Exhibit 1: Pro Forma Rate Base

Components		Amount
Gas Plant in Service		$22,160,000
Future Use Plant		50,000
Construction Work in Progress (CWIP)		390,000
Materials and Supplies		90,000
Storage Gas		540,000
Cash Working Capital		70,000
	Gross Rate Base	$23,300,000
Deductions		
Accumulated Depreciation		$4,340,000
Customer Advances		70,000
Customer Deposits		160,000
Deferred Income Taxes		1,930,000
	Total Deductions	$6,500,000
Net Investment		$16,800,000

Exhibit 2: Rate of Return

Capitalization (Parent Co.)	Amount (Millions)	Percent of Total	Cost	Weighted Cost (Percent)
Long Term Debt	$296.90	41.40%	9.17%	3.80%
Short Term Debt	16.8	2.40%	9.29%	0.22%
Preferred Stock	28	3.90%	4.78%	0.19%
Common Stock	375.1	52.30%	14.75%	7.71%
Total	$716.80	100.00%		11.92%

Exhibit 3: Pro Forma Cost of Service

Utility Operating Revenues		$17,220,000
O&M Expenses	$14,500,000	
Depreciation	660,000	
General Taxes	700,000	
Interest on Deposits	10,000	
FIT, Def. FIT	230,000	
		16,100,000
Net Utility Operating Income		$1,120,000
Net Investment (From Exhibit 1)		$16,800,000
Rate of Return Earned on Net Investment Under Existing Rates (*Divide net utility operating income by net investment*)		6.67%

Exhibit 4: Pro Forma Revenue Requirement

Net Investment (from Exh. 1)	$	16,800,000
Rate of Return Desired (from Exh.2)		12%
Required Return (multiply net investment by the desired rate of return)	$	2,002,560
Pro Forma Earned Return (use the net utility Operating income from Exhibit 3)	$	1,120,000
Return Deficiency (subtract earned return from required return)	$	882,560
Tax complement		0.65
Revenue Deficiency (divide return deficiency by the tax complement)	$	1,357,785

The overall requested increase in revenues is $ 1,357,785 or a 7.88% increase over revenues under existing rates (use revenues from Exh. 3 as divisor).

REGULATORY ADJUSTMENT WORKSHEET
Exhibit 5: Pro Forma Rate Base

Components	Start Data From Exhibit 1	Adjustment Number: 2	3	4	Adjustment Subtotal	Adjusted Rate Base
Gas Plant in Service	$22,160,000				$ -	$ 22,160,000
Future Use Plant	$50,000	$ (50,000)			$ (50,000)	$ -
Construction Work in Progress (CWIP)	$390,000			$ (390,000)	$ (390,000)	$ -
Materials and Supplies	$90,000				$ -	$ 90,000
Storage Gas	$540,000		$(150,000)		$ (150,000)	$ 390,000
Cash Working Capital	$70,000	$ (70,000)			$ (70,000)	$ -
Gross Rate Base	$23,300,000				$ (660,000)	$22,640,000
Deductions						
Accumulated Depreciation	$4,340,000					$ 4,340,000
Customer Advances	$70,000					$ 70,000
Customer Deposits	$160,000					$ 160,000
Deferred Income Taxes	$1,930,000					$ 1,930,000
Total Deductions	$6,500,000					$6,500,000
Net Investment	$16,800,000					$16,140,000

Exhibit 6: Rate of Return
(Start with Exh. 2 Data)

Capitalization (Parent Co.)	Amount (Millions)	Percent of Total	Cost	Weighted Cost (Percent)
Long Term Debt	$296.90	41.42%	9.17%	3.80%
Short Term Debt	$16.80	2.34%	9.29%	0.22%
Preferred Stock	$28.00	3.91%	4.78%	0.19%
Common Stock	$375.10	52.33%	12.75%	6.67%
Total	$716.80	100.00%		10.88%

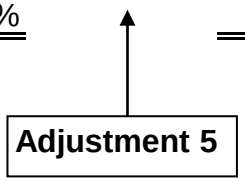

Exhibit 7: Pro Forma Cost of Service
(Start with Exh. 3 Data)

	Start		Adjustment Number:		Adjustment	Adjusted
	Data from Exhibit 3		1	6	Subtotal	Cost of Service
Utility Operating Revenues		$17,220,000		$ 400,000	$ 400,000	$ 17,620,000
O&M Expenses	$14,500,000		$ (200,000)	$ 280,000	$ 80,000	$ 14,580,000
Depreciation	$660,000				$ -	$ 660,000
General Taxes	$700,000				$ -	$ 700,000
Interest on Deposits	$10,000				$ -	$ 10,000
FIT, Def. FIT	$230,000		$ 70,000	$ 42,000	$ 112,000	$ 342,000
		16,100,000	$ (130,000)	$ 322,000	$ 192,000	$ 16,292,000
Net Utility Operating Income		$1,120,000	$130,000	$78,000	$208,000	$1,328,000
Net Investment (Start From Exhibit 1 End From Exhibit		$16,800,000				$ 16,140,000
Rate of Return Earned on Net Under Existing Rates (*Divide net utility operating income by net investment*)		6.67%				8.23%

Exhibit 8: Pro Forma Revenue Requirement

Net Investment (from Exh. 5)	$	16,140,000
Rate of Return Desired (from Exh.6)		10.88%
Required Return (multiply net investment by the desired rate of return)	$	1,756,032
Pro Forma Earned Return (use the net utility Operating income from Exhibit 7)	$	1,328,000
Return Deficiency (subtract earned return from required return)	$	428,032
Tax complement		0.65
Revenue Deficiency (divide return deficiency by the tax complement)	$	658,511

The overall requested increase in revenues is $ 658,511 or a 3.82% increase over existing rates (use revenues from Exh. 3 as the divisor, as we assume that rates for the new industrial customers receiving service under market-based rates will not bear the increase).