



## **CONFIDENTIAL APPENDIX F**

### **Impact on Rate Base, Revenue Requirement and Customer Rates Calculations**

## Depreciation

## Page 1

## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

Depreciation (000s)	Reference	Annual
<b>Depreciation Expense</b>		
Capital Additions for 2024	A	427,000
Plant Investment for Depreciation	$C = A + B$	\$ 427,000
Depreciation Rate (Note 1)	D	2.20%
2025 Depreciation Expense (first full year of depreciation)	$E = C \times D$	\$ 9,394
<b>Capital Investment</b>		
Capital Investment	A	427,000
Less: Customer Contributions per Annual Depreciation	F	-
Total Capital Investment	$G = A + F$	\$ 427,000
<b>Accumulated Depreciation</b>		
Accumulated Depreciation, December 31, 2025	I	14,091
Total Change in Accumulated Depreciation	$J = H + I$	\$ 14,091
<b>Net Book Value (NBV) - Capital Investment</b>	$K = C - J$	\$ 412,909
<b>Customer Contributions</b>		
Customer Contributions per Annual Depreciation	F	\$ -
<b>Depreciation Expense - Contributions</b>		
Annual Contributions	F	\$ -
Depreciation Rate	L	2.20%
Amortization of Customer Contributions	$M = F \times L$	\$ -
Accumulated Depreciation, December 31, 2025	N	\$ -
<b>Net Book Value (NBV) - Customer Contributions</b>	$O = F - N$	\$ -
<b>Total 2025 Depreciation Expense (Net of Contributions)</b>	$P = E + M$	\$ 9,394
Note 1: Assumed 50 year useful life 100% / 50 Years = 2% + 10% decommissioning cost = 2.2%		

## Income Taxes

## Page 2

## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

Income Taxes (000s)	Reference	Annual
Capital Additions for 2024	A	427,000
Less: Contributions	B	-
CCA Deductions 2025	C	<u>49,874</u>
Ending UCC	$D = A - B - C$	\$ 377,126
<b>Future Income Taxes</b>		
CCA Deductions 2025	C	\$ 49,874
Accumulated Depreciation, December 31, 2025	$E =$ I - N From Page 1	<u>14,091</u>
Difference CCA/Depreciation	$F = C - E$	35,783
Future Tax Rate	G	<u>31.00%</u>
Future Income Tax Liability	$H = F \times G$	11,093
<b>Income Tax Effects of Increased Return</b>		
Return on Rate Base	I = H from Page 3	\$ 26,873
Equity Return (grossed up)	$J =$ G from Page 3 / (1-G)	<u>22,083</u>
Taxable Income from Return on Rate Base	$K = J$	\$ 22,083
<b>Income Tax Expense</b>		
Taxable Income from Return on Rate Base	L	\$ 22,083
Add: Depreciation	$M = P$ from Page 1	9,394
Less: CCA	N = 2025 CCA	<u>(32,794)</u>
	$O = L + M + N$	(1,317)
Corporate Tax Rate	G	<u>31.00%</u>
Current Income Tax Expense	$P = O \times G$	(408)
Future Income Tax Expense	$Q = (-M - N) \times G$	<u>7,254</u>
<b>Total Income Tax Expense</b>	$R = P + Q$	\$ <b>6,846</b>

## 2025 Rate Base &amp; Cost of Capital

## Page 3

## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

Rate Base & Cost of Capital (000s)		Reference	
Net Book Value, Capital Investment		A = K from Page 1	\$ 412,909
Net Book Value, Contributions		B = O from Page 1	-
Future Income Taxes		C = H from Page 2	(11,093)
<b>Projected Rate Base</b>		<b>D = A + B + C</b>	<b>\$ 401,816</b>
<b>Total % Increase from 2023 Actual Year End Rate Base</b>		<b>E = D / R</b>	<b>78.64%</b>
Return on Debt		F = D X O	\$ 11,636
Return on Common Equity		G = D X P	15,237
Total Return On Rate Base		H = F + G	\$ 26,873
<b>Weighted Average Cost of Capital ("WACC")</b>			
Debt		I	60.0%
Common Equity		J	40.0%
Cost of Debt		K	4.77%
Cost of Common Equity		L	9.35%
Forecast 2025 Average Capitalization (Total Debt plus Common Equity)		M	498,120,300
Forecast 2025 Average Rate Base*		N	491,764,300
WA Cost of Debt		O = I X K X M / N	2.90%
WA Cost of Common Equity		P = J X L X M / N	3.79%
Forecast 2025 WACC		Q = O + P	6.69%
<b>2023 Actual Year End Rate Base</b>		<b>R</b>	<b>\$ 510,977</b>

## Revenue Requirement

## Page 4

## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

2025 Annual Project Revenue Requirement (000s)	Reference	0
Depreciation	A = P from Page 1	\$ 9,394
Return on Debt	C = F from Page 3	11,636
Return on Equity	D = G from Page 3	15,237
Income Taxes	E = R from Page 2	6,846
<b>Estimated Annual Project Revenue Requirement</b>	<b>F = A + B + C + D + E</b>	<b>\$ 33,380</b>
<b>% Increase over 2025 Forecast Revenue Requirement</b>	<b>G = F / H</b>	<b>13.09%</b>
<b>Forecast 2025 Revenue Requirement*</b>	<b>H</b>	<b>\$ 255,063</b>
<b>Total Change in Revenue Requirement Allocated to MECL</b>	<b>100% = F</b>	<b>\$ 33,380</b>

\* 2025 forecast revenue requirement per GRA Negotiated Settlement filed with the Commission on April 4, 2023.

## Distribution Rate Impact

## Page 5

## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

Project Rate Impact	Reference	0
Total Project Revenue Requirement	A = F from Appendix F X 1000	\$ 33,380,391
Forecast 2025 kWh Sales	B	1,649,073,000
<b>Forecast Increase Per kWh Project Rate Impact</b>	<b>C = A / B</b>	<b>\$ 0.02024</b>
<b>Forecast Increase Annual Cost Benchmark Residential Customer (650 kWh per month) before tax</b>	<b>D = 650 kWh X C X 12 months</b>	<b>\$ 157.87</b>
% Increase over 2025 Forecast Annual Cost for Rural Residential Customer	E = D / I	9.63%
% Increase over 2025 Forecast Annual Cost for Urban Residential Customer	F = D / J	9.80%
<b>Forecast Increase Annual Cost Benchmark General Service Customer (10,000 kWh per month) before tax</b>	<b>G = 10,000 kWh X C X 12 months</b>	<b>\$ 2,428.80</b>
% Increase over 2025 Forecast Annual Cost for General Service Customer	H = G / K	9.45%
2025 Annual Cost Benchmark Rural Residential Customer (650 kWh per month) excluding tax per GRA Negotiated Settlement filed with the Commission on April 4, 2023.	I	\$ 1,639.09
2025 Annual Cost Benchmark Rural Residential Customer (650 kWh per month) excluding tax per GRA Negotiated Settlement filed with the Commission on June 20, 2022 April 4, 2023.	J	\$ 1,610.89
2025 Annual Cost Benchmark General Service Customer (10,000 kWh per month) excluding tax per GRA Negotiated Settlement filed with the Commission on April 4, 2023.	K	\$ 25,712.54