Report of Concentric Energy Advisors, Inc., provided as Attachment A to NSPML's Assessment Application, at 32.



- 1 • The cost of capital has increased since 2023 for all companies including utilities, as
2 discussed in our Report. Interest rates on government and utility bonds are higher than
3 in January 2023, immediately prior to when the Board set NS Power's (which has also
4 been applied to NSPML since 2018 when the Maritime Link was placed in service)
5 authorized ROE at 9.0%. Inflation has been more persistent than anticipated and remains
6 at the upper bound of the Bank of Canada's target of 1.0-3.0%.
- 7 • According to Dr. Cleary, his ROE recommendation is reasonable by comparison to the
8 expected market return for Canada of 7.5%. However, no North American regulator has
9 set the authorized ROE for an investor-owned utility at or below 7.5%, which Dr. Cleary
10 claims is the upper bound for the expected market return in Canada.
- 11 • We disagree with Dr. Cleary's sole reliance on a proxy group of Canadian electric and gas
12 utilities that are not comparable to the Maritime Link, and we find it is more reasonable
13 to use a North America comparator group of electric T&D companies that more closely
14 reflects the business and financial risks of a subsea cable company such as NSPML,
15 although it is necessary to add a risk adjustment of 75-100 basis points to the results for
16 the T&D proxy group to reflect the greater operational risk of NSPML.
- 17 • Dr. Cleary's model results are understated because he has either relied on inputs that are
18 based on his own personal judgment rather than current market data, or inputs and
19 assumptions that are not reasonable in the context of current and prospective economic
20 and capital market conditions.
- 21 • With regard to the CAPM analyses, we take issue with Dr. Cleary's use of current
22 government bond yields (especially spot yields) as the risk-free rate, we object to his use
23 of beta coefficients that are not based on weekly return data over five years adjusted for



the tendency of betas to revert to the market mean of 1.0, and we find that the market risk premium used by Dr. Cleary is understated and fails to take into account the inverse relationship between bond yields and the equity risk premium.

- With respect to the DCF model, we do not agree with the very low growth rates used by Dr. Cleary, including his sustainable growth rates which assume negative real growth in earnings and dividends, and with his use of long-term GDP growth rates as the sole growth rate in the Constant Growth and Multi-Stage DCF models.
- While we agree with the use of a Risk Premium analysis to estimate the cost of equity for NSPML, we do not agree with Dr. Cleary's Risk Premium model. In particular, we take issue with his use of a risk premium of 2.5% above the yield on utility bonds. Dr. Cleary provides no evidence to support the reasonableness of this risk premium, which other Canadian regulators such as the Alberta Utilities Commission ("AUC") have found to be unreasonably low.² Further, the risk premium should reflect the inverse relationship between interest rates and the equity risk premium. Dr. Cleary's risk premium is static and does not reflect this well-established inverse relationship.

Q. Are there areas where you agree with Dr. Cleary's ROE analyses and recommendation?

A. Yes. In spite of our numerous areas of disagreement, there are certain aspects of Dr. Cleary's ROE evidence and analysis with which Concentric agrees. These areas include the following:

- Dr. Cleary's adjustment to the results of his CAPM, DCF, and Risk Premium models by 50 bps for flotation costs and financial flexibility.

² Alberta Utilities Commission, Determination of the Cost of Capital Parameters in 2024 and Beyond, Decision 27084-D02-2023, October 9, 2023, at para. 168.



- 1 • Dr. Cleary's adjustment of 40 basis points to the authorized ROE for NSPML is
- 2 directionally correct recognizing that NSPI has higher bond yields due to its lower S&P
- 3 credit rating of BBB-.
- 4 • Dr. Cleary's decision to average the results of his CAPM, DCF and Risk Premium models
- 5 rather than relying on results of a single model.
- 6 • While we may disagree whether it is more appropriate to use current or forecast
- 7 government bond yields as the risk-free rate, Dr. Cleary acknowledges that forecast
- 8 government bond yields are similar to current government bond yields, so the question
- 9 is essentially moot in this proceeding.

10 **Q. Do you agree with Dr. Cleary's recommended equity ratio for NSPML's sustaining**
 11 **capital?**

12 A. NSPML's current deemed equity ratio of 30% is among the lowest in North America for an
 13 investor-owned utility. We agree with Dr. Cleary that NSPML should be allowed to use a 40%
 14 deemed equity ratio for sustaining capital investments for Maritime Link over the next 30
 15 years. This equity ratio would be consistent with what is currently approved for NS Power,
 16 and would recognize that subsequent investments in the Maritime Link would be riskier
 17 because they would not be supported by the Federal Loan Guarantee that was used during
 18 the construction phase to reduce the project's financial risk to bondholders. We agree with
 19 Dr. Cleary's recommendation on this issue. However, as explained in more detail in Section
 20 10 of our Reply Evidence, we strongly disagree with Dr. Cleary that the FLG lowers the risk
 21 for equity investors.



SECTION 3:

RETURNS IN OTHER JURISDICTIONS AS BENCHMARK

Q. Is Dr. Cleary's ROE recommendation consistent with the principles of the Fair Return Standard?

A. No, it is not. The return recommended by Dr. Cleary (7.60% on 30% deemed common equity for existing capital and 40% equity for sustaining capital) is too low to meet the comparability test of the Fair Return Standard and may not be sufficient to maintain the financial integrity of NSPML or enable the Maritime Link to attract capital on reasonable terms.

The three primary tests of the Fair Return Standard, as summarized by the Canadian Energy Regulator (formerly the National Energy Board), are that a fair or reasonable return:

- *be comparable to the return available from the application of the invested capital to other enterprises of like risk (the comparable investment standard);*
- *enable the financial integrity of the regulated enterprise to be maintained (the financial integrity standard); and*
- *permit incremental capital to be attracted to the enterprise on reasonable terms and conditions (the capital attraction standard).³*

The Nova Scotia Utility and Review Board (predecessor to the NSEB) previously cited the statutory requirement in the Public Utilities Act to provide regulated utilities with a fair return on rate base. In the 2022 GRA decision for Nova Scotia Power Inc., the Board articulated the importance of a fair return as follows:

A fair return on rate base is important for the sustainability of NS Power's service. A low return on rate base may discourage investment in the Utility. It may also lead to a poor credit rating, which will cause financial institutions to increase the rate of interest on loans used by the Utility to provide service. This may result in the Utility's rates increasing just to cover additional borrowing

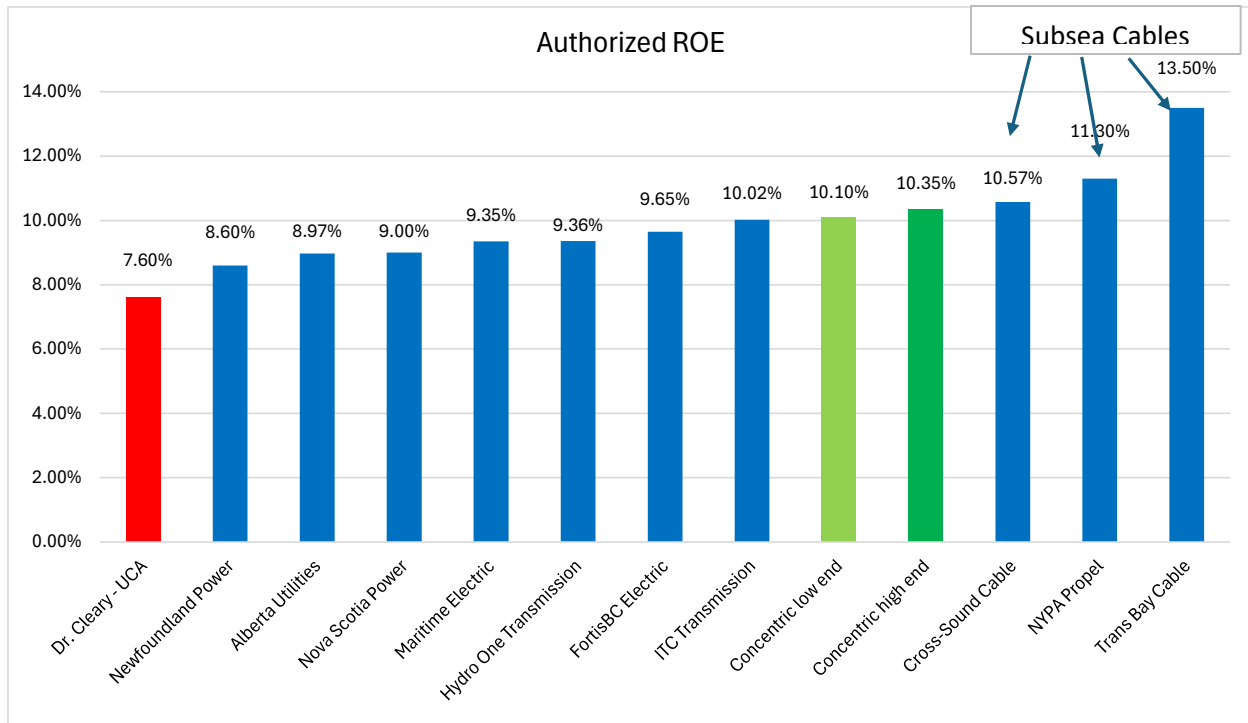
³ National Energy Board RH-2-2004 Reasons for Decision, TransCanada PipeLines Ltd, Phase II, April 2005, at 17.



