Direct Testimony and Schedules
Lisa J. Gast

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota

Docket No. G011/GR-13-617

Exhibit _____

**Capital Structure and Cost of Capital**

September 30, 2013

**TABLE OF CONTESTS**


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## I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Lisa J. Gast. My business address is Integrys Energy Group, Inc. ("Integrys"), 700 North Adams Street, P.O. Box 19001, Green Bay, WI 54307-9001.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am the Manager, Financial Planning and Analysis for Integrys Business Support, LLC ("IBS"). Both Minnesota Energy Resources Corporation ("MERC") and IBS are wholly owned subsidiaries of Integrys.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I graduated from the University of Wisconsin – Green Bay with a Bachelor's Degree in Accounting. I also earned a Masters Degree in Business Administration from the University of Wisconsin - Oshkosh. My professional designations are Certified Public Accountant and Certified Treasury Professional. I joined the Treasury Department at Wisconsin Public Service Corporation, a wholly owned subsidiary of Integrys, in April of 2001. In my current position I am responsible for the capital structure forecasts for each of our regulated utilities.

Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

A. I am providing testimony on behalf of MERC.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my Direct Testimony is to:

1. Present MERC's capital structure and cost of capital for the 2012 historical year,

2. Present MERC's capital structure and cost of capital for the 2013 projected year;

3. Present MERC's capital structure and cost of capital for the 2014 proposed test year,

4. Explain the differences in adjusted common equity between the 2012 historical year and the 2014 proposed test year,

5. Describe the required Common Equity Ratio for the 2014 proposed test year, MERC's proposed cost of debt capital and MERC's weighted average cost of capital, and

6. Describe the required Return on Common Equity ("ROE") for the 2014 proposed test year.

Q. DOES MERC PRESENT ANY OTHER EVIDENCE ON COST OF CAPITAL?

A. Yes, it does. Mr. Paul R. Moul of P. Moul & Associates provides evidence on MERC's cost of capital. He presents analytical studies employing various industry models to derive his recommendation for the return on common equity that MERC is requesting in this case.

Q. IS MERC PUBLICLY OWNED?

A. Yes, via its parent. Integrys holds 100% of the common stock of MERC. Integrys is traded on the New York Stock Exchange under the symbol "TEG."

Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS TO THE COMMISSION.

A. For the 2014 proposed test year, MERC requests that the Commission approve an overall cost of capital of 8.0092%. This cost of capital is based on a common equity ratio of 50.31% for the test year, and a 10.75% cost of common equity as supported in my testimony and in the testimony of Mr. Paul R. Moul. My recommendation is summarized in Exhibit _____ (LJG-1), page 1 of 4. The recommended capital structure and return on equity will ensure that MERC has access to capital at reasonable rates when MERC needs it, thereby benefiting its customers.

## II. DESCRIPTION OF EXHIBITS

Q. WHAT EXHIBITS ARE YOU SPONSORING IN THIS PROCEEDING?

A. I am sponsoring Exhibit _____ (LJG-1) and Exhibit _____ (LJG-2).

Q. WERE THE EXHIBITS PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

Q. PLEASE EXPLAIN PAGES 1 THROUGH 4 OF EXHIBIT _____ (LJG-1).

A. In general, Pages 1 through 4 of Exhibit _____ (LJG-1) support and calculate MERC's capital structure, cost of capital, and required rate of return for the 2012 historical year, 2013 projected year, and 2014 proposed test year.

Page 1 develops MERC's overall rates of return of 7.7563% and 7.5118% for 2012 and 2013 respectively, based on MERC's 13-month average capital structure, and a 9.70% ROE. This schedule also develops MERC's overall rate of return of 8.0092% for the 2014 proposed test year based on a 10.75% ROE.

Page 2 develops MERC's embedded cost of long-term debt of 6.2999% and 5.9260% for 2012 and 2013, respectively, based on a 13-month average. This schedule also develops MERC's 2014 proposed test year embedded cost of long-term debt of 5.5606% based on a 13 month average.

