

Impact of Income Tax Allowance on Stand-Alone Utility Return on Equity

	McShane	Mintz	McShane 2
24. Revenues [23]	\$226.25	\$215.78	\$226.25
25. Allowed Expenses [18 + 19]	(\$135.00)	(\$135.00)	(\$135.00)
26. Allowed Interest Expense [20]	<u>(\$42.25)</u>	<u>(\$42.25)</u>	<u>(\$42.25)</u>
27. Pre-Tax utility Return on Equity	\$49.00	\$38.53	\$49.00
28. Adjustment for Timing Differences [(9 + 11) - (7 + 8)]	<u>(\$4.00)</u>	<u>(\$4.00)</u>	<u>(\$4.00)</u>
29. Pre Tax Utility Return on Equity	\$45.00	\$34.53	\$45.00
30. Stand-Alone Actual Income Tax [29 @ 35%]	\$15.75	\$12.09	\$5.28
31. Equity Return [27 - 30]	\$33.25	\$26.44	\$43.72
32. ROE (on \$350 deemed equity)	9.5%	7.6%	12.5%

Mintz 2

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