

Exhibit No.:

Issues: Rate Base Items, Depreciation
Expense, Equipment Leases,
Building Rents, Rate Case
Expense, Interest on Customer
Deposits, Real Estate and
Personal Property Tax,
Corporate Franchise Tax

Witness: Doyle L. Gibbs

Sponsoring Party: MoPSC Staff

Case No.: WR-91-361

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

ST. LOUIS COUNTY WATER COMPANY

CASE NO. WR-91-361

DIRECT TESTIMONY

OF

DOYLE L. GIBBS

PUBLIC SERVICE COMMISSION

OCT 4 - 1991

FILED

Jefferson City, Missouri
October, 1991

1 DIRECT TESTIMONY

2 OF

3 DOYLE L. GIBBS

4 ST. LOUIS COUNTY WATER COMPANY

5 CASE NO. WR-91-361

6 Q. Please state your name and business address.

7 A. Doyle L. Gibbs, 906 Olive Street, Suite 330, St.
8 Louis, Missouri 63101.

9 Q. By whom are you employed and in what capacity?

10 A. I am employed by the Missouri Public Service
11 Commission (Commission) as a Regulatory Auditor.

12 Q. Please describe your educational background.

13 A. I attended the University of Missouri - St. Louis,
14 from which I received a Bachelor of Science degree in Business
15 Administration, with a major in Accounting, in 1976. I passed the
16 Uniform Certified Public Accountant examination in May, 1988. I have
17 been licensed as a Certified Public Accountant in the state of
18 Missouri since February, 1989.

19 Q. What has been the nature of your duties while in the
20 employ of this Commission?

21 A. Under the direction of the Manager of the Accounting
22 Department, I have conducted and assisted with audits and
23 examinations of the books and records of utility companies operating
24 within the state of Missouri.

25 Q. Have you previously testified before the Commission?

Direct Testimony of
Doyle L. Gibbs

1 A. Yes, I have. Please refer to Schedule 1, attached to
2 this direct testimony, for a list of cases in which I have previously
3 filed testimony.

4 Q. With reference to Case No. WR-91-361, have you made an
5 investigation of the books and records of the St. Louis County Water
6 Company (SLCWC or Company)?

7 A. Yes, with the assistance of other members of the
8 Commission Staff (Staff).

9 Q. With reference to Case No. WR-91-361, what are your
10 principal areas of responsibility?

11 A. I am principally responsible for the components that
12 comprise rate base and the adjusted operating levels of depreciation,
13 property tax, corporate franchise tax, building and equipment rental
14 and rate case expense.

15 Q. What Accounting Schedules and adjustments are you
16 sponsoring?

17 A. I am sponsoring Accounting Schedules 2 through 9 which
18 are Rate Base, Plant in Service, Adjustments to Plant in Service,
19 Depreciation Reserve, Adjustments to Depreciation Reserve,
20 Depreciation Expense, Cash Working Capital and Material and
21 Supplies/Prepayments, respectively. Accounting Schedule 7,
22 Depreciation Expense, is jointly sponsored by Staff witness Stephen
23 M. Rackers. I am also sponsoring the adjustment to prepayments found
24 on Accounting Schedule 9 and the following income statement
25 adjustments found on Accounting Schedule 11, Adjustments to the
26 Income Statement, sponsored by Staff witness Arlene S. Pfleeger:

Direct Testimony of
Doyle L. Gibbs

1	Equipment Rents and Leases	S-10.C, S-11.C, S-12.C, S-13.C, S-14.C, S-16.C
2	Interest on Customer Deposits	S-16.P
	Building Rents	S-16.V
3	Rate Case Expense	S-16.I
	Depreciation	S-10.B, S-11.B, S-12.B, S-13.B, S-14.B, S-16.H, S-17.A, S-17.B and S-19.C
5	Real Estate and Personal Property Tax	S-18.F
	Corporate Franchise Tax	S-18.G

6
7 Q. Please describe Accounting Schedule 2, Rate Base.

