

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Merger Fairness Premium

Docket No. 15-035-86

Exhibit No. DPU 1.1 DIR

Artie Powell

Division of Public Utilities

March 16, 2016

Merger Fairness Premium in Utah Rates

\$ 72.00 Merger Fairness Premium (000,000)

Count	Year	Applicable Months	Premium in Rates	CPI Index	Inflation Rate (To 1999)	Premium FV
1	1992	9	\$ 54.00	140.3	0.187	\$ 64.12
2	1993	12	\$ 72.00	144.5	0.153	\$ 83.01
3	1994	12	\$ 72.00	148.2	0.124	\$ 80.94
4	1995	12	\$ 72.00	152.4	0.093	\$ 78.71
5	1996	12	\$ 72.00	156.9	0.062	\$ 76.45
6	1997	12	\$ 72.00	160.5	0.038	\$ 74.74
7	1998	12	\$ 72.00	163.0	0.022	\$ 73.59
8	1999	2	\$ 12.00	166.6	0.000	\$ 12.00
9	2000	0	\$ -	172.2	-0.033	\$ -
10	2001	0	\$ -	177.1	-0.059	\$ -
Total			\$ 498.00			\$ 543.56
Fairness Buy-Out			\$ 80.81			\$ 71.24
Grand Total			\$ 578.81			\$ 614.80

Count	Year	Applicable Months	Premium in Rates	WACC 90-035-06	Premium FV
1	1992	9	\$ 54.00	0.10188	\$ 106.50
2	1993	12	\$ 72.00	0.10188	\$ 128.87
3	1994	12	\$ 72.00	0.10188	\$ 116.95
4	1995	12	\$ 72.00	0.10188	\$ 106.14
5	1996	12	\$ 72.00	0.10188	\$ 96.32
6	1997	12	\$ 72.00	0.10188	\$ 87.42
7	1998	12	\$ 72.00	0.10188	\$ 79.34
8	1999	2	\$ 12.00	0.10188	\$ 12.00
9	2000	0	\$ -	0.10188	
10	2001	0	\$ -	0.10188	
Total					\$ 733.53
Grand Total					\$ 804.77

WACC = 0.10188

Merger Fairness Premium in Utah Rates

Amortization of Merger Fairness Premium

\$ 72.00 Merger Fairness Premium (000,000)

Count	Year	Applicable Months	10 Year Amort	20 Year Amort	30 Year Amort	Average of 10 and 30 Year Amort
0	1990	9	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00
1	1991	12	\$ 64.80	\$ 68.40	\$ 69.60	\$ 67.20
2	1992	12	\$ 57.60	\$ 64.80	\$ 67.20	\$ 62.40
3	1993	12	\$ 50.40	\$ 61.20	\$ 64.80	\$ 57.60
4	1994	12	\$ 43.20	\$ 57.60	\$ 62.40	\$ 52.80
5	1995	12	\$ 36.00	\$ 54.00	\$ 60.00	\$ 48.00
6	1996	12	\$ 28.80	\$ 50.40	\$ 57.60	\$ 43.20
7	1997	12	\$ 21.60	\$ 46.80	\$ 55.20	\$ 38.40
8	1998	12	\$ 14.40	\$ 43.20	\$ 52.80	\$ 33.60
9	1999	12	\$ 7.20	\$ 39.60	\$ 50.40	\$ 28.80
10	2000	12	\$ (0.00)	\$ 36.00	\$ 48.00	\$ 24.00
11	2001	12		\$ 32.40	\$ 45.60	\$ 22.80
12	2002	12		\$ 28.80	\$ 43.20	\$ 21.60
13	2003	12		\$ 25.20	\$ 40.80	\$ 20.40
14	2004	12		\$ 21.60	\$ 38.40	\$ 19.20
15	2005	12		\$ 18.00	\$ 36.00	\$ 18.00
16	2006	12		\$ 14.40	\$ 33.60	\$ 16.80
17	2007	12		\$ 10.80	\$ 31.20	\$ 15.60
18	2008	12		\$ 7.20	\$ 28.80	\$ 14.40
19	2009	12		\$ 3.60	\$ 26.40	\$ 13.20
20	2010	12		\$ (0.00)	\$ 24.00	\$ 12.00
21	2011	12			\$ 21.60	\$ 10.80
22	2012	12			\$ 19.20	\$ 9.60
23	2013	12			\$ 16.80	\$ 8.40
24	2014	12			\$ 14.40	\$ 7.20
25	2015	12			\$ 12.00	\$ 6.00
26	2016	12			\$ 9.60	\$ 4.80
27	2017	12			\$ 7.20	\$ 3.60
28	2018	12			\$ 4.80	\$ 2.40
29	2019	12			\$ 2.40	\$ 1.20
30	2020	12			\$ 0.00	\$ 0.00

