

**PUBLIC UTILITY COMMISSION OF TEXAS**

**Project No. 21276**

*Modification of Rate Filing Package for Transmission Rates*

**TRANSMISSION COST OF SERVICE  
RATE FILING PACKAGE  
FOR  
NON-INVESTOR OWNED TRANSMISSION SERVICE PROVIDERS  
IN THE ELECTRIC RELIABILITY COUNCIL OF TEXAS**

**(Non-IOU TCOS-RFP)  
Pursuant to §25.192**

**As Adopted in December 16, 1999 Open Meeting**

# TABLE OF CONTENTS

<b>GENERAL INSTRUCTIONS</b> .....	<b>5</b>
<b>DEFINITION OF TERMS AND ACRONYMS</b> .....	<b>10</b>
<b>SECTION I : HISTORIC YEAR DATA</b> .....	<b>11</b>
Schedule A: Summary of Total Cost of Service by Function (See Attached Form) .....	11
<b><u>SCHEDULE B: RATE BASE</u></b> .....	<b>12</b>
Schedule B: Summary of Rate Base by Function (See Attached Form) .....	12
Schedule B-1: Original Cost of Plant .....	12
Schedule B-2: General Plant Functionalization .....	12
Schedule B-3: Communication Equipment .....	12
Schedule B-4: Unbundled Construction Work in Progress .....	12
Schedule B-5: Unbundled Accumulated Depreciation .....	13
Schedule B-6: Unbundled Plant Held for Future Use .....	13
Schedule B-7: Unbundled Accumulated Provision Balances .....	13
Schedule B-8: Unbundled Materials and Supplies .....	13
Schedule B-9: Unbundled Cash Working Capital .....	13
Schedule B-10: Unbundled Prepayments .....	14
Schedule B-11: Unbundled Other Rate Base Items .....	14
Schedule B-12: Unbundled Regulatory Assets (See Attached Form) .....	14
<b><u>SCHEDULE C: RATE OF RETURN, DEBT SERVICE COVERAGE, CASH FLOW, OR TIMES INTEREST EARNED RATIO</u></b> .....	<b>15</b>
Schedule C-1: Rate of Return Method .....	15
Schedule C-2: Debt Service Coverage Method: .....	15
Schedule C-3: Cash Flow Method .....	16
Schedule C-4: Times Interest Earned Method: .....	17
<b><u>SCHEDULE D: OPERATION &amp; MAINTENANCE EXPENSES</u></b> .....	<b>18</b>
Schedule D-1: O&M Expenses .....	18
Schedule D-2: A&G Expenses .....	18
Schedule D-3: Payroll Expense Distribution .....	19
Schedule D-5: Summary of Exclusions from Reporting Period (See Attached Form) .....	19
<b><u>SCHEDULE E: OTHER ITEMS</u></b> .....	<b>20</b>
Schedule E-1: Depreciation Expense .....	20
Schedule E-2: Taxes Other Than Federal Income Taxes .....	20
Schedule E-3: Federal Income .....	20
Schedule E-4: Other Expenses .....	20
Schedule E-5: Other Revenue Items (credit) .....	21
Schedule E-6: Wheeling Revenue under Existing Contracts .....	21
<b><u>SCHEDULE F: FUNCTIONALIZATION FACTORS</u></b> .....	<b>22</b>
<b>SECTION II: FORECAST YEAR DATA</b> .....	<b>25</b>
Schedule A(f): Summary of Transmission Cost of Service (See Attached Form) .....	25
<b><u>SCHEDULE B(f): RATE BASE</u></b> .....	<b>26</b>
Schedule B(f): Summary of Transmission Rate Base (See Attached Form) .....	26
Schedule B(f)-1: Original Cost of Transmission Plant .....	26
Schedule B(f)-2: General Plant Functionalized to Transmission .....	26
Schedule B(f)-3: Communication Equipment in Transmission .....	26
Schedule B(f)-4: Unbundled Construction Work in Progress in Transmission .....	27
Schedule B(f)-5: Unbundled Accumulated Depreciation in Transmission .....	27
Schedule B(f)-6: Unbundled Plant Held for Future Use in Transmission .....	27

Schedule B(f)-7: Unbundled Accumulated Provision Balances in Transmission .....	27
Schedule B(f)-8: Materials and Supplies in Transmission.....	27
Schedule B(f)-9: Cash Working Capital in Transmission .....	28
Schedule B(f)-10: Prepayments in Transmission.....	28
Schedule B(f)-11: Other Rate Base Items in Transmission .....	28
Schedule B(f)-12: Regulatory Assets (See Attached Form) .....	28
<b><u>SCHEDULE C(f): RATE OF RETURN, DEBT SERVICE COVERAGE, CASH FLOW, OR TIMES INTEREST EARNED RATIO</u></b> .....	<b>29</b>
Schedule C(f)-1: Rate of Return Method: .....	29
Schedule C(f)-2: Debt Service Coverage Method:.....	29
Schedule C(f)-3: Cash Flow Method: .....	29
Schedule C(f)-4: Times Interest Earned Method: .....	29
<b><u>SCHEDULE D(f): OPERATION &amp; MAINTENANCE EXPENSES</u></b> .....	<b>30</b>
Schedule D(f)-1: Transmission O&M Expenses.....	30
Schedule D(f)-2: A&G Expenses in Transmission .....	30
<b><u>SCHEDULE E(f): OTHER ITEMS</u></b> .....	<b>31</b>
Schedule E(f)-1: Transmission Depreciation Expense.....	31
Schedule E(f)-2: Taxes Other Than Federal Income Taxes.....	31
Schedule E(f)-3: Federal Income Taxes .....	31
Schedule E(f)-4: Other Expenses in Transmission.....	31
Schedule E(f)-5: Other Revenue Items (credit) in Transmission .....	32
<b><u>SECTION III AFFILIATE DATA</u></b> .....	<b>33</b>
<b>General Instructions</b> .....	<b>33</b>
<b>Guiding Principles</b> .....	<b>33</b>
<b><u>SCHEDULE N: AFFILIATE DATA</u></b> .....	<b>34</b>
Schedule N-1A: .....	34
Schedule N-1B: .....	34
Schedule N-2A: .....	34
Schedule N-2B: .....	34
Schedule N-3A: .....	34
Schedule N-3B: .....	34
Schedule N-4A: .....	34
Schedule N-4B: .....	35
Schedule N-5A: .....	35
Schedule N-5B: .....	35
Schedule N-6A: .....	35
Schedule N-6B: .....	35
Schedule N-7A: .....	35
Schedule N-7B: .....	35
Schedule N-8: .....	35
Schedule N-9A: .....	36
Schedule N-9B: .....	36
Schedule N-10A: .....	36
Schedule N-10B:.....	36
Schedule N-11: .....	36
Schedule N-12: .....	36
<b><u>SECTION IV FORMS</u></b> .....	<b>37</b>
<b>Schedule W: Confidentiality Schedule</b> .....	<b>37</b>

**Sample Forms (Schedules : A, B, B-12, D-5, A(f), B(f), B(f)-12) ..... 38**

## GENERAL INSTRUCTIONS

The following instructions are applicable to all schedules required in the Transmission Cost of Service Rate Filing Package (TCOS-RFP) for non-investor owned transmission service providers (TSP) in ERCOT, unless otherwise noted.

