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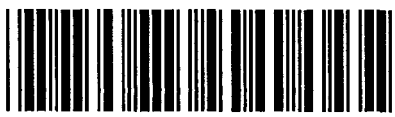

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SOAH DOCKET NO. 473-02-3537
PUC DOCKET NO. 25960

APPLICATION OF BRAZOS ELECTRIC POWER COOPERATIVE, INC. TO CHANGE RATES FOR WHOLESALE TRANSMISSION SERVICE	§ § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY

OF

RICHARD J. COVINGTON

ON BEHALF OF

CITY OF GARLAND

(NON-CONFIDENTIAL VERSION)

SEPTEMBER 13, 2002

DIRECT TESTIMONY OF
RICHARD J. COVINGTON

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SOAH DOCKET NO. 473-02-3537
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APPLICATION OF BRAZOS ELECTRIC POWER COOPERATIVE, INC. TO CHANGE RATES FOR WHOLESALE TRANSMISSION SERVICE	§ § § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY OF RICHARD J. COVINGTON

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Richard J. Covington. I am President of R.J. Covington Consulting, LLC. My business address is 13276 Research Blvd., Suite 201, Austin, Texas 78750.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from the University of Texas at Austin in 1972 with a B.B.A. in Marketing and received a Master of Science degree in Economic Research in 1978 from the University of North Texas. While attending the University of North Texas, I taught microeconomics and macroeconomics on a teaching fellowship. Following that, I worked for three years as a Management Consultant for the utility consulting firm Gilbert/Commonwealth, Inc. The work performed was primarily in the area of electric rate design and included time-of-day and marginal cost-of-service studies.

I joined Southern Union Gas Company in 1981 as Coordinator of Rate Design and Tariff Application and was promoted a year later to Manager of Economics and Rate Analysis. In this position, I was responsible for coordinating the development of retail revenue requirements for the company's 14 retail jurisdictions and for the development of allocated cost-of-service studies and rate design for the company.

In 1986, I became the Director of Rates and Load Research for Newport Electric Corporation in Middletown, Rhode Island. As the Director, I was responsible for all rate related matters before the Rhode Island Public Utilities Commission and was responsible for managing the company's on-going load research program.

Upon returning to Texas in 1988, I worked as a contract consultant to the Lower Colorado River Authority. I assisted the LCRA in their wholesale rate filing before the Public Utility Commission of Texas and worked with their wholesale customers on numerous issues.

I joined the consulting firm of Resource Management International (RMI) in 1990. I was with RMI as a management consultant from 1990 to February 1998. As an Executive Consultant at RMI, I managed projects addressing a wide range of natural gas, electric, and water utility issues. In 1992, I became a Certified Public Accountant.

In February of 1998, I founded R. J. Covington Consulting, LLC (RJC), which specializes in utility industry consulting. The focus of much of the work performed by RJC has been the restructuring of the electric industry in Texas.

RJC has been very active at the Public Utility Commission of Texas and at the Electric Reliability Council of Texas (ERCOT) addressing restructuring issues as they affect municipalities. I participated with PUC Staff and other market participants in the working group that developed the Non-IOU Transmission Cost Of Service Rate Filing Package (Non-IOU RFP).

I have filed testimony before the Railroad Commission of Texas, Public Utility Commission of Texas, Rhode Island Public Services Commission, and the Georgia Public Utility Commission. Also, I have provided cost-of-service and other rate related studies to various municipalities in the State of Texas. I am a past chairman of the Texas Gas Association Accounting and Finance Committee. I have participated in and taught seminars on rates and regulatory issues. A copy of my professional resume is attached as Exhibit RJC-1.

Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

A. I am presenting testimony on behalf of the City of Garland's electric utility, which is known as Garland Power and Light (Garland). Garland is a municipally owned electric utility serving approximately 67,000 customers within the City. As a load serving entity, Garland is assigned a portion of the transmission cost of service for each transmission entity operating in ERCOT.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present my recommended adjustments to Brazos Electric Power Cooperative, Inc.'s (Brazos Electric) transmission cost of

service (TCOS). Below I will discuss each exception to the numbers as filed by Brazos Electric and explain the adjustments I recommend and the purpose for each. I also am sponsoring revised rate filing package (RFP) schedules to reflect my recommended adjustments. These revised RFP schedules are attached to my testimony.

Q. WHAT IS THE TOTAL EFFECT ON THE BRAZOS ELECTRIC TRANSMISSION COST OF SERVICE REVENUE REQUIREMENT AS A RESULT OF THE RECOMMENDED ADJUSTMENTS PRESENTED IN THIS TESTIMONY?

A. A summary of the effect on each component of the revenue requirement is presented in Exhibit RJC-2. The recommended changes reduce the Brazos Electric proposed TCOS revenue requirement by $2,050,618.

II. RECOMMENDED ADJUSTMENTS.

Q. HOW IS YOUR TESTIMONY ORGANIZED TO DISCUSS YOUR RECOMMENDATIONS?

A. My testimony is arranged to address my recommended adjustments to each Schedule beginning with Schedule B.

Q. ARE YOU PROPOSING ANY CHANGES TO THE BRAZOS ELECTRIC PLANT PRESENTED IN THE B SCHEDULES?

A. The only proposed changes to the B Schedules are the result of changes in the calculation of some of the functionalization factors. The application of the revised functionalization factors changes the Brazos Electric transmission rate base in Schedule B from $247,049,826 to $246,939,081, a reduction of $110,745 in rate base.

Q. DID YOU MAKE ANY CHANGES TO THE CONSTRUCTION WORK IN PROGRESS USED IN THE FILING?

A. While the Construction Work In Progress (CWIP) in Schedule B-4 was not changed, I have removed CWIP in other areas of the filing where it was used in developing allocation factors. The Commission has historically allowed CWIP in rate base only as an exceptional form of rate relief when a utility's financial condition was at issue. Brazos Electric did not include CWIP in rate base, but did include CWIP in developing several allocation factors in various parts of the rate filing package. To be consistent with the Commission precedent and Substantive Rule §25.231(c) (2) (C), I have removed CWIP from all calculations.

Q. YOU HAVE RECOMMENDED ADJUSTMENTS TO SCHEDULE C-2. PLEASE SUMMARIZE YOUR ADJUSTMENTS PRESENTED IN GARLAND SCHEDULE C-2.

