

January 21, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Electric Infrastructure, Safety, and Reliability Plan FY2012
Responses to Division's First Set of Data Requests

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's responses to the Division's First Set of Data Requests in the above-captioned proceeding.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Steve Scialabba
Leo Wold, Esq.
James Lanni

¹ The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company").

Division 1-1

Request:

Please provide the effect of the 100% Bonus Depreciation allowance in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 on the revenue requirement calculated on Schedule DET-1, Page 2. The response should include all supporting workpapers and calculations.

Response:

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("Act") provides for the extension of bonus depreciation. The Act provides for 100% bonus depreciation for investments placed into service after September 8, 2010 and through December 31, 2011 and 50% bonus depreciation for investments placed in service after December 31, 2011 and through December 31, 2012. The Company assumes that 75 percent of plant additions qualify for bonus depreciation.

The change in the allowance for bonus depreciation results in a reduction of \$341,145 to the fiscal year ("FY") 2012 Infrastructure, Safety, and Reliability Plan revenue requirement, as shown on Page 1, Column (a), Line 23 of Attachment 1 to this response. The accompanying supporting FY 2012 revenue requirement calculation reflecting the bonus depreciation change is provided on Attachment 1, Page 2. Attachment 2, Page 1 to this response provides support for the calculation of deferred taxes related to FY 2012 capital investment, as shown on Attachment 1, Page 2, Line 54.

Finally, for illustrative purposes, the bonus depreciation change results in a reduction of \$461,764 for FY 2013, assuming the same level of capital investment in FY 2013 as in FY 2012. The accompanying supporting FY 2013 revenue requirement calculation reflecting the bonus depreciation change is provided on Attachment 1, Page 3, while the supporting calculation of the FY 2013 deferred tax amount associated with illustrative FY 2013 capital investment is shown on Attachment 2, Page 2.

Division 1-2

Request:

Referring to Schedule DET-1, Page 2, please explain why the depreciation expense on Line 30 is not offset against the plant additions in the calculation of the property tax expense for Fiscal Year 2013 on Line 72.

Response:

The Electric Infrastructure, Safety, and Reliability Plan reflects capital investment and other spending relating to maintaining the safety and reliability of the electric distribution system on a prospective basis beginning April 1, 2011. The capital tracker portion of the plan is intended to be incremental in nature, isolated just to the impact of capital investments beginning with the twelve months ended April 1, 2012. As such, it is not intended to adjust rate base and associated rate base-related costs currently embedded within the Company's base distribution rates as set in the Company's last rate case in Docket No. 4065.

The base rate allowance for property taxes on embedded plant in service as approved in Docket No. 4065 are subjected to normal ebb and flow, as are all other base rate cost components. Property taxes are affected by changes in both assessed property values and property tax rates. As such, it would be inappropriate to adjust base rate property tax allowances for embedded plant in service for only changes in assessed property value while ignoring inevitable changes in individual municipal property tax rates.

**The Narragansett Electric Company
d/b/a National Grid
Electric Infrastructure, Safety and Reliability (ISR) Plan
Computation of Annual Revenue Requirement
Updated for Impact of Bonus Depreciation**

Line No.		Fiscal Year <u>2012</u> (a)
1	Operation and Maintenance (O&M) Expenses:	
2		
3	Current Year Forecasted Vegetation Management (VM) and Inspection & Maintenance (I&M) O&M Expense	\$9,207,845
4		
5	Adjustment to Base Rates to Exclude Current Recovery of VM and I&M O&M Expense	<u>(\$6,549,368)</u>
6		
7	O&M Expense Component of Revenue Requirement Subtotal	<u>\$2,658,477</u>
8		
9	Capital Investment:	
10	Forecasted Revenue Requirement Related to Electric Capital Investment:	
11	Annual Revenue Requirement on FY 2012 Capital Included in Rate Base	\$722,180
12	Annual Revenue Requirement on FY 2013 Capital Included in Rate Base	<u>\$0</u>
13	Subtotal Electric Capital Investment Revenue Requirement	\$722,180
14		
15	Capital Investment Component of Revenue Requirement Subtotal	<u>\$722,180</u>
16		
17	Total Fiscal Year Revenue Requirement	<u>\$3,380,657</u>
18		
19	Total Incremental Fiscal Year Rate Adjustment	<u>\$3,380,657</u>
20		
21	Revenue Requirement as Filed in Docket No. 4218	<u>\$3,721,803</u>
22		
23	Increase / (Decrease) in Incremental Fiscal Year Rate Adjustment due to Impact of Bonus Depreciation	<u>(\$341,145)</u>

