

**OVERALL REVENUE REQUIREMENT**

	<u>CLFP Proposal</u>	<u>OCA Recommended</u>
Rate Base	\$252,179,548	\$249,452,920
Requested Rate of Return on Rate Base	9.14%	8.84%
Required Net Operating Income	\$23,049,211	\$22,051,638
Current Adjusted Net Operating Income	\$17,565,114	\$17,679,957
Income Deficiency (Income Excess)	\$5,484,096.69	\$4,371,681.29
Gross Revenue Income Tax Factor	1.5385	1.5385
Revenue Deficiency (Revenue Excess)	\$8,437,063	<b>\$6,725,664</b>
Current Revenues	\$85,912,189	\$85,912,189
Proposed Additional Revenues	<u>8,437,063</u>	<u>6,725,664</u>
Total Proposed Revenues	\$94,349,252	\$92,637,853
Percent Total Revenue Increase	9.82%	7.83%

**RATE BASE**

	CLFP Per Books	CLFP Adjustments	CLFP As Adjusted	OCA Adjustments	OCA As Adjusted
Utility Plant in Service	\$97,852,493	\$195,517,385	\$293,369,878	\$0	\$293,369,878
Plant Held for Future Use	10,915	0	10,915	(10,915)	0
Completed Construction Not Classified	1,652,543	789,626	2,442,169	0	2,442,169
Plant Acquisition Adjustment	2,421,722	0	2,421,722	327,372	2,749,094
Unexpensed Rate Case Costs	0	218,113	218,113	(218,113)	0
GROSS UTILITY PLANT	\$101,937,673	\$196,525,124	\$298,462,797	\$98,344	\$298,561,141
Accumulated Provision for Depreciation	(40,245,062)	(4,212,310)	(44,457,372)	(2,477,402)	(46,934,774)
NET UTILITY PLANT	\$61,692,611	\$192,312,814	\$254,005,425	(\$2,379,068)	\$251,626,367
Materials and Supplies	1,667,294	711,100	2,378,394	(952,837)	1,425,557
Prepayments	233,941	(144,214)	89,727	276,215	365,942
Cash Working Capital	3,266,308	(970,904)	2,295,404	417,907	2,713,311
Other Regulatory Assets	97,383	0	97,383	0	97,383
Deferred Income Tax Assets	4,845,401	0	4,845,401	0	4,845,401
Accrued Pension Liability	(1,051,450)	0	(1,051,450)	0	(1,051,450)
Deferred Tax LT -- Acc. Deprec. -- Other	(7,443,764)	(78,391)	(7,522,155)	(340,626)	(7,862,781)
Deferred Income Tax Liability	(197,661)	0	(197,661)	0	(197,661)
Regulatory Liability -- ITC	(557,434)	0	(557,434)	0	(557,434)
Accrued Deferred ITC	(438,457)	0	(438,457)	0	(438,457)
Customer Advances for Construction	(1,369,554)	0	(1,369,554)	217,912	(1,151,642)
Customer Deposits	(388,395)	0	(388,395)	26,779	(361,616)
Interest Accrued -- Customer Deposits	(7,080)	0	(7,080)	7,080	0
TOTAL ELECTRIC RATE BASE	\$60,349,143	\$191,830,405	\$252,179,548	(\$2,726,628)	\$249,452,920

**PLANT IN SERVICE**

	<u>CLFP Per Books</u>	<u>CLFP Adjustments</u>	<u>CLFP As Adjusted</u>	<u>OCA Adjustments</u>	<u>OCA As Adjusted</u>
Steam Production Plant	0	182,011,417	\$182,011,417	\$0	\$182,011,417
Transmission Plant	3,978,996	2,771	3,981,767	0	3,981,767
Distribution Plant	89,977,768	12,154,018	102,131,786	0	102,131,786
General Plant	3,895,729	1,349,179	5,244,908	0	5,244,908
Land Held for Future Use	10,915	0	10,915	(10,915)	0
Distribution Plant Not Yet Classified	1,660,375	618,354	2,278,729	0	2,278,729
Common Allocation Not Yet Classified	(7,832)	171,272	163,440	0	163,440
Acquisition Adjustment	2,421,722	0	2,421,722	327,372	2,749,094
Unexpensed Rate Case Costs	0	218,113	<u>218,113</u>	<u>(218,113)</u>	<u>0</u>
<b>TOTAL ELECTRIC PLANT</b>	<b>\$101,937,673</b>	<b>\$196,525,124</b>	<b>\$298,462,797</b>	<b>\$98,344</b>	<b>\$298,561,141</b>

**RATE BASE ADJUSTMENTS**

	<u>CLFP</u>	<u>OCA</u>	<u>Difference</u>
<b>Remove Plant Held for Future Use</b>			
Plant Held for Future Use Balance	\$10,915	\$0	( <b>\$10,915</b> )

Remove the Plant Held for Future Use from Rate Base since there is no definitive plan for its use.

**Adjust Accumulated Depreciation to Reflect Test Year Element Matching**

WYGEN II Annualized Depreciation Proposed by OCA	\$4,954,805	
1/2 Year to Reflect the Mid-Point of 2008 Rate Effective Year	<u>50.00%</u>	
<b>TOTAL ADDITION TO ACCUMULATED DEPRECIATION</b>		<b>(\$2,477,402)</b>

This adjustment is being made in the name of the matching principle. Given that the proposed rate effective period is 2008 and there is a proposal to add significantly new plant costs that are not recorded in plant in service until the start of 2008, and given that depreciation expense has been included associated with that new plant, it is important that accumulated depreciation also be included to properly reflect the first year that rates are expected to be in effect.

