Docket Nos. 07-0241/07-0242
(Consolidated)
ICC Staff Exhibit 5.0

DIRECT TESTIMONY

of

Janis Freetly
Senior Financial Analyst

Finance Department
Financial Analysis Division
Illinois Commerce Commission

North Shore Gas Company and
The Peoples Gas Light and Coke Company

Proposed general increase in rates for gas service

Docket Nos. 07-0241 and 07-0242
(Consolidated)

June 29, 2007

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WITNESS IDENTIFICATION

Q. Please state your name and business address.

A. My name is Janis Freetly. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. What is your current position with the Illinois Commerce Commission ("Commission")?

A. I am currently employed as a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

Q. Please describe your qualifications and background.

A. In May of 1995, I earned a Bachelor of Business degree from Western Illinois University. I received a Master of Business Administration degree, with a concentration in Finance, from Western Illinois University in May of 1998. I have been employed by the Commission since September of 1998. I was promoted to Senior Financial Analyst on August 31, 2001.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present the overall cost of capital and to recommend a fair rate of return on rate base for North Shore Gas Company ("North Shore") and The Peoples Gas Light and Coke Company ("Peoples Gas") (individually, the "Company" and collectively, the "Companies"). The overall cost of capital that I recommend for each Company incorporates the rate of return on common equity recommended in the direct testimony of Staff witness Sheena Kight-Garlisch (ICC Staff Exhibit 6.0).

Q. Please explain the P and N suffixes that appear in your schedule numbers.

A. Schedules with the suffix "P" relate to Peoples Gas and schedules with the "N" suffix relate to North Shore.

COST OF CAPITAL

Q. Please summarize your findings.

A. I recommend an overall cost of capital for North Shore of 7.68% and an overall cost of capital for Peoples Gas of 7.47%. The overall costs of capital for the Companies are shown on Schedule 5.1.

Q. Why must one determine an overall cost of capital for a public utility?

A. Under the traditional regulatory model, ratepayer and shareholder interests are balanced when the Commission authorizes a rate of return on rate base equal to the public utility's overall cost of capital, as long as that overall cost of capital is not unnecessarily expensive. If the authorized rate of return exceeds the cost of capital, then ratepayers bear the burden of excessive prices. Conversely, if the authorized rate of return is lower than the overall cost of capital, the financial strength of the utility could deteriorate, making it difficult for the utility to raise capital at a reasonable cost. Ultimately, the utility's inability to raise sufficient capital would impair service quality. Therefore, ratepayer interests are best served when the authorized rate of return on rate base equals the utility's overall cost of capital.

In authorizing a rate of return on rate base equal to the overall cost of capital, all costs of service are assumed reasonable and accurately measured, including the costs and balances of the components of the capital structure. If unreasonable costs continue to be incurred, or if any reasonable cost of service component is measured inaccurately, then the allowed rate of return on rate base will not balance ratepayer and investor interests.

Q. Please define the overall cost of capital for a public utility.

A. The overall cost of capital for a public utility equals the sum of the costs of the components of the capital structure (i.e., debt, preferred stock and common equity) after weighting each by its proportion to total capital.

Cost of Long-term Debt

Q. What is North Shore's embedded cost of long-term debt?

A. As shown on Schedule 5.2N, North Shore's embedded cost of long-term debt for September 30, 2006 equals 5.37%.

Q. What is Peoples Gas' embedded cost of long-term debt?

A. As shown on Schedule 5.2P, Peoples Gas' embedded cost of long-term debt for September 30, 2006 equals 4.64%.

Q. Do the embedded costs of long-term debt presented by North Shore and Peoples Gas reflect the stand-alone financial strength of the utility Companies?

A. No, the costs of long-term debt presented by North Shore and Peoples Gas reflect the current A- Standard & Poor's ("S&P") credit ratings for the Companies. S&P downgraded the credit ratings of the Companies to A- from AA- on September 26, 2002.[1] Staff witness Sheena Kight-Garlisch testified that affiliation with unregulated or non-utility companies adversely affected North Shore's and Peoples Gas' credit ratings. (ICC Staff Exhibit 6.0, pp. 21-22) My understanding is that, in determining a reasonable rate of return for establishing rates, Section 9-230 of the Public Utilities Act prohibits the inclusion of any incremental risk or increased cost of capital, which is the direct or indirect result of the public utility's affiliation with unregulated or nonutility companies. Since one of the outstanding debt series of North Shore and most of the outstanding debt series of Peoples Gas were issued after this downgrade occurred and the downgrade was due to the utility's affiliation with unregulated companies, the costs associated with such issues need to be adjusted to eliminate the increased cost associated with the lower rating.

