

Liberty Utilities Capital Spending Plan Salem Area Study

<u>Project</u>	<u>2019</u> <u>Costs</u>	<u>In</u> <u>Service</u>	<u>2020</u> <u>Costs</u>	<u>In</u> <u>Service</u>	<u>2021</u> <u>Costs</u>	<u>In</u> <u>Service</u>	<u>2022</u> <u>Costs</u>	<u>In</u> <u>Service</u>	<u>2023</u> <u>Costs</u>	<u>In</u> <u>Service</u>	<u>Total In</u> <u>Service</u>
Golden Rock Substation	\$ 2,000,000	\$ 2,000,000	\$ 650,000	\$ 650,000	\$ -	\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000	\$ 3,000,000
Golden Rock D-Line	\$ 1,650,000	\$ 1,650,000	\$ 2,100,000	\$ 2,100,000	\$ -	\$ -	\$ -	\$ -	\$ 2,700,000	\$ 2,700,000	\$ 6,450,000
Rockingham Substation	\$ 200,000	\$ -	\$ 500,000		\$ 5,000,000	\$ 5,700,000	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 6,200,000
Rockingham D-Line		\$ -	\$ 500,000		\$ 1,000,000	\$ 1,500,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ 1,600,000
Rockingham T Line	\$ 200,000	\$ -	\$ 500,000	\$ -	\$ 6,000,000	\$ 6,700,000	\$ 6,000,000	\$ 6,000,000	\$ -	\$ -	\$ 12,700,000

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Illustrative Step Adjustment Calculation
Computation of Revenue Requirement
CY 2020

		CY <u>2020</u>			
1	Total Investment				\$20,000,000
2	Less REP				(\$1,500,000)
3	Total				<u>\$18,500,000</u>
4	80% of Non REP Capital				<u>\$14,800,000</u>
5					
6	<u>Deferred Tax Calculation</u>				
7	Book Depreciation Rate			2.75%	
8	Federal Tax Depreciation Rate			3.75%	
9	FEDERAL Vintage Year Tax Depreciation:				
10		CY 2020 Spend			<u>\$555,000</u>
11	Annual Tax Depreciation				\$555,000
12	Cumulative Tax Depreciation				\$555,000
13					
14	STATE Vintage Year Tax Depreciation:				
15		CY 2020 Spend			<u>\$555,000</u>
16	Annual Tax Depreciation				\$555,000
17	Cumulative Tax Depreciation				\$555,000
18					
19	Book Depreciation				\$407,000
20	Cumulative Book Depreciation				\$407,000
21					
22	Book/Tax Timer (Federal)				\$148,000
23	less: Deferred Tax Reserve (State)				<u>\$11,396</u>
24	Net Book/Tax Timer (Federal)				\$136,604
25	Effective Tax Rate (Federal)				<u>21.00%</u>
26	Deferred Tax Reserve (Federal)				<u>\$28,687</u>
27	Book/Tax Timer (State)				\$148,000
28	Effective Tax Rate (State)				<u>7.70%</u>
29	Deferred Tax Reserve (State)				<u>\$11,396</u>
30	TOTAL Deferred Tax Reserve				<u><u>\$40,083</u></u>
31					
32	<u>Rate Base Calculation</u>				
33	Plant In Service				\$14,800,000
34	Accumulated Book Depreciation				(\$407,000)
35	Deferred Tax Reserve				(\$40,083)
36	Year End Rate Base				<u><u>\$14,352,917</u></u>
37					
38	<u>Revenue Requirement Calculation</u>				
39	Year End Rate Base				\$14,352,917
40	Pre-Tax ROR				<u>10.23%</u>
41	Return and Taxes				\$1,468,206
42	Book Depreciation				\$407,000
43	Property Taxes	3.23%			<u>\$464,894</u>
44	Annual Revenue Requirement				<u>\$2,340,100</u>
45					
46	Adjusted Annual Revenue Requirement				<u><u>\$2,340,100</u></u>
47					
48					
49	<u>Imputed Capital Structure (e)</u>				
50		Ratio	Rate	Weighted Rate	Pre Tax
51	Long Term Debt	45.00%	5.97%	2.69%	2.69%
52	Common Equity	55.00%	10.00%	5.50%	7.54%
53					
54		<u>100.00%</u>		<u>8.19%</u>	<u>10.23%</u>