

PUBLIC UTILITY COMMISSION OF TEXAS

**TRANSMISSION & DISTRIBUTION (TDU)
INVESTOR-OWNED UTILITIES**

**RATE FILING PACKAGE
FOR
COST-OF-SERVICE DETERMINATION**

2020

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GENERAL INSTRUCTIONS

The following instructions apply to all schedules required in the Investor-Owned Utility Transmission and Distribution Cost-of-Service Rate Filing Package, unless otherwise noted. A utility providing both transmission and distribution functions subject to the Commission’s jurisdiction, including a utility that provides wholesale transmission service at both transmission and distribution voltages but does not serve retail customers, must include all regulated functions in each rate case. A utility that solely provides wholesale transmission service at transmission voltage subject to the Commission’s jurisdiction need only include schedules for the transmission function.

1. Unless otherwise indicated, the information required in this filing must be taken from the utility’s accounts and records as prescribed in the Federal Energy Regulatory Commission (FERC) chart of accounts. All mentions of the term “FERC account” refer to the FERC chart of accounts.

2. **Testimony and schedules:** The utility must provide direct testimony and the required schedules and workpapers. Schedules, relevant data, and supporting workpapers (to the extent that the workpapers have been developed in Excel) must be provided in native electronic format. All submissions must include active Excel workbooks and any linked workbooks with all formulas, cell references, and links intact, functioning, and complete for all tables, figures, and attachments in the testimony. **When supporting workpapers would duplicate information provided elsewhere in the filing the utility must provide a specific citation (e.g., Bates page number) to where the workpaper is found in the rate filing package (RFP). Where no supporting workpapers exist, a utility must include an affirmative statement that the workpapers do not exist.** If information in the cells of Excel workbooks is hard-coded, the company must provide the source of the information for the hard-coded data in narrative format or by including the explanatory information in “comments” within the cells. Additionally, even if a utility’s spreadsheet models are not all linked electronically via Excel spreadsheets or other software, the utility must ensure that its filed information flows logically between spreadsheets and schedules, with the outputs from its cost-of-service model flowing as inputs into its rate-design model. With the exception of normal rounding differences, the two models must tie to one another. **Please note: Filed rate applications that do not include active Excel workbooks consistent with the above requirements will be considered deficient.**

The Executive Summary or the testimony of an overview witness must include a comparison of the rate base, rate of return, sales or other revenues, operating expenses by major category (e.g., O&M, depreciation, other taxes, income taxes), and operating income as authorized in the utility’s last rate case and as proposed; an explanation of the cost or revenue drivers causing rates to change; and a complete listing of each testifying witness, the general subject matter addressed by the witness, and the volume number and Bates page number on which each witness’s testimony begins. (Note: Bates page numbers must be based on the number of pages in the utility’s *entire application*, not on page numbers that restart with a new *Page 1* in each volume of the filing.) The utility may provide Bates page numbering in the alternate format provided in General Instruction No. 20.

3. **Definitions.** For the filing of the RFP, the following terms have the following meaning:

- a. Test Year—an historic 12-month period deemed reasonable by the Commission, beginning on the first day of a calendar or fiscal year quarter, for which operating data are available.
 - b. Regulated functions—functions regulated by the Commission. For all utilities, the following are regulated functions: Distribution (DIST), Transmission and Distribution Utility Metering System Services (MET), Transmission and Distribution Utility Billing System Services (TBILL), and Transmission and Distribution Utility Customer Service (TDCS). For all utilities that operate in the Electric Reliability Council of Texas (ERCOT), the Transmission (TRAN) function is also a regulated function.
 - c. TCOS—refers to wholesale transmission cost of service within ERCOT.
4. For the filing of the RFP, the information reported must be based on the Test Year.
 5. For the Test Year, costs must be unbundled into the following functions, as defined in 16 Texas Administrative Code (TAC) § 25.344:
 - a. Transmission (TRAN)
 - b. Distribution (DIST)
 - c. Transmission and Distribution Utility Metering System Services (MET)
 - d. Transmission and Distribution Utility Billing System Services (TBILL)
 - e. Transmission and Distribution Utility Customer Service (TDCS)

All references in these instructions to “the functions” or “the transmission and distribution functions” refer to the five functions described in this paragraph (General Instruction No. 5), and the term “functionalize” refers to the separation of costs into these five functions. A utility, at its discretion, may combine the TBILL and TDCS functions into one category making up the customer charge labeled TDCS. If choosing this option, the utility must make all applicable adjustments to reflect this combination of functions on each of the RFP schedules. A utility whose wholesale transmission rates are under the jurisdiction of FERC must file a complete copy of its approved FERC Open Access Transmission Tariff. Such utility must also include its transmission costs and revenues under the transmission function on the schedules in this rate filing package. A utility may substitute Distribution Utility Metering Services (DMET), Distribution Utility Billing System Services (DBill), and Distribution Utility Customer Service (DCS) for the items listed in instruction 5c, 5d, and 5e above if wholesale transmission service at transmission voltage is not applicable.

6. Schedule II-I-3 is only applicable to the non-ERCOT utilities.
7. **Numbering of Schedules.** Schedules must be referenced by schedule number and name as indicated in each instruction and must identify the witness sponsoring the schedule. Each line of each RFP schedule must be numbered. Any schedule that is not applicable must be so designated and include an explanation of why it is not applicable.
8. Schedules that require information by FERC account must be in accordance with the following instructions:

- Column (1): information as reported on the utility’s financial statements for the test year
- Column (2): the adjustment necessary to remove non-regulated or non-electric amount from column (1) and items prohibited by statute or Commission rule
- Column (3): the adjustments for known and measurable changes to the Test Year or amounts transferred from one FERC account to another
- Column (4): Column (1) plus or minus Column (2) and (3)
- Column (5): Number of Functionalization Factor
- Column (6): Name of Functionalization Factor
- Column (7): Allocation of the total in Column (4) to Texas
- Column (8): Allocation of Column (7) to TRAN function
- Column (9): Allocation of Column (7) to DIST function
- Column (10): Allocation of Column (7) to MET function
- Column (11): Allocation of Column (7) to TBILL function
- Column (12): Allocation of Column (7) to TDCS function
- Column (13): Total allocated to Columns (8) to (12) must equal amount in Column (7)
- Note 1: The utility must provide workpapers that detail the amounts transferred from one FERC account to another as a result of any changes in FERC accounting instructions. Supporting calculations and the basis for each transferred item must also be included in these workpapers.
- Note 2: The utility must provide workpapers that detail and support the functional allocations of column (7) to columns (8) through (12). These workpapers must contain all supporting data and calculations that form the bases for such functional allocations. Allocation factors must be identified as to whether they:
- (a) were derived using data developed within the model (“internal”),
 - (b) were weather normalized, or
 - (c) vary according to the functional or class revenue requirements.
- Note 3: The utility must provide workpapers that detail the affiliated items included and support the allocation methods used to derive the amounts included.
- Note 4: Sample schedules attempt to provide a complete listing of accounts. However, if the utility has accounts on its books not included in the schedule listing, those accounts must be added.
- Note 5: Columns (2) and (3) may be expanded into multiple columns to individually identify the differing types of adjustments. For a multi-jurisdictional utility, columns must be added before Column (5) to indicate the number of the jurisdictional functional allocation factor, its name, and the amount allocated to Texas. The utility must provide workpapers and explanatory documentation detailing the nature of each adjustment and known and measurable changes.
- Note 6: Items reported in all schedules must be developed consistent with the instructions for the same items applicable elsewhere in the RFP.

- Note 7: Column (8) must be expanded to identify separately (a) the wholesale transmission base revenue requirement excluding the costs of direct-current interconnections with areas outside of the ERCOT region (DC ties), and (b) the costs of DC ties.
9. Functional reclassifications must be documented in the appropriate schedules and amounts assigned to the functions as appropriate; additionally, the purpose of and support for reclassifications must be provided. Reclassified costs must not be transferred from one account to another. Transfers must only be used to make accounting adjustments in accordance with FERC accounting instructions.
 10. Adjustments to Test Year balances must be made for the removal of items not allowed to be included in the utility's cost of service by statute or Commission rule. Additionally, adjustments must be made to the Test Year to remove nonrecurring costs and normalize extraordinary expenditures. Workpapers detailing and explaining the adjustments made must be provided.
 11. **Functionalization.** Costs (or revenues, where appropriate) must be assigned to the functions using the following three-tier process.
 - a. For each FERC account, costs must be directly assigned to functions to the extent possible, and all relevant workpapers provided. For FERC accounts that contain amounts functionalized using multiple functionalization factors, or that are directly assigned along with amounts that are functionalized, a breakdown of directly assigned costs and costs by each functionalization factor used must be provided.
 - b. The utility must provide detailed workpapers documenting the nature of any costs that cannot be directly assigned. For adequately documented costs, the utility may derive an account-specific functionalization factor based on the directly assigned costs or appropriate cost-causation principles. The utility must justify the assignment of common costs to functions, and must present evidence to support any such assignment. For ERCOT TDUs, for any costs assigned or allocated to the TRAN function, and for which such assignment or allocation is not explicitly allowed for in 16 TAC Chapter 25, the utility must present a comprehensive justification for assigning or allocating those costs to the TRAN function, and must present evidence to support any such assignment or allocation to the TRAN function.
 - c. If adequately documented costs remain for which direct assignment or account-specific functionalization cannot be identified, the appropriate functionalization factor prescribed in Schedule F may be used. These functionalization factors must only be used as a last resort. If a utility deems a functionalization factor other than the factors prescribed in Schedule F to be necessary, the utility must provide a detailed justification for the chosen functionalization factor. For ERCOT TDUs, for any costs assigned or allocated to the TRAN function, and for which such assignment or allocation is not explicitly allowed for in 16 TAC Chapter 25, the utility must present a comprehensive justification for assigning or allocating those costs to the TRAN function, and must present evidence to support any such assignment or allocation to the TRAN function.

Class Allocation. Costs (or revenues, where appropriate) must be assigned or allocated to the rate classes consistent with the definition of rate class provided in 16 TAC § 25.5 (relating to Definitions), and also to wholesale distribution service classes if the utility provides wholesale transmission service at distribution voltage. As used in the RFP, the term “class” is as an abbreviation for rate class and also encompasses wholesale distribution service classes.

12. **Workpapers.** Concurrently with the filing of 11 copies of the RFP, the utility must also separately file with the Commission 11 complete sets of workpapers used in the preparation of certain schedules, subject to the provisions of General Instruction No. 15 dealing with voluminous workpapers. The utility must also concurrently file 11 copies of its entire direct case, including all testimony and exhibits. In addition, one (1) complete set of the same RFP, testimony, exhibits and workpapers must be delivered to the Office of Public Utility Counsel on the date of filing. Upon request by any person moving to intervene (which request may be made prior to any anticipated rate filing), on the date of filing the utility will serve upon such person one (1) complete set of the same RFP, testimony, exhibits and workpapers filed with the Commission.
 - a. Workpaper referencing format: For workpapers supporting RFP schedules, the workpaper reference must always begin with the characters “WP/” followed by the schedule to which the workpaper refers. Specific workpapers must then be referenced by ascending numbers. The resulting series of workpapers must have a pyramid structure, with the top workpaper (the workpaper with the least complicated reference, for example WP/I-A) being the workpaper that directly reflects the amounts shown on a particular schedule (in this case, Schedule I-A). The next level down the pyramid (using the A-1 series, this would be WP/I-A/1) would contain information that explains a portion of the top workpaper (in this case, WP/I-A). Each successive level down the pyramid would explain something from the next higher level.
 - b. Workpaper content: All assumptions, calculations, sources, and data supporting allocation or functionalization of the Test Year expenses and balances must be included in the workpaper supporting each schedule. In addition, cross-references that “tie” numbers in the schedule and the workpaper must be provided on both the workpaper and the schedule.
 - c. Workpaper location: All workpapers not considered voluminous (See General Instruction No. 15, below) must be organized and appear in the same order as the schedules they support. Workpapers supporting testimony must appear behind the individual testimony supported. For testimony workpapers provided electronically, specific citations to electronic copies must appear behind the individual testimony supported.

13. **Electronic files.** All documents created in native electronic format (e.g., Microsoft Word, Microsoft Excel, or similar compatible formats) in the RFP, including testimony and schedules, must be served upon all intervenors in the utility’s most recent major rate case in the same native electronic format via flash drive, electronic mail, or similar electronic means on the date of filing. Do not use compact disc. For each witness, testimonies must be filed in separate electronic files in native Microsoft Word format and

may, at the utility’s discretion, also be filed for each witness in separate files in PDF format.

14. **Confidentiality.** If the utility claims that requested information is confidential, a statement to that effect must be included in the filing package in the schedule where the information is requested. All information requested in the schedule for which the utility does not claim confidentiality must be included in the filing package schedule. The utility must include as part of Section VII a signed statement by its attorney that presents, for each schedule for which the utility claims that the requested information is confidential, the claimed reasons that the information should be treated as confidential and that states that the attorney has reviewed the information sufficiently to state in good faith that the information is confidential.

Until a protective order is issued, the utility must provide the Commission or a party granted intervenor status the information claimed to be confidential if the party agrees to be bound by the draft protective order contained in Section VII as if it had been issued. Use of the draft protective order contained in Section VII as a confidentiality agreement pending issuance of a protective order does not preclude issuance of a protective order that differs from the draft protective order contained in Section VII.