[1] Standard & Poor's Ratings Direct - Research, North Shore Gas' Ratings Lowered; Outlook Stable, September 26, 2002; Peoples Gas Light & Coke's Ratings Cut; Outlook Stable, September 26, 2002.

Q. What adjustments did you make to the embedded cost of long term debt presented by North Shore in its Schedule D-3 to reflect the stronger level of financial strength of the utility on a stand alone basis?

A. North Shore issued the Series N-2 bonds on April 29, 2003, after the utility was downgraded to A-. Therefore, I adjusted the interest rate to reflect the spread between bonds rated Aa and A to represent the lower interest rate that would have been obtained for the Series N-2 bonds had the downgrade not occurred.[2] In April 2003, long-term utility bond yields averaged 6.47% for Aa rated bonds and 6.64% for A rated bonds, resulting in a 0.17% spread.[3] Since credit spread is usually a direct function of term to maturity (i.e., as term to maturity increases, credit spread tends to increase as well), I halved the 0.17% credit spread on long-term bond yields to 0.085% to adjust the interest rate on the ten-year Series N-2 bonds. As shown on Schedule 5.2N, this adjustment lowered the interest rate on the Series N-2 bonds to 4.54% from 4.625%.[4]

Q. What adjustments did you make to the embedded cost of long term debt presented by Peoples Gas in its Schedule D-3 to reflect the stronger level of financial strength of the utility on a stand alone basis?

[2] Moody's Aa rating is equivalent to Standard & Poor's AA rating.

[3] Mergent Bond Record, May 2003, Corporate Bond Yield Averages. This report provided the best available proxy for the adjustment.

[4] Although the adjustment to the cost of the Series N-2 bonds is small, I understand that the Commission is obligated to remove the entire increase to a utility's cost of capital resulting from its affiliation with unregulated and non-utility companies, regardless of the magnitude of that increase.

A. Peoples Gas issued the Series MM-2 bonds on February 27, 2003 and the Series NN-2 bonds on April 29, 2003. Since both of these bonds were issued after the downgrade, the interest rates must be adjusted to reflect the lower risk of the utilities on a stand-alone basis. Since the Series NN-2 was issued on the same date as the Series N-2 of North Shore, I applied the same 0.085% adjustment to the interest rate on the Series NN-2 bonds. As shown on Schedule 5.2P, this adjustment lowered the interest rate on the Series NN-2 bonds to 4.54% from 4.625%.

For the Series MM-2 bonds, I used the long-term utility bond yield averages for February 2003 when Aa rated utility bond yields were 6.66% and A rated utility bond yields were 6.93%, resulting in a 0.27% spread.[5] Since the utility bond yields were for bonds with longer terms to maturity than the seven-year Series MM-2 bonds and credit spreads tend to increase as term to maturity increases, I subtracted half of the spread (0.27%/2 = 0.135%) to adjust the interest rate on the Series N-2 bonds. As shown on Schedule 5.2P, this adjustment lowered the interest rate on the Series MM-2 bonds to 3.87% from 4.00%.

Q. Did you adjust any other bonds for Peoples Gas to reflect the lower risk of the utility on a stand alone basis?

A. Yes. The Series KK, LL, OO, PP, QQ and RR bonds of Peoples Gas were issued as insured tax-exempt bonds to the Illinois Development Finance Authority ("IDFA"). The repayment of the principal and interest on the bonds issued to the IDFA is secured by an insurance policy, purchased by Peoples Gas. As a consequence of that insurance, the IDFA bonds are rated AAA. All six bond series were issued after the rating downgrade and therefore reflect the increased risk of the unregulated affiliates. Had Peoples Gas' credit ratings not been downgraded, the insurance premium would have been lower since Peoples Gas would have posed less credit risk to the insurers of the bonds. Therefore, I reduced the recoverable insurance fees for each of the issues and the associated annual amortization of those fees to reflect the lower credit risk had Peoples Gas' rating remained AA-.