Page 3 develops MERC's weighted average cost of short-term debt of 2.0105% and 1.7629% for 2012 and 2013, respectively, based on a 13-month average. This schedule also develops MERC's 2014 proposed test year weighted cost of short term debt of 2.3487%, based on a 13-month average.

Page 4 develops MERC's 13-month average balance of Adjusted Common Equity for the 2012 historical year, 2013 projected year, and 2014 proposed test year.

Q. PLEASE EXPLAIN THE DECREASE IN FORECASTED LONG-TERM DEBT RATES?

A. The reduction in 2013 is due to the maturity of $29 million of debt at a 6.11% effective rate on July 1, 2013. This debt was refinanced with a new 10 year intercompany loan at a rate of 3.99% with the same principle amount. The 2014 proposed test year reflects the full year benefit of this reduced rate plus an additional $10 million debt issue in July at 4.85%.

Q. HOW WAS THE FORECASTED RATE FOR THE 2014 INTERCOMPANY LONG-TERM DEBT FROM INTEGRYS CALCULATED?

A. The forecasted rate was estimated using the 10 Year Treasury rate forecasted for the quarter of issuance, rounded to the nearest 5 basis points plus a credit spread of 140 basis points and issuance spread of 10 basis points. (3.35% + 1.40% + 0.10% = 4.85% forecasted rate)

Q. HOW WERE THE RATES FOR THE INTERCOMPANY SHORT-TERM DEBT FROM INTEGRYS FORECASTED?

A. Under the affiliated interest agreement approved by the Commission, Integrys provides short-term debt to MERC at its cost of external commercial paper.[1] Integrys' commercial paper rating is A-2 from Standard & Poor's and P-2 from Moody's. Forecasted monthly short-term debt rates are the sum of the 1-month commercial paper rates from Moody's DataBuffet.com and the 2012 average spread between A2/P2 and AA commercial paper. These forecasted rates result in a weighted average short-term debt rate before amortizations of 0.6255% for the 2014 proposed test year. MERC's short-term interest rate including its allocation of Integrys' credit facility upfront fee amortizations is 2.3487% for the 2014 proposed test year.

Q. PLEASE EXPLAIN EXHIBIT _____ (LJG-2).

A. Exhibit _____ (LJG-2) presents the 2012 actual, 2013 projected and 2014 proposed test year capital structure and cost of capital for Integrys on a consolidated basis.

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[1] The Commission approved MERC's affiliated interest agreement for short-term borrowing from Integrys in its Order Approving Affiliated Interest Borrowing Agreement, *ITMO the Annual Capital Structure Filing of Minnesota Energy Resources Corporation and Request for Approval of Affiliated Interest Agreement*, Docket No. G-007,011/AI-09-1108 (April 20, 2010).

## III. MERC'S ADJUSTED COMMON EQUITY FROM 2012 TO 2014

Q. PLEASE EXPLAIN WHY MERC'S YEAR END ADJUSTED COMMON EQUITY INCREASED FROM $103,273,429 FOR THE 2012 HISTORICAL YEAR TO $107,100,677 FOR THE 2014 PROPOSED TEST YEAR.

A. The change in MERC's year end adjusted common equity is due to retained earnings, equity returns to Integrys, and reduced utility equity adjustments.

A summary of the changes to MERC's adjusted common equity is shown below:

| Summary of Changes to MERC's Adjusted Common Equity | | |
|---|---|---|
| | **Activity** | **Total** |
| **Actual 12/31/12** | | **$103,273,429** |
| Retained Earnings | | |
| Earnings | $ 22,580,919 | |
| Compensation Related Accounts | 6,376 | |
| Total Retained Earnings | | 22,587,295 |
| Additional Paid In Capital | | |
| Net Equity Returns | (28,000,000) | |
| Compensation Related Accounts | 625,341 | |
| Total Additional Paid in Capital | | (27,374,659) |
| Reduced Utility Equity Adjustments | | |
| Goodwill Related Deferred Taxes | 8,562,116 | |
| Compensation Related Accounts | 52,496 | |
| Total Utility Equity Adjustments | | 8,614,612 |
| **Forecast 12/31/14** | | **$107,100,677** |

## IV. THE REQUIRED COMMON EQUITY RATIO

Q. WHAT COMMON EQUITY RATIO IS APPROPRIATE FOR MERC?

A. A common equity ratio of 50% – 55 % (after considering adjustments related to non-utility investments) will continue to provide MERC the financial health and flexibility it needs to respond to the changes and challenges of the utility industry.

