

WESTMORELAND CLEAN INNOVATION PROJECT
ILLUSTRATIVE ANNUAL REVENUE REQUIREMENT
PAGE 1 - SUMMARY OF REVENUE REQUIREMENT

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Description (A)	Investment Year 1 2020 (B)	Investment Year 2 2021 (C)	Investment Year 3 2022 (D)	Investment Year 4 2023 (E)	Investment Year 5 2024 (F)	Investment Year 6 2025 (G)	Investment Year 7 2026 (H)	Investment Year 8 2027 (I)	Investment Year 9 2028 (J)	Investment Year 10 2029 (K)	Reference (L)
Beginning Gross Plant	-	\$ -	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	Line 24 Prior Year
Capital Investment	-	7,000,000	-	-	-	-	-	-	-	-	Input
Ending Gross Plant	\$ -	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	Line 22 + Line 23
Accumulated Depreciation	\$ -	\$ (116,667)	\$ (350,000)	\$ (583,333)	\$ (816,667)	\$ (1,050,000)	\$ (1,283,333)	\$ (1,516,667)	\$ (1,750,000)	\$ (1,983,333)	Line 25 Prior Year + Line 35
Current Net Plant	\$ -	\$ 6,883,333	\$ 6,650,000	\$ 6,416,667	\$ 6,183,333	\$ 5,950,000	\$ 5,716,667	\$ 5,483,333	\$ 5,250,000	\$ 5,016,667	Line 24 + Line 25
Deferred Income Taxes	\$ -	\$ (39,496)	\$ (113,161)	\$ (176,550)	\$ (239,461)	\$ (275,575)	\$ (312,575)	\$ (342,048)	\$ (364,583)	\$ (385,981)	Page 2 Line 68
Current Rate Base	\$ -	\$ 6,843,837	\$ 6,536,839	\$ 6,240,116	\$ 5,952,872	\$ 5,674,425	\$ 5,404,092	\$ 5,141,285	\$ 4,885,417	\$ 4,630,686	Line 26 + Line 27
Average Rate Base	\$ -	\$ 3,421,919	\$ 6,690,338	\$ 6,388,478	\$ 6,096,494	\$ 5,813,649	\$ 5,539,258	\$ 5,272,688	\$ 5,013,351	\$ 4,758,051	Avg of Line 28 Prior Year + Current Year
Pre-Tax WACC	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%	Page 3 Line 25
Return on Capital Investment	\$ -	\$ 332,953	\$ 650,970	\$ 621,599	\$ 593,189	\$ 565,668	\$ 538,970	\$ 513,033	\$ 487,799	\$ 462,958	Line 30 x Line 31
O&M	\$ -	\$ -	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	Input
Depreciation Expense	\$ -	\$ 116,667	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	Page 2 Line 63
Property Taxes	\$ -	\$ 152,828	\$ 152,828	\$ 152,828	\$ 152,828	\$ 152,828	\$ 152,828	\$ 152,828	\$ 152,828	\$ 152,828	Line 24 x Page 2 Line 71
Annual Revenue Requirement	\$ -	\$ 602,447	\$ 1,177,131	\$ 1,147,760	\$ 1,119,350	\$ 1,091,829	\$ 1,065,131	\$ 1,039,193	\$ 1,013,960	\$ 989,119	Line 32 + Sum of Lines 34-36
Retail MWh Sales (1)	7,720,924	7,720,924	7,720,924	7,720,924	7,720,924	7,720,924	7,720,924	7,720,924	7,720,924	7,720,924	Input - Docket No. DE 19-108, Att. ELMDFB-1, Page 2 of 6, Line 7
Annual cents/kWh	-	0.008	0.015	0.015	0.014	0.014	0.014	0.013	0.013	0.013	Line 37 / Line 41 x (100 cents/\$) x (MWh / 1000 kWh)

(1) Representative 12-month level using forecast for February 2019 through January 2020 from Docket No. DE 19-108, Att. ELMDFB-1, Page 2 of 6, Line 7

