Q. If only 50% of the proposed 2004 capital budget is approved, how much less will the weighted average cost of capital be in each of 2004, 2005 and 2006 based on a return on equity of 10.75% and based on a return on equity of 3.0%?

A. A change in the dollar value of Hydro's capital program should not have a direct impact on Hydro's weighted average cost of capital. Hydro's financing requirements are met through a combination of debt and equity, in proportion to the company's capital structure. The cost of that debt and equity would not be expected to change with a change in Hydro's 2004 capital program, and as such, neither would the overall weighted average cost of capital.