MERC is currently targeting a common equity ratio of 50.31% for the 2014 proposed test year. During the 2012 historical test year, MERC maintained a 49.87% average common equity ratio, ending the year at 50.26%. MERC's Board of Directors has approved a monthly common equity range of 40% - 65%, with an average equity target of 50% - 55%.

Business risk is greater today than in earlier decades and this increased business risk is reflected in the more stringent benchmarks now being used by the various credit rating agencies. *See* Section II of Mr. Paul Moul's testimony for a discussion of the current factors affecting business risk for natural gas utilities. Business risk can be offset somewhat with decreased financial risk by maintaining a lower debt ratio (and a higher common equity ratio) which in-turn increases interest coverage. Interest coverage is an indication of the amount of cash flow required to make interest payments. A lower debt ratio leads to lower interest payments and higher interest coverage, all of which indicate decreased financial risk.

Q. WHAT BENEFITS DOES A CAPITAL STRUCTURE WITH AN ADEQUATE COMMON EQUITY RATIO PROVIDE?

A. An adequate common equity ratio provides MERC with the ability to resist negative financial pressures and creates a buffer to protect against unexpected adverse developments so that distortions can be quickly remedied without impairing either the orderly conduct of the business, or the credit quality of present or future securities issuances. This will help ensure that MERC has access to capital at reasonable rates when MERC needs it. An adequate common equity ratio promotes financial stability thereby benefiting its customers.

## V. THE REQUIRED RETURN ON EQUITY

Q. WHAT IS MERC'S RECOMMENDATION FOR THE ROE FOR THE 2014 PROPOSED TEST YEAR?

A. MERC is requesting a 10.75% ROE for the 2014 proposed test year as described in the direct testimony of Mr. Paul R. Moul.

Q. IS THE MARKET RESPONSIVE TO ALTERNATIVE INVESTMENT OPPORTUNITIES?

A. Yes, it is. Investors have a full field of investment choices. Investors can choose the stock market or other markets such as bonds, treasury securities, money funds, real estate, etc. If investors choose the stock market, they may elect a utility stock or a stock from one of the many other industries available. If investors prefer utilities, they have many to select from within the utility industry. Therefore, it is imperative to provide a competitive return to the shareholder. The return on a utility's stock must be competitive to other investment alternatives with similar risk profiles.

An adequate ROE is of significant importance and benefit to customers. Adequate returns on MERC's common equity would help to ensure continued reliable utility services, and would assure these services are provided at the lowest overall rates through the lowest overall cost of capital. This can only be maintained with an adequate ROE.

Q. WHAT EFFECT WOULD AN ADEQUATE ROE HAVE ON THE OTHER SECURITIES OF MERC?

A. An adequate ROE would permit MERC to raise capital when needed, at reasonable rates, especially during periods of "tight" credit markets.

Q. IN SUMMARY, WHAT IS YOUR RECOMMENDATION REGARDING THE REQUIRED COMMON EQUITY RATIO AND THE REQUIRED ROE FOR THE 2014 PROPOSED TEST YEAR?

A. MERC recommends that the average common equity ratio be set at 50.31% with a ROE of 10.75%. These values are recommended because:

1. They provide a fair return to investors commensurate with competitive investment vehicles available,
2. They reflect the business risk associated with the utility industry, and
3. They recognize that MERC has delivered, and will continue to deliver, reliable service at a reasonable cost to its customers. Therefore, the shareholder should be properly compensated for delivering on its commitment to those customers.

## VI. CONCLUSION

Q. IN YOUR OPINION, DOES THE PROPOSED CAPITAL STRUCTURE AND COST OF CAPITAL PROVIDE A REASONABLE BASIS FOR ESTABLISHING RATES IN THIS CASE?

