

PUBLIC UTILITY COMMISSION OF TEXAS

**APPLICATION FORM FOR
DISTRIBUTION COST RECOVERY FACTOR (DCRF) OR DCRF
UPDATE**

2012

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DEFINITION OF TERMS AND ACRONYMS

DCRF	Distribution Cost Recovery Factor
DCRF-RFP	DCRF Rate Filing Package
DSP	Distribution Service Provider
FERC	Federal Energy Regulatory Commission
IOU	Investor-Owned Utility
IOU T&DCOS-RFP	Investor-Owned Transmission & Distribution Utility Cost-of-Service Rate Filing Package
PUC	Public Utility Commission of Texas
ROR	Rate of Return

GENERAL INSTRUCTIONS FOR DCRF-RFP

1. **Chart of accounts:** Unless otherwise indicated, the information required in this filing will be taken from the accounts and records prescribed in the Federal Energy Regulatory Commission (FERC) chart of accounts.
2. **Testimony:** The Distribution Service Provider (DSP) shall provide direct testimony that includes adopting the required schedules and workpapers. Testimony shall also include a list of the completed distribution projects being proposed for addition to rate base, in-service dates, and descriptions of all projects greater than \$100,000. Data and workpapers shall be provided in native electronic format including active EXCEL workbooks and all linked workbooks, with all formulas, cell references, links, etc., intact, functioning, and complete for all tables, figures, and attachments in the testimony.
3. **Eligible costs and return:** Only costs and return calculated in compliance with Substantive Rule 25.243 are eligible for recovery.
4. **DCRF-RFP:** The applicable general instructions and the detailed instructions specific to each schedule from the IOU T&DCOS-RFP shall apply to the preparation of an application. If there is a conflict between the instructions contained in the DCRF-RFP and the IOU T&DCOS-RFP, the instructions in this DCRF-RFP shall control.
5. **Schedule format:** Schedules B, B-1, B-5, B-7, and E-1, which require information by FERC account, and Schedules A, E-2, E-3, E-3.7, E-3.10, H, and J shall be prepared as in the attached sample forms. The DSP may add columns if necessary. Workpapers for each schedule shall be provided in electronic native format, with all Microsoft Excel schedules having all formulas, cell references, links, etc., intact, functioning, and complete.

Note 1: The DSP shall provide workpapers for the additions in each year per FERC account and the details for exclusion of indirect corporate costs and capitalized O&M costs. The workpapers should explain the criteria used to identify the excluded costs.

Note 2: The DSP shall provide workpapers that detail retirements and other adjustments for each year per FERC account, including an explanation for (and associated workpapers showing) how any amounts booked to a non-distribution account (e.g., 303, 352, 353, 391, and 397) were determined to be distribution-related.

Note 3: The DSP shall provide workpapers to support the allocation methods used to derive the amounts included, the derivation of all class allocation factors by FERC account, and the billing unit updates. Workpapers for the class allocation factors and weather adjustments shall be provided in Microsoft Excel format with sufficient data to permit replication of the adjustment and all formulas, cell references, links, etc., intact, functioning, and complete.

Note 4: The DSP shall provide the most recent earnings monitoring report filed by the electric utility pursuant to Substantive Rule 25.73(b). Workpapers for the earnings monitoring report, and any updates to the earnings report, shall include sufficient underlying data to review adjustments to the earnings results. The earnings monitoring report, any proposed adjustments, updates, and workpapers shall be provided in Microsoft Excel format with all workbooks and all linked workbooks having all formulas, cell references, links, etc., intact, functioning, and complete.

6. **Approved DCRF Schedules:** The DSP shall provide a copy of the distribution schedules or amounts approved in its last comprehensive base-rate proceeding. The amounts in the first column in schedules in the DCRF-RFP should tie to those schedules or amounts. The DSP shall provide a comparison that summarizes the DCRF and DCRF updates approved by the PUC since the DSP's last comprehensive base-rate proceeding, shown for each proceeding and on a cumulative basis.
7. **History of DCRF Charges:** The DSP shall provide a schedule that shows the history of the DSP's DCRF rates approved in previous DCRF filings. The schedule shall include the docket number for each DCRF application, the date of the Commission's order, and the DCRF approved for each rate class.
8. **Tariff:** The DSP shall provide a tariff schedule to reflect its DCRFs. The proposed DCRF for each rate class shall be calculated using the formula prescribed in Substantive Rule 25.243:

$$\frac{((DIC_C - DIC_{RC}) * ROR_{AT}) + (DEPR_C - DEPR_{RC}) + (FIT_C - FIT_{RC}) + (OT_C - OT_{RC}) - \sum(DISTREV_{RC-CLASS} * \%GROWTH_{CLASS})}{BD_{C-CLASS}}$$

Where:

DIC_C = Current Net Distribution Invested Capital.

DIC_{RC} = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

ROR_{AT} = After-Tax Rate of Return as defined in paragraph (2) of this subsection.

$DEPR_C$ = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.

$DEPR_{RC}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.

FIT_C = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.

FIT_{RC} = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

OT_C = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested Capital, calculated using

current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

OT_{RC} = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$DISTREV_{RC-CLASS}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the last comprehensive base-rate proceeding) = $(DIC_{RC-CLASS} * ROR_{AT}) + DEPR_{RC-CLASS} + FIT_{RC-CLASS} + OT_{RC-CLASS}$.

$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = $(BD_{C-CLASS} - BD_{RC-CLASS}) / BD_{RC-CLASS}$

$DIC_{RC-CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC-CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC-CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC-CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

$BD_{C-CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

$BD_{RC-CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

If an input to the DCRF formula from the last comprehensive base-rate proceeding is not separately identified in that proceeding, it shall be derived from information from that proceeding.