1. Unless otherwise indicated, the information required in this filing will be taken from the accounts and records prescribed in the Federal Energy Regulatory Commission (FERC) chart of accounts or the chart of accounts as prescribed by the municipal governing body. All future references to “FERC” accounts in the TCOS RFP shall include the appropriate accounts of the municipal utility that are consistent with the FERC chart of accounts.
2. For the filing of the TCOS-FP, the following terms have the following meaning:
  - a. Historic Year –Historic Year shall be the most recent fiscal year or calendar year. For the TSPs filing its TCOS application by May 15, 2000, the Historic Year can be the twelve month period ended September 30, 1999.
  - b. Forecast Year –Forecast Year shall be the twelve-month period ended December 31, 2002 or the fiscal year ending in 2002.A TSP may use a 2002 forecasted test year only if it files its TCOS application by May 15, 2000 and only if it agrees to extend the effective date to January 1, 2002.
3. For the filing of the TCOS-RFP, the information reported shall be based on the Historic Year. The TSP shall use this Historic Year as the basis from which to forecast its transmission cost of service and billing determinants for the Forecast Year. All rate base items for the Forecast Year shall be reflected at their Forecast Year-end amounts. For the Forecast Year, expense items such as depreciation expense, operations and maintenance expense, taxes and return shall be based on forecasted amounts. Detailed supporting documentation shall be provided for all forecast adjustments.
4. For the Historic Year, costs shall be unbundled into the following three functions:
  - a. Generation (GEN)
  - b. Transmission (TRAN)
  - c. Distribution (DIST)All references in these instructions to “the three functions” shall mean the three functions described in this paragraph (General Instruction No. 4) and the term “functionalize” shall mean the separation of costs into three functions. Of these functions, only the transmission will be projected for the Forecast Year.
5. A river authority, and one or more of its wholesale electric customers, may elect to file a combined transmission cost of service for the river authority and customer transmission cost of service requirements, that are not otherwise recoverable through transmission lease agreements with the river authorities allowed by PURA §35.007(b). The river

authority shall file information in sufficient detail to allow the commission to evaluate the reasonableness and prudence of the each customer's transmission cost of service.

6. A river authority shall be required to provide supplemental information and meet filing requirements in accordance with rules and procedures established by the PUC for securitization of stranded costs for river authorities at such time as such rules and procedures go into effect.
7. **Schedule referencing:** Schedules shall be referenced by schedule number and name as indicated in each instruction and shall identify the witness sponsoring the schedule. Schedules, which are not applicable, shall be so designated and include an explanation of why it is not applicable.
8. **Schedule format:** Schedules which require information by FERC account shall be in accordance with the following instructions:
  - Column (1): information as reported on the TSP's financial statements
  - 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 electric information only (col.(1)-col.(2)+col.(3))
  - Column (4): the electric amount(s) transferred from one FERC account to another pursuant to General Instruction No. 9(b)
  - Column (5): Column (4) + Column (5)
  - Column (6): Allocation of the total in column (6) to Texas
  - Column (7): Allocation of column (6) to GEN function.
  - Column (8): Allocation of column (6) to TRAN function.
  - Column (9): Allocation of column (6) to DIST function.

Note 1: The TSP shall provide workpapers which detail the amounts transferred from one FERC account to another pursuant to General Instruction No. 9(b). Supporting calculations and the basis for each transferred item shall also be included in these workpapers.

Note 2: The TSP shall provide workpapers, which detail the allocations of column (6) to columns (7) through (9). These workpapers shall contain all supporting calculations and the basis for such allocations.

Note 3: Utilities shall provide workpapers which detail the affiliated items included and support the allocation methods used to derive the amounts included.

Note 4: These schedules attempt to provide a complete listing of accounts. However, if the TSP has accounts on its books not included in the schedule listing, those accounts should be added.
9. **Reclassification & Transfers:**
  - (a) Reclassifications between accounts shall be allowed consistent with commission rule. Reclassifications shall be documented in the appropriate schedules and amounts placed in the appropriate columns as generation, transmission or distribution. Reclassified costs should not be transferred from one account to

another and should not appear in column (4) referenced in General Instruction No. 8.

- (b) Transfers shall only be used to make accounting adjustments in accordance with FERC accounting instructions.

10. **Adjustments:** Adjustments to historic period balances shall be made for the removal of items not allowed to be included in the TSPs cost of service by statute or Commission rule. Additionally, adjustments shall be made to the Historic Year to remove nonrecurring costs and normalize extraordinary expenditures. Workpapers detailing and explaining the adjustments made shall be provided.

11. **Functionalization:** Costs and rate base items shall be assigned to the three functions using the following three-step process and shall be consistent with PUCT Substantive Rule 25.192. No common costs will be assigned to regulated wholesale transmission function by default. If the TSP cannot meet its burden of proof, the costs in question will not be assigned to the wholesale transmission function.

- a. For each FERC account, costs and rate base items shall be directly assigned to functions to the extent possible, and all relevant workpapers provided.
- b. The TSP shall provide detailed workpapers documenting the nature of any costs or rate base items that cannot be directly assigned. For adequately documented items, 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 regulated functions, and must present evidence to support any such assignment.
- c. If adequately documented costs or rate base items 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 shall only be used as a last resort. If a utility deems a functionalization factor other than the factor prescribed in Schedule F, to be necessary, the utility shall provide a detailed justification for the chosen functionalization factor.

After the Commission adopts this form, TSPs shall make reasonable changes in their cost accounting and or cost tracking system to ensure that costs are assigned directly to the cost objects and allocated based on the cost causation principles to the users and ensure that future cost information for the wholesale transmission function is collected in compliance with the three-step process described above and §25.192 on a forward going basis.

12. **Workpapers:** Concurrently with the filing of copies of the TCOS-RFP pursuant to Procedural Rule 22.71, the TSP must also separately file with the Commission corresponding 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 TSP shall also concurrently file copies of its entire direct case, including all testimony and exhibits pursuant to Procedural Rule 22.71. In addition one complete set of the same TCOS-RFP, testimony, exhibits and workpapers shall be

delivered to the Office of Public 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 TSP will furnish to such person one complete set of the same TCOS-RFP, testimony, exhibits and workpapers filed with the Commission.