Line Notes:

- 3 Column (a) reflects projected Vegetation Management and Inspection & Maintenance O&M expense for FY 2012; Column (b) for FY 2013 is assumed at 2012 for illustrative purposes only
- 5 Represents allowance in base distribution rates for Vegetation Management and Inspection & Maintenance expense per R.I.P.U.C. Docket No. 4065 until distribution rates are reset as part of a general rate case
- 7 Line 3 + Line 5
- 11 Column (a) from Page 2, Line 74, Column (a); Column (b) from Page 2, Line 74, Column (a)
- 12 Column (b) from Page 3, Line 74, Column (b) for illustrative purposes only
- 13 Line 11 + Line 12
- 15 + Line 13
- 17 Line 7 + Line 15
- 19 Current Year Line 17 - Prior Year Line 17
- 21 Schedule DET-1, Page 1, Line 19
- 23 Line 19 - Line 21

The Narragansett Electric Company
d/b/a National Grid
Computation of Electric Capital Investment Revenue Requirement
FY 2012 Investment
Updated for Impact of Bonus Depreciation

Line No.		Fiscal Year 2012 (a)	Fiscal Year 2013 (b)
1	Capital Additions Allowance		
2	Non-Discretionary Capital		
3	Actual Non-Discretionary Capital Additions	1/ \$30,087,700	\$0
4	Cumulative Actual Non-Discretionary Capital Additions (Prior Year Line 4 + Current Year Line 3)	1/ \$30,087,700	\$30,087,700
5			
6	Actual Non-Discretionary Capital Spending	2/ \$31,341,500	\$0
7	Cumulative Actual Non-Discretionary Capital Spending (Prior Year Line 7 + Current Year Line 6)	2/ \$31,341,500	\$31,341,500
8	Cumulative Allowed Non-Discretionary Capital Included in Rate Base (Lesser of Line 4 or Line 7)	3/ \$30,087,700	\$30,087,700
9			
10	Discretionary Capital		
11	Actual Discretionary Capital Additions	1/ \$18,714,500	\$0
12	Cumulative Actual Discretionary Capital Additions (Prior Year Line 12 + Current Year Line 11)	1/ \$18,714,500	\$18,714,500
13			
14	Approved Discretionary Capital Spending	4/ \$27,036,150	\$0
15	Cumulative Approved Discretionary Capital Spending (Prior Year Line 15 + Current Year Line 14)	4/ \$27,036,150	\$27,036,150
16	Cumulative Allowed Discretionary Capital Included in Rate Base (Lesser of Line 12 or Line 15)	5/ \$18,714,500	\$18,714,500
17			
18	Total Cumulative Allowed Capital Included in Rate Base (Line 8 + Line 16)	\$48,802,200	\$48,802,200
19	Total Prior Year Cumulative Allowed Capital Included in Rate Base (Line 18 from prior year)	\$0	\$48,802,200
20	Total Allowed Capital Included in Rate Base in Current Year (Line 18 - Line 19)	\$48,802,200	\$0
21			
22	Depreciable Net Capital Included in Rate Base		
23	Total Allowed Capital Included in Rate Base in Current Year (From Line 20)	\$48,802,200	\$0
24	Retirements (Line 23 * Retirements Rate)	6/ \$7,720,508	\$0
25	Net Depreciable Capital Included in Rate Base (Line 23 - Line 24)	\$41,081,692	\$0
26	Cumulative Net Depreciable Capital Included in Rate Base (Prior Year Line 26 + Current Year Line 25)	\$41,081,692	\$41,081,692
27			
28	Change in Net Capital Included in Rate Base		
29	Capital Included in Rate Base (From Line 23)	\$48,802,200	\$0
30	Depreciation Expense (As approved per R.I.P.U.C. Docket No. 4065, excluding general plant)	\$38,875,088	\$0
31	Incremental Depreciable Amount (Line 29 - Line 30)	\$9,927,112	\$0
32	Cumulative Incremental Depreciable Amount (Prior Year Line 32 + Current Year Line 31)	\$9,927,112	\$9,927,112
33			
34	Cost of Removal		
35	Cost of Removal - Non-Discretionary	\$3,956,000	\$0
