



BY EMAIL

September 23, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Generic Proceeding – Cost of Capital and Other Matters
Ontario Energy Board File Number: EB-2024-0063
OEB Staff Revised Expert Report**

In its response to interrogatories (see N-M1-10-VECC-36 and N-M1-10-VECC-40) filed on August 22, 2024, OEB staff's expert, London Economics International LLC (LEI), acknowledged two inadvertent errors in its expert report filed as Exhibit M1. One was a typographical error (on pages 114 and 116), and the other an incorrect value in Figure 36, which impacted values on pages 113, 124, 125, and Figure 46 (on page 125).

For convenience, OEB staff is refiling the report with the corrections.

In addition, LEI advises that in preparing for the upcoming hearing, it noticed a few minor refinements (to footnote references) and an instance of confusing wording (page 127). It has taken the opportunity to revise those as well.

LEI advises that none of the revisions affects its conclusions or recommendations.

In accordance with Rule 11 of the [Rules of Practice and Procedure](#), the revised report indicates where significant changes have been made. A table summarizing the changes is below:

Table 1 – Summary of Significant Changes in LEI Expert Report

| Page Number | Original Document (June 21, 2024) | Revised Document (September 23, 2024) – Significant Revisions |
|-------------------------------------|---|--|
| 114, 116 | The LEI report states ‘30-year Government of Canada (“GoC”) government bond yield’ was used as one of the independent variables to determine adjustment factors. | <p>LEI performed regression analyses using ‘30-year US Treasury bond yield’ data to determine the adjustment factors.</p> <p>As stated in the interrogatory response N-M1-10-VECC-40, reference to 30-year GoC government bond yields is a typographical error (which does not impact any calculations).</p> |
| 113, 124, 125, Figure 36, Figure 46 | <ul style="list-style-type: none"> • Alternative #1 and #3 for ROE determination: LEI determined a base ROE of 8.65% using the ERP approach. • Alternative #6 for ROE determination: The average of ROEs determined using the CAPM approach (8.95%), DCF approach (10.77%), and ERP approach (8.65%) resulted in a base ROE of 9.46%. | <p>As stated in the interrogatory response N-M1-10-VECC-36, LEI inadvertently considered average bond yields as 3.37% for both periods.</p> <p>The corrected calculations are provided in the interrogatory response, which resulted in a base ROE of 9.09% (Alternative #1 and #3).</p> <p>The updated Alternative #1 and #3 impacts the base ROE for Alternative #6, which is updated to 9.60%.</p> <p>None of these changes impact LEI’s recommendations (i.e., base ROE of 8.95% using the CAPM approach).</p> |

Yours truly,

Fiona O’Connell
Senior Advisor, Regulatory Accounting, Operations Decision Support

c: All parties to EB-2024-0063