Q. Re: BVP-24: Early Retirement Programs 2000, 2001 Why was a discount rate of 7.22% selected to evaluate these decisions rather than the company's weighted average cost of capital?

A. The discount rate of 7.22% used in the financial analysis of the 2000 Early Retirement Program represents the after-tax weighted average cost of capital for the 1999 test year, adjusted to reflect the revised rate of return for 2000 approved by the Board in Order No. P.U. 20 (1999-2000).

Order No. P.U. 30 (2000-2001) directed that there be no change in the Company's rate of return for 2001. Consequently, the after-tax weighted average cost of capital used in the analysis of the 2001 Early Retirement Program remained unchanged at 7.22%.

Using the appropriate test year after-tax weighted average cost of capital as the discount rate is consistent with the methodology used in the financial analysis of the 1997 and 1999 Early Retirement Programs approved by Order Nos. P.U. 14 (1997-1998) and P.U. 24 (1999-2000), respectively.