# Progressive Rural Telephone Co-Op., Inc.

## Agreed-Upon Procedures Applied to the Universal Access Fund Application for the period ending 6/30/2019

**May 4, 2020**

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**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**PROGRESSIVE RURAL TELEPHONE CO-OP., INC.**

**To the Georgia Public Service Commission:**

We have performed the procedures enumerated below, which were agreed to by the Georgia Public Service Commission (GPSC), solely to assist the GPSC in evaluating Progressive Rural Telephone Co-Operative, Inc.'s assertion that Progressive's Application for the period ending June 30, 2019 for assistance from the Georgia Universal Access Fund is proper, regulatory compliant, accurate and reasonable. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Specifically, for purposes of this report, we have performed the procedures listed below.

**Procedure 1**: Verified amounts found in the "balance per books" column of the UAF Application back to the form M and supporting general ledger. Provide the general ledger supporting schedules used to populate the Form M.

**Procedure 2:** Verified the amounts of federal universal service fund support reported in the UAF Application and classified as intrastate revenue for UAF purposes against disbursements reported by the Universal Services Administrative Company. Reviewed UAF Applicant work papers that reconcile USAC reported disbursements to amounts shown in the UAF Application.

**Procedure 3:** Reviewed all ILEC invoices over $250 and selected a significant number of ILEC invoices to assess reasonableness and compliance of the expenditure. Determine whether prior year(s) disallowances are removed from the current year filing and report on results.

**Procedure 4**: Traced amounts in the "subject to separations" adjustment column of the UAF Application to Net Operating Income (NOI) and Rate of Return (ROR) on rate base calculations.

**Procedure 5** Traced amounts in the "non-regulated" adjustment column of UAF Application to supporting journal entries of cost study. Supporting journal entries are tied back to supporting work papers that show the actual development of adjustment amounts. Selected supporting work papers are reviewed for reasonableness, accuracy, and conformance to Cost Allocation Manual elements.

**Procedure 6**: Verified fixed asset amounts in the company's Continuing Property Record and identified those assets that are inappropriately included in rate base in the UAF application. If applicant is a recipient of Federal or state Broadband Grants, determine whether the grants were to be used as revenue, expense offsets, or for capital acquisitions. To the extent such grants are/were used for capital acquisition, review books to ensure that such purchased assets are excluded from the rate base for UAF purposes.

**Procedure 7**: Reviewed cost study allocation methods and factor percentages for reasonableness and consistency.

**Procedure 8**: Tested and recalculated the Revenue Requirement Section on the ILEC application.

**Procedure 9** Verified that any long term debt interest costs treated as AFUDC (Allowance for Funds Used During Construction) were treated either as current year income or as a reduction to interest rates.

**Procedure 10** Verified that any Patronage Dividends credited (not necessarily received in cash) from long term lenders is treated as a reduction to the cost of debt.

**Procedure 11**: Reviewed the outside auditor's report on the financial statements and reported any adverse findings or qualified opinions.

**Procedure 12**: Reviewed and tested the requested amount for Executive Compensation and Corporate Operations Expense and compared the amount shown in the UAF application to the GPSC caps.

**Procedure 13**: Reviewed depreciation rates used for the UAF application and compared to the rates adopted by the GPSC.

**Procedure 14**: Reviewed cost allocation manual, verified that it is being used, tested a sample of allocations and report when the manual was last updated.

**Procedure 15**: Incorporated revised factors or methods adopted by GPSC, such as cost of equity, into the UAF model.

**Procedure 16**: Obtained and prepared exhibits comparing financial results and support mechanisms. Provide an analysis as to why increases/decreases occurred.

**Procedure 17**: Identified Construction Work in Progress and Retirement amounts for the test year.

**Procedure 18**: Identified the company's affiliates and non-regulated services.

**Procedure 19**: Identified the total costs charged to the regulated company by the affiliate or parent company. Quantified costs by FCC USOA Account and determined the per access line amount over the past 3 years. If the costs appeared unreasonable, proposed adjustments or informed GPSC staff and recommended an affiliated transactions engagement be performed.