8 A. Accounting Schedule 2 presents the Staff's calculation
9 of rate base, which summarizes and delineates the components that
10 comprise the earnings base of the Company. Each of the components
11 contained therein is supported by an accompanying Accounting Schedule
12 with the exception of customer deposits, advances for construction
13 (advances), contributions in aid of construction (CIAC), and deferred
14 income taxes (DIT). Customer deposits and CIAC reflect the actual
15 balances on the books of the Company as of the end of August, 1991.
16 Advances reflect the adjusted net depreciated book value as of August
17 31, 1991. DIT is the per book balance as of August 31, 1991,
18 exclusive of the balance(s) related to deferred compensation. The
19 Staff, for ratemaking purposes, does not recognize the deferral of
20 compensation as a current expense. Therefore, it would be
21 inappropriate to use the deferred taxes associated with those
22 deferrals to reduce rate base.

23 Q. Why is a net depreciated book value for advances used
24 in the determination of rate base, and how was the net depreciated
25 value calculated?

26 A. Advances represent funds collected by the Company from
27 promoters for reimbursement of certain plant placed in service. The
28 advances collected by the Company are subject to refund over a

1 defined period of time to the promoters, as customers are added to
2 the system. After that period of time, any amount not refunded
3 "lapses" and is retained by the Company and transferred to CIAC. As
4 is customary, depreciation on contributed plant (CIAC) is not
5 recoverable as an operating expense, but is used to reduce the
6 balance of CIAC that offsets rate base. Historically, some level of
7 advances will lapse and become CIAC.

8 In the Company's last case (Case No. WR-89-246) and in the
9 instant case, the Staff has estimated the level of advances that will
10 lapse into CIAC and has eliminated any expense recovery for
11 depreciation on those estimated lapses. Since these estimated lapsed
12 advances represent future CIAC, it is the Staff's position that the
13 depreciation on the estimated lapsed advances should be treated
14 similar to the depreciation calculated on contributions, i.e., it
15 should be used to reduce its net book value. For purposes of this
16 proceeding, the Staff has determined the level of depreciation that
17 would have accumulated on the estimated lapsed advances, had they
18 been treated as CIAC on the Company's books since the effective date
19 of the order in the Company's last rate case through August 31, 1991,
20 and reduced the balance of advances recorded on the books of the
21 Company. The methodology utilized by the Staff to estimate the
22 percentage of advances that will lapse will be discussed later in
23 this direct testimony.

24 Q. Please discuss the other Accounting Schedules you are
25 sponsoring.

1 A. Accounting Schedule 3, Plant in Service, represents
2 the Staff's plant in service balance as of August 31, 1991. The
3 first numeric column displays the actual plant balances by primary
4 plant account as of the end of the Staff's test year, May 31, 1991.
5 The second column represents actual plant additions less retirements
6 through the test year update period of August 31, 1991. The final
7 column is the summation of the two columns just discussed. The total
8 plant in service shown at the bottom of the last column has been
9 carried forward to the Rate Base Accounting Schedule.

10 Accounting Schedule 4 presents the Staff's Adjustments to
11 Plant in Service. Since plant in service has not been adjusted in
12 this case, but merely updated to reflect a more current period, this
13 Accounting Schedule reflects no adjustments.

14 Accounting Schedule 5, Depreciation and Amortization
15 Reserve, is presented in a format similar to Accounting Schedule 3,
16 except for the addition of a column to reflect adjustments to the
17 actual depreciation reserve balance, as updated through August 31,
18 1991. The adjustments contained in the additional column are
19 delineated on Accounting Schedule 6, Adjustments to Depreciation and
20 Amortization Reserve, and will be sponsored by Staff witness Steven
21 J. Ruppel.

22 Accounting Schedule 7, Depreciation Expense, presents the
23 Staff's calculation of annualized straight-line depreciation on plant
24 in service for both book and tax purposes. This Accounting Schedule
25 also provides the calculation of the annualized depreciation on CIAC
26 and the annualized salvage included in depreciation expense. The
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1 first column on this Accounting Schedule describes the depreciable
2 plant category. The second column is the actual plant balances being
3 depreciated, which are taken from Accounting Schedule 3, Plant in
4 Service. The third column is the applicable Commission approved
5 depreciation rate, which is applied to the plant balances to arrive
6 at the annualized depreciation shown in the fourth column.

