

1 **Volume 1, Section 3 – Finance**

2
3 **Q. Please provide a detailed breakdown of the cost increases in each line item that**
4 **results in the average increase in current customer rates of approximately 5.3% as**
5 **applied for in the Application together with the percentage attributable to each**
6 **item.**

7
8 **A. Table 1 shows a breakdown of the proposed rate change by line item.**

9
10
Table 1
Components of 2008 Proposed Rate Change
(\$000s)

	Existing		Including Elasticity	Changes	Proposed	Rate Change (%)
	Excluding Elasticity	Elasticity Effects ¹				
Return on Rate Base²	54,204	323	54,527	16,843	71,370	3.3
Other Costs						
Power Supply Costs ³						
Purchased Power	328,786	(3,099)	325,687	-	325,687	-
Amortize Reserves/Repl. Energy	-	-	-	2,022	2,022	0.4
Operating Costs ⁴	48,723	-	48,723	(833)	47,890	(0.2)
Pension & Early Retirement Costs ⁴	3,348	-	3,348	-	3,348	-
OPEBs Costs ⁴	-	-	-	6,370	6,370	1.2
Amortize Depreciation Deferral ⁵	-	-	-	2,317	2,317	0.5
Depreciation ⁵	41,002	-	41,002	(795)	40,207	(0.2)
Income Taxes ⁶	14,256	170	14,426	7,931	22,357	1.6
	<u>436,115</u>	<u>(2,929)</u>	<u>433,186</u>	<u>17,012</u>	<u>450,198</u>	
Total Costs and Return	490,319	(2,606)	487,713	33,855	521,568	
Adjustments						
Other Revenue ⁷	(10,801)	-	(10,801)	(1,210)	(12,011)	(0.2)
Non-regulated Expenses ⁷	(983)	-	(983)	-	(983)	-
Other Adjustments ⁸	-	-	-	92	92	-
	<u>(11,784)</u>	<u>-</u>	<u>(11,784)</u>	<u>(1,118)</u>	<u>(12,902)</u>	
2008 Revenue	478,535	(2,606)	475,929	32,737	508,666	
Amortize Revenue Deferrals ⁹	-	-	-	(6,180)	(6,180)	(1.2)
2008 Revenue from Rates¹	<u>478,535</u>	<u>(2,606)</u>	<u>475,929</u>	<u>26,557</u>	<u>502,486</u>	
RSA¹	22,741	(148)	22,593	-	22,593	-
MTA¹	<u>11,935</u>	<u>(67)</u>	<u>11,868</u>	<u>631</u>	<u>12,499</u>	0.1
Billed to Customers¹	<u>513,211</u>	<u>(2,821)</u>	<u>510,390</u>	<u>27,188</u>	<u>537,578</u>	5.3

Requests for Information

- 1 ¹ See *Volume 1, Exhibit 11*.
- 2 ² See *Volume 1, Exhibit 10*.
- 3 ³ See *Volume 1, Tab 3, Section 3.9.2*, page 100, Table 42.
- 4 ⁴ See *Volume 1, Tab 3, Section 3.9.2*, page 100, Table 43.
- 5 ⁵ See *Volume 1, Tab 3, Section 3.9.2*, page 101, Table 44.
- 6 ⁶ See *Volume 1, Tab 3, Section 3.9.2*, page 101, Table 45.
- 7 ⁷ See *Volume 1, Tab 3, Section 3.9.4*, page 103, Table 47 and footnotes 178 & 179.
- 8 ⁸ Represents interest expense on customer security deposits and amortization of capital stock issue expenses.
9 Currently, these amounts are included in revenue requirement through their inclusion in the Z factor component
10 of the rate of return on rate base and the resulting return on rate base. (See *Volume 1, Tab 3, Section 3.3.3*,
11 pages 60 and 61). Under the asset rate base method, these amounts are excluded from the return on rate base
12 and included directly in revenue requirement.
- 13 ⁹ See *Volume 1, Tab 3, Section 3.9.4*, page 103, Table 48.