

**WEIGHTED AVERAGE COSTS OF CAPITAL
ATCO ELECTRIC (DISTRIBUTION) AND ATCO GAS**

ATCO Electric - Distribution

	Proportion	Cost	Weighted Cost
Long Term Debt	54.28	7.54	4.09
Preferred Stock	6.78	5.50	0.37
Common Equity ^{1/}	35.84	9.50	3.40
No Cost Capital	3.11	0.00	0.00
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After-Tax Cost of Capital			7.87
Income Tax Allowance ^{2/}		0.325	<hr/>
Pre-Tax Cost of Capital			1.82
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			9.69

ATCO Gas - North

	Proportion	Cost	Weighted Cost
Long Term Debt	56.60	7.93	4.49
Short Term Debt	-3.60	4.00	-0.14
Preferred Stock	7.90	5.52	0.44
Common Equity	37.80	9.50	3.59
No Cost Capital	1.30	0.00	0.00
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After-Tax Cost of Capital			8.37
Income Tax Allowance ^{2/}	0.325	<hr/>	1.94
Pre-Tax Cost of Capital			10.31
Rate Base		\$465,779	

ATCO Gas - South

	Proportion	Cost	Weighted Cost
Long Term Debt	57.10	7.82	4.47
Short Term Debt	0.40	4.50	0.02
Preferred Stock	5.50	5.53	0.30
Common Equity	36.60	9.50	3.48
No Cost Capital	0.40	0.00	0.00
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After-Tax Cost of Capital			8.26
Income Tax Allowance ^{2/}	0.325	<hr/>	1.82
Pre-Tax Cost of Capital			10.08
Rate Base		\$534,573	

ATCO Gas - Combined

Weighted by Rate Base:	
After-Tax Cost of Capital	8.32%
Pre-Tax Cost of Capital	10.19%

^{1/} Cost of equity as updated for U2004-423 (2005).

^{2/} Calculated as $(t/(1-t)) \times (\text{sum of the weighted costs of the preferred and common equity components})$ where t = the tax rate.

Source:

ATCO Electric, Schedule 3, Revised Schedule 26-E-1 from December 2, 2003 Refiling, Distribution 2004 Forecast, Updated for GCC, as updated for 2005 allowed roe from Order U2004-423;

ATCO Gas Compliance Filing, May 19, 2004, Schedules 3.2-H, page 2 of 2 and 3.2-O, page 2 of 2.