

DERIVATION OF RD - TOU S&F ADDER

Incremental Meter Cost Recovery

<u>Installed Cost</u>	<u>Recovery Period (Years)</u>	<u>Annual Levelized Charge (\$)</u>	<u>Monthly Levelized Charge (\$)</u>
\$133	5	35.6	296.67%

Incremental Billing / IT Cost Recovery

<u>One-Time O&M</u>	<u>Recovery Period (Years)</u>	<u>Annual Recovery</u>	<u>Average # of Annual Customers</u>	<u>Average # of Annual Bills</u>	<u>Monthly Charge</u>
\$ 330,000	5	\$ 66,000	7,000	84,000	\$ 0.79

Combined Incremental Charge

<u>Recovery Period (Years)</u>	<u>Monthly Meter Charge (\$)</u>	<u>Monthly Billing/IT Charge (\$)</u>	<u>Total Monthly Charge (\$)</u>
5	2.966666667	0.785714286	\$3.75

**Total Revenue Requirements - Electric Meter
 RD - TOU Service Schedule**

Line No.	Description	Year 1	Year 2	Year 3	Year 4	Year 5
		Retail Jurisdiction	Retail Jurisdiction	Retail Jurisdiction	Retail Jurisdiction	Retail Jurisdiction
1	<u>Rate Base</u>					
2	Electric Plant in Service	133.00	133.00	133.00	133.00	133.00
3	Less: Accumulated Depreciation	-	26.60	53.20	79.80	106.40
4	Net Plant	133.00	106.40	79.80	53.20	26.60
5						
6	Net Rate Base	133.00	106.40	79.80	53.20	26.60
7						
8	<u>Income Tax Expense</u>					
9	Net Rate Base	133.00	106.40	79.80	53.20	26.60
10	Rate of Return on Rate Base	7.50%	7.50%	7.50%	7.50%	7.50%
11	Earnings before Interest	9.98	7.98	5.99	3.99	2.00
12						
13	Net Rate Base	133.00	106.40	79.80	53.20	26.60
14	Cost of Debt	2.00%	2.00%	2.00%	2.00%	2.00%
15	Interest Expense	2.66	2.13	1.60	1.06	0.53
16						
17	State Taxable Amount	7.32	5.85	4.39	2.93	1.46
18	State Income Tax Rate	4.63%	4.63%	4.63%	4.63%	4.63%
19	State Income Taxes	0.34	0.27	0.20	0.14	0.07
20						
21	Net Federal Taxable Amount	6.98	5.58	4.19	2.79	1.40
22	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%
23	Federal Income Taxes	2.44	1.95	1.47	0.98	0.49
24						
25	Total Income Taxes	2.78	2.22	1.67	1.11	0.56
26	Tax Gross Up Factor	1.61316341	1.61316341	1.61316341	1.61316341	1.61316341
27	Total Income Tax Expense	4.49	3.59	2.69	1.79	0.90
28						
29	<u>Operating Expenses</u>					
30	Depreciation Expense	26.60	26.60	26.60	26.60	26.60
31	Total Operating Deductions	31.09	30.19	29.29	28.39	27.50
32						
33	Return on Rate Base	9.98	7.98	5.99	3.99	2.00
34						
35	Nominal Revenue Requirements	41.06	38.17	35.28	32.38	29.49
36	Levelized Revenue Requirement at ____ % After-Tax Cost of Capital	35.60	35.60	35.60	35.60	35.60

RD - TOU LEVELIZED METER REVENUE REQUIREMENT PER METER

<u>Nominal</u>	<u>PV @ 6.74%</u>	<u>Levelized</u>	<u>PV @ 6.74%</u>
\$ 41.06	\$ 41.06	35.60	\$ 35.60
\$ 38.17	\$ 35.76	35.60	\$ 33.35
\$ 35.28	\$ 30.96	35.60	\$ 31.25
\$ 32.38	\$ 26.63	35.60	\$ 29.27
<u>\$ 29.49</u>	<u>\$ 22.72</u>	<u>35.60</u>	<u>\$ 27.42</u>
\$ 176.38	\$ 157.13	178.00	\$ 156.90

After Tax WACC				
<u>Component</u>	<u>Cost (%)</u>	<u>% of Total (%)</u>	<u>Before Tax (%)</u>	<u>After Tax (%)</u>
Equity	9.83%	56.00%	5.50%	5.50%
Debt	4.53%	44.00%	<u>1.99%</u>	<u>1.24%</u>
Total			7.50%	6.74%