DIRECT TESTIMONY OF HUGH GOWER

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ON BEHALF OF

SOUTHERN STATES UTILITIES, INC.

DOCKET NO. 960258-WS

Q. PLEASE STATE YOUR NAME, OCCUPATION AND ADDRESS.

A. My name is Hugh Gower, and I am self-employed. My address is 195 Edgemere Way South, Naples, Florida 34105. I also provide consulting services to utilities and others on financial and operating matters. I also provide expert testimony on topics related to public utility economics and rate regulation in cases before public service commissions and courts.

Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a bachelor of science degree in accounting and economics from the University of Florida, and I am, or have been, registered as a certified public accountant in Florida, Georgia, and several other states. I am a member of the American Institute of Certified Public Accountants and other professional organizations. I engaged in the practice of public accounting continuously for more than 30 years with Arthur Andersen & Co. with whom I was a partner prior to retirement.

Q. PLEASE DESCRIBE THE FIRM OF ARTHUR ANDERSEN & CO. AND YOUR PARTICULAR EXPERIENCE.

A. Arthur Andersen is among the largest international firms of independent public accountants and serves

as auditors for a major share of the electric, gas and telephone, as well as a large number of the other utilities operating in the United States. In addition to audits of financial statements, the firm performs tax work and designs and installs accounting systems for businesses of all types. The firm also provides expert testimony in connection with public utility rate applications before federal and state regulatory authorities on a variety of accounting, financial and rate-making topics.

I was a partner in the Utilities and Telecommunications Division of the Atlanta office of Arthur Andersen & Co., which serves as the concentration office for the firm's regulated industries practice in the southeastern United States. This area of the practice includes work for electric, gas, telephone, water and sewer utilities, motor carriers and airlines. I served as the southeastern area director of this practice for 17 years. I have had responsibility for supervising the work performed for Arthur Andersen & Co. clients, the training of firm personnel, and administrative matters. I have also had direct responsibility for the work done by the firm for

numerous clients in this area of the practice.

Q. PLEASE DESCRIBE THE NATURE OF THE WORK YOU HAVE PERFORMED WITH ARTHUR ANDERSEN & CO.

A. By far, the greatest portion of my work has been devoted to the public utilities industries, but I also have substantial experience with other industries. I performed independent audits of public utilities, as a result of which Arthur Andersen & Co. issued reports on the financial statements of such companies, and I participated in and supervised work in connection with audits of various statements, schedules and other data required either annually or in connection with rate applications before federal or state regulatory authorities. I have also supervised work in connection with the issuance of billions of dollars of securities by public utilities. I also participated in the development of accounting and management information systems as well as operating systems designed to promote close control over utility resources, such as materials, fuel and construction costs. In addition, I directed the preparation of financial forecasts or projections, conducted reviews of financial forecasts and directed the development of financial forecasting

models.

I participated in management audits, the purpose of which was to assess whether management systems and procedures promote economy and efficiency of operations. I have directed depreciation studies which, based on the analysis of utility plant investments, retirement experience, salvage and cost of removal, developed equitable depreciation rates with which to effect capital recovery during the service lives of the properties. I also developed plans which were accepted by regulators as equitably assigning the future costs of spent nuclear fuel disposal, nuclear plant decommissioning and fossil plant dismantlement costs to customers receiving service, considering the effects of inflation, the time value of money and other variables.

I have directed revenue requirement studies involving the analysis of rate base, operating revenues and expenses as well as the analysis of specific transactions or alternative rate-making treatment of various cost-of-service components. I have also directed studies to determine the proper assignment of cost of service between customer classes, regulatory jurisdictions or between

regulated and unregulated operations. I participated in the preparation of Arthur Andersen & Co.'s position statements on utility accounting and rate matters which were under consideration by legislative bodies and regulatory agencies. I was a representative of the American Institute of Certified Public Accountants on the Telecommunications Industry Advisory Group ("TIAG") to the Federal Communications Commission in connection with its adoption of its new Uniform System of Accounts (Part 32). In this connection, I chaired the Auditing and Regulatory Subcommittee of TIAG which dealt with issues regarding compliance with generally accepted accounting principles ("GAAP") when regulatory rate-setting practices are based upon methods other than GAAP.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the position of Southern States Utilities, Inc. ("SSU") in this rulemaking proceeding that the Commission should not impute anticipated potential post-test period collections of contributions-in-aid-of-construction ("CIAC") as a reduction of rate base in rate setting proceedings.