**Procedure 20** For ACAM UAF companies only, obtained the company spreadsheet depicting calculated amounts, reviewed company prepared adjustments, traced adjustments in the UAF application model to the spreadsheet and identified the impact of the adjustment.

**Procedure 21** Test and review the Approved Cost of Equity and Cost of Capital Rates of Tier II local exchange carriers for the purpose of evaluating applications for reimbursement from the UAF. The rate of return on rate base will be limited to the lesser of 8.0% or the level computed based on a 9.25% return on equity, using the applicant's actual cost of debt and the applicant's actual debt/equity structure. Verify that the above calculation was used in the respective UAF Model.

**Procedure 22** Prepared final report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Georgia Public Service Commission and Progressive Rural Telephone Co-Op., Inc. and should not be used by anyone else other than those specified parties for any other purpose.

Vic Hurlbert, CPA
Liberty, Missouri
May 4, 2020

## Current Request for UAF Disbursements – Summary of Findings

Progressive's final revenue deficiency is $2,277,139. We propose one adjustment totaling a separated amount of $28,266 pertaining to various expenses we did not believe were reasonable.

**Table 1**
**Progressive Rural Telephone Co-Op., Inc.**

| Georgia UAF Summary | Amounts |
|---|---|
| Original Cooperative Requested Amount from Georgia Universal Access Fund | $2,305,405 |
| **Adjustment Two – See Procedure 2** Proposed Staff Adjustments Separated into Intrastate Amounts – Expenses | $28,266 |
| Total Adjustments | $28,266 |
| Revised Deficiency for the Cooperative | $2,277,139 |
| Final Amount Recommended by Staff | $2,277,139 |

As presented in Table 1, we propose Progressive Rural Telephone Co-Op., Inc. receive a UAF disbursement of $2,277,139 based upon the test year for the twelve months ending June 30, 2019.

## Profile of Progressive Rural Telephone Co-Op., Inc.

Progressive Rural Telephone Co-Op, Inc. is a small, rural telephone cooperative serving 3,933 access lines. Progressive Rural is a member owned cooperative business, formed for the purpose of providing telecommunication services to rural areas of Laurens, Dodge, Bleckley, Wilkinson and Wheeler counties. Progressive Rural's business and maintenance offices are located in Laurens County, Georgia. Progressive Rural provides local telephone service to individuals and businesses within the boundaries of its local service area. The cooperative has an 8-member board of directors, who are responsible for establishing policies for accomplishing the cooperative's business objectives.

## Agreed Upon Procedures

**Procedure 1**: Verified amounts found in the "balance per books" column of the UAF Application back to the form M and supporting general ledger. Provide the general ledger supporting schedules used to populate the Form M.

Conclusion – There were no discrepancies noted.

**Procedure 2:** Verified the amounts of federal universal service fund support reported in the UAF Application and classified as intrastate revenue for UAF purposes against disbursements reported by the Universal Services Administrative Company. Reviewed UAF Applicant work papers that reconcile USAC reported disbursements to amounts shown in the UAF Application.

Conclusion – There were no discrepancies noted.

**Procedure 3:** Reviewed all ILEC invoices over $250 and selected a significant number of ILEC invoices to assess reasonableness and compliance of the expenditure. Determine whether prior year(s) disallowances are removed from the current year filing and report on results.

Conclusion – Of the selected invoices, we found a total amount of invoices that were unreasonable to us totaling $28,175 which had a separated impact of $28,266.

Proposed Adjustment - We propose a total adjustment of $28,266 to eliminate the following expenses that we did not believe were reasonable:

| Account | Description of Item | Amount |
|---|---|---:|
| 6613 | Charity & Advertising | $615 |
| 6711 | Holiday Party | $987 |
| 6722 | Annual Meeting Expense, Door Prizes & Golf Club Dues | $26,573 |
| Total | | $28,175 |

**Procedure 4**: Traced amounts in the "subject to separations" adjustment column of the UAF Application to Net Operating Income (NOI) and Rate of Return (ROR) on rate base calculations.