15. **Voluminous material.** For any individual schedule or supporting workpaper that consists of 100 or more pages, the information must be provided on flash drive, or other electronic storage medium, or by making the information available to parties via an internet file hosting service. Do not use compact disc. If the volume of the data meets the threshold for the “freight car doctrine” [eight (8) linear feet of documents], the requested material must be made available at its normal repository on the date of filing. The utility must provide a schedule detailing all normal repositories and cross-reference all RFP schedules to the information contained in those repositories. For the purpose of this General Instruction, each subpart of each section is a separate schedule (e.g., Schedule I-A, II-B, II-C, etc., are all separate schedules). The utility must deliver a copy of all voluminous materials not subject to the “freight car doctrine” to both the Commission’s Legal Division and the Office of Public Utility Counsel on the day of filing the RFP application.
16. **Update.** For all schedules that include “**update required,**” the utility must provide all information subsequent to test year end but not previously provided in the rate filing package. This information must be filed 45 days after the original date of filing. The update must include all available information not previously presented and must be presented in the same format as the rate filing schedule for which the update is required. Updated schedules must be filed in the same format as that of the original schedules.
17. Certain schedule titles are followed by “(see attached form).” Where such a notation appears, the format for the schedule is provided and must be followed.
18. If a particular schedule is not applicable, the utility must supply a statement in its place indicating that the schedule is not applicable. The utility must also include a simple explanation indicating the reason the schedule is not applicable.

19. Within three days of filing the RFP, the utility must file a comprehensive index that lists each witness's testimony and the location of the corresponding schedules and workpapers by Bates page. The index must also include the schedules to the RFP and related workpapers by Bates page. (Note: Bates page numbers must be based on the number of pages in the utility's *entire application*, not on page numbers that restart with a new *Page 1* in each volume of the filing.)

DEFINITION OF TERMS AND ACRONYMS

A&G	Administrative & General
AFUDC	Allowance for Funds Used During Construction
ADIT	Accumulated Deferred Income Tax
CCN	Certificate of Convenience and Necessity
CIAC	Contribution in Aid of Construction
CWIP	Construction Work In Progress
EPHFU	Electric Plant Held For Future Use
ERCOT	Electric Reliability Council of Texas
DSM	Demand Side Management
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIT	Federal Income Tax
FICA	Federal Insurance Contributions Act
FTE	Full-Time Employee
FUTA	Federal Unemployment Tax Act
GAAP	Generally Accepted Accounting Principles
IDC	Interest During Construction
IOU	Investor Owned Utility
M&S	Materials & Supplies
MCPR	Monthly Construction Progress Reports
O&M	Operations & Maintenance
OPUC	Office of Public Utility Counsel
PUC/PUCT	Public Utility Commission of Texas
PURA	Public Utility Regulatory Act
ROR	Rate of Return
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SUTA	State Unemployment Tax Act
T&D COS	Transmission and Distribution Utility’s Cost of Service
TCOS	Wholesale Transmission Cost of Service

TDCS

Transmission and Distribution Customer Service
Utility

SECTION I: SUMMARY

I-A: Cost of Service Summary (see attached form)

This schedule must summarize the utility's overall cost of service and revenue requirement used for the determination of the non-bypassable retail delivery charges and wholesale transmission rates, which must be the sum of 1) the Total Requested Cost of Service net of Revenue Credits from Schedule I-A-I; 2) the Requested Nuclear Decommissioning from Schedule II-G, if applicable; 3) a System Benefit Fee (if applicable); 4) a Competition Transition Charge, if any, outlined in the supporting schedules described herein; and 5) any other charges the Commission has previously approved as non-bypassable charges (TCRF, Transition Charges, etc.). Costs associated with identifiable riders must be listed as distinct line items, and must tie to applicable detailed schedules. This schedule must begin with unadjusted Test Year rate revenues for each identified item above, adjustments to Test Year rate revenues, proposed rate revenues, and the requested increase/decrease to adjusted Test Year rate revenues. The total information must be composed of wholesale transmission service plus retail delivery service, shown in total by class.

I-A-1: Total Cost of Service by Function (see attached form)

This schedule must summarize the utility's overall Requested Cost of Service and Revenue Requirement for the Test Year including operations and maintenance expenses, depreciation expenses, income taxes, taxes other than income taxes, and the return developed from the supporting schedules described herein. Revenue Credits by function must also be included. The costs and credits must be unbundled into the regulated functions. Presentation must be such that historic Test Year amounts and adjustments thereto can be separately determined. All costs and credits to be included in each function must be referenced to the detailed schedules and/or appropriate workpapers, computations, and analyses.

I-A-2: Adjustments to Test Year

An explanation for each adjustment appearing on Schedule I-A-1 must be made within this schedule. Each adjustment must include references to the appropriate testimony and the detailed supporting workpapers that present computations, analyses, and justification for the requested adjustments. The adjustment must be provided by FERC account and identify the sponsoring witness or witnesses. In addition, the adjustment must reference the specific line on Schedule I-A-1 to which the adjustment applies. A short justification of the cause of the requested increase or decrease in expense must also be provided, if not provided in the referenced testimony. For adjustments to FERC accounts that contain amounts that are subdivided in the RFP into separate line items for purposes of functionalization or class allocation, adjustments must be presented similarly subdivided into the separate line items. The following format must be used:

Category of Expense (e.g., O&M)

Description	Schedule I-A-1 Reference	Workpaper Reference	Amount	Sponsoring Witness
Expense amount, as adjusted by FERC Account			\$	
Less: Amount per books (Test Year) by FERC Account			-	
Adjustment by FERC Account			\$	

Justification for requested adjustments:

SECTION II: TEST YEAR DATA

SCHEDULE B: RATE BASE

II-B: Rate Base by Function (see attached form)

This schedule must summarize the utility's overall requested rate base as of the end of the Test Year, separated into the functions. Presentation must be such that Test Year amounts and adjustments thereto can be separately determined. All items included must be referenced to the detailed schedules or the appropriate workpapers, computations, and analyses. Supporting information may include one-line diagrams (marked to identify transmission, distribution and common facilities) of all distribution substations for which the high side (transmission voltage related equipment) is included in transmission rate base, functionalization factors or other documentation necessary to support the separation of rate base items (including "common" facilities) into the functions.

II-B-1: Original Cost of Utility Plant (see attached form)

This schedule must summarize the amounts of utility plant by FERC accounts 301-303 and 349-387 as of the end of the Test Year, functionalized under General Instruction No. 11. A utility may reclassify some amounts among functions, consistent with 16 TAC Chapter 25 or applicable FERC filings. Any reclassification of plant must be made in accordance with General Instruction No. 9. This schedule must tie to the book balances at the end of the Test Year. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. In addition, the utility must provide a schedule listing each transmission project that has an associated Commission docket number for a Certificate of Convenience and Necessity (CCN) and has not previously been included in an actual (i.e. non-interim) transmission cost filing. The schedule must list the docket number, the date that the transmission line was energized, and the project costs for each project in each applicable B schedule by FERC transmission and distribution account numbers.

II-B-2: General Plant Functionalization (see attached form)

This schedule must detail the amounts of general plant at Test Year end by FERC accounts 388-396 and 398-399, functionalized under General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or sub account must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-B-3: Communication Equipment (see attached form)

This schedule must show the balance of communication equipment for the Test Year end in FERC Account 397, or other account (specify) where such equipment is booked, functionalized under General Instruction No. 11. For the purpose of General Instruction No. 11(c), equipment located at substations that provide multiple functions must be functionalized on the same basis as common plant at that substation. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-B-4: Construction Work in Progress (see attached form)

This schedule must show the amount of Construction Work in Progress (CWIP) requested in cost of service, functionalized under General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-B-5: Accumulated Depreciation (see attached form)

This schedule must include the accumulated provisions for depreciation detailed by primary account classification (e.g., 350-359, 360-373, 389, etc.) as of the end of the Test Year, functionalized under General Instruction No. 11, and the corresponding surplus or deficiency between the book and theoretical depreciation reserve as derived in the most recent depreciation study. A description of the methods and procedures followed in booking depreciation must be included in this schedule. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. All depreciation rates and methodologies must be included by primary account classification.

II-B-6: Plant Held for Future Use (see attached form)

This schedule must show the amount of Electric Plant Held for Future Use (EPHFU) requested in cost of service, functionalized under General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-B-7: Accumulated Provision Balances (see attached form)

This schedule must show the ending balance (Test Year) of each accumulated provision account (i.e., injuries and damages, property insurance, etc.), functionalized under General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. In addition, calendar year-end balances of the property insurance account since the last rate case or for the last ten years, whichever is longer, must be included with the workpapers with the same explanation regarding the functionalization of the account that is provided in II-B-7. If the utility is requesting to increase the target reserve, it must provide all documents supporting the request.

II-B-8: Materials and Supplies (see attached form)

This schedule must show the monthly book balances of Materials and Supplies (M&S) for each month of the Test Year and the month immediately preceding the Test Year, functionalized under General Instruction No. 11. This schedule must also show the thirteen-month average balance of M&S by function. Additionally, functionalized monthly balances for each month subsequent to the end of the Test Year must be shown. An update to this schedule is required 45 days after the initial filing date. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

Supporting workpapers that fully and clearly explain the major categories of materials and supplies must be provided. Major categories include, but are not limited to, poles and attachments, wires and cables, spare parts, substation equipment, and obsolete items.

II-B-9: Cash Working Capital (see attached form)

This schedule must show the total amount of Cash Working Capital included in each component of the unbundled rate base as of the end of the Test Year, functionalized on the same basis as the underlying expense, and consistent with General Instruction No. 11. The amount to be included will be in accordance with 16 TAC § 25.231(c)(2)(B)(iii). This schedule must show the calculated lead days, lag days, and net lag days by expense category. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. A detailed explanation must be provided for the existence of a large positive Cash Working Capital balance (greater than one percent of the requested revenue requirement). If less than five years have passed since the time period examined in the utility's most recently approved lead-lag study, then the utility may use the previously Commission approved lead-lag study in the current proceeding provided no significant or material changes have occurred since the development of the lead-lag study. The lead-lag study must be representative of the Test Year leads and lags. If a new lead-lag study is provided, it may end the quarter prior to the Test Year end or the most recent calendar year.

II-B-10: Prepayments (see attached form)

This schedule must show the monthly book balances of Prepayments for each month of the Test Year and the month immediately preceding the Test Year, functionalized on the same basis as the underlying expense, and consistent with General Instruction No. 11. This schedule must also show the thirteen-month average balance of Prepayments by function. Additionally, functionalized monthly balances for each month subsequent to the end of the Test Year must be shown. An update to this schedule is required 45 days after the initial filing date. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. Supporting workpapers that fully and clearly explain the major categories of prepayments must be provided. Major categories include, but are not limited to, insurance, taxes, software or hardware license and maintenance fees, and other categories as determined by the utility.

II-B-11: Other Rate Base Items (see attached form)

This schedule must detail all other requested rate base items for the Test Year not included in the previous categories, functionalized under General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. Supporting workpapers showing the derivation of the amounts included must also be presented.

II-B-12: Regulatory Assets (see attached form)

The utility must provide the total amount of requested regulatory assets detailed on an asset-by-asset basis for the Test Year, functionalized under General Instruction No. 11. For each item the

utility claims as a regulatory asset, the utility must specifically identify the Commission order (including applicable pages) or other authority upon which this claim is based. If the utility relies upon an authority other than a Commission order, a copy of the documents relied upon must be provided. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-B-13: Gain or Loss on Sale of Utility Assets

This schedule must detail the sale of utility property or assets that are not salvage sales during the Test Year and must provide the calculation of any resulting gain or loss, as well as the allocation of such amounts. The utility must also indicate whether the property or asset sold has been included in the utility's rates. The utility must include the year in which the asset was placed into service and the docket number of the most recent rate proceeding in which the asset was included in the utility's rate base. Supporting workpapers and testimony that fully and clearly explain the derivation of the amounts and their allocations must be provided.

II-B-14: Funded/(Unfunded) Pension and Other Post-Employment Benefits Balance

If the utility has established one or more reserve accounts for expenses for pension and other postemployment benefits, the utility must provide on this schedule a reconciliation of the amounts by year representing the difference between the annual amount of pension and other postemployment benefits included as an operating expense in the utility's rates and the annual amounts of pension and other postemployment benefits as determined by actuarial or other similar studies that are chargeable to the utility's operating expense. Such reconciliation must begin with the most recently approved amount from the utility's last rate case.

If the amount of pension and other postemployment benefits approved as an operating expense in the utility's last general rate proceeding cannot be determined from the regulatory authority's order, the amount recorded on the company's books for pension and other postemployment benefits under generally accepted accounting principles during the first year that rates from the utility's last general rate proceeding are in effect must be used. The utility must identify the date used for determining the first year.

The utility must provide supporting workpapers and testimony that fully and clearly explain the determination of the amounts and their allocations to the various functions. Also, the utility must attach its actuarial studies confirming the annual amounts.

II-B-15A: Allowance for Funds Used During Construction (AFUDC)

This schedule must include a complete statement of the methods, procedures, and calculations followed in capitalizing the allowance for funds used during construction, separated into the functions under General Instruction No. 11. This statement must include, but is not limited to, a listing of the annual AFUDC capitalization rates for the five calendar years ending with the Test Year and provide the amounts generated and transferred to plant in service in each of those years. This schedule extends no earlier than the first calendar year under prudence review in the rate case to which it applies and does not apply to projects that have previously undergone prudence review.

II-B-15B: Other Construction Overhead

This schedule must include a complete statement of the methods, procedures, and calculations followed in capitalizing other construction overhead, separated into the functions under General Instruction No. 11. This statement must include, but is not limited to, a listing of the annual other construction overhead capitalization rates for the five calendar years ending with the Test Year and provide the amounts generated and transferred to plant in service in each of those years. Other construction overhead rates must be categorized as engineering and supervision, administrative and general expenses, etc. This schedule extends no earlier than the first calendar year under prudence review in the rate case to which it applies and does not apply to projects that have previously undergone prudence review.

SCHEDULE C: RATE OF RETURN AND FINANCIAL INFORMATION

II-C-1: Rate of Return Calculation

The determination of final revenue requirements for an investor owned utility must be based on the rate of return method.

II-C-1.1: Rate of Return Method

The rate of return must be based upon the utility's weighted average cost of capital at the end of the test year. A schedule showing the calculation must be provided. It must use the utility's capital structure and its weighted average cost of debt, preferred stock, and preferred trust (or hybrid*) securities, and the weighted average cost of the return that it is claiming is required on its stockholders' equity.

*Note: Instructions and schedules pertaining to preferred trust securities may also be used for similar (hybrid) types of financing.