- a. Workpaper referencing format: The workpaper reference shall always begin with the characters “WP/” followed by the schedule to which the workpaper refers. Ascending numbers shall then reference specific workpapers. The resulting series of workpapers shall have a pyramid structure, with the top workpaper (the workpaper with the least complicated reference, for example WP/A-1) being the workpaper which directly reflects the amounts shown on a particular schedule (in this case, Schedule A-1). The next level down the pyramid (using the A-1 series, this would be WP/A-1/1) would contain information which explains a portion of the top workpaper (in this case, WP/A-1). 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 historic period expenses and/or balances as well as the forecasted year expenses and/or balances shall be included in the workpaper supporting each schedule. Supporting documentation for each forecast adjustment shall be included in sufficient detail to allow parties to replicate the adjustment. In addition, specific numbers which “tie” between the schedule and the workpaper must be referenced on both the workpaper and the schedule.
  - c. Workpaper location: All workpapers not considered voluminous (See General Instruction No. 15, below) shall be organized and appear in the same order as the schedules they support.
13. **Electronic files:** To the maximum extent possible, the Non-IOU TCOS-RFP, testimony and schedules shall be also provided to all participants on diskette or CD-ROM format on the date of filing. Any numerical data provided electronically shall be in Microsoft Excel (preferred), Lotus Symphony, Lotus 1-2-3, or ASCII formats on MS-DOS formatted computer diskette or CD-ROM.
14. **Confidentiality:** If the TSP claims that requested information is confidential, a statement to that effect shall be included in the filing package in the schedule where the information is requested. All information requested in the schedule for which the TSP does not claim confidentiality shall be included in the filing package schedule. The TSP shall include as part of Schedule W a signed statement by its attorney that presents, for each schedule for which the TSP 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 TSP shall provide ORA 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 Schedule W as if it had been issued. Use of the draft protective order contained in Schedule W 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 Schedule W.

15. **Voluminous material:** For any individual schedule or supporting workpaper that consists of 100 or more pages and is not available electronically, the company may designate such information as voluminous. All voluminous material shall be made available in a designated location in Austin on the date of filing. If the volume of the data meet the threshold for the “freight car doctrine” [eight (8) linear feet of document], the requested material shall be made available at its normal repository on the date of filing. The TSP shall provide a schedule detailing all normal repositories and cross-reference all TCOS-RFP schedules to the information contained in those repositories. For the purpose of General Instruction No. 15, each subpart of each section is a separate schedule (e.g., Schedule A-1, B-1, C-1, etc., are all separate schedules). The TSP shall deliver a hard copy of all voluminous materials not subject to the “freight car doctrine” to both the Office of Regulatory Affairs/Legal Division and the Office of Public Utility Counsel on the day of filing the TCOS-RFP application.
16. **Attached forms:** Certain schedule titles are followed by “(see attached form).” Where such a notation appears, the format for the schedule is provided and is to be followed.

## DEFINITION OF TERMS AND ACRONYMS

A&G	Administrative and General
ADIT	Accumulated Deferred Income Tax
CWIP	Construction Work In Progress
DSC	Debt Service Coverage
EPHFU	Electric Plant Held For Future Use
ERCOT	Electric Reliability Council of Texas
FERC	Federal Energy Regulatory Commission
IOU	Investor-Owned utility
M & S	Materials & Supplies
O & M	Operations & Maintenance
ORA	Office of Regulatory Affairs
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
SOAH	State Office of Administrative Hearings
TCOS	Transmission Cost of Service
TCOS-FP	Transmission Cost of Service Filing Package
TIER	Times Interest Earned Ratio
TSP	Transmission Service Provider
4-CP	Average of Four Coincident Peak

**SECTION I :**  
**HISTORIC YEAR DATA**

Schedule A: Summary of Total Cost of Service by Function (See Attached Form)

This schedule shall summarize the TSP's overall cost of service functionalized for the Historic Year including but not limited to, non-fuel operations and maintenance expenses, eligible fuel and purchased power expenses (if applicable<sup>1</sup>), non-eligible fuel and purchased power expense (if applicable), depreciation expenses, federal income taxes if applicable, taxes other than income taxes, and the return or coverage developed from the supporting schedules described herein. For any expenses in eligible or non-eligible fuel and purchased power expenses that are not included in generation costs, the FERC account for this expense and an explanation of why this expense is not included in the Generation function shall be included. Presentation shall be such that amounts can be readily determined and all costs to be included in TCOS shall be referenced to the detailed schedules B through E and/or the appropriate workpapers, computations, and analyses. This schedule should also show the derivation of the new wholesale transmission rate calculated by dividing the total transmission revenue requirement by the most recent total system ERCOT 4-CP at the time of application.

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<sup>1</sup> Municipally Owned Utilities and TSPs without generation do not have to distinguish between eligible and ineligible fuel and purchased power costs. These entities shall report their total fuel cost and total purchased power cost.

## **SCHEDULE B: RATE BASE**

### **Schedule B: Summary of Rate Base by Function (See Attached Form)**

The schedule shall summarize the TSP's overall rate base as of end of the Historic Year, separated into three functions. Presentation shall be such that amounts can be readily determined and all items included shall be referenced to the detailed schedules and/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 three functions.

### **Schedule B-1: Original Cost of Plant**

This schedule shall summarize the amounts of plant by FERC accounts 301-388 of the Uniform System of Accounts as of the end of the Historic Year, functionalized pursuant to General Instruction No 11. Utilities may reclassify some amounts among functions, consistent with Commission's Substantive Rule 25.192(b). Any reclassification of plant shall be made in accordance with General Instruction No. 9. This schedule shall tie to the book balances at the end of the Historic Year. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### **Schedule B-2: General Plant Functionalization**

This schedule shall detail the amounts of general plant for the Historic Year by FERC accounts 389-399, functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or sub account shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### **Schedule B-3: Communication Equipment**

This schedule shall show the balance of communication equipment for the Historic year in FERC Account 397, or other account (specify) where such equipment is booked, functionalized pursuant to General Instruction No. 11. For the purposes of General Instruction No. 11, equipment located at substations, which provide multiple functions, shall 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 shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### **Schedule B-4: Unbundled Construction Work in Progress**

This schedule shall show the amount of Construction Work in Progress (CWIP) directly for the Historic Year, functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be

included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule B-5: Unbundled Accumulated Depreciation

This schedule shall 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 Historic Year, functionalized pursuant to General Instruction No. 11. A description of the methods and procedures followed in booking depreciation shall be included in this schedule. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F. All depreciation rates and methodologies shall be included by primary account classification.