**RATE BASE ADJUSTMENTS**

**Modify the Lead Lag Study to Reflect OCA Expenses and Only Properly Included Items**

	Adjusted Total	Expense Per Day	Expense Lead Days	Expense Dollar Days
Steam Production	\$0	\$0	\$0	\$0
Steam Fuel	0	0	0	0
Purchased Power and Capacity	50,148,134	137,392	35.1	4,822,464
Transmission	7,741,730	21,210	34.1	723,268
Labor	1,954,849	5,356	11.5	61,591
Employee Benefits	1,109,577	3,040	22.8	69,311
Wyoming PSC	214,386	587	358.4	210,509
Other O & M	3,821,975	10,471	20.8	217,800
Property Taxes	229,211	628	199.6	125,344
Unemployment Tax -- State	4,935	14	61	825
Unemployment Tax -- Federal	3,167	9	72.9	633
FICA	237,935	652	16.6	10,821
Wyoming Electric Franchise Fees	785,364	2,152	32	68,854
Wyoming Use Tax	79,928	219	45	9,854
South Dakota Use Tax	235	1	144.5	93
Depreciation and Accretion	0	0	0	0
Federal Income Taxes	824,192	2,258	37	83,548
Interest Expense on Long Term Debt	0	0	0	0
<b>TOTAL</b>	<b>\$67,155,618</b>	<b>\$183,988</b>		<b>\$6,404,916</b>

Revenue Lag Days	52.50
Expense Lead Days	<u>34.81</u>
Net Days	17.69

Gross Cash Working Capital Requirement	\$3,254,454
Less: Tax Collections Available	541,143
<b>NET CASH WORKING CAPITAL REQUIREMENT</b>	<b>\$2,713,311</b>

FICA Taxes (Employee Contribution)	\$238,018	\$652	\$5	\$3,391
Federal Withholding Tax	332,692	911	5.2	4,740
Wyoming Sales Tax	3,410,325	9,343	45	420,451
Wyoming Franchise Fees	1,283,899	3,518	32	112,561
<b>TOTAL</b>	<b>\$5,264,934</b>	<b>\$14,424</b>		<b>\$541,143</b>

This adjustment takes into account the expense adjustments that the OCA is recommending elsewhere in its testimony and schedules. The adjustment also removes depreciation expense from the calculation (as it is a non-cash expense) and removes interest on long term debt (as it is a non-operating item). Also, purchased power expenses are included in the calculation rather than fuel expenses, as one will be replaced by the other, and there was actual experience with purchased power expenses during the test year.

**RATE BASE ADJUSTMENTS**

**Adjustment to Recalculate the Working Capital Items in Rate Base**

	<u>CLFP</u>	<u>OCA</u>	<u>Difference</u>
Materials and Supplies	\$2,378,394	\$1,425,557	(\$952,837)
Prepaid Expenses	\$89,727	\$365,942	\$276,215
Customer Advances	(\$1,369,554)	(\$1,151,642)	\$217,912
Customer Deposits	(\$388,395)	(\$361,616)	\$26,779

These items all impact rate base and are based on an average during the test year since they have the potential to have a significant amount of variability throughout the year. Cheyenne Light used a 12 month average whereas the OCA prefers the use of a 13 month average. The use of a 13 month average allows for the actual beginning of the test year and the end of each month in the test year, rather than only the end of each month of the test year.

**Remove Unamortized Rate Case Expenses from Rate Base**

	<u>CLFP</u>	<u>OCA</u>	<u>Difference</u>
Unamortized Rate Case Expenses	\$218,113	\$0	(\$218,113)

The OCA is opposed to including the unamortized rate case expense in rate base. The amortization of rate case expenses recognizes that these are costs that are too unusual to warrant recovery in one year, but are still legitimate costs of associated with the provision of utility service. However, permitting the utility to recover all its costs and permitting recovery of the carrying charge with deferral and amortization of these costs fails to recognize that the shareholders receive at least as great a benefit from rate cases as do customers. Thus, shareholders should be required to pay some small cost associated with this deferral, such as the carrying charges on the unamortized amount.

**RATE BASE ADJUSTMENTS**

	<u>CLFP</u>	<u>OCA</u>	<u>Difference</u>
<b>Reallocation of Plant Acquisition Adjustment between Electric and Gas Operations</b>			
Total Company Plant Acquisition Adjustment	\$4,630,443	\$4,630,443	
Allocation to Electric Operations	<u>52.30%</u>	<u>59.37%</u>	
Allocation of Plant Acquisition Adjustment	\$2,421,722	\$2,749,094	<b>\$327,372</b>

Cheyenne Light allocated the acquisition adjustment between gas and electric operations based on an average of employees and customer counts. The OCA has changed this allocation to use a three factor formula based on Total Revenue, Total Employees, and and Gross Electric Plant, as these elements are more consistent with the underlying reason an acquisition adjustment exists.

**Adjustment to Remove Interest Accrued on Customer Deposits**

Remove Interest Accrued on Customer Deposits	(\$7,080)	\$0	\$7,080
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The OCA is removing the interest accrued on customer deposits from the rate base. The accrual should play no role in ratemaking, and instead, the actual balances and interest on those balances should be addressed, as they have in this case.

**RATE BASE ADJUSTMENTS**

**Adjust Deferred Income Taxes to be Consistent with Proposed Changes to Depreciation Expense**

	<u>New Plant</u>	<u>Depreciation</u>	<u>Tax Depreciation</u>	<u>Difference</u>	<u>Tax Rate</u>	<u>Deferred Tax</u>
Transmission Plant (2.34% depreciation rate)	\$2,771	\$65	\$104	\$39	35.00%	\$14
Distribution Plant (2.83% depreciation rate)	\$1,960,327	\$55,477	\$73,512	\$18,035	35.00%	\$6,312
Common Allocator (3.84% depreciation rate)	\$170,191	\$6,535	\$24,320	\$17,785	35.00%	<u>\$6,225</u>
<b>ADDITIONAL DEFERRED INCOME TAXES</b>						<b>\$12,551</b>

To reflect the additional deferred income taxes associated with the plant additions for the 4th quarter of 2006. The additional depreciation was recognized but there was an omission of the additional deferred income taxes related to the additional depreciation expense.