II-C-2: Financial Information

II-C-2.1: Weighted Average Cost of Capital (see attached form)

This schedule must provide the utility's claimed overall rate of return as a weighted average of each class of capital based upon the utility's capitalization at the end of the Test Year along with any pro-forma adjustments. The cost of debt capital, preferred stock capital, preferred trust securities capital and the claimed return on stockholders' equity, and the component amounts of each class of capital must be presented. In addition, this schedule must present the overall rate of return claimed by the utility on the original cost rate base and the resulting total claimed return (capital cost) expressed in dollars. The company must provide testimony detailing the utility's determination of a fair return to stockholder's equity. The costs and balances of preferred stock, long-term debt, preferred trust securities, and short-term debt must correspond with those provided in response to Schedules II-C-2.2, II-C-2.2a, II-C-2.3, II-C-2.3a, II-C-2.4, II-C-2.4a, and II-C-2.5.

II-C-2.2: Weighted Average Cost of Preferred Stock (see attached form)

Please provide the weighted average cost of preferred stock capital based upon the following data for each class and series of preferred stock outstanding according to the balance sheet as of the end of the Test Year. For each issue, please include:

- a. Description
- b. Date of Issuance
- c. Redemption Status (indicate whether mandatory redemptions are required)
- d. Annual Dividend Rate (in percent)
- e. Par Value at Issuance
- f. Premium or (Discount) at Issuance
- g. Underwriting Fees and Issuance Expenses
- h. Gain or (Loss) on Redeemed Stock at Issuance
- i. Original Net Proceeds [column (e) + column (f) - column (g) + column (h)]
- j. Net Proceeds as a Percent of Par Value [column (i) / column (e)]
- k. Par Value Currently Outstanding
- l. Current Net Proceeds [column (k) x column (j)]
- m. Issue as a Percent of Total Net Proceeds. Each issue must be weighted by the current net proceeds to derive the weighted cost of preferred stock.
- n. Cost of Money (this will equal the stated dividend rate only if there were no issuance expenses or underwriting costs, discounts or premiums, or gains or losses on redeemed stock):

Dividend rate divided by net proceeds as a percent of par value [column (d) / column (j)]

For fixed-rate issues with mandatory redemption, the cost of money may be calculated using the yield-to-maturity method.

- o. Weighted Cost of Preferred Stock [column (m) x column (n)]. The Weighted Average Cost of Preferred Stock is calculated by summing the data in column (o) for each issue.

II-C-2.2a: Adjusted Cost of Preferred Stock (see attached form)

This schedule adjusts the weighted average cost of preferred stock (from Schedule C-2.2) to reflect the amortization of gains or losses on redeemed stock that was not associated with a specific refunding issue of preferred stock. Data input is required on lines 3, 10, and 12 for any company reporting an unamortized balance of gains or losses on redeemed stock (reference line 1 of Schedule C-2.2a). If such gains or losses are not amortized, or if all of the gains or losses on redeemed stock are already accounted for in column (h) of Schedule C-2.2, then the value to be input on line 3 must equal the value appearing on line 1, and the value "zero" must be input on lines 10 and 12. The adjusted cost of preferred stock calculated on line 32 should then be carried forward to Schedule C-2.1 for purposes of calculating the weighted average cost of capital.

II-C-2.3: Weighted Average Cost of Preferred Trust Securities; and II-C-2.3a Adjusted Cost of Preferred Trust Securities (see attached forms)

These schedules must be completed in accordance with the previous instructions for Schedule C-2.2, Weighted Average Cost of Preferred Stock, and Schedule C-2.2a, Adjusted Cost of Preferred Stock.

II-C-2.4: Weighted Average Cost of Long-Term Debt (see attached form)

This schedule must provide the weighted average cost of long-term debt capital based on the following data for each class and series of long-term debt outstanding according to the balance sheet as of the end of the Test Year. For capital lease obligations, the cost and balance of debt must be determined in accordance with generally accepted accounting principles. For each debt issue, it must include:

- a. Description
- b. Date of Issuance
- c. Maturity Date
- d. Interest Rate (Effective interest rate must be used for issues supported by letters of credit.)
- e. Principal Amount at Issuance
- f. Premium or (Discount) at Issuance
- g. Underwriting Fees and Issuance Expenses
- h. Gain or (Loss) on Reacquired Debt at Issuance
- i. Original Net Proceeds [column (e) + column (f) - column (g) + column (h)]
- j. Net Proceeds as a Percent of Par Value [column (i) / column (e)]
- k. Principal Currently Outstanding (including current maturities)
- l. Current Net Proceeds [column (k) x column (j)]

- m. Issue as a Percent of Total Net Proceeds. Each issue must be weighted by current net proceeds to derive the weighted cost of debt.
- n. Cost of Debt (this will equal the stated interest rate only if there were no issuance expenses or underwriting costs, discounts or premiums, or gains or losses on reacquired debt):
 - For variable rate issues, the cost of debt must reflect the interest rate divided by net proceeds as a percent of par value [column (d)/column (j)].
 - For fixed-rate issues, the cost of debt must reflect the yield-to-maturity based on the interest rate, net proceeds, issuance date and maturity schedule, determined by reference to any generally accepted table of bond yields, or a calculator with appropriate capability.
- o. Weighted Cost of Long-Term Debt [column (m) x column (n)]. The Weighted Average Cost of Long-Term Debt is calculated by summing the data in column (o) for each issue.

II-C-2.4a: Adjusted Cost of Long-Term Debt (see attached form)

This schedule adjusts the weighted average cost of long-term debt (from Schedule II-C-2.4) in order to reflect the amortization of gains or losses on reacquired debt that was not associated with a specific refunding issue of debt. Data input is required on lines 3, 10, and 12 for any company reporting an unamortized balance of gains or losses on reacquired debt (reference line 1 of Schedule II-C-2.4a). If such gains or losses are not amortized, or if all of the gains or losses on reacquired debt are already accounted for in column (h) of Schedule II-C-2.4, then the value to be input on line 3 must equal the value appearing on line 1, and the value "zero" must be input on lines 10 and 12. The adjusted cost of long-term debt calculated on line 32 must then be carried forward to Schedule II-C-2.4 for purposes of calculating the weighted average cost of capital.

II-C-2.5: Weighted Average Cost of Short-Term Debt (See attached form)

This schedule must provide the historical balances of short-term debt and a calculation of the weighted average cost of short-term debt as of the end of the Test Year. The balance and weighted average cost of short-term debt may be carried forward to Schedule C-2.1 for purposes of calculating the weighted average cost of capital if the utility believes it is appropriate. This schedule must not include current maturities of long-term debt. The utility must also provide the average daily balances and costs for each month in the Test Year by type of short-term debt.

II-C-2.6: Security Issuance Restrictions

This schedule must provide a description and calculation of the financial tests pertaining to the issuance of securities or the maintenance of banking lines of credit. For each class of securities (first mortgage bonds, unsecured debentures, commercial paper, preferred stock, etc.) or line of credit, the schedule must provide a description of these financial tests (interest coverage, fixed charge coverage, maintenance of shareholders' equity, etc.) and copies of the relevant language contained in the official guiding documents (mortgage agreements, articles of incorporation, credit agreements, etc.) For each financial test, the schedule must provide a calculation of the relevant financial ratio as of the end of the Test Year and the most recent fiscal year, including all supporting data. In addition, projections of each financial test must be provided for three

fiscal years following the Test Year assuming full requested rate relief is granted and, separately, assuming no rate relief is granted.

II-C-2.7: Capital Requirements and Acquisition Plan (see attached form)

This schedule must provide estimates of the requirements for and sources of future capital for three fiscal years following the Test Year consistent with Schedule II-C-2.8. It must include detailed explanations of all assumptions and estimates used. Actual requirements and sources of capital for the most recent fiscal year must also be provided.

II-C-2.8: Financial Ratios (see attached form)

This schedule must provide the following ratios for the Test Year and the four preceding fiscal years calculated on a total company basis. The data used to calculate these ratios must be taken from the Company's audited financial statements, if available for the periods requested.

(1) Total Debt as a Percent of Total Capital

Numerator: Notes Payable
 + Long-Term Debt (Incl. Current Maturities & Capital Lease Obligation)

Denominator: Notes Payable
 + Long-Term Debt (Incl. Current Maturities & Capital Lease Obligation)
 + Preferred Stock
 + Preferred Trust Securities
 + Common Equity

(2) Total CWIP as a Percent of Net Plant

Numerator: Total Construction Work In Progress

Denominator: Total Utility Plant
 - Accumulated Depreciation and Amortization

(3) Construction Expenditures as a Percent of Average Total Capital

Numerator: Cash Construction Expenditures

Denominator: Average of Beginning and Ending Balance of Total Capital
 (See Definition of Total Capital Provided for Ratio No.1)

(4) Pre-Tax Interest Coverage

Numerator: Income from Continuing Operations
 +/- Nonrecurring Items (Before Tax)
 +Minority Interest
 - Equity AFUDC
 + Income Taxes
 + Interest Incurred (See Note 1 below)

Denominator: Interest Incurred

- (5) Funds From Operations / Total Debt
 Numerator: Cash Flow from Operations (Before Working Capital Changes) [See Note 4]
 - Cash Decommissioning Fund Contributions
 Denominator: Notes Payable
 + Long-Term Debt (Incl. Current Maturities & Capital Lease Obligation)
- (6) Fixed Charge Coverage
 Numerator: Same as (4)
 + 1/3 of Rental Expenses
 Denominator: Interest Incurred
 + 1/3 of Rental Expenses
- (7) Fixed Charge Coverage Ratio (Including Distributions on Preferred Trust Securities)
 Numerator: Same as (4)
 + 1/3 of Rental Expenses
 + Distributions related to Preferred Trust Securities
 Denominator: Interest Incurred
 + 1/3 of Rental Expenses
 + Distributions related to Preferred Trust Securities
- (8) Funds From Operations Interest Coverage
 Numerator: Same as (5)
 + Cash Interest Paid
 Denominator: Interest Incurred
- (9) Net Cash Flow/Capital Outlays
 Numerator: Same as (5)
 - Preferred Dividends
 - Common Dividends
 Denominator: Cash Construction Expenditures
- (10) Cash Coverage of Common Dividends
 Numerator: Same as (5)
 - Preferred Dividends
 Denominator: Common Dividends
- (11) Return on Average Common Equity
 Numerator: Net Income After Preferred Dividends
 Denominator: Average of Beginning and Ending Common Equity

NOTES

- (1) "Interest Incurred" includes all Interest Charges, and excludes any recognition of Deferred Borrowing Costs, Capitalized Interest, and Distributions related to Preferred Trust Securities.
- (2) "Cash Flow from Operations" must reflect the amount reported in the Statement of Cash Flows, less Capitalized Interest (if not already subtracted from Net Income in the Statement of Cash Flows), and must also reflect distributions related to Preferred Trust Securities.
- (3) "Cash Construction Expenditures" must not include any Capitalized Interest. This schedule must provide historical financial ratios for the Test Year and the four fiscal years preceding the Test Year in the same format as the attached example, using the formulas and definitions detailed in the example. A utility that has subsidiaries must provide ratios on a stand-alone and consolidated basis. Supporting calculations for each ratio must be provided. Additionally, the same ratios must be projected for the three fiscal years following the Test Year assuming the full requested rate relief is granted. The projected ratios must be consistent with and incorporate the capital requirements and acquisition plan from Schedule C-2.7. The same ratios must also be provided for the Rate Year (the 12-month period following implementation of requested rates) assuming full requested rate relief is granted and, separately, assuming no rate relief is granted. Pro-forma financial statements in sufficient detail to calculate the projected ratios must be provided along with an explanation of all assumptions used to derive the pro-forma statements.

II-C-2.9: Historical Growth in Earnings, Dividends and Book Value (see attached form)

This schedule must provide historical financial information necessary to calculate earnings per share (EPS), dividends per share (DPS), and book value per share (BVPS) over the last three fiscal years or since the last change in the utility's ownership, whichever is shorter. The weighted average number of shares must be adjusted for stock splits. In addition, average values for return on equity (ROE) and earnings retention must be provided. The amount of any non-recurring gains or losses must be provided. A calculation of the year-end market-to-book ratio must also be provided for each year. If the utility is a wholly owned subsidiary *and* the parent company is publicly traded, the information must be provided for the parent company, and additionally, columns (A) through (J) and (S) through (U) must be provided for the utility subsidiary.

II-C-2.10: Rating Agency Reports

The utility must provide a copy of all credit rating analyses or investment reports on the utility and its parent company published during the most recent 12-month period. This must include, but is not limited to, reports by Moody's, Standard & Poor's, and Fitch, Inc.

II-C-3: Internal/External Audits

The utility must provide a list of all external and internal audits conducted during the Test Year, along with a brief description of the audit and the status of the audit. The list must indicate whether the audit was initiated during the Test Year, in progress during the Test Year, or completed during the Test Year.

II-C-4: Board of Directors Meetings

The utility must provide a list of Board of Director meetings held during and subsequent to the Test Year. The list must include the date of the meeting and the agenda. Information must be provided for the utility and its holding company.

SCHEDULE D: OPERATION & MAINTENANCE EXPENSES)

II-D-1: O&M Expenses (see attached form)

This schedule must include the utility's requested overall operations and maintenance expenses by FERC account for the Test Year. Amounts must be functionalized under General Instruction No. 11. Presentation must be such that Test Year amounts and adjustments thereto can be separately determined. All items included must be referenced to the detailed schedules and/or the appropriate workpapers, computations, and analyses. A utility may reclassify amounts among functions, consistent with 16 TAC Chapter 25 or applicable FERC filings. Any reclassification of expenses must be made in accordance with General Instruction No. 9. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. The utility must also include in this schedule the utility's overall operations and maintenance expenses by FERC account for the prior three calendar years on a non-functionalized basis.

II-D-1.1: Monthly O&M Expense

This schedule must include the monthly utility operations and maintenance expense by function according to each account of the Commission prescribed Uniform System of Accounts. The expenses must be shown in columnar form, as follows, with subtotals for each functional classification:

- a. Operation and maintenance expense by months by account, as booked for the Test Year, and the total thereof.
- b. Adjustments, if any, to expense as booked.
- c. Total adjusted operation and maintenance expenses claimed. The total operation and maintenance reported must agree with or be reconciled to that reported on Schedule II-D-1.