#### Schedule B-6: Unbundled Plant Held for Future Use

This schedule shall show the amount of Electric Plant Held for Future Use (EPHFU) as of the end of the Historic Year functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule B-7: Unbundled Accumulated Provision Balances

This schedule shall show the ending balance (Historic Year) of each accumulated provision account (i.e., injuries and damages, property insurance, etc.) functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule B-8: Unbundled Materials and Supplies

This schedule shall show the total amount of Materials and Supplies (M&S) as of the end of the Historic Year functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule B-9: Unbundled Cash Working Capital

This schedule shall show the amount of Cash Working Capital included in each component of the unbundled rate base as of the end of the Historic 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 P.U.C Subst. R. 25.231(c)(2)(B)(iii). Municipal utilities, cooperatives, and river authorities shall be allowed to use the one-eighth method to calculate cash working capital allowance. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule B-10: Unbundled Prepayments

This schedule shall show the amount of Prepayments as of the end of the Historic Year, functionalized on the same basis as the underlying expense, and consistent with General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule B-11: Unbundled Other Rate Base Items

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

#### Schedule B-12: Unbundled Regulatory Assets (See Attached Form)

The TSP shall provide the total amount of regulatory assets detailed on asset-by-asset basis for the Historic Year, functionalized pursuant to the General Instruction No. 11. For each item that the TSP claims as regulatory asset, the TSP should identify with specificity the commission Order (including applicable pages) or other authority upon which it bases its claims. If the TSP relies upon an authority other than a commission Order as the basis of its claim, it should provide a copy of the document(s) it relies on. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

## **SCHEDULE C: RATE OF RETURN, DEBT SERVICE COVERAGE, CASH FLOW, OR TIMES INTEREST EARNED RATIO**

The determination of final revenue requirements for a municipal utility, river authority, power agency, or electric cooperative may be based on any of the following methods at the election of the filing TSP.

### **Schedule C-1: Rate of Return Method**

The rate of return may be the TSP's weighted average cost of capital based upon the TSP's capitalization at the end of the Historic Year. A schedule showing the calculation shall be provided. The cost of debt capital and owner's equity shall be the weighted average cost as of the end of the Historic Year. A cost of owner's equity equal to the average yield for bonds of an entity with the TSP's credit rating published in Moody's Credit Perspective or similar publication during the most recent three months plus two percent shall be presumed reasonable. The TSP shall justify the use of any other rate of return, and shall specify the special circumstances that warrant the use of a different rate of return. Supporting documentation shall be provided for the average bond yields used in the cost of equity calculation.

### **Description Of Schedules:**

A schedule showing the calculation of the TSP's weighted average cost of capital shall be provided

### **Schedule C-2: Debt Service Coverage (DSC) Method:**

A return based on the TSP's debt service expenses as of the end of the Historic Year, and the debt service coverage levels stated in the TSP's most recently issued bond and debt covenants plus additional coverage of 0.25 for municipal utilities and river authorities shall be presumed reasonable. To the extent the utility can show that short-term debt has been utilized in a cost-effective manner as a reasonable alternative to long-term financing, its principal and interest and an additional coverage of 0.25 may be included in calculating the return. The return for short-term debt shall not include the coverage that is specified in the bond and debt covenants unless the covenants include short-term debt service in the denominator of the DSC ratio that is used to calculate default on the debt. To the extent there are no minimum debt service coverage requirements in the TSP's bond resolutions, the Board of Director's policy, with respect to coverage, shall be considered. At the option of the TSP, the return or debt service coverage approved by a municipality's or a river authority's ratemaking authority, within three years of the TCOS, filing may be used. The TSP shall justify the use of any other debt service coverage, and shall specify the reasonable circumstances that support the use of different debt service coverage.

The Texas Municipal Power Agency or its successor in interest may, at its option, use the rate of return method for calculating its transmission cost of service. If the rate of return method is used, the return component for the transmission cost of service revenue requirement shall be sufficient to meet the transmission function's pro rata share of levelized debt service and debt service coverage ratio (1.50) and other annual debt obligations; provided, however, that the total levelized debt service may not exceed the total debt service under the current payment schedule.

Any additional revenue generated by the methodology described in this subsection shall be applied to reduce the agency's outstanding indebtedness.

An electric cooperative may, at its option, use the debt service coverage method for calculating its transmission cost of service. The debt service coverage levels stated in the cooperative's most recent debt covenants plus additional coverage of 0.50 shall be presumed reasonable. To the extent that short-term debt is included in the calculation of these debt service coverage level covenants, it may be included in the debt service coverage used to calculate the transmission cost of service. To the extent there are no minimum debt service coverage requirements in the cooperative's debt covenants, the Board of Director's policy, with respect to coverage, shall be considered. At the option of the TSP, debt service coverage, based on rates approved by a cooperative's ratemaking authority, within three years of the TCOS filing may be used. The cooperative shall justify the use of any other debt service coverage, and shall specify the reasonable circumstances that support the use of different debt service coverage.

Description of Schedules:

- a. For utilities using the debt service coverage method, a schedule showing the debt service requirement for each debt issue outstanding at the end of the fiscal year shall be provided, as well as relevant excerpts of the bond and debt covenants supporting the debt service coverage utilized.
- b. An additional schedule showing the calculation of return and rate of return on invested capital in total plant (rate base) shall be provided. Return is computed based on the amount of debt service requirements (net of capitalized interest) times the coverage ratio described above, less interest income and depreciation. Supporting fiscal or calendar year-end audited financial statements (if available) and any other documents necessary to support the TSP's debt service requirement and other components in the return calculation, including the sources of interest income, shall be provided. In addition, the following financial ratios shall be provided, based on the requested debt service coverage ratio: *revenues per kWh*; and *net income per revenue dollar*. The percentage of revenues from generation and the percentage of revenues from distribution should be provided if unbundled, and if not unbundled, then generation and distribution revenues should be provided on a bundled basis. If the TSP has any unique characteristics, which might have a bearing on return, it should provide a narrative describing the characteristics.

Schedule C-3: Cash Flow Method

A TSP may elect to use the cash flow method for determining its transmission revenue requirement based on the Historic Year. If the TSP elects to use the cash flow method, the Commission shall consider reasonable cash needs in to the following categories:

- A debt service (including principal and interest) for long- term and short-term debt;
- B funding of reserve requirements on both long-term and short-term debt as set forth in revenue bond and debt ordinances;
- C for municipal utilities, annual payments for transfers to the city's general fund at rates established by the municipal utility's governing authority, to the extent such amounts are not recovered through other elements of the TCOS.
- D capital lease payments and/or finance lease payments;



E annual payments to provide internally generated funds for construction, system improvements, and repair and replacement;

Transfers to the general fund (which may have different names in different municipal utility systems), debt service, and funding of reserve requirements shall be functionalized, subject to commission review, to the transmission function on a basis comparable to that used to allocate such costs to the other functions of the municipal utility.

