

1 Q. Further to NP-142 (d), provide the rationale for earning margin on the mid-
2 year balances in RSP and CWIP.

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4 A. The mid-year balance of RSP and CWIP represents the average amount
5 outstanding during the year. The RSP and CWIP are not financed by debt
6 alone, rather, they are financed by the same proportions of capital as the rate
7 base assets. Therefore, the weighted average cost of capital rather than the
8 embedded cost of debt is the appropriate rate to apply to both the RSP and
9 the CWIP. Please refer to the evidence of K.C. McShane, pages 10 - 11,
10 and the responses to PUB-65 and PUB-66.