Q: Reference: Schedule 23, Page 1 of 2, Industrial Companies Equity Return Data

Please indicate for each company all years in which an adjustment was made to the ROCE data presented in Schedule 23 and the nature of the adjustment made.

A: There were no "adjustments" per se made to some given ROCE values. Rather, Dr. Cannon used the information in the annual reports of his industrial-sample companies to calculate the appropriate ROCE values directly. These ROCE values are the ones appropriate for use within the context of the Comparable Earnings Test to assess a fair return on book value for rate-regulated utilities. The figures on page 1 of schedule 23 are calculated as the ratio of (a) and (b) where (a) is the company's earnings available for common shareholders excluding extraordinary items (such as the gains and losses on the sale/disposal of major assets and investments) but including the earnings on discontinued operations, and (b) is the average of the beginning and ending common shareholders' equity for the corresponding year. There are no "adjustments" from some pre-ordained value, but rather calculations based on the figures provided in these firm's income statements and balance sheets, and in the footnotes to their financial statements where the separate components of some of the income statement values are detailed..