**Adjusted Deferred Income Taxes to be Consistent with Depreciation for WYGEN II**

WYGEN II Pro Forma Depreciation Expense	\$2,475,356
Associated Tax Depreciation Reflected on Books	<u>\$3,412,714</u>
Difference between Tax and Book Depreciation	\$937,358
Income Tax Rate	<u>35.00%</u>
Additional Accumulated Deferred Income Taxes Required	<b>\$328,075</b>

Adjustment to reflect additional accumulated deferred income taxes related to the additional depreciation that will ensure as a result of the addition of WYGEN II to plant in service. The depreciation expense used in this calculation is based on a half-year convention, which is common for the first year of an asset.

**INCOME STATEMENT**

	CLFP Per Books	CLFP Adjustments	CLFP As Adjusted (Prior to Proposed Increase)	OCA Adjustments	OCA As Adjusted (Prior to Proposed Increase)
Electric Sales	\$80,465,113	\$1,279,755	\$81,744,868	\$0	\$81,744,868
Other Electric Revenue	345,354	3,821,967	4,167,321	0	4,167,321
<b>TOTAL REVENUE</b>	<b>\$80,810,467</b>	<b>\$5,101,722</b>	<b>\$85,912,189</b>	<b>\$0</b>	<b>\$85,912,189</b>
Steam Production Operation	\$0	\$8,677,587	\$8,677,587	\$626,491	\$9,304,078
Steam Production Maintenance	0	1,520,330	1,520,330	0	1,520,330
Purchased Power	56,761,522	(31,780,892)	24,980,630	0	24,980,630
Transmission Operations and Maintenance	7,769,303	(91,107)	7,678,196	0	7,678,196
Distribution Operations and Maintenance	1,694,478	139,918	1,834,396	0	1,834,396
Customer Accounting Expense	1,695,063	110,399	1,805,462	(217,704)	1,587,758
Customer Service Expense	271,829	38,368	310,197	0	310,197
Administrative and General Expense	3,506,598	1,312,565	4,819,163	122,950	4,942,113
Depreciation and Accretion Expense	3,783,468	5,476,778	9,260,246	(505,538)	8,754,708
Taxes Other than Income	1,260,612	527,371	1,787,983	(28,846)	1,759,137
Income Taxes	934,467	4,738,418	5,672,885	(112,195)	5,560,690
<b>TOTAL EXPENSES</b>	<b>\$77,677,340</b>	<b>(\$9,330,265)</b>	<b>\$68,347,075</b>	<b>(\$114,843)</b>	<b>\$68,232,232</b>
<b>NET OPERATING INCOME</b>	<b>\$3,133,127</b>		<b>\$17,565,114</b>		<b>\$17,679,957</b>
Return on Rate Base	5.19%		6.97%		7.09%

**INCOME STATEMENT ADJUSTMENTS**

**Modify Common Allocator for Administrative Common Expenses**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Administrative and General Salaries/ Overhead Offset	\$568,376	\$609,106	\$40,730
Office Supplies Expense	513,206	549,982	36,776
Administrative and General Employees Expense	19,812	21,231	1,419
Outside Services Employed	413,504	443,136	29,632
Rents Expense / AP Discounts	89,369	95,773	6,404
General Plant Maintenance Expense	<u>30,176</u>	<u>32,338</u>	<u>2,162</u>
<b>TOTAL</b>	<b>\$1,634,443</b>	<b>\$1,751,566</b>	<b>\$117,123</b>

OCA proposes using a different method to allocate these common expenses to the gas operations and the electric operations than the allocator proposed by Cheyenne Light. Cheyenne Light used *Total Supervisory O&M*. (See CLFP Schedule B, page 1.) The OCA proposes to use a three factor formula, comprised of an average of *Total Revenue, Total Employees, and Gross Electric Plant*. The adjustment simply moves the amount that is assigned to the electric operations and the gas operations, keeping the total amount the same as proposed by Cheyenne Light.

**Synchronized Interest Computation for Income Taxes**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Adjusted Rate Base	\$252,179,548	\$249,452,920	
Weighted Average Cost of Debt	<u>2.79%</u>	<u>2.95%</u>	
Interest Expense to Reduce Taxable Income	7,035,809	7,358,861	
Income Tax Rate	<u>35.00%</u>	<u>35.00%</u>	
Additional Reduction to Income Taxes	\$2,462,533	\$2,575,601	<b>\$113,068</b>

This adjustment recognizes the difference between Cheyenne Light's and the OCA's rate base and the difference between their weighted average costs of debt for purposes of computing the proper interest expense in the income tax computation. There is no fundamental difference in the nature of the adjustment; the differences are in the inputs.

**INCOME STATEMENT ADJUSTMENTS**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
<b>Revise Price of Acid Rain Allowances for Wygen II</b>			
Annual Allowances needed for Wygen II	550	550	0
Price per Allowance			
2007 Clearing Price	\$444.39		
2006 Clearing Price	\$883.10		
2005 Clearing Price	\$702.51		
AVERAGE CLEARING PRICE	\$676.67	\$676.67	(\$206.43)
<b>TOTAL COST OF ALLOWANCES</b>	<b>\$485,705</b>	<b>\$372,169</b>	<b>(\$113,537)</b>

When computing the cost of the required clean air allowances, Cheyenne Light used the March 2006 EPA spot auction weighted average price of the winning bids. However, this price was significantly higher than the price seen for either 2005 or 2007. Thus, the OCA chose to use a three year average price, rather than any one year price, particularly given the price fluctuations that are seen from year to year. The spot market is used since that represents the price of allowances that would be available in the near term close to the start up time of the plant.