costs. It might even cause it to be excluded from participating in some debt markets altogether.⁴

Dr. Cleary's ROE recommendation is well below the current 9.00% authorized ROE for NSPML, even though he acknowledges that government and utility bond yields have increased since the return for NS Power was set by the Board in February 2023. Dr. Cleary's ROE recommendation also falls far below the authorized returns for Canadian and U.S. investor-owned electric utilities and that is even more pronounced when it comes to NSPML's subsea cable operating peers, as shown in Figure 1 below. In particular, the authorized ROEs for the three subsea cables (as shown on the right side of the chart) are materially higher than NSPML's current authorized ROE of 9.0% and above Concentric's recommendation.

Figure 1: Authorized ROE – Regulated Electric Utilities



⁴ Nova Scotia Utility and Review Board, 2023 NSUARB 12, M10431, Decision issued February 2, 2023, at para. 228.



1 **Q. How should the Board evaluate the reasonableness of Dr. Cleary's ROE**
 2 **recommendation for NSPML?**

3 A. The authorized ROE for NSPML should be set relative to a proxy group of comparable risk
 4 utilities. A range of reasonable equity returns is established for a comparator group using
 5 commonly-accepted financial models such as the CAPM, DCF, and Risk Premium models.
 6 From within that range, the authorized return is selected based on an assessment of the risk
 7 profile of the company in relation to the comparator group companies. Dr. Cleary has not
 8 performed a comparative risk analysis that assesses the business and regulatory risk of
 9 NSPML relative to his proxy group. Absent such evidence, there is no basis for his return
 10 recommendation that is 140 basis points below the current level for NSPML and even lower
 11 by comparison to comparable utilities in other jurisdictions. The key question is one based
 12 on the economic concept of opportunity cost. Why would investors choose to invest in NSPML
 13 when they can earn a higher return for a lower level of risk by investing in other companies?

14 **Q. Dr. Cleary testifies that Concentric's main argument was based on allowed ROEs and**
 15 **equity ratios mainly in U.S. jurisdictions, and he argues that returns in other**
 16 **jurisdictions are not relevant.⁵ How do you respond?**

17 A. In response to Dr. Cleary's first point, while we provided evidence on allowed ROEs and
 18 equity ratios for other electric transmission companies as a direct comparison of the
 19 authorized returns for subsea cable projects like the Maritime Link, Concentric also
 20 presented a market-based analysis of the cost of capital for a group of North American
 21 Electric T&D companies. Therefore, we disagree with Dr. Cleary that our ROE
 22 recommendation for NSPML is based primarily on the allowed ROEs and equity ratios for
 23 companies in other (primarily U.S.) jurisdictions. With regard to Dr. Cleary's position that

⁵ Direct Evidence of Dr. Sean Cleary, at 6-7.



1 returns in other jurisdictions are not relevant, Concentric's experience is that investors view
2 these returns as a benchmark when setting their return requirements and expectations. As
3 discussed above, the Fair Return Standard requires the Board to consider whether the
4 comparable investment standard is being met. The authorized returns of comparable risk
5 companies provides useful information to the Board in making that assessment.

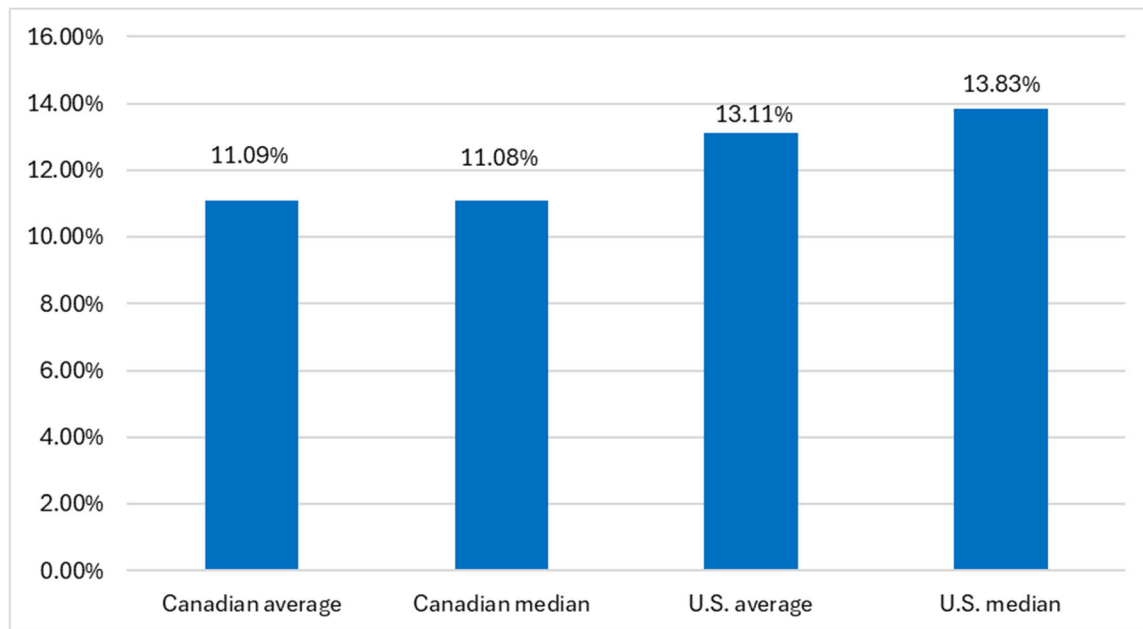
6 **Q. According to Dr. Cleary, the return for the broad market in Canada is expected to be**
7 **approximately 7.5% over the next five to 20 years. How does this compare to the**
8 **average historical returns in Canada?**

9 A. Dr. Cleary argues that regulated utilities are generally considered to have lower than average
10 risk, and he frames his ROE recommendation by comparison to expected returns for the
11 broad market. He cites the forecasts of several investment firms and pension funds and
12 concludes that the average expected market return over the next 10 to 20 years in Canada is
13 7.5%.⁶ In order to assess the reasonableness of this projected market return, we compared
14 it to the average historical returns in Canada from 1938-2024, which are provided in Dr.
15 Cleary's Attachment J. As shown in Figure 2 below, the arithmetic average and median
16 returns in Canada over that period have been 11.09% and 11.08%, respectively, while the
17 comparable U.S. returns have been 13.11% (average) and 13.83% (median). In other words,
18 the average historical market return in Canada since 1938 has exceeded the 7.5% forecast
19 relied on by Dr. Cleary by approximately 48 percent. Further, the total return in Canada has
20 exceeded 7.5% in 52 of 87 years (or approximately 60% of the time), suggesting that the
21 market benchmark used by Dr. Cleary is unreasonably low by historical standards.

⁶ Direct evidence of Dr. Sean Cleary, at 39.



Figure 2: Average Historical Market Returns – 1938-2024



One could argue that the historical market returns shown in Figure 2 do not consider current levels of inflation. The average CPI in Canada from 1938-2024 was 3.64% as shown in Dr. Cleary's Attachment J, meaning that Canadian stocks have provided a real return of 7.45% over the past 87 years. According to the Bank of Canada, inflation is expected to decline from 3.1% in September 2025 to around 2.5% by the end of 2025, although there is some risk that actual inflation will be higher. Assuming an inflation rate of 2.5% at the end of 2025 plus the historical real market return of 7.45% produces a nominal market return for Canada of 9.95%. While lower than the average historical market return of the past 75 years, this remains substantially higher than the 7.5% forecast relied upon by Dr. Cleary in setting overall return expectations for Canadian equities.