7 The total annual depreciation shown at the bottom of the
8 fourth column is compared to the test year recorded book
9 depreciation, with the difference shown as Income Statement
10 adjustment S-17.A on Accounting Schedule 11, Adjustments to the
11 Income Statement. The next five columns are used to determine the
12 amount of annualized depreciation in excess of tax straight-line
13 depreciation and post-1980 salvage, and will be further discussed in
14 the testimony of Staff witness Stephen M. Rackers. The final two
15 columns, in conjunction with the prescribed depreciation rates in the
16 third column, gives the computation of depreciation on CIAC. The
17 balances shown in the "Contribution In Aid" column reflects the
18 actual depreciable balance of CIAC as of August 31, 1991, with the
19 exception of the balance shown for the line item "distribution mains
20 non galv". Any lapsing advances would be associated with plant in
21 the "distribution mains non galv." category. The Company makes a
22 transfer from advances to CIAC annually at fiscal year end for the
23 advances that lapse during the year. In the interim, the Company
24 estimates the advances that will actually lapse during the year and
25 includes them in its monthly depreciation calculation. The Company's
26 estimate of advances that will lapse during 1991 has been added to
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1 the actual depreciable CIAC balance for distribution mains for
2 purposes of calculating depreciation on CIAC in this case.

3 Q. Please continue your discussions of the Accounting
4 Schedules you are sponsoring.

5 A. Accounting Schedule 8, Cash Working Capital, provides
6 the Staff's cash working capital requirement for the Company.

7 Q. Referring to Accounting Schedule 8, what is cash
8 working capital?

9 A. Cash working capital is the amount of cash necessary
10 for a utility to pay day-to-day expenses incurred to provide service
11 to the ratepayer.

12 Q. What are the sources of cash working capital?

13 A. Cash working capital is provided by the ratepayer and
14 the shareholder.

15 Q. How do the shareholders supply cash working capital?

16 A. When the Company spends cash to pay for an expense
17 before the cash is provided by the ratepayers, that cash must be
18 provided by the shareholders. This cash represents a portion of the
19 shareholders' total investment in the Company. The shareholders are
20 compensated for the cash working capital funds they provide by the
21 inclusion of these funds in rate base, thereby providing a return to
22 the shareholders.

23 Q. How do the ratepayers supply cash working capital?

24 A. The ratepayers supply cash working capital when they
25 pay for service taken from the Company before the Company must pay
26 for expenses incurred to provide that service. The ratepayers are
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1 compensated for the cash working capital funds they provide by
2 reducing rate base by the amount of funds provided by the ratepayers.

3 Q. How has the Staff determined the amount of cash
4 working capital provided by the shareholders and the ratepayers in
5 this case?

6 A. The Staff calculated the Company's cash working
7 capital requirement through the use of the lead/lag study developed
8 and filed by the Staff in the Company's last case, Case No.
9 WR-89-246, with the exception of the expense lag for corporate
10 franchise tax.

11 Q. Are the revenue and expense lags that were developed
12 in Case No. WR-89-246 still appropriate?

13 A. The Company, in response to Staff Data Request No. 66,
14 indicated that no operational changes had been made that should have
15 a material impact on the lags used in the Company's last case. Based
16 on this response, the Staff has elected to utilize the lead/lag study
17 from Case No. WR-89-246 with the exception of the corporate franchise
18 tax expense lag, as noted previously.

19 Q. Why was the corporate franchise tax expense lag from
20 the prior case changed?

21 A. In the last case, corporate franchise tax was given an
22 expense lag equal to the revenue lag, so that the net lag would be
23 zero and no cash working capital requirement for this item would be
24 produced. This treatment was given because corporate franchise taxes
25 were a component of the average prepayment balance already included
26 in rate base. Because corporate franchise tax is paid only once a
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1 year (in April), the average prepayment balance would only reflect
2 approximately nine months of activity for this tax within a twelve
3 month test year average. Consideration of corporate franchise tax
4 within the context of a lead/lag study produces a better measurement
5 of the rate base impact of this item. That is why the Staff in the
6 instant case has elected to calculate a cash working capital
7 allowance within the lead/lag study, and eliminate the impact of
8 corporate franchise tax from Materials and Supplies/Prepayments
9 Accounting Schedule.