Conclusion – There were no discrepancies noted.

**Procedure 5** Traced amounts in the "non-regulated" adjustment column of UAF Application to supporting journal entries of cost study. Supporting journal entries are tied back to supporting work papers that show the actual development of adjustment amounts. Selected supporting work papers are reviewed for reasonableness, accuracy, and conformance to Cost Allocation Manual elements.

Conclusion – There were no discrepancies noted.

**Procedure 6**: Verified fixed asset amounts in the Cooperative's Continuing Property Record and identified those assets that are inappropriately included in rate base in the UAF application. If applicant is a recipient of Federal or state Broadband Grants, determine whether the grants were to be used as revenue, expense offsets, or for capital acquisitions. To the extent such grants are/were used for capital acquisition, review books to ensure that such purchased assets are excluded from the rate base for UAF purposes.

Conclusion – There were no discrepancies noted. No Broadband Grants were noted.

**Procedure 7**: Reviewed cost study allocation methods and factor percentages for reasonableness and consistency.

Conclusion – Progressive is an average schedule Cooperative and this procedure was not applicable.

**Procedure 8**: Tested and recalculated the Revenue Requirement Section on the ILEC application.

Conclusion – There were no discrepancies noted.

**Procedure 9** Verified that any long term debt interest costs treated as AFUDC (Allowance for Funds Used During Construction) were treated either as current year income or as a reduction to interest rates.

Conclusion – Not applicable

**Procedure 10** Verified that any Patronage Dividends credited (not necessarily received in cash) from long term lenders is treated as a reduction to the cost of debt.

Conclusion – Not applicable

**Procedure 11**: Reviewed the outside auditor's report on the financial statements and reported any adverse findings or qualified opinions.

Conclusion – The Cooperative's outside auditor's 2019 report provided an unqualified opinion.

**Procedure 12**: Reviewed and tested the requested amount for Executive Compensation and Corporate Operations Expense and compared the amount shown in the UAF application to the GPSC caps.

Finding – Executive compensation expense is charged 100% to Account 6711 – Executive Expense.

Conclusion – The Company was not above the GPSC Executive Compensation Expense Cap or the Corporate Operations Cap.

**Procedure 13**: Reviewed depreciation rates used for the UAF application and compared to the rates adopted by the GPSC.

Conclusion – The Company's depreciation rates matched or were less than the rates prescribed by the GPSC.

Regulated Depreciation Expense was $1,025,995 in the UAF application. Per the UAF model, Total Plant in Service was $36,697,131. Composite depreciation rate equals depreciation per year divided by total historical cost. The composite rate is shown below.

| | |
|---|---|
| Depreciation Expense | $1,025,995 |
| Total Plant in Service | $36,697,131 |
| Composite Rate | 2.80% |

**Procedure 14**: Reviewed cost allocation manual, verified that it is being used, tested a sample of allocations and report when the manual was last updated.

Conclusion – The Cooperative does not employ a cost allocation manual. The Cooperative directly assigns costs to cost functions.

**Procedure 15**: Incorporated revised factors or methods adopted by GPSC, such as cost of equity, into the UAF model.

Conclusion - The current cost of equity approved by the GPSC is 9.25%. Using the Cooperative's actual debt/equity ratio and actual cost of debt, the Cooperative's weighted average cost of capital ("WACC") is 7.83671%. Because the Cooperative's WACC did not exceed the GPSC's 8% cap, the allowed return on rate base was the actual amount of 7.83671%.

**Procedure 16**: Obtained and prepared exhibits comparing financial results and support mechanisms. Provide an analysis as to why increases/decreases occurred.

