

# ESTIMATES COMMITTEE

## Question Taken on Notice

**Date:** 12 June 2018

**Subject:** Cost of Capital for Power and Water Corporation

**From:** Leader of the Opposition, Mr Gary Higgins, Member for Daly

**To:** Hon. Nicole Manison, Treasurer

**Agency:** Department of Treasury and Finance

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**Number:** 2.4

**Question:**

Please provide the weighted average cost of capital for Power and Water Corporation. In addition, please detail if the weighted average capital of cost has increased or decreased in the period since September 2016 and or the timing of the PEFO. Please advise on the long run average of the WACC for Power and Water Corporation.

**Answer:**

***Weighted Average Cost of Capital (WACC)***

- The 2016-17 WACC was 6.0 per cent at the Corporation level and 6.5 per cent in 2017-18. The reason for the increase of 0.5 per cent is to reflect both a 0.4 per cent increase in risk free rate to 2.41 per cent and adoption of the Australian Energy Regulator's mandated market risk premium of 6.5 per cent.
- The five-year average WACC for the Corporation is 6.9 per cent.