WESTMORELAND CLEAN INNOVATION PROJECT
ILLUSTRATIVE ANNUAL REVENUE REQUIREMENT

PAGE 2 - TAXES

Description	Investment Year 1 2020	Investment Year 2 2021	Investment Year 3 2022	Investment Year 4 2023	Investment Year 5 2024	Investment Year 6 2025	Investment Year 7 2026	Investment Year 8 2027	Investment Year 9 2028	Investment Year 10 2029	Reference
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
MACRS 20 Years											
Tax Depreciation Rate (Year 1 Investment)	3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%	4.52%	4.46%	4.46%	IRS Pub 946
Tax Depreciation Rate (Year 2 Investment)		3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%	4.52%	4.46%	
Tax Depreciation Rate (Year 3 Investment)			3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%	4.52%	
Tax Depreciation Rate (Year 4 Investment)				3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%	
Tax Depreciation Rate (Year 5 Investment)					3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	
Tax Depreciation Rate (Year 6 Investment)						3.75%	7.22%	6.68%	6.18%	5.71%	
Tax Depreciation Rate (Year 7 Investment)							3.75%	7.22%	6.68%	6.18%	
Tax Depreciation Rate (Year 8 Investment)								3.75%	7.22%	6.68%	
Tax Depreciation Rate (Year 9 Investment)									3.75%	7.22%	
Tax Depreciation Rate (Year 10 Investment)										3.75%	
Tax Depreciation (MACRS 20 Years)											
Tax Depreciation (Year 1 Investments)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col B x Line 23
Tax Depreciation (Year 2 Investments)		\$ (262,500)	\$ (505,330)	\$ (467,390)	\$ (432,390)	\$ (399,910)	\$ (369,950)	\$ (342,160)	\$ (316,540)	\$ (312,340)	Page 1 Line 23 Col C x Line 23
Tax Depreciation (Year 3 Investments)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col D x Line 25
Tax Depreciation (Year 4 Investments)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col E x Line 26
Tax Depreciation (Year 5 Investments)					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col F x Line 27
Tax Depreciation (Year 6 Investments)						\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col G x Line 28
Tax Depreciation (Year 7 Investments)							\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col H x Line 29
Tax Depreciation (Year 8 Investments)								\$ -	\$ -	\$ -	Page 1 Line 23 Col I x Line 30
Tax Depreciation (Year 9 Investments)									\$ -	\$ -	Page 1 Line 23 Col J x Line 31
Tax Depreciation (Year 10 Investments)										\$ -	Page 1 Line 23 Col K x Line 32
Total Tax Depreciation	\$ -	\$ (262,500)	\$ (505,330)	\$ (467,390)	\$ (432,390)	\$ (399,910)	\$ (369,950)	\$ (342,160)	\$ (316,540)	\$ (312,340)	Sum of Lines 36-45
Accumulated Tax Depreciation	\$ -	\$ (262,500)	\$ (767,830)	\$ (1,235,220)	\$ (1,667,610)	\$ (2,067,520)	\$ (2,437,470)	\$ (2,779,630)	\$ (3,096,170)	\$ (3,408,510)	Cumulative total for Line 47
Book Depreciation (30 Year Life)											
Book Depreciation (Year 1 Investment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col B x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 2 Investment)		\$ 116,667	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	Page 1 Line 23 Col C x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 3 Investment)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col D x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 4 Investment)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col E x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 5 Investment)					\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col F x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 6 Investment)						\$ -	\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col G x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 7 Investment)							\$ -	\$ -	\$ -	\$ -	Page 1 Line 23 Col H x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 8 Investment)								\$ -	\$ -	\$ -	Page 1 Line 23 Col I x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 9 Investment)									\$ -	\$ -	Page 1 Line 23 Col J x Line 73 (x 1/2 in Yr 1)
Book Depreciation (Year 10 Investment)										\$ -	Page 1 Line 23 Col K x Line 73 (x 1/2 in Yr 1)
Total Book Depreciation	\$ -	\$ 116,667	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	\$ 233,333	Sum of Lines 52 - 61
Accumulated Book Depreciation	\$ -	\$ (116,667)	\$ (350,000)	\$ (583,333)	\$ (816,667)	\$ (1,050,000)	\$ (1,283,333)	\$ (1,516,667)	\$ (1,750,000)	\$ (1,983,333)	Sch 1 Line 27
Book/Tax Depreciation Difference	\$ -	\$ (145,833)	\$ (417,830)	\$ (651,887)	\$ (850,943)	\$ (1,017,520)	\$ (1,154,137)	\$ (1,262,963)	\$ (1,346,170)	\$ (1,425,177)	Line 48 - Line 64
Effective Tax Rate	27.08%	27.08%	27.08%	27.08%	27.08%	27.08%	27.08%	27.08%	27.08%	27.08%	Sch 4 Line 31
Accumulated Deferred Income Taxes	\$ -	\$ (39,496)	\$ (113,161)	\$ (176,550)	\$ (230,461)	\$ (275,575)	\$ (312,575)	\$ (342,048)	\$ (364,583)	\$ (385,981)	Line 66 x Line 67
Other assumptions											
Property Tax Rate		2.18%									Docket No. DE 19-057, Att. EHC/TMD-3 (Perm) P. 6 of 8
Book depreciation years		30.00									Infl.
Book depreciation rate		3.33%									100% / Line 72

WESTMORELAND CLEAN INNOVATION PROJECT
ILLUSTRATIVE ANNUAL REVENUE REQUIREMENT
PAGE 3 - RETURN ON RATE BASE AND CAPITAL STRUCTURE

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<u>Description</u> (A)	<u>Capital Ratio</u> (B)	<u>Cost</u> (C)	<u>Weighted Cost</u> Col (B) / Col (C) (D)	<u>Tax Gross-up Factor</u> (E)	<u>Pre-Tax Rate of Return</u> Col (D) / Col (E) (F)	<u>Reference</u> (G)
Short-Term Debt	3.17%	2.45%	0.08%		0.08%	Docket No. DE 19-057, Att. EHC-TMD-1, Sch EHC-TMD-40
Long-term Debt	41.98%	4.37%	1.83%		1.83%	Docket No. DE 19-057, Att. EHC-TMD-1, Sch EHC-TMD-40
Common Equity	<u>54.85%</u>	<u>10.40%</u>	<u>5.70%</u>	72.92% (1)	<u>7.82%</u> (2)	Docket No. DE 19-057, Att. EHC-TMD-1, Sch EHC-TMD-40
Total	<u>100.00%</u>		<u>7.61%</u>		9.73%	Sum of Lines 21-23
Tax Gross-up Factor:						
Federal Rate					21.00%	Docket No. DE 19-057, Att. EHC-TMD-1, Sch EHC-TMD-2
State Rate					<u>7.70%</u>	Docket No. DE 19-057, Att. EHC-TMD-1, Sch EHC-TMD-2
Effective State Rate = State Rate * (1 - Federal Rate)					6.08%	Line 29 * (1 - Line 28)
Effective State and Federal Tax Rate				T	27.08%	Line 28 + Line 30
Net Income After Taxes on Income				1 - T	72.92% (1)	1 - Line 31
State and Federal Taxes / Net Income After Taxes on Income				T / (1 - T)	0.37142	Line 31 / Line 32

(2) Line 23 Col. (E) = Line 23 Col. (C) / Line 23 Col. (D)