

Leverage/Beta Adjustment to Company's Cost of Equity Capital

	Beta	Actual % Com Eq	Actual % Debt	Tax Rate	Unlevered Beta	Actual Debt/Equity D/E	Imputed D/E
STAFF'S COMPARABLE GROUP	0.80	0.507	0.493	0.40	0.51	0.97	1.22

Staff's Comparable Group Unlevered Beta

Tax Rate = 40%

Beta (Unlevered) = Beta (Levered)/[1 + D/E(1-T)]

Beta (Unlevered) = $0.80 / (1 + 0.60 * 0.97) = 0.51$

CH ENERGY REVISED BETA = 0.91

Beta (Relevered) = Beta (Unlevered) * [1 + D/E(1-T)]

Beta (Relevered) = $0.51 * [1 + 0.60 * 1.22] = 0.51 * (1 + 0.73) = 0.88$ 0.88

IMPACT ON COST OF EQUITY CAPITAL

Initial Beta	0.80
Relevered Beta	0.88
Difference in Beta	0.08
Staff Market Risk Premium	7.2%
Cost of equity impact	0.58%