36	Cumulative Cost of Removal - Non-Discretionary (Prior Year Line 36 + Current Year Line 35)	\$3,956,000	\$3,956,000
37			
38	Cost of Removal - Discretionary	\$2,623,000	\$0
39	Cumulative Cost of Removal - Discretionary (Prior Year Line 39 + Current Year Line 38)	\$2,623,000	\$2,623,000
40			
41	Total Cost of Removal (Line 35 + Line 38)	\$6,579,000	\$0
42	Total Cumulative Cost of Removal (Line 36 + Line 39)	\$6,579,000	\$6,579,000
43			
44	Cumulative Incremental Amount (Line 32 + Line 42)	\$16,506,112	\$16,506,112
45			
46	Deferred Tax Calculation:		
47	Composite Book Depreciation Rate (As Approved in R.I.P.U.C. Docket No. 4065)	3.40%	3.40%
48	20 YR MACRS Tax Depreciation Rates	3.75%	7.22%
49	Capital Repairs Deduction	32.00%	
50	100% Bonus Depreciation	On Plant Additions net of Capital Repairs Deduction (Apr - Dec 2011)	51.00%
51	50% Bonus Depreciation	On Plant Additions net of Capital Repairs Deduction (Jan - Mar 2012)	8.50%
52	50% Bonus Depreciation	On Plant Additions net of Capital Repairs Deduction (Apr - Dec 2012)	N/A
53			
54	Annual Tax Depreciation	See Note 7/ Below	\$823,508
55	Cumulative Tax Depreciation (Prior Year Line 55 + Current Year Line 54)	\$44,401,468	\$45,224,976
56			
57	Book Depreciation (Prior Year Line 26 * Line 47 + Current Year Line 25 * Line 47 * 50%)	\$698,389	\$1,396,778
58	Cumulative Book Depreciation (Prior Year Line 58 + Current Year Line 57)	\$698,389	\$2,095,166
59			
60	Cumulative Book / Tax Timer (Line 55 - Line 58)	\$43,703,079	\$43,129,810
61	Effective Tax Rate	35.00%	35.00%
62	Deferred Tax Reserve (Line 60 * Line 61)	\$15,296,078	\$15,095,433
63			
64	Rate Base Calculation:		
65	Cumulative Incremental Capital Included in Rate Base (Line 44)	\$16,506,112	\$16,506,112
66	Accumulated Depreciation (Line 58 * -1)	(\$698,389)	(\$2,095,166)
67	Deferred Tax Reserve (Line 62 * -1)	(\$15,296,078)	(\$15,095,433)
68	Year End Rate Base (Sum of Lines 65 through 67)	\$511,646	(\$684,488)
69			
70	Revenue Requirement Calculation:		
71	Average Rate Base (Line 68/2 for 2012 then, (Prior Year Line 68 + Current Year Line 68)/2)	\$255,823	(\$86,421)
72	Pre-Tax ROR	8/ 9.30%	9.30%
73	Return and Taxes (Line 71 * Line 72)	\$23,792	(\$8,037)
74	Book Depreciation (Line 57)	\$698,389	\$1,396,778
75	Property Taxes (\$0 in Year 1, then Line 26 + Line 42 - Line 58 (all Prior Year) * Property Tax Rate)	\$0	\$1,336,560
76			
77	Annual Revenue Requirement (Sum of Lines 70 through 72)	\$722,180	\$2,725,300
78	Incremental Revenue Requirement (Line 74 Current Year - Line 73 Current Year)	\$722,180	\$2,003,120

- 1/ Reflects projected capital additions (plant-in-service); to be replaced with actual capital additions for annual reconciliation
2/ Reflects approved capital spending; to be replaced with actual capital spending for annual reconciliation
3/ Reflects the lesser of actual capital additions or actual capital spending
4/ Reflects approved capital spending
5/ Reflects the lesser of actual capital additions or approved capital spending
6/ Assumes 15.82% based on 2009 retirements as a percent of capital additions; to be replaced with actual retirements for annual reconciliation
7/ (Line 23 * Line 49) + (Line 23 * .75 * Line 50) + (Line 23 * .75 * Line 51) - (Line 23 * Line 49) - (Line 23 * .75 * Line 50) - (Line 23 * .75 * Line 51) * Line 48 + Line 41; 75% of additions (net of repairs) are assumed to qualify for bonus depreciation
8/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4065