**Financial Results 2014 – 2019**

Conclusion – Plant investment increased due to construction work orders being closed. Net Plant increased contributing to the increase in UAF support. Switched access revenues increased and the UAF funding increased causing revenues to increase.

| Description | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Net Telecom Plant | $10,066,107 | $10,029,017 | $10,979,711 | $8,607,815 | $9,003,114 | $11,782,140 |
| Operating Revenues | $4,088,297 | 3,249,129 | 4,424,746 | 4,357,274 | 4,122,623 | 6,651,322 |
| Operating Expenses | $4,077,549 | 3,861,258 | 4,154,549 | 4,163,172 | 4,193,981 | 4,640,214 |
| Operating Income/(Loss) | -10,748 | -612,129 | 270,197 | 194,102 | -71,358 | 2,011,108 |
| Total Access Lines | 4,097 | 3,677 | 3,913 | 3,933 | 3,933 | 3,933 |

**Receipt of Federal Universal Service Support 2014 – 2019**

| Description | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| High-Cost Loop Support ("HCLS") | $62,061 | $10,963 | $19,507 | $57,972 | $156,848 | $139,772 |
| Interstate Common Line Support | $594,036 | $604,020 | $743,146 | $734,910 | $1,300,800 | $983,646 |
| Local Switching Support ("LSS") | 0 | 0 | 0 | 0 | 0 | |
| Safety Net Additive Support ("SNA") | 0 | 0 | 0 | 0 | 0 | |
| Safety Valve Support ("SVS") | 0 | 0 | 0 | 0 | 0 | |
| Lifeline & Link-up programs | $2,905 | $4,581 | $8,179 | $9,982 | $7,309 | $0 |
| Total | $659,002 | $619,564 | $770,832 | $802,864 | $1,464,957 | $1,123,418 |

**Procedure 17**: Identified Construction Work in Progress and Retirement amounts for the test year.

Conclusion – The Cooperative had Construction Work in Progress and Plant Retirements at 6/30/2019 of $4,736,670 and $10,575, respectively.

**Procedure 18**: Identified the Cooperative's affiliates and non-regulated services.

The only services offered by any of the affiliate companies is long distance service, which is provided through our Progressive Rural Long Distance affiliate company.

Conclusion – Affiliated and non-regulated services were reviewed and found reasonable.

**Procedure 19**: Identified the total costs charged to the regulated Cooperative by the affiliate or parent Cooperative. Quantified costs by FCC USOA Account and determined the per access line amount over the past 3 years. If the costs appeared unreasonable, proposed adjustments or informed GPSC staff and recommended an affiliated transactions engagement be performed.

Conclusion - Total costs charged to the regulated Cooperative by the affiliate(s) or parent Cooperative were $264,399 for the year ending 6/30/2019. The costs do not appear unreasonable and therefore, no affiliate audit is recommended.

Conclusion – Progressive had the lowest General Support Expense and Access Expense per access line as compared to all other UAF applicants. Because of the size of the Company and management's operational effectiveness, costs were reasonable as compared to other Georgia companies.

**Procedure 20** For ACAM UAF companies only, obtained the company spreadsheet depicting calculated amounts, reviewed company prepared adjustments, traced adjustments in the UAF application model to the spreadsheet and identified the impact of the adjustment.

Conclusion – Not applicable

**Procedure 21** Test and review the Approved Cost of Equity and Cost of Capital Rates of Tier II local exchange carriers for the purpose of evaluating applications for reimbursement from the UAF. The rate of return on rate base will be limited to the lesser of 8.0% or the level computed based on a 9.25% return on equity, using the applicant's actual cost of debt and the applicant's actual debt/equity structure. Verify that the above calculation was used in the respective UAF Model.