**Eliminate Customer Mandated Contribution to Energy Share**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Pro Forma Adjustment to Include Energy Share Payment as an Operating Expense	\$18,540	\$0	(\$18,540)

Cheyenne Light proposed that customers be forced to contribute to Energy Share by including a contribution to the program as an operating expense used to compute overall customer rates. OCA opposes mandating customers to pay charitable contributions by including such contributions as an element of the computation of rates.

**INCOME STATEMENT ADJUSTMENTS**

**Revise Bad Debt Expense**

Test Year Adjusted Revenues			
Proposed Increase in Revenues			
Total Revenues	\$85,912,189	\$85,912,189	
Updated Bad Debt Percentage	8,437,063	6,725,664	
Adjusted Bad Debt Expense	94,349,252	92,637,853	
	0.8249%	0.6053%	
	\$778,287	\$560,737	(\$217,550)

The OCA proposes to use a different bad debt percentage than that proposed by Cheyenne Light, as the Cheyenne Light ratio includes a significant portion of time when the utility was still cleaning up its accounts, working with customers on delinquencies, and formulating its own collection practices with its new owners. The OCA recommended bad debt percentage is based on more normal operations of the twelve months ended July 31, 2007.

**INCOME STATEMENT ADJUSTMENTS**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
<b>Revise Rate Case Expenses</b>			
Depreciation Study*	\$50,000	\$30,900	
Amortization Period	<u>3</u>	<u>5</u>	
Recommended Amount	\$16,667	\$6,180	
Depreciation Study Testimony and Rate Case Support*	\$16,100	\$12,360	
Amortization Period	<u>3</u>	<u>3</u>	
Recommended Amount	\$5,367	\$4,120	
Rate Design / Load Forecast	\$96,539	\$61,800	
Amortization Period	<u>3</u>	<u>3</u>	
Recommended Amount	\$32,180	\$20,600	
IRP / CPCN / Other Consulting Testimony	\$12,500	\$12,500	
Amortization Period	<u>3</u>	<u>3</u>	
Recommended Amount	\$4,167	\$4,167	
Capital Structure	\$33,050	\$30,900	
Amortization Period	<u>3</u>	<u>3</u>	
Recommended Amount	\$11,017	\$10,300	
Legal	\$115,675	\$73,851	
Amortization Period	<u>3</u>	<u>3</u>	
Recommended Amount	\$38,558	\$24,617	
Supplies	\$3,305	\$3,090	
Amortization Period	<u>3</u>	<u>3</u>	
Recommended Amount	\$1,102	\$1,030	
<b>TOTAL ANNUAL EXPENSE</b>	<b>\$109,056</b>	<b>\$71,014</b>	<b>(\$38,043)</b>

\* An estimate is used to allocate between the cost of preparing and providing the depreciation study itself and the cost of providing supporting testimony for the study.

The OCA is proposing to update the costs of the rate case outside services based on more recent figures than were available to Cheyenne Light at the time its case was put together. The OCA is also recommending different amortization periods for portions of these costs, as we do not believe that all of these costs will be incurred with each rate case. Also, the OCA has allocated the total rate case cost between the electric and gas operations based on the allocator for revenues (61.8% electric) rather than the allocator for plant in service.

**INCOME STATEMENT ADJUSTMENTS**

**Revise Depreciable Life of WYGEN II**

Wygen II Depreciable Plant in Service			
Depreciation Rate	<u>3.00%</u>	<u>2.72%</u>	
Annual Depreciation Expense	\$5,460,343	\$4,954,805	<b>(\$505,538)</b>

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Most Recent Estimated Plant Cost	\$182,011,417	\$182,011,417	
Structures and Improvements	\$15,589,604		\$431,647
Boiler Plant Equipment	\$124,448,834		\$3,445,752
Turbo Generator Equipment	\$34,333,509		\$820,253
Accessory Electric Equipment	\$5,601,374		\$140,154
Misc. Power Equipment	<u>\$2,051,956</u>		<u>\$117,376</u>
Total	\$182,025,277		\$4,955,182
Composite Depreciation Rate		<b>2.72%</b>	

Reflect depreciation expense based on a 45 year depreciable life rather than the 40 year life reflected in Cheyenne Light's application.

**INCOME STATEMENT ADJUSTMENTS**

**Revise Allocator for Common Intercompany Charges**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Administrative and General Salaries	504,436	540,585	
Office Supplies and Expenses	209,166	224,155	
Outside Services Employed	122,417	131,190	
Miscellaneous General Expense	22,803	24,437	
Rents	12,076	12,941	
<b>TOTAL</b>	<b>\$870,899</b>	<b>\$933,308</b>	<b>\$62,409</b>

The OCA recommends that the changes in these intercompany costs that are common between gas and electric are better allocated based on the three factor formula of Total Revenue, Total Employees, and Gross Electric Plant, rather than the Cheyenne Light proposed allocator of Supervisory O&M. The total amount of costs remains the same with the change being to the amount allocated to the electric operations versus the gas operations.

**Adjust Franchise Fees to Match Additional Revenues**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Pro Forma Adjustments to Firm Sales Revenue	\$1,279,755	\$1,279,755	
Recommended Revenue Increase	<u>8,437,063</u>	<u>5,552,472</u>	
New Revenue for which Franchise Fees to be Paid	\$9,716,818	\$6,832,227	
Franchise Fee Rate	1.00%	1.00%	
Portion of Franchise Fee included in Base Rates	\$97,168	\$68,322	<b>(\$28,846)</b>

This adjustment recognizes the relationship between franchise fees and the overall revenues of Cheyenne Light. As revenues increase or decrease, so do the franchise fees. As the OCA is recommending a different level of franchise fees than is Cheyenne Light, the franchise fees included in the base rates should also change.