1 **Q. What is your conclusion concerning whether Dr. Cleary’s ROE recommendation of**
2 **7.6% for NSPML meets the comparable investment test of the Fair Return Standard?**

3 A. If the Board were to adopt Dr. Cleary’s ROE recommendation, NSPML would have the lowest
4 authorized ROE of any investor-owned regulated utility in North America by a material
5 amount. That is not a reasonable outcome given the business and operating risks of the
6 Maritime Link, as discussed in Section 7 of our Report. Dr. Cleary’s recommendation is
7 disconnected from authorized ROEs for other electric transmission companies, and, in
8 particular, other subsea cable projects. In summary, our conclusion is that Dr. Cleary’s ROE
9 recommendation does not meet the Fair Return Standard because it is well below the level
10 available to investors in other North American investor-owned electric utilities (in particular,
11 transmission utilities) with comparable risk as NSPML. Such a low ROE would also signal to
12 investors that the regulatory environment in Nova Scotia is not supportive of energy
13 infrastructure investment. In rejecting Dr. Cleary’s base ROE recommendation of 7.05% for
14 Ontario’s regulated utilities, the Ontario Energy Board noted in its March 2025 decision in
15 the Generic Cost of Capital proceeding that “Dr. Cleary himself acknowledged that a steep
16 drop in ROE could create instability for regulated utilities from a credit rating standpoint.”⁷

⁷ OEB Decision and Order EB-2024-0063, March 27, 2025, at 39.



SECTION 4:

ECONOMIC AND CAPITAL MARKET CONDITIONS

Q. Please summarize Dr. Cleary's discussion of conditions in the economy and capital markets.

A. According to Dr. Cleary, current volatility in Canadian and U.S. financial markets is relatively low by historical standards and "relatively stable and solid market conditions which are nowhere near crisis levels."⁸ Figure 8 of Dr. Cleary's report shows that interest rates on Canadian long bonds have generally been in a downward trend since 2000 but have increased rather significantly in the years following the COVID pandemic. Figure 5 of Dr. Cleary's report shows that Canadian long-bond yields are closely tied to inflation, and he observes that long-bond yields have not exceeded 4.0% since 2008. Dr. Cleary contends that the Bank of Canada expects inflation to remain near the 2.0% midpoint of its target range of 1-3% from 2025-2027,⁹ even though the most recent report from Statistics Canada showed that inflation remained at 3.0% in Canada, as measured by the CPI-trimmed mean, which is the Bank of Canada's preferred measure of inflation.

Q. Why is it important to assess current economic and market conditions when estimating the cost of capital?

A. Current economic and capital market conditions highlight the importance of using forward-looking market data to estimate the cost of equity. Dr. Cleary, for example, tends to rely on long-term average historical data for certain model inputs, which do not necessarily reflect current conditions in the economy and capital market. For example, as discussed in more detail later in our Reply Evidence, while Dr. Cleary reports beta coefficients for Canadian and

⁸ Direct evidence of Dr. Sean Cleary, at 16-17.

⁹ Ibid, at 21.



1 U.S. utilities over the past seven years, he relies on his preferred historical range of betas from
2 0.30 to 0.60. In doing so, Dr. Cleary's CAPM analysis fails to take into consideration that beta
3 coefficients can fluctuate dramatically. For example, utility beta coefficients increased
4 sharply from 2020-2024 and from 2010-2014, as utility shares traded more like the broader
5 market.

6 Conversely, Dr. Cleary relies on a spot government bond yield as of September 30, 2025, as
7 the risk-free rate in his CAPM analysis. This approach is also not reasonable, because bond
8 yields tend to fluctuate based on economic data such as inflation and unemployment reports,
9 as well as monetary policy of central banks. If current bond yields are to be used as the risk-
10 free rate, it is much more reasonable to use average yields over 30- or 90-trading days than
11 spot yields. Our approach, however, is to use forecast government bond yields as the risk-
12 free rate, as discussed in more detail in the CAPM section of our Reply Evidence.

13 **Q. Please discuss how economic and capital market conditions have changed since your**
14 **Report was filed.**

15 A. Figure 3 below provides a summary comparison of several key economic and capital market
16 indicators that were presented in our Report. We have updated that evidence to include
17 market data through October 31, 2025. Although inflation remains above target levels in
18 Canada and the U.S., the Bank of Canada has cut the overnight rate by 50 basis points since
19 May 2025 in response to concerns over weaker economic growth and higher unemployment.
20 Despite these lower short-term interest rates, long-term government and utility bond yields
21 have increased slightly since the end of May, and the spread between 2- and 10-year
22 government bonds has continued to increase. There is no indication that the cost of equity
23 capital has decreased since the analysis in our Report was performed as of May 31, 2025.



1 **Figure 3: Comparison of Interest Rates, Inflation, and Other Market Indicators**

Indicator	Jan. 2023	May 2025	Oct. 2025
Bank of Canada Overnight Rate	4.50%	2.75%	2.25%
10-year Government of Canada bond	2.96%	3.22%	3.13%
30-year Government of Canada bond	3.01%	3.53%	3.62%
A-rated Canadian utility bond	4.60%	4.67%	4.71%
Consumer Price Inflation – Canada	5.0%	3.0%	3.0%
Unemployment Rate - Canada	5.1%	7.0%	6.9%
Spread between 2 yr /10 yr Treasury bond	(0.80%)	0.63%	0.71%

2 **Q. Figure 8 in Dr. Cleary's report shows that government yields have increased after**
3 **reaching historical lows during the COVID pandemic. He also notes that utility bond**
4 **yields have increased in recent years. Does the increase in government and utility**
5 **bond yields indicate that the cost of equity has increased?**

6 **A.** Yes. As Dr. Cleary's data shows, yields on long-term government and utility bonds have
7 increased since January 2023, immediately prior to when the Board determined that a
8 reasonable authorized ROE for NS Power (and therefore NSPML at the time) was 9.0%.
9 Presumably, this increase in government and utility bond yields is one reason why Dr. Cleary
10 is recommending a higher authorized ROE for NSPML than his recent recommendations in
11 Ontario (7.05%) and Alberta (6.75%).¹⁰ However, Dr Cleary's recommendation to reduce the
12 authorized ROE for NSPML by 140 basis point is contrary to his own evidence on increasing
13 bond yields. Under these market conditions, it would be reasonable to expect that the

¹⁰ See, Evidence of Dr. Sean Cleary, Ontario Energy Board, 2024 Review of Cost of Capital Parameters and Deemed Capital Structure, EB-2024-0063, sponsored by Industrial Gas Users Association and Association of Major Power Consumers in Ontario, July 19, 2024, at 43; and Evidence of Dr. Sean Cleary, Alberta Utilities Commission, 2023 Generic Cost of Capital, Proceeding ID #27084, submitted on behalf of the Office of the Utilities Consumer Advocate, February 1, 2023, at 2.



authorized ROE for NSPML would be directionally higher, not lower, than at the time the Board set the return for NS Power.

Q. Has Consensus Economics recently updated the long-term interest rate outlook for Canada and the U.S.?

A. Yes, the October 2025 edition of Consensus Economics provides an updated forecast of long-term economic data including government bond yields, consumer price inflation, and GDP growth. The projected yield on 10-year government bonds in Canada and the U.S. from 2026-2035 are shown in Figure 4 below. These projected bond yields are slightly higher compared to the April 2025 forecast, indicating the investors do not expect long-term interest rates to decline significantly from current levels in Canada even though short-term rates set by the Bank of Canada have been cut several times in 2025.

Figure 4: Long-Term Forecast for 10-Year Government Bond Yields¹¹

	2026	2027	2028	2029	2030	2031-2035
Canada	3.3%	3.6%	3.6%	3.6%	3.6%	3.7%
U.S.	4.1%	4.1%	4.2%	4.1%	4.1%	4.2%

Q. Dr. Cleary cites a Conference Board of Canada report indicating that the Nova Scotia economy is expected to be relatively strong compared to other Canadian provinces in 2026 and 2027.¹² Please comment.

A. Concentric presented evidence from the Conference Board of Canada regarding the long-term economic outlook for Nova Scotia as compared to Canada overall. As discussed in our Report, the key economic indicators for Nova Scotia from 2024-2045 are expected to be weaker than

¹¹ Consensus Forecasts by Consensus Economics Inc., Survey Date October 13, 2025, at 3 and 29.

¹² Direct evidence of Dr. Sean Cleary, at 29.



1 the Canadian average. Dr. Cleary's short-term economic outlook for Nova Scotia is less
2 relevant because the cost of capital for utility assets should be based on longer-term data.
3 Furthermore, if economic growth is expected to be relatively strong in Nova Scotia over the
4 next few years as compared with the rest of Canada, there is no reason to use lower than
5 average growth rates in the DCF model, as Dr. Cleary has done.