Lease payments and capital expenditures shall be included to the extent they can be directly assigned to the wholesale transmission function.

Transmission related costs other than the elements described above should be determined in accordance with the appropriate instructions contained in these rate-filing packages.

#### Description of Schedules:

For utilities using the Cash Flow Method, a schedule showing the costs to be included shall be provided together with supporting documentation in the form of bond and debt covenants, adopted policies of the governing authority, approved budgets and other documentation supporting the Cash Flow Component as may be reasonably required by the Commission.

#### Schedule C-4: Times Interest Earned Method:

##### Generation and Transmission Cooperatives

Generation and Transmission Cooperatives may use a rate of return based on the TSP's interest expense requirement on long term debt outstanding as of the end of the Historic Year, and a net times-interest-earned ratio (Net TIER) of 1.05 plus additional coverage of 0.15 times shall be presumed reasonable. At the option of the TSP, the rate of return most recently approved by its governing body may be used if the rates were approved within three years of the TCOS filing. The TSP shall justify the use of any other rate of return, and specify the special circumstances that warrant the use of a different rate of return. Special circumstances for purposes of this subsection may include a showing of an equity ratio below 20 percent, or a showing that the proposed Net TIER is insufficient to meet the reasonable cash needs (particularly debt service and internal funds for transmission plant additions) of the TSP.

#### Description of Schedules:

- a) A schedule showing the interest expense requirement for each long-term debt issue outstanding at the end of the Historic Year shall be provided.
- b) An additional schedule showing the calculation of return and rate of return on invested capital in total plant (rate base) shall be provided. Return is computed based on the amount of interest expense requirement at the end of the year times the 1.20 times Net TIER, less non-operating margins, plus other interest expense and other deductions. Supporting year-end financial statements and any other documents necessary to support the debt outstanding at year-end and the calculation of return, including the sources of non-operating margins, shall be provided.

#### Electric Distribution Cooperatives

An electric distribution cooperative may use a rate of return based on the TSP's interest expense on long term debt outstanding at the end of the Historic Year, and a modified times interest earned ratio excluding capital credits (modified TIER) of 2.0 times shall be presumed reasonable. The TSP shall justify the use of any other rate of return, and shall specify the special circumstance that warrants use of a different rate of return.

#### Description of Schedules:

- a) A schedule showing the interest expense requirement for each debt issue outstanding at the end of Historic Year shall be provided.
- b) An additional schedule calculating return and rate of return on invested capital in total plant (rate base) shall be provided. Return is computed based on the amount of interest expense requirement at year end times the 2.0 times modified TIER, less non-operating income other than capital credits, plus other interest expense and other deductions. Supporting year-end financial statements and any other documents necessary to support the debt outstanding at year-end and the calculation of return, including the sources of non-operating income, shall be provided.

#### Municipal Utilities or River Authorities

Municipal Utilities or River Authorities electing to use the TIER method will be considered on a case-by-case basis.

### **SCHEDULE D: OPERATION & MAINTENANCE EXPENSES**

#### Schedule D-1: O&M Expenses

This schedule shall include the TSP's overall operations and maintenance expenses according to FERC accounts 500-917 for the Historic Year, functionalized pursuant to General Instruction No. 11. The documentation shall itemize the wheeling expenses incurred for the old contracts on a contract by contract basis. Utilities may reclassify some amounts among functions, consistent with Commission's Substantive Rule 25.192(b). Any reclassification of expenses shall be made in accordance with General Instruction No. 9. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

#### Schedule D-2: A&G Expenses

This schedule shall show the annual expenses in FERC accounts 920-935 for the Historic Year, functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### Schedule D-3: Payroll Expense Distribution

This schedule shall present the payroll expense for the Historic Year by FERC primary account functionalized pursuant to General Instruction No. 11. For the purpose of General Instruction No. 11, Payroll Expenses shall be functionalized using the same factors as the respective accounts in the O&M schedules. For accounts, which are functionalized using a composite factor, the respective composite factors shall be developed based on Payroll information only. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### Schedule D-5: Summary of Exclusions from Reporting Period (See Attached Form)

This schedule shall present a summary of all reporting period expenditures for items not allowed to be included in the TSP's cost of service by statute or commission rule.

## **SCHEDULE E: OTHER ITEMS**

### **Schedule E-1: Depreciation Expense**

This schedule shall show the TSP's overall unbundled depreciation expense for the Historic Year for the TSP's plants and shall be based on Commission approved depreciation rates or an updated depreciation study. If a TSP does not have Commission approved depreciation rates, the TSP shall provide the basis for the depreciation rates used and explain the process by which the rates were established. Documentation supporting the approval of the depreciation rates used shall be provided. Plant depreciation rates and depreciation expense shall be shown by FERC Account, functionalized pursuant to General Instruction No. 11. All adjustments appearing on this schedule shall be referenced to detailed workpapers, computations, and analyses. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules and/or the appropriate workpapers, computations and analyses. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### **Schedule E-2: Taxes Other Than Federal Income Taxes**

This schedule shall show the amount of other taxes, excluding federal income taxes, assessed on or paid for by the TSP for the Historic Year, functionalized pursuant to General Instruction No. 11. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F. To the extent that PURA identifies the functionally separated business entities of the TSP that are responsible for payment of specific revenue related taxes, these taxes will be directly assigned to these entities in accordance with the statute.

### **Schedule E-3: Federal Income Tax**

Federal Income Taxes shall be calculated using the return method for the Historic Year, functionalized pursuant to General Instruction 11. Supporting explanations and calculations shall be referenced to this schedule, and if not found elsewhere in the TCOS-RFP, shall be provided as workpapers to this schedule. Supporting workpapers that fully and clearly explain the functionalization of each account or subaccount shall be included in the workpaper section, and any functionalization factors shall be referenced to the appropriate factors in Schedule F.

### **Schedule E-4: Other Expenses**

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

Schedule E-5: Other Revenue Items (credit)

This schedule shall show all other revenue credits functionalized on the same basis as the underlying assets or activities and consistent with General Instruction No. 11. Wheeling revenues shall not be credited to Transmission function. Revenues from transmission of electric energy out of ERCOT over DC ties that is not recovered through rates for annual planned transmission service and revenue from monthly, weekly, and daily planned transmission service, however, shall be credited to Transmission. Supporting documentation shall be provided. The portion of the revenue credits functionalized to transmission function shall be deducted from the TSP's total cost of service for transmission.

Schedule E-6: Wheeling Revenue under Existing Contracts

This schedule shall detail the amount of wheeling revenues received under existing contracts on contract by contract basis.

