

2016 Historic Revenue Deficiency

Line No.	Description	Reference	MERC - Minnesota
1			
2	Rate Base	IR-2 Page 1	\$ 231,685,520
3			
4	Adjusted Net Operating Income	IR-5 Page 1	\$ 13,846,606
5			
6	Overall Rate of Return	Line 4 ÷ Line 2	5.98%
7			
8	Rate of Return	Exhibit____(LJG-1) Page 1	6.68%
9			
10	Income Requirements	Line 2 x Line 8	\$ 15,476,593
11			
12	Income Deficiency (Sufficiency)	Line 10 - Line 4	\$ 1,629,987
13			
14	Revenue Conversion Factor	IR-1 Page 2	<u>1.704</u>
15			
16	Revenue Deficiency (Sufficiency)	Line 12 x Line 14	<u>\$ 2,777,498</u>
17			
18	Rate Increase/(Decrease) %		1.23%
19	Margin Increase/(Decrease)%		2.67%

2017 Projected Revenue Deficiency

Line No.	Description	Reference	MERC - Minnesota
20			
21	Rate Base	IR-2 Page 1	\$ 255,404,305
22			
23	Adjusted Net Operating Income	IR-5 Page 1	\$ 15,214,699
24			
25	Overall Rate of Return	Line 23 ÷ Line 21	5.96%
26			
27	Rate of Return	Exhibit____(LJG-1) Page 1	6.50%
28			
29	Income Requirements	Line 21 x Line 27	\$ 16,601,280
30			
31	Income Deficiency (Sufficiency)	Line 29 - Line 23	\$ 1,386,581
32			
33	Revenue Conversion Factor	IR-1 Page 2	<u>1.704</u>
34			
35	Revenue Deficiency (Sufficiency)	Line 31 x Line 33	<u>\$ 2,362,734</u>
36			
37	Rate Increase/(Decrease) %		0.97%
38	Margin Increase/(Decrease)%		2.23%

2018 Proposed Revenue Deficiency

Line No.	Description	Reference	MERC - Minnesota
39			
40	Rate Base	IR-2 Page 1	\$ 289,503,028
41			
42	Adjusted Net Operating Income	IR-5 Page 1	\$ 12,904,550
43			
44	Overall Rate of Return	Line 42 ÷ Line 40	4.46%
45			
46	Rate of Return	Exhibit____(LJG-1) Page 1	7.02%
47			
48	Income Requirements	Line 40 x Line 46	\$ 20,323,113
49			
50	Income Deficiency (Sufficiency)	Line 48 - Line 42	\$ 7,418,562
51			
52	Revenue Conversion Factor	IR-1 Page 2	<u>1.704</u>
53			
54	Revenue Deficiency (Sufficiency)	Line 50 x Line 52	<u>\$ 12,641,230</u>
55			
56	Rate Increase/(Decrease) %		5.05%
57	Margin Increase/(Decrease)%		11.77%

<u>Line</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1			
2	Income Before Income Taxes		100.000%
3			
4	State Tax Rate		9.699%
5			
6	Federal Income Tax Base	Line 2 - Line 4	90.301%
7			
8	Times Federal Income Tax Rate		35.000%
9			
10	Federal Income Tax	Line 6 * Line 8	31.605%
11			
12	Income After Taxes	Line 6 - Line 10	58.696%
13			
14	Gross Revenue Conversion Factor	Line 2 / Line 12	1.704