6 **Q. What are your conclusions with respect to economic and capital market conditions?**

7 A. As shown in Figure 3 above, interest rates on government and A-rated utility bonds as of
8 October 2025 have increased by 11-61 basis points since the Board's February 2023 decision
9 setting NS Power's (and by extension NSPML's) authorized ROE at 9.0%. The cost of capital
10 for all companies, including NSPML, has increased because investors perceive greater
11 uncertainty and more risk of negative economic outcomes. Our conclusions on the changes in
12 economic and capital market conditions are consistent with the results of our financial
13 models, which indicate that the cost of equity for NSPML is higher than the current authorized
14 level of 9.0%. Dr. Cleary's recommended reduction of 140 basis points in the authorized ROE
15 for NSPML runs counter to trends in interest rates, inflation, and the general economic
16 uncertainty that pervades financial markets at this time.



SECTION 5:

PROXY GROUP COMPOSITION

Q. Please summarize the proxy group used by Dr. Cleary.

A. Dr. Cleary presents the results of his ROE models (CAPM, DCF) for a proxy group of five Canadian companies and 28 U.S. companies. This is the same proxy group that was developed by the Alberta Utilities Commission (“AUC”) in the 2023 generic cost of capital (“GCOC”) proceeding in Alberta. Dr. Cleary, however, relies only on the results of the five companies in his Canadian proxy group, arguing that the U.S. companies are higher risk than NSPML and are not appropriate comparators.¹³ Among the reasons for this assertion, Dr. Cleary claims that U.S. utility companies have higher beta coefficients than their Canadian counterparts, and he states that U.S. operating utility companies are owned as part of a holding company structure.

Q. Do you agree with the composition of Dr. Cleary’s proxy group for NSPML?

A. No, we do not agree with Dr. Cleary’s decision to rely exclusively on the results of his Canadian proxy group companies. In addition, we disagree with Dr. Cleary’s inclusion of Emera, Inc. in the Canadian proxy group, because it is the parent company of NSPML and NS Power. Our general practice is to exclude the parent company from the proxy group due to concerns over the circular logic of using market data for the parent company to set the return for one of its subsidiaries. Furthermore, Dr. Cleary appears to have relied on his Canadian proxy group because he believes the companies have comparable business and financial risks as NS Power, not NSPML. The purpose of this proceeding is to set the authorized ROE for NSPML,

¹³ Direct evidence of Dr. Sean Cleary, at 7-8.



1 which is a separate entity from NS Power, and which has its own unique business and
2 operating risks, as described in our Report.

3 Dr. Cleary has not compared the business, financial or regulatory risk of NSPML to the
4 companies in his Canadian proxy group, while Concentric has discussed the unique business
5 and operational risks of the Maritime Link. In addition, Concentric has supplemented our
6 market data with evidence on authorized returns for other electric transmission companies,
7 and in particular those that are subsea cables.

8 **Q. Do the companies in Dr. Cleary's Canadian proxy group alleviate his concern with using**
9 **companies that operate in the U.S.?**

10 **A.** No, they do not. Three of the five Canadian companies in Dr. Cleary's proxy group derive a
11 significant percentage of their revenues/income from utility subsidiaries that operate in the
12 U.S. and have a significant percentage of their total assets dedicated to U.S. operations. For
13 example, the vast majority of Algonquin Power's utility operations are in the U.S., including
14 its largest subsidiary Empire District Electric Co. (Missouri and Kansas); Emera Inc. has
15 significant U.S. electric and gas operations through its Tampa Electric Company (Florida),
16 Peoples Natural Gas (Florida), and New Mexico Gas subsidiaries. Fortis Inc. also has
17 significant U.S. operations including its ownership of UNS Electric and Tucson Electric, UNS
18 Gas (all in Arizona), Central Hudson Gas and Electric (New York), and ITC, a large electric
19 transmission company. Figure 5 summarizes the percentage of Canadian and U.S. operations
20 for each of these companies in 2024 based on available segment data.



1

Figure 5: Percentage of Canadian and U.S. Revenue - 2024

	Canadian	U.S.
Algonquin Power and Utilities ¹⁴	2%	82%
Canadian Utilities Ltd. ¹⁵	93%	0%
Emera, Inc. ¹⁶	27%	65%
Fortis, Inc. ¹⁷	38%	57%
Hydro One, Ltd.	100%	0%

2

3 If Dr. Cleary's intention is to choose only Canadian companies for his proxy group and to
4 exclude U.S. companies because they have higher risk, he has not achieved that purpose
5 because three of the five companies in his Canadian proxy group have substantial regulated
6 operations in the U.S. A proxy group of only the two remaining companies would not be
7 sufficient to provide robust estimates.

8 **Q. Dr. Cleary claims that U.S. companies have higher business risk as demonstrated by**
9 **their higher beta coefficients than their Canadian peers and because they are owned**
10 **by a holding company.¹⁸ Do you agree that the Canadian companies are distinguished**
11 **from the U.S. companies on these two factors?**

12 A. No, we do not agree. In our experience, the beta coefficients for U.S. and Canadian electric
13 utilities are very similar. For example, Figure 22 of our September 2025 cost of capital report
14 for NS Power shows that the average Bloomberg beta for the Canadian proxy group was 0.87,

¹⁴ Percentage of regulated revenue, as reported in Algonquin Power's 2024 Annual Information Form at 10.

¹⁵ Percentage of revenue as reported in Canadian Utilities Ltd. 2024 Consolidated Financial Statements, at 16. Canadian Utilities does not have regulated operations in the U.S. The company only reports revenues and net income for Canada, Australia, and the Caribbean.

¹⁶ Percentage of revenue, as reported in Emera, Inc.'s 2024 Annual Report at 88.

¹⁷ Percentage of revenue, as reported in Fortis, Inc.'s 2024 annual report, at 8.

¹⁸ Direct evidence of Dr. Sean Cleary, at 47.



1 while the average beta for the U.S. Electric proxy group was 0.92. It is not possible to identify
 2 a meaningful difference in investment risk between Canadian and U.S. companies by looking
 3 at the respective beta coefficients. With regard to Dr. Cleary's assertion that U.S. companies
 4 are owned as part of a holding company structure and operate in multiple jurisdictions, the
 5 same is true for the companies in his Canadian proxy group. Each of the five companies in Dr.
 6 Cleary's Canadian proxy group is a holding company that owns operating utility subsidiaries,
 7 many of which provide service in multiple jurisdictions. On that basis, it is not reasonable to
 8 conclude, as Dr. Cleary has, that Canadian utilities have lower risk than their U.S. peers

9 **Q. You stated previously that Dr. Cleary used the same proxy group of companies for**
 10 **NSPML as was used in the 2023 Alberta GCOC proceeding. Please explain.**

11 A. As part of the 2023 Alberta GCOC proceeding, the AUC requested submissions from the
 12 parties regarding the choice of screening criteria that were used to select a proxy group of
 13 companies similar in business and financial risk to Alberta's regulated electric and gas
 14 utilities. The AUC conducted a technical conference in October 2022 at which the parties
 15 discussed the proposed screening criteria and developed a group of Canadian and U.S. utility
 16 companies that met those criteria. The screens, as described in Appendix A of the November
 17 10, 2022 AUC determination,¹⁹ included companies with investment grade credit ratings of
 18 BBB+ or higher, those with regulated operating income greater than 75% and rate regulated
 19 assets greater than 80% percent, those not involved in mergers or other significant
 20 transactions, those that are publicly traded, and those that have data from two or more
 21 reputable sources. This group came to be known as the "North American comparator group."
 22 While the AUC gave parties discretion regarding whether to exclude certain specific

¹⁹ Alberta Utilities Commission, Exhibit 27084-X0256.



1 companies from the proxy group or whether to place less weight on certain companies when
2 conducting their ROE analysis, the implication of the AUC's process was that the companies
3 in the North American comparator were generally considered comparable to Alberta's
4 utilities for purposes of establishing the base ROE. However, when Dr. Cleary submitted his
5 evidence in Alberta, he only included the Canadian companies in his proxy group, even though
6 the AUC had already approved the use of a proxy group with 28 U.S. companies and five
7 Canadian companies.