Q. Please explain how you reflected your proposal to reduce the recoverable portion of the insurance fees in the costs of the Series KK, LL, OO, PP, QQ and RR bonds of Peoples Gas.

A. I began with the total amount of the insurance fee paid by Peoples Gas on each tax-exempt series and subtracted amortization through September 30, 2006.[6] I then reduced the September 30, 2006 unamortized debt expense balance by half,[7] which thereby reduced the amortization of debt expense by the amount

[5] Mergent Bond Record, May 2003, Corporate Bond Yield Averages. This report provided the best available proxy for the adjustment.

[6] Reports filed pursuant to 83 Ill. Adm. Code 240, Docket No. 03-0066, Final Report for Series LL, November 30, 2005; Docket No, 01-0655, Twenty-Second Report for Series KK, May 29, 2007; Docket No. 03-0548, Final Report for Series OO, PP and QQ, November 30, 2005; Docket No. 04-0711, Final Report for Series RR, May 30, 2006.

[7] Reducing the insurance fee by half approximates the insurance premiums that would have been paid had People Gas' rating at the time of issuance been AA- instead of A-. This adjustment reflects my judgment, since I can not be certain of the amount of the insurance premium had the downgrade not occurred. In rebuttal testimony, the Companies may be able to provide better estimates of what the insurance premium would have been had the downgrade not occurred.

attributed to that portion of the insurance fee. This adjustment reduced the embedded cost of debt for Peoples Gas as demonstrated on Schedule 5.2P.

Q. What other changes did you make to the embedded cost of long term debt presented by Peoples Gas in its Schedule D-3?

A. The interest rates on the Series OO and PP bonds are adjustable based on an auction rate. The interest rates presented on Schedule D-3 by Peoples Gas for the Series OO and PP are based on the auction rate in effect at September 30, 2006. I updated those interest rates to reflect the auction rate that would have been in effect on the stock price measurement date (April 25, 2007) used by Staff witness Sheena Kight-Garlisch in her cost of equity analysis. For the Series OO bonds, I used the 3.70% auction rate that was set at the April 25, 2007 auction.[8] For the Series PP bonds, I used the 3.66% auction rate that was set at the March 28, 2007 auction.[9]

CAPITAL STRUCTURE

Q. What capital structure did the Companies propose for setting rates?

A. North Shore and Peoples Gas each propose imputed capital structures comprised of 44% long-term debt and 56% common equity.[10] On September 30, 2006, the actual capital structure of North Shore was comprised of 40% long-

[8] Peoples Gas Response to Staff Data Request JF-5.01.
[9] Peoples Gas Response to Staff Data Request JF-5.01.
[10] North Shore Schedule D-1; Peoples Gas Schedule D-1.

term debt and 60% common equity and the actual capital structure of Peoples Gas was comprised of 43% long-term debt and 57% common equity.[11]

Q. How does capital structure affect the overall cost of capital?

A. Capital structure affects the value of a firm and, therefore, its cost of capital, to the extent it affects the expected level of cash flows that accrue to parties other than debt and stock holders. Employing debt as a source of capital reduces a company's income taxes,[12] thereby reducing the cost of capital; however, as reliance on debt as a source of capital increases, so does the probability of default. As the probability of default rises, expected payments to attorneys, trustees, and other outside parties increase. Further, the expected cash flows decline as the company foregoes investment that would have been available to it had its financial condition been stronger, including the expected value of the income tax shield from debt financing. Beyond a certain point, a growing dependence on debt as a source of funds increases the overall cost of capital. Therefore, the Commission should not determine the overall rate of return from a utility's actual capital structure if the Commission concludes that capital structure adversely affects the overall cost of capital.

[11] Direct Testimony of Bradley A. Johnson, Peoples Gas Ex. BAJ-1.1 and North Shore Ex. BAJ-1.1.

[12] The tax advantage debt has over equity at the corporate level is partially offset at the individual investor level. Debt investors receive returns largely in the form of current income (i.e., interest). In contrast, equity investors receive returns in the form of both current income (i.e., dividends) and capital appreciation (i.e., capital gains). Taxes on common dividends and capital gains are lower than taxes on interest income because common dividends and capital gains tax rates are lower, and taxes on capital gains are deferred until realized.

