

**PUBLIC UTILITY COMMISSION
OF
TEXAS**

ANNUAL REPORT

OF

ELECTRIC UTILITIES

PURSUANT TO §39.257

OF THE

PUBLIC UTILITY REGULATORY ACT

**ANNUAL REPORT OF ELECTRIC UTILITIES
PURSUANT TO §39.257
OF THE
PUBLIC UTILITY REGULATORY ACT**

General Instructions

1. This form is prescribed for the use of each electric utility required to file a report of its annual revenues, costs, and invested capital pursuant to §39.257 of the Public Utility Regulatory Act. The objective of this report is to facilitate the determination of any positive difference between the annual revenues and costs of each electric utility.
2. The reported information shall initially be for the twelve-month period ending each December 31 for the years 1999, 2000, and 2001 and may continue to be required thereafter as determined by §39.262 of PURA. The report shall be filed with the Commission each year not later than **90** days after the end of each year.
3. Each electric utility shall file with the Filing Clerk of the Commission's Central Records, three (3) copies of the printed Annual Report and any attachments. *Of these three printed copies, two copies shall be bound, and one shall be unbound.* The unbound copy shall be used for electronic scanning purposes. A Microsoft Excel spreadsheet named "Annual Report Schedules" has been provided with these instructions. The company shall file an **unaltered** electronic copy of this completed spreadsheet at the same time it files its printed annual report. This spreadsheet shall be filed consistent with the Commission's electronic filing standards set out in §22.72(g) of the Procedural Rules. Each sheet of the Excel file is preformatted to calculate certain items based on company specific inputs. The file is sealed and shall not be altered or modified in any manner by the company.
4. Unless otherwise indicated, the information required in this report form will be taken from the accounts and other records prescribed in the Federal Energy Regulatory Commission chart of accounts. The definitions and instructions contained therein will also apply to this report wherever applicable.
5. Concurrently with the filing of the Annual Report, the reporting electric utility must also separately file with the Commission three (3) complete sets of workpapers used in the preparation of the report schedules, subject to the provisions of these instructions dealing with voluminous workpapers. In addition, one (1) complete set of the same workpapers shall be delivered to the Office of Public Utility Counsel on the date of filing.
 - a. Workpaper referencing format: The workpaper reference shall always begin with the characters "WP/" followed by the schedule to which the workpaper refers. Specific workpapers shall then be referenced by ascending numbers. 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. The next level down the pyramid would contain information that explains a portion of the top workpaper. Each successive level down the pyramid would explain something from the next higher level.

- b. Workpaper content: All assumptions, calculations, sources and data supporting the reported revenues, expenses, invested capital balances, and adjustments thereto shall be included in the workpapers supporting each schedule. To the extent balances are taken directly from the FERC Form 1, copies of the relevant pages shall be included and clearly referenced. To the extent that adjustments are necessary to the amounts reported on the FERC Form 1, supporting documentation sufficient to replicate the calculation shall be provided.
 - c. Workpaper location: All workpapers not considered voluminous shall be organized and appear in the same order as the schedules they support.
 - d. Voluminous workpapers: For any supporting workpaper that consists of 100 or more pages, the utility may designate such information as voluminous. All voluminous material shall be made available in a designated location in Austin on the date of filing. The utility shall deliver a copy of all voluminous materials to both the Commission staff and the Office of Public Utility Counsel on the day of filing the Annual Report.
- 6. References to reports of previous periods or to other reports will not be accepted in lieu of information requested in this report. This report does not replace any other report required by the Commission unless substitution is specifically allowed by the Substantive Rules.
 - 7. Each Annual Report shall be attested to by an officer or manager of the utility under whose direction the report is prepared.
 - 8. If it is necessary to revise any schedule after the initial filing of the Annual Report, a new electronic version and three (3) printed copies of the report shall be provided. The electronic version and all printed copies shall be labeled “revised” and include the date of revision.

Schedule Instructions

Schedule I: Determination of Excess Earnings

This schedule will automatically determine the utility's excess (deficient) earnings each year, based on items calculated on other schedules. There are no inputs required for this schedule.

Schedule II: Annual Revenues

Column (a) shall indicate the page number and line number of the Company's FERC Form 1 where each item of revenue indicated is reported.