8 **Q. Dr. Cleary questions why Concentric used a different proxy group for NSPML in this**
9 **proceeding than in our previous evidence in Ontario or Alberta.²⁰ Please explain the**
10 **reason for those differences.**

11 A. The primary reason we used a different proxy group in this proceeding is that we are
12 estimating the ROE for an electric transmission company, NSPML, whereas the proceedings
13 in Ontario and Alberta were to set the generic cost of capital for all regulated electric and gas
14 utilities. The use of a proxy group of North American Electric T&D companies is more
15 appropriate in this instance because Maritime Link has unique business and operating risks
16 as an electric transmission company that owns and operates a subsea cable. The purpose of
17 selecting a proxy group is to identify those companies with comparable business and financial
18 risk as the company for which the return is being set. It is not necessary or appropriate to use
19 same proxy group in each proceeding, as Dr. Cleary suggests. To the contrary, the proxy group
20 should reflect the unique business and financial risks of NSPML to the extent possible.

²⁰ Direct evidence of Dr. Sean Cleary at 7-8.



1 **Q. Please summarize your views on the appropriate proxy group in this proceeding.**

2 A. We continue to believe it is appropriate to use the companies in our North American Electric
3 T&D proxy group to estimate the ROE for NSPML. We do not agree with Dr. Cleary's sole
4 reliance on the five Canadian companies for the reasons discussed above. Further, it is
5 important to keep in mind that the Board is setting the authorized ROE for NSPML in this
6 proceeding. While that return has previously been tied to the authorized ROE for NS Power,
7 certain intervenors such as the Small Business Advocate and the Industrial Group have
8 previously argued that NSPML's ROE should be determined based on its own unique business
9 and financial risks.²¹ Concentric's analysis uses a proxy group of companies that are
10 reasonably comparable but lower risk than NSPML in terms of business and financial risk,
11 while Dr. Cleary's Canadian proxy group is intended to reflect the risks of NS Power, a
12 vertically integrated electric utility.

²¹ Nova Scotia Utility and Review Board, Decision 2024 NSUARB 199, M11791 and M11902, November 29, 2024, at para. 46, 47 and 49.



SECTION 6:

CAPM RESULTS AND INPUTS

Q. Please summarize the results of Dr. Cleary's CAPM analysis.

A. Dr. Cleary's CAPM analysis use the following model inputs: a current risk-free rate of 3.63%; a beta coefficient of 0.45; and a market risk premium of 5.5%. Dr. Cleary then adds 50 basis points for flotation costs and financial flexibility and 40 basis points for his cost of debt adjustment to arrive at a CAPM estimate of 6.90% for his Canadian proxy group.

Q. Why are Dr. Cleary's CAPM results so much lower than authorized returns for regulated utilities in Canada and the U.S.?

A. Dr. Cleary has used unreasonable model inputs that cause the results of his CAPM analysis to be very low compared to authorized returns elsewhere. In particular, the beta coefficients and market risk premium used by Dr. Cleary are not consistent with current market data. We will discuss these issues in more detail in this section. It is important to keep in mind that the Hope decision in the U.S. states that it is the reasonableness of the end result, not the methodology employed, that determines whether rates are just and reasonable. This same principle is generally applied in Canada.

RISK FREE RATE

Q. Please summarize Dr. Cleary's testimony regarding the appropriate risk-free rate to be used in the CAPM analysis.

A. According to Dr. Cleary, the current government bond yield should be used as the risk free rate in the CAPM analysis because interest rate forecasts (such as those published by Consensus Economics) have historically overstated interest rates and that current interest



1 rates are a better source of interest rate expectations.²² Dr. Cleary uses a spot yield on
2 Government of Canada long bonds of 3.63% as of September 30, 2025.

3 **Q. Do you agree with Dr. Cleary's use of a spot bond yield as the risk-free rate?**

4 A. No, we strongly disagree with the use of spot bond yields. The bond market has been highly
5 volatile in the past year, with yields fluctuating from day to day as investors reacted to reports
6 on inflation and labor markets, shifts in central bank policy, trade disputes and geopolitical
7 events such as the ongoing conflict between Russia and Ukraine. The use of a spot yield is
8 never advisable, in our opinion, but it is particularly problematic during a period when
9 interest rates can vary by 25 basis points or more in a single month. For that reason, if the
10 Board is going to rely on current government bond yields as the risk-free rate, we would
11 recommend using the average yield over the past 30 or 90 trading days instead of the spot
12 yield on any particular day.

13 **Q. What is your conclusion regarding the risk-free rate in the CAPM analysis?**

14 A. While we continue to support the use of projected interest rates in the CAPM analysis, from
15 a practical standpoint and as Dr. Cleary correctly observes, current interest rates on
16 government bonds in Canada are similar to the October 2025 forecast from Consensus
17 Economics, while in the U.S. interest rates are projected to decline over the next several years,
18 making our use of forecast interest rates conservative as compared to current levels.

²² Direct evidence of Dr. Sean Cleary, at 35.



1 BETA

2 **Q. What beta coefficient has Dr. Cleary relied on in his CAPM analysis?**

3 A. Dr. Cleary has relied on a beta coefficient of 0.45 for the companies in his Canadian proxy
4 group, within a range from 0.30 to 0.60, which he claims is higher than the long-term average
5 of 0.35 in Canada.²³

6 **Q. Is the beta coefficient Dr. Cleary has relied on of 0.45 consistent with his own data?**

7 A. No, it is not. Table 8 of Dr. Cleary's evidence shows that average weekly betas (adjusted to the
8 industry average) for his Canadian proxy group as of December 31, 2024, were 0.663 and for
9 the historical period from 2017-2024 averaged 0.509. Both values are higher than the beta
10 coefficient Dr. Cleary uses, and the more recent values are 30% higher than the longer-term
11 average. We conclude that the beta of 0.45 in Dr. Cleary's CAPM analysis is a clear outlier
12 based on his personal judgment rather than on recent market data.

13 **Q. Is the beta Dr. Cleary has used in his CAPM analysis a reasonable measure of the**
14 **current or forward-looking market risk of the stocks in the Canadian or North**
15 **American Electric T&D proxy group relative to the broad market?**

16 A. No, it is not. Dr. Cleary reproduces a chart (labeled as Chart 21 on page 81 of his direct
17 evidence) that was presented by another witness in the 2018 Alberta GCOC proceeding.
18 Contrary to Dr. Cleary's statement that utility betas have never exceeded 1.0, the chart shows
19 that utility betas averaged well in excess of 1.0 for a period of approximately four years from
20 2010-2014. This also occurred during the COVID pandemic when utilities again traded more

²³ Direct evidence of Dr. Sean Cleary, at 46-47.



1 in line with the broad market from 2020-2024, with several electric utilities having betas that
2 exceeded 1.0.

3 **Q. Dr. Cleary objects to the use of Blume adjusted betas,²⁴ and argues that if there is a**
4 **desire or need for a mechanical approach to adjust current beta estimates that they**
5 **should be adjusted towards the long-term industry or firm average.²⁵ Do you agree?**

6 A. No, we do not agree. In our Report, we have provided an extensive discussion concerning why
7 it is reasonable to use Blume adjusted betas for regulated utilities.²⁶ This is not a contested
8 issue in cost of capital proceedings in the U.S., either at the state level or before the FERC. As
9 discussed in our Report, in the 2022 GCOC proceeding in British Columbia, the BCUC's
10 consultant Dr. Jonathan Lesser recommended the use of Blume adjusted betas in the CAPM
11 analysis for FortisBC Energy, Inc. and FortisBC Inc. Dr. J. Randall Woolridge also used Blume
12 adjusted betas in his CAPM analysis in the 2021 GRA for NS Power.²⁷ Only Dr. Cleary objects
13 to the use of the well-accepted Blume method to adjust raw betas.

14 **Q. Do you agree with Dr. Cleary that beta is a measure of business risk?**

15 A. No, we do not agree. Beta does not measure "business risk" but rather measures "portfolio
16 risk," or the risk that a given security provides no diversification value in the broader market.
17 The CAPM assumes that investors are diversified and invest efficiently to maximize return
18 and minimize risk through diversification of the investment portfolio. Accordingly, beta
19 measures a given security's impact on the overall portfolio, or to what extent that stock's
20 return will vary with the broader market. Since beta is a measurement of the covariance with

²⁴ Direct evidence of Dr. Sean Cleary, at 46.

²⁵ Ibid.

²⁶ Report of Concentric Energy Advisors, Inc., at 42-44.

²⁷ See, Testimony and Exhibits of Dr. J. Randall Woolridge on behalf of the Nova Scotia Consumer Advocate in M10431, 2022-2024 General Rate Case of Nova Scotia Power Inc., June 14, 2022, at 53-54.



the broader market, firms that closely track the market will be deemed riskier since that stock is reflecting overall market risk. Conversely, firms that may have very volatile earnings and returns (high business risk) but do not closely correlate with returns of the broader market will, by definition, have low betas and represent attractive opportunities for portfolio diversification and minimization of systematic market risk. Accordingly, it is incorrect to assume that firms with low betas have “low business risk.” Therefore, we disagree with Dr. Cleary that higher beta estimates for U.S. utilities (which are only modestly higher than Canadian utility companies based on Dr. Cleary’s evidence) are proof that those U.S. utility companies have higher business risk.

