

# **EXHIBITS I - III**

**TRADITIONAL CWIP APPROACH**

- Net Present Value of KRS II Over 56 Years - No Revenue Requirement in Year 0
- Assumes Year 0 is Rate Effective Date of Current Case and Year 1 is Rate Effective Date of Next Case
- Dollar amounts in 000s
- After-Tax Discount Rate 8.03%
- Pre-Tax Discount Rate 10.91%

	I 8.03%	II 8.03%	III 8.03%	IV 10.91%	
0	0	0	0	0	
1	26,520	22,698	22,698	22,698	
2	25,917	22,200	22,200	22,200	
3	25,314	21,703	21,703	21,703	
4	24,711	21,204	21,204	21,204	
5	24,108	20,706	20,706	20,706	
6	23,505	20,208	20,208	20,208	
7	22,902	19,710	19,710	19,710	
8	22,299	19,211	19,211	19,211	
9	21,696	18,713	18,713	18,713	
10	21,093	18,215	18,215	18,215	
11	20,490	17,717	17,717	17,717	
12	19,887	17,219	17,219	17,219	
13	19,284	16,721	16,721	16,721	
14	18,681	16,223	16,223	16,223	
15	18,078	15,724	15,724	15,724	
16	17,475	15,226	15,226	15,226	
17	16,872	14,728	14,728	14,728	
18	16,269	14,230	14,230	14,230	
19	15,666	13,732	13,732	13,732	
20	15,063	13,234	13,234	13,234	
21	14,460	12,736	12,736	12,736	
22	13,857	12,237	12,237	12,237	
23	13,254	11,739	11,739	11,739	
24	12,651	11,241	11,241	11,241	
25	12,048	10,743	10,743	10,743	
26	9,091	7,828	7,828	7,828	
27	8,849	7,628	7,628	7,628	
28	8,606	7,427	7,427	7,427	
29	8,364	7,227	7,227	7,227	
30	8,122	7,027	7,027	7,027	
31	7,879	6,827	6,827	6,827	
32	7,637	6,627	6,627	6,627	
33	7,395	6,426	6,426	6,426	
34	7,152	6,226	6,226	6,226	
35	6,910	6,026	6,026	6,026	
36	6,668	5,826	5,826	5,826	
37	6,425	5,625	5,625	5,625	
38	6,183	5,436	5,436	5,436	
39	5,941	5,225	5,225	5,225	
40	5,698	5,025	5,025	5,025	
41	5,456	4,825	4,825	4,825	
42	5,214	4,624	4,624	4,624	
43	4,971	4,424	4,424	4,424	
44	4,729	4,224	4,224	4,224	
45	4,487	4,024	4,024	4,024	
46	4,244	3,824	3,824	3,824	
47	4,002	3,623	3,623	3,623	
48	3,760	3,423	3,423	3,423	
49	3,517	3,223	3,223	3,223	
50	3,275	3,023	3,023	3,023	
51	3,033	2,823	2,823	2,823	
52	2,790	2,622	2,622	2,622	
53	2,548	2,422	2,422	2,422	
54	2,306	2,222	2,222	2,222	
55	2,063	2,022	2,022	2,022	
56	1,797	1,797	1,797	1,797	
	651,212	567,569	567,569	567,569	Total Years 0 - 56
	<u>240,842</u>	<u>207,895</u>	<u>192,442</u>	<u>150,052</u>	Net Present Value
	(Yrs 1 - 56)	(Yrs 1 - 56)	(Yrs 0 - 56)	(Yrs 0 - 56)	

Column I: MAM-7, Page 1 As Filed - Starts NPV Analysis in Year 1  
 Column II: Column I but Corrected For Tax Gross Up Double-Count [AG-1-13(c)]  
 Column III: Column II but Corrected by Starting NPV Analysis in Year 0  
 Column IV: Column III, but Using Pre-Tax Discount Rate