Column (b) of this schedule should reflect the Company's revenues as shown on its FERC Form 1 for each report year.

Enter in column (c) all adjustments necessary to reach the Texas jurisdictional revenues reported in column (d).

Column (e) shall reflect all revenues collected under the utility's fuel factor, pursuant to §36.203 of PURA.

Column (f) shall reflect all purchased power revenues collected pursuant to §36.205 of PURA.

Column (g) removes all revenues received under the interutility billing process adopted by the Commission pursuant to §35.004, 35.006, and 35.007 of PURA.

Column (h) removes all revenues associated with transition charges as defined by §39.302 of PURA.

Column (i) reflects the revenue imputation for special rates as determined on Schedule II-A.

The Company shall enter in column (k) only those revenue adjustments necessary to avoid double counting items as a result of the implementation of other sections of Senate Bill 7. Detail of these proposed adjustments must be included in the workpapers filed concurrently with the Annual Report.

Schedule II-A: Revenue Imputation for Special Rates

Special Rates to be reported on this schedule include, but are not limited to, the following: economic development rates (e.g., competitive pricing, special contract pricing, economy sales, buy-sell arrangements), time-of-use and real-time pricing rates, legislatively mandated rates (e.g. university discount rates), interruptible rates, and other special rates (e.g. as-available, off-system rates).

Data should be provided separately for each applicable rate/rider. For utilities with multi-jurisdictional operations, data should be reported for the Texas jurisdiction only.

Provide the qualification criteria for each rate/rider on a separate attachment.

Column (2) shall reflect the total number of customers taking service at each special rate.

Column (3) shall reflect the total actual base rate revenue recovered during the report year from all customers taking service at each special rate.

Column (4) reflects the total amount of base revenues that would result from special rate customers assuming that service were provided at the corresponding standard tariff rates.

Column (5) applies only to interruptible rates. It shall reflect the system benefits resulting from each interruptible rate and consist of actual capacity/fuel savings, if any.

Schedule III: Annual Costs

Column (a) shall indicate the page number and line number of the Company's FERC Form 1 where each item of expense indicated is reported.

Column (b) of this schedule should reflect the Company's expenses as shown on its FERC Form 1 for each report year.

Enter in column (c) all adjustments necessary to reach the Texas jurisdictional expenses reported in column (d).

The Company shall enter in column (e) only those expense adjustments necessary to avoid double counting items as a result of the implementation of other sections of Senate Bill 7. Detail of these proposed adjustments must be included in the workpapers filed concurrently with the Annual Report.

Decommissioning expense shall be the amount approved in the utility's last rate proceeding before the Commission, as may be required to be adjusted to comply with applicable federal regulatory requirements.

Depreciation expense shall be computed using the depreciation rates approved in the utility's last rate proceeding before the Commission.

Amortization expense shall be the amount approved in the utility's last rate proceeding before the Commission or in any other proceeding in which deferred costs and the amortization of deferred costs are established, except that if the items are fully amortized, the expense shall be adjusted accordingly.

Taxes and fees, including municipal franchise fees to the extent not included in operations and maintenance expense, and excluding federal income taxes, shall be the amounts incurred during the reporting year.

Federal income taxes reported in column (f) are carried forward from Schedule IV. FIT reported in column (b) shall be the amount reported on the utility's FERC Form 1.

O&M savings tracker shall be the amount resulting from a settlement agreement approved by the Commission prior to January 1, 1999.

Schedule III-A: Calculation of Adjusted Report Year Expenses

Line 1 shall be the amount of operations and maintenance expense reported on the Report Year FERC Form 1.

Line 2 shall be the adjustments necessary to reach the Texas jurisdictional amount of operations and maintenance expense reported on Line 3.

Line 4 shall be any Report Year factoring expense not included in Lines 1 or 3.

Lines 5 through 7 shall remove Report Year costs associated with §36.062, 36.203, and 36.205 of PURA.

Line 8 removes all revenues received under the interutility billing process adopted by the Commission pursuant to §35.004, 35.006, and 35.007 of PURA.

Schedule III-B: Calculation of Adjusted 1996 O&M Expense

Line 1 shall be the amount of operations and maintenance expense reported on the 1996 FERC Form 1.

Line 2 shall be the adjustments necessary to reach the Texas jurisdictional amount of operations and maintenance expense reported on Line 3.