The Commission has historically made such

imputations as an offset to the amount of plant investment designated "Margin Reserve" allowed in rate base in numerous water and sewer rate cases. The Commission now proposes to adopt that practice as Rule 25-30.431(7). My testimony will show:

- that utilities are entitled to a return on the capital which finances margin reserve plant until that capital is recovered;
- that imputing anticipated future CIAC collection against margin reserve plant denies investors that opportunity;
- that imputing anticipated future CIAC collections by the Commission is inconsistent with its treatment of other utilities in whose cases no imputation of future capital recovery is made; and
- that assigning current customers the cost of carrying the unrecovered investor-supplied capital which financed the investment in margin reserve plant is appropriate.

Q. **WHY IS IT PROPER AND FAIR RATEMAKING TO INCLUDE (MARGIN RESERVE) PLANT INVESTMENTS IN RATE BASE WITHOUT OFFSET FOR FUTURE CIAC COLLECTIONS?**

A. It is well-established that investors in utilities are entitled to both recovery of and return on the

capital they provide. In the case of investments in utility plant, capital recovery has historically been effected through inclusion of depreciation (or amortization) provisions in cost of service in a rational, predictable manner over a period of years. Investors' capital which requires a return is measured by the amount of undepreciated plant investment and inclusion of this amount -- plant, less accumulated depreciation times rate of return -- in cost of service provides investors the opportunity to recover this as well.

Q. HAVE YOU PREPARED AN EXHIBIT TO ILLUSTRATE CAPITAL RECOVERY THROUGH DEPRECIATION?

A. Yes, Exhibit ___(HAG-1) shows this in Figure A. This hypothetical exhibit assumes a $10,000 plant investment depreciated on a straight-line basis over five years. At the beginning of the period, unrecovered investor capital is $10,000. This is reduced annually by ratable provisions for depreciation included in cost of service. Each year, accumulated provisions for depreciation ("accumulated capital recovery") reduce the original capital investment until it has been fully recovered.

Over the five year useful life, the average

unrecovered investor capital is $5,000. In other words, on average over the 5 year useful life, investors would be entitled to a return on the $5,000 unrecovered invested capital (although, of course, this amount is different each year).

Q. WHEN CUSTOMERS PAY CIAC CHARGES THERE IS NO INVESTOR-SUPPLIED CAPITAL WHICH CARRIES A RETURN REQUIREMENT, IS THERE?

A. Yes, there is. Before customers pay CIAC charges, investors first supply the capital to construct new plant capacity and continue to finance that plant investment until it is recovered through CIAC charges. In other words, just as with depreciation provisions included in cost of service, CIAC charges are the vehicle by which the recovery of investors' capital is effected. Until the capital previously provided by investors is recovered by collection of CIAC charges, any unrecovered capital investment requires a return. Neither depreciation nor CIAC charges provide return on investor's capital.

Although the pattern of capital recovery which results from CIAC charges is different than when capital recovery is handled through depreciation, the investor capital which requires a return is

measured by the amount of plant investment in excess of CIAC collections at any point in time, or over a period of time.

In most cases, it takes a period of several years to recover applicable plant investments through CIAC charges. Until the capital financing such investments is recovered by CIAC charge collections, such capital is entitled to a return and should be included in rate base without imputation of offsetting future CIAC collections so that investors will have that opportunity.