A. I recommend that the following adjustments be made to Schedule C-2:

1. The 1.50 coverage be applied only to long-term debt;
2. Short-term debt receive coverage of 1.25;
3. Member prepayments receive no coverage; and

4. Interest Income be allocated to functions using the percentage distribution of the long-term debt service by function to total long-term debt service.

Applying these changes results in the reduction of the Debt Service Coverage Requirement for the transmission function from $22,499,464 in the ERRATA Schedule C-2, to a recommended $21,050,458, a reduction of $1,499,006 to the transmission cost of service.

Q. BRAZOS ELECTRIC APPLIED A COVERAGE RATIO OF 1.50 TO LONG-TERM AND SHORT-TERM DEBT. IS COVERAGE ALLOWED ON SHORT-TERM DEBT?

A. According to the Non-IOU RFP Instructions, for electric cooperatives, coverage on short-term debt may be allowed in certain circumstances. The Instructions read as follows:

> 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.

Q. HAS BRAZOS ELECTRIC SHOWN THAT THE SHORT-TERM DEBT IS INCLUDED IN THE CALCULATION OF THE LONG-TERM DEBT SERVICE COVERAGE COVENANTS?

A. No it has not. In Garland Request for Information (RFI) No. 1-1, Brazos Electric is asked to show how they have complied with the Non-IOU RFP Instructions and

to provide supporting documentation. In its response, Brazos Electric correctly points out that the Instructions referenced by Garland in the RFI are for municipalities and river authorities. The Instructions for electric cooperatives are different. Brazos Electric's response to the RFI simply recited the Instructions quoted above.

However, Brazos Electric has not demonstrated that short-term debt is required to be included in the calculation of the coverage level for its long-term debt. Ms. Bordovsky's testimony at page 52, lines 11-13, merely states that:

> Since short-term debt is included in the calculation of Brazos Electric's DSC level covenants, it is included in Brazos Electric's DSC used to calculate its transmission cost of service.

No documents or further explanations are presented by Ms. Bordovsky to support this assertion.

A statement that short-term debt is included in the calculation of long-term debt is also made in the testimony of Brazos Electric's witness Dr. Gonzalez at page 5, lines 18-25. Dr. Gonzalez submits Exhibit II to his testimony as support for this statement and the contention that short-term debt was included in the calculation. Exhibit II (CoBank, ACB, AMENDMENT TO THE MASTER LOAN AGREEMENT), Section 2.(1) (b) states:

> (1) **Debt Service Coverage Ratio** shall mean the following ratio (all as calculated for the applicable year on the basis of GAAP consistently applied): (a) the sum of net margins for such year (less, to the extent included in such net margins, any item of non-cash income, including, without limitation, non-cash patronage credits or refunds), total interest expense for the year, and that year's depreciation and amortization expense; divided by (b) the sum of that year's total interest expense plus all principal payments required to be made during that year ***on account of all long-term debt***. In designing its rates, the Company shall make

> reasonable assumptions and projections in accordance with prudent utility practice.

(Underline in original.) (Emphasis added.)

As seen above, the denominator is: "the sum of that year's total interest expense plus all principal payments required to be made during that year ***on account of all long-term debt***." (Emphasis added.) This is clearly a reference to the total interest on long-term debt. It does not say that interest on short-term debt is to be included. The Non-IOU RFP instructions regarding short-term debt coverage for municipalities and river authorities explains that the coverage on short-term debt shall not be included "unless the covenants include short-term debt service ***in the denominator*** of the DSC ratio that is used to calculate default on the debt." (Emphasis added.) The denominator in Exhibit II to Dr. Gonzalez's testimony (which is what he has underlined as indicated above), does not include short-term debt. Therefore, short-term debt should not be included with long-term debt coverage in this filing.

Also, in the Confidential WP/C-2/5, pages from a mortgage agreement with RUS are provided that show the DSC Ratio requirements. That language does not include any reference to short-term debt. While Brazos Electric may total short and long-term debt on their financial statements, the loan agreement and mortgage agreement do not indicate that the "total" referred to in the documents relate to anything but long-term debt.

Q. SHOULD BRAZOS ELECTRIC BE ALLOWED ANY COVERAGE ON SHORT-TERM DEBT?

A. In my opinion, the Non-IOU RFP instructions for electric cooperatives relied upon by Brazos Electric do not allow additional coverage on short-term debt. Short-term debt is either included in the debt service coverage calculation, and thus coverage is allowed, or it is not included. There is no language in the instructions specifying an alternative level of coverage for short-term debt. However, there is language in the Non-IOU RFP that applies to municipal utilities and river authorities, which says:

> 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.

Brazos Electric has discussed in testimony that the short-term financing acts as bridge financing while securing long-term financing. For this reason, it would be reasonable to allow the additional 0.25 coverage as I have done in Garland Schedule C-2.

Q. BRAZOS ELECTRIC HAS INCLUDED "MEMBER PREPAYMENTS - INTEREST ONLY" AS PART OF THE DEBT SERVICE CALCULATIONS IN SCHEDULE C-2. SHOULD COVERAGE BE APPLIED TO "MEMBER PREPAYMENTS - INTEREST ONLY"?

A. No, coverage should not be applied to "Member Prepayments - Interest Only". In response to Garland RFI No. 1-7, Brazos Electric provides the following explanation for member prepayments:

> Member cooperatives of Brazos Electric are allowed to prepay all or part of their power bills before the due date. They can also pay on future power bills. If they choose to do this, Brazos Electric

pays them interest for their money until the date it is applied to their power bill.

Member prepayments are prepayments for power from Brazos Electric members to Brazos Electric, and there is no justification for Brazos Electric to earn coverage on these amounts. Brazos Electric is essentially borrowing from itself (its members). If a utility is allowed to include coverage on these amounts and collect it from other utilities, they would be encouraged to do so because for each dollar loaned, the parent G&T will receive interest at 1.5 times the amount paid back to members. I, therefore, have taken Member prepayments interest out of the amounts that have coverage applied in Garland Schedule C-2.

Q. OF THE TOTAL [$[redacted]] OF "MEMBER PREPAYMENTS - INTEREST ONLY," 47.6 PERCENT OF THIS AMOUNT IS ALLOCATED TO THE TRANSMISSION FUNCTION. IS THIS AN APPROPRIATE ALLOCATION OF THOSE COSTS?