	Ratio	Rate	Weighted Rate	Taxes	Pre-tax Return
Long Term Debt	52.08%	5.30%	2.76%		2.76%
Short Term Debt	4.98%	1.60%	0.08%		0.08%
Preferred Stock	0.19%	4.50%	0.01%		0.01%
Common Equity	42.75%	9.80%	4.19%	2.26%	6.45%
	100.00%		7.04%	2.26%	9.30%

9/ Property Tax Rate Calculation based on 2009 actual net plant in service and property tax expense applicable to distribution

Plant in Service	1,190,817,229
Accumulated Depreciation	505,832,095
Distribution-Related Net Plant in Service	684,985,134
Distribution-Related Rate Year Property Tax Expense	19,494,858
Distribution-Related Property Tax Rate	2.85%

The Narragansett Electric Company
d/b/a National Grid
Illustrative Computation of Electric Capital Investment Revenue Requirement
Illustrative FY 2013 Investment
Updated for Impact of Bonus Depreciation

Line No.		Fiscal Year 2012 (a)	Fiscal Year 2013 (b)
1	Capital Additions Allowance		
2	<i>Non-Discretionary Capital</i>		
3	Actual Non-Discretionary Capital Additions	1/ \$0	\$30,087,700
4	Cumulative Actual Non-Discretionary Capital Additions (Prior Year Line 4 + Current Year Line 3)	1/ \$0	\$60,175,400
5			
6	Actual Non-Discretionary Capital Spending	2/ \$0	\$31,341,500
7	Cumulative Actual Non-Discretionary Capital Spending (Prior Year Line 7 + Current Year Line 6)	2/ \$0	\$62,683,000
8	Cumulative Allowed Non-Discretionary Capital Included in Rate Base (Lesser of Line 4 or Line 7)	3/ \$0	\$60,175,400
9			
10	<i>Discretionary Capital</i>		
11	Actual Discretionary Capital Additions	1/ \$0	\$18,714,500
12	Cumulative Actual Discretionary Capital Additions (Prior Year Line 12 + Current Year Line 11)	1/ \$0	\$37,429,000
13			
14	Approved Discretionary Capital Spending	4/ \$27,036,150	
15	Cumulative Approved Discretionary Capital Spending (Prior Year Line 15 + Current Year Line 14)	4/ \$54,072,300	
16	Cumulative Allowed Discretionary Capital Included in Rate Base (Lesser of Line 12 or Line 15)	5/ \$37,429,000	
17			
18	Total Cumulative Allowed Capital Included in Rate Base (Line 8 + Line 16)		\$97,604,400
19	Total Prior Year Cumulative Allowed Capital Included in Rate Base (Line 18 from prior year)		\$48,802,200
20	Total Allowed Capital Included in Rate Base in Current Year (Line 18 - Line 19)		\$48,802,200
21			
22	Depreciable Net Capital Included in Rate Base		
23	Total Allowed Capital Included in Rate Base in Current Year (From Line 20)	\$0	\$48,802,200
24	Retirements (Line 23 * Retirements Rate)	6/ \$0	\$7,720,508
25	Net Depreciable Capital Included in Rate Base (Line 23 - Line 24)	\$0	\$41,081,692
26	Cumulative Net Depreciable Capital Included in Rate Base (Prior Year Line 26 + Current Year Line 25)	\$0	\$41,081,692
27			
28	Change in Net Capital Included in Rate Base		
29	Capital Included in Rate Base (From Line 23)	\$0	\$48,802,200
30	Depreciation Expense (As approved per R.I.P.U.C. Docket No. 4065, excluding general plant)	\$0	\$38,875,088
31	Incremental Depreciable Amount (Line 29 - Line 30)	\$0	\$9,927,112
32	Cumulative Incremental Depreciable Amount (Prior Year Line 32 + Current Year Line 31)	\$0	\$9,927,112
33			
34	Cost of Removal		
35	Cost of Removal - Non-Discretionary	\$0	\$3,956,000
36	Cumulative Cost of Removal - Non-Discretionary (Prior Year Line 36 + Current Year Line 35)	\$0	\$3,956,000
37			
38	Cost of Removal - Discretionary	\$0	\$2,623,000
39	Cumulative Cost of Removal - Discretionary (Prior Year Line 39 + Current Year Line 38)	\$0	\$2,623,000
40			
41	Total Cost of Removal (Line 35 + Line 38)	\$0	\$6,579,000
42	Total Cumulative Cost of Removal (Line 36 + Line 39)	\$0	\$6,579,000
43			
44	Cumulative Incremental Amount (Line 32 + Line 42)	\$0	\$16,506,112
45			
46	Deferred Tax Calculation:		
47	Composite Book Depreciation Rate (As Approved in R.I.P.U.C. Docket No. 4065)	3.40%	3.40%
48	20 YR MACRS Tax Depreciation Rates	3.75%	3.75%
49	Capital Repairs Deduction	32.00%	32.00%
50	100% Bonus Depreciation	On Plant Additions net of Capital Repairs Deduction (Apr - Dec 2011)	51.00%
51	50% Bonus Depreciation	On Plant Additions net of Capital Repairs Deduction (Jan - Mar 2012)	8.50%
52	50% Bonus Depreciation	On Plant Additions net of Capital Repairs Deduction (Apr - Dec 2012)	N/A
53			25.50%
54	Annual Tax Depreciation	See Note 7/ Below	7/ \$0
55	Cumulative Tax Depreciation (Prior Year Line 55 + Current Year Line 54)	\$0	\$32,423,578
56			
57	Book Depreciation (Prior Year Line 26 * Line 47 + Current Year Line 25 * Line 47 * 50%)	\$0	\$698,389
58	Cumulative Book Depreciation (Prior Year Line 58 + Current Year Line 57)	\$0	\$698,389
59			
60	Cumulative Book / Tax Timer (Line 55 - Line 58)	\$0	\$31,725,189
61	Effective Tax Rate	35.00%	35.00%
62	Deferred Tax Reserve (Line 60 * Line 61)	\$0	\$11,103,816
63			
64	Rate Base Calculation:		
65	Cumulative Incremental Capital Included in Rate Base (Line 44)	\$0	\$16,506,112
66	Accumulated Depreciation (Line 58 * -1)	\$0	(\$698,389)
67	Deferred Tax Reserve (Line 62 * -1)	\$0	(\$11,103,816)
68	Year End Rate Base (Sum of Lines 65 through 67)	\$0	\$4,703,907
69			
70	Revenue Requirement Calculation:		
71	Average Rate Base (Line 68/2 for 2012 then, (Prior Year Line 68 + Current Year Line 68)/2)	\$0	\$2,351,954
72	Pre-Tax ROR	8/ 9.30%	9.30%
73	Return and Taxes (Line 70 * Line 71)	\$0	\$218,732
74	Book Depreciation (Line 57)	\$0	\$698,389
75	Property Taxes (\$0 in Year 1, then Line 26 + Line 42 - Line 58 (all Prior Year) * Property Tax Rate)	9/ \$0	\$0
76			
77	Annual Revenue Requirement (Sum of Lines 70 through 72)	\$0	\$917,120
78	Incremental Revenue Requirement (Line 74 Current Year - Line 73 Current Year)	\$0	\$917,120