Line 4 shall be any 1996 factoring expense not included in Lines 1 or 3.

Lines 5 through 7 shall remove 1996 costs associated with §36.062, 36.203, and 36.205 of PURA.

Line 9 reflects the percent change in average number of utility customers from 1996 through the report year (as determined at the bottom of Schedule III-B).

Line 10 reflects the subtotal calculated on Line 8 as adjusted for the percent change in average number of utility customers shown on Line 9.

Line 11 shall reflect any difference between the annual revenues and expenses recorded under the interutility billing process adopted by the Commission to implement §35.004,

35.006, and 35.007 of PURA. If such expenses exceed revenues, the difference shall be entered on Line 11 as a positive amount. If revenues exceed expenses, the difference shall be entered as a negative number on Line 11.

Schedule IV: Federal Income Taxes

Federal income tax expense shall be computed according to the stand-alone methodology.

The calculation shall begin with the return amount computed by multiplying the utility's total adjusted invested capital from Schedule V by the **Actual** Weighted Cost of Capital shown in Section B at the bottom of Schedule VI. This calculation will be performed automatically.

Interest expense shall be deducted from the return amount in the amount computed by multiplying the adjusted total invested capital balance from Schedule V by the actual weighted cost of debt as shown in Section B at the bottom of Schedule VI. This calculation will be performed automatically.

The Company shall attach supplemental schedules that separately detail items reported on lines 3-9 and 13-18.

Schedule V: Invested Capital

This schedule shall detail the utility's invested capital as of the end of the report year.

Column (a) shall indicate the page number and line number of the Company's FERC Form 1 where each item of invested capital indicated is reported.

Column (b) shall reflect amounts reported on the Company's FERC Form 1 for the report year.

Column (c) shall reflect adjustments necessary to reach the Commission approved Texas jurisdictional amounts reported in column (d). Texas jurisdictional net plant in service, regulatory assets, and deferred federal income taxes shall be the balances as of the end of the report year. All other items of invested capital shall be the amounts approved in the utility's last rate proceeding before the Commission.

Columns (e) and (f) shall reflect reductions to generation-related invested capital by the amount of securitization under §39.201(i) and 39.262(c), if applicable.

Column (g) shall reflect only those invested capital adjustments necessary to avoid double counting items as a result of the implementation of other sections of Senate Bill 7. Detail of these proposed adjustments must be included in the workpapers filed concurrently with the Annual Report.

The Company shall attach supplemental schedules that separately detail each item and amount included in the lines titled “Other Invested Capital Additions” and “Other Invested Capital Deductions.”

The allowed rate of return reported on line 28 shall flow from Schedule VI. This will be one of the following:

1. the cost of capital approved in the utility’s most recent rate proceeding before the Commission in which the cost of capital was specifically determined.
2. if the Commission approved a range for cost of capital, this calculation will use the midpoint of such range.
3. if the utility’s last rate order was issued before January 1, 1992, or if such an order does not exist, 9.6% shall be used.

The allowed return shown on line 29 will automatically be computed by multiplying the allowed rate of return by the adjusted invested capital.

Schedule VI: Weighted Average Cost of Capital

This schedule is, for the most part, self-explanatory. The Actual Weighted Average Cost of Capital calculation in Section B shall use the actual cost of preferred stock, preferred trust securities, long-term debt and short-term debt as of the end of the reporting year. If the Company had its cost of equity determined by the Commission in a proceeding subsequent to January 1, 1992, it shall use this approved cost of common equity in Section A. If the Company did not have its cost of equity specifically determined in its last proceeding, or if its last proceeding was finalized prior to January 1, 1992, then the utility shall use a total cost of capital of 9.6 percent. In this case, the schedule should include the actual costs of preferred stock, preferred trust securities, and debt, with the cost of equity determined as a “fall-out” value based upon the 9.6 percent cost of capital.

Schedule VII: Depreciation Redirection

This schedule provides information related to the redirection of transmission and distribution depreciation expense to generation depreciation expense pursuant to §39.256 of PURA.

Schedule VIII: Journal Entries

This schedule reports the journal entries to be recorded by the company to apply the excess earnings (if any) determined on Schedule I to the net book value of generation assets. It shall include journal entries related to all attendant impacts of applying excess earnings to the net book value of generation assets.