A. No it is not. As stated above, these costs are for prepayments of power bills from Brazos Electric members. This amount should be allocated based on the total relative cost of service. Brazos Electric's use of plant as an allocator significantly understates the allocation to generation because it ignores the cost of purchased power included in the member's power bills. I have made a revised allocation using Total Revenues as the allocator. With this allocator, 5.9691% of the Member Prepayments – Interest Only is allocated to the transmission function.

Q. ARE THERE ANY OTHER ADJUSTMENTS YOU HAVE MADE TO SCHEDULE C-2?

A. Yes. Brazos Electric has allocated Interest Income of [$[redacted]] to the different functions using an allocation factor that we were unable to reproduce. I have made the allocations to functions based on the percentage of "Total Debt Service X Rate less Capitalized Interest" by function. Brazos Electric has provided no support to show that their allocation is a reasonable method for allocating interest income. It is appropriate that interest income be assigned in proportion to the debt service it is meant to offset. My recommendation results in allocating 56.7 percent to the transmission function.

Q. WHAT ADJUSTMENTS HAVE YOU MADE TO O&M EXPENSES IN SCHEDULE D-1?

A. Brazos Electric identified certain plant in each function that was transferred to another function. Brazos Electric then adjusted O&M expenses for a like percentage of the plant transferred. For example, $28,239 of Distribution Operation Expenses in Account 583 Station Expense was transferred to Transmission as part of the $154,911 adjustment on Line 103 of Schedule D-1. Brazos Electric applied the plant transfer percentages to all O&M expenses and Customer and Information Expenses.

While it may be appropriate to adjust some of the Distribution Operating and Maintenance Expenses for the transfer of plant, it is not reasonable to make an across the board adjustment. For example, using Brazos Electric's

methodology, $21,633 of Wheeling Expense is channeled back to transmission, even though the Non-IOU RFP Instructions specifically state that this expense is to be assigned to the Distribution function. Likewise, this carte blanche approach re-directs to the Transmission function $20,463 of Customer and Information Expenses, which the Non-IOU RFP Instructions expressly require be assigned to the Distribution function.

To correct these errors, I have made two adjustments. First, I did not apply the plant transfer percentage to Account 565 Wheeling Expense. This removes the transfer back of $21,633 from distribution to transmission. Second, I did not apply the plant transfer adjustment to the Customer and Information Expenses. This removes another $20,463 from the transfer back to transmission and reduces the total transfer from distribution to transmission from $154,911 to $112,815, a reduction of $42,096 to the transfer in to Transmission Other Expenses on Line 103 of Schedule D-1.

Q. ARE THERE ANY CHANGES TO SCHEDULE D-2?

A. There is one change that should be made to Schedule D-2. Brazos Electric has allocated Account 930, Miscellaneous - Plant Related/Personnel Related expenses of $511,924 using the PLTSVC-N factor. The Non-IOU RFP Instructions allow for the plant related portion of this expense to be allocated on this factor, but the personnel related portion of this expense is to be allocated on PAYXAG. Because these amounts are not broken apart, I have allocated the full amount on the PAYXAG factor. This change results in the allocation to the Transmission

function being reduced from $4,372,649 to $4,284,552, a reduction of $88,097. If Brazos Electric can provide supporting documentation for the Plant Related portion of this expense, then that amount should be allocated on the PLTSVC-N factor.

Q. WHAT ADJUSTMENTS HAVE YOU MADE TO SCHEDULE D-3?

A. Brazos Electric has made transfers of payroll between functions that mirror the transfers in Schedule D-1. They transfer payroll associated with the transfers of O&M expenses, as related to the transfer in plant between functions. The transfer of payroll should be based on the amount of O&M transferred. Because the amount of O&M expenses transferred has changed (for the reasons presented above in the discussion on Schedule D-1), the amount of payroll transferred also needs to be adjusted. Applying the percentage transfer of O&M expenses from Schedule D-1, the related payroll transfer from distribution to transmission changes from $53,261 to $38,787. The change in payroll will affect the payroll related functionalization factors F-1 (PAYXAG / TPEC) and F-2 (PAYXAGIC / TPIC).

Q. ARE THERE ANY CHANGES TO DEPRECIATION EXPENSE IN SCHEDULE E-1 AS A RESULT OF CHANGES MADE ELSEWHERE IN THE FILING?

A. Yes. Because some of the functionalization factors have changed, which caused some small changes to plant, the allocation of depreciation expenses has changed

slightly. The transmission function depreciation expense is reduced from $7,757,043 to $7,755,644, a reduction of $1,399.

Q. ARE THERE ANY CHANGES TO TAX EXPENSE IN SCHEDULE E-2 AS A RESULT OF CHANGES MADE ELSEWHERE IN THE FILING?

A. Yes. Because the PLTXGNL-N functionalization factor has changed, the allocation of taxes has changed slightly. The transmission function tax expenses is reduced from $1,909,277 to $1,908,573, a reduction of $704.

Q. WHAT ADJUSTMENTS HAVE YOU MADE TO SCHEDULE E-5?

A. I have made adjustments to allocate a portion of the following revenue to all functions:

135.4560	Other Electric Rev - Miscellaneous	$514,745
135.45631	Other Electric Rev - Distribution Facilities	$ 89,353
135.45633	Other Electric Rev - Load Schedule	$229,634
135.45650	Other Electric Rev - Data Proc Srv-BFC	$ 1,060
135.45651	Data Proc Srv-Members	$ 240
135.45653	Cartridge Transl-Members	$ 5,184
135.71650.1	Discounts Available	$ 101

Q. WHAT IS THE BASIS FOR YOUR RECOMMENDED CHANGES TO SCHEDULE E-5?

A. Brazos Electric has not unbundled its operations to allow costs and revenues to be fully matched. Instead, they have allocated the total expenses of the parent corporation between production, transmission, and distribution functions. Brazos Electric has not "Opted-In" to competition. As stated in the Supplemental Testimony of Ms. Bordovsky, pages 4 and 5:

> Brazos Electric is a generation and transmission ("G&T") electric cooperative. As such, Brazos Electric generates or procures through contract, electric power, which it transmits over the transmission facilities of itself and other transmission providers, and then delivers the power over its distribution substations to its wholesale customers. Brazos has no retail customers and sells only wholesale power.

Ms. Bordovsky further testifies that "Brazos Electric's board of directors has not functionally or structurally unbundled Brazos Electric's energy-related activities." Therefore, Brazos Electric continues to operate as a traditional utility. Traditionally, when a revenue requirement is developed on a cost of service basis, the cost of service is offset by revenue and income from non-base rate operations.

