

1 Q. **Reference: 2014 Cost Recovery Application, appendix A, 2014 test year COS**

2 Please provide the 2014 COS that includes both of the following modifications:

3 i) Use the return on equity that was approved by the Board following the 2007  
4 GRA.

5 ii) Removes the rural portion of the rate base for calculating the rate base  
6 available for equity return (i.e. on the same basis as the 2007 GRA was  
7 prepared).

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10 A. The impact to the 2014 Cost of Service that includes both the noted modifications is  
11 a decrease to the calculated return on equity of \$20.1 million as provided in Table 1  
12 below:

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Table 1: Calculation of Revised 2014 Test Year Return on Equity

	As Filed	Revised	Difference
Total Rate Base	1,692,567,000	1,692,567,000	-
Less: Rural Portion	-	(269,205,159)	(269,205,159)
Rate Base Available for Equity Return	<b>1,692,567,000</b>	<b>1,423,361,841</b>	<b>(269,205,159)</b>
<b>Corporate Targets:</b>			
Capital Structure: Percent of Debt	71.331%	71.331%	-
Return	7.051%	7.051%	-
Weighted Average Return: Debt	<b>5.030%</b>	<b>5.030%</b>	-
Capital Structure: Percent of Equity	23.565%	23.565%	-
Return	8.800%	4.465%	-4.335%
Weighted Average Return: Equity	<b>2.074%</b>	<b>1.052%</b>	-1.022%
Weighted Average Cost of Capital	<b>7.103%</b>	<b>7.103%</b>	-
<b>Return on Rate Base (\$):</b>			
Return on Debt	85,128,483	85,128,483	-
Return on Equity	35,099,439	14,976,434	(20,123,005)
Return on Rate Base (\$)	<b>120,227,922</b>	<b>100,104,917</b>	<b>(20,123,005)</b>