10 Q. What is Accounting Schedule 9?

11 A. Accounting Schedule 9, Materials and
12 Supplies/Prepayments, gives the Staff's calculation of the thirteen
13 month averages for materials and supplies, and for prepayments. The
14 thirteen month average for materials and supplies has been adjusted
15 for certain materials delineated on Accounting Schedule 9, which will
16 be addressed in the direct testimony of Staff witness James Merciel
17 of the Water and Sewer Department. Prepayments have also been
18 adjusted to eliminate the impact of corporate franchise tax from the
19 thirteen month average, as previously discussed with regards to cash
20 working capital (Accounting Schedule 8).

21 Q. Please discuss the adjustments you are sponsoring for
22 equipment leases.

23 A. Adjustments S-10.C, S-11.C, S-12.C, S-13.C, S-14.C and
24 S-16.C reflect the various equipment leases and associated
25 maintenance contracts in effect as of the end of August, 1991. The
26 distribution of these adjustments to the various income statement
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1 functions (i.e., Source of Supply, Power and Pumping, etc.) mirrors
2 the actual test year (ending May 31, 1991) income statement
3 distribution for equipment leases.

4 Q. Please explain adjustment S-16.P.

5 A. This adjustment includes interest on customer deposits
6 in the Staff's case at a rate of 9%. The Staff has used customer
7 deposits as a reduction to rate base; therefore, it is appropriate to
8 include the associated interest expense in the cost of service.

9 Q. Please explain your adjustments to building rents.

10 A. Adjustment S-16.V adjusts the rent expense for the
11 Company's administrative offices based on the current annual cost per
12 square foot and the square footage occupied as of the end of August,
13 1991. This adjustment also reflects the use of Staff's
14 administrative and general expense capitalization percentage that
15 resulted from Staff witness Pfleeger's payroll analysis.

16 Q. How did the Staff determine the adjustment to rate
17 case expense, S-16.I?

18 A. In response to data requests submitted by the Staff,
19 the Company indicated that they anticipate the cost of the current
20 case to approximate the cost incurred during the Company's last case,
21 Case No. WR-89-246 (which was litigated). The Company also responded
22 that they anticipate a two year cycle with regard to future rate case
23 filings. Based on these responses, the Staff divided the actual cost
24 incurred for Case No. WR-89-246 by two to arrive at an annualized
25 level of rate case expense. The adjustment, S-16.I, reflects the
26 difference between the annualized amount determined by the Staff and
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1 the actual costs from the previous case that were charged to expense
2 during the test year.

3 Q. Please explain your adjustments to depreciation
4 expense.

5 A. Adjustments S-10.B, S-11.B, S-12.B, S-13.B, S-14.B and
6 S-16.H reflect an annualized level of depreciation on autos, trucks
7 and heavy duty equipment. Actual depreciation on autos, trucks and
8 heavy duty equipment is not charged to the depreciation expense
9 category in the income statement, but distributed to the various
10 operation and maintenance functions via a clearing account for
11 transportation expenses. The above referenced adjustments reflect
12 the test year distribution of depreciation on transportation
13 equipment. Adjustments S-17.A and S-17.C reflect depreciation for
14 plant in service and contributed plant, respectively. The actual
15 calculation can be seen on Accounting Schedule 7, which has been
16 previously discussed.

17 Adjustment S-17.B reduces expense for the depreciation on
18 the promoters' advances for construction, collected by the Company
19 through August, 1991, that the Staff has estimated will eventually
20 lapse into CIAC.

21 Q. How was the level of advances estimated to lapse
22 determined?

23 A. The Staff utilized 21 years of actual history
24 (1960-1980) of lapsed advances, as they related to the actual
25 advances collected, and calculated the average "lapsed" percentage.
26 This percentage (37.68%) was then applied to the accumulated balance
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1 of advances collected from January, 1982 through August, 1991, to
2 determine the estimated level of advances that will eventually become
3 contributed plant.