An optimal capital structure would minimize the cost of capital and maintain a utility's financial integrity. Unfortunately, determining whether a capital structure is optimal remains problematic because (1) the cost of capital is a continuous function of the capital structure, rendering its precise measurement along each segment of the range of possible capital structures problematic; (2) the optimal capital structure is a function of operating risk, which is dynamic; and (3) the relative costs of the different types of capital vary with dynamic market conditions. Consequently, one should determine whether the capital structure is consistent with the financial strength necessary to access the capital markets under most economic conditions, and if so, whether the cost of that financial strength is reasonable.

Q. How did you evaluate the Companies' capital structures?

A. I compared the debt ratio from the proposed capital structure for the Companies to Standard & Poor's benchmark total debt to total capital ratio, which is published by business profile score and credit rating. S&P currently assigns North Shore and Peoples Gas issuer credit ratings of A- and business profile scores of 3. According to S&P, the benchmark range for the total debt to total capital ratio for utilities with a business profile score of 3 is 50% to 55% for A-rated utilities and 42% to 50% for AA-rated utilities.[13] The 44% total debt to total capital ratio proposed by both North Shore and Peoples Gas lies within the range

[13] Standard & Poor's Ratings Direct, "New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised," June 2, 2004.

for AA-rated utilities. According to S&P, an obligor rated AA has a very strong capacity to meets its financial commitments.

Further, I considered Ms. Kight-Garlisch's analysis of the effect of Staff's proposed revenue requirement on the other two S&P benchmark ratios, funds from operations interest coverage and funds from operations as a percentage of average debt. Ms. Kight-Garlisch concludes that under Staff's proposed revenue requirement, the financial strength is commensurate with an AA rating for North Shore and an AA- rating for Peoples Gas. The above suggests that the Companies capital structures are commensurate with a strong degree of financial strength.

Q. Does a 56% common equity ratio result in an excessively expensive overall cost of capital?

A. As I stated previously, determining the optimal capital structure is problematic. Therefore, an unequivocal statement of the reasonableness of a capital structure is not always possible. Nevertheless, the Commission must decide whether a capital structure is reasonable for setting utility rates. The Companies' ultimate parent company, Integrys Energy Group, Inc. ("Integrys"), has a target common equity ratio of 50-55% despite having greater operating risk than the Companies.[14] This suggests that a capital structure comprising 56% common equity may be unnecessarily expensive for the Companies. Nevertheless, I am recommending the Commission accept the Companies' proposed capital structures for the following reasons. First, the September 30, 2006 measurement date for the Companies' capital structures precedes the completion of the merger with WPS Resources and the creation of Integrys. Consequently, the Companies' actual capital structures could not reflect Integrys' consolidated target common equity ratio. Second, capital structures cannot be restructured overnight. Therefore, I regard the Companies' voluntary decision to propose capital structures containing lower proportions of common equity than their actual capital structures as a positive first step by the Companies' new management and consider it fair to give the Companies time to make their capital structures consistent with Integrys' target consolidated capital structure. Third, Staff is recommending adjustments to the costs of debt and common equity to reflect the lower risk implied by the AA rating. Should the Commission decide to impute a capital structure with a lower percentage of common equity than I am recommending for this proceeding, those adjustments to the costs of common equity and debt Ms. Kight-Garlsich and I recommend would need to be revised to incorporate the financial strength inherent in that capital structure. Under no circumstances should the Commission accept the Companies' proposed capital structures without also accepting Staff's proposed adjustments to the Companies' costs of common equity and debt. A reasonable balance of financial strength and cost can only be achieved when the capital structure and the costs of the components of the capital structure reflect the same degree of risk. Given

[14] Integrys' S&P business profile is 5.

that the Companies' capital structure is consistent with the risk of an AA rating, the component costs of capital must reflect the risk of an AA rating.

Although I am recommending that the Commission accept the Companies' proposed capital structures, in future rate cases, should the Companies' capital structures not be consistent with that of Integrys as a whole, taking differences in operating risk into account, then Staff might recommend those capital structures be rejected.