Ms. Bordovsky states in her testimony, page 12, lines 1-3, that:

> Schedule E-5 (Other Revenue Items) shows all other revenues items functionalized on the same basis as the underlying assets or activities in accordance with General Instruction No. 11. The total revenue is $1,302,753 of which $310,629 is assigned transmission.

This is the entire and sole support offered to assign $656,789 (50%) of revenues to generation, $310,629 (24%) to transmission and $335,335 (26%) to distribution. In my opinion, this is insufficient justification for the allocation of other revenues.

Brazos Electric is a bundled G&T with transmission facilities accounting for ***56 percent*** of the total net investment in plant. However, only 24 percent of revenues have been allocated to transmission. Brazos Electric does not have retail customers, but it assigns 26 percent of the revenues to the distribution function. Brazos Electric has said that it used direct assignments for some of the larger amounts. However, a direct assignment is nothing but a 100 percent allocation to a function. If the basis for that 100 percent assignment is flawed, then the "direct

assignment" is flawed. Brazos Electric has provided no explanation of the source of the revenue or in support of the 100 percent allocation to other functions. Therefore, the Commission should reject these allocations.

In particular, the following line items must be supported before the Commission allows the Brazos Electric allocations: the $514,745 "direct assignment" to generation of Other Electric Revenue - Miscellaneous; the $89,353 100 percent allocation to distribution of Other Electric Revenue - Distribution Facilities; and the $229,634 of Other Electric Revenue - Load Schedule allocated 100 percent to distribution.

Q. WHAT IS YOUR RECOMMENDATION AS TO HOW THESE REVENUES SHOULD BE ALLOCATED?

A. I have allocated the above-cited revenues using the net plant in service factor PITSVC-N(F-5). This spreads the revenues for the bundled utility to functions based on the underlying asset investment that supports the creation of the revenues. Unless Brazos Electric can show that the expenses related with the activities creating the revenues are completely booked to the function they used for direct assignment, they will not have met their burden of proof. In that case, my alternative allocation should be used.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.

DIRECT TESTIMONY

OF

RICHARD J. COVINGTON

ON BEHALF OF

CITY OF GARLAND

EXHIBIT RJC-1

RESUME OF RICHARD J. COVINGTON, CPA

Richard Covington is a certified public accountant and economist with over 25 years in the utility industry. His broad background includes cost of service and rate design, economic, financial and rate analysis, forecasting, integrated resource planning, management audits, merger and acquisitions, and contract development. He has served as Manager of rate departments for both natural gas and electric utilities. Mr. Covington has prepared numerous rate studies and filed testimony on natural gas and electric rate issues in Texas, Georgia and Rhode Island. As a consultant, he has been very active at the Public Utility Commission of Texas (PUC), the Electric Reliability Council of Texas (ERCOT) and the Texas Legislature in addressing electric restructuring issues. Mr. Covington has represented clients on a number of committees during the restructuring of the electric industry and the subsequent development of the ERCOT Protocols. During the development of the Non-IOU Transmission Cost of Service Rate Filing Package, he worked with Commission Staff and other parties to structure a rate filing package that addressed the issues associated with non-IOU utilities. He continues to be active in monitoring the on-going ERCOT committees and PUC projects that address evolving electric industry restructuring issues.

EDUCATION

M.S. - Economic Research
North Texas State University, Denton, Texas

B.B.A. - Marketing (with Honors)
University of Texas, Austin, Texas

PROFESSIONAL HISTORY

R. J. Covington Consulting, LLC
President

Resource Management International, Inc.
Executive Consultant

Newport Electric Corporation
Director of Rates and Load Research

Southern Union Gas Company
Manager of Rates and Economic Analysis

Gilbert/Commonwealth
Management Consultant

REPRESENTATIVE PROJECT EXPERIENCE

Cost of Service and Rate Design

As project manager, directed and conducted allocated cost-of-service studies and rate design for gas and electric utilities. Activities included developing transportation and special industrial rates to prevent by-pass for natural gas companies, and developing interruptible, cogeneration standby, supplemental, and maintenance rates for electric utilities.

As project manager, directed intervention in wholesale supplier rate filing on behalf of a Texas city. Intervention resulted in favorable changes to rate design provisions thereby minimizing financial impact of rate increases to the client.

As director of rates with the Newport Electric Corporation in Rhode Island, prepared the company's filings for fuel and purchased power cost adjustments and performed cost analyses for oil, gas, wood, coal, and nuclear generation. Represented the company before the Rhode Island Public Utility Commission in rate filings, reconciliations, and forecasts of fuel costs for upcoming periods.

As expert witness, prepared testimony in numerous rate filings before jurisdictions throughout the United States. Representative expert testimony issues include:

- Weather Normalization and Price Elasticity Adjustments
- Public Utility Regulatory Policies Act-Cogeneration and Independent Power Producers Contracts
- Purchased Power Adjustments
- Fuel Adjustments
- Oil Conservation Adjustments
- Electric Cost-of-Service and Rate Design
- Natural Gas Cost-of-Service and Rate Design
- Long Range Energy Plan
- Debt Service Coverage
- Cost Unbundling
- Transmission Cost of Service

Intervened in the rate case of an electric wholesale G & T for a Texas electric utility. Prepared and presented testimony before the Public Utility Commission of Texas in support of the utility's proposed adjustments to wholesaler's debt service coverage.

Served as project manager and expert witness for a Texas municipality's intervention in a supplier's rate case proceeding. Managed a review of federal income tax and costing issues associated with a utility's contributions-in-aid of construction (CIAC) policies. Filed testimony and participated in negotiations leading to a reduction in CIAC charged to the city by the utility and improved policies for construction by the utility within the city.

Electric Restructuring

Have participated in most rulemakings at the Public Utility Commission of Texas related to restructuring in the electric industry. Represented clients on numerous issues, reviewing proposed rules, filing comments, participating in workshops and evaluating the impact of proposed rules on clients.

Have participated in various committees and task forces at ERCOT, representing clients and participating in the development of the new market structure, policies, guidelines and subsequent protocols.

Served as alternate for City representative on ERCOT Transmission Market Operation Subcommittee (TMOS) representing the Transmission Dependent Utilities (TDU's). Participated in the ERCOT committee which established the new governance for ERCOT to comply with Senate Bill 7. Have represented clients on the ERCOT Protocol Revision Subcommittee.