4 Q. What impact does the Staff's treatment of advances
5 estimated to lapse have on this case?

6 A. Looking solely at revenue requirement from the
7 perspective of the traditional ratemaking treatment of advances
8 versus contributions, the Staff's revenue requirement recommendation
9 is lower than it otherwise would have been. However, from the
10 perspective that it is certain that some level of advances will lapse
11 into contributions on a going forward basis, the Staff's treatment is
12 not only fairer to the ratepayer, but to the Company as well. The
13 Staff's position on "lapsed" advances that it is advocating in this
14 case was upheld by the Commission in its Report and Order for
15 Missouri Cities Water Company, Case No. WR-91-172.

16 Q. How is the Staff's treatment fairer to the ratepayer?

17 A. The Staff's treatment prevents the ratepayer from
18 having to supply funds to the Company for recovery of depreciation
19 expense on plant in service that will eventually lapse into
20 contributions, and hence represents contributed capital.

21 Q. How is this treatment fairer to the Company?

22 A. Under the "traditional" treatment afforded advances,
23 the plant supported by those advances is depreciated, thereby
24 reducing the net book value of the plant. When the advance lapses,
25 it is transferred to CIAC on a gross basis; i.e., the undepreciated
26 value is used to reduce the balance of advances and increase the
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1 balance of contributions. The result is a permanent reduction to
2 rate base in the amount of depreciation taken on CIAC while it was
3 still recorded as an advance, and charged to the depreciation
4 reserve. The depreciation reserve, a rate base deduction, is not
5 adjusted when lapsed advances are transferred to CIAC. This has the
6 impact of reducing the future revenue to be collected by the Company,
7 on a cumulative basis, that exceeds the recovery by SLCWC of the
8 depreciation that was expensed while the plant was supported by the
9 "advance". This can be more readily seen by looking at Schedule 2
10 attached to my direct testimony, where I have calculated, by year,
11 the impact on revenue requirement for contributions initially treated
12 as advances.

13 Q. Please discuss Schedule 2 to your direct testimony.

14 A. On Schedule 2, for purposes of illustration, I have
15 assumed a plant addition of \$100,000 was built with advances that
16 will lapse into contributions after the tenth year. I have further
17 assumed, for simplicity, that the depreciation rate and rate of
18 return will remain unchanged over the depreciable life of the plant.
19 In the first ten years, depreciation is taken on the plant
20 investment. As this depreciation is expensed, it is accumulated in
21 the depreciation reserve, which produces the net plant investment in
22 column F. To determine rate base, the net plant is offset by the
23 "gross" amount of advances, which produces a negative rate base and a
24 negative revenue requirement when taking into account only the rate
25 base impact of this example. However, because of the collection of
26 depreciation expense from customers, there is a positive revenue
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1 requirement to the Company from the plant additions in the initial
2 years it is placed in service. It can be seen by the sixth year that
3 the annual revenue requirement becomes negative, and continues
4 thereafter to decline because of the dwindling rate base. After the
5 tenth year, when the advances have been transferred to contributions,
6 the annual revenue requirement impact remains thereafter unchanged.
7 But, as can be seen, it is negative, because of the continuing
8 reduction to rate base caused by depreciation charged to the reserve
9 prior to the transfer to CIAC. As such, the negative revenue
10 requirement carries on cumulatively over the remainder of the
11 depreciable life of the plant, so the Company will have foregone
12 collection of approximately \$132,000 of revenue they otherwise would
13 have collected. To be made "whole" under this accounting treatment
14 for advances, the Company would have to continue depreciating the
15 contributions for ten years after the actual depreciable life of the
16 plant has expired.

17 Q. Does the Company currently depreciate the
18 contributions after the actual plant's depreciable life has expired?

19 A. Under the current accounting system utilized by the
20 Company, contributions would be depreciated after the actual plant's
21 depreciable life has expired. While this mechanism will eventually
22 make the Company whole, it will take seventy-eight years after the
23 transfer from advances to contributions to do so based on the current
24 effective depreciation rate for the account "distribution mains non
25 galv.".

1 Q. Would a continuation of depreciation of CIAC after the
2 expiration of the plant no longer be required if the Staff's
3 methodology was used?

4 A. Assuming that the estimate of advances expected to
5 lapse is reasonable, it would not. As can be seen on Schedule 3
6 attached to my direct testimony, if advances expected to lapse are
7 treated as contributions, and that expectation is reasonably
8 accurate, the net revenue requirement effect currently and for the
9 future is zero, because the customer will not pay depreciation
10 expense up-front that will later be determined to be inappropriate
11 (when the advances lapse).

