

**Calculation of the Gross Rate
 of Return on Rate Base**

	Col.1	Col.2	Col.3	Col.4	Col.5
Line No.	Capital Structure Component (Note 1)	Indicated Cost Rate (Note 1)	Net Return Component (Note 1)	Reciprocal of the Tax rate (Note 2)	Gross Return Component
	%	%	%		%
1. Long-term debt	62.28	4.83	3.01		3.01
2. Short-term debt	<u>0.05</u>	1.23	<u>0.00</u>		<u>0.00</u>
3. Tax shielded	<u>62.33</u>		<u>3.01</u>		<u>3.01</u>
4. Preference shares	1.67	2.24	0.04	0.7350	0.05
5. Common equity	<u>36.00</u>	8.78	<u>3.16</u>	0.7350	<u>4.30</u>
6. Non tax shielded	<u>37.67</u>		<u>3.20</u>		<u>4.35</u>
7.	<u>100.00</u>		<u>6.21</u>		<u>7.36</u>

Note 1: The source for Columns 1 to 3 is the 2017 cost of capital found in the EB-2016-0215, Decision and Rate Order, Schedule 4, Page 8, Columns 2 to 4, Dated: 2016-12-08, as explained at Exhibit Q3-2, Tab 2, Schedule 1, paragraph 5.

Note 2: The Board Approved 2017 corporate income tax rate of 26.5% is to be used within the gross return calculation for 2017.