

Approved Weighted Average Cost of Capital

Component	%	Amount	Cost	Weighted Avg.
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%
Total	100%	\$97,428,853	-----	7.71%

Rate Deficiency Comparison – Change to Weighted Average Cost of Capital

	Company	Commission
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

	Commission
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

	Commission
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