Work with clients to analyze contested and litigated issues related to electric restructuring and prepare positions to represent client's interest in proceedings at the PUC and in court. Examples of issues include treatment of Reliability Must Run units, Pre-Assigned Transmission Congestions Rights, and transmission charges that have been overturned as a result of court rulings.

Serve as consultant for two electric aggregation groups in ERCOT, providing for the power to serve municipal loads for over 110 municipalities in the state. Developed and issued the Request For Power. Evaluated responses and negotiated with suppliers to serve over 1.3 million megawatthours a year of retail energy to aggregation project members.

Work with aggregation projects and supplier to facilitate switch-overs of over 10,000 accounts at market opening to the new retail energy provider.

Work with aggregation groups to address energy related issues, such as development of energy efficiency plans, meeting Senate Bill 5 mandates for energy conservation, billing issues, service related issues from Transmission Distribution Service Provider, and other issues that arise in new retail market.

Work with client in developing strategy to develop aggregation company in ERCOT. Advise client on issues related to acquiring and serving load in the new ERCOT retail market.

Power Supply

As a team member, conducted power supply planning analyses as part of integrated resource planning activities for a Texas city in the Southwest Power Pool. The analyses included determining whether to invest in capital improvements to an existing generation plant or purchase additional capacity in order to meet peak demand requirements. Based on the analyses, recommended investing in the existing plant as the most cost-effective alternative.

As project manager, directed and participated in power supply planning for a city in Texas. At direction of City Manager, evaluated power supply proposals from the present supplier and another interested party. Based on these evaluations, recommended further investigation to include other low-cost providers in the state in order to achieve the most competitive pricing. Identified other suppliers and evaluated proposals from several additional low cost suppliers. Negotiated new power supply agreement reducing city's power supply costs by over twenty-five percent.

As project manager, directed development and issuance of Request For Proposals for Power Supply. Identified parties to send RFP to and evaluated proposals. Selection of provider included an analysis of the power market environment in ERCOT to determine best term length for contract as to when best time for City to re-enter market would be. Worked with City and supplier in negotiating three year contract for power, achieving significant savings to City.

Worked with City to evaluate options to give notice to terminate power supply contract. Had informal discussions with several potential suppliers to determine their ability to beat current costs of power. Evaluated current and projected short term market for power in ERCOT and made recommendation to extend contract another year.

Have worked with numerous major U.S. energy providers and marketers on issues ranging from power supply Requests For Proposals (RFP's) to sale of generating assets. Have met with top management at most major power companies doing business in ERCOT.

Developed power supply agreement to transition client from primarily a generator of electricity to primarily a wholesale purchaser of electricity. Negotiated power supply agreement to transition client through change in a way that took into account the changing restructured market in ERCOT and the changing availability of supply of power.

In negotiating power supply agreements, have dealt extensively with related issues such as: provision of ancillary services under current ERCOT structure; provision of ancillary services and settlement issues under single control area to be implemented June 1, 2001; provision of transmission service, interconnect issues, losses; and other issues affecting power supply to a Transmission Distribution Service Provider (TDSP) in ERCOT.

Have been project manager for developing, issuing and evaluating power supply RFP's for a number of clients interested in reducing power costs. Have evaluated costs under existing

and proposed regulatory rules and assisted clients in identifying reliable low cost providers of electric power.

Natural Gas

As project manager, directed and conducted allocated cost-of-service studies and rate design for gas and electric utilities throughout the United States. Activities include developing transportation and special industrial rates to prevent by-pass for natural gas companies, and developing interruptible, cogeneration standby, supplemental, and maintenance rates for electric utilities.

As manager of rates and economic analysis for Southern Union Gas Company, managed and participated in the development of rate filings in 14 separate jurisdictions for the utility's gas distribution systems. Assignments included development of revenue requirements, rate design and filing of expert testimony.

On behalf of the Georgia Public Service Commission, served as project manager and expert witness for review of the rate design filed by the state's largest natural gas distribution company. Rate design issues included review of the company's allocated cost-of-service study, changing to seasonal rates, competition from electric and alternative fuel suppliers, and weather normalization and decoupling adjustment riders.

Served as supervisor for the Purchased Gas Adjustment (PGA) accounting for 14 natural gas distribution systems in the states of Texas, Oklahoma and Arizona. Activities included over/under recovery calculations, PGA factor development, filing of factors with appropriate regulatory authorities, and coordination with billing department.

As project manager, represented a group of Texas cities in intervening in a gas pipeline rate increase filing. Developed proposed revenue requirements and positions, and filed expert testimony. Negotiated a settlement resulting in a significant reduction in gas prices to the cities compared to proposed prices from the pipeline supplier.

Participated in a valuation study and assisted in preparing a report for a Texas city on the valuation of its municipal natural gas distribution system. The report included estimating values of the distribution system using a variety of methods, including the market approach, income approach, and cost approach. These estimates were used by the city as a basis for decisions regarding a possible sale of the system and in support of subsequent negotiations.

Performed a management audit of an Ohio gas utility's purchasing practices and policies. Reviewed market services and rates, purchased gas accounting, and legislative and regulatory activities of the gas utility. Prepared report for the Ohio Commission with findings and recommendations.

Audited gas supply contracts of a major natural gas pipeline for the Public Utility Commission of Texas. Developed recommendations regarding purchasing practices and management of contracts. Evaluated contracts with respect to terms, renegotiation efforts and all other aspects of gas supply management by the pipeline.

On behalf of the Georgia Public Service Commission, served as project manager and expert witness for a review of Georgia natural gas distribution company's rate filing. Performed a review of the company's sales forecast and presented testimony on the reasonableness of that forecast.

Assisted in development of a sales forecast for a new Kentucky natural gas system. Key considerations included the probability of conversion from other energy sources, timing of construction plans, and surveys of potential customers.

Served as project manager for the development of a computerized integrated rate filing package while employed with Southern Union Gas Company, reducing filing time by 50 percent. This PC-based system included revenue requirement and rate design schedules, and it interfaced with the company's mainframe programs.

As supervisor for Southern Union Gas Company, monitored refunds from gas suppliers totaling millions of dollars to ensure full refund allocation. This involved evaluating a gas supplier's proposed refund method and verifying accuracy of billing units used for allocation purposes.

As supervisor for Southern Union Gas Company, monitored gas supply contracts supplying the company's distribution system in three states.