II-D-2: A&G Expenses (see attached form)

This schedule must show the utility's requested expenses in FERC accounts 920-935 for the Test Year. Amounts must be functionalized under General Instruction No. 11. Presentation must be such that Test Year amounts and adjustments thereto can be separately determined. All items included must be referenced to the detailed schedules or the appropriate workpapers, computations, and analyses. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. The utility must also include in this schedule the utility's A&G expenses by FERC account for the prior three calendar years on a non-functionalized basis.

II-D-2.1: Monthly A&G Expense

This schedule must include the utility's monthly administrative and general expense by function according to each account of the Commission prescribed Uniform System of Accounts. The expenses must be shown in columnar form, as follows, with subtotals for each functional classification:

- a. Administrative and General expense by months by account, as booked for the Test Year, and the total thereof.
- b. Adjustments, if any, to expense as booked.
- c. Total adjusted administrative and general expenses claimed. The total administrative and general expense reported must agree with or be reconciled to that reported on Schedule II-D-2.

II-D-2.2: Bad Debt Expense

The following information must be presented concerning transmission and distribution bad debt expense:

- 1. The utility’s policy for writing off bad debts.
- 2. The utility’s methodology of calculating monthly bad debt expense. A description of how the utility monitors this methodology to ensure its accuracy.
- 3. A list of the amount of revenues, the corresponding uncollectible expense, and the amount of net bad debts actually written off by function for three years prior to the Test Year and the Test Year.

II-D-2.2a: Bad Debt Expense Under 16 TAC § 25.107

If the utility has created a regulatory asset under 16 TAC § 25.107 for bad debt expense, the utility must provide the following.

All amounts deferred for each regulatory asset under 16 TAC § 25.107, net of collateral posted by a REP and net of bad debt expense already included in rates, by function.

The amount of amortization expense of each regulatory asset by function, the amortization period, and the unamortized balance as of the Test Year end.

II-D-2.3: Summary of Advertising, Contributions, & Dues

This schedule must present a summary of advertising, contributions, and dues expenses by function subject to the 0.3% limitation required by 16 TAC § 25.231(b)(1)(E) and detailed on the schedules identified below. If this expense has been adjusted on any other schedule within the rate filing package, reference that schedule.

<u>ACCT</u>	<u>Category</u>	<u>Schedule No.</u>	<u>Test Year Expense by Function</u>	<u>Other Reference</u>
			\$	
	Advertising	II-D-2.4		
	Contrib./Donations	II-D-2.5		
	Org. Memberships/Dues	II-D-2.6		
Total Expenses Subject to 0.3% Limitation			<u>\$</u>	

TEST OF 16 TAC § 25.231(b)(1)(E):

ADVERTISING, CONTRIBUTION & DUES LIMITATION

Applicable Test Year Revenues		\$
% Limitation		x 0.003

Dollar Limitation	a)	\$
Total Test Year Expense, above	b)	
(Over)/Under Limit (a)-(b)		\$ _____

II-D-2.4: Summary of Advertising Expense

This schedule must provide a summary of advertising expense by function in the following format:

<u>FERC ACCT</u>	<u>Category</u>	<u>Test Year Amount by Function</u>
909	Informational/Instructional	\$
913	Promote & Retain Usage	
930.1	General	
Total Advertising Expense		\$ _____
		II-D-2.3

*If the utility expends funds for advertising activities as defined by the FERC account description for accounts 909, 913, or 930.1 (including payroll), but records such expense in another FERC account, then such expense must be listed on this schedule along with the FERC account number to which that expense was charged.

II-D-2.4a: Capitalized Advertising

If any portion of advertising activities, as defined in FERC accounts 909, 913, or 930.1 was capitalized since rates were last set, present a schedule detailing the FERC account charged, the vendor, the nature of the charge, the amount by function, and an explanation for capitalizing the charge. In addition, this schedule must present the amount included in cost of service by function that resulted from capitalized advertising expense.

II-D-2.5: Summary of Contribution & Donation Expense

This schedule must provide a summary of contribution and donation expense by function in the following format:

FERC	Test Year Amount
------	---------------------

<u>ACCT</u>	<u>Description</u>	<u>by Function</u>
	Educational	\$
	Community Service	
	Economic Development	
Total Contributions and Donations		\$ _____
		II-D-2.3

II-D-2.6: Summary of Membership Dues Expense

This schedule must provide a summary of membership dues or support expense by function in the following format:

<u>FERC</u>	<u>Schedule</u>	<u>Test Year</u>
<u>ACCT</u>	<u>No.</u>	<u>Amount</u>
<u>Category</u>		<u>by Function</u>
Industry Organizations	II-D-2.6a	\$
Business/Economic Organizations	II-D-2.6b	
Professional Organizations	II-D-2.6c	
Total Membership Dues		_____
Less: Social/Recreational/Religious		
Less: Political		_____
Total Membership Dues Subject to Limitation		\$ _____
		II-D-2.3

II-D-2.6a: Summary of Industry Organization Dues

This schedule must provide a summary of electric industry organization dues expense by function in the following format. The utility must include workpapers that provide supporting documentation of the percentages of the reported amounts attributable to legislative advocacy or other items disallowed by statute or rule.

<u>FERC</u>	<u>Test Year</u>	<u>Brief</u>
<u>ACCT</u>	<u>Amount</u>	<u>Purpose of Organization*</u>
<u>Organization</u>	<u>by Function</u>	
EEI	\$	
Council of Energy Awareness		
Assn. of Energy Producers		
.		
.		
.		
Total Industry Organization Dues	\$ _____	

II-D-2.6

*If not indicated in the title or FERC account description.

II-D-2.6b: Summary of Business/Economic Dues

This schedule must provide a summary of business and economic dues expense by function in the following format:

<u>FERC ACCT</u>	<u>Description</u>	<u>Test Year Amount by Function</u>	<u>Brief Purpose of Organization*</u>
	City Devel. Committee	\$	
	Area Capital Advisory		
	Downtown Business Club		
	.		
	.		
	.		
Total Business and Economic Dues		<u>\$</u>	
		II-D-2.6	

* If not indicated in the title or FERC account description.

II-D-2.6c: Summary of Professional Dues

This schedule must provide a summary of professional dues expense by function in the following format:

<u>FERC ACCT</u>	<u>Description**</u>	<u>Test Year Amount by Function</u>	<u>Brief Purpose of Organization*</u>
	.	\$	
	.		
	.		
Total Professional Dues		<u>\$</u>	
		II-D-2.6	

* If not indicated in the title or FERC account description.

** Individual organization dues not exceeding \$500.00 each may be combined into one category. If this information is not readily available, provide the total amount of professional dues incurred during the Test Year by function.

II-D-2.7: Outside Services Employed – FERC 900 Series Expenses

This schedule must present information on all outside services employed during the Test Year that appear in FERC 900 series accounts and amounts for the prior three years in the same format. This schedule must include the following information:

1. Functionalized expenses by category and by vendor within the category for the Test Year.
2. Identification of the expense by FERC 900 series account numbers.
3. Purpose of each vendor's service.
4. The recurring or non-recurring nature of the service.
5. Date service was last incurred.
6. List of any annual variance in excess of the greater of \$100,000 or seven percent by vendor.

II-D-2.8: Factoring or Sale of Accounts Receivable Expense

The following information must be presented concerning factoring expense:

1. A copy of the factoring agreement.
2. An explanation how the factoring expense is calculated and allocated.
3. A brief calculation and narration indicating how factoring benefits the ratepayer.
4. Copies of all monthly billings or monthly summaries received from the factor for all months during the Test Year.
5. Confirmation that the utility is not requesting recovery of both uncollectible expense and factoring expense. If the utility is requesting recovery of both, provide an explanation.
6. **Update required.**

II-D-2.9: Rents and Leases

This schedule must provide the following information for all real property and fleet vehicle leases existing during the Test Year and the prior three calendar years:

1. The monthly lease amount by function.
2. The terms of the lease.
3. The address and the business purpose.
4. Monthly payment.
5. A copy of the executed lease agreement.

The utility must provide assurance that the nature of each business purpose is regulatory related and appropriate to include in cost of service. For example, any annual rent for leased property used for legislative advocacy purposes must be excluded from the cost of service. Any rent that is reimbursed by a third party must not be included in the cost of service.

If the lease term expires before or during the Rate Year, the utility must indicate whether the lease will be renewed. If the lease will not be renewed, the utility must identify any replacement lease.

The utility must provide assurance that rent on any property is not recovered through lease expense and rate case expense. For example, rent on a voluminous room should be recovered in one place or the other, not both.

II-D-3: Payroll Expense Distribution (see attached form)

This schedule must present the Test Year payroll expense by functional group and by FERC primary account, functionalized under General Instruction No. 11. For the purpose of General Instruction No. 11(c), payroll expenses must be functionalized using the same factors as the respective accounts in the O&M schedules. For accounts that are functionalized using a composite factor, the respective composite factors must be developed based on payroll information only. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-D-3.1: Payroll Information

This schedule must present a narrative of the payroll practices (e.g., non-exempt on a 2-week cycle, exempt twice a month, etc.). Additional payroll information must be presented in the formats described in Schedules II-D-3.2 through II-D-3.6.

II-D-3.2: Regular and Overtime Payroll by Function

This schedule must provide gross payroll information by function for the Test Year annual and three most recent calendar years prior to the Test Year by FERC account. Gross payroll information by function (not broken down by FERC account) must also be provided for all months during the Test Year in the following format:

<u>Month</u>	<u>Regular Payroll by Function</u>	<u>Overtime Payroll by Function</u>	<u>Contract Labor</u>	<u>Other</u>	<u>Total Payroll by Function</u>
1					
2					
.					
.					
12					
Total Test Year					
1 st Month Subsequent					
2 nd Month Subsequent, etc.					
Prior Year 1					
Prior Year 2					
Prior Year 3					

Specific Instructions:

1. **Update Required.**
2. “Total Payroll by Function” must agree with or be reconciled to that presented in Schedule II-D-3.4 and Schedule II-D-3.
3. “Regular Payroll by Function” must agree with or be reconciled to that presented in Schedule II-D-3.3.

II-D-3.3: Functionalized Regular Payroll by Category

This schedule must provide functionalized gross regular (not overtime) payroll information for the three most recent calendar years prior to Test Year, as well as all months during the Test Year in the following format:

<u>Month</u>	<u>Union* Payroll by Function</u>	<u>Non-union* Payroll by Function</u>	<u>Total Regular Payroll by Function</u>
1			
2			
3			
.			

.
11
12

Total Test Year

1st Month Subsequent
2nd Month Subsequent

Prior Year 1
Prior Year 2
Prior Year 3

* Exempt/Non-exempt or Salaried/Hourly categories may apply.
Segregate according to the utility’s in-house classifications.

Specific Instructions:

1. **Update required.**
2. “Total Regular Payroll by Function” must agree with or be reconciled to the “Regular Payroll by Function” amounts presented in Schedule II-D-3.2.

II-D-3.4: Payroll Capitalized vs. Expensed by Function

This schedule must provide gross payroll information for the three most recent calendar years prior to Test Year, as well as all months during the Test Year in the following format:

<u>Month</u>	<u>Payroll Expensed by Function</u>	<u>Payroll Capitalized by Function</u>	<u>Other Payroll by Function</u>	<u>Total Payroll by Function</u>
1				
2				
3				
.				
.				
11				
12				

Total Test Year

1st Month Subsequent
2nd Month Subsequent

Prior Year 1
Prior Year 2
Prior Year 3

Specific Instructions:

1. “Total Payroll by Function” must agree with or be reconciled to “Total Payroll by Function” amounts presented in Schedule II-D-3.2.

2. **Update required**

II-D-3.5: Number of Employees

This schedule must provide employee head count information for the three most recent calendar years prior to Test Year, as well as all months during the Test Year in the following format:

<u>Month</u>	<u>Full Time Employees</u>	<u>Part Time Employees</u>	<u>Temporary Employees</u>	<u>Total Employees</u>	<u>Vacant Positions</u>
--------------	----------------------------	----------------------------	----------------------------	------------------------	-------------------------

- 1
- 2
- 3
- .
- .
- 11
- 12

Total Test Year

1st Month Subsequent
 2nd Month Subsequent

Prior Year 1
 Prior Year 2
 Prior Year 3

Specific Instructions:

1. Explain any increases or decreases in employee head count subsequent to the Test Year end (i.e., growth related, additional maintenance, reduction in force, etc.)
2. Explain any monthly fluctuation greater than 7%.
3. Employee head count information must be as of the last day of the applicable time period.
4. **Update required.**

II-D-3.6: Compensation Other Than Standard Compensation by Function

This schedule must present all compensation other than standard compensation or standard overtime compensation (i.e., bonuses, severance pay, etc.) made to employees during the three most recent calendar years prior to Test Year, as well as all months during the Test Year. This information must be provided by plan type by FERC account. For incentive compensation plans, the utility must identify the amounts of incentive compensation by plan type that are based on financially based incentive compensation and the amounts that are based on operational metrics.

Specific Instructions:

1. Segregate the compensation by type (i.e., bonuses, severance, etc.), FERC account, and function.
2. State whether the utility is requesting recovery of the compensation through the Test Year or requested payroll.
3. If severance compensation is included, then the utility must provide a copy of its severance policy.
4. **Update required.**

II-D-3.7: General Employee Benefit Information

This schedule must provide the following information individually by FERC account by function for each type of employee benefit requested in the cost of service. If the utility has combined two or more benefits for adjustment purposes, the sum of the individual benefits presented here must equal the information presented in the adjustment.