Q. DOES YOUR EXHIBIT _____ (HAG-1) SHOW HOW UNRECOVERED INVESTOR-SUPPLIED CAPITAL WHICH REQUIRES A RETURN EXISTS WHEN PLANT COSTS ARE RECOVERED THROUGH CIAC (OR SERVICE AVAILABILITY CHARGES) INSTEAD OF DEPRECIATION?

A. Yes. Figure B on Exhibit ___(HAG-1) illustrates this as well. This hypothetical assumes a $10,000 investment is recovered over five years. The amount recovered is not ratable and varies from year to year. Based on the original $10,000 invested and the assumed CIAC charges, the average unrecovered investor capital is $7,500. In other words, on average over the five year period, this is the amount on which investors would be entitled

to a return.

Q. WILL THE FAILURE TO IMPUTE CIAC CHARGES ANTICIPATED TO BE COLLECTED OVER THE PERIOD COVERED BY THE MARGIN RESERVE RESULT IN OVER-EARNING BY THE UTILITY?

A. No, it will not. Rates will still be set on the basis of a test period thoroughly examined by the Commission in a rate proceeding to provide assurance that revenues, expenses, capital invested and all other elements of cost of service will be representative of future conditions for which rates will be set. A properly constructed rate base will show the amount of investor-supplied capital outstanding during the test period on which investors are entitled to a return. Allowance of a return on such a rate base provides only the correct return and does not cause over-earnings. In fact, in the cases I'm aware of, in periods following rate cases, the actual realized returns have been less than the authorized return.

On the other hand, the imputation of CIAC charges anticipated to be collected beyond the end of the test period is bound to prevent the utility from realizing its required return, at least on the capital which finances the margin reserve plant

capacity.

Q. WHY IS THAT TRUE?

A. Imputation of CIAC charges anticipated to be collected in future periods beyond the end of the test period is the financial equivalent of assuming that plant investments whose capital recovery is to be effected through depreciation is already fully depreciated. Obviously, rate base constructed in this manner is less than the actual unrecovered capital devoted to utility operations and it means there is no financial basis (cost less accumulated depreciation) upon which a return could be provided in the cost of service calculation. In simple terms, a rate of return times zero equals zero.

The fact that unrecovered investor-supplied capital exists regardless of whether capital recovery is provided through depreciation provisions or collection of CIAC charges is clearly illustrated on my Exhibit ___(HAG-1). It is no more appropriate to assume that plant capacity investments not yet recovered through CIAC charges have already been fully recovered than it is to assume that accumulated depreciation accruals equal to 20% of the related plant cost are instead equal to 100% of the plant cost.

Q. CAN YOU DEMONSTRATE THIS WITH AN EXHIBIT?

A. Yes, Exhibit _____ (HAG-2) utilizes a condensed balance sheet of a hypothetical utility over a 10-year period to illustrate the financial effect of imputing post-test period CIAC collections as a reduction of rate base.

This exhibit clearly demonstrates that the practice of imputing post-test period CIAC collections as a reduction of rate base denies investors the opportunity to earn a fair return on invested capital.

Q. WHAT ASSUMPTIONS DID YOU MAKE IN CONSTRUCTING EXHIBIT _____ (HAG-2)?

A. Lines 1 through 10 of Exhibit _____ (HAG-2) show the condensed balance sheet of a hypothetical utility which experiences growth in plant investment similar to many utilities with service areas in Florida. The utility collects CIAC from its customers after making investments in plant.

Utility plant and CIAC are depreciated (or amortized) over a 33-year average service life.

The hypothetical utility's capital structure consists of 50% debt and 50% equity. The weighted cost of capital (and the authorized return) is 10%.

Q. WHAT IS "AVERAGE CAPITAL" SHOWN ON LINE 11?

A. Line 11 shows the average investor-supplied capital which supports the net investment in utility plant and working capital for each of the years 2 through 9, calculated on the simple average of the beginning and end of year amounts.

This is the amount of capital upon which investors would be entitled the opportunity to earn a fair return.

Q. HOW WAS RATE BASE SHOWN ON LINES 12 THROUGH 18 CONSTRUCTED?

A. Rate base was constructed using the balance sheet method employed by the FPSC. In that connection, I assumed that all accounts shown on the balance sheet are utility-related.

