

TABLE 1 ASSUMPTIONS		
1	Issue Price	\$100.00
2	Flotation Cost	5.00%
3	Dividend	\$6.00 [1]
4	Dividend Yield	6.00%
5	Growth	5.00% [1]
6	Growth (without flotation cost adjustment)	4.68% [2]
7	Required Return on Equity (D/P + g)	11.00%
8	Return on Equity incl. Flotation Cost Adjustment (D/P(1 - f) + g)	11.32%

Notes

[1] Represents investor expectations.

[2] = ((Line 7 * (1 - Line 2) * Line 1) - Line 3)/((1 - Line 2) * Line 1)

TABLE 2
 DEMONSTRATION OF REQUIREMENT FOR PERMANENT FLOTATION COST ADJUSTMENT

Year	[1] Shareholder Required ROE	[2] Allowed ROE	[3] Common Stock	[4] Retained Earnings Cumulative	[5] Total Equity	[6] Stock Price	[7] Market/ Book Ratio	[8] Price/ Earnings Ratio	[9] EPS	[10] DPS	[11] Retained Earnings	[12] Payout	[13] Dividend Yield	[14] Growth	[15] Earned ROE
1	11.00%	11.32%	\$95.00	\$0.00	\$95.00	\$100.00	1.05	9.30	\$10.75	\$6.00	\$4.75	55.81%	6.00%	n/a	n/a
2	11.00%	11.32%	\$95.00	\$4.75	\$99.75	\$105.00	1.05	9.30	\$11.29	\$6.30	\$4.99	55.81%	6.00%	5.00%	11.00%
3	11.00%	11.32%	\$95.00	\$9.74	\$104.74	\$110.25	1.05	9.30	\$11.85	\$6.62	\$5.24	55.81%	6.00%	5.00%	11.00%
4	11.00%	11.32%	\$95.00	\$14.97	\$109.97	\$115.76	1.05	9.30	\$12.44	\$6.95	\$5.50	55.81%	6.00%	5.00%	11.00%
5	11.00%	11.32%	\$95.00	\$20.47	\$115.47	\$121.55	1.05	9.30	\$13.07	\$7.29	\$5.77	55.81%	6.00%	5.00%	11.00%
6	11.00%	11.32%	\$95.00	\$26.25	\$121.25	\$127.63	1.05	9.30	\$13.72	\$7.66	\$6.06	55.81%	6.00%	5.00%	11.00%
7	11.00%	11.32%	\$95.00	\$32.31	\$127.31	\$134.01	1.05	9.30	\$14.41	\$8.04	\$6.37	55.81%	6.00%	5.00%	11.00%
8	11.00%	11.32%	\$95.00	\$38.67	\$133.67	\$140.71	1.05	9.30	\$15.13	\$8.44	\$6.68	55.81%	6.00%	5.00%	11.00%
9	11.00%	11.32%	\$95.00	\$45.36	\$140.36	\$147.75	1.05	9.30	\$15.88	\$8.86	\$7.02	55.81%	6.00%	5.00%	11.00%
10	11.00%	11.32%	\$95.00	\$52.38	\$147.38	\$155.13	1.05	9.30	\$16.68	\$9.31	\$7.37	55.81%	6.00%	5.00%	11.00%
Growth [16]					5.00%	5.00%			5.00%	5.00%	5.00%				

Notes

Based on Morin, Roger A., *New Regulatory Finance*, 2006, at 331-332

[1] See Table 1

[2] Equals allowed ROE **including** flotation cost adjustment

[3] Equals net proceeds of common stock issued in Year 1 [\$100.00 x (1 - 5.00%)]

[4] Equals cumulative retained earnings balance based on Column [11]

[5] Equals Column [3] + Column [4]

[6] Equals Column [10] / (Column [1] - Growth) or Column [10] / (11.00% - 5.00%)

[7] Equals Column [6] / Column [5]

[8] Equals Column [6] x Column [9]

[9] Equals Column [2] x Column [5]