12 Q. Would you recommend that the Company account for
13 depreciation on the estimated lapsed advances in a manner similar to
14 what is done for contributions?

15 A. Yes, on a going forward basis. A word of caution,
16 however, is necessary. Because the actual percentage of advances
17 that lapse varies from year to year, adjustments may be required
18 periodically to bring the depreciation recorded on estimated lapsed
19 advances into sync with what actually transpired.

20 Q. Explain the Staff's adjustment to property taxes.

21 A. Adjustment S-18.F adjusts test year property tax
22 expense based on the amount of plant in service from Accounting
23 Schedule 3 and the current tax rates. The property tax calculation
24 adjusts the value of all taxable plant to account for depreciation
25 based on the year of the additions. The most current additions are
26 valued at 95% of book value for property tax purposes, and prior
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1 years additions range from 82% to 30% of book value. This
2 calculation matches the taxable base for derivation of property taxes
3 with the plant in service included in the Staff's case.

4 Q. Explain the Staff's adjustment for corporate franchise
5 tax.

6 A. The Staff multiplied the assets of the Company at
7 August 31, 1991 by the state corporate franchise tax rate, .05%.
8 This annualized level, minus the amount included in the test year,
9 equals the adjustment for corporate franchise tax, S-18.G.

10 Q. Does this conclude your direct testimony?

11 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of St. Louis County Water)
Company for authority to file tariffs to)
increase rates for water service provided) Case No. WR-91-361
to customers in the Missouri service area)
of the Company.)

AFFIDAVIT OF DOYLE L. GIBBS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Doyle L. Gibbs, of lawful age, on his oath states: that he has participated in the preparation of the foregoing direct testimony in question and answer form, consisting of 16 pages to be presented in the above case; that the answers in the foregoing direct testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

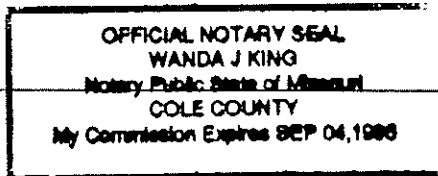
Doyle L. Gibbs
Doyle L. Gibbs

Subscribed and sworn to before me this 31st day of October, 1991.

Wanda J. King
Notary Public

My Commission expires

9/4/95



RATE CASE PROCEEDINGS

DOYLE L. GIBBS

<u>Company</u>	<u>Case Number</u>
Arkansas Power & Light Company	ER-85-20
Arkansas Power & Light Company	ER-85-265
Associated Natural Gas Company	GR-79-126
Capital City Water Company	WR-82-117
Citizens Electric Cooperative	ER-79-102
Citizens Electric Cooperative	ER-81-79
Laclede Gas Company	GR-77-33
Laclede Gas Company	GR-78-148
Laclede Gas Company	GR-80-210
Laclede Gas Company	GR-81-245
Laclede Gas Company	GR-82-200
Lake St. Louis Sewer Company	SR-80-189
Missouri-American Water Company	WR-89-265
Missouri Cities Water Company	WR-78-107
Missouri Cities Water Company	SR-78-108
Missouri Cities Water Company	WR-83-14
Missouri Cities Water Company	SR-83-15
Missouri Cities Water Company	WR-85-157
Missouri Cities Water Company	SR-85-158
Missouri Cities Water Company	WR-86-111
Missouri Cities Water Company	SR-86-112
Missouri Cities Water Company	WR-89-178
Missouri Cities Water Company	SR-89-179
Missouri Cities Water Copany	WR-90-236
Missouri Cities Water Company	WR-91-172
Missouri Cities Water Company	WR-91-174
St. Joseph Water Company	WR-77-226
St. Louis County Water Company	WR-78-276
St. Louis County Water Company	WR-83-264
St. Louis County Water Company	WR-87-2
St. Louis County Water Company	WR-88-5
Southwestern Bell Telephone Company	TR-79-213
Southwestern Bell Telephone Company	TR-80-256
Southwestern Bell Telephone Company	TR-86-84
Union Electric Company	ER-77-154
Union Electric Company	ER-80-17
Union Electric Company	ER-81-180
Union Electric Company	HR-81-259
Union Electric Company	ER-82-52
Union Electric Company	ER-83-163
Union Electric Company	ER-84-168