A. Yes. The proposed capital structure and cost of capital is reasonable and supports the revenue increase MERC has requested in this case.

Q. DOES THIS CONCLUDE YOUR TESTIMONY ON CAPITAL STRUCTURE AND COST OF CAPITAL AT THIS TIME?

A. Yes, it does.

**2012 Historic Capital Structure**

| Line No. | Description | Reference | Amount | Percent Capital | Cost Rate % | Weighted Cost Capital | Weighted Cost Debt |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | Long-Term Debt | Exhibit____(LJG-X) Schedule D-2 | $ 87,000,000 | 44.56% | 6.2999% | 2.8071% | 5.5994% |
| 3 | | | | | | | |
| 4 | Short-Term Debt | Exhibit____(LJG-X) Schedule D-3 | $ 10,884,375 | 5.57% | 2.0105% | 0.1121% | 0.2236% |
| 5 | | | | | | | |
| 6 | Adjusted Common Equity | Exhibit____(LJG-X) Schedule D-4 | $ 97,366,319 | 49.87% | 9.7000% | 4.8371% | |
| 7 | | | | | | | |
| 8 | Total Capital | | $ 195,250,694 | 100.00% | | 7.7563% | 5.8230% |

| Line No. | Description | Reference | Amount | Percent Capital | Cost Rate % | Weighted Cost Capital | Weighted Cost Debt |
|---|---|---|---|---|---|---|---|
| 9 | | | | | | | |
| 10 | | | **2013 Projected Capital Structure** | | | | |
| 11 | | | | | | **Weighted Cost** | **Weighted Cost** |
| 12 | | | | **Percent** | **Cost** | | |
| 13 | **Description** | **Reference** | **Amount** | **Capital** | **Rate %** | **Capital** | **Debt** |
| 14 | | | | | | | |
| 15 | Long-Term Debt | Exhibit____(LJG-X) Schedule D-2 | $ 87,000,000 | 42.29% | 5.9260% | 2.5062% | 5.0375% |
| 16 | | | | | | | |
| 17 | Short-Term Debt | Exhibit____(LJG-X) Schedule D-3 | $ 15,344,346 | 7.46% | 1.7629% | 0.1315% | 0.2643% |
| 18 | | | | | | | |
| 19 | Adjusted Common Equity | Exhibit____(LJG-X) Schedule D-4 | $ 103,366,036 | 50.25% | 9.7000% | 4.8741% | |
| 20 | | | | | | | |
| 21 | Total Capital | | $ 205,710,382 | 100.00% | | 7.5118% | 5.3018% |

| Line No. | Description | Reference | Amount | Percent Capital | Cost Rate % | Weighted Cost Capital | Weighted Cost Debt |
|---|---|---|---|---|---|---|---|
| 22 | | | | | | | |
| 23 | | | **2014 Proposed Capital Structure** | | | | |
| 24 | | | | | | **Weighted Cost** | **Weighted Cost** |
| 25 | | | | **Percent** | **Cost** | | |
| 26 | **Description** | **Reference** | **Amount** | **Capital** | **Rate %** | **Capital** | **Debt** |
| 27 | | | | | | | |
| 28 | Long-Term Debt | Exhibit____(LJG-X) Schedule D-2 | $ 91,583,333 | 44.64% | 5.5606% | 2.4822% | 4.9954% |
| 29 | | | | | | | |
| 30 | Short-Term Debt | Exhibit____(LJG-X) Schedule D-3 | $ 10,362,707 | 5.05% | 2.3487% | 0.1186% | 0.2387% |
| 31 | | | | | | | |
| 32 | Adjusted Common Equity | Exhibit____(LJG-X) Schedule D-4 | $ 103,220,220 | 50.31% | 10.7500% | 5.4084% | |
| 33 | | | | | | | |
| 34 | Total Capital | | $ 205,166,260 | 100.00% | | 8.0092% | 5.2341% |

