

Q. With respect to Exhibit 8, please provide the cost of debt and cost of equity assumptions (and the basis for same) for each of the years 2011 to 2015 which are used by the company to assume an incremental cost of capital of 4.83% in 2011 and 2012 and 7.35% thereafter as per footnote 3 of that Exhibit.

A. The incremental cost of capital used in the revenue requirement analysis in Exhibit 8 for 2011 and 2012 was 5.83%, and not 4.83% as indicated in the question.

Table 1 shows the cost of capital assumptions used in the revenue requirement analysis in Exhibit 8 for the period 2011 through 2015.

Table 1
Incremental Cost of Capital
(Percent)

	Cost of Equity¹	Incremental Cost of Debt²	Incremental Cost of Capital³
2011	8.38	3.75	5.83
2012	8.38	3.75	5.83
2013	8.38	6.50	7.35
2014	8.38	6.50	7.35
2015	8.38	6.50	7.35

¹ The 8.38% cost of equity was approved by the Board in Order No. P.U. 32 (2010).

² The incremental cost of debt of 3.75% used for 2011 and 2012 is based on the Company's 2011 and 2012 forecast cost of short-term debt. The rate was determined based on a review of forecast short-term rates as published by the five major Canadian Chartered Banks. The incremental cost of debt of 6.50% used for the period 2013 to 2015 is based on the forecast coupon rate for the Company's next expected long-term debt issue in 2013. The rate was estimated based on forecast long-term Canada Bond rates and an applicable credit spread. The coupon rate on the Company's last long-term bond issue (Series AM in 2009) was 6.61%.

³ The incremental cost of capital is based on an incremental capital structure of 55% debt and 45% common equity.