

Example: Proposed Earnings Sharing Adjustor
(all revenues/costs in \$000)

	Year 1 Benchmark	Year 1 Actual	Year 1 Allowed ROE 9.30%	Year 1 Ceiling Sharing Band	Year 1 Ceiling Dead Band	Year 1 Floor Dead Band	Year 1 Floor Sharing Band
ROE Range	9.30%	8.75%	9.3%	10.30%	9.80%	8.80%	8.30%
Total Retail Revenue	\$511,494	\$511,494	Revenue Required \$517,360	Revenue Required \$528,155	Revenue Required \$522,758	Revenue Required \$511,962	Revenue Required \$506,624
Total Expenses	\$389,131	\$395,000	\$395,000	\$395,000	\$395,000	\$395,000	\$395,000
Operating income	\$122,363	\$116,494	\$122,360	\$133,155	\$127,758	\$116,962	\$111,624
Interest	\$28,245	\$28,245	\$28,245	\$28,245	\$28,245	\$28,245	\$28,245
Net income pre-tax	\$94,118	\$88,249	\$94,115	\$104,910	\$99,513	\$88,717	\$83,379
Income tax	\$21,620	\$20,017	\$21,617	\$24,617	\$23,117	\$20,117	\$18,617
Net income	\$72,498	\$68,232	\$72,498	\$80,293	\$76,396	\$68,600	\$64,702
Equity Component of Ratebase	\$779,547	\$779,547	\$779,547	\$779,547	\$779,547	\$779,547	\$779,547
Return on Equity	9.30%	8.75%	9.30%	10.30%	9.80%	8.80%	8.30%
Revenue Requirement	\$ 511,494		\$ 517,360	\$ 528,155	\$ 522,758	\$ 511,962	\$ 506,624

Earnings Sharing Bands	bps change	ROE Range	Revenue Requirement	Actual Retail Revenues	Sufficiency / (Deficiency)	Results
Sharing Band Ceiling	0.50%	10.30%	\$ 528,155	\$ 511,494	\$ (16,661)	Actual Revenues below Sharing Band Ceiling.
Dead Band Ceiling	0.50%	9.80%	\$ 522,758	\$ 511,494	\$ (11,264)	Actual Revenues below Dead Band Ceiling
Allowed	9.30%	9.30%	\$ 517,360	\$ 511,494	\$ (5,866)	Actual Revenues below Allowed Cost of Equity, 100% shortfall retained by Company
Dead Band Floor	-0.50%	8.80%	\$ 511,962	\$ 511,494	\$ (468)	Actual Revenues below Dead Band Floor, Shared 50 /50 Customer and Company
Sharing Band Floor	-0.50%	8.30%	\$ 506,624	\$ 511,494	\$ 4,870	Actual Revenues above Sharing Band Floor

In this illustrative example revenue is below the Dead Band Floor but above the Sharing Band Floor. \$468 is shared 50/50 company and customers.