

**Approved Weighted Average Cost of Capital**

<b>Component</b>	<b>%</b>	<b>Amount</b>	<b>Cost</b>	<b>Weighted Avg.</b>
Existing Debt	32.8%	\$32,000,000	5.88%	1.92%
Imputed Debt	12.2%	\$11,842,984	4.46%	0.54%
Equity	55.0%	\$53,585,869	9.55%	5.25%
<b>Total</b>	100%	\$97,428,853	-----	7.71%

**Rate Deficiency Comparison – Change to Weighted Average Cost of Capital**

	<b>Company</b>	<b>Commission</b>
Rate Base	\$97,428,853	\$97,428,853
Rate of Return	<u>7.9%</u>	<u>7.71%</u>
Operating Inc. Required	\$ 7,697,076	\$7,511,765
Current Operating Income	<u>\$ 5,776,272</u>	<u>\$ 5,776,272</u>
Operating Inc. Deficiency	\$ 1,920,804	\$ 1,735,493
Income Tax Gross-up	<u>1.6559</u>	<u>1.6559</u>
Temp. Rate Deficiency	\$ 3,180,666	\$ 2,873,803
Proposed Rate Deficiency	<u>\$ 3,180,666</u>	<u>\$ 3,180,666</u>
Rate Deficiency Adjustment	\$0	-\$ 306,863

**Reconciliation of Budget Variances**

2014 Budget Variances	\$12,282,899
2015 Budget Variances	\$ <u>1,509,895</u>
Total	\$13,792,794
Less:	
2014 IT Expenditures	\$ 5,797,089
2015 IT Expenditures	\$ 506,293
2014 REP Expenditures	\$ 2,201,899
2015 REP Expenditures	\$ <u>1,321,456</u>
Net Budget Variances	\$ 3,966,057

**Revenue Requirement – Net Budget Variances**

	<b>Commission</b>
Budget Variance	\$ 3,966,057
Authorized Return	<u>7.9%</u>
Return	\$ 313,318
Income Tax Gross-up	<u>1.6559</u>
Return Disallowance	\$ 518,823

**Summary of Adjustments to Rate Deficiency**

	<b>Commission</b>
Proposed Rate Deficiency	\$3,180,666
Less:	
Weighted Average Cost of Capital	\$ 306,863
Return on Net Budget Variances	\$ <u>518,823</u>
Approved Revenue Deficiency	\$2,354,980