

Tax Gross Up Factor Template

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4	Calculation of Tax Gross Up Factor:				
5					
6		Blue Granite Water Company			
7	Gross Up Factor =	$F=(1-(NPV/C))/(1-T)$	1.1828	18.28%	
8					
9	Construction Cost (C)		1.00		
10	Customer Deposit with Tax Gross Up		1.18		
11	Net of Tax Rate of Return		7.8312%		
12	Combined 21% FIT & 5% SIT Rate (T) =		24.95%		
13	Initial Tax Liability		0.2951		
14	NPV benefit of tax depreciation (NPV)	$=+NPV(\$J\$11, \$L\$21: \$L\$45)+\$L\20	0.1123		
15					
16					
17	Bonus Depreciation Rate =	0%			

	Year	Tax Depreciation Rate	Federal Depreciation	State Depreciation	Net Tax Cash Flow
18					
19	Total deposit - SIT - FIT - Cost	0			(0.1123)
20		1	2.000%	0.0200	0.0050
21		2	4.000%	0.0400	0.0100
22		3	4.000%	0.0400	0.0100
23		4	4.000%	0.0400	0.0100
24		5	4.000%	0.0400	0.0100
25		6	4.000%	0.0400	0.0100
26		7	4.000%	0.0400	0.0100
27		8	4.000%	0.0400	0.0100
28		9	4.000%	0.0400	0.0100
29		10	4.000%	0.0400	0.0100
30		11	4.000%	0.0400	0.0100
31		12	4.000%	0.0400	0.0100
32		13	4.000%	0.0400	0.0100
33		14	4.000%	0.0400	0.0100
34		15	4.000%	0.0400	0.0100
35		16	4.000%	0.0400	0.0100
36		17	4.000%	0.0400	0.0100
37		18	4.000%	0.0400	0.0100
38		19	4.000%	0.0400	0.0100
39		20	4.000%	0.0400	0.0100
40		21	4.000%	0.0400	0.0100
41		22	4.000%	0.0400	0.0100
42		23	4.000%	0.0400	0.0100
43		24	4.000%	0.0400	0.0100
44		25	4.000%	0.0400	0.0100
45		26	2.000%	0.0200	0.0050
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48 Calculation of Net of Tax Rate of Return and Combined Federal Income Tax (FIT) and State Income Tax (SIT) Rate:

	% of Capital Structure	Embedded Cost	Weighted Avg. Cost	Net of Tax Rate of Return
49	Blue Granite Water Company			
50	Long Term Debt	48.11%	6.60%	3.17%
51	Equity	51.89%	10.50%	5.45%
52		<u>100.00%</u>	<u>8.62%</u>	<u>7.83%</u>
53				

$3.17\% * (1 - 24.95\%)$

54 Rate of Return Information from Docket No.: 2017-292-WS - Order No. 2018-345(A), Order dated: May 30, 2018

56	Combined FIT and SIT Rate	=	24.95%	=	(5.00%	+	(21.00%	*	(1 -	5.00%)))
57					(SIT	+	(FIT	*	(1 -	SIT)))
58	Current 2018 state and federal tax rates used for purposes of seeing impact to present day contributions.												