Q. What is your conclusion with regard to the appropriate beta coefficients?

A. All beta estimates require adjustment; it’s only a matter of what method is used. We continue to support the use of Blume adjusted betas from Bloomberg and Value Line based on weekly return data over a five-year period, as opposed to raw betas or betas adjusted to the industry average. For the reasons discussed in our Report, we find these Blume adjusted betas to be most representative of investors’ forward-looking expectations for Canadian and U.S. utility companies. This is consistent with the BCUC’s decision in 2023 that adopted the use of Blume adjusted betas in the CAPM analysis.

MARKET RISK PREMIUM

Q. Dr. Cleary relies on a variety of sources to estimate the MRPs used in his CAPM analysis. Does his approach lead to a reasonable end result?

A. No, it does not. Dr. Cleary uses a market risk premium of 5.5% within a range of 4-6% because “it appears that stock markets reflect fairly normal conditions in terms of P/E ratios, dividend yields and below average market volatility as measured by the VIX and Canadian VIX



indexes.”²⁸ Dr. Cleary also notes that A-rated utility credit spreads in Canada are currently below the historical average level, although this is counterbalanced by “uncertainty due to global trade tensions, which poses a risk to future economic growth.”²⁹ When combined with the betas and risk-free rates proposed by Dr. Cleary, his MRP estimate leads to an unreasonably low CAPM estimate.

Q. Please explain your concerns with the MRP that Dr. Cleary has used in his CAPM analysis.

A. Dr. Cleary’s discussion of the market risk premium is framed by his evidence regarding an expected 7.5% return for the broad market in Canada. We have previously discussed our concerns with these estimates given the long-term historical returns of Canadian and U.S. large company stocks. In our view, it is simply not reasonable to base the MRP for Canada or the U.S. on an expected market return that is substantially lower than the historical experience in both countries. There is no reason to believe that future market returns are going to be substantially lower (3.5 percentage points in the case of Canada) than the average realized market return over the past century.

Dr. Cleary’s MRP estimate of 5.5% is not reasonable by comparison to historical standards given the current level of bond yields. As explained in our Report, there is a well-established inverse relationship between interest rates and the MRP. That is, as interest rates increase, the MRP generally decreases and vice versa.³⁰ While interest rates have increased since March 2022 when central banks began tightening monetary policy in response to elevated levels of inflation, they remain well below the long-term average levels (of approximately

²⁸ Direct evidence of Dr. Sean Cleary, at 41.

²⁹ Ibid.

³⁰ Report of Concentric Energy Advisors, Inc., at 49.



1 5.3% in Canada and 5.0% in the U.S.) that were used by Kroll to calculate the historical
2 average MRP of 5.75% in Canada and 7.31% in the U.S. Therefore, Dr. Cleary's MRP estimate
3 of 5.5% is understated because it does not take into account this inverse relationship. As
4 shown in Figure 26 of our Report, the average historical MRP for Canada and the U.S. is 6.58%.
5 This historical average also is well below current forward-looking estimates of the MRP for
6 both countries, which were in the range of 11.2% in Canada and 8.7% in the U.S. as of
7 September 30, 2025.

8 **Q. What is your conclusion regarding the market risk premium?**

9 A. We continue to support using the average historical MRP for Canada and the U.S. as a
10 conservative estimate of the MRP in the CAPM analysis. We do not agree with Dr. Cleary's use
11 of a market risk premium based on understated estimates of the market return, investor
12 surveys, or academic research. Current market data and historical return information are
13 more reliable indicators of the expected market risk premium than investor surveys or
14 academic research, both of which reflect a specific point in time that may not be
15 representative of current or expected market conditions, and which are static values that do
16 not reflect the inverse relationship between interest rates and the equity risk premium.

17 **Q. Please summarize your conclusions with respect to the CAPM analysis.**

18 A. Our CAPM analysis is based on projected 30-year government bond yields in Canada and the
19 U.S., Blume adjusted beta coefficients from Bloomberg and Value Line, and the historical
20 market risk premium for Canada and the U.S. based on historical return data reported by
21 Kroll for the past century. Our CAPM estimate is 8.82% for the North American Electric T&D
22 proxy group. By contrast, Dr. Cleary's CAPM result is driven by unreasonably low model
23 inputs for the market risk premium and beta. This causes his CAPM analysis to produce a



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REBUTTAL EVIDENCE
PREPARED FOR NSP MARITIME LINK INC.

1 return estimate of only 6.9%, or 210 basis points lower than the current authorized ROE for
2 NSPML and well below than any authorized ROE for a Canadian regulated utility in at least
3 the last 30 years. This is not a reasonable return estimate for NSPML and should be rejected
4 by the Board.



1 SECTION 7:

2 **DCF RESULTS AND INPUTS**

3 **Q. Please summarize the DCF model results presented by Dr. Cleary.**

4 A. Dr. Cleary presents single-stage and two-stage DCF model results for both the broad market
5 in Canada and for regulated utilities in Canada and the U.S. (based on the proxy group
6 companies used by the AUC). His DCF estimates for the broad market range from 6.74% to
7 7.21%, with a midpoint of approximately 7.0%. The midpoint of his DCF estimates for
8 Canadian regulated utilities is 7.01%, and for U.S. regulated utilities is 6.63%. Dr. Cleary then
9 adds 50 basis points for flotation costs and financial flexibility and 40 basis points for his cost
10 of debt adjustment to arrive at a DCF estimate of 7.91% for the Canadian regulated utilities.

11 **Q. Why are Dr. Cleary's DCF model results so low compared to authorized ROEs for**
12 **regulated electric utilities, including transmission companies, in Canada and the U.S.?**

13 A. Dr. Cleary uses unreasonably low growth rates in his application of the DCF model.
14 Specifically, he uses nominal GDP growth of 3.3-4.3% and sustainable growth of 1.64% for
15 the Canadian proxy group companies and 3.10% for the U.S. proxy group companies. These
16 low growth rates cause his DCF models to understate the cost of equity for NSPML. As
17 discussed in this section of our Reply evidence, the historical and projected EPS and DPS
18 growth rates for North American electric utility companies are significantly higher than the
19 growth rates used by Dr. Cleary in his DCF analyses.



Q. Dr. Cleary states that “even the assumption of nominal GDP growth (i.e., average growth) estimated previously as 3.3-4.3% is an ambitious target for regulated utilities that operate virtual monopolies in mature markets, with little opportunity for dramatic growth.”³¹ Do you agree?

A. No, we do not. According to Dr. Cleary, it is a mathematical fact that if one uses a long-term growth rate to infinity in the single-stage DCF model that is greater than nominal GDP growth, then that company or group of companies would eventually subsume the global economy. While this concept may have some theoretical merit in the abstract, from a practical perspective, we disagree that a utility cannot achieve a growth rate that exceeds nominal GDP for an extended period of time. As shown in Figure 6 below, the average historical EPS and DPS growth rates for a large sample of North American electric utilities have modestly exceeded nominal GDP of 4.41% in Canada and 4.75% in the U.S. for the period from 2009-2024.

Figure 6: Historical EPS and DPS Growth Rates for Electric Utilities

	EPS Growth	DPS Growth
Average	4.76%	4.94%
Median	4.48%	4.55%

While this analysis does not extend to “infinity”, the projected EPS and DPS growth rates for the North American electric utilities are only slightly higher than projected GDP growth, meaning that for all practical purposes such growth rates would not result in any of these

³¹ Direct evidence of Dr. Sean Cleary, at 57.



companies becoming larger than the entire economy or market, as Dr. Cleary postulates. Nevertheless, our recommended ROE is based on the average results of the Multi-stage DCF model (not the Constant Growth DCF model), the CAPM analysis using a historical market risk premium, and the Bond Yield Plus Risk Premium model. Furthermore, in our view, the use of nominal GDP growth in a Multi-stage model is a highly conservative assumption, and that to use nominal GDP as the sole growth rate assumption in the Constant Growth model would substantially understate the cost of equity for utilities because it does not reflect the expected earnings growth rates for these companies for the foreseeable future.

Q. Dr. Cleary also uses a sustainable growth rate calculation for his Constant Growth DCF model that results in a growth rate estimate of 1.64% for the Canadian companies and 3.10% for the U.S. companies.³² Are those reasonable estimates?

