

Q. (Re: p.13)  
Please explain the derivation of the 1.655% found in the table on p. 13.

A. The derivation of the 1.655% found on line 13 of page 13 is as follows:

$1.655\% = \text{Cost of Equity (9.000\%)} \text{ minus } \text{Cost of Funded Debt (7.345\%)}$

It is based on the principle that a portion of the funded debt is deemed to be equity (based on the debt guarantee provided) and is assigned a risk premium over the cost of debt.