

1 Q. Reconcile the 10.75% requested rate of return on equity for 2004 with the
2 10.4% 2004 rate of return on equity shown in the Finance and Corporate
3 Services evidence, Schedule IX.

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6 A. The lower rate of return on equity arises because Hydro does not earn an
7 equity return on rural assets, as calculated on Schedule IV, J.C. Roberts.
8 Consequently the rate of return on rate base is 8.25% (Schedule III, J.C.
9 Roberts) rather than the 8.44% weighted average cost of capital (Schedule
10 V, J.C. Roberts).

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12 Please refer also to NP-5 NLH for a reconciliation of the equity return that is
13 recovered through electricity rates, and net income for financial statement
14 purposes.