**Long Term Debt**

| Line No. | Description | Reference | Historic 2012 | Additional Borrowings | Projected 2013 | Additional Borrowings | Proposed 2014 |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | December | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 3 | January | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 4 | February | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 5 | March | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 6 | April | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 7 | May | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 8 | June | General Ledger | 87,000,000 | | 87,000,000 | | 87,000,000 |
| 9 | July | General Ledger | 87,000,000 | | 87,000,000 | 10,000,000 | 97,000,000 |
| 10 | August | General Ledger | 87,000,000 | | 87,000,000 | 10,000,000 | 97,000,000 |
| 11 | September | General Ledger | 87,000,000 | | 87,000,000 | 10,000,000 | 97,000,000 |
| 12 | October | General Ledger | 87,000,000 | | 87,000,000 | 10,000,000 | 97,000,000 |
| 13 | November | General Ledger | 87,000,000 | | 87,000,000 | 10,000,000 | 97,000,000 |
| 14 | December | General Ledger | 87,000,000 | | 87,000,000 | 10,000,000 | 97,000,000 |
| 15 | | | | | | | |
| 16 | Average | 13 Month Average of Lines 2 - 14 | 87,000,000 | | 87,000,000 | | 91,583,333 |
| 17 | | | | | | | |
| 18 | Annual Interest Expense | | 5,480,952 | | 5,155,602 | | 5,092,590 |
| 19 | Other Interest | | - | | - | | - |
| 20 | Amortization of Credit Facility Fees | | - | | - | | - |
| 21 | Total Interest Expense | General Ledger | 5,480,952 | | 5,155,602 | | 5,092,590 |
| 22 | | | | | | | |
| 23 | Interest Rate on Interest Expense | Line 18 / Line 16 | 6.2999% | | 5.9260% | | 5.5606% |
| 24 | Interest Rate on Other Interest | Line 20 / Line 16 | 0.0000% | | 0.0000% | | 0.0000% |
| 25 | Interest Rate on Amortization | Line 19 / Line 16 | 0.0000% | | 0.0000% | | 0.0000% |
| 26 | Total Interest Rate on Long Term Deb | Sum of Lines 23 - 25 | 6.2999% | | 5.9260% | | 5.5606% |

**Short Term Debt**

| Line No. | Description | Reference | Historic 2012 | Additional Borrowings | Projected 2013 | Additional Borrowings | Proposed 2014 |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| 2 | December | General Ledger | 14,650,000 | 992,348 | 15,642,348 | (4,951,183) | 10,691,165 |
| 3 | January | General Ledger | 18,050,000 | 2,349,363 | 20,399,363 | (2,118,610) | 18,280,753 |
| 4 | February | General Ledger | 13,350,000 | 3,719,474 | 17,069,474 | (4,886,193) | 12,183,281 |
| 5 | March | General Ledger | 8,950,000 | 4,815,352 | 13,765,352 | 224,356 | 13,989,708 |
| 6 | April | General Ledger | 1,825,000 | 7,337,785 | 9,162,785 | (4,118,371) | 5,044,414 |
| 7 | May | General Ledger | 2,400,000 | 9,295,921 | 11,695,921 | (4,220,413) | 7,475,508 |
| 8 | June | General Ledger | 2,450,000 | 12,005,123 | 14,455,123 | (4,078,768) | 10,376,355 |
| 9 | July | General Ledger | 10,350,000 | 3,994,599 | 14,344,599 | (10,254,690) | 4,089,909 |
| 10 | August | General Ledger | 15,425,000 | (29,388) | 15,395,612 | (9,936,099) | 5,459,513 |
| 11 | September | General Ledger | 9,750,000 | 8,157,971 | 17,907,971 | (11,115,931) | 6,792,040 |
| 12 | October | General Ledger | 12,950,000 | 10,324,881 | 23,274,881 | (7,837,844) | 15,437,037 |
| 13 | November | General Ledger | 20,175,000 | (6,680,680) | 13,494,320 | 2,138,063 | 15,632,383 |
| 14 | December | General Ledger | 15,225,000 | (4,533,835) | 10,691,165 | (2,199,172) | 8,491,993 |
| 15 | | | | | | | |
| 16 | Average | 13 Month Average of Lines 2 - 14 | 10,884,375 | 4,459,971 | 15,344,346 | (4,981,640) | 10,362,707 |
| 17 | | | | | | | |
| 18 | Annual Interest Expense | | 37,101 | | 81,627 | | 64,815 |
| 19 | Amortization of Credit Faciltiy Fees | | 181,728 | | 188,874 | | 178,573 |
| 20 | Total Interest Expense | General Ledger | 218,829 | | 270,501 | | 243,388 |
| 21 | | | | | | | |
| 22 | Interest Rate | Line 18 / Line 16 | 0.3409% | | 0.5320% | | 0.6255% |
| 23 | Interest Rate on Amortization | Line 19 / Line 16 | 1.6696% | | 1.2309% | | 1.7232% |
| 24 | Total Interest Rate on Short Term Debt | Sum of Lines 22 - 23 | 2.0105% | | 1.7629% | | 2.3487% |