Conducted on-site review of investor-owned gas distribution system and interviewed management to evaluate operations and potential value to city interested in acquiring system. Worked closely with city attorney and city staff to evaluate economic feasibility of city's efforts to acquire system.

Participated in the development of financial forecasts in support of a $6-million tax-exempt financing for a new gas distribution system in Kentucky. Forecasted operating results based on operations and maintenance, plant additions, and financing requirements forecasts. Developed full financial statements for each year of the forecast period for use in Official Statement.

Assisted a Missouri interstate pipeline company in evaluating economics associated with a competing transmission line's Certificate of Convenience and Necessity proposal for service to a major metropolitan natural gas distribution company.

As project manager, conducted on-site review of gas distribution system and interviewed management to evaluate operations and potential value to a Texas city interested in acquiring system. Worked closely with city attorney and city staff to evaluate economic feasibility of city's efforts to acquire system.

Other Relevant Experience

Have worked with various clients on transmission billing issues under PUC rules as they have evolved. Have assisted clients by auditing bills from suppliers to insure that charges for transmission service and losses are consistent with the current ERCOT matrices and PUC rules.

Represented clients on transmission and ancillary service issues at ERCOT, including reliability must-run issues, congestion management rights, self-provision of ancillary services, ERCOT administrative fee, and other issues.

As Director of Rates with the Newport Electric Corporation in Rhode Island, prepared the company's filings for fuel and purchased power cost adjustments and performed cost analyses for oil, gas, wood, coal, and nuclear generation. Represented the company before the Rhode Island Public Utility Commission in rate filings, reconciliation's, and forecasts of fuel costs for upcoming periods.

On an on-going basis work with clients to evaluate potential sites, monitor PUC and ERCOT activities and determine impact of evolving market structure on operations.

Have served as advisor to utility management on numerous issues, including: contract evaluations and negotiations, service territory issues, market restructuring, changing ERCOT and PUC rules, competitive position in changing market, rate structures, and decisions ranging from sell of generation assets to sell of utility system.

PROFESSIONAL MEMBERSHIPS

National Association of Business Economists

HONORS AND FELLOWSHIPS

Omicron Delta Epsilon Honor Society
Beta Gamma Sigma Honor Society
Teaching Fellow in Micro- and Macro-Economics, North Texas State University

SEMINARS CONDUCTED

- "Cost Allocation & Rate Design - Natural Gas," The University of Texas Regulatory Institute Fundamental Issues in Utility Rate-Making, 1990.
- "Adjusted Value Rate Base," Texas Gas Association, 1985.
- "Development of Standby Rates," New England Utility Rate Forum, 1988.
- "Cost Recovery," Texas Public Power Association's "The Electric Utility Business . . From the Top, 1991."
- "Financial Statements," Texas Public Power Association's "The Electric Utility Business . . From the Top, 1991."

DIRECT TESTIMONY

OF

RICHARD J. COVINGTON

ON BEHALF OF

CITY OF GARLAND

EXHIBIT RJC-2

Brazos Electric
Docket No. 25960
Summary of Changes

	Brazos Electric As Filed	Garland As Proposed	Difference
Operation & Maintenance	$ 10,666,258	$ 10,536,063	$ (130,195)
Depreciation & Amortization	$ 7,757,043	$ 7,755,644	$ (1,399)
Taxes Other Than Income Taxes	$ 1,909,277	$ 1,908,573	$ (704)
Total Operating Expenses	$ 20,332,578	$ 20,200,280	$ (132,298)
Total Other Revenues	$ (310,629)	$ (779,943)	$ (469,314)
Debt Service Coverage	$ 22,499,464	$ 21,050,458	$ (1,449,006)
Total Unbundled Cost of Service	$ 42,521,413	$ 40,470,795	$ (2,050,618)
Rate Base	$ 247,049,826	$ 246,939,081	$ (110,745)

DIRECT TESTIMONY

OF

RICHARD J. COVINGTON

ON BEHALF OF

CITY OF GARLAND

REVISED RATE FILING PACKAGE SCHEDULES A-F

Schedule A Transmission Cost of Service

Public Utility Commission of Texas
Transmission Cost of Service
Brazos Electric
Docket No. 25960

Description	Reference	Generation Function	Transmission Function	Distribution Function	Total
Eligible Fuel & Purchased Power	Schedule D-1	$ -	$ -	$ -	$ -
Non Eligible Fuel & Purchased Power	Schedule D-1	-	-	-	-
Operation & Maintenance	Schedule D-1, Schedule D-2	11,310,350	10,536,063	5,814,194	27,660,607
Decommissioning Expense		-	-	-	-
Interest on Customer Deposits		-	-	-	-
Depreciation and Amortization	Schedule E-1	3,268,404	7,755,644	3,330,207	14,354,254
Federal Income Tax	Schedule E-2	-	-	-	-
Taxes Other Than Income Taxes		881,351	1,908,573	638,989	3,428,914
Total Operating Expenses		15,460,104	20,200,280	9,783,390	45,443,775
Total Other Revenue	Schedule E-5	(309,276)	(779,943)	(213,534)	(1,302,753)
Debt Service Coverage	Schedule C-2	5,176,341	21,050,458	10,250,512	36,477,311
Total Unbundled Cost of Service		$ 20,327,169	$ 40,470,795	$ 19,820,368	$ 80,618,333

Schedule B-Transmission Rate Base

Public Utility Commission of Texas
Summary of Rate Base Allocation
Brazos Electric
Docket No. 25960

Description	Reference	Production Function	Transmission Function	Distribution Function	Total Company
Net Plant In Service at 12/31/01		83,627,687	234,852,279	101,916,977	420,396,943
Other Rate Base Items:					
Working Capital	Schedule B-9	8,672,794	12,086,803	12,968,531	33,728,128
Plant Held for Future Use		-	-	-	-
ADIT & FAS 109 Accounts		-	-	-	-
Customer Deposits		-	-	-	-
Reserve for Insurance		-	-	-	-
Other		-	-	-	-
	Subtotal	**92,300,481**	**246,939,081**	**114,885,508**	**454,125,071**
TOTAL RATE BASE		**92,300,481**	**246,939,081**	**114,885,508**	**454,125,071**

Original Cost of Plant
For the Test Year Ended December 31, 2001
Brazos Electric
Docket No 25960