Merger Fairness Premium in Utah Rates
Present Value of Remaining Merger Fairness Premium

\$ 43.20 1996 Commission Determined Premium
 8.84% Commission WACC (DN 97-035-01)
 \$ 71.24 Commission PV of Remaining Premium

Five Year Amortization of Remaining Balance

Annual Basis					
	Premium	Applicable Months	Premium "in" Rates	PV	
	1996	\$ 43.20	0	\$ -	
1	1997	\$ 34.56	10	\$ 28.97	\$ 26.62
2	1998	\$ 25.92	12	\$ 25.92	\$ 21.88
3	1999	\$ 17.28	12	\$ 17.28	\$ 13.40
4	2000	\$ 8.64	12	\$ 8.64	\$ 6.16
5	2001	\$ -	12	\$ -	\$ -
			Total	\$ 80.81	\$ 68.06

Monthly Basis				
Year	Count	Month	Monthly Premium	PV
1997	1	1	\$ 2.897	2.88
1997	2	2	\$ 2.897	2.85
1997	3	3	\$ 2.897	2.83
1997	4	4	\$ 2.897	2.81
1997	5	5	\$ 2.897	2.79
1997	6	6	\$ 2.897	2.77
1997	7	7	\$ 2.897	2.75
1997	8	8	\$ 2.897	2.73
1997	9	9	\$ 2.897	2.71
1997	10	10	\$ 2.897	2.69
1998	1	11	\$ 2.16	1.99
1998	2	12	\$ 2.16	1.98
1998	3	13	\$ 2.16	1.96
1998	4	14	\$ 2.16	1.95
1998	5	15	\$ 2.16	1.93
1998	6	16	\$ 2.16	1.92
1998	7	17	\$ 2.16	1.91
1998	8	18	\$ 2.16	1.89
1998	9	19	\$ 2.16	1.88

1998	10	20	\$	2.16	1.87
1998	11	21	\$	2.16	1.85
1998	12	22	\$	2.16	1.84
1999	1	23	\$	1.44	1.22
1999	2	24	\$	1.44	1.21
1999	3	25	\$	1.44	1.20
1999	4	26	\$	1.44	1.19
1999	5	27	\$	1.44	1.18
1999	6	28	\$	1.44	1.17
1999	7	29	\$	1.44	1.16
1999	8	30	\$	1.44	1.16
1999	9	31	\$	1.44	1.15
1999	10	32	\$	1.44	1.14
1999	11	33	\$	1.44	1.13
1999	12	34	\$	1.44	1.12
2000	1	35	\$	0.72	0.56
2000	2	36	\$	0.72	0.55
2000	3	37	\$	0.72	0.55
2000	4	38	\$	0.72	0.54
2000	5	39	\$	0.72	0.54
2000	6	40	\$	0.72	0.54
2000	7	41	\$	0.72	0.53
2000	8	42	\$	0.72	0.53
2000	9	43	\$	0.72	0.53
2000	10	44	\$	0.72	0.52
2000	11	45	\$	0.72	0.52
2000	12	46	\$	0.72	0.51
		Total	\$	80.81	\$ 71.24