SCHEDULE 1

ST. LOUIS COUNTY WATER COMPANY
WR-91-361

IMPACT OF DEPRECIATION TAKEN ON ADVANCES PRIOR TO LAPSING

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
YEAR	PLANT	DEPR RATE	DEPR EXP (BxC)-(HxC)	RESERVE BxCxA	NET PLANT ADVANCES B-E	CIAC	CIAC RESERVE HxCxA	RATE BASE F-G-H+I	NOI AT 10.89% Jx.1089	REV REQ IMPACT @ 1.57	NET REV COLLECT D+L	CUMUL	
1	100,000	1.28%	1,280	1,280	98,720	100,000		(1,280)	(139)	(219)	1,061	1,061	
2	100,000	1.28%	1,280	2,560	97,440	100,000		(2,560)	(279)	(437)	843	1,904	
3	100,000	1.28%	1,280	3,840	96,160	100,000		(3,840)	(418)	(656)	624	2,529	
4	100,000	1.28%	1,280	5,120	94,880	100,000		(5,120)	(558)	(874)	406	2,935	
5	100,000	1.28%	1,280	6,400	93,600	100,000		(6,400)	(697)	(1,093)	187	3,122	
6	100,000	1.28%	1,280	7,680	92,320	100,000		(7,680)	(836)	(1,311)	(31)	3,091	
7	100,000	1.28%	1,280	8,960	91,040	100,000		(8,960)	(976)	(1,530)	(250)	2,841	
8	100,000	1.28%	1,280	10,240	89,760	100,000		(10,240)	(1,115)	(1,748)	(468)	2,373	
9	100,000	1.28%	1,280	11,520	88,480	100,000		(11,520)	(1,255)	(1,967)	(687)	1,686	
10	100,000	1.28%	1,280	12,800	87,200	100,000		(12,800)	(1,394)	(2,185)	(905)	780	
11	100,000	1.28%	0	14,080	85,920	0	100,000	1,280	(12,800)	(1,394)	(2,185)	(1,405)	
12	100,000	1.28%	0	15,360	84,640	0	100,000	2,560	(12,800)	(1,394)	(2,185)	(3,590)	
13	100,000	1.28%	0	16,640	83,360	0	100,000	3,840	(12,800)	(1,394)	(2,185)	(5,776)	
14	100,000	1.28%	0	17,920	82,080	0	100,000	5,120	(12,800)	(1,394)	(2,185)	(7,961)	
15	100,000	1.28%	0	19,200	80,800	0	100,000	6,400	(12,800)	(1,394)	(2,185)	(10,146)	
16	100,000	1.28%	0	20,480	79,520	0	100,000	7,680	(12,800)	(1,394)	(2,185)	(12,332)	
17	100,000	1.28%	0	21,760	78,240	0	100,000	8,960	(12,800)	(1,394)	(2,185)	(14,517)	
18	100,000	1.28%	0	23,040	76,960	0	100,000	10,240	(12,800)	(1,394)	(2,185)	(16,702)	
19	100,000	1.28%	0	24,320	75,680	0	100,000	11,520	(12,800)	(1,394)	(2,185)	(18,888)	
20	100,000	1.28%	0	25,600	74,400	0	100,000	12,800	(12,800)	(1,394)	(2,185)	(21,073)	
21	100,000	1.28%	0	26,880	73,120	0	100,000	14,080	(12,800)	(1,394)	(2,185)	(23,259)	
22	100,000	1.28%	0	28,160	71,840	0	100,000	15,360	(12,800)	(1,394)	(2,185)	(25,444)	
23	100,000	1.28%	0	29,440	70,560	0	100,000	16,640	(12,800)	(1,394)	(2,185)	(27,629)	
24	100,000	1.28%	0	30,720	69,280	0	100,000	17,920	(12,800)	(1,394)	(2,185)	(29,815)	
25	100,000	1.28%	0	32,000	68,000	0	100,000	19,200	(12,800)	(1,394)	(2,185)	(32,000)	

TOTAL DEPR

12,800

ACCUMULATED NOI FOREGONE

(26,575)