**INCOME STATEMENT ADJUSTMENTS**

**Include Cost of Energy Associated with Gillette Combustion Turbine in Base Rates**

	<u>CLFP Electric</u>	<u>OCA Electric</u>	<u>Difference</u>
Gillette CT Energy Cost	\$0	\$740,027	<b>\$740,027</b>

Cheyenne Light did not include the energy cost of the Gillette combustion turbines in base rates, under the assumption that it would be collected through one of its proposed cost adjustment mechanisms. However, the OCA is recommending a substantially different mechanism than those proposed by Cheyenne Light, and under the OCA's proposal, it is reasonable to include a conservative estimate of combustion turbine energy costs in base rates. The OCA is recommending an amount less than the annualized cost estimated by Cheyenne Light, as natural gas costs have dropped over the past several weeks, and the current futures cost of gas for 2008 is currently less than has been seen in the recent past.

**Adjusted Income Taxes to Recognize the Adjustments to Other Regulated Expenses**

Adjustment for Common Expense Allocator	\$117,123
Adjustment to Acid Rain Allowances	(\$113,537)
Adjustment for Energy Share Costs	(\$18,540)
Adjustment for Bad Debt Expense	(\$217,550)
Adjustment to Rate Case Expense	(\$38,043)
Adjustment to WYGEN II Depreciation Expense	(\$505,538)
Adjustment to Common Intercompany Charges	\$62,409
Adjustment to Franchise Fees	(\$28,846)
Adjustment for Gillette CT Energy Costs	<u>\$740,027</u>
Total Expense Adjustments	(\$2,494)
Income Tax Rate	<u>35.00%</u>
<b>INCREASE IN INCOME TAXES</b>	<b>(\$873)</b>

Changes in expenses have a direct impact on taxable income and ultimately income tax expense. This adjustment recognizes that relationship.

**CLASS COST OF SERVICE**

	<u>TOTAL</u>	<u>Residential</u>	<u>Commercial</u>	<u>Secondary General</u>	<u>Primary General</u>	<u>Transmission General</u>	<u>Lighting</u>
Gross Utility Plant	\$298,561,160	\$103,897,797	\$17,939,255	\$101,947,090	\$41,161,403	\$25,870,223	\$7,745,392
Accumulated Provision for Depreciation	<u>\$46,934,817</u>	<u>19,753,062</u>	<u>3,319,656</u>	<u>15,938,238</u>	<u>3,981,871</u>	<u>1,351,826</u>	<u>2,590,164</u>
Net Plant	\$251,626,344	\$84,144,736	\$14,619,599	\$86,008,852	\$37,179,532	\$24,518,397	\$5,155,228
Cash Working Capital	\$2,713,040	\$794,458	\$137,022	\$892,679	\$508,475	\$350,017	\$30,389
Materials and Supplies	\$1,425,628	\$459,259	\$80,485	\$488,605	\$222,682	\$151,898	\$22,700
Prepayments	\$365,905	\$107,148	\$18,480	\$120,395	\$68,578	\$47,207	\$4,099
Fuel Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Rate Base Deductions	\$6,678,925	\$2,323,366	\$401,363	\$2,280,625	\$920,932	\$579,005	\$173,635
<b>RATE BASE</b>	<b>\$249,451,993</b>	<b>\$83,182,234</b>	<b>\$14,454,222</b>	<b>\$85,229,907</b>	<b>\$37,058,334</b>	<b>\$24,488,513</b>	<b>\$5,038,781</b>
Current Revenues from Firm Sales (incl. unbilled)	\$81,744,870	\$25,537,019	\$4,090,816	\$26,734,876	\$13,721,869	\$10,405,905	\$1,254,386
Adjusted Other Revenues	<u>\$4,167,318</u>	<u>\$1,268,542</u>	<u>\$225,045</u>	<u>\$1,415,449</u>	<u>\$715,361</u>	<u>\$517,243</u>	<u>\$25,679</u>
Total Revenues	\$85,912,188	\$26,805,561	\$4,315,861	\$28,150,325	\$14,437,229	\$10,923,148	\$1,280,065
Production Expenses	\$35,804,559	\$9,015,802	\$1,673,129	\$12,282,931	\$7,379,332	\$5,268,129	\$185,234
Transmission Expenses	7,678,964	1,918,781	401,570	2,716,546	1,575,566	1,030,414	36,088
Distribution Expenses	1,834,378	523,563	121,904	758,561	196,654	44,716	188,980
Customer Expenses	1,897,955	1,666,784	142,157	39,098	12,147	949	36,820
Administrative and General Expenses	4,942,133	2,006,858	287,452	1,425,920	661,077	427,632	133,193
Depreciation Expense	8,754,392	3,098,380	531,060	2,976,202	1,177,702	728,444	242,604
Taxes Other than Income	1,759,175	559,930	95,231	592,511	280,898	196,295	34,310
Income Taxes	<u>5,560,690</u>	<u>1,947,277</u>	<u>223,019</u>	<u>1,696,124</u>	<u>721,489</u>	<u>876,780</u>	<u>96,002</u>
Total Expenses	\$68,232,245	\$20,737,375	\$3,475,520	\$22,487,893	\$12,004,865	\$8,573,359	\$953,232
<b>NET OPERATING INCOME</b>	<b>\$17,679,943</b>	<b>\$6,068,185</b>	<b>\$840,341</b>	<b>\$5,662,431</b>	<b>\$2,432,365</b>	<b>\$2,349,788</b>	<b>\$326,832</b>
<b>EARNED RETURN ON RATE BASE</b>	<b>7.09%</b>	<b>7.30%</b>	<b>5.81%</b>	<b>6.64%</b>	<b>6.56%</b>	<b>9.60%</b>	<b>6.49%</b>
<b>OCA RECOMMENDED RETURN</b>	<b>8.84%</b>	<b>8.84%</b>	<b>8.84%</b>	<b>8.84%</b>	<b>8.84%</b>	<b>8.84%</b>	<b>8.84%</b>
<b>REVENUE DEFICIENCY (EXCESS)</b>	<b>\$6,725,553</b>	<b>\$1,977,112</b>	<b>\$672,942</b>	<b>\$2,879,832</b>	<b>\$1,297,833</b>	<b>(\$284,621)</b>	<b>\$182,455</b>
<b>TOTAL REQUIRED REVENUES</b>	<b>\$92,637,741</b>	<b>\$28,782,673</b>	<b>\$4,988,803</b>	<b>\$31,030,157</b>	<b>\$15,735,062</b>	<b>\$10,638,527</b>	<b>\$1,462,520</b>
Firm Sales Revenues	\$88,470,423	\$27,514,131	\$4,763,758	\$29,614,708	\$15,019,701	\$10,121,284	\$1,436,841
Other Revenues	<u>\$4,167,318</u>	<u>\$1,268,542</u>	<u>\$225,045</u>	<u>\$1,415,449</u>	<u>\$715,361</u>	<u>\$517,243</u>	<u>\$25,679</u>