A. No, they are not. As demonstrated in Figure 6 above, those growth rates are not reasonable compared to the historical average EPS and DPS growth rates for the North American electric utilities of 4.78% and 4.89% from 2009-2024. Even Dr. Cleary's high end sustainable growth rate of 3.10% is 94 to 114 basis points lower than the nominal GDP forecasts of 4.04% for Canada and 4.24% for the U.S. at the time our ROE analysis was conducted.

Dr. Cleary's sustainable growth rates are summarized in Tables 10 and 11 and the calculations are shown in Attachment M to his direct evidence. This sustainable growth rate is calculated based on seven years of average dividend payout ratios and seven years of earned ROEs at the holding company level. A review of Attachment M shows that three of the five Canadian companies had dividend payout ratios of 100% in 2024, while at least one company (Algonquin Power and Utilities Corp.) reported an earned ROE of negative 4.12%

³² Direct evidence of Dr. Sean Cleary, at 58, Table 11.



1 in 2022 and negative 29.66% in 2024. The dividend payout ratio data is not consistent with
2 industry norms. The average dividend payout ratio for electric utilities is typically in the
3 range from 60-70% of earnings. Since sustainable growth = $(1 - \text{payout ratio}) \times \text{ROE}$, a 100%
4 payout ratio will yield a 0% growth rate. Moreover, it is not reasonable to assume a negative
5 earned ROE in the calculation of the sustainable growth rate because investors would not be
6 expected to continue holding shares in a company with negative returns.

7 Further, Dr. Cleary's sustainable growth rate does not take into account growth in shares
8 outstanding (which is commonly referred to as "S x V" in the sustainable growth rate
9 calculation, where "S" represents the number of shares and "V" represents the price of those
10 shares) for the proxy group companies. Dr. Cleary's data is questionable and should not be
11 relied upon for the calculation of sustainable growth rates in his DCF analysis. Further, as we
12 have shown above, utility EPS and DPS growth rates are significantly higher than the
13 sustainable growth rates reported by Dr. Cleary. His average growth rate for his primary
14 Canadian proxy group of 1.64% is unrealistically low, as is his DCF result of 7.01% for the
15 Canadian proxy group (before adding adjustments for flotation costs and for NS Power's BBB-
16 credit rating).

17 **Q. Dr. Cleary uses the same data set to calculate the short-term growth rate in his two-**
18 **stage DCF results. Do you have similar concerns with that analysis?**

19 **A.** Yes. We have the same concerns with the data that Dr. Cleary has used to calculate the implied
20 growth rates that are used in his two-stage DCF model, or "H-model."



1 **Q. Dr. Cleary's sustainable growth rate of 1.64% for the Canadian proxy group implies**
2 **negative real growth for utilities given his expectation that inflation will average 2.0%**
3 **in Canada. Are such growth rate estimates reasonable?**

4 A. No, they are clearly not. The AUC rejected Dr. Cleary's argument in the 2018 and 2023 GCOC
5 proceedings that it was reasonable to use sustainable growth rates in the DCF model that are
6 lower than the expected inflation rate.³³ We agree with the AUC's previous finding that it is
7 not reasonable to use negative real growth rates in the DCF model because an investor would
8 not be expected to purchase or hold shares in a company which that investor expected would
9 have negative real growth over the long-term. The DCF model assumes positive growth rates
10 in perpetuity, and one of the screening criteria used by the AUC to establish the North
11 American comparator group was that a company must have positive projected EPS growth
12 rates from at least two sources.

13 **Q. Dr. Cleary contends that the growth rates in Concentric's DCF analysis are overstated,**
14 **and that your short-term earnings growth rates are upwardly biased.³⁴ What is your**
15 **response?**

16 A. We do not agree that the forecast earnings growth rates in our DCF analysis are overstated
17 or upwardly biased. These growth rates are developed by equity analysts who are experts on
18 the companies they cover, and the growth rates are used in developing stock price targets for
19 each company. According to Dr. Cleary's evidence, Mr. Coyne agreed in the past with the
20 findings in an article by Easton and Sommers that found evidence of analyst bias.³⁵ However,
21 Dr. Cleary has misrepresented Mr. Coyne's position. The citation from Mr. Coyne's rebuttal

³³ Alberta Utilities Commission, Determination of the Cost of Capital Parameters in 2024 and Beyond, Decision 27084-D02-2023, October 9, 2023, at para. 154; and Alberta Utilities Commission, 2018 Generic Cost of Capital, Decision 22570-D01-2018, August 2, 2018, at para 439.

³⁴ Direct evidence of Dr. Sean Cleary, at 8.

³⁵ Ibid.



1 testimony in the 2018 Alberta GCOC proceeding was a direct quote from a text co-authored
2 by Dr. Cleary that Mr. Coyne was referencing and responding to, and was not an
3 acknowledgement of analyst bias, as asserted by Dr. Cleary. Mr. Coyne disagreed then, and
4 now, with Dr. Cleary that analyst growth rates are biased.

5 **Q. What are your conclusions regarding the appropriate growth rate to be used in the DCF**
6 **model?**

7 A. We continue to support the use of a Multi-stage DCF model where the first stage growth rate
8 is based on analysts' projected EPS growth over the next five years, the third stage is based
9 on projected nominal GDP growth, and the second stage is a linear transition from the first
10 stage growth rate to the third stage growth rate. We strongly disagree with the use of
11 sustainable growth rates, especially as Dr. Cleary has computed them using dividend payout
12 ratios and earned ROEs that are not reasonable, and we also strongly disagree with Dr.
13 Cleary's use of nominal GDP growth as the only growth rate in the Constant Growth DCF
14 model, because there is evidence that North American electric utilities have been able to grow
15 their earnings and dividends at a rate greater than GDP growth at least in the short-term (i.e.,
16 the past 15 years). In summary, our Multi-stage DCF model provides a conservative estimate
17 of the ROE for NSPML, while Dr. Cleary's DCF analyses understate the cost of equity because
18 he has used unreasonably low growth rate assumptions.



SECTION 8:

RISK PREMIUM MODEL

Q. Dr. Cleary also presents a Bond Yield plus Risk Premium model which simply adds a flat risk premium to current yields on long-term utility bonds.³⁶ Is this a reliable model for determining the cost of equity?

A. No. Dr. Cleary's Risk Premium analysis is overly simplistic. It is based on the current bond yield for NS Power of 4.97%, to which he adds a "low risk premium" of 2.5% and an adjustment of 50 basis points for flotation costs and financial flexibility to derive his Risk Premium estimate of 7.97%. Dr. Cleary has provided no evidence to support his estimated risk premium of 2.5% for utilities. Moreover, as discussed previously, the bond yield and equity risk premium are inversely correlated, and Dr. Cleary makes no adjustment for that relationship in his Risk Premium model. His Risk Premium analysis is a static model and is therefore without merit because the level of the risk premium does not remain constant (i.e., at 2.5%) as interest rate conditions change. In its March 2025 Decision and Order in EB-2024-0063, the Ontario Energy Board set a base ROE for regulated electric and gas utilities of 9.0% using a forecast of the long-term Canada bond of 3.13%.³⁷ This implies an equity risk premium of 5.87% for regulated utilities over the Government of Canada long bond yield. Adding this risk premium to Dr. Cleary's current government bond yield of 3.63% produces an ROE estimate of 9.50%, not including the adjustment of 50 basis points for flotation costs and financial flexibility.

By comparison, we have presented Risk Premium analyses for both Canada and the U.S. based on a regression equation that measures the expected risk premium at varying yields on the 30-year Treasury bond. Concentric's Risk Premium model reflects the inverse relationship

³⁶ Direct evidence of Dr. Sean Cleary, at 60-61.

³⁷ See Schedule D of OEB Decision and Order EB-2024-0063, March 27, 2025.



- 1 between interest rates and the equity risk premium and therefore provides a more
- 2 reasonable estimate of equity returns given changes in government bond yields.



SECTION 9:

ALBERTA DECISIONS AS SUPPORT FOR DR. CLEARY'S POSITIONS

Q. Dr. Cleary quotes numerous decisions of the Alberta Utilities Commission over the past decade and implies that the AUC agrees with many of his methods and model inputs. What is your response to this portion of Dr. Cleary's evidence?