1. A description of each non-wage benefit paid to employees and the classification or level of employee to which the benefit is applicable. Also, discuss the utility's method of funding the employee benefit.
2. If the benefit is funded primarily by self-insurance, the total dollar amount of claims paid each month during the Test Year on a functional basis.
3. If the benefit is funded primarily by monthly premium payments to an outside insurance carrier, 1) a schedule detailing the monthly premium paid for all months during the Test Year by function, and 2) as workpapers, copies of premium billings for all months during the test year or a copy of the policy that details the monthly premium(s).
4. If the benefit is not addressed by 2. or 3. above, adequate source documentation to verify the calculation of the requested expense (i.e., thrift benefits, etc.).
5. Assurance that the information presented above agrees with or is reconciled to the total cost per benefit listed elsewhere (i.e., calculation of requested benefit expense/adjustments).
6. Costs for retirees for each benefit must be separately identified.
7. **Update required.**

II-D-3.8: Pension Expense

The following information must be presented concerning pension expense:

1. The utility's two most recent pension actuarial reports, including the report(s) relied on for the utility's requested pension expense.

2. A reconciliation between the pension cost reflected in the pension actuarial report(s) and the utility's requested pension expense. A narrative explanation of all adjustments must be provided, including the application of the expense ratios or percentages. The schedule must describe the source(s) of the expense ratios (percentages) and provide the calculations.
3. The pension cost, pension expense, and pension funding payments for each pension plan by FERC account.
4. **Update required** for 3. above if actuarial information or actual pension payments change subsequent to Test Year end.

II-D-3.9: Postretirement Benefits Other Than Pension

The following information must be presented concerning postretirement benefits other than pension expense (Other Postretirement Benefits or OPEB):

1. The utility's two most recent OPEB actuarial reports, including the report(s) relied on for the utility's requested OPEB expense.
2. A reconciliation between the OPEB cost reflected in the OPEB actuarial report(s) and the Company's requested OPEB expense. A narrative explanation of all adjustments must be provided, including the application of the expense ratios or percentages. The schedule must describe the source(s) of the expense ratios (percentages) and provide the calculations.
3. The OPEB cost, OPEB expense, and OPEB funding payments for each OPEB plan by FERC account
4. Update required for 3. above if actuarial information or actual payments for OPEBs change subsequent to the Test Year end.

II-D-3.10: Administration Fees

The following information must be presented concerning administration fees:

1. A schedule for each benefit that details the monthly administration fees paid by function and included in the requested level of employee benefits.
2. A copy of the administration contract that details the services provided, the period covered, and the calculation of the monthly/annual administration fee.
3. **Update required.**

II-D-4: Summary of Exclusions from Test Year (see attached form)

This schedule must present a summary of all Test Year expenditures excluded from the utility's cost of service by statute or Commission rule by FERC account by function in the categories shown below.

Test Year

<u>Description</u>	<u>Amount by Function</u>
Legislative Advocacy Expense	\$
Penalties and Fines	
Other Exclusions (explain)	
Social/Recreational/Religious	
Political	
Total Exclusions	\$ _____

 SCHEDULE E: OTHER ITEMS

II-E-1: Depreciation Expense (see attached form)

This schedule must show the utility's overall depreciation expense for the Test Year for utility plant and must be based on Commission-approved depreciation rates or an updated depreciation study. If a utility does not have Commission-approved depreciation rates, depreciation must be calculated based on the rates approved by the utility's governing body. Documentation supporting the approval of the depreciation rates used must be provided. Utility plant depreciation rates and depreciation expense must be shown by FERC Account, functionalized under General Instruction No 11. All adjustments appearing on this schedule must be referenced to detailed workpapers, computations, and analyses. Presentation must be such that amounts can be readily determined and all costs to be included in each function must be referenced to the detailed schedules and the appropriate workpapers, computations and analyses. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. Differences between the requested depreciation expense as presented in this schedule, the depreciation study, and Schedule I-A-1 must be reconciled and the reconciliation must include supporting workpapers.

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

This schedule must show the amount of other taxes, excluding federal income taxes, assessed on or paid for by the utility for the Test Year, functionalized under General Instruction 11. Each type of tax must be listed individually (e.g., SUTA, FUTA, FICA, sales tax, Texas Margins, etc.). Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F. All adjustments must be fully and clearly explained in supporting workpapers. Workpapers must include tax returns and extension requests for all periods during and subsequent to the Test Year. **Update required as applicable.**

Note: To the extent that PURA identifies the functionally separated business entities of the utility that are responsible for payment of specific revenue-related taxes, these taxes will be directly assigned to these entities in accordance with the statute.

Note: To the extent taxes other than income taxes apply to incentive compensation payments, those amounts must be separately identified by tax type, directly incurred, and allocated by affiliate.

II-E-2.1: Ad Valorem Taxes & Plant Balances

This schedule must present the amount of ad valorem taxes assessed, and penalties paid by function for the Test Year and preceding three calendar years. In addition, the book plant balances at the beginning of each of those years as well as the plant balances on which the associated ad valorem taxes were assessed must be presented.

For purposes of calculating property tax expense, the utility must provide any CWIP or obsolescence factors applied to its plant in service balance. Those factors must be provided for the Test Year and the prior three calendar years.

If payments for ad valorem taxes were made to a taxing jurisdiction subsequent to the Test Year, the utility must provide the amount and indicate the date of payment.

The utility must confirm whether CWIP is subject to ad valorem tax and at what percent. Also, the utility must provide the amount of property taxes expensed and the amount capitalized for the Test Year.

The utility must indicate whether it pays taxes on plant leased to others and whether it is reimbursed for these taxes.

The utility must indicate whether its ad valorem taxes include taxes on investment deemed imprudent by the Commission and identify the amount of taxes and the associated plant balance.

The utility must indicate whether its ad valorem taxes include taxes on property that is not used and useful in providing utility service and identify the amount of taxes and the associated plant balance by FERC account.

The utility must provide the following for ad valorem taxes:

1. Total taxes paid for the three calendar years prior to the Test Year by state, if other than Texas.
2. The accounting distribution of taxes paid for the three calendar years prior to the Test Year (expense, capital, and other by FERC account).
3. The total gross and net book values upon which such taxes were assessed and paid for three years prior to the Test Year. The Company must distinguish by component as applicable (plant in service, materials and supplies, CWIP, etc.)
4. Property taxes charged to electric expenses for each month of the Test Year by FERC account.
5. The effective ad valorem tax rate.

NOTE: All of the following federal income tax related schedules are to be filed by function.

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

Federal Income Taxes must be calculated using the return method for the Test Year, functionalized under General Instruction No. 11. Supporting explanations and calculations must be referenced to this schedule, and if not found elsewhere in the RFP, must be provided as workpapers to this schedule. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-E-3.1: Reconciliation of Test Year Book Net Income to Taxable Net Income

This schedule must include a complete reconciliation of book net income and taxable net income for the Test Year and for the most recent year for which a tax return was filed in the same format as required by the Federal Internal Revenue Service. A complete explanation of all items in the reconciliation must be included. If the claimed tax allowances do not take into

consideration all items appearing in the reconciliation for the most recent tax return, the reasons therefore must be submitted.

II-E-3.2: Reconciliation of Timing Differences

This schedule must include a reconciliation detailing timing differences and other items that would produce federal income taxes at a rate differing from the statutory rate book net income for the Test Year. A complete explanation of all items in the reconciliation must be included. Supporting calculations for each item in the reconciliation must be filed in workpapers to the RFP and must be referenced to this schedule.

II-E-3.3: Plant Adjustments

This schedule must provide the following information for any new transmission and distribution assets by function (purchased or constructed since the company's last complete rate case) and any requested adjustment to Test Year thereto:

1. Tax in-service date.
2. Tax basis.
3. All applicable forms of tax depreciation method, class, etc.
4. Amount of all applicable forms of tax depreciation for the test year and amounts projected for the subsequent two years.
5. Amount of ADFIT as of Test Year end.

II-E-3.4: Consolidation/Inter-Corporate Tax Allocation

This schedule must provide a detailed explanation of the accounting for inter-corporate tax allocation. This schedule must include a discussion of events that give rise to inter-corporate payments and receipts, journal entries used to record the various events, and the rationale for the accounting treatment. A copy of all inter-corporate tax allocation agreements in effect for the Test Year or anticipated changes subsequent to the Test Year must be filed in workpapers to the RFP and referenced to this schedule.

II-E-3.5: ADFIT

This schedule must provide Test Year end book balances, requested adjustments to these balances, and the resulting adjusted balances by function for accumulated tax deferrals. This schedule must also show the monthly book balances of accumulated tax deferrals by function for each of the 12 months of the Test Year. This schedule must also include the additions and reductions for the Test Year. Each item giving rise to the tax deferrals must be segregated. An explanation of any changes in the utility's accounting for deferred federal income taxes must be provided. For example, if the utility has changed its method of calculating the entry to liberalized depreciation, it must provide the old methodology, the new methodology, and the rationale for the change.

II-E-3.6: ADFIT – Description of Timing Differences

This schedule must include a description of the nature of each timing difference listed in Schedule II-E-3.5. The remaining life of each timing difference as of Test Year end must be disclosed if available.

II-E-3.7: Adjustments to ADFIT

This schedule must provide supporting explanations and detailed calculations for each adjustment to the Test Year end balances in Schedule II-E-3.5. Each resulting adjustment must be referenced back to Schedule II-E-3.5.

II-E-3.8: ADFIT and ITC – Plant Adjustments & Allocations

This schedule must provide the accumulated deferred tax balances (by timing difference) and the accumulated ITC balances (by subaccount) at Test Year end related to additions to new transmission and distribution plant in service by function since the Company’s last filing and any plant adjustments to the Test Year end requested by the Company. Supporting calculations and explanations must be filed in workpapers to the RFP and must be referenced to this schedule.

II-E-3.9: Analysis of ITCs (see attached form)

This schedule must present an analysis of the investment tax credits adjustment.

II-E-3.10: Utilized

This schedule must provide an analysis of investment tax credits utilized for tax return purposes. The amounts must be shown as QPEs (Qualified Progress Expenditures) and “other” by vintage year, if available, as adjusted for any recapture or IRS audit adjustment. If the total amount of investment tax credits utilized (net of any recaptures or audit adjustments imposed) differs from the gross amortizable base appearing on Schedule II-E-3.9, a reconciliation supporting such difference must also be provided as an attachment to this schedule.

II-E-3.11: Generated But Not Utilized

This schedule must be presented in the same format as II-E-3.10 and must detail investment tax credits generated but not utilized along with any explanation of why such credits have not been utilized.

II-E-3.12: Utilized – Stand Alone Basis

This schedule is required for a utility filing a consolidated tax return. This schedule must provide an analysis of investment tax credits utilized for tax return purposes as though the utility had filed its tax returns on a stand-alone basis for electric operations only. To the extent records permit, the amounts must be shown as QPEs and “other” by vintage year, as adjusted for any recapture or IRS audit adjustment. If the total amount of investment tax credits utilized (net of any recaptures or audit adjustments imposed) differs from the gross amortizable base appearing on Schedule II-E-3.9, a reconciliation supporting such difference must also be provided as an attachment to this schedule.

II-E-3.13: ITC Election

This schedule must detail any and all elections made by the utility regarding investment tax credits.

II-E-3.14: FERC Account 255 Balance

This schedule must provide the FERC account 255 balance (together with all subaccounts) at Test Year end.

II-E-3.15: Analysis of Test Year FIT & Requested FIT-Tax Method 2 (see attached form)

This schedule must provide the Test Year FIT and the requested FIT using Tax Method 2. Supporting explanations and calculations, if not found elsewhere in the RFP, must be filed in workpapers to the RFP and must be referenced to this schedule. Supporting explanations and calculations must be included for each line item.

II-E-3.16: Analysis of Deferred FIT (see attached form)

This schedule must provide the support for the Total Deferred Federal Income Taxes found on Schedule II-E-3.15. This schedule must provide information for each item deferred. Workpapers supporting the amounts listed must be included in the workpapers to the RFP.

II-E-3.17: Analysis of Additional Depreciation Requested

This schedule must provide a detailed calculation of the requested adjustment to return for additional depreciation.

II-E-3.18: Amortization of Protected and Unprotected Excess Deferred Taxes

This schedule must summarize the utility's requested amortization of unprotected and protected excess deferred taxes. An explanation of the methodologies used must be included in this schedule.

II-E-3.19: Analysis of Excess Deferred Taxes by Timing Difference

This schedule must provide the excess in Schedule II-E-3.18 by timing difference. This schedule must also provide the unamortized balance of excess deferred taxes at Test Year end by timing difference. The detailed calculation of the requested amortization for each timing difference must be filed in workpapers to the RFP and must be referenced to this schedule.

II-E-3.20: Effects of Post-Test-Year Adjustment

If applicable, this schedule must list and explain all effects on FIT and ADFIT of the utility's requested post-test-year adjustment to plant. Detailed supporting calculations must be filed in workpapers to the RFP and referenced to the listed effects.

II-E-3.21: List of FIT Testimony

This schedule must provide a listing by witness and page number of all testimony filed supporting FIT and ADFIT. The utility must include in its workpapers to the RFP the most recent tax return filed.

II-E-3.22: History of Tax Normalization

This schedule must describe the utility's history of tax normalization. The history must show which book and tax timing differences are normalized, when the differences first arose, when first normalized, and the method of normalization. This schedule must also give details of all timing differences previously flowed through.

II-E-3.23: Tax Elections, IRS Audit Status and Private Letter Rulings

This schedule must provide the following:

1. A listing of all tax elections made since the previous Test Year filed.
2. The utility's IRS audit status.
3. A list of private letter rulings received from the IRS that affect the federal income taxes of the utility or its parent, if any, since the utility's last rate filing. The utility must include a copy of the rulings and requests in the workpapers to the RFP. This schedule must also provide the status of any pending requests from the utility or its parent.
4. Any Federal Accounting Standards Board Interpretation No. 48 tracker information must also be provided in this schedule.

II-E-3.24: Method of Accounting for ADFIT Related to NOL Carryforward

This schedule must provide a complete description of the utility's method of accounting for ADFIT related to net operating loss (NOL) carryforwards. The description must include generic journal entries. This schedule must also provide an explanation and calculations to support any ADFIT (debit) on the books at Test Year end related to NOL carryforwards.