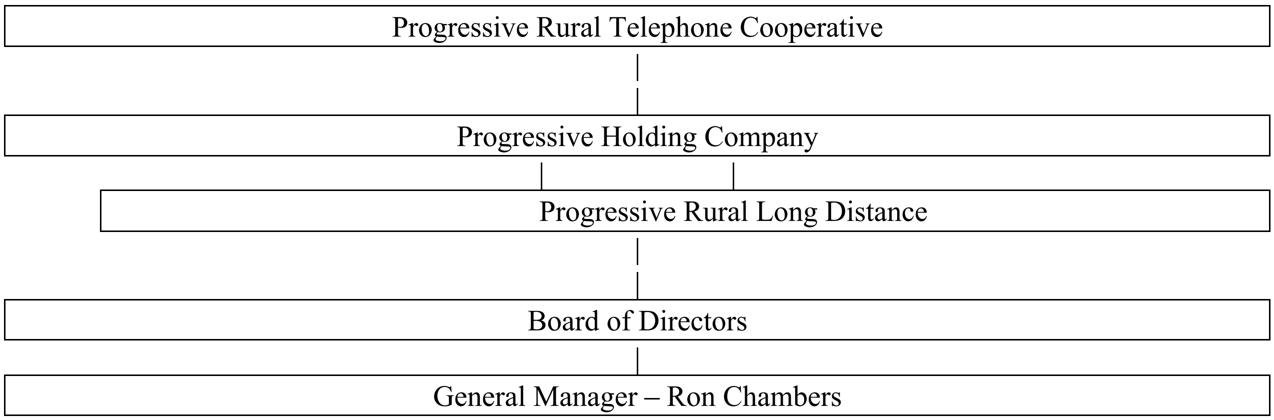
Conclusion – There were no discrepancies noted.

Exhibit Nos. 1 – 3

1. Progressive Rural Telephone Co-Op., Inc. Organization Chart
2. Progressive Rural Telephone Co-Op., Inc. UAF Net Operating Income and Rate of Return on Rate Base Calculation
3. Progressive Rural Telephone Co-Op., Inc. UAF Cost of Capital Structure and Return on Equity Calculation