Line Number	FERC Acct No.	Acct Description	Balance 31-Dec-01	Account Transfers	Adjusted Balance	Factor	Production	Transmission	Distribution	Allocated to Production	Allocated to Transmission	Allocated to Distribution
1		**Intangible Plant**										
2	301	Organization	2,170	-	2,170	Schedule F-4	20 0859%	55 1632%	24 7509%	436	1,197	537
3	302	Franchise and Consents	-	-	-							
4	303	Miscellaneous Intangible Plant	6,604,335	-	6,604,335					-	6,604,335	-
5		**Total Intangible Plant**	**6,606,505**	-	**6,606,505**					**436**	**6,605,532**	**537**
6												
7												
8		**Steam Production**										
9	310	Land & Land Rights	142,860	-	142,860					142,860		
10	311	Structures and Improvements	14,862,570	-	14,862,570					14,862,570		
11	312	Boiler Plant Equipment	30,681,629	-	30,681,629					30,681,629		
12	313	Engines/Engine Driven Gen	-	-	-					-		
13	314	Turbogenerator Units	25,545,351	-	25,545,351					25,545,351		
14	315	Accessory Electric Equip	9,428,641	-	9,428,641					9,428,641		
15	316	Misc Power Plant Equip	3,644,016	-	3,644,016					3,644,016		
16		Total Steam Production	84,305,067	-	84,305,067					84,305,067		
17												
18												
19		**Nuclear Production**										
20	320	Land & Land Rights	-	-	-							
21	321	Structures and Improvements	-	-	-							
22	322	Reactor Plant Equipment	-	-	-							
23	323	Engines/Engine Driven Gen.	-	-	-							
24	324	Turbogenerator Units	-	-	-							
25	325	Accessory Electric Equip	-	-	-							
26	326	Misc Power Plant Equip	-	-	-							
27		Total Nuclear Plant	-	-	-							
28												
29												
30		**Hydraulic Production**										
31	330	Land & Land Rights	-	-	-							
32	331	Structures and Improvements	-	-	-							
33	332	Reservoirs, Dams, and Waterways	-	-	-							
34	333	Water Wheels, Turbines, and Generators	-	-	-							
35	334	Accessory Electric Equipment	-	-	-							
36	335	Miscellaneous Power Plant Equip	-	-	-							
37	336	Roads, Railroads, and Bridges	-	-	-							
38		Total Hydraulic Production	-	-	-							
39												
40												
41		**Other Production**										
42	340	Land & Land Rights	-	-	-					-		
43	341	Structures and Improvements	67,040	4,822,184	4,889,224					4,889,224		
44	342	Fuel Holder, Producer & Acc	12,948	-	12,948					12,948		
45	343	Prime Movers	42,075,641	-	42,075,640					42,075,640		
46	344	Generators	273,922	-	273,922					273,922		

Original Cost of Plant
For the Test Year Ended December 31, 2001
Brazos Electric
Docket No 25960

Line Number	FERC Acct No	Acct Description	Balance 31-Dec-01	Account Transfers	Adjusted Balance	Factor	Production	Transmission	Distribution	Allocated to Production	Allocated to Transmission	Allocated to Distribution
47	345	Accessory Plant Equipment	4,278,381	-	4,278,381					4,278,381		
48	346	Misc Power Plant Equipment	4,600,024	-	4,600,024					4,600,024		
49		Total Other Production	51,307,956	4,822,184	56,130,139					56,130,139		
50												
51		**Total Production Plant**	**135,613,023**	**4,822,184**	**140,435,206**					**140,435,206**	-	-
52												
53		**Transmission Plant**									35,213,984	
54	350	Land and Land Rights	33,543,110	1,670,874	35,213,984						1,589,140	
55	352	Structures and Improvements	1,589,140	-	1,589,140						125,044,945	
56	353	Station Equipment	105,416,765	19,628,180	125,044,945						18,449,371	
57	354	Towers and Fixtures	18,449,371	-	18,449,371						82,108,184	
58	355	Poles and Fixtures	71,754,257	10,353,927	82,108,184						51,200,714	
59	356	Overhead Conductors and Devices	51,200,714	-	51,200,714						-	
60	357	Underground Conduit	-	-	-						-	
61	358	Underground Conductors and Devices	-	-	-						5,903	
62	359	Roads and Trails	5,903	-	5,903						**313,612,240**	
63		**Total Transmission Plant**	**281,959,260**	**31,652,980**	**313,612,240**						WP/B-1	
64												
65												
66												
67		**Distribution Plant**										4,453,168
68	360	Land & Land Rights	6,124,042	(1,670,874)	4,453,168							-
69	361	Structures and Improvements	-	-	-							115,406,719
70	362	Station Equipment	106,964,629	8,442,090	115,406,719							-
71	363	Storage Battery Equipment	-	-	-							-
72	364	Poles, Towers & Fixtures	-	-	-							-
73	365	O H Conductors & Devices	-	-	-							-
74	366	Underground Conduits	-	-	-							-
75	367	U G Conductors & Devices	-	-	-							-
76	368	Line Transformers	-	-	-							-
77	369	Services	-	-	-							-
78	370	Meters	-	-	-							-
79	371	Install. on Customer Prem.	-	-	-							-
80	372	Leased Prop. on Cust Premises	-	-	-							-
81	373	Street Lights	-	-	-					-	-	**119,859,887**
82		**Total Distribution Plant**	**113,088,671**	**6,771,216**	**119,859,887**							
83												
84												
85												
86										**140,435,642**	**320,217,773**	**119,860,424**
87		**Total Original Cost of Plants by FERC accounts 301-388**	**537,267,459**	**43,246,380**	**580,513,838**							

Brazos Electric
General Plant Functionalization
For the Test Year Ended December 31, 2001
Docket No. 25960

