

1 Table 4-4 shows forecast 2010 depreciation and related amortizations.

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Table 4-4
2010 Depreciation Cost and Related Amortization
(\$000s)

Depreciation	43,383
Amortization of Cost Recovery Deferral	3,861 ¹
Depreciation and Related Amortization	47,244

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4 Table 4-5 shows forecast 2010 income taxes.

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Table 4-5
2010 Income Taxes
(\$000s)

Existing	12,405
Tax Effects of Amended Application Proposals	8,895 ²
Proposed	21,300

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¹ In Order No. P.U. 32 (2007), the Board approved a 3-year amortization of deferred 2006 and 2007 depreciation costs. This amortization will conclude in 2010.

² The tax effects of the Amended Application proposals are as follows:

	(\$000s)
Increase in Forecast Revenue from Rates, Exhibit 7 (1 st Revision), line 27	35,925
Transfers to the RSA Included in Existing Rates, Exhibit 7 (1 st Revision), line 21	(5,346)
Increase in Taxable Revenue	30,579
Reduction in Tax Deductible Expenses (purchased power, operating, interest)	3,284
Increase in Taxable Income	33,863
Tax Rate	32.0%
Increase in Cash Income Taxes	10,836
Decrease in Future Income Taxes	(1,941)
Increase in Total Income Taxes	8,895

4.3.3 Return on Rate Base

Exhibit 8 (2nd Revision) presents proposed 2010 return on rate base.

Table 4-6 summarizes the proposed 2010 return on rate base and rate of return on rate base.

Table 4-6
2010 Return on Rate Base
(\$000s)

Forecast Average Rate Base	869,241 ³
Forecast Regulated Returns	
Debt	35,852
Preferred Equity	568
Common Equity	42,941
Return on Rate Base	79,361
Rate of Return on Rate Base (%)	9.13⁴

4.3.4 Deductions and Revenue Amortizations

Table 4-7 shows forecast 2010 deductions from revenue requirements.

Table 4-7
2010 Deductions
(\$000s)

Other Revenue	(13,692) ⁵
2005 Unbilled Revenue	(4,618) ⁶
Other Adjustments	87
Proposed	(18,223)

³ Forecast average rate base is shown in Exhibit 6 (1st Revision), line 27.

⁴ The rate of return on rate base is calculated as (\$79,361,000 divided by \$869,241,000) equals 9.13%, as shown in Exhibit 8 (2nd Revision). The range of return on rate base proposed in this Amended Application is 8.95% to 9.31% based upon a 36 basis point range. A 36 basis point range of return on rate base was approved by the Board in Order Nos. P.U. 36 (1998-99), P.U. 19 (2003) and P.U. 32 (2007).

⁵ Composed of \$13,644,000 (existing other revenue) plus \$48,000 (interest on rate stabilization account).

⁶ The amortization of 2005 Unbilled Revenue reflects the Board's approval in Order No. P.U. 32 (2007) of a 3-year amortization of \$13.9 million in revenue. This amortization will conclude in 2010.