[10] Equals \$6.00 in Year 1; increases by 5% annually

[11] Equals Column [9] - Column [10]

[12] Equals Column [10] / Column [9]

[13] Equals Column [10] / Column [6]

[14] Equal to [16]

[15] Equals Column [13] + Column [14]

[16] Equals (Year 10 / Year 1) ^ (1 / 9) - 1

TABLE 3
 DEMONSTRATION OF REQUIREMENT FOR PERMANENT FLOTATION COST ADJUSTMENT

Year	[1] Shareholder Required ROE	[2] Allowed ROE	[3] Common Stock	[4] Retained Earnings Cumulative	[5] Total Equity	[6] Stock Price	[7] Market/ Book Ratio	[8] Price/ Earnings Ratio	[9] EPS	[10] DPS	[11] Retained Earnings	[12] Payout	[13] Dividend Yield	[14] Growth	[15] Earned ROE
1	11.00%	11.00%	\$95.00	\$0.00	\$95.00	\$100.00	1.05	9.57	\$10.45	\$6.00	\$4.45	57.42%	6.00%	n/a	n/a
2	11.00%	11.00%	\$95.00	\$4.45	\$99.45	\$104.68	1.05	9.57	\$10.94	\$6.28	\$4.66	57.42%	6.00%	4.68%	10.68%
3	11.00%	11.00%	\$95.00	\$9.11	\$104.11	\$109.59	1.05	9.57	\$11.45	\$6.58	\$4.88	57.42%	6.00%	4.68%	10.68%
4	11.00%	11.00%	\$95.00	\$13.99	\$108.99	\$114.72	1.05	9.57	\$11.99	\$6.88	\$5.11	57.42%	6.00%	4.68%	10.68%
5	11.00%	11.00%	\$95.00	\$19.09	\$114.09	\$120.09	1.05	9.57	\$12.55	\$7.21	\$5.34	57.42%	6.00%	4.68%	10.68%
6	11.00%	11.00%	\$95.00	\$24.43	\$119.43	\$125.72	1.05	9.57	\$13.14	\$7.54	\$5.59	57.42%	6.00%	4.68%	10.68%
7	11.00%	11.00%	\$95.00	\$30.03	\$125.03	\$131.61	1.05	9.57	\$13.75	\$7.90	\$5.86	57.42%	6.00%	4.68%	10.68%
8	11.00%	11.00%	\$95.00	\$35.89	\$130.89	\$137.77	1.05	9.57	\$14.40	\$8.27	\$6.13	57.42%	6.00%	4.68%	10.68%
9	11.00%	11.00%	\$95.00	\$42.02	\$137.02	\$144.23	1.05	9.57	\$15.07	\$8.65	\$6.42	57.42%	6.00%	4.68%	10.68%
10	11.00%	11.00%	\$95.00	\$48.43	\$143.43	\$150.98	1.05	9.57	\$15.78	\$9.06	\$6.72	57.42%	6.00%	4.68%	10.68%
Growth [16]					4.68%	4.68%			4.68%	4.68%	4.68%				

Notes

Based on Morin, Roger A., *New Regulatory Finance*, 2006, at 331-332

[1] See Table 1

[2] Equals allowed ROE **excluding** flotation cost adjustment

[3] Equals net proceeds of common stock issued in Year 1 [\$100.00 x (1 - 5.00%)]

[4] Equals cumulative retained earnings balance based on Column [11]

[5] Equals Column [3] + Column [4]

[6] Equals Column [10] / (Column [1] - Growth) or Column [10] / (11.00% - 5.00%)

[7] Equals Column [6] / Column [5]

[8] Equals Column [6] x Column [9]

[9] Equals Column [2] x Column [5]

[10] Equals \$6.00 in Year 1; increases by 4.68% annually

[11] Equals Column [9] - Column [10]

[12] Equals Column [10] / Column [9]

[13] Equals Column [10] / Column [6]

[14] Equal to [16]

[15] Equals Column [13] + Column [14]

[16] Equals (Year 10 / Year 1) ^ (1 / 9) - 1