

7810.8640 RATE OF RETURN, COST OF CAPITAL SCHEDULES.

Subpart 1. **Showing calculations.** Schedules of rate of return and cost of capital must be filed with a general rate change notice and show the calculation of:

A. the proposed weighted cost of capital based on the proposed test year capital structure and proposed costs of short-term debt, long-term debt, preferred stock, and common equity; and

B. the weighted cost of capital based on the actual capital structure; the actual embedded costs of short-term debt, long-term debt, and preferred stock for the previous fiscal year; and, the rate of return on equity authorized by the commission in the telephone company's last general rate change proceeding.

Subp. 2. **Supporting schedules.** A general rate change notice must include schedules that:

A. list outstanding issues and show the calculation of embedded costs of long-term debt and preferred stock for the test year and the previous fiscal year; and

B. show the calculation of and assumptions used to derive the amount and cost of short-term debt for the test year and the previous fiscal year.

Subp. 3. **Historical test year cost of capital schedule.** If a historical test year is proposed and the proposed test year capital structure or embedded costs of debt and preferred stock differ from the actuals for the test year, a general rate change notice must include a schedule showing adjustments used to arrive at the proposed capital structure or embedded costs of debt and preferred stock.

Subp. 4. **Projected test year cost of capital schedule.** If a projected test year is proposed, a general rate change notice must include a schedule summarizing the assumptions made and approaches used in developing the proposed average capital structure for the test year and the proposed costs of the components of that capital structure.

Subp. 5. **Consolidated and unconsolidated parent corporation schedules.** A general rate change notice must include schedules showing the capital structure, weighted cost of capital, and costs of short-term debt, long-term debt, preferred stock, and common equity of the consolidated parent corporation and the unconsolidated parent corporation for both the test year and the previous fiscal year separately.

Subp. 6. **Embedded costs outstanding for part of year.** Long-term debt, short-term debt, or preferred stock outstanding for part of a year must be reflected if an average capital structure is used.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

Published Electronically: *August 29, 2008*