**SCHEDULE F: FUNCTIONALIZATION FACTORS**

1. Provide a listing of functionalization factors and associated data, which shall 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. That is the data used as numerators and divisors in calculating the functionalization factors in b. above.
  
2. 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 are employed in directly developing the functionalization factors, workpapers shall 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, provide a narrative description of the justification for such assignment.

The following table lists factors, which may be used to functionalize costs pursuant to General Instruction No. 11 (c). For FERC accounts, which do not appear in this table, it is assumed that all costs will be functionalized pursuant to 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.	TITLE	SUBACCOUNT	ALLOCATOR
301	Organization	Revenue-Related Items	TOTREV
301	Organization	Plant-Related Items	PLTSVC-NX
302	Franchise and Consents	Revenue-Related Items	TOTREV
302	Franchise and Consents	Plant-Related Items	PLTSVC-NX
303	Misc. Intangible Plant	Revenue-Related Items	TOTREV
303	Misc. Intangible Plant	Plant-Related Items	PLTSVC-NX
310-346	Generation Plant		GEN (re-classify GEN/TRAN per 25.192 (b))
350-359	Transmission Plant		TRAN (re-classify TRAN/GEN or TRAN/DIST per 25.192 (b))
360-373	Distribution Plant		DIST (re-classify DIST/TRAN per 25.192(b))
389	Land and Land Rights		SQFT
390	Structures and Improvements		SQFT

391	Office Furniture and Equipment		SQFT
392	Transportation Equipment		MILE
393	Stores Equipment		PLTXGNL-N
394	Tools, Shop and Garage Equipment		PLTXGNL-N
395	Laboratory Equipment		PLTXGNL-N
396	Power Operated Equipment		PLTXGNL-N
397	Communication Equipment		Schedule B-5
398	Misc. Equipment		PLTXGNL-N
500-554	GEN O&M		GEN
555	Purchased Power	Wholesale	GEN/TRAN based on supplier info
555	Purchased Power	Cogenerator	GEN
555	Purchased Power	Economy Energy	GEN (TRAN for losses)
556	System Control and Load Dispatching		GEN/TRAN - direct assignment
557	Other Expenses		GEN
560-564, 566-574	Transmission O&M		TRAN
565	Wheeling Expenses (ERCOT)		DIST
580-598	Distribution O&M		DIST
901	Supervision		DIST
902	Meter Reading Expense		DIST
903.E	Customer Records and Collection Expenses	Collection Expenses	DIST
903.R	Customer Records and Collection Expenses	Customer Records	DIST
905	Misc. Customer Account Exp.		DIST
907-917	Customer Service & Information, Sales		DIST
920	A&G Salaries		PAYXAG
921	Office Supplies		PAYXAG
922	Admin. Expenses Transferred		PAYXAG
923	Outside Services		TOMXFP
924	Property Insurance Expense		PLTSVC-N
925	Injuries and Damages		PAYXAG
926	Pensions and Benefits		PAYXAG
927	Franchise Requirements		DIST
928	Regulatory Expenses		TOTREV (PUC assessment DIST)

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

C902_3	Composite allocator, comprised of FERC accounts 902 and 903
PAYROLL	Total Payroll
PAYXAG	Payroll, excluding Administrative and General Salaries and excluding Contract Labor
PAYXAGIC	Payroll excluding Administrative and General Salaries and including Contract Labor
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 (Assume Human Resources (HR) occupies one tenth of the total office space, therefore one tenth of total expense and rate base items for which square feet is an appropriate cost driver such as furniture, heating etc. will be allocated to the HR cost center, later HR costs will be allocated based on payroll or number of employees ( appropriate cost drivers for HR functions) to the user of the HR services.)
TOMXFP	Total Operations and Maintenance Expenses, excluding Fuel and Purchased Power
TOTREV	Total Revenue
TRB	Total Rate Base
MILE	Miles driven on the transportation equipment



**SECTION II:  
FORECAST YEAR DATA**

Schedule A(f): Summary of Transmission Cost of Service (See Attached Form)

This schedule shall provide the TSP's Forecast Year unbundled cost of service for the transmission function. It shall begin with the Historic Year cost of service for this function as reported on Schedule A-1. An additional column shall present the forecast adjustments to the Historic Year which are necessary to reach the Forecast Year. All adjustments appearing on this schedule shall be referenced to detailed workpapers, computations, and analyses. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules B(f) through E(f) and/or the appropriate workpapers, computations and analyses.

## **SCHEDULE B(f): RATE BASE**

### **Schedule B(f): Summary of Transmission Rate Base (See Attached Form)**

This schedule shall provide the TSP's forecasted transmission rate base. It shall begin with the Historic Year rate base as reported on Schedule B for the transmission function. An additional column shall present the forecast adjustments to the Historic Year, which are necessary to reach the Forecast Year. Only plant in service projected to be in service at December 31, 2002 shall be allowed. All adjustments appearing on this schedule shall be referenced to detailed workpapers, computations, and analyses. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules B(f)-1 and B(f)-12 and/or the appropriate workpapers, computations and analyses.

### **Schedule B(f)-1: Original Cost of Transmission Plant**

This schedule shall provide, by FERC account, the TSP's estimated plant balances as of the end of the Forecast Year for the transmission function. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-1. An additional column shall present forecast adjustments to the historic balances necessary to reach the plant balances expected to be in service at the end of the Forecast Year. Only plant in service projected to be in service at the end of the Forecast Year shall be allowed. All adjustments appearing on this schedule shall be referenced to detailed workpapers, computations, and analyses. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules and/or the appropriate workpapers, computations and analyses.

### **Schedule B(f)-2: General Plant Functionalized to Transmission**

This schedule shall detail the amounts of general plant for the Forecast Year functionalized to transmission by FERC accounts 389-399. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-2. An additional column shall present forecast adjustments to the historic balances necessary to reach the plant balances expected to be in service at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to each account shall be included in the workpaper section.

### **Schedule B(f)-3: Communication Equipment in Transmission**

This schedule shall show the balance of communication equipment for the Forecast Year in FERC Account 397, or other account (specify) where such equipment is booked as reported on Schedules B(f)-1 and B(f)-2 and as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-3. An additional column shall present forecast adjustments to the historic balances necessary to reach the plant balances expected to be in service at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to each account shall be included in the workpaper section.

#### Schedule B(f)-4: Unbundled Construction Work in Progress in Transmission

This schedule shall detail the amounts of construction work in progress for the Forecast Year functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-4. An additional column shall present forecast adjustments to the historic balances necessary to reach the plant balances expected to be in service at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to each account shall be included in the workpaper section.

