

**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	61.84	4.70	2.91		2.91
2. Short-term debt	<u>0.56</u>	1.60	<u>0.01</u>		<u>0.01</u>
3. Tax shielded	<u>62.40</u>		<u>2.92</u>		<u>2.92</u>
4. Preference shares	1.60	2.72	0.04	0.7350	0.06
5. Common equity	<u>36.00</u>	9.00	<u>3.24</u>	0.7350	<u>4.41</u>
6. Non tax shielded	<u>37.60</u>		<u>3.28</u>		<u>4.47</u>
7.	<u><u>100.00</u></u>		<u><u>6.20</u></u>		<u><u>7.38</u></u>

Note 1: The source for Columns 1 to 3 is the 2018 cost of capital found in the EB-2017-0086 Decision and Rate Order, Schedule 4, Page 8, Columns 2 to 4, Dated: 2017-12-07, as explained at Exhibit Q2-2, Tab 2, Schedule 1, paragraph 5.

Note 2: The Board Approved 2018 corporate income tax rate of 26.5% is to be used within the gross return calculation for 2018.