

Staff Review of Projected Revenue Requirements

	Company Proposed Total		Intrastate		Adjustments	Staff Adjusted Revenue Req Intrastate
Expenses:						
Plant Specific	\$135,239	58%	\$78,633	A	(5,730)	\$72,903
Plant Non-Specific	264,210	59%	154,836	B	(8,483)	\$146,353
Customer Operations	2,768	38%	1,042			\$1,042
Corporate Operations	76,269	53%	40,794	C ²	(11,563)	\$29,231
Property Taxes	1,963	53%	1,041			\$1,041
Adjustment(s)	0					
Total Operating Expenses	480,449	58%	276,346		(25,776)	250,570
Federal Income Taxes	21,314	55%	11,674	D ¹	(11,674)	0
Return on Investment	209,837	56%	118,305	E	(57,489)	60,816
<i>average rate of return</i>	<i>10.91%</i>		<i>10.50%</i>			<i>5.32%</i>
Revenue Requirement	711,600	57%	406,325		(94,939)	311,386
Rate Base:						
General Support	\$563,764	59%	\$330,089	C ¹	(13,584)	\$316,505
Central Office	1,419,772	57%	808,780			\$808,780
Cable and Wire	202,508	70%	141,081			\$141,081
Accumulated Depreciation	(215,563)	59%	(127,559)	C ³	4,347	(\$123,212)
Accum. Def. Fed. Inc. Tax	(46,501)	55%	(25,683)	D ²	25,683	\$0
Adjustment(s)			0			\$0
Net Rate Base	\$1,923,980	59%	\$1,126,708			\$1,143,154
REVENUE OBJECTIVE (R.O.)						
WCAP R.O.			\$133,562		(94,939)	\$38,623
Local Revenue			\$4,260			

NOTES *

- A Normalized the environmental assessment fee.
(See Attachment 2)
- B Normalized start-up costs for Holden Village and related consulting fees.
(See Attachment 2)
- C Company currently has 3 vehicles (2 in Manson, 1 in Stehekin). Staff recommends taking the additional vehicle i off the books (\$23,200) and the corresponding depreciation expense and accumulated depreciation, multiplied by allocation factor. This adjustment was part of the settlement agreement in 2007 and the vehicle owner did not wo WeavTel in the test year. Also, normalized start-up costs. (See Attachment 2)
- D Per settlement narrative (1/30/07), the company is a limited liability company and does not pay federal income tax owners pay FIT on their share of net income, if any - removed FIT expense. Also, added accumulated deferred F rate base.
- E Decreased return on investment to equal the cost of debt multiplied by the intrastate rate base.

Attachment 1

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		Intrastate Allocation Factor	Adjustment
Environmental Assessment			
	10,558.58		
Normalization	<u>15</u>		
Annual	703.91		
Years to remove	<u>14</u>		
	9,854.67	58%	<u>5,730</u>
		Total Adjustment	<u><u>\$5,730</u></u>

Adjustment B - Plant Non-Specific

			Adjustment
Expenses to get Holden Village on-line			
	11,538		
One-time payment for CHR	<u>3,971</u>		
Total Estimated Start-up	15,509		
Normalization	<u>15</u>		
Annual	1033.93		
Years to remove	<u>14</u>		
	14,475.07	59%	<u><u>8,483</u></u>

Adjustment C

General Support - C¹ adjustment

			Adjustment
Vehicle on the Books -	23,200	59%	13,584 (adj. C ¹)

Corporate Operations Expense - C² adjustment

			Adjustment
General Support - Vehicle			
	13,584		
Dep. Rate	<u>16%</u>		
Dep. Expense			2,173
Legal Fees			
Annual Payment	4,800		
Profit & Loss '07	<u>17,455</u>		
Difference	12,655	Amount to be normalized	
Consulting Fees	<u>6,154.75</u>		
Total	18,809.75		
Normalization	<u>15</u>		
Annual	1253.98		
Years to remove	<u>14</u>		
	17,555.77	53%	<u>9,390</u>
		Total Adjustment	<u><u>11,563 (adj. C²)</u></u>

Accumulated Depreciation - C³ adjustment

			Adjustment
Depreciation Expense			
	2,173		
Number of years	<u>2</u>		4,347 (adj. C ³)