| Line No. | Description | Reference | Historic 2012 | Additional Paid In Capital | Retained Earnings | Projected 2013 | Additional Paid In Capital | Retained Earnings | Proposed 2014 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | |
| 2 | **Common Stock** | | | | | | | | |
| 3 | December | General Ledger | 217,531,183 | (4,624,632) | 3,947,552 | 216,854,103 | (14,712,975) | 8,518,618 | 210,659,746 |
| 4 | January | General Ledger | 221,026,372 | (4,622,363) | 4,871,927 | 221,275,937 | (14,712,975) | 8,494,983 | 215,057,945 |
| 5 | February | General Ledger | 217,233,441 | 2,379,907 | 4,550,441 | 224,163,789 | (14,712,975) | 9,615,709 | 219,066,524 |
| 6 | March | General Ledger | 210,021,819 | (1,589,332) | 6,088,258 | 214,520,744 | (13,721,814) | 9,934,998 | 210,733,928 |
| 7 | April | General Ledger | 208,773,015 | (1,571,039) | 8,393,234 | 215,595,210 | (13,721,814) | 10,174,409 | 212,047,806 |
| 8 | May | General Ledger | 204,730,703 | 1,431,231 | 9,781,072 | 215,943,006 | (15,721,814) | 9,923,331 | 210,144,523 |
| 9 | June | General Ledger | 202,370,923 | 1,404,231 | 9,733,039 | 213,508,193 | (15,712,136) | 11,346,051 | 209,142,108 |
| 10 | July | General Ledger | 201,597,667 | 1,467,671 | 9,438,104 | 212,503,442 | (15,697,964) | 11,292,227 | 208,097,705 |
| 11 | August | General Ledger | 200,753,190 | 5,469,941 | 9,265,302 | 215,488,433 | (19,697,964) | 11,325,052 | 207,115,522 |
| 12 | September | General Ledger | 210,568,408 | (5,677,112) | 9,769,576 | 214,660,871 | (19,687,908) | 11,313,612 | 206,286,575 |
| 13 | October | General Ledger | 210,121,302 | (5,674,843) | 10,105,139 | 214,551,597 | (19,687,908) | 11,719,090 | 206,582,780 |
| 14 | November | General Ledger | 211,333,548 | (5,672,578) | 9,812,315 | 215,473,285 | (19,687,908) | 12,292,155 | 208,077,532 |
| 15 | December | General Ledger | 213,701,756 | (12,696,811) | 9,654,801 | 210,659,746 | (14,677,847) | 12,932,494 | 208,914,393 |
| 16 | | | | | | | | | |
| 17 | Average | 13 Month Average of Lines 3 - 15 | 209,512,238 | (1,776,251) | 8,217,465 | 215,953,453 | (16,454,883) | 10,679,765 | 210,178,335 |
| 18 | **Equity** | | | **Goodwill &** | **Deferred** | | **Goodwill &** | **Deferred** | |
| 19 | **Adjustments** | | | **Customer List** | **Comp** | | **Customer List** | **Comp** | |
| 20 | December | General Ledger | 114,418,245 | (1,317,929) | (27,924) | 113,072,392 | (951,479) | (19,948) | 112,100,965 |
| 21 | January | General Ledger | 114,021,440 | (1,000,833) | (28,578) | 112,992,029 | (1,727,282) | (20,452) | 111,244,295 |
| 22 | February | General Ledger | 113,620,506 | (683,736) | (25,111) | 112,911,659 | (2,503,085) | (20,959) | 110,387,615 |
