

PLANT ACCOUNTING

October 2, 2013

Lupi Perez

SUBJECT: Third Quarter 2013 AFUDC Rate Monitoring and Analysis

The following table provides the 2013 AFUDC rate and the allocation for borrowed and equity funds.

Third quarter analysis results in a 63 basis point (bp) decrease of the annual gross nominal rate to 6.60% from 7.23%.

- 49 bp resulting from a combination of an increase in estimated annual average short-term debt and a decrease in the estimated annual average short-term debt rate.
- 8 bp resulting from a decrease in estimated annual average CWIP.

The Power Plant rate has changed to 6.51%.

If you have questions regarding this information, please contact me at PAX 22555.

Effective Month	Gross Nominal Rate	Power Plant Rate: Annual / Monthly	Allocation of Gross Funds Debt% / Equity%
September 2013	6.601903%	6.512892% .5427%	31.93% / 68.07%
June 2013	7.234837%	7.128144% .5940%	31.69% / 68.31%
March 2013	7.234837%	7.128144% .5940%	31.69% / 68.31%
January 2013	6.682379%	6.591204% .5493%	30.76% / 69.24%



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AFUDC 3rd Qtr 2013 Rate Letter .doc

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ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION
AFUDC Rate Calculation, 25 Basis Point Evaluation
For the Period Ended Sept, 2013
(Dollars In Thousands)

GROSS NOMINAL AFUDC RATE -	Rate	Capital Ratio	CWIP Allocation	Gross AFUDC Impact	
				Amount	Rate
Total Forecasted Average CWIP	-	-	<u>\$1,694,087</u>	-	-
Total Financed By Actual					
Average Short-term Debt	0.302%	-	<u>\$270,661</u>	<u>\$817</u>	<u>0.048227%</u>
Long-term Debt	5.51%	44.48%	633,194	34,889	2.059457%
Preferred Stock	5.59%	9.31%	132,564	7,410	0.437404%
Common Equity	10.45%	46.20%	<u>657,669</u>	<u>68,726</u>	<u>4.056815%</u>
CWIP Financed By Capitalization			<u>\$1,423,427</u>	<u>\$111,025</u>	<u>6.553676%</u>
Total CWIP Financed			<u>\$1,694,088</u>	<u>\$111,842</u>	<u>6.601903%</u>

ASSUMPTIONS -

	Amount	Ratio	Rate
Average CWIP (Forecasted)	\$1,694,087	-	-
Average Short-term Debt (Forecasted)	270,661	-	0.302%
Prior Year-End Historical Capitalization:			
Long-term Debt (Embedded)	\$8,573,916	44.4838%	5.51%
Preferred Stock (Embedded)	1,795,005	9.3130%	5.59%
Common Equity (Authorized)	<u>8,905,305</u>	<u>46.2032%</u>	10.45%
Total Capitalization	<u>\$19,274,226</u>	<u>100.000%</u>	
Net-of-Tax Rate (Tax Net)			59.33%

ALLOCATION OF GROSS FUNDS -

Borrowed Funds (Debt %)	31.93%
Equity Funds (Equity %)	68.07%

GROSS AND NET RATE CALCULATIONS -

	Formula	Rate
Gross Nominal Rate (Gross Rate)	(From Above)	6.601903%
Net-of-Tax Nominal Rate (Net Rate)	$((\text{Net S Rate} + 1)^{0.5} - 1) * 2$	5.756553%
Gross Rate Compounded Semi-Annually (S Rate)	$((\text{Gross Rate} / 2) + 1)^2 - 1$	6.710866%
Net-of-Tax Semi-Annual Rate (Net S Rate)	$(\text{S Rate} * \text{Debt \%} * \text{Tax Net}) + (\text{S Rate} * \text{Equity \%})$	5.839398%
Gross Equivalent Monthly Rate (Month Rate)	$((\text{S Rate} + 1)^{(1/12)} - 1)$	0.542741%
Net-of-Tax Monthly Rate (Net Month Rate)	$((\text{Net S Rate} + 1)^{(1/12)} - 1)$	0.474059%
Rate Used in Power Plant Work Order System	$(\text{Month Rate} * 12)$	6.512892%

Formula Notation:

The symbol "^" represents exponentiation, raising a quantity to a power.

The symbol "*" represents multiplication.