II-E-4: Other Expenses (see attached form)

This schedule must show all items not classified elsewhere, functionalized on the same basis as the underlying expense and consistent with General Instruction No. 11. All items must be identified on an item by item basis and supporting workpapers must be provided. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount must be included in the workpaper section, and any functionalization factors must be referenced to the appropriate factors in Schedule II-F.

II-E-4.1: Deferred Expenses from Prior Dockets

This schedule must include information concerning all amortization expense by function either included in Test Year or requested in this application. This schedule must include, but is not limited to, amortization related to items such as accounting order deferrals, phase-in deferrals, recovery of cost of abandoned plants, deferred litigation expenses, deferred rate case expenses, and capital leases. This schedule must not include amortization of debt expense, discount or premium. The following information must be shown separately for each item within a category, with subtotals for each category (i.e., list each abandoned plant separately; list rate case expenses separately for each originating docket; list accounting order deferrals separately by unit, etc.):

1. Authorizing docket (if none, so state).
2. Original amount to be amortized.
3. Deferred period of 2. above.
4. Amortization period.

5. Date amortization began
6. Total amortization taken by the beginning of the Test Year.
7. Amortization expense include in Test Year.
8. Amortization expense included in requested cost of service.
9. Unamortized amount as of the end of the Test Year.

Note A: For any items listed that do not have an authorizing docket, the schedule must provide the following information in addition to items 1 through 9 above: (1) a detailed schedule of the costs to be amortized, including month incurred, payee, description, and amount; (2) a detailed explanation of the rationale for deferring such costs rather than expensing when incurred (including specific references to applicable regulatory and accounting principles); (3) a statement of whether GAAP allows such costs to be deferred rather than expensed when incurred in the absence of regulatory commission order allowing deferral for rate-making purposes; (4) if the utility has concluded that GAAP allows such costs to be deferred in the absence of a regulatory commission order, a statement of whether the utility’s independent accountants agree with the utility’s interpretation of GAAP.

Note B: If the costs related to any item listed on this schedule are included in Plant in Service, the schedule must so state and indicate the FERC account to which the costs were booked.

Note C: All amortization booked during Test Year or requested in this application must be shown on this schedule. Amortization amounts shown on this schedule must be excluded from depreciation expenses reported on Schedule D.

II-E-4.2: Below the Line Expenses

This schedule must present a complete detailed analysis of all expenses charged “below the line” by function during the Test Year. Verification of the elimination of such amounts from the filing must be provided in the workpapers.

II-E-4.3: Nonrecurring or Extraordinary Expenses

This schedule must present a complete detailed analysis of all nonrecurring or extraordinary expenses by function occurring during the Test Year and not removed from cost of service under General Instruction No. 10.

II-E-4.4: Regulatory Commission Expenses

This schedule must detail the various expenses charged to FERC Account 928 during the Test Year by function, the utility adjustments to the Test Year amounts, and the utility’s request for each item. This information must be provided in the following format:

	Test Year		
Docket	Amount	Adjustment	Request

<u>Description</u>	<u>No.</u>	<u>by Function</u>	<u>by Function</u>	<u>by Function</u>
CCN		\$	\$	\$
Sale, Transfer, Merger				
FERC Proceedings				
Rate Application				
.				
.				
.				
Total		\$ _____	\$ _____	\$ _____

Each of the Certificate of Convenience and Necessity; Sale, Transfer, Merger; FERC proceedings, rate applications, etc. must be detailed separately. The amortization expense of prior rate applications charged to this FERC account must also be detailed separately.

II-E-4.5: Rate Case Expenses

For purposes of this schedule, rate case expenses are any expenses that have been, or will be incurred under this rate application. Information concerning all requested rate case expenses must be provided by function in the following format:

	<u>Total by Function</u>
Consultant Expenses:	\$
Accounting	
Engineering	
Legal	
Other	
Sub-Total Consultant Exps.	\$ _____
Utility Expenses:	
Employee	
Other	\$ _____
Sub-Total Utility Exps.	\$ _____
Intervenor Expenses	\$ _____
Total Request	\$ _____

The utility must record rate case expenses in such a manner as to provide information on actual rate case expenses in the above format.

II-E-4.6: Expenses Previously Denied by the Commission

This schedule must identify requests for expenses that have previously been denied by the Commission. The amount of each expense requested must be presented along with the itemization of related case processing expenses.

II-E-5: Other Revenue Items (credit) (see attached form)

This schedule must show all other revenue credits, functionalized on the same basis as the underlying expense and consistent with General Instruction No. 11. Supporting documentation must be provided. The portion of the revenue credits functionalized to the transmission and distribution functions must be deducted from the utility's total Cost of Service for the transmission and distribution functions. Network transmission service revenues must not be credited to transmission function for the purposes of determining the TCOS. Revenues from transmission of electric energy out of the ERCOT Region (exports) must be credited to the TCOS.

SCHEDULE F: FUNCTIONALIZATION FACTORS

II-F: Functionalization Factors (see attached form)

The functionalization factors provided in this section are default factors to be used when a utility cannot directly assign certain costs or justify the use of a different factor. Functionalization factors other than the ones contained herein may be used, but their appropriateness must be justified.

1. The schedule must provide a listing of functionalization factors and associated data, which must include the following information for every factor used to assign costs to a function:
 - a. A narrative description of the functionalization factor if code designation is used.
 - b. The relative (decimal representations of percentages) amounts constituting the functionalization factors.
 - c. The absolute amounts constituting the factors (i.e., the data used as numerators and divisors in calculating the functionalization factors in b. above).
2. The application must provide workpapers and a narrative explanation to support the calculation of each functionalization factor listed in 1 above. To the extent that data provided elsewhere in this filing package is employed in directly developing the functionalization factors, workpapers must be referenced directly to this data.
3. For direct assignment (General Instruction No. 11(a)) and account-specific assignment (General Instruction No. 11(b)) of costs, the workpapers must provide a narrative description of the justification for such assignment.

The following table lists factors that may be used to functionalize costs under General Instruction No. 11(c). For FERC accounts that do not appear in this table, it is assumed that all costs will be functionalized under General Instruction Nos. 11(a) and 11(b).

This table is for reference and summary purposes only. Specific instructions given elsewhere in this rate filing package control over any summary information presented in this table.

FERC Acct.	DESCRIPTION	SUBACCOUNT	FUNCTIONALIZATION FACTOR
301-303	Intangible Plant	Revenue-Related Items	TOTREV
301-303	Intangible Plant	Plant-Related Items	PLTSVC-NX
350-359	Transmission Plant		TRAN (re-classify GEN/TRAN per 25.192 (b))
360-369	Distribution Plant		DIST
370	Meters		MET
373.D	Street Lights	remaining 373	DIST
389-391	Land, Structures, Office Furniture		SQFT
395	Laboratory Equipment		PLTXGNL-N
396	Power Operated Equipment		PLTXGNL-N
560-574	Transmission O&M		TRAN

565	Transmission of Electricity by Others		DIST
580	Operation Supervision and Engineering		DISTOPX
581-584	Loading Dispatching		DIST
585	Street Lighting		DIST
586	Meter Expenses		MET
588	Misc. Distribution Expenses		DISTOPX
589.D	Rents-Distribution		DIST
589.O	Rents-OTHER		DISTOPX
590	Maint. Supervision and Engineering		DISTMAX
591-595	Maint. Of Structures		DIST
596	Maint. Of Street Lights	Other 596	DIST
597	Maint. Of Meters		MET
598.2	Maint. Of Misc. Dist. O&M – Other		DISTMAX
901	Supervision		C902_3
902	Meter Reading Expense		MET
903.E	Customer Records and Collection Expenses	Collection Expenses	TBILL (delivery)/ ABILL (retail)
903.R	Customer Records and Collection Expenses	Customer Records	TIME
905	Misc. Customer Account Exp.		C902_3
907	Supervision		C906_9
910	Misc. Customer Svc. And Info		C906_9
911	Supervision		C912_7
920-922	A&G Salaries		PAYXAG
923	Outside Services		TOMXFP
924	Property Insurance Expense		PLTSVC-N
925	Injuries and Damages		PAYXAG
926	Pensions and Benefits		PAYXAG
928.G	Regulatory Expenses-general		TOTREV
930	Misc. General Expense	Plant-related	PLTSVC-N
930	Misc. General Expense	Personnel-related	PAYXAG
931	Rents		PAYXAG
935	Maint. Of General Plant		GNLPLT-N

Where one or more of the functions is listed in the Functionalization Factor column, the costs in that FERC account must be assigned exclusively to the function or functions listed. The remaining functionalization factors in the above table are defined as follows:

C902_3	Composite allocator, comprised of FERC accounts 902 and 903
C906_9	Composite allocator, comprised of FERC accounts 906, 908, and 909
C912_7	Composite allocator, comprised of FERC accounts 912, 913, and 917
DISTMAX	DIST Maintenance Composite allocator, comprised of FERC accounts 591-598.1
DISTOPX	DIST Operations Composite allocator, comprised of FERC accounts 581-587, and 589
GNLPLT-N	General Plant – Net
PAYXAG	Payroll, excluding Administrative and General Salaries
PLTXGNL-N	Net Plant, excluding General Plant
PLTSVC-N	Net Plant in Service
PLTSVC-NX	Net Plant in Service, excluding Intangible Plant
SQFT	Building Square Footage allocator
TOMXFP	Total Operations and Maintenance Expenses, excluding Fuel and Purchased Power
TOTREV	Total Revenue Requirement
TIME	Customer Service Records allocator, based on the number of hours to develop and use these records

SCHEDULE G: NUCLEAR PLANT DECOMMISSIONING

II-G-1: Status of Nuclear Decommissioning Funds

A utility owning or having a leasehold interest in a nuclear-fueled generating unit must provide the most recent report filed under 16 TAC § 25.304, or updated information consistent therewith.

SCHEDULE H: HISTORIC YEAR BILLING DETERMINANTS

If a jurisdictional allocation is performed in the cost of service study, the application must provide Schedule H information on a total utility, Texas, and other jurisdiction basis unless otherwise indicated. If no allocation is performed, provide all Schedule H information for the Texas jurisdiction only.

Provide requested data in active Microsoft Excel worksheets in native format with all formulas intact. All Schedules must be identical in format to their counterparts in the rate filing package including all formulated cells. All data series must be in column vector form, that is, one data series per column. Each data series must be clearly labeled.

References to “system peak” indicate the peak of the transmission and distribution utility system. Some data may not be applicable to all filing utilities.

If the utility requests re-classifications of customers, the data must be provided separately according to the existing and proposed customer classes.

For any data that are estimated, the estimation methodology must be supported in the testimony of the sponsoring witness and work papers must show the derivation of the estimates.

II-H-1: Summary of Test Year Adjustments

Schedules II-H-1A and II-H-1B must be provided in both hardcopy and electronic formats.

II-H-1.1: Test Year Sales Data

The following Test Year data must be provided by rate class and wholesale distribution service class. If adjustments to these are performed by geographic divisions, the data must be provided by division.

1. Average number of customers.
2. Year-end number of customers.
3. Test Year kWh (unadjusted) sales.
4. Increase or decrease in kWh sales due to adjustment for abnormal weather.
5. Increase or decrease in kWh sales due to adjustment for changes in customer composition and for changes in the number of customers.
6. Increase or decrease in kWh sales due to adjustments other than for the effects of weather and customers (e.g. reclassification of customers), reflecting each adjustment separately.
7. Total adjusted kWh sales.

II-H-1.1.1: Test Year Energy Flows Across DC ties

1. For all DC ties providing the export of energy from the ERCOT region, the aggregate monthly energy outflows from ERCOT in kWh must be provided.
2. For each DC tie owned by the Applicant, the following Test Year data must be provided.
 - a. Monthly energy inflows to ERCOT in kWh.

- b. Monthly energy outflows from ERCOT in kWh.

II-H-1.2: Monthly Sales Data

The data in [II-H-1.1(3)] through [II-H-1.1(7)] above must be provided by month of the Test Year.

II-H-1.3: Unadjusted Test Year Load Data

When applicable, the following unadjusted Test Year data at the source (busbar) and at the meter must be provided by rate class and wholesale distribution service class for the Test Year and for each month of the Test Year:

1. Sum of customer maximum demands (non-coincident peak).
2. Class peak demand (non-coincident).
3. Class demand coincident with the utility's system peak demand.
4. For an ERCOT utility, coincident peak demand at the time of the ERCOT peak.
5. Energy usage.
6. Monthly class coincidence and load factors based on load research analysis for the Test Year and for the three previous years.

Information supplied in Schedule II-H-1.3 may represent estimates if the utility is unable to provide actual data.

II-H-1.3.1 Adjustments to Test Year Load Data

For each class, each adjustment to Test Year load data for the Test Year and for each month of the test year must be shown separately. A narrative explaining each adjustment must be provided.

II-H-1.3.2 DC Tie Load Data

For each DC tie owned by the Applicant, the following Test Year load data at that DC tie based on 15-minute demand intervals must be provided. If 15-minute interval data are not available, the information based on 60-minute intervals must be provided.

1. Monthly peak demand for power imported into ERCOT and the dates the peaks occurred.
2. Monthly peak demand for power exported out from ERCOT and the dates the peaks occurred.

II-H-1.4: Adjusted Test-Year Load Data

The following adjusted Test Year data at the source (busbar) and at the meter by class for the Test Year and for each month of the Test Year must be provided.

1. Sum of customer maximum demands (non-coincident peak).
2. Class peak demand (non-coincident).
3. Class demand coincident with the utility's system peak demand.

5. Energy usage.
6. Monthly class coincidence and load factors based on load research analysis for the Test Year and, if records allow, for the three previous years.

II-H-1.5: Adjustments to Operating Statistics

A narrative explanation must be provided for all adjustments made to Test Year operating statistics provided above in Schedule II-H-1.

II-H-2: Model Analysis Results

The following information must be provided in Schedule II-H-2.1 for the models both before and after any corrective procedures (e.g., for autocorrelation) are applied. Any corrective procedures applied to the models must be clearly identified and described.

II-H-2.1: Model Information

The following must be provided for each model used to derive adjustments to the Test Year operating statistics provided in Schedule II-H-1.