**RATE DESIGN AND PROOF OF REVENUES**

	Billing Units	Current Rate (including ECA)*	Current Revenue	CLFP Proposed Rate	CLFP Proposed Revenue	OCA Proposed Rate	OCA Proposed Revenue
<b>Residential</b>							
Service and Facility Charge	404,847	\$11.00	\$4,453,319	\$12.00	\$4,858,166	\$12.00	4,858,166
Energy Charge	250,866,768	\$0.08376	\$21,012,600	\$0.09172	\$23,009,500	\$0.08921	22,379,824
Customer Service Charge	17,148	\$0.00	\$0	\$15.00	\$257,220	\$15.00	257,220
Customer Service Charge (Shared w/ Gas)	2,591	\$0.00	\$0	\$7.50	\$19,433	\$7.50	19,433
<i>Total Residential Revenue</i>			\$25,465,919		\$28,144,319		<b>27,514,643</b>
<b>Commercial</b>							
Service and Facility Charge	30,755	\$11.00	\$338,302	\$12.00	\$369,057	\$12.00	369,057
Energy Charge	42,530,324	\$0.08796	\$3,740,967	\$0.10640	\$4,525,226	\$0.10290	4,376,370
Customer Service Charge	1,002	\$0.00	\$0	\$15.00	\$15,030	\$15.00	15,030
Customer Service Charge (Shared w/ Gas)	526	\$0.00	\$0	\$7.50	\$3,945	\$7.50	3,945
<i>Total Commercial Revenue</i>			\$4,079,269		\$4,973,258		<b>4,764,402</b>
<b>Secondary General</b>							
Service and Facility Charge	10,517	\$15.00	\$157,757	\$16.00	\$168,275	\$16.00	168,275
Energy Charge	343,771,006	\$0.03571	\$12,276,063	\$0.04132	\$14,204,618	\$0.03968	13,640,834
Capacity Charge	852,673	\$15.99	\$13,634,241	\$18.65	\$15,902,351	\$18.65	15,902,351
Load Factor Credit	10,278,753	\$0.00	\$0	(\$0.01)	(\$102,788)	(\$0.01)	(102,788)
Customer Service Charge	367	\$0.00	\$0	\$15.00	\$5,505	\$15.00	5,505
Customer Service Charge (Shared w/ Gas)	2	\$0.00	\$0	\$7.50	\$15	\$7.50	15
<i>Total Secondary General Revenue</i>			\$26,068,061		\$30,177,976		<b>29,614,192</b>
<b>Primary General</b>							
Service and Facility Charge	268	\$229.00	\$61,372	\$230.00	\$61,640	\$230.00	61,640
Energy Charge	220,916,718	\$0.03465	\$7,654,764	\$0.038590	\$8,525,176	\$0.03762	8,310,887
Capacity Charge	395,703	\$13.66	\$5,405,300	\$17.15	\$6,786,303	\$17.15	6,786,303
Load Factor Credit	13,961,937	\$0.00	\$0	(\$0.01)	(\$139,619)	(\$0.01)	(139,619)
<i>Total Primary General Revenue</i>			\$13,121,437		\$15,233,500		<b>15,019,211</b>
<b>Transmission General</b>							
Service and Facility Charge	24	\$9,000.00	\$216,000	\$9,000.00	\$216,000	\$9,000.00	216,000
Energy Charge	173,019,610	\$0.03373	\$5,835,951	\$0.03621	\$6,265,040	\$0.03653	6,320,406
Capacity Charge	273,656	\$16.08	\$4,400,392	\$14.00	\$3,831,187	\$14.00	3,831,187
Load Factor Credit	24,620,691	\$0.00	\$0	(\$0.01)	(\$246,207)	(\$0.01)	(246,207)
<i>Total Transmission General Revenue</i>			10,452,343		10,066,020		<b>10,121,386</b>
<b>Sales Revenues from Non Lighting Classes</b>			\$79,187,030		\$88,535,073		<b>87,033,834</b>