RATE OF RETURN ON RATE BASE

Q. What is your recommended rate of return on rate base for North Shore?

A. I recommend a 7.68% rate of return on North Shore's rate base. This rate of return incorporates the 9.50% rate of return Staff witness Sheena Kight-Garlisch recommends for North Shore's common equity. The rate of return I recommend on North Shore's rate base is shown on Schedule 5.1.

Q. What is your recommended rate of return on rate base for Peoples Gas?

A. I recommend a 7.47% rate of return on Peoples Gas' rate base. This rate of return incorporates the 9.70% rate of return Staff witness Sheena Kight-Garlisch recommends for Peoples Gas' common equity. The rate of return I recommend on Peoples Gas' rate base is shown on Schedule 5.1.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Weighted Average Cost of Capital

North Shore Gas Company

	Percent of Total Capital	Cost	Weighted Cost
Long-term Debt	44.00%	5.37%	2.36%
Common Equity	56.00%	9.50%	5.32%
Total Capital	100.00%		
Weighted Average Cost of Capital			**7.68%**

The Peoples Gas Light and Coke Company

	Percent of Total Capital	Cost	Weighted Cost
Long-term Debt	44.00%	4.64%	2.04%
Common Equity	56.00%	9.70%	5.43%
Total Capital	100.00%		
Weighted Average Cost of Capital			**7.47%**

North Shore Gas Company

Embedded Cost of Long-Term Debt
September 30, 2006

Line No.	Debt Issue Type, Coupon Rate			Date Issued	Maturity Date	Date Reacquired	Principal Amount	Face Amount Outstanding	Unamortized Discount or (Premium)	Unamortized Debt Expense (Gain)	Carrying Value	Annual Coupon Interest	Annualized Amort. of Discount or (Premium)	Annualized Amort. of Debt Expense	Annualized Interest Expense
	[A]			[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]=[F-G-H]	[J]=[A*F]	[K]	[L]	[M]=[J+K+L]
1	First Mortgage Bonds:														
2	Series M	5.00%	(1)	12/18/98	12/01/28		$ 30,035,000	$ 29,250,000	$ -	$ 1,046,000	$ 28,204,000	$ 1,463,000	$ -	$ 47,000	$ 1,510,000
3	Series N-2	4.540%		04/29/03	05/01/13		40,000,000	40,000,000	21,000	528,000	39,451,000	$ 1,816,000	3,000	$ 80,000	1,899,000
4	Sub-Total						70,035,000	69,250,000	21,000	1,574,000	67,655,000	3,279,000	3,000	127,000	3,409,000
5	Loss on Reacquired Debt														
6	Series J	8%		11/01/90	11/01/20	12/05/02	-	-	-	760,000	(760,000)	-	-	54,000	54,000
7	Series K	6-3/8	(1)	10/01/92	12/01/28	01/19/99	-	-	-	1,265,000	(1,265,000)	-	-	57,000	57,000
8	Series M	5.00	(1)	12/18/98	12/01/28	Various	-	-	-	14,000	(14,000)	-	-	1,000	1,000
9	Sub-Total						-	-	-	2,039,000	(2,039,000)	-	-	112,000	112,000
10	Total						$ 70,035,000	$ 69,250,000	$ 21,000	$ 3,613,000	$ 65,616,000	$ 3,279,000	$ 3,000	$ 239,000	$ 3,521,000
11	Embedded Cost of Long-Term Debt (M / I)														5.37%