In addition, line 16 shows the imputation of the average increase in CIAC collections for two subsequent years (the assumed margin reserve period).

Q. PLEASE EXPLAIN LINES 19 AND 29.

A. Line 19 shows the required return calculated by applying the 10% weighted cost of capital to the average capital (line 11) for each year.

Line 20 shows the return which would be provided by a Commission decision which applies the

authorized return to the total rate base (line 18).

Q. WHY IS THE RETURN PROVIDED (LINE 20) LESS THAN THE RETURN REQUIRED (LINE 19)?

A. It is because of the erroneous construction of rate base. A properly constructed rate base would equal the amount of capital invested in utility operations and, with the application of the cost of capital, provide investors the opportunity to earn the required fair return.

Because rate base in this example -- and many actual Commission cases -- has been improperly reduced by imputing post-test period CIAC collections (line 16), it does not equal the amount of capital invested and investors are denied the opportunity to earn the required fair return.

Q. WOULD DIFFERENT GROWTH ASSUMPTIONS AFFECT THE CONCLUSIONS DRAWN FROM YOUR HYPOTHETICAL ILLUSTRATION?

A. No, the assumption related to growth in plant investment could have just easily been "no growth" or "declining" plant investments and the illustration would just as clearly demonstrate that reducing rate base for post-test period CIAC collections results in a rate base which is lower than the actual amount of investor-supplied

capital. Any time this occurs, investors are improperly denied the opportunity to earn a fair return.

Q. WON'T POST-TEST PERIOD CIAC COLLECTIONS FROM NEW CUSTOMER CONNECTIONS DECREASE THE AMOUNT OF INVESTOR-SUPPLIED CAPITAL SUPPORTING UTILITY OPERATIONS AND CAUSE OVER-EARNINGS IN THE FUTURE?

A. No, in the normal case, it won't. But, the Commission's traditional (and the proposed rule's) method for imputation is certain to produce under-earnings by how it erroneously assumes investment recovery. Several facts show this assumption is invalid.

First, the Commission must understand post-test period CIAC collections for the margin reserve period do not equal the amount obtained by multiplying margin reserve ERC's times the service availability charges. This is due, in part, to the fact that a portion of the margin reserve is needed to meet increased demands of present customers, which generate no CIAC collections. Second, while new customer connections do result in future CIAC collections, it does not follow that a reduction in rate base is the consequence. Anticipation of future rate base reductions assumes that the amount

of needed margin reserve plant decreases when new customers connect to the system, but this is not the case. When a portion of margin reserve plant held ready to meet customers' demands is "committed" to serving new customers who connect to the system, it does not decrease the amount of needed margin reserve plant. On the contrary, the amount of margin reserve plant previously available but committed to serving new customers would need to be replaced, all other things being equal.

Q. HOW WOULD THE MARGIN RESERVE PLANT BE REPLACED?

A. An equivalent amount of plant either completed, but held for future use or under construction would become "used and useful" as margin reserve plant. Therefore, new customer connections and related CIAC collections will cause neither a reduction in rate base nor over earnings in the future. As the unit cost of new plant increases for a variety of reasons, the investment in rate base tends to be even higher.

Q. ISN'T "MARGIN RESERVE" PLANT CAPACITY AVAILABLE TO SERVE FUTURE CUSTOMERS EXCLUSIVELY?

A. No. The margin reserve capacity is available to serve both increases in consumption by existing customers as well as for any new customers. All

utilities obligated to serve the public, must have capacity to meet future increases in the needs of both present and future customers. Present customers benefit when the utility serving them has capacity to meet demands from new customers without overloading existing facilities and degrading the service to existing customers.

The association of margin reserve with only new customers connecting to the system appears to be a common misconception probably due to the margin reserve calculation being based on increased consumption expressed as "Equivalent Residential Connections (ERC's)."