\* Excludes Deferred Portion of the ECA rate in the tariff as of January 1, 2007

**RATE DESIGN AND PROOF OF REVENUES**

	Billing Units	Current Rate (including ECA)*	Current Revenue	CLFP Proposed Rate	CLFP Proposed Revenue	OCA Proposed Rate	OCA Proposed Revenue
<b>Residential Area Lights</b>							
On existing Company-owned pole	13,457	\$5.56	\$74,821	\$8.28	\$111,424	\$8.21	\$110,421
Requiring Pole and one spane of O.H. feed	6,275	\$8.82	\$55,346	\$13.49	\$84,650	\$13.37	\$83,888
Requiring Installation of Pole and U.G. cable	1,024	\$13.42	\$13,742	\$18.92	\$19,374	\$18.75	\$19,200
Energy	844,060	\$0.03571	\$30,141	\$0.00	\$0	\$0.00	\$0
<b>Total Residential Area Lights Revenue</b>			<b>\$174,050</b>		<b>\$215,448</b>		<b>\$213,509</b>
<b>Commercial Area Lights</b>							
On existing pole, 100 watts	8,206	\$5.56	\$45,625	\$8.28	\$67,946	\$8.21	\$67,334
On existing pole, 250 watts	286	\$8.55	\$2,445	\$14.25	\$4,076	\$14.12	\$4,039
On existing pole, 400 watts	511	\$11.88	\$6,071	\$20.34	\$10,394	\$20.16	\$10,300
Requiring pole and O.H. feed, 100 watts	9,707	\$9.97	\$96,779	\$13.49	\$130,947	\$13.37	\$129,769
Requiring pole and O.H. feed, 250 watts	365	\$12.96	\$4,730	\$19.45	\$7,099	\$19.27	\$7,035
Requiring pole and O.H. feed, 400 watts	96	\$16.29	\$1,564	\$25.55	\$2,453	\$25.32	\$2,431
Require Installation of Pole and U.G. cable, 100 watts	4,033	\$14.57	\$58,761	\$18.92	\$76,304	\$18.75	\$75,618
Require Installation of Pole and U.G. cable, 250 watts	0	\$17.57	\$0	\$23.60	\$0	\$23.39	\$0
Require Installation of Pole and U.G. cable, 400 watts	24	\$20.90	\$502	\$30.99	\$744	\$30.71	\$737
Energy	1,055,631	\$0.03571	\$37,697	\$0.00	\$0	\$0.00	\$0
<b>Total Commercial Area Lights Revenue</b>			<b>\$254,173</b>		<b>\$299,963</b>		<b>\$297,263</b>
<b>Street Lighting</b>							
Wood Pole, O.H. Feed, 100 Watts	13,298	9.77	\$129,921	\$13.24	\$176,066	\$13.12	\$174,481
Wood Pole, O.H. Feed, 250 Watts	14,262	12.76	\$181,983	\$18.95	\$270,265	\$18.78	\$267,833
Wood Pole, O.H. Feed, 400 Watts	48	16.09	\$772	\$22.42	\$1,076	\$22.22	\$1,066
Wood Pole, U.G. Feed, 100 Watts	373	12.44	\$4,640	\$16.39	\$6,113	\$16.24	\$6,058
Wood Pole, U.G. Feed, 250 Watts	96	15.43	\$1,481	\$22.10	\$2,122	\$21.90	\$2,103
Ornamental Pole, U.G. Feed, 250 Watts	6,399	23.39	\$149,673	\$31.50	\$201,569	\$31.22	\$199,754
Ornamental Pole, U.G. Feed, 400 Watts	1,084	26.72	\$28,964	\$37.62	\$40,780	\$37.28	\$40,413
19' Post Top, U.G. Feed, 70 Watts	120	9.75	\$1,170	\$12.77	\$1,532	\$12.66	\$1,519
19' Post Top, U.G. Feed, 100 Watts	10,754	10.34	\$111,196	\$13.92	\$149,696	\$13.79	\$148,348
Mounted on Traffic Signal, 200 Watts	0	6.62	\$0	\$10.50	\$0	\$10.41	\$0
Mounted on Traffic Signal, 250 Watts	2,422	7.81	\$18,916	\$13.11	\$31,752	\$12.99	\$31,467
Mounted on Traffic Signal, 400 Watts	771	11.14	\$8,589	\$19.23	\$14,826	\$19.06	\$14,693
Energy	3,397,831	\$0.03571	\$121,337	\$0.00	\$0	\$0.00	\$0
<b>Total Street Lighting Revenue</b>			<b>\$758,643</b>		<b>\$895,797</b>		<b>\$887,735</b>
<b>Highway Lighting</b>							
High Pressure Sodium Lamps, 200 Watts	24	\$4.54	\$109	\$8.53	\$205	\$8.45	\$203
High Pressure Sodium Lamps, 250 Watts	1,176	\$5.60	\$6,586	\$10.50	\$12,348	\$10.41	\$12,237
High Pressure Sodium Lamps, 400 Watts	336	\$8.64	\$2,903	\$16.28	\$5,470	\$16.13	\$5,421
Underpass or Understructure Lighting	72	\$3.77	\$271	\$6.89	\$496	\$6.83	\$492
Energy	162,626	\$0.03571	\$5,807	\$0.00	\$0	\$0.00	\$0
<b>Total Street Lighting Revenue</b>			<b>\$15,676</b>		<b>\$18,519</b>		<b>\$18,352</b>
<b>Pedestrian Lighting</b>							
100 watt	2,076	\$17.31	\$35,936	\$22.14	\$45,963	\$21.94	\$45,549
Energy	83,905	\$0.03544	\$2,974	\$0.00	\$0	\$0	\$0
<b>Total Pedestrian Lighting Revenue</b>			<b>\$38,909</b>		<b>\$45,963</b>		<b>\$45,549</b>
<b>Sales Revenues from Lighting Class</b>			<b>\$1,241,452</b>		<b>\$1,475,689</b>		<b>\$1,462,408</b>
<b>TOTAL SALES REVENUES</b>			<b>\$80,428,482</b>		<b>\$90,010,762</b>		<b>\$88,496,242</b>

\* Excluded Deferred Portion of the ECA rate in tariff as of January 1, 2007

**POWER COST ADJUSTMENT**

**APPLICABLE**

This Power Cost Adjustment (PCA) applies to all rate schedules for all classes of services authorized by the Wyoming Public Service Commission (Commission) and to all customers taking service pursuant to contract, rather than tariff, unless specifically exempted by order of the Commission.

The PCA shall be calculated annually based on actual Delivered Power Costs for the previous calendar year as compared to the base year Delivered Power Costs, and shall include an over-or-under recovery from prior years' adjustments through the Balancing Account. Cheyenne Light, Fuel and Power Company (Company) will make a PCA filing with the Commission annually.

