

PNGTS
Classification of Cost of Service
Allocation Methodology

| Line No. | Description (a) | Total (b) | Transmission (e) |
|--|--|---------------|---------------------|
| 1 | Return Allowance | 225,315 | 225,315 |
| 2 | Federal and State Taxes | \$ 106,529 | \$ 106,529 |
| 3 | Levelization | \$ 43,333,490 | \$ 43,333,490 |
| 4 | Total Return and Taxes | \$ 43,665,334 | \$ 43,665,334 |
| <u>Operating Expenses (See I-2, Pg. 9)</u> | | | |
| 5 | O & M - Labor Costs | \$ - | \$ - |
| 6 | O & M - M&O Costs | 1,149,218 | 1,149,218 |
| | Allocated on Gross Plant Ratio: | 100.00% | 100.00% |
| 7 | A & G Costs | 7,123,007 | 7,123,007 |
| 8 | Total Operating Expenses | \$ 8,272,226 | \$ 8,272,226 |
| 9 | Calculation of Direct Labor Ratio | n/a | n/a |
| <u>Depreciation Expense</u> | | | |
| 10 | Depreciation Expense by Function | \$ 11,379,627 | \$ 11,379,627 |
| | Allocated on Net Plant Ratio: | 100.00% | 100.00% |
| 11 | General Plant | 52,494 | 52,494 |
| 12 | Intangible Plant | 19,402 | 19,402 |
| 13 | Total Depreciation Expense | \$ 11,451,524 | \$ 11,451,524 |
| <u>Other Taxes-Allocated</u> | | | |
| 14 | Ad Valorem (Gross Plant Ratio) | \$5,939,362 | \$5,939,362 |
| 15 | Franchise & Miscellaneous(Gross Plant Ratio) | - | - |
| 16 | Payroll Taxes (Direct Labor Ratio) | - | - |
| 17 | Total Other Taxes | \$ 5,939,362 | \$ 5,939,362 |
| 18 | Tot. Cost of Service(Line 4+8+13+17) | \$ 69,328,446 | \$ 69,328,446 |