

PLANT ACCOUNTING

July 3, 2012

Edna Lara

SUBJECT: **Second Quarter 2012 AFUDC Rate Monitoring and Analysis**

The following table provides the 2012 AFUDC rate and the allocation of debt and equity funds.

Second quarter analysis projects an annual gross nominal rate of 7.97%, a forty eight basis point change from the 7.49% annual gross nominal rate currently in effect. The change resulted from a decrease in short-term debt financings, an increase in the short-term debt rate and, a decrease in the projected level of CWIP.

As indicated, the 2012 annual AFUDC gross nominal rate is 7.976052% and the annual Power Plant system rate is 7.846656%. The annual AFUDC rate has changed.

If you have questions regarding this information, please contact me at PAX 22555.

Effective Month	Gross Nominal Rate	Power Plant System Rate / Monthly System Rate	Allocation of Gross Funds Debt% / Equity%
June 2012	7.976052%	7.846656% .6539%	29.72% / 70.28%
March 2012	7.490691%	7.376400% .6147%	29.95% / 70.05%
January 2012	6.880535%	6.783936% .5653%	30.29% / 69.71%


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AFUDC 2nd Qtr 2012 Rate Letter.doc

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ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION
AFUDC Rate Calculation, 25 Basis Point Evaluation
For the Period Ended June, 2012
(Dollars In Thousands)

GROSS NOMINAL AFUDC RATE -	Rate	Capital Ratio	CWIP Allocation	Gross AFUDC Impact	
				Amount	Rate
Total Forecasted Average CWIP	-	-	\$1,827,132	-	-
Total Financed By Actual					
Average Short-term Debt	0.408%	-	\$112,606	\$460	0.025176%
Long-term Debt	5.55%	45.03%	772,079	42,850	2.345205%
Preferred Stock	5.48%	5.77%	98,978	5,424	0.296859%
Common Equity	11.50%	49.20%	843,470	96,999	5.308812%
CWIP Financed By Capitalization			\$1,714,527	\$145,273	7.950876%
Total CWIP Financed			\$1,827,133	\$145,733	7.976052%

ASSUMPTIONS -

	Amount	Ratio	Rate
Average CWIP (Forecasted)	\$1,827,132	-	-
Average Short-term Debt (Forecasted)	112,606	-	0.408%
Prior Year-End Historical Capitalization:			
Long-term Debt (Embedded)	\$8,151,558	45.0316%	5.550%
Preferred Stock (Embedded)	1,045,005	5.7729%	5.480%
Common Equity (Authorized)	8,905,305	49.1955%	11.500%
Total Capitalization	\$18,101,868	100.000%	
Net-of-Tax Rate (Tax Net)			59.330%

ALLOCATION OF GROSS FUNDS -


Borrowed Funds (Debt %)	29.72%
Equity Funds (Equity %)	70.28%

GROSS AND NET RATE CALCULATIONS -

	Formula	Rate
Gross Nominal Rate (Gross Rate)	(From Above)	7.976052%
Net-of-Tax Nominal Rate (Net Rate)	$((\text{Net S Rate} + 1)^{0.5} - 1) * 2$	7.028304%
Gross Rate Compounded Semi-Annually (S Rate)	$((\text{Gross Rate} / 2) + 1)^2 - 1$	8.135096%
Net-of-Tax Semi-Annual Rate (Net S Rate)	$(\text{S Rate} * \text{Debt \%} * \text{Tax Net}) + (\text{S Rate} * \text{Equity \%})$	7.151797%
Gross Equivalent Monthly Rate (Month Rate)	$((\text{S Rate} + 1)^{(1/12)}) - 1$	0.653888%
Net-of-Tax Monthly Rate (Net Month Rate)	$((\text{Net S Rate} + 1)^{(1/12)}) - 1$	0.577296%
Rate Used in Power Plant Work Order System	$(\text{Month Rate} * 12)$	7.846656%

Formula Notation:

The symbol "^" represents exponentiation, raising a quantity to a power.
The symbol "*" represents multiplication.



PLANT ACCOUNTING

January 2, 2013

Christine Featherston

SUBJECT: Fourth Quarter 2012 AFUDC Rate Monitoring and Analysis

For your information, the following table provides fourth quarter 2012 AFUDC rate and the allocation for borrowed and equity funds. Fourth quarter analysis projects an annual gross nominal rate of 7.80%, a seventeen basis point decrease from the 7.97% current gross nominal rate. The change resulted from an increase in the short-term debt financing, an increase in the short-term debt financing rate, an increase in the projected level of CWIP.

The Power Plant system rate remains 7.85%.

If you have questions regarding this information, please contact me at PAX 22555.

Effective Month	Gross Nominal Rate	Power Plant System Rate / Monthly System Rate	Allocation of Gross Funds Debt% / Equity%
December 2012	7.976052%	7.846656% .6539%	29.72% / 70.28%
September 2012	7.976052%	7.846656% .6539%	29.72% / 70.28%
June 2012	7.976052%	7.846656% .6539%	29.72% / 70.28%
March 2012	7.490691%	7.376400% .6147%	29.95% / 70.05%
January 2012	6.880535%	6.783936% .5653%	30.29% / 69.71%


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