Imputation of future anticipated CIAC collections against margin reserve plant investments as done in a number of previous cases, improperly insulates present customers completely from any responsibility whatsoever for return on investor capital which finances that plant. This treatment is vividly inconsistent with the Commission's treatment of electric, gas or telephone companies whose plant has the capacity to serve future increases in sales.

Q. HOW IS THE IMPUTATION OF ANTICIPATED FUTURE CIAC COLLECTIONS FOR WATER AND WASTEWATER UTILITIES

INCONSISTENT WITH THE TREATMENT OF OTHER UTILITIES BY THE COMMISSION?

A. As my testimony has previously shown, whether capital recovery is provided through CIAC collections or depreciation provisions, it occurs over a period of time measured in years. In no case of which I am aware has this (or any other) commission imputed additional accumulated depreciation to electric, gas or telephone utilities because actual plant investments in service had the capacity to -- and likely would in the future -- serve more customers or increased sales to existing customers.

Q. IF THE COMMISSION AGREES THAT CIAC COLLECTIONS SHOULD NOT BE IMPUTED ON MARGIN RESERVE PLANT, DOES THIS SHIFT THE CAPITAL RECOVERY BURDEN TO PRESENT CUSTOMERS?

A. No. Present customers would have responsibility only for return on capital which finances the margin reserve plant until that capital is recovered. This is perfectly appropriate since having that capacity available provides benefits to current customers and investors are entitled to a return currently.

Q. WHY ARE INVESTORS ENTITLED TO A RETURN ON MARGIN

RESERVE PLANT CURRENTLY?

A. Aside from the obvious -- that the plant is "in-service" and does benefit current customers -- is the fact that the risk of capital recovery through CIAC charges remains on investors. History shows that not all potential new customers materialize and pay CIAC charges.

This risk is heightened by the fact that the needed return on invested capital for a period, if not then recovered, cannot be recaptured in the future. Fairness dictates that prudent investments made to meet public service obligations have a reasonable opportunity to earn a fair return. This opportunity would be provided by including margin reserve plant investments in rate base without imputation of anticipated future CIAC collections.

Q. ARE THERE ANY OTHER INAPPROPRIATE ASSUMPTIONS MADE IN APPLYING THE ADJUSTMENT TO REDUCE RATE BASE FOR THE IMPUTATION OF CIAC ANTICIPATED TO BE COLLECTED AFTER THE END OF THE TEST PERIOD?

A. Yes. The way this adjustment has been applied in other cases carries an implicit assumption that the CIAC funds collected have not been, or will not be, reinvested in the utility operations.

Q. PLEASE EXPLAIN.

A. Based on data from prior cases, it appears that the CIAC imputation adjustment was based upon the service availability charges times the number of ERC's implicit in the margin reserve plant investment. These amounts -- up to the limit of the net margin reserve plant -- increased accumulated actual CIAC collections offset against the plant component of rate base. No accounting for the use of the funds which the assumed CIAC collection would provide was reflected in the CIAC imputation adjustment. The failure to account for the use of the assumed CIAC collections implies that the funds were not, or will not be, reinvested in the utility operations.

Q. WHY IS THIS AN INAPPROPRIATE ASSUMPTION?

A. In the case of utilities with which I am familiar, CIAC funds collected have been included with other corporate funds and used to pay for operating expenses, plant construction costs, or for other normal uses in carrying on the utility business. Since the Commission employs the balance sheet method to construct other components of rate base, fairness and consistency suggest that if a CIAC imputation is made, it should account for the entire transaction in a manner which correctly

reflects the actual practices of the utility.

Q. DOESN'T THE INCLUSION OF THE ALLOWANCE FOR FUNDS PRUDENTLY INVESTED ("AFPI") IN COLLECTIONS FROM FUTURE CUSTOMERS PROVIDE A RETURN ON UNRECOVERED INVESTOR-SUPPLIED CAPITAL FINANCING MARGIN RESERVE PLANT?