**PHASE-IN APPROACH**

- Net Present Value of KRS II Over 56 Years - \$7.263 Million Revenue Requirement in Year 0
- Assumes Year 0 is Rate Effective Date of Current Case and Year 1 is Rate Effective Date of Next Case
- Dollar amounts in 000s
- After-Tax Discount Rate **8.03%**
- Pre-Tax Discount Rate **10.91%**

	I 8.03%	II 8.03%	III 10.91%	
0	7,263	7,263	7,263	
1	25,384	21,726	21,726	
2	24,807	21,249	21,249	
3	24,229	20,773	20,773	
4	23,652	20,296	20,296	
5	23,075	19,819	19,819	
6	22,498	19,342	19,342	
7	21,921	18,865	18,865	
8	21,344	18,389	18,389	
9	20,767	17,912	17,912	
10	20,189	17,435	17,435	
11	19,612	16,958	16,958	
12	19,035	16,481	16,481	
13	18,458	16,005	16,005	
14	17,881	15,528	15,528	
15	17,304	15,051	15,051	
16	16,727	14,574	14,574	
17	16,149	14,097	14,097	
18	15,572	13,621	13,621	
19	14,995	13,144	13,144	
20	14,418	12,667	12,667	
21	13,841	12,190	12,190	
22	13,264	11,713	11,713	
23	12,687	11,237	11,237	
24	12,110	10,760	10,760	
25	11,532	10,283	10,283	
26	8,702	7,492	7,492	
27	8,470	7,301	7,301	
28	8,238	7,109	7,109	
29	8,006	6,918	6,918	
30	7,774	6,726	6,726	
31	7,542	6,534	6,534	
32	7,310	6,343	6,343	
33	7,078	6,151	6,151	
34	6,846	5,959	5,959	
35	6,614	5,768	5,768	
36	6,382	5,576	5,576	
37	6,150	5,385	5,385	
38	5,918	5,193	5,193	
39	5,686	5,001	5,001	
40	5,454	4,810	4,810	
41	5,222	4,618	4,618	
42	4,990	4,426	4,426	
43	4,758	4,235	4,235	
44	4,526	4,043	4,043	
45	4,294	3,851	3,851	
46	4,062	3,660	3,660	
47	3,831	3,468	3,468	
48	3,599	3,277	3,277	
49	3,367	3,085	3,085	
50	3,135	2,893	2,893	
51	2,903	2,702	2,702	
52	2,671	2,510	2,510	
53	2,439	2,318	2,318	
54	2,207	2,127	2,127	
55	1,975	1,935	1,935	
56	1,719	1,719	1,719	
	630,582	550,511	550,511	Total Years 0 - 56
	<u>220,113</u>	<u>190,922</u>	<u>150,174</u>	Net Present Value
	(Yrs 0 - 56)	(Yrs 0 - 56)	(Yrs 0 - 56)	

Column I: MAM-7, Page 2 As Filed - Starts NPV Analysis in Year 0

Column II: Column I but Corrected For Tax Gross Up Double-Count [AG-1-13(d)]

