Capital Module Scenario

A	Depreciation (2006), $ millions	$676.0	*[Staff Proposal]*
B	Adjustment for inflation	50%	*[Staff Proposal]*
C	Amount of capex that would not be funded before trigger would apply	$338.0	=A*B
D	Average depreciation rate	4%	*[Staff Proposal]*
E	Foregone depreciation expense, $ millions	$13.5	=C*D
F	WACC	7%	*[Staff Proposal]*
G	Foregone return, $ millions	$23.7	**=C*F**
H	Allowed ROE	8.57%	*[Staff Proposal]*
I	Tax Rate	35%	*[Staff Proposal]*
J	Equity/Total Asset	40%	*[Staff Proposal]*
K	Foregone tax effect on equity portion of return, $ millions	$4.1	=(C*J)*H*I
L	**Total Foregone Revenues, $ millions**	**$42.1**	**=E+G+K**
M	**Total Foregone Net Income (Tax-affected Revenues), $ millions**	**$27.4**	**=L*(1-I)**
N	Ratebase (2006), $ millions	$9,526.0	*[Staff Proposal]*
O	Deemed Equity (2006), $ millions	$3,810.4	=J*N
P	Net Income (2006) based on Allowed ROE, $ millions	$326.6	=H*O
Q	**New Net Income taking into account Foregone Net Income, $ millions**	**$299.2**	**=P-M**
R	New Ratebase taking into account capex, $ millions	$9,864.0	=N+C
S	New Deemed Equity, $ millions	$3,945.6	=R*J
T	**Realized ROE**	**7.58%**	**=Q/S**
U	**Loss in ROE due to inflation adjustment in materiality trigger**	**0.99%**	**=(H-T)**