A. No, as Commission orders state, the AFPI charge is designed to allow investors to recover a fair rate of return on prudently constructed plant facilities excluded from rate base as "not being used and useful." Hence, AFPI charges -- when and if collected -- provide no return on margin reserve plant which is "used and useful."

Q. IS IT PROPER TO IMPUTE ONE-HALF OF ANTICIPATED POST-TEST YEAR CIAC COLLECTIONS ON THE MARGIN RESERVE AS THE COMMISSION HAS DONE IN SSU'S RATE CASE (DOCKET NO. 950495-WS) AND IN PALM COAST UTILITY CORPORATION'S CASE (DOCKET NO. 951056-WS)?

A. No, it is not. The assumption underlying a one-half imputation provision is the same as that for the imputation of all margin reserve period CIAC collections as of the end of the test year. For the reasons I have explained above, such an assumption is erroneous and deprives the utility an

opportunity to earn a fair return on invested capital until that capital is recovered. That imputation is improper is even recognized by the Commission staff as evidenced by Mr. Marshall Willis' comments on the issue at the Special Agenda on SSU's rate case. The averaging approach taken by the Commission in the referenced cases merely reduces the degree of improper capital deprivation and should be rejected in this proceeding.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The inclusion of a utility's investment in margin reserve plant without imputation of anticipated future CIAC collections in rate base is necessary and appropriate to provide investors an opportunity to earn a return on their capital until it is recovered.

It is appropriate that investors receive the return on capital currently in view of the inherent risks not compensated for by AFPI charges.

It is also appropriate that current customers provide this return through rates since they receive benefits from the margin reserve plant.

Finally, inclusion of margin reserve plant without imputation of anticipated future CIAC collections is necessary so that a water and sewer

utility's investors will be treated fairly in regard to capital recovery as are investors in electric, gas or telephone utilities.

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING ITS PROPOSED RULE?

A. I recommend the Commission not adopt its proposed Rule 25-30.431(7) and adopt instead the Florida Waterworks Associations' proposed Rule 25-30.431(7), which does not authorize imputation of post-test year CIAC collections on margin reserve.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT (HAG-1)

