

David Murray's Extension of Mitchell J. Lansford's ADIT Example for Traditional Ratemaking vs. Securitization
 (Rows 1 - 27 are from Mitchell Lansford's Schedule MJL-D5, Rows 28 - 53 are David Murray Additions)

Traditional Ratemaking Revenue Requirement:

Line No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
1	Original Cost of Plant	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
2	Depreciation Reserve	-	50.00	100.00	150.00	200.00	250.00	300.00	350.00	400.00	450.00	500.00	550.00	600.00	650.00	700.00	750.00	800.00	850.00	900.00	950.00	1,000.00
3	Net Plant	1,000.00	950.00	900.00	850.00	800.00	750.00	700.00	650.00	600.00	550.00	500.00	450.00	400.00	350.00	300.00	250.00	200.00	150.00	100.00	50.00	-
4	Book Basis	1,000.00	950.00	900.00	850.00	800.00	750.00	700.00	650.00	600.00	550.00	500.00	450.00	400.00	350.00	300.00	250.00	200.00	150.00	100.00	50.00	-
5	Tax Basis	1,000.00	800.00	600.00	400.00	200.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Cumulative Tax Timing Difference	-	150.00	300.00	450.00	600.00	750.00	700.00	650.00	600.00	550.00	500.00	450.00	400.00	350.00	300.00	250.00	200.00	150.00	100.00	50.00	-
7	Tax Rate	25%																				
8	ADIT or Deferred Tax Liability	-	37.50	75.00	112.50	150.00	187.50	175.00	162.50	150.00	137.50	125.00	112.50	100.00	87.50	75.00	62.50	50.00	37.50	25.00	12.50	-
9	Rate Base	1,000.00	912.50	825.00	737.50	650.00	562.50	525.00	487.50	450.00	412.50	375.00	337.50	300.00	262.50	225.00	187.50	150.00	112.50	75.00	37.50	-
10	WACC	7%																				
11	Return on Rate Base	70.00	63.88	57.75	51.63	45.50	39.38	36.75	34.13	31.50	28.88	26.25	23.63	21.00	18.38	15.75	13.13	10.50	7.88	5.25	2.63	-
12	O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Depreciation	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	-
14	Income Taxes	23.33	21.29	19.25	17.21	15.17	13.13	12.25	11.38	10.50	9.63	8.75	7.88	7.00	6.13	5.25	4.38	3.50	2.63	1.75	0.88	-
15	Total Revenue Requirement	143.33	135.17	127.00	118.83	110.67	102.50	99.00	95.50	92.00	88.50	85.00	81.50	78.00	74.50	71.00	67.50	64.00	60.50	57.00	53.50	-

Income Tax Provision:

16	Net Income Before Income Tax	93.33	85.17	77.00	68.83	60.67	52.50	49.00	45.50	42.00	38.50	35.00	31.50	28.00	24.50	21.00	17.50	14.00	10.50	7.00	3.50	-
17	Permanent Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Temporary Differences	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	-
19	Taxable Income	(56.67)	(64.83)	(73.00)	(81.17)	(89.33)	102.50	99.00	95.50	92.00	88.50	85.00	81.50	78.00	74.50	71.00	67.50	64.00	60.50	57.00	53.50	-
20	Current Tax Payable / Expense	(14.17)	(16.21)	(18.25)	(20.29)	(22.33)	25.63	24.75	23.88	23.00	22.13	21.25	20.38	19.50	18.63	17.75	16.88	16.00	15.13	14.25	13.38	-
21	Deferred Tax Liability / Expense	37.50	37.50	37.50	37.50	37.50	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	-
22	Total Income Tax Expense	23.33	21.29	19.25	17.21	15.17	13.13	12.25	11.38	10.50	9.63	8.75	7.88	7.00	6.13	5.25	4.38	3.50	2.63	1.75	0.88	-

Securitization NPV Calculations:

23	Future Tax Payments for ADIT	(37.50)	(37.50)	(37.50)	(37.50)	(37.50)	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	-
24	NPV of ADIT	(72.58)	(40.17)	(5.48)	31.64	71.35	113.85	109.32	104.47	99.28	93.73	87.79	81.44	74.64	67.37	59.58	51.25	42.34	32.80	22.60	11.68	-
25	Return on ADIT	-	2.63	5.25	7.88	10.50	13.13	12.25	11.38	10.50	9.63	8.75	7.88	7.00	6.13	5.25	4.38	3.50	2.63	1.75	0.88	-
26	NPV of ADIT Benefit	72.58	77.67	80.48	80.86	78.65	73.65	65.68	58.03	50.72	43.77	37.21	31.06	25.36	20.13	15.42	11.25	7.66	4.70	2.40	0.82	-
27	ADIT	-	37.50	75.00	112.50	150.00	187.50	175.00	162.50	150.00	137.50	125.00	112.50	100.00	87.50	75.00	62.50	50.00	37.50	25.00	12.50	-

Start of David Murray's Additions to Mitchell Lansford's Schedule MJL-D5

Line No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Traditional Ratemaking for Early Retirement:																					
28	Plant Regulatory Asset					562.50	525.00	487.50	450.00	412.50	375.00	337.50	300.00	262.50	225.00	187.50	150.00	112.50	75.00	37.50	
29	Equity Return					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
30	Debt Return					25.31	23.63	21.94	20.25	18.56	16.88	15.19	13.50	11.81	10.13	8.44	6.75	5.06	3.38	1.69	
31	Amortization Revenues (NOT Tax Deductible)					37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	
32	Income Taxes					12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	
33	Total Traditional Ratemaking Annual Revenue Requirements					75.31	73.63	71.94	70.25	68.56	66.88	65.19	63.50	61.81	60.13	58.44	56.75	55.06	53.38	51.69	
34	Present Value of Annual Revenue Requirements					\$674.92															
Securitization Revenue Requirement for Early Retirement:																					
35	Bond Amount	\$562.50																			
36	Principal Payment					26.07	27.37	28.74	30.18	31.69	33.27	34.93	36.68	38.51	40.44	42.46	44.58	46.81	49.15	51.61	
37	Interest Payment					28.13	26.82	25.45	24.02	22.51	20.92	19.26	17.51	15.68	13.75	11.73	9.61	7.38	5.04	2.58	
38	Income Taxes					8.69	9.12	9.58	10.06	10.56	11.09	11.64	12.23	12.84	13.48	14.15	14.86	15.60	16.38	17.20	
39	Total Securitization Annual Revenue Requirements					62.88	63.32	63.77	64.25	64.75	65.28	65.84	66.42	67.03	67.67	68.35	69.05	69.80	70.58	71.40	
40	Present Value of Annual Revenue Requirements					\$686.63															
41	NPV Quantifiable NPV Benefits of Securitization																				(\$11.71)