Docket Nos. 07-0241/07-0242
(Consolidated)
ICC Staff Exhibit 5.0
Schedule 5.2P

The Peoples Gas Light and Coke Company

Embedded Cost of Long-Term Debt
September 30, 2006

Line No.	Debt Issue Type, Coupon Rate			Date Issued	Maturity Date	Date Reacquired	Principal Amount	Face Amount Outstanding	Unamortized Discount or (Premium)	Unamortized Debt Expense (Gain)	Carrying Value	Annual Coupon Interest	Annualized Amort. Of Discount or (Premium)	Annualized Amort. Of Debt Expense	Annualized Interest Expense
	[A]			[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]=[F-G-H]	[J]=[A*F]	[K]	[L]	[M]=[J+K+L]
1	First and Refunding Mortgage Bonds:														
2	Series HH	4.75%	(1)	03/01/00	03/01/30	-	$ 50,000,000	$ 50,000,000	$ -	$ 1,676,000	$ 48,324,000	$ 2,375,000	$ -	$ 72,000	$ 2,447,000
3	Series KK	5.00%	(1)	02/06/03	02/01/33	-	50,000,000	50,000,000	605,000	1,152,000	48,243,000	2,500,000	23,000	$ 44,000	2,567,000
4	Series LL	3.05%	(1)	02/20/03	02/01/33	-	50,000,000	50,000,000	-	634,000	49,366,000	1,525,000	-	$ 24,000	1,549,000
5	Series MM-2	3.87%		02/27/03	03/01/10	-	50,000,000	50,000,000	167,000	291,000	49,542,000	1,932,500	49,000	$ 85,000	2,066,500
6	Series NN-2	4.54%		04/29/03	05/01/13	-	75,000,000	75,000,000	40,000	997,000	73,963,000	3,405,000	6,000	$ 151,000	3,562,000
7	Series OO	3.70%	(1) (2)	10/09/03	10/01/37	-	51,000,000	51,000,000	-	710,000	50,290,000	1,887,000	-	$ 23,000	1,910,000
8	Series PP	3.66%	(1) (2)	10/09/03	10/01/37	-	51,000,000	51,000,000	-	695,000	50,305,000	1,867,000	-	$ 22,000	1,889,000
9	Series QQ	4.88%	(1)	11/25/03	11/01/38	-	75,000,000	75,000,000	-	1,279,000	73,721,000	3,656,000	-	$ 40,000	3,696,000
10	Series RR	4.30%	(1)	06/01/05	06/01/35	-	50,000,000	50,000,000	-	819,000	49,181,000	2,150,000	-	$ 29,000	2,179,000
11	Sub-Total						$ 502,000,000	$ 502,000,000	$ 812,000	$ 8,253,000	$ 492,935,000	$ 21,297,500	$ 78,000	$ 490,000	$ 21,865,500
12	Loss on Reacquired Debt														
13	Series X	6.88%	(1)	03/01/85	02/01/33	03/14/03	-	-	-	1,527,000	(1,527,000)	-	-	58,000	58,000
14	Series Y	7.50%	(1)	03/01/85	02/01/33	04/03/00	-	-	-	692,000	(692,000)	-	-	26,000	26,000
15	Series Z	7.50%	(1)	03/01/85	03/01/15	04/03/00	-	-	-	554,000	(554,000)	-	-	66,000	66,000
16	Series AA	10.25%	(1)	03/01/85	06/01/35	08/01/95	-	-	-	1,481,000	(1,481,000)	-	-	52,000	52,000
17	Series BB	8.10%	(1)	05/01/90	10/01/37	05/01/00	-	-	-	706,000	(706,000)	-	-	23,000	23,000
18	Series DD	5.75%	(1)	12/01/93	11/01/38	12/01/03	-	-	-	2,239,000	(2,239,000)	-	-	70,000	70,000
19	Series EE	Variable Rate	(1)	12/01/93	10/01/37	10/14/03	-	-	-	232,000	(232,000)	-	-	7,000	7,000
20	Series FF	6.10%	(1)	06/01/95	06/01/35	06/02/05	-	-	-	1,426,000	(1,426,000)	-	-	50,000	50,000
21	Series GG	Variable Rate	(1)	03/01/00	02/01/33	03/27/03	-	-	-	1,305,000	(1,305,000)	-	-	50,000	50,000
22	Series II	Variable Rate	(1)	03/01/00	10/01/37	11/12/03	-	-	-	797,000	(797,000)	-	-	26,000	26,000
23	Series JJ	Variable Rate	(1)	03/01/00	10/01/37	10/14/03	-	-	-	797,000	(797,000)	-	-	26,000	26,000
24	Sub-Total						$ -	$ -	$ -	$ 11,756,000	$ (11,756,000)	$ -	$ -	$ 454,000	$ 454,000
25	Total						$ 502,000,000	$ 502,000,000	$ 812,000	$ 20,009,000	$ 481,179,000	$ 21,297,500	$ 78,000	$ 944,000	$ 22,319,500
26	Embedded Cost of Long-Term Debt (M / I)														4.64%

Notes: (1) Tax-exempt bonds.
(2) Based on auction rate in effect at April 25, 2007.