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SOUTHERN STATES UTILITIES
ILLUSTRATION OF CAPITAL RECOVERY

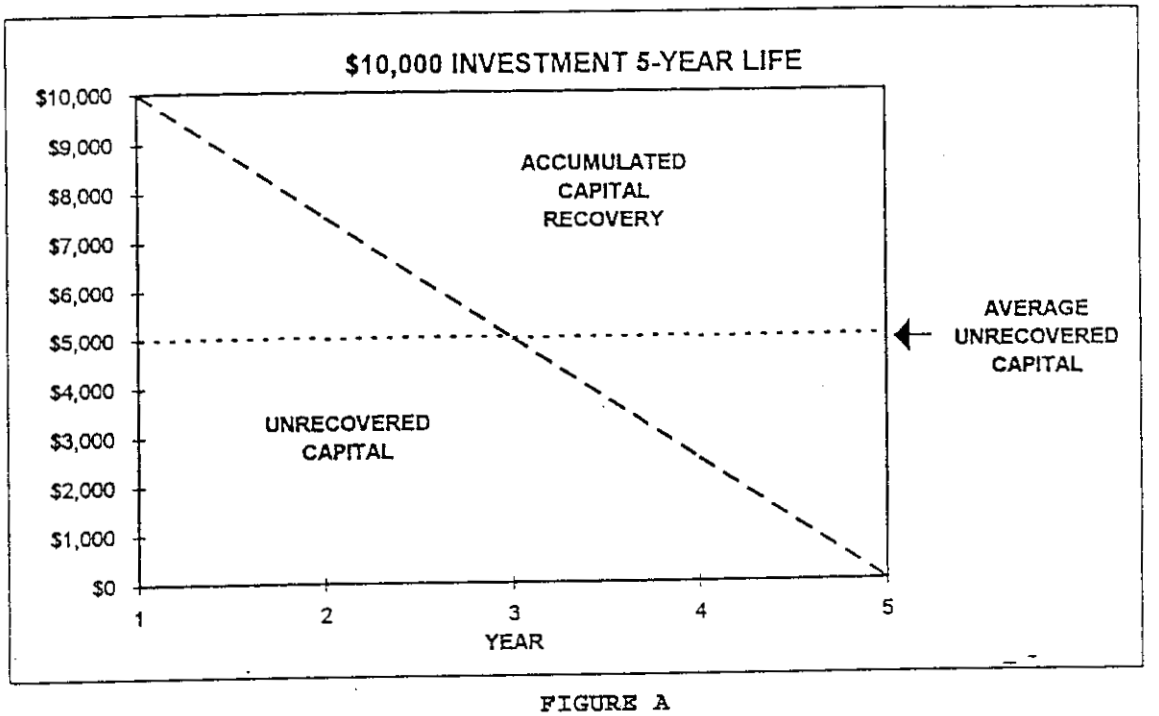

FIGURE A

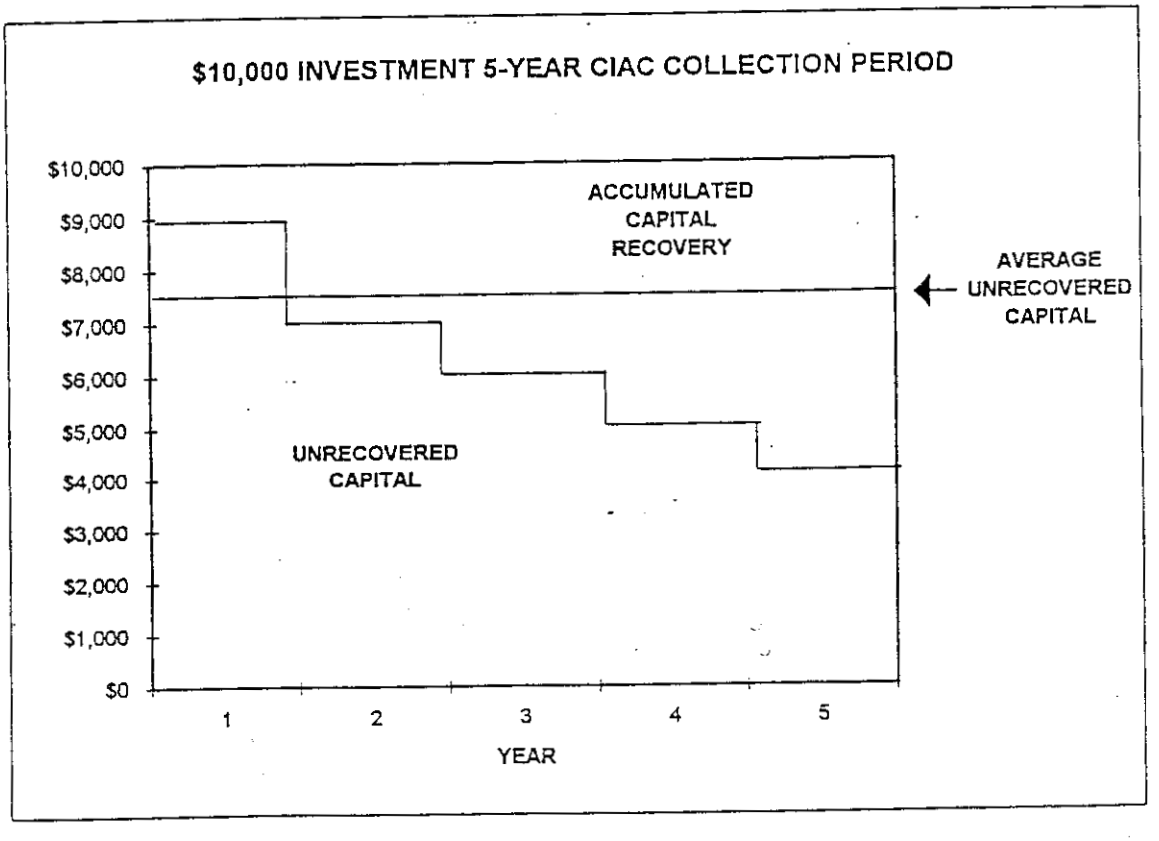

FIGURE B

SOUTHERN STATES UTILITIES, INC.
ILLUSTRATION OF RATEMAKING TREATMENT OF
MARGIN RESERVE AND CONTRIBUTIONS-IN-AID OF CONSTRUCTION

