**Section 285.4000 Rate of Return Instructions**

a) Capital structure measurement period. A company may elect to use either an historical or forecasted capital structure measurement period.

1) Historical capital structures. Average balances in an historical capital structure measurement period shall comprise either the latest consecutive 12 month period or the latest calendar or fiscal year for which actual data are available at the time of filing new tariffs. An historical capital structure comprising balances of long-term debt, preferred stock, and common equity measured as of a single date shall reflect the latest date or the end of the latest calendar or fiscal year for which actual data are available at the time of filing new tariffs.

2) Forecasted capital structures. Average balances in a forecasted capital structure shall reflect any consecutive 12 month period beginning no earlier than the date new tariffs are filed and ending no later than 24 months after the date new tariffs are filed. A forecasted capital structure comprising balances of long-term debt, preferred stock, and common equity from a single date shall reflect any date beginning no earlier than the end of the last calendar or fiscal year for which actual data are available at the time of filing new tariffs and ending no later than 18 months after the date new tariffs are filed.

b) Measurement. Components of the capital structure must be presented on a consistent basis with respect to the capital structure, measurement period, and method (i.e., net proceeds or internal rate of return method). If one or more adjustments for known and measurable changes affecting capital structure are made, all other known and measurable changes that would affect capital structure shall be made as well. The balance of short-term components of the capital structure shall be calculated from 12 months of average monthly balances. Utilities may elect to base the long-term components of the capital structure on either average or end-of-period balances. For those utilities electing an average capital structure, average balances for each source of capital included in the capital structure, excepting individual security issuances and retirements, shall be calculated from 12 months of average monthly balances. Individual security issuances and retirements shall be time-weighted. Each monthly average shall equal the simple average of the beginning and ending monthly balances. However, monthly data need not be presented for debt and preferred stock issues that do not change during the capital structure measurement period or that change by equal monthly amounts.

c) Applicability

1) Excepting those utilities exempted under Section 285.120(b)-(d), Sections 285.4000 through 285.4070 and 285.4090 are applicable to all utilities.

2) Excepting those utilities exempted under Section 285.120(b)-(d), Sections 285.4080 and 285.4090(d) are applicable to utilities with $7,500,000 or more of annual total revenue.

d) All data required under this Subpart shall be provided on a total company basis unless otherwise indicated.