| 23 | March | General Ledger | 113,218,316 | (366,640) | (21,962) | 112,829,715 | (3,278,888) | (21,449) | 109,529,378 |
| 24 | April | General Ledger | 112,818,604 | (49,544) | (19,730) | 112,749,330 | (4,054,690) | (21,962) | 108,672,678 |
| 25 | May | General Ledger | 112,430,784 | 267,553 | (29,398) | 112,668,938 | (4,830,492) | (22,480) | 107,815,967 |
| 26 | June | General Ledger | 112,021,561 | 584,649 | (19,258) | 112,586,953 | (5,606,296) | (22,979) | 106,957,678 |
| 27 | July | General Ledger | 111,684,425 | 832,301 | (10,180) | 112,506,546 | (6,382,097) | (23,503) | 106,100,946 |
| 28 | August | General Ledger | 111,370,389 | 1,079,953 | (24,210) | 112,426,132 | (7,157,900) | (24,031) | 105,244,201 |
| 29 | September | General Ledger | 111,043,384 | 1,327,605 | (26,883) | 112,344,106 | (7,933,703) | (24,541) | 104,385,862 |
| 30 | October | General Ledger | 110,712,629 | 1,575,257 | (24,209) | 112,263,677 | (8,709,506) | (25,076) | 103,529,095 |
| 31 | November | General Ledger | 110,385,702 | 1,823,016 | (25,478) | 112,183,240 | (9,485,307) | (25,614) | 102,672,318 |
| 32 | December | General Ledger | 110,428,328 | 1,698,995 | (26,358) | 112,100,964 | (10,261,110) | (26,138) | 101,813,716 |
| 33 | | | | | | | | | |
| 34 | Average | 13 Month Average of Lines 20 - 32 | 112,145,919 | 465,010 | (23,511) | 112,587,417 | (5,606,295) | (23,008) | 106,958,114 |
| 35 | **Adjusted** | | | | | | | | |
| 36 | **Common Equity** | | | | | | | | |
| 37 | December | General Ledger | 103,112,938 | | | 103,781,711 | | | 98,558,781 |
| 38 | January | General Ledger | 107,004,933 | | | 108,283,908 | | | 103,813,649 |
| 39 | February | General Ledger | 103,612,935 | | | 111,252,130 | | | 108,678,909 |
| 40 | March | General Ledger | 96,803,502 | | | 101,691,029 | | | 101,204,549 |
| 41 | April | General Ledger | 95,954,412 | | | 102,845,880 | | | 103,375,128 |
| 42 | May | General Ledger | 92,299,920 | | | 103,274,068 | | | 102,328,556 |
| 43 | June | General Ledger | 90,349,362 | | | 100,921,240 | | | 102,184,430 |
| 44 | July | General Ledger | 89,913,242 | | | 99,996,895 | | | 101,996,759 |
| 45 | August | General Ledger | 89,382,802 | | | 103,062,301 | | | 101,871,321 |
| 46 | September | General Ledger | 99,525,024 | | | 102,316,765 | | | 101,900,713 |
| 47 | October | General Ledger | 99,408,673 | | | 102,287,920 | | | 103,053,685 |
| 48 | November | General Ledger | 100,947,846 | | | 103,290,045 | | | 105,405,213 |
| 49 | December | General Ledger | 103,273,429 | | | 98,558,781 | | | 107,100,677 |
| 50 | | | | | | | | | |
| 51 | Average | 13 Month Average of Lines 37 - 49 | 97,366,319 | | | 103,366,036 | | | 103,220,220 |
| 52 | | | | | | | | | |
| 53 | **Return on Equity** | | 9.7000% | | | 9.7000% | | | 10.7500% |