RATE BASE AS OF YE 25

(12,800)

RATE OF RETURN

10.89%

ANNUAL NOI REQUIREMENT

(1,394)

TAX FACTOR

1.57

ANNUAL REV IMPACT

(2,185)

1.28% = 78 YEAR LIFE

DEPRECIABLE LIFE
YEARS ABOVE

78
25

REMAINING YEARS

53

REV, REMAINING YEARS

(115,824)

TOTAL RATE BASE REV IMPACT
DEPR RECOVERED

(144,400)
12,800

NET IMPACT - REV FOREGONE

(131,600)

IMPACT OF DEPRECIATION TAKEN ON ADVANCES IF TREATED AS CONTRIBUTIONS

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
YEAR	PLANT	DEPR RATE	DEPR EXP (BxC)-(HxC)	RESERVE BxCxA	NET PLANT B-E	ADVANCES	CIAC	CIAC RESERVE HxCxA	RATE BASE F-6-H+1	NOI AT 10.89%	REV REQ IMPACT 0 1.57	NET REV COLLECT D+L	CUMUL
1	100,000	1.28%	0	1,280	98,720		100,000	1,280	0	0	0	0	0
2	100,000	1.28%	0	2,560	97,440		100,000	2,560	0	0	0	0	0
3	100,000	1.28%	0	3,840	96,160		100,000	3,840	0	0	0	0	0
4	100,000	1.28%	0	5,120	94,880		100,000	5,120	0	0	0	0	0
5	100,000	1.28%	0	6,400	93,600		100,000	6,400	0	0	0	0	0
6	100,000	1.28%	0	7,680	92,320		100,000	7,680	0	0	0	0	0
7	100,000	1.28%	0	8,960	91,040		100,000	8,960	0	0	0	0	0
8	100,000	1.28%	0	10,240	89,760		100,000	10,240	0	0	0	0	0
9	100,000	1.28%	0	11,520	88,480		100,000	11,520	0	0	0	0	0
10	100,000	1.28%	0	12,800	87,200		100,000	12,800	0	0	0	0	0
11	100,000	1.28%	0	14,080	85,920	0	100,000	14,080	0	0	0	0	0
12	100,000	1.28%	0	15,360	84,640	0	100,000	15,360	0	0	0	0	0
13	100,000	1.28%	0	16,640	83,360	0	100,000	16,640	0	0	0	0	0
14	100,000	1.28%	0	17,920	82,080	0	100,000	17,920	0	0	0	0	0
15	100,000	1.28%	0	19,200	80,800	0	100,000	19,200	0	0	0	0	0
16	100,000	1.28%	0	20,480	79,520	0	100,000	20,480	0	0	0	0	0
17	100,000	1.28%	0	21,760	78,240	0	100,000	21,760	0	0	0	0	0
18	100,000	1.28%	0	23,040	76,960	0	100,000	23,040	0	0	0	0	0
19	100,000	1.28%	0	24,320	75,680	0	100,000	24,320	0	0	0	0	0
20	100,000	1.28%	0	25,600	74,400	0	100,000	25,600	0	0	0	0	0
21	100,000	1.28%	0	26,880	73,120	0	100,000	26,880	0	0	0	0	0
22	100,000	1.28%	0	28,160	71,840	0	100,000	28,160	0	0	0	0	0
23	100,000	1.28%	0	29,440	70,560	0	100,000	29,440	0	0	0	0	0
24	100,000	1.28%	0	30,720	69,280	0	100,000	30,720	0	0	0	0	0
25	100,000	1.28%	0	32,000	68,000	0	100,000	32,000	0	0	0	0	0

TOTAL DEPR

0

ACCUMULATED NOI FOREGONE

0

RATE BASE AS OF YE 25

0

RATE OF RETURN

10.89%

ANNUAL NOI REQUIREMENT

0

TAX FACTOR

1.57

ANNUAL REV IMPACT

0

1.28% = 78 YEAR LIFE

DEPRECIABLE LIFE
YEARS ABOVE

78
25

REMAINING YEARS

53

REV, REMAINING YEARS

0

TOTAL RATE BASE REV IMPACT
DEPR RECOVERED

0
0

NET IMPACT - REV FOREGONE

0