Column III: Column II, but Using Pre-Tax Discount Rate

**Traditional CWIP Approach vs. Phase-In Approach With Customer Growth**

- Dollar amounts in 000s

- Pre-Tax Discount Rate

10.91%

	Traditional	Phase-In	Total	Number Of	Difference	0.50%	Difference	
	10.91%	10.91%	Difference		Per Customer	Customer	Per Customer	
	[Exh. I - col IV]	[Exh. II - col III]	10.91%	Customers	10.91%	Growth	10.91%	
0	0	7,263	(7,263)	123,197	(58.95)	123,197	(58.95)	
1	22,698	21,726	972	123,197	7.89	123,813	7.85	
2	22,200	21,249	951	123,197	7.72	124,432	7.64	
3	21,703	20,773	930	123,197	7.55	125,054	7.44	
4	21,204	20,296	908	123,197	7.37	125,679	7.22	
5	20,706	19,819	887	123,197	7.20	126,308	7.02	
6	20,208	19,342	866	123,197	7.03	126,939	6.82	
7	19,710	18,865	845	123,197	6.86	127,574	6.62	
8	19,211	18,389	822	123,197	6.67	128,212	6.41	
9	18,713	17,912	801	123,197	6.50	128,853	6.22	
10	18,215	17,435	780	123,197	6.33	129,497	6.02	
11	17,717	16,958	759	123,197	6.16	130,145	5.83	
12	17,219	16,481	738	123,197	5.99	130,796	5.64	
13	16,721	16,005	716	123,197	5.81	131,449	5.45	
14	16,223	15,528	695	123,197	5.64	132,107	5.26	
15	15,724	15,051	673	123,197	5.46	132,767	5.07	
16	15,226	14,574	652	123,197	5.29	133,431	4.89	
17	14,728	14,097	631	123,197	5.12	134,098	4.71	
18	14,230	13,621	609	123,197	4.94	134,769	4.52	
19	13,732	13,144	588	123,197	4.77	135,443	4.34	
20	13,234	12,667	567	123,197	4.60	136,120	4.17	
21	12,736	12,190	546	123,197	4.43	136,800	3.99	
22	12,237	11,713	524	123,197	4.25	137,484	3.81	
23	11,739	11,237	502	123,197	4.07	138,172	3.63	
24	11,241	10,760	481	123,197	3.90	138,863	3.46	
25	10,743	10,283	460	123,197	3.73	139,557	3.30	
26	7,828	7,492	336	123,197	2.73	140,255	2.40	
27	7,628	7,301	327	123,197	2.65	140,956	2.32	
28	7,427	7,109	318	123,197	2.58	141,661	2.24	
29	7,227	6,918	309	123,197	2.51	142,369	2.17	
30	7,027	6,726	301	123,197	2.44	143,081	2.10	
31	6,827	6,534	293	123,197	2.38	143,796	2.04	
32	6,627	6,343	284	123,197	2.31	144,515	1.97	
33	6,426	6,151	275	123,197	2.23	145,238	1.89	
34	6,226	5,959	267	123,197	2.17	145,964	1.83	
35	6,026	5,768	258	123,197	2.09	146,694	1.76	
36	5,826	5,576	250	123,197	2.03	147,427	1.70	
37	5,625	5,385	240	123,197	1.95	148,165	1.62	
38	5,436	5,193	243	123,197	1.97	148,905	1.63	
39	5,225	5,001	224	123,197	1.82	149,650	1.50	
40	5,025	4,810	215	123,197	1.75	150,398	1.43	
41	4,825	4,618	207	123,197	1.68	151,150	1.37	
42	4,624	4,426	198	123,197	1.61	151,906	1.30	
43	4,424	4,235	189	123,197	1.53	152,665	1.24	
44	4,224	4,043	181	123,197	1.47	153,429	1.18	
45	4,024	3,851	173	123,197	1.40	154,196	1.12	
46	3,824	3,660	164	123,197	1.33	154,967	1.06	
47	3,623	3,468	155	123,197	1.26	155,742	1.00	
48	3,423	3,277	146	123,197	1.19	156,520	0.93	
49	3,223	3,085	138	123,197	1.12	157,303	0.88	
50	3,023	2,893	130	123,197	1.06	158,090	0.82	
51	2,823	2,702	121	123,197	0.98	158,880	0.76	
52	2,622	2,510	112	123,197	0.91	159,674	0.70	
53	2,422	2,318	104	123,197	0.84	160,473	0.65	
54	2,222	2,127	95	123,197	0.77	161,275	0.59	
55	2,022	1,935	87	123,197	0.71	162,082	0.54	
56	1,797	1,719	78	123,197	0.63	162,892	0.48	
	567,569	550,511	24,321		197		181	Total Years 0 - 56
	<u>150,052</u>	<u>150,174</u>	<u>(121)</u>		<u>(1)</u>		<u>(3)</u>	Net Present Value
	(Yrs 0 - 56)	(Yrs 0 - 56)	(Yrs 0 - 56)		(Yrs 0 - 56)			