- 1/ Reflects projected capital additions (plant-in-service); to be replaced with actual capital additions for annual reconciliation
2/ Reflects approved capital spending; to be replaced with actual capital spending for annual reconciliation
3/ Reflects the lesser of actual capital additions or actual capital spending
4/ Reflects approved capital spending
5/ Reflects the lesser of actual capital additions or approved capital spending
6/ Assumes 15.82% based on 2009 retirements as a percent of capital additions; to be replaced with actual retirements for annual reconciliation
7/ (Line 23 * Line 49) + (Line 23 * .75 * Line 52) - ((Line 23 - (Line 23 * Line 49) - (Line 23 * .75 * Line 52)) * Line 48 + Line 41; 75% of additions (net of repairs) are assumed to qualify for bonus depreciation
8/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4065

	Ratio	Rate	Weighted Rate	Taxes	Pre-tax Return
Long Term Debt	52.08%	5.30%	2.76%		2.76%
Short Term Debt	4.98%	1.60%	0.08%		0.08%
Preferred Stock	0.19%	4.50%	0.01%		0.01%
Common Equity	42.75%	9.80%	4.19%	2.26%	6.45%
	100.00%		7.04%	2.26%	9.30%

- 9/ Property Tax Rate Calculation based on 2009 actual net plant in service and property tax expense applicable to distribution

Plant in Service	1,190,817,229
Accumulated Depreciation	505,832,095
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Distribution-Related Rate Year Property Tax Expense	19,494,858
Distribution-Related Property Tax Rate	2.85%