#### Schedule B(f)-5: Unbundled Accumulated Depreciation in Transmission

This schedule shall detail the accumulated provisions for depreciation by primary account classification (e.g., 350-359, 360-373, 389, etc.) for the Forecast Year that is functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-5. An additional column shall present forecast adjustments to the historic balances necessary to reach the account balances expected at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to each account shall be included in the workpaper section.

#### Schedule B(f)-6: Unbundled Plant Held for Future Use in Transmission

This schedule shall show the amount of Electric Plant Held for Future Use (EPHFU) as of the end of the Forecast Year and as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-6. Additional columns shall present forecast adjustments to the historic balances necessary to reach the plant balances expected to be in service at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to each account shall be included in the workpaper section.

#### Schedule B(f)-7: Unbundled Accumulated Provision Balances in Transmission

This schedule shall show the ending balance (Forecast Year) of each accumulated provision account (i.e., injuries and damages, property insurance, etc.) as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-7. An additional column shall present forecast adjustments to the historic balances necessary to reach the account balances expected at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to the total amounts shall be included in the workpaper section.

#### Schedule B(f)-8: Materials and Supplies in Transmission

This schedule shall show the total amount of Materials and Supplies (M&S) as of the end of the Forecast Year and as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-8. An additional column shall present forecast adjustments to the historic balances necessary to reach the account balances expected to be in service at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to the total amount shall be included in the workpaper section.

#### Schedule B(f)-9: Cash Working Capital in Transmission

This schedule shall show the total amount of Cash Working Capital included in transmission rate base as of the end of the Forecast Year. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-9. An additional column shall present forecast adjustments to the historic balances necessary to reach the balances expected at the end of the Forecast Year. The amount to be included will be in accordance with PUC Substantive Rule 25.231(c)(2)(B)(iii). Supporting workpapers that fully and clearly explain the forecast adjustments to the total shall be included in the workpaper section.

#### Schedule B(f)-10: Prepayments in Transmission

This schedule shall show the amount of Prepayments as of the end of the Forecast Year and as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-10. An additional column shall present forecast adjustments to the historic balances necessary to reach the account balances expected at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to the total shall be included in the workpaper section.

#### Schedule B(f)-11: Other Rate Base Items in Transmission

This schedule shall detail all other rate base items for the Forecast Year not included in the previous categories that are functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-11. An additional column shall present forecast adjustments to the historic balances necessary to reach the plant balances expected to be in service at the end of the Forecast Year. Supporting workpapers shall be included showing the derivation of the amounts included.

#### Schedule B(f)-12: Regulatory Assets (See Attached Form)

The TSP shall provide the total amount of regulatory assets detail on an asset-by-asset basis for the Forecast Year as functionalized to the transmission function. It shall begin with the corresponding Historic Year-end balances presented on Schedule B-12. An additional column shall present forecast adjustments to the historic balances necessary to reach the asset balances expected at the end of the Forecast Year. Supporting workpapers that fully and clearly explain the forecast adjustments to the total shall be included in the workpaper section.

**SCHEDULE C(f): RATE OF RETURN, DEBT SERVICE COVERAGE, CASH FLOW,  
OR TIMES INTEREST EARNED RATIO**

Schedule C(f)-1: Rate of Return Method:

For utilities electing to make a transmission cost of service filing using a Forecast Year, a forecast showing the calculation of the TSP's weighted average cost of capital shall be provided.

Schedule C(f)-2: Debt Service Coverage Method:

For utilities required or electing to make a transmission cost of service filing on a Forecast Year, a forecast debt service coverage shall be used and supported with an appropriate schedule.

Schedule C(f)-3: Cash Flow Method:

For utilities required or electing to make a transmission cost of service filing on a Forecast Year, a forecast cash flow shall be used and supported with an appropriate schedule.

Schedule C(f)-4: Times Interest Earned Method:

For utilities required or electing to make a transmission cost of service filing on a Forecast Year, a forecast times interest earned shall be used and supported with an appropriate schedule.

## **SCHEDULE D(f): OPERATION & MAINTENANCE EXPENSES**

### Schedule D(f)-1: Transmission O&M Expenses

This schedule shall include the TSP's overall operations and maintenance expenses according to FERC accounts 500 – 917 for the Forecast Year as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule D-1. An additional column shall present forecast adjustments to the historic balances necessary to reach the Forecast Year expenses. Supporting workpapers that fully and clearly explain the forecast adjustments to the total shall be included in the workpaper section. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules and/or the appropriate workpapers, computations, and analyses.

### Schedule D(f)-2: A&G Expenses in Transmission

This schedule shall show the annual expenses in FERC accounts 920-935 for the Forecast Year and as functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule D-3.1. An additional column shall present forecast adjustments to the historic expenses necessary to reach the Forecast Year expenses. Supporting workpapers that fully and clearly explain the forecast adjustments to the total amounts shall be included in the workpaper section.

## **SCHEDULE E(f): OTHER ITEMS**

### **Schedule E(f)-1: Transmission Depreciation Expense**

This schedule shall show the TSP's overall depreciation expense for plants functionalized to transmission for the Forecast Year and shall be based on Commission-approved depreciation rates. If a TSP does not have Commission approved depreciation rates, the TSP shall provide the basis for the depreciation rates used and explain the process by which the rates were established. Documentation supporting the approval of the depreciation rates used shall be provided. Plant depreciation rates and functionally unbundled depreciation expense shall be shown by FERC Account. To calculate the unbundled depreciation expense for the Forecast Year, the TSP shall begin with the Historic Year expense for transmission function. An additional column shall present the forecast adjustments to the Historic Year which are necessary to reach the Forecast Year. Only plant in service projected to be in service at December 31, 2002 shall be allowed. All adjustments appearing on this schedule shall be referenced to detailed workpapers, computations, and analyses. Presentation shall be such that amounts can be readily determined and all costs to be included in each function shall be referenced to the detailed schedules and/or the appropriate workpapers, computations and analyses.

### **Schedule E(f)-2: Taxes Other Than Federal Income Taxes in Transmission**

This schedule shall show the amount of other taxes, excluding federal income taxes, for the Forecast Year functionalized to transmission. It shall begin with the corresponding Historic Year-end balances presented on Schedule E(f)-2. An additional column shall present forecast adjustments to the historic expenses necessary to reach the Forecast Year expenses.

### **Schedule E(f)-3: Federal Income Taxes**

Federal Income Taxes will be calculated using the return method for the Forecast Year. Supporting explanations and calculations shall be referenced to this schedule, and if not found elsewhere in the TCOS-RFP, shall be provided as workpapers to this schedule. It shall begin with the corresponding Historic Year expenses presented on the corresponding Historic Year schedule. Additional columns shall present forecast adjustments to the historic expenses necessary to reach the Forecast Year expenses.