**POWER COST ADJUSTMENT CALCULATION**

1.	System Delivered Power Costs	\$ _____
2.	Sales for Resale	\$ _____
3.	Retail Delivered Power Costs (line 1 – line 2)	\$ _____
4.	Retail Energy Sales	_____ kWh
5.	Retail Delivered Power Cost per kWh (line 3 / line 4)	\$ _____ / kWh
6.	Base Retail Delivered Power Cost per kWh	\$ _____ / kWh
7.	Difference (line 5 – line 6)	\$ _____ / kWh
8.	Total Change from Base (line 4 x line 7)	\$ _____
9.	Delivered Power Costs to be Recovered / Refunded	\$ _____
10.	Balancing Account (+ or -)	\$ _____
11.	Power Cost Adjustment Amount (line 9 + line 10)	\$ _____
12.	Projected Retail Energy Sales	_____ kWh
13.	Power Cost Adjustment (line 11 / line 12)	\$ _____ / kWh

**SYSTEM DELIVERED POWER COSTS**

System Delivered Power Costs shall be the cost of generation fuel, purchased capacity and energy, transmission of electricity by others, and purchased emission allowances incurred by the Company. The System Delivered Power Costs shall be calculated on a calendar year basis. Coal purchased by the Company from an affiliate shall be priced in accordance with the methodology set forth in the Coal Supply Agreement dated February 7, 2007 and filed in Docket no. 20003-90-ER-07.

**SALES FOR RESALE**

Sales for Resale is the revenue received pursuant to the Company's FERC approved tariffs and as listed under FERC account 447.

### **RETAIL ENERGY SALES**

Retail Energy Sales are the total retail energy sales (net of line losses) for all classes of service authorized by the Commission and the retail energy sales for all customers taking service pursuant to contract who are subject to the Power Cost Adjustment. The referenced sales are for the most recently completed calendar year.

### **BASE RETAIL DELIVERED POWER COSTS**

The Base Retail Delivered Power Costs are established as \$ \_\_\_\_ per kWh. This PCA base rate is derived by dividing the adjusted cost of generation fuel, purchased capacity and energy, transmission of electricity by others, and purchased emission allowances, by projected retail sales, as authorized by the Commission in the determination of overall revenues in Docket No. 20003-90-ER-07.

### **DELIVERED POWER COSTS TO BE RECOVERED/REFUNDED**

Delivered Power Costs to be Recovered / Refunded are equal to the Total Change from Base (line 8 in the Power Cost Adjustment Calculation) adjusted for a \$1 million symmetrical dead band and subject to a five percent sharing adjustment for costs outside the dead band. Line 9 of the Power Cost Adjustment Calculation is determined as follows:

- (a) If the Total Change from Base is equal to or less than \$1,000,000 for the current period (either as an increase in costs or a decrease in costs), no change in rates occurs and the cost changes are absorbed or retained by the Company; or
- (b) If the Total Change from Base is more than \$1,000,000 for the current period (either as an increase in costs or a decrease in costs), \$1,000,000 is subtracted from the Total Change from Base, and the result is multiplied by 95 percent. This product is then the Delivered Power Cost to be Recovered from retail customers over the upcoming 12 months, or is the Delivered Power Cost to be Refunded to customers over the upcoming 12 months.

### **BALANCING ACCOUNT**

This Balancing Account amount (line 10 of the Power Cost Adjustment Calculation) is derived by summing the Power Cost Adjustment Amount from the prior year's filing less the actual amount recovered (or refunded) in the most recent calendar year through the PCA rate. The amount recovered (or refunded) through the PCA is the sum of the Retail Energy Sales for each month in the most recent calendar year multiplied by the PCA rate in effect at the time. This balance shall be recorded monthly. Interest shall accrue monthly on each end of month deferred balance whether the balance is positive or negative. The prior balancing account plus interest then becomes the beginning balancing account for the next month. The monthly interest rate shall be at a rate that is 1/12<sup>th</sup> of the annual interest rate established annually by the Commission pursuant to Section 241 of the Commission's Procedural Rules and Special Regulations. The interest computation shall be symmetrical for either over collected or under collected amounts in the Balancing Account.

### **POWER COST ADJUSTMENT AMOUNT**

The Power Cost Adjustment Amount is the amount which shall be refunded or charged to customers for Delivered Power Costs combined with the true-up of the PCA Balancing Account.

### **PROJECTED RETAIL ENERGY SALES**

Projected Retail Energy Sales are the total retail kilowatt hours of retail sales for all classes of service authorized by the Commission and the retail energy sales for all customers taking service pursuant to contract who are subject to the Power Cost Adjustment for the period the PCA is anticipated to be in effect. Unless otherwise authorized by the Commission, a normal annual PCA period will run from April 1 through March 31 of each calendar year.

### **POWER COST ADJUSTMENT**

The Power Cost Adjustment on Line 13 shall be applied to all rate schedules for all classes of service authorized by the Commission. The credit will be applied on an equal per kWh basis for all classes of customers, unless the Commission finds an alternative manner of determining the bill credit or bill surcharge to be in the public interest.

### **EFFECTIVE DATE**

The Power Cost Adjustment shall be effective, subject to approval by the Commission, for rates on and after April 1<sup>st</sup> of each year, or such other date as may be authorized by the Commission. In order to allow for a reasonable period of regulatory and public review, each annual Power Cost Adjustment application shall be filed no later than February 15<sup>th</sup> for a requested effective date of prorated usage on and after April 1<sup>st</sup>. For periods where a later effective date is requested, the application with appropriate documentation shall be filed no later than 45 days prior to the requested effective date. No change in the PCA rate shall occur unless authorized by the Commission.

### **INFORMATION TO BE FILED WITH THE COMMISSION**

Each annual Power Cost Adjustment application shall be accompanied by supporting data and documentation necessary to support the sales forecasts, actual costs, and other numbers that enter into the computation of the requested rate. The supporting documentation shall also provide support that the Company acted reasonably and in the public interest when incurring the costs that are included in the annual Power Cost Adjustment application.