The Narragansett Electric d/b/a National Grid
Draft Infrastructure, Safety and Reliability Plan (ISR Plan)
Calculation of FY 2012 Tax Depreciation Including the Impact of Bonus Depreciation

Line No.	Description	Reference	Fiscal Year 2012 (a)	Fiscal Year 2013 (b)	
1	Plant Additions	Line 1 + Line 2	\$48,802,200	\$0	
2	Cost of Removal	Schedule DET-1, Page 2, Line 41	\$6,579,000	\$0	
3					
4	20 YR MACRS Tax Depreciation Rates	Schedule DET-1, Page 2, Line 48	3.75%	7.22%	
5	Capital Repairs Deduction	Schedule DET-1, Page 2, Line 49	32.00%	32.00%	1\
6	100% Bonus Depreciation on Plant Additions net of Capital Repairs Deduction (Apr - Dec 2011)	(1 - Line 5) * 75% * 100%	51.00%	0.00%	2\
7	50% Bonus Depreciation on Plant Additions net of Capital Repairs Deduction (Jan - Mar 2012)	(1 - Line 5) * 25% * 50%	8.50%	0.00%	2\
8					
9	<u>Calculation of Tax Depreciation:</u>				
10					
11	Tax Depreciation Associated with Repairs	Line 1 x Line 5	\$ 15,616,704	\$ -	1\
12	Tax Depreciation Associated with Bonus Depreciation for April - December 2011	Line 1 x 75% * Line 6	18,666,842	-	2\
13	Tax Depreciation Associated with Bonus Depreciation for January - March 2012	Line 1 x 75% * Line 7	3,111,140	-	2\
14	Tax Depreciation Associated with All Other Plant Additions	(Line 1 - (Line 1 * Line 5) - (Line 1 * 75% * Line 6) - (Line 1 * 75% * Line 7)) * Line 4	427,782	823,508	3\
15	Tax Depreciation Associated with Cost of Removal	Line 2	6,579,000	-	1\
16					
17	Total Tax Depreciation	Sum of Lines 11 through 15	<u>\$ 44,401,468</u>	<u>\$ 823,508</u>	4\

1\ Currently deductible for tax purposes

2\ Per the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, assumes 100% Bonus Depreciation on April - December 2011 additions; 50% Bonus Depreciation on January - March 2012 additions; the Company assumes that 75 percent of plant additions qualify for bonus depreciation

3\ Deductible according to MACRS rates

4\ Agrees to Attachment 1, Page 2, Line 54

The Narragansett Electric d/b/a National Grid
Draft Infrastructure, Safety and Reliability Plan (ISR Plan)
Illustrative Calculation of FY 2013 Tax Depreciation Including the Impact of Bonus Depreciation

Line No.	Description	Reference	Fiscal Year 2013
			(a)
1	Plant Additions	Line 1 + Line 2	\$48,802,200
2	Cost of Removal	Schedule DET-1, Page 2, Line 41	\$6,579,000
3			
4	20 YR MACRS Tax Depreciation Rates	Schedule DET-1, Page 2, Line 48	3.75%
5	Capital Repairs Deduction	Schedule DET-1, Page 2, Line 49	32.00% 1\
6	50% Bonus Depreciation on Plant Additions net of Capital Repairs Deduction (Apr - Dec 2012)	(1 - Line 5) * 75% * 50%	25.50% 2\
7			
8	<u>Calculation of Tax Depreciation:</u>		
9			
10	Tax Depreciation Associated with Repairs	Line 1 x Line 5	\$ 15,616,704 1\
11	Tax Depreciation Associated with Bonus Depreciation for April - December 2012	Line 1 x 75% * Line 6	9,333,421 2\
12	Tax Depreciation Associated with All Other Plant Additions	(Line 1 - (Line 1 * Line 5) - (Line 1 * 75% * Line 6)) * Line 4	894,453 3\
13	Tax Depreciation Associated with Cost of Removal	Line 2	<u>6,579,000 1\</u>
14			
15	Total Tax Depreciation	Sum of Lines 10 through 13	<u>\$ 32,423,578 4\</u>

1\ Currently deductible for tax purposes

2\ Per the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, assumes 50% Bonus Depreciation on April - December 2012 additions; the Company assumes that 75 percent of plant additions qualify for bonus depreciation

3\ Deductible according to MACRS rates

4\ Agrees to Attachment 1, Page 3, Line 54