A. While we recognize that the AUC has agreed with certain aspects of Dr. Cleary's previous evidence in Alberta, Dr. Cleary fails to mention the numerous occasions when the AUC has discounted his evidence or ignored his recommendations. For example, the AUC has:

- Rejected his arguments about using only Canadian companies in the proxy group for Alberta's regulated utilities when he deviated from the North American proxy group that the AUC had determined was reasonable in the recent 2023 GCOC proceeding;³⁸
- Rejected his risk premium of 2.5% for utilities as unreasonably low;³⁹
- Rejected his sustainable growth rates in the DCF model as understated;⁴⁰
- Rejected his "H-model" which is a form of the multi-stage DCF model;⁴¹
- Rejected his use of a spot bond yield as the risk-free rate in the CAPM analysis;⁴² and
- Used a substantially higher beta coefficient than the 0.45 recommendation of Dr. Cleary.⁴³

³⁸ Alberta Utilities Commission, Determination of the Cost of Capital Parameters in 2024 and Beyond, Decision 27084-D02-2023, October 9, 2023, at para. 103-104.

³⁹ Ibid, at 168.

⁴⁰ Ibid, at 154.

⁴¹ Ibid, at 164.

⁴² Ibid, at 112.

⁴³ Ibid, at 132.



1 **Q. What is your understanding of the purpose of these references to AUC decisions that**
2 **are cited throughout Dr. Cleary's evidence?**

3 A. Dr. Cleary appears to be suggesting that the NSEB should find these previous decisions in
4 Alberta to be informative in the current proceeding for NSPML in Nova Scotia. While the
5 decisions of other regulators can be useful under certain circumstances, the Board is certainly
6 not bound by the prior decisions of the AUC or any other regulatory body. However, if Dr.
7 Cleary believes the AUC decisions are informative, we observe that his recommendation in
8 the 2023 GCOC proceeding was an authorized ROE of 6.75% for Alberta's regulated electric
9 and gas utilities, while the AUC ultimately approved an authorized ROE of 9.0%, or 225 basis
10 points higher than Dr. Cleary's recommendation. Given Dr. Cleary's recommendation of an
11 authorized ROE of 7.6% for NSPML in this proceeding, a similar finding by the Board would
12 support an authorized ROE of 9.85% for the Maritime Link.

13 **Q. Please summarize Dr. Cleary's evidence comparing NS Power's earned versus**
14 **authorized ROEs. Should this return data be used as a measure of NSPML's business**
15 **risk?**

16 A. Dr. Cleary suggests that a key benchmark of business risk is whether a utility earns its
17 authorized ROE. Specifically, Dr. Cleary compares the average earned return of 7.51% for his
18 Canadian proxy group at the holding company level from 2018-2024 to the authorized ROE
19 of 9.0% for NS Power and concludes that this analysis implies that NS Power's authorized
20 ROE could be lower because investors are not expecting to actually earn 9.0% from their
21 investment in utility stocks.⁴⁴ We do not agree that it is appropriate to compare earned
22 returns at the holding company level to authorized returns at the operating subsidiary level,
23 as Dr. Cleary has done. This is an apples to oranges comparison; one measures earned

⁴⁴ Direct evidence of Dr. Sean Cleary, at 62.



1 returns for a diversified holding company, and the other measures allowed returns at the
2 operating level. Had Dr. Cleary wanted to evaluate business risk, he might have compared
3 NSPML's earned ROE to its authorized level, as shown in Figure 27 of our Report, which
4 demonstrates that NSPML was not able to earn its authorized return in five of the seven years
5 since the Maritime Link was placed in service. In addition, as mentioned in our discussion of
6 Dr. Cleary's sustainable growth rate calculation, the earned ROE for Algonquin Power was
7 negative in both 2022 and 2024. Those returns should be excluded from the data.

8 Further, in our experience, earned returns are unreliable because it is difficult to obtain the
9 necessary accounting data to make the adjustments needed to the reported returns based on
10 regulatory accounting conventions. Contrary to Dr. Cleary's assertion that utilities earn well
11 in excess of their cost of equity, we are not aware of any regulator in North America that relies
12 on price/book ratios in setting the authorized ROE for public utilities. In his text, New
13 Regulatory Finance, Dr. Roger Morin has commented on the validity of arguments regarding
14 the price/book ratio for utilities as follows:

15 *Historically, it has been highly unusual for utility stock prices to equal book value. Stock*
16 *prices above book value are common for utility stocks, and indeed for all of the major*
17 *market indexes. It is obvious that regulators, through their rate case decisions, and*
18 *investors do not subscribe to the notion that market prices above book value are over-*
19 *earning. Otherwise, regulators would not grant rate increases for any utility whose*
20 *stock price was above book value, and investors would never bid up the price of stock*
21 *above book value. It is very difficult to accept the notion that, in a free-market economy*
22 *with rampant competition, the vast majority of all publicly traded stocks are earning*
23 *well in excess of their cost of capital.⁴⁵*

⁴⁵ Dr. Roger A. Morin, *New Regulatory Finance*, 2006, at 378.



1 SECTION 10:

2 **DEEMED EQUITY RATIO FOR NSPML**

3 **Q. Please summarize Dr. Cleary's evidence as it relates to NSPML's deemed equity ratio.**

4 A. Dr. Cleary recommends that NSPML's equity ratio for original capital should remain at 30%
5 and that its equity ratio for "sustaining capital" should equal that of the requested allowed
6 equity ratio for NS Power, which is currently set at a reasonable level of 40%.⁴⁶ In support of
7 his recommendation, Dr. Cleary notes that "[w]hile NSPML faces unique operational risks that
8 are not faced by NSPML (we assume he means NS Power), this risk is offset to a significant
9 degree by its lack of generational assets, and even more so by the existence of the low-risk
10 debt used to finance the Maritime Link project" which is guaranteed by the Government of
11 Canada.⁴⁷

12 **Q. What is your conclusion with respect to the business risk of NSPML and the**
13 **appropriate deemed equity ratio?**

14 A. Our conclusion is that NSPML has greater than average business risk compared to the North
15 American T&D proxy group, and the deemed equity ratio of 30% on existing capital is low
16 compared to the equity ratios of investor-owned electric utilities elsewhere in Canada. In
17 addition, credit rating agencies such as DBRS Morningstar and S&P have commented on the
18 regulatory and political environment in Nova Scotia as a source of uncertainty, instability,
19 and risk for NS Power and its investors.⁴⁸ The debt capital during the construction phase of
20 the Maritime Link was supported by a Federal Loan Guarantee ("FLG"), which made it
21 possible to set the deemed equity ratio at 30%. However, we strongly disagree with Dr.

⁴⁶ Direct evidence of Dr. Sean Cleary, at 67.

⁴⁷ Ibid, at 71.

⁴⁸ See, for example, DBRS Morningstar, Nova Scotia Power, Inc. Rating Report, January 19, 2023, at 1-2.



1 Cleary that the FLG lowers the risk for equity investors. As explained in our response to Cleary
2 Request IR-11(a): “Concentric is asserting that the Maritime Link Financing Trust as
3 guaranteed by the government of Canada does not lower risk for equity investors. The
4 guarantee is for the benefit of debt investors only. Any disallowances are 100% assigned to
5 equity, and given the relatively thin equity ratio, these risks are disproportionately larger than
6 would be the case with a typical capital structure.”

7 As we state in our Report, and as Dr. Cleary agrees, it is reasonable to allow NSPML a deemed
8 equity ratio of 40% on sustaining capital that the Company expects to invest over the next 30
9 years. This sustaining capital will not benefit from the FLG; therefore, a deemed equity ratio
10 equivalent to that for NS Power is reasonable, if not conservative.



SECTION 11:

CONCLUSIONS AND RECOMMENDATIONS

Q. Please summarize your conclusions and recommendations.

A. We continue to support our ROE analysis for the North American T&D proxy group, and we continue to find that it is reasonable to add a risk adjustment of 75 – 100 basis points to the average ROE for the North American Electric T&D proxy group of 9.34% to compensate investors for the unique business and operating risks faced by Maritime Link as a subsea transmission cable. Our evidence demonstrates that authorized ROEs for similar transmission cables are in the range from 10.50% to 13.57%, with allowed equity ratios of 50% or higher. In addition, FERC authorized returns for electric transmission companies are generally in a range of 10.0 to 11.0% and include adders to provide incentives for building electric transmission lines and for participation in an ISO/RTO. For all of these reasons, Concentric continues to support our ROE recommendation of 10.10% to 10.35% for NSPML. The Company's request to maintain its authorized ROE of 9.0% is very conservative, given the market data we have presented and the authorized returns of comparable companies. Nothing in the testimony of Dr. Cleary causes us to change our conclusions and recommendations.

Q. Does this conclude your Reply Evidence?

A. Yes, it does.