9. **Attached Forms:** Certain schedule titles are followed by “(see attached form).” Where such a notation appears, the format for the schedule is provided and shall be followed.

LIST OF REQUIRED SCHEDULES

Schedule A: Summary of Distribution Cost of Service (DCOS) (see attached form)

This schedule shall summarize the DSP's DCOS approved in its last comprehensive base-rate proceeding including, but not limited to, non-fuel operations and maintenance expenses, depreciation expenses, federal income taxes, if applicable, and taxes other than income taxes. It shall also summarize the change in return and depreciation expense due to the net additions to the distribution-related plant (FERC accounts 303, 352, 353, 360-374, 391, and 397).

Schedule B: Summary of Distribution Rate Base (see attached form)

This schedule shall summarize the DSP's historical distribution rate base approved in its last comprehensive base-rate proceeding. It shall also summarize the change in rate base and return on rate base due to the net additions to the distribution-related plant (FERC accounts 303, 352, 353, 360-374, 391, and 397).

Schedule B-1: Distribution Plant-Gross (see attached form)

This schedule shall summarize distribution-related plant by FERC accounts 303, 352, 353, 360-374, 391, and 397 starting at the end of the test year from the last comprehensive base-rate proceeding through the update period. The amounts in this schedule shall tie to the book balances as of the end of each reporting period included in the update period. Supporting workpapers that fully and clearly explain the additions, adjustments, and retirements summarized in this schedule shall be provided.

Schedule B-5: Distribution Accumulated Depreciation (see attached form)

This schedule shall include the accumulated provisions for depreciation detailed by distribution-related plant FERC accounts 303, 352, 353, 360-374, 391, and 397 starting at the end of the test year from the last comprehensive base-rate proceeding. Supporting workpapers shall be provided that fully and clearly explain the changes in the accumulated depreciation over the update period. The amounts reported in this schedule shall tie to the book balances as of the end of each reporting period included in the update period.

Schedule B-7: Distribution Accumulated Deferred Federal Income Tax (see attached form)

This schedule shall calculate the incremental accumulated provisions for deferred federal income tax detailed by distribution-related plant FERC accounts 303, 352, 353, 360-374, 391, and 397 based on the percentage of net plant additions per FERC account relative to the total net distribution plant additions. A separate worksheet shall be included that details the percentage of net plant additions for each of the FERC accounts 303, 352, 353, 360-374, 391, and 397 relative to the total net distribution plant in service from the last comprehensive base-rate proceeding.

Schedule E-1: Distribution Depreciation Expense (see attached form)

This schedule shall include the change in depreciation expense detailed by distribution-related plant FERC accounts 303, 352, 353, 360-374, 391, and 397. Depreciation rates approved in the last comprehensive base-rate proceeding shall be applied to the gross plant balances at the end of update period. The amounts reported in this schedule shall tie to the book balances as of the end of each reporting period and to the amounts reported in other schedules in the DCRF-RFP.

Schedule E-2: Distribution Taxes Other Than Federal Income Taxes (see attached form)

This schedule shall include the change in ad valorem taxes, state gross margin (franchise) taxes, and other taxes associated with the change in net plant. Supporting workpapers that fully and clearly explain the methods and procedures followed to determine the additional expense shall be provided.

Schedule E-3: Distribution Federal Income Taxes (see attached form)

This schedule shall include the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base due to additions and retirements to distribution plant.

Schedule E-3.7: Plant-Related Accumulated Deferred Federal Income Tax (ADFIT) Balances (see attached form)

This schedule shall provide the total year-end book balance for ADFIT and the resulting allocation to the distribution function, based on allocation factors that are updates of the allocation factors approved in the last comprehensive base rate proceeding. A workpaper that details the calculation of the updated allocation factors shall also be included.

Schedule E-3.10: Distribution Plant Accumulated Deferred Federal Income Tax (ADFIT) Change (see attached form)

This schedule shall reflect the net change in ADFIT balances at the end of the update period related to distribution plant additions placed in service, and retirements and ongoing plant-related book/tax depreciation differences in the update period since the last comprehensive base-rate proceeding.

Schedule H: Summary of Historic Year Billing Determinants (see attached form)

This schedule shall summarize the DSP's billing determinants approved in its most recent comprehensive base-rate proceeding, the changes associated with weather-normalization, number of customers, and the percent associated with load growth for each customer class. The updated billing unit data shall be adjusted for year-end customers. The summary of weather normalization shall provide the results of statistical tests associated with the normalization model and explain the DSP's evaluation of statistical criteria. Normal weather shall be based on a historical period of 10 years, as required by Subst. R. 25.243(b)(5). The schedule shall provide information on all variables used in the weather model and an explanation for the variables selected.

Schedule J: Rate Design (see attached form)

This schedule shall include, for each customer class, class allocation for the allocated distribution plant approved in the last comprehensive base-rate proceeding and the billing determinants (Schedule H) consistent with the type of units used to design the rates from the last comprehensive base-rate proceeding. Allocation factor data shall be provided in sufficient detail to show class shares of distribution rate base components. Billing determinants shall be for the 12 months ending on the same date used to determine the changes in invested capital used in this application adjusted for load growth.

Attached Forms:

- Schedule A
- Schedule B
- Schedule B-1
- Schedule B-5
- Schedule E-1
- Schedule E-2
- Schedule E-3
- Schedule H
- Schedule J
- Schedule K—most recent PUC earnings monitoring report