### **Schedule E(f)-4: Other Expenses in Transmission**

This schedule shall show all items not classified elsewhere and functionalized to transmission. All items shall be identified on an item by item basis and supporting workpapers shall be provided. It shall begin with the corresponding Historic Year-end balances presented on Schedule E-4. An additional column shall present forecast adjustments to the historic expenses necessary to reach the Forecast year expenses.

Schedule E(f)-5: Other Revenue Items (credit) in Transmission

Other revenue credits shall be directly assigned or itemized and functionalized in this schedule. Supporting documentation shall be provided. It shall begin with the corresponding Historic Year-end balances presented on Schedule E-5. Additional columns shall present forecast adjustments to the historic expenses necessary to reach the Forecast Year revenues. Wheeling revenues shall not be credited to Transmission function. TSP's share of the total ERCOT wide revenues (based on the ERCOT wide ISO forecast) from transmission of electric energy out of ERCOT over DC ties and revenue from monthly, weekly, and daily planned transmission service, that is not recovered through rates for annual planned transmission service however, shall be credited to Transmission revenue requirement of the TSP.



## **SECTION III AFFILIATE DATA**

### **General Instructions**

1. The affiliate filing requirements apply to TSPs in ERCOT having affiliates that have provided services or property the value of which is included in one of the three functions.
2. The definition of transmission costs for purposes of this filing shall be coordinated and consistent with the definition of these costs in Commission Substantive Rule 25.341. Appropriate consideration should be given to the guidance provided by FERC through its account classification and functional descriptions.
3. For purposes of this filing, transmission costs shall include transmission-related, *e.g.*, transmission-related administrative and general (A&G) costs in support of Texas activities.
4. The term “per book” is the Historic Year without pro-forma adjustments.
5. The term “net requested” amount for an item is the Historic Year with pro-forma adjustments to the Forecast Year and represents the revenue requirement on which the revised transmission rates are to be set.

### **Guiding Principles**

1. To the extent that the affiliate standard prescribed by §36.058 of PURA is applicable in this filing, it should only be applied to the transmission function. However, in order to satisfy the requirements of §36.058, the Commission and other parties will be provided the affiliate costs charged to the three functions as well as to the other affiliates.
2. Transmission costs shall be presented in sufficient detail (*e.g.*, transmission operations, transmission maintenance, FERC accounts 560 – 562, FERC accounts 568-574, or other logical groupings of services) to permit the Commission to conduct the review as required by PURA §36.058.
3. The following are examples of the types of evidence that may be presented to support the applicant’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 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 TSP;
  - g. comparison of Historic Year costs to costs that would be expected if the TSP 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 1 data

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

4. Transmission expenses will include an assignment/allocation of amounts (hereinafter referred to as “assigned expenses”) not recorded in transmission and distribution expense FERC accounts 560 – 574 (e.g., A&G FERC accounts 920 – 935). The expenses accumulated under accounts 920-935 shall be aggregated in classes, with sufficient detail provided to enable the Commission to evaluate whether the expenses are reasonable.

## **SCHEDULE N: AFFILIATE DATA**

### **Schedule N-1A:**

Schedule showing transmission affiliate expenses by FERC account grouped and subtotaled by class of items for the Historic Year.

### **Schedule N-1B:**

Schedule showing affiliate transmission expenses by FERC account grouped and subtotaled by class of items for the Forecast Year.

### **Schedule N-2A:**

Schedule showing transmission affiliate expenses listed by affiliate by FERC account on a per book basis; specific pro-forma adjustments; and on an adjusted basis for the Historic Year

### **Schedule N-2B:**

Schedule showing transmission affiliate expenses listed by affiliate by FERC account on an adjusted basis for the Historic Year; specific pro-forma adjustments; and on an adjusted basis for the Forecast Year

### **Schedule N-3A:**

Organization chart for the TSP system showing all regulated and non-regulated affiliates as of the end of the Historic Year.

### **Schedule N-3B:**

Organization chart for the TSP system showing all regulated and non-regulated affiliates as of the end of the Forecast Year.

### **Schedule N-4A:**

Description of types of services provided by other affiliates to the TSP for the Historic Year. Identify specific services provided by each affiliate.

Schedule N-4B:

Description of types of services provided by other affiliates to the TSP for the Forecast Year. Identify specific services provided by each affiliate.

Schedule N-5A:

Schedule showing transmission capital projects by affiliate. Amounts closed to total requested plant-in-service 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.

Schedule N-5B:

Schedule showing transmission capital projects by affiliate amounts closed to plant-in-service from the end of the Historic Year to the end of the Forecast Year, unless ordered otherwise, and a discussion of the significant projects based on amount or project category.

Schedule N-6A:

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

Schedule N-6B:

Schedule showing adjustments to per book costs for the Historic Year transmission costs including the description, purpose, and amount for each adjustment. This schedule must correlate with the Schedule 2A listing pro-forma adjustments to the adjusted Historic Year. For any adjustment where a difference exists between Schedule N-2A and this schedule a reconciliation must be provided.

Schedule N-7A:

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

Schedule N-7B:

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

Schedule N-8:

This schedule shall detail per book charges to other affiliate companies by FERC account. This schedule format should list the affiliate company providing the identified service.

Schedule N-9A:

Schedule N-9A applies to each TSP having affiliates that have provided services or property the value of which is included in one of the three functions. This schedule shall consist of a description of the affiliate billing process, including the manner in which costs are recorded by project/activity code or work order and the process by which costs are allocated to each affiliate. This schedule shall include allocation formulas and their derivations for the Historic Year.

Schedule N-9B:

Schedule N-9A applies to each TSP having affiliates that have provided services or property the value of which is included in one of the three functions. This schedule shall consist of a description of the affiliate billing process, including the manner in which costs are recorded by project/activity code or work order and the process by which costs are allocated to each affiliate. This schedule shall include allocation formulas and their derivations for the Forecast Year.

Schedule N-10A:

This schedule shall describe controls that are in place during the Historic Year to ensure appropriate billing for affiliate services. These controls shall include (but 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).

Schedule N-10B:

This schedule shall describe controls that are in place during the Forecast Year to ensure appropriate billing for affiliate services. These controls shall include (but 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).

Schedule N-11:

Schedule showing billing methods used by affiliates to bill net requested transmission costs to the TSP.

Schedule N-12:

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

Workpapers shall 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 Applicant has presented for recovery. These workpapers would include but 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/activity code or work order; project/activity or work order summaries; affiliate billings by FERC account and class; affiliate billings by class and project/activity code or work order; and affiliate billings by class, FERC account and by project/activity code or work order.

## **SECTION IV FORMS**

### **Schedule W: Confidentiality Schedule**

**Sample Forms (Schedules : A, B, B-12, D-5, A(f), B(f), B(f)-12)**