Exhibit 1

Progressive Organization Chart



***PROGRESSIVE RURAL TELEPHONE COMPANY***
***RATE OF RETURN DEVELOPMENT***
***YEAR ENDING 06/30/19***

**NET OPERATING INCOME AND RATE OF RETURN ON RATE BASE CALCULATION**

| | | (1) | (2) | (3) |
|---|---|---|---|---|
| **NET OPERATING INCOME DEVELOPMENT** | | **Subject To** | **Total** | **Total** |
| | **Source** | **Separations** | **Interstate** | **Intrastate** |
| **OPERATING REVENUES** | | | | |
| Local Service | Net Operating Income, Ln 1 | $3,446,574 | | $3,446,574 |
| Access Charges | Net Operating Income, Ln 2, 3 | $66,064 | $0 | $66,064 |
| LD Messages | Net Operating Income, Ln 5 | $951 | | $951 |
| Billing & Collection | Net Operating Income, Ln 6, 7 | $17,712 | $0 | $17,712 |
| Other Miscellaneous Revenue | Net Operating Income, Ln 8 | $115,994 | | $115,994 |
| Less: Uncollectibles | Net Operating Income, Ln 11 | $0 | $0 | $0 |
| **Total Regulated Operating Revenue** | **Ln 1+Ln 2+Ln 3+Ln 4+Ln 5-Ln 6** | $3,647,295 | $0 | $3,647,295 |
| | | | | |
| **OPERATING EXPENSES** | | | | |
| Plant Specific | Net Operating Income, Ln 20 | $1,249,852 | $0 | $1,249,852 |
| Plant Non-Specific | Net Operating Income, Ln 21,22,23 | $489,455 | $0 | $489,455 |
| Depreciation & Amortization | Net Operating Income, Ln 29 | $1,025,995 | $0 | $1,025,995 |
| Customer Operations | Net Operating Income, Ln 33 | $622,204 | $0 | $622,204 |
| Corporate Operations | Net Operating Income, Ln 36 | $988,706 | $0 | $988,706 |
| **Total Operating Expenses** | **Ln 8+Ln 9+Ln 10+Ln 11+Ln 12** | $4,376,213 | $0 | $4,376,213 |
| | | | | |
| **OPERATING TAXES** | | | | |
| Federal Income Tax -Booked | Net Operating Income, Ln 38,39,40 | $0 | $0 | $0 |
| Adjustment to Booked FIT | If Taxes are Imputed, Ln 16-Ln 14 | $0 | $0 | $0 |
| Imputed FIT @ % | (Ln 7-Ln 14-Ln24-Ln21-(Op Inc Ln48))* Rate | $0 | $0 | $0 |
| Adjustment to Imputed FIT | If Taxes are per book, Ln 14-Ln 16 | $0 | $0 | $0 |
| Booked - Imputed FIT (Net of Adj) | | $0 | $0 | $0 |
| | | | | |
| State Income Tax -Booked | Net Operating Income, Ln 41,42 | $0 | $0 | $0 |
| Adjustment to Booked SIT | If Taxes are Imputed, Ln 21-Ln 19 | $0 | $0 | $0 |
| Imputed SIT @ % | (Ln 7-Ln 14-Ln24-(Op Inc. Ln48))* Rate | $0 | $0 | $0 |
| Adjustment to Imputed SIT | If Taxes are per book, Ln 14-Ln 16 | $0 | $0 | $0 |
| Booked - Imputed SIT (Net of Adj) | | $0 | $0 | $0 |
| | | | | |
| Other Taxes | Net Operating Income, Ln 43,44,45 | $181,261 | $0 | $181,261 |
| | | | | |
| Total Booked Operating Taxes | Ln 14+Ln 15+Ln 19+Ln 20+ Ln 24 | $181,261 | $0 | $181,261 |
| Total Imputed Operating Taxes | Ln 14+Ln 15+Ln 19+Ln 20+ Ln 24 | $181,261 | $0 | $181,261 |
| | | | | |
| **NET OPERATING INCOME** | | | | |
| **Net Operating Income (NOI)** | **Ln 7 - Ln 13 - Ln 25** | **($910,179)** | **$0** | **($910,179)** |
| | | | | |
| **N.O.I. Adjustment** | **Net Operating Income, Ln 56,57** | **$0** | **$0** | **$0** |
| | | | | |
| **Adjusted Net Operating Income (NOI)** | **Ln 27 + Ln 28** | **($910,179)** | **$0** | **($910,179)** |
| | | | | |
| **RATE OF RETURN ON RATE BASE CALCULATION** | | **As of End of Period** | | |
| | | | | |
| **RATE BASE** | | | | |
| Land & Support | Rate Base Development, Ln 3 | $3,908,117 | $0 | $3,908,117 |
| Central Office Equipment | Rate Base Development, Ln 14 | $8,040,307 | $0 | $8,040,307 |
| Info. Origination & Termination Equipment | Rate Base Development, Ln 20 | $0 | $0 | $0 |
| Cable & Wire Facilities | Rate Base Development, Ln 31 | $24,741,824 | $0 | $24,741,824 |
| Other Investment | Rate Base Development, Ln 34, 35 | $6,882 | $0 | $6,882 |
| Total Plant in Service | Ln 30 - Ln 34 | $36,697,131 | $0 | $36,697,131 |
| | | | | |
| Accumulated Depreciation | Rate Base Development, Ln 46 | $24,914,991 | $0 | $24,914,991 |
| Net Plant in Service | Ln 35 - Ln 36 | $11,782,140 | $0 | $11,782,140 |
| | | | | |
| Plant Held for Future Use | Rate Base Development, Ln 47 | $0 | $0 | $0 |
| Plant Under Construction | Rate Base Development, Ln 48 | $4,736,670 | $0 | $4,736,670 |
| RTB Class B Stock | Rate Base Development, Ln 49 | $0 | $0 | $0 |
| Prepayments | Rate Base Development, Ln 50 | $185,899 | $0 | $185,899 |
| Materials & Supplies | Rate Base Development, Ln 51 | $592,953 | $0 | $592,953 |
| Cash Working Capital | Cash Working Capital Develop Ln 3 | $145,388 | $0 | $145,388 |
| Deferred Income taxes | Rate Base Development, Ln 54 | $0 | $0 | $0 |
| Customer Deposits | Rate Base Development, Ln 55 | $0 | $0 | $0 |
| | | | | |
| **Rate Base** | **Ln 37 + Ln 38-43, - Ln 44 - Ln 45** | **$17,443,049** | **$0** | **$17,443,049** |
| | | | | |
| **Rate of Return on Rate Base** | **Ln 29 / Ln 46** | **-5.21800%** | **#DIV/0!** | **-5.21800%** |