1. The name and version number of any computer econometric or statistical packages used to develop the utility's models. For proprietary models, provide a detailed narrative of the operations and logic of the model.
2. For models based on econometrics or statistics, a statement by model, of the functional form of each of the equations including:
 - a. The estimated coefficients, their standard errors, and t-statistics.
 - b. The R-squared and Adjusted R-squared.
 - c. The Durbin-Watson "d" statistic and any other statistic used to estimate the degree of autocorrelation in the disturbance terms.
 - d. The sum of squared residuals.
 - e. The standard error.
 - f. The number of observations used in the analysis.
 - g. The F-statistic.
 - h. The sample period and periodicity of each model.
 - i. A description of each variable used in each model including any logic or calculations used to derive the variables.

Schedules II-H-2.2 and II-H-2.3 must be provided in electronic formats. The variables and the periodicity of the variables must match the Response in Schedule II-H-2.1.

II-H-2.2: Model Data

All data used by the utility to develop the models in Schedule II-H-2.1 must be provided using the following format. Each equation and each variable used in each model must be clearly identified. Each variable must provided in the final form in which it is used in each equation:

A	B	C	D	ETC.
Dates	First Variable	Second Variable	Third Variable	

II-H-2.3: Model Variables

If not already provided in Schedule II-H-2.2, and using a similar worksheet and electronic format, all variables must be furnished in their raw form, prior to any transformations. All indices used to deflate data series must be provided.

II-H-3: Customer Adjustments

II-H-3.1: Customer Information

Monthly Test Year number of customers by class must be provided. Monthly data by jurisdiction must be provided, if applicable.

II-H-3.2: Customer Adjustments

For each class, the methodology by which customer adjustments are performed must be explained. Sample calculations for each class must be provided.

II-H-3.3: Customer Adjustment Data

All data necessary to reproduce the proposed customer adjustments must be provided, if not already provided in Schedule II-H-3.1 above.

II-H-4: Revenue Impacts of Adjustments

II-H-4.1: Revenue Impact Data

The following Test Year data on revenue impacts of kWh sales and kW/kVa demand adjustments by class must be provided. Data by jurisdiction must be provided if kWh sales and kW/kVa demand adjustments are performed on this basis

1. Unadjusted Test Year revenues, showing components separately.
2. Revenue associated with any rate annualization adjustments, showing components separately.
3. Revenues associated with kWh customer adjustments, showing components separately.
4. Revenues associated with kW customer adjustments, showing components separately.
- 5 Revenues associated with kWh weather adjustments, showing components separately.
- 6 Revenues associated with kW weather adjustments, showing components separately.
7. Revenues associated with other kWh adjustments, showing the revenues associated with each adjustment individually, listing components separately.
8. Revenues associated with other kW adjustments, showing the revenues associated with each adjustment individually, listing components separately.

9. Total adjusted revenue, showing components separately.

II-H-4.2: Revenue Calculation Methodologies

A narrative explanation of the methodologies used to calculate the revenue items in this schedule must be provided.

II-H-5: Weather Data

II-H-5.1: Weather Station Data

The following data must be provided for the Test Year on a monthly basis by weather station. The name of each weather station and the applicable service territory must be provided. The schedule must state how the degree days are defined including all calculations:

1. Actual heating degree days.
2. Actual cooling degree days.
3. Normal heating degree days.
4. Normal cooling degree days

II-H-5.2: Adjusted Weather Station Data

The data provided in Schedule II-H-5.1, after weighting and billing cycle adjustments, must be furnished. The schedule must provide, with examples, an explanation of the utility's weighting and billing cycle adjustment procedures. If the utility is unable to provide weighted weather data, it must furnish billing cycle adjusted data:

1. Actual heating degree days.
2. Actual cooling degree days.
3. Normal heating degree days.
4. Normal cooling degree days.

II-H-5.3: Additional Weather Information

If not already provided in Schedules II-H-5.1 and II-H-5.2 above, this schedule must furnish additional responses to these Schedules using a 65°F base temperature.

SCHEDULE I: CLASS ALLOCATION

The utility must file an embedded cost of service study at a proposed rate of return and workpapers necessary to support such a study. The summary page of the study must show the relative rates of return for each class at present revenues, and clearly set out the revenue shortfall or surplus by class. If the utility proposes to set revenue for any class at a level that is not equal to the class's cost of service, the utility must also show the proposed relative rate of return and the revenue differential compared to a unity relative rate of return for each class. The cost of service study must be set out in sufficient detail to allow a third party to replicate the results of the study. The study must show the functionalization of the utility's investments, expenses and other operating revenues and show the allocation of such items to individual rate classes and wholesale distribution service classes for the functions. These schedules must be filed in an electronic format in active Microsoft Excel spreadsheets with all formulas intact.

II-I-1: Class Revenue Requirement Analysis (see attached form)

A class revenue requirement analysis for the Test Year must be completed to show the allocation of the functional revenue requirement to the generic rate classes approved in Docket No. 22344, and to wholesale distribution service classes.

II-I-2: Class Allocation Factors

1. This schedule must provide a listing of allocation factors and associated data, which must include the following information for every factor used to assign costs to a class:
 - a. The designation of the class allocation factor used in Schedule II-I-1.
 - b. A narrative description of the allocation factor if code designation is used.
 - c. The relative (decimal representations of percentages) amounts constituting the allocation factors. For external allocation methods, separate schedules must be provided that show the development of the numerator and denominator of class allocation factors, including any formulas. For internal allocation methods, a clear reference must be made to the source data within the cost of service that is used to develop the numerator and denominator.
 - d. The absolute amounts constituting the factors.
 - e. A description of enumeration of the cost items that are subject to the allocation factor. If a cost item or FERC account is subject to multiple allocation factors, the allocation factors must be shown separately, and the percentages of the account or items subject to each factor must be identified.
 - f. An explanation of the rationale for applying the selected allocation method to the types of cost items or accounts set out in (e).
2. This schedule must provide all supporting documentation used to derive the class allocation factors, including workpapers supporting specific adjustments to actual Test Year customer, demand, and energy amounts used in developing class allocation factors.
3. If the embedded cost of service study relies upon allocation or classification factors that are developed from special studies, such as direct assignment analyses or studies of equipment usage, the methodology must be fully described within the cost of service study, and complete copies of the studies and accompanying input data must be included within the rate filing package.

II-I-3: Functionalized Cost-of Service Analysis (Non-ERCOT)

A non-ERCOT utility operating in an area open to competition must provide a separate analysis of transmission cost of service using historic year billing determinants and the FERC approved Open Access Transmission Tariff. The analysis must include a full reconciliation between Commission-approved transmission cost of service and transmission cost based on the application of the FERC approved Open-Access Transmission Tariff.

SECTION III: ERCOT WHOLESALE TRANSMISSION COST OF SERVICE (TCOS)

The schedules in this section summarize an investor-owned utility’s wholesale transmission cost of service (TCOS) in ERCOT. The objective is to have a complete TCOS study in one place. Many of the schedules listed here would contain the same information as in Section II. For these schedules, a clear reference to the corresponding schedule or specific columns in the corresponding schedules in Section II will be sufficient.¹ In the electronic version of the filing, the summary schedules in Section III must be properly linked to the appropriate schedules in Section II if these schedules are not repeated in Section III. For other schedules in this section where the data is different from the corresponding schedules in the preceding section, full information must be presented in the schedules in Section III and the summary schedules in Section III must be linked to the data in these schedules.

III-A: Summary of Wholesale Transmission Cost of Service (TCOS) – (see attached form)

This schedule must summarize the utility's overall wholesale transmission cost of service for the Test Year including but not limited to, operations and maintenance expenses, depreciation expenses, income taxes, taxes other than income taxes, return, and other revenues, developed from the supporting schedules described herein. Presentation must be such that amounts can be readily determined and all costs to be included must be referenced to the detailed Schedules III-A-1 through III-E and the appropriate workpapers, computations, and analyses.

TCOS

III-A-1: Summary of Total Cost of Service by Function (see attached form)

This schedule must summarize the utility's overall cost of service for the Test Year including but not limited to, operations and maintenance expenses, depreciation expenses, income taxes, taxes other than income taxes, return, and other revenues, developed from the supporting schedules described herein. The costs must be unbundled into the functions. Presentation must be such that amounts can be readily determined and all costs to be included in each function must be referenced to the detailed schedules III-B through III-E and the appropriate workpapers, computations, and analyses.

III-B: Rate Base by Function

This schedule must summarize the utility’s overall wholesale transmission rate base as of the end of the Test Year as shown in the attached form. Presentation must be such that amounts can be readily determined and all items included must be referenced to the detailed schedules and the appropriate workpapers, computations, and analyses. Supporting information may include one-line diagrams (marked to identify transmission, distribution and common facilities) of all distribution substations for which the high side (transmission voltage related equipment) is included in transmission rate base, allocation factors or other documentation necessary to support the separation of rate base items (including “common” facilities).

¹ For example, for Schedule III-B-1, the utility can note “The same as Schedule II-B-1.” Similarly, for Schedule III-B(f)-2, the utility can state “The same as the transmission columns (column numbers) in Schedule II-B-2.”

III-E-5: Revenue Credits

This schedule is the same as II-E-5. Network transmission service revenues must not be credited to transmission function for the purposes of determining the TCOS. Revenues from transmission of electric energy out of the ERCOT Region (exports) must be credited to the TCOS.

SECTION IV: RATE DESIGN

SCHEDULE J: RATE DESIGN (SEE ATTACHED FORM)

IV-J-1: Revenue Summary (see attached form)

This schedule must provide a summary of the revenue requirement in tabular form at an equalized rate of return by rate class, wholesale distribution service class, and for the system for the Test Year. The rows of the table must provide for a breakdown of the revenue requirement by function, as well as the revenues associated with any riders. The columns of the table must provide for a breakdown by class.

IV-J-2: Proposed Charges for Discretionary Services and Other Services

For each new discretionary service or other service charge as prescribed by 16 TAC § 25.342(f)(B) and 25.342(f)(D) or change in an existing miscellaneous charge that is to be provided as a discretionary service or other service, the following must be provided:

- a. A brief description of the charge.
- b. Present charge.
- c. Proposed charge.
- d. Justification for proposed change, including workpapers and narrative explanation.
- e. A description of how the costs and revenues associated with the charges are treated in the calculation of base rates.

Requests for new non-standard discretionary service charges (i.e., those not specified in the Pro-Forma Retail Delivery Tariff) must be supported in testimony.

IV-J-3: Rate Class Definition

This schedule must provide present rate classes and wholesale distribution service classes and, unless provided elsewhere in the Rate Filing Package, existing retail and wholesale distribution tariffs.

IV-J-4: Load Research Data

For subparts (a) and (b) below, where the utility relies upon a sample of customers within a class or other load research group instead of data from every customer within a class or load research group, the utility must provide a comprehensive explanation of the sampling procedure.

- a. For any class for which hourly demand data (or demand data for intervals shorter than one hour) is available for each customer in the class, this schedule must provide the following information for each month of the Test Year:
 1. Sum of customer non-coincident maximum demand.
 2. Class peak demand.
 3. For a distribution utility that cannot obtain system coincident demand data, an estimated contribution to system billing demand.

- b. For any rate class for which a sampling approach has been employed for load research purposes, this schedule must provide the following in tabular form by sampling strata for each month of the Test Year:

Column (1) - Strata bounds.

Column (2) - Number of meters in sample.

Column (3) - Average kWh consumption.

Column (4) - Customer non-coincident maximum demand.

Column (5) - Contribution to rate class peak demand.

Column (6) - Contribution to system peak demand or, for a distribution utility that cannot obtain system coincident demand data, estimated contribution to system billing demand.

This schedule must provide a bill frequency study for rate classes for which the above tabular information in (b) has been provided. The bill frequency must relate customers in a rate class population to the rate class strata. A bill frequency block must be entirely contained within a single stratum boundary. One stratum may be comprised of more than one bill frequency block.

The workpapers must describe the method by which the “Contributions” shown in Columns 5 and 6 above were obtained from the load research data.

- c. For rate classes for which information has not been provided in (a) and (b) above, this schedule must provide a description of the methodology used to develop demand estimates, including the sources of any data used to develop these estimates.

Note: The kW demands requested in Schedule IV-J-4 (b) are defined as follows:

Customer Non-coincident Maximum Demand -- For each stratum, this must be the average of the customers’ maximum demand, regardless of time of occurrence.

Contribution to Rate Class Peak Demand -- For each stratum, this must be the average of the customers’ diversified demand coincident with the time of rate class peak. The rate class peak is defined as the time at which the weighted average diversified demand of all sampled customers for the rate class is at its peak.

Contribution to System Peak Demand -- For each stratum, this must be the average of the customers’ diversified demand coincident with the time of system peak.

IV-J-5: Billing Determinants

For each class and for each charge, this schedule must provide the following billing determinant information for each month of the Test Year.

- a. Fully-adjusted Billing Demand;
- b. Adjustments to Billing Demand (separately show each adjustment, such as ratcheted, weather-adjusted, load-aggregated, customer-annualized, etc.);

- c. Unadjusted Billing Demands;
- d. Fully-adjusted Billing kWh;
- e. Adjustments to Billing kWh (show each adjustment);
- f. Unadjusted Billing kWh;
- g. Fully-adjusted number of Customer Bills;
- h. Adjustments to number of Customer Bills (show each adjustment); and,
- i. Unadjusted number of Customer Bills

IV-J-6: Justification for Consumption Level-Based Rates

This schedule must provide the utility's proposed cost justification for consumption level-based rates. A consumption level-based rate is characterized by a charge per kWh based upon a given customer's consumption level over some time interval. Declining block, inverted block, and block extender rates are examples of consumption level-based rates.

IV-J-7: Proof of Revenue Statement (see attached forms)

This schedule must provide a proof of revenue statement (or a pro forma revenue statement) showing billing units, proposed prices, and the resulting base rate revenue for the existing and proposed classes and any other Commission-approved non-bypassable charges under both current and proposed rates. The result must show total expected revenue by class and must closely conform to each class's revenue requirement at an equalized rate of return. The sum over all the classes and functions must equal the total requested revenue of the utility. The total adjusted kWh sales used in this proof of revenue statement must correspond to the total adjusted kWh sales in Schedules II-H.