Line No.	DESCRIPTION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
	BALANCE SHEET										
1	UTILITY PLANT	$ 100,000	$ 120,000	$ 140,000	$ 160,000	$ 180,000	$ 200,000	$ 220,000	$ 240,000	$ 260,000	$ 280,000
2	ACCUMULATED DEPRECIATION	(30,000)	(33,300)	(37,200)	(41,700)	(46,800)	(52,500)	(58,800)	(65,700)	(73,200)	(81,300)
3	CURRENT ASSETS	10,000	12,000	14,000	16,000	18,000	20,000	22,000	24,000	26,000	28,000
4	CONTRIBUTIONS-IN-AID	(30,000)	(36,000)	(42,000)	(48,000)	(54,000)	(60,000)	(66,000)	(72,000)	(78,000)	(84,000)
5	ACCUMULATED AMORTIZATION	10,000	10,990	12,160	13,510	15,040	16,750	18,640	20,710	22,960	25,390
6		$ 60,000	$ 73,690	$ 86,960	$ 99,810	$ 112,240	$ 124,250	$ 135,840	$ 147,010	$ 157,760	$ 168,090
7	CURRENT LIABILITIES	$ 4,000	$ 4,800	$ 5,600	$ 6,400	$ 7,200	$ 8,000	$ 8,800	$ 9,600	$ 10,400	$ 11,200
8	DEBT CAPITAL	28,000	34,445	40,680	46,705	52,520	58,125	63,520	68,705	73,680	78,445
9	EQUITY CAPITAL	28,000	34,445	40,680	46,705	52,520	58,125	63,520	68,705	73,680	78,445
10		$ 60,000	$ 73,690	$ 86,960	$ 99,810	$ 112,240	$ 124,250	$ 135,840	$ 147,010	$ 157,760	$ 168,090
11	AVERAGE CAPITAL		62,445	75,125	87,385	99,225	110,645	121,645	132,235	142,385	152,125
	AVERAGE RATE BASE										
12	UTILITY PLANT		$ 110,000	$ 130,000	$ 150,000	$ 170,000	$ 190,000	$ 210,000	$ 230,000	$ 250,000	$ 270,000
13	ACCUMULATED DEPRECIATION		(31,650)	(35,250)	(39,450)	(44,250)	(49,650)	(55,650)	(62,250)	(69,450)	(77,250)
14	CONTRIBUTIONS-IN-AID		(33,000)	(39,000)	(45,000)	(51,000)	(57,000)	(63,000)	(69,000)	(75,000)	(81,000)
15	ACCUMULATED AMORTIZATION		10,495	11,575	12,835	14,275	15,895	17,695	19,675	21,835	24,175
16	IMPUTED CONTRIBUTIONS-IN-AID		(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
17	WORKING CAPITAL		6,600	7,800	9,000	10,200	11,400	12,600	13,800	15,000	16,200
18			$ 56,445	$ 69,125	$ 81,385	$ 93,225	$ 104,645	$ 115,645	$ 126,225	$ 136,385	$ 146,125
19	RETURN REQUIRED		$ 6,245	$ 7,513	$ 8,739	$ 9,923	$ 11,065	$ 12,165	$ 13,224	$ 14,239	$ 15,213
20	RETURN PROVIDED		$ 5,645	$ 6,913	$ 8,139	$ 9,323	$ 10,465	$ 11,565	$ 12,623	$ 13,639	$ 14,613

EXHIBIT (HAG-2)
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