

1 **Q. If 10.75 were substituted for 13.30 as the cost of common equity in the above table,**
2 **would the proposed rate of return on rate base be 9.36% instead of 10.48%? If the**
3 **answer is anything other than “yes”, please explain and provide a corrected**
4 **calculation.**

5
6 A. Please refer to the response to Request for Information PUB-259.

7
8 The 9.36 per cent represents the proposed weighted average cost of capital for 2003 and
9 not the proposed rate of return on rate base. The 2003 proposed rate of return on rate
10 base using a 9.36 per cent weighted average cost of capital will result in a rate of return
11 on rate base of 10.48 per cent.

12
13 The calculation of weighted average cost of capital for 2003 proposed is shown in Exhibit
14 BVP-18, line 23.

15
16 The calculation of the rate of return on rate base proposed for 2003 is shown Exhibit
17 BVP-19, pages 2 of 2, lines 17-24.