Alternative data, such as pro forma adjustments to revenues rather than billing units, may be allowed to substantiate the recovery of proposed revenue as long as a narrative explanation of the derivation of the revenue adjustments from the kWh adjustments and customer adjustments shown in Schedules II-H is provided. For a utility with multiple jurisdictions, information provided need only be sufficient to produce a proof of revenue statement for Texas retail revenues.

IV-J-8: Rate Design Analysis Data

This schedule must provide estimated billing determinants, without ratchet provisions, for peak and off-peak periods as defined by the utility's proposed tariffs, for all classes for which hourly demand data (or demand data for intervals shorter than one hour) is available for customers collectively accounting for over 50% of class sales.

SECTION V AFFILIATE DATA

GENERAL INSTRUCTIONS FOR AFFILIATE SCHEDULES

1. The affiliate filing requirements apply to both ERCOT and non-ERCOT utilities in Texas. Though initial jurisdiction over transmission is exercised by FERC for non-ERCOT companies, the rate filing package will include transmission expenses. If an exception for a non-ERCOT utility is deemed necessary, it must be noted in the rate filing package.
2. Unless otherwise ordered by FERC, the definition of transmission and distribution costs for purposes of this filing must be coordinated and consistent with the definition of these costs in 16 TAC § 25.341. Appropriate consideration must be given to the guidance provided by FERC through its account classification and functional descriptions.
3. For purposes of this filing, transmission and distribution costs must include transmission-related and distribution-related costs; e.g., transmission-related and distribution-related administrative and general (A&G) costs.
4. The term “per book” is the Test Year without pro-forma adjustments.
5. The term “net requested” amount for an item is the Test Year amount and represents the revenue requirement on which the revised transmission (ERCOT only) and distribution rates are to be set.

Workpapers must be provided to show the calculation of the net requested affiliate amounts in the level of detail necessary for the Commission and other parties to duplicate and track the calculation of the costs the utility has presented for recovery. These workpapers must include but must not be limited to: a description of the manner in which the affiliate costs and schedules are presented; affiliate costs by witness, by class and by project or activity code or work order or other utility terminology; project or activity or work order summaries; affiliate billings by FERC account and class; affiliate billings by class and project or activity code or work order or other utility terminology; and affiliate billings by class, FERC account and by project or activity code or work order or other utility terminology.

SCHEDULE K: AFFILIATE DATA

V-K-1 Affiliate Expenses by FERC Account

This schedule must show affiliate expenses by FERC account grouped and subtotaled by class of items for the Test Year.

V-K-2 Adjusted Affiliate Expenses

This schedule must show affiliate expenses listed by affiliate by FERC account on a per book basis, with specific pro-forma adjustments; and on an adjusted basis for the Test Year.

V-K-3 Organization Chart

This schedule must provide an organization chart for the utility system showing both regulated and non-regulated affiliates as of the end of the Test Year.

V-K-4 Description of Services

This schedule must provide a description of types of services provided by other affiliates to the utility for the Test Year. The description must be provided by project code, work order, or other utility terminology used for accumulation of costs identified within each project code, work order, or other utility terminology by FERC account. This schedule of project codes, work orders, or other utility terminology must include the Test Year project code or work order or other utility terminology amount, adjustments to the Test Year, exclusions from the project code, work order, or other utility terminology, and the requested amount for the project code, work order, other utility terminology.

V-K-5 Capital Projects

This schedule must show capital projects by affiliate amounts closed to plant-in-service as of the end of the Test Year since the last base rate case or four years, whichever is shorter, unless ordered otherwise, and a discussion of the significant projects based on amount or project category.

V-K-6 Adjustments to Test Year Expenses

This schedule must show adjustments to per book costs for the Test Year including the description, purpose, and amount for each adjustment. This schedule must correlate with the Schedule V-K-2 listing pro-forma adjustments to Test Year. For any item where a difference exists between Schedule 2 and this schedule, a reconciliation must be provided.

V-K-7 Statutory Requirements

For each class of affiliate charges in the Test Year, this schedule must show the categories of services included in the affiliate transmission and distribution costs; the amount in the Test Year; a discussion of necessity and reasonableness of the services/costs; and a “no higher than” standard analysis.

V-K-8 Services Provided to Affiliates

This schedule must detail services provided by the utility to its affiliates. The schedule format must list the affiliate company receiving the identified service and the amount per service charged to the affiliate by the utility by FERC account.

V-K-9 Allocation of Affiliate Costs

This schedule must consist of a description of the affiliate billing process, including the manner in which costs are recorded by project or activity code, work order, or other utility terminology and the process by which costs are allocated to each affiliate. This schedule must include allocation formulas and their derivations for the Test Year.

V-K-10 Controls

This schedule must describe controls that are in place during the Test Year to ensure appropriate billing for affiliate services. These controls must include (but must not be limited to) controls

related to internal audits, external reviews, frequency with which allocation formulas are updated and internal procedures for challenges to affiliate expenses billed (such as billing review committees and processes for correction of billing errors).

V-K-11 Affiliate Billing Methods

This schedule must show the billing methods used by affiliates to bill net requested transmission and distribution costs to the utility.

V-K-12 Amounts Billed to Each Affiliate

This schedule must show the amounts and percentages of each expense by function billed to the utility and each affiliate for each billing method.

V-K-13 Affiliate Project Codes/Work Orders/Other Utility Terminology Created/Closed in Test Year

This schedule must provide a list of project codes, work orders, or other utility terminology created during the Test Year. It must also include a list of project codes, work orders, or other utility terminology retired during the Test Year. Information must also be provided for the prior three calendar years.

V-K-14 Affiliate Payroll

This schedule must show the amount of affiliate payroll included in the Test Year by FERC account, by affiliate.

GUIDING PRINCIPLES

1. To the extent that the affiliate standard prescribed by PURA §36.058 is applicable in this filing, it must only be applied to the following costs: for ERCOT companies, to transmission and distribution (T&D) costs; for non-ERCOT companies, to distribution costs. However, in order to satisfy the requirements of PURA §36.058, the Commission and other parties will be provided the affiliate costs charged to other functions as well as other affiliates.
2. For purposes of complying with the provisions of PURA §36.058 requiring proof on a class of services or items basis, transmission and distribution costs are to be presented in a sufficient number of classes (e.g., transmission operations, transmission maintenance, distribution operations, distribution maintenance, FERC accounts 580 – 582, FERC accounts 583-586, FERC accounts 589-593, or other logical groupings of services) to allow appropriate evaluation by the Commission.
3. The following are examples of the types of evidence that may be presented to support the utility’s burden of proof for the recovery of affiliate costs:
 - a. historical cost trends;
 - b. process improvements aimed at achieving efficiency;
 - c. benchmark data. It is acknowledged that benchmark comparisons may not be available for *all* transmission and distribution-related costs. To the extent that certain relevant

costs are not included in the benchmark data used for comparison purposes, other evidence may be provided to address those costs.

- d. outsourcing results;
- e. proof of customer benefit;
- f. a showing that services are not duplicated at the utility;
- g. comparison of Test Year costs to costs that would be expected if the utility were a stand-alone company; cost control processes (e.g., budget, billing, audits); reviews by independent third parties; operational performance statistics; information regarding quality of management; service performance metrics; FTE statistics; and SAIDI/SAIFI data, FERC Form No. 1 data.

The items listed above are for illustrative purposes only; the utility must provide whatever information is necessary to meet its burden of proof.

- 4. Transmission and distribution expenses will include an assignment/allocation of amounts (referred to as “assigned expenses”) not recorded in transmission and distribution expense FERC accounts 560 – 598 (e.g., A&G FERC accounts 920 – 935). The expenses accumulated under accounts 920-935 must be aggregated in classes, with sufficient detail provided to enable the Commission to evaluate.

SECTION VI: OTHER SCHEDULES

SCHEDULE L: TRANSMISSION AND DISTRIBUTION UTILITY CUSTOMER SERVICES

This schedule must present the following information for each transmission and distribution utility customer service operations.

- Column (1) Name and brief description of each service or activity the utility proposes to include within this function.
- Column (2) Brief justification for the transmission and distribution utility's provision of this service
- Column (3) Average annual cost for the provision of this service, including but not limited to, directly assigned or allocated costs associated with personnel, corporate support and related services, computer systems, administrative, operations, or maintenance expenses, and all other assets or expenses related to the provision of this service.
- Column (4) FERC accounts (Costs) (these accounts denote the location of the booked cost)
- Column (5) Explanation indicating whether the cost for this service is an allocated or directly assigned amount. If allocated, include a detailed description of the allocation methodology used.

SCHEDULE M: CERTAIN PLANT ADDITIONS

GENERAL INSTRUCTIONS FOR SCHEDULE M

This schedule applies to projects that include plant additions with a cost exceeding \$250,000 that are (1) transmission lines that have been granted a CCN by the Commission, (2) transmission lines that did not require a CCN, (3) substations that have facilities with transmission voltages, and (4) high-voltage switching stations. This schedule does not apply to transmission plant additions that did not require a CCN under 16 TAC § 25.101(c)(3), or (c)(5)(C) through (c)(5)(F), or to station equipment replacements and station capital maintenance. This schedule applies to all plant additions described above that have not yet been subject to a prudence determination by the Commission.

VI-M-1: Project General Information

This schedule must identify and describe each project required to be included in Schedule M. The schedule must identify the docket number for the initial proceeding in which the project's costs were included in an interim update of the wholesale transmission revenue requirement or in a distribution cost recovery factor revenue requirement, if any.

VI-M-2: Need for the Project

For each project described in the general instructions for Schedule M, this schedule must:

1. Provide the date the project's facilities were energized.
2. State whether the project is currently providing service.
3. Explain the need for the project in detail, stating whether the project met a need identified in the utility's system planning studies.
4. Identify if the project was reviewed by ERCOT. If so, the documents that contain ERCOT's conclusions about the project must be provided.

For each project stemming from an endorsement by ERCOT, this schedule must describe which requirements of the overall project endorsed by ERCOT the project satisfies. All utilities that were involved in the construction of the endorsed project must be identified and the portion constructed by each utility must be described.

For a project to interconnect a generator at transmission voltage, this schedule must indicate whether the project includes only transmission-voltage facilities. If the project includes equipment on the generator's side of the interconnection, an explanation of how the project is consistent with the Commission's rules is required.

VI-M-2.1: Load Information Supporting Need for Certain Projects

For each new substation project or radial transmission line terminating at a transmission to distribution substation that was not either endorsed by ERCOT or built to interconnect a single requesting customer or generation facility, this schedule must provide the following information. Projects that are excluded from VI-M-2.1 whose purpose was to interconnect a specific requesting customer must be addressed in VI-M-3.2.

1. The relevant portions of system planning studies that support the need for the project.
2. The load growth rate in the area planned to be served by the project during each of the five calendar years immediately before the project was energized.
3. The load growth rate in the area served by the project during each calendar year starting with the year that the project was initially energized.
4. Peak load projected to be served by the project as forecasted by the applicant and consistent with the planning study for the project provided in Schedule V1-M-1.
5. Peak load served by the project during each year since the project was initially energized.

The load types the project was planned to serve must be identified, including but not limited to industrial, commercial and residential. If the project was planned to serve a limited number of customers with relatively large loads, the customers must be identified.

VI-M-2.2: Load Growth in Areas in Which Other Utilities Are Also Certificated to Serve

For projects described in the general instructions for Schedule M that were not endorsed by ERCOT where the project was planned to serve load of the applicant or one other utility in an area that other utilities are also certificated to serve, this schedule must explain the methodology that was followed to determine the portion of the load in the area planned to be served by the applicant or that other utility as opposed to the other utilities.

VI-M-3 Project Costs

VI-M-3.1: Project Cost Summary Information

Provide the following information for each project:

(a) Project Name, (with CCN Docket No., if Any)	(b) Estimated Costs at the Time of Review (if Any)	(c) Estimated Costs in First MCPR Entry*	(d) First MCPR Where Project Appeared	(e) Final Total Project Costs	(f) Last MCPR Where Project Appeared	(g) Percent difference between (c) and (e)

*For a project requiring a CCN, Column (c) must match the entry for “Initial Estimated Project Cost” from the MCPR in which the project first appeared; and for a project not requiring a CCN, column (c) must match the entry for “Final Estimated Project Cost” from the MCPR in which the project first appeared.

For projects described in the general instructions for Schedule M for which a CCN amendment was granted by the commission, this schedule must include the estimated cost for the route selected at the time the CCN was granted along with a reference to the specific information in a filing in the docket that shows this cost.

For any projects for which the Final Total Project Costs in column (e) exceed the Initial Estimated Costs in First MCPR Entry in column (c) by more than 10%, the reasons for the project having exceeded the initial cost estimate must be explained.

VI-M-3.2: Contribution in Aid of Construction (CIAC)

This schedule must provide the following information for each project described in the general instructions for Schedule VI-M for which the utility’s tariff required a determination of whether CIAC was required.

Project Name	Total Project Costs	Project Costs Directly Charged to Customers	Project Costs Requested to be Included in Rate Base	Relevant Tariff Provision

The first two columns in Table VI-M-3.2 must match columns (a) and (e) from Table VI-M-3.1. For each project in Table VI-M-3.2, the information and calculations supporting the determination of the project costs directly charged to customers must be provided. If the applicant split one project into two or more projects for the purpose of tracking separately the costs to be charged directly to customers as CIAC, this schedule must include all the costs as a single project for the purpose of this Table VI-M-3.2.

**SECTION VII:
CONFIDENTIALITY**

This section must include a signed statement by the utility's attorney that presents, for each schedule for which the utility claims that the requested information is confidential, the claimed reasons that the information should be treated as confidential and that states that the attorney has reviewed the information sufficiently to state in good faith that the information is confidential.

This section must also contain a draft protective order for parties' use prior to the issuance of a protective order.

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