## *PROGRESSIVE RURAL TELEPHONE COMPANY*
## *RATE OF RETURN DEVELOPMENT*
## *YEAR ENDING 06/30/19*

### COST OF CAPITAL STRUCTURE & RETURN ON EQUITY CALCULATION

**ACTUAL COST OF CAPITAL - TOTAL COMPANY**

| | | Amount | % Total | Rate | Weighted Cost Rate |
|---|---|---|---|---|---|
| Short Term Debt | Rate Base, Ln 56 | $0 | 0.00000% | 0.00000% | 0.00000% |
| Long Term Debt | Rate Base, Ln 59 | $2,806,500 | 15.44342% | 0.09859% | 0.01522% |
| Other | Rate Base, Ln 53 | $0 | 0.00000% | 7.00000% | 0.00000% |
| Equity | Rate Base, Ln 64 | $15,366,288 | 84.55658% | -6.18903% | -5.23323% |
| Total Capital | | $18,172,788 | 100.00000% | | -5.21800% |

**ACTUAL COST OF CAPITAL - INTRASTATE ONLY**

| | | Amount | % Total | Rate | Weighted Cost Rate |
|---|---|---|---|---|---|
| Short Term Debt | Rate Base, Ln 56 | $0 | 0.00000% | 0.00000% | 0.00000% |
| Long Term Debt | Rate Base, Ln 59 | $2,806,500 | 15.44342% | 0.09859% | 0.01522% |
| Other | Rate Base, Ln 53 | $0 | 0.00000% | 7.00000% | 0.00000% |
| Equity | Rate Base, Ln 64 | $15,366,288 | 84.55658% | -6.18902% | -5.23323% |
| Total Capital | | $18,172,788 | 100.00000% | | -5.21800% |

**ALLOWED CAPITAL STRUCTURE - INTRASTATE**

| | | Amount | % Total | Rate | Weighted Cost Rate |
|---|---|---|---|---|---|
| Short Term Debt | Rate Base, Ln 56 | $0 | 0.00000% | 0.00000% | 0.00000% |
| Long Term Debt | Rate Base, Ln 59 | $2,806,500 | 15.44342% | 0.09859% | 0.01522% |
| Other | Rate Base, Ln 53 | $0 | 0.00000% | 7.00000% | 0.00000% |
| Equity | Rate Base, Ln 64 | $15,366,288 | 84.55658% | 9.25000% | 7.82148% |
| Total Capital | | $18,172,788 | 100.00000% | | 7.83671% |

### REVENUE REQUIREMENT CALCULATION

| | | | |
|---|---|---|---|
| Rate Base (Adjusted Rate Base) | Earnings Report, Ln 46 | | $17,443,049 |
| Allowed Rate of Return on Rate Base | Per GA PSC | Not Capped | 7.83671% |
| Net Operating Income Requirement | Line 1 x Ln 2 | | $1,366,961 |
| Net Operating Income Available (Imputed Adjusted NOI) | Earnings Report, Ln 29 | | ($910,179) |
| Operating Income Excess (Deficiency) | Ln 4 - Ln 3 | | ($2,277,139) |
| Income Expansion Factor | 1-SIT-FIT+FITxSIT | | 100.000% |
| Revenue Excess (Deficiency) | Ln 5 / Ln 6 | | ($2,277,139) |