Line Number	FERC Acct. No.	Acct. Description	Total Company 31-Dec-01	Account Transfer	Adjusted Balance 31-Dec-01	Functionalization Factor	Net Plant in Service, Excluding General Percentages			Allocation to Production	Allocation to Transmission	Allocation to Distribution
							Production	Transmission	Distribution			
		General Plant										
1	389	Land & Land Rights	525,565	0	525,565	Schedule F-2 PAYXAGIC	51 9866%	32 9716%	15.0418%	273,223	173,287	79,054
2	390	Structures & Improvements	1,956,526	0	1,956,526	Schedule F-2 PAYXAGIC	51.9866%	32 9716%	15.0418%	1,017,131	645,099	294,296
3	391	Off Furniture & Equipment	4,147,766	0	4,147,766	Schedule F-2 PAYXAGIC	51.9866%	32.9716%	15 0418%	2,156,282	1,367,587	623,897
4	392	Transportation Equipment	6,597,877	0	6,597,877	Schedule F-2 PAYXAGIC	51.9866%	32.9716%	15 0418%	3,430,012	2,175,428	992,437
5	393	Stores Equipment	161,723	0	161,723	Schedule F-3 PLTXGNL-N	19.6997%	55 4319%	24.8684%	31,859	89,646	40,218
6	394	Tools & Work Eq Small	1,125,150	0	1,125,150	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%	221,651	623,692	279,806
7	395	Laboratory Equipment	1,614,218	0	1,614,218	Schedule F-3 PLTXGNL-N	19 6997%	55.4319%	24.8684%	317,996	894,792	401,430
8	396	Power Operated Equipment	1,082,100	0	1,082,100	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%	213,170	599,829	269,101
9	398	Misc Eq Operators Cottages	39,829	0	39,829	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%	7,846	22,078	9,905
10												
11		**Total General Plant**	17,250,754	-	17,250,754					7,669,170	6,591,438	2,990,144

Brazos Electric
Communication Equipment
For the Test Year Ended December 31, 2001
Docket No 25960

Line Number	Acct No	FERC Acct No	Acct Description	Balance 31-Dec-01	Account Transfer	Adjusted Balance 31-Dec-01	Factor	Net Plant Excluding General Plant Functionalization Factor Generation	Transmission	Distribution	Allocation to Production	Allocation to Transmission	Allocation to Distribution
1													
2	1 10397	397 00 00	Communications Equipment	795,526 85	-	795,526 85	Schedule F-3	19 6997%	55 4319%	24 8684%	156,716 40	440,975 65	197,834 80
3													
4			**Total Communication Equipment**	795,526 85	-	795,526 85					156,716 40	440,975.65	197,834.80
5			Reference					Schedule F-3	Schedule F-3	Schedule F-3			
6													
7	1 10353 1	353 00 00	Station Equipment-MW Portion	9,155,744 38	-	9,155,744 38					1,295,324 97	7,202,663.14	657,756 27
8			**Total Microwave Equipment**	9,155,744 38	-	9,155,744 38					1,295,324.97	7,202,663 14	657,756 27
9													

Brazos Electric
Unbundled Construction Work In Process
12/31/2001
Docket No. 25960

Line Number		Reference	Total CWIP	Adjustments	Adjusted CWIP Total 12/31/01	Generation	Transmission	Distribution	Total
1	Transmission Subs		6,581,328.71	(93,545.24)	6,487,783.47		6,487,783.47		6,487,783.47
2	Distribution		5,294,255.90	(5,857.50)	5,288,398.40	1.00	1,442,876.04	3,845,522.36	5,288,399.40
3	Generation		-	-	-	-			-
4	Not Assigned		1,476,477.47	(969,513.68)	506,963.79	199,860.83	220,135.85	86,967.10	506,963.78
5	Communication		2,062,015.51		2,062,015.51	291,727.77	1,622,150.48	148,137.26	2,062,015.51
6	General Plant-EMS		-		-	-	-		-
7	ROW		3,071,537.23		3,071,537.23		2,970,364.79	101,172.44	3,071,537.23
8	Subsites		3,736,103.20		3,736,103.20		1,195,707.41	2,540,395.79	3,736,103.20
9									
10	**NET CWIP AT 12/31/01**		22,221,718.02	(1,068,916.42)	21,152,801.60	491,589.60	13,939,018.04	6,722,194.95	21,152,802.59

Brazos Electric
Unbundled Accumulated Depreciation
For the Year Ended December 31, 2001
Docket No 25960

Account No.	Description	Allocation Factor	Generation	Transmission	Distribution	Reference	Balance 12/31/2001	Adjustments	Adjusted Balance 12/31/2001	Account Transfer	Total 12/31/2001	Allocation to Generation	Allocation to Transmission	Allocation to Distribution
Accumulated Depreciation & Amortization														
Intangible Plant														
A301	Organization	F-4 PLTSVC-NX	20.0859%	55.1632%	24.7508%		(2,170)		(2,170)		(2,170)	(436)	(1,198)	(537)
A302	Franchise and Consents	F-4 PLTSVC-NX	20.0859%	55.1632%	24.7508%				-		-			
A303	Miscellaneous Intangible Plant	DIRECT					(1,554,049)		(1,554,049)		(1,554,049)		(1,554,049)	
	Total Intangible Plant						(1,556,219)		(1,556,219)	-	(1,556,219)	(436)	(1,555,247)	(537)
Steam Production														
A310	Land & Land Rights													
A311	Structures and improvements													
A312	Boiler Plant Equipment													
A313	Engines/Engine Driven Gen.													
A314	Turbogenerator Units													
A315	Accessory Electric Equip.													
A316	Misc. Power Plant Equip.													
A106	Completed Const Not Allocated													
	Total Steam Production						(49,003,423)		(49,003,423)	-	(49,003,423)	(49,003,423)	-	-
Nuclear Production														
A320	Land & Land Rights													
A321	Structures & Improvements													
A322	Reactor Plant Equipment													
A323	Engines/Engine Driven Gen.													
A324	Turbogenerator Units													
A325	Accessory Electric Equip.													
A326	Mis. Power Plant Equip													
	Total Nuclear Production						-		-		-	-	-	-
Hydraulic Production														
A330	Land and Land Rights													
A331	Structures and Improvements													
A332	Reservoirs, Dams, and Waterways													
A333	Water Wheels, Turbines, and Generators													
A334	Accessory Electric Equipment													
A335	Miscellaneous Power Plant Equip.													
A336	Roads, Railroads, and Bridges													
	Total Hydraulic Production						-		-		-	-	-	-
Other Production														

Brazos Electric
Unbundled Accumulated Depreciation
For the Year Ended December 31, 2001
Docket No. 25960

Account No.	Description	Allocation Factor	Generation	Transmission	Distribution	Reference	Balance 12/31/2001	Adjustments	Adjusted Balance 12/31/2001	Account Transfer	Total 12/31/2001	Allocation to Generation	Allocation to Transmission	Allocation to Distribution
A340	Land and Land Rights													
A341	Structures and Improvements													
A342	Fuel Holder, Producer & Acc													
A343	Prime Movers													
A344	Generators													
A345	Accessory Plant Equipment													
A346	Misc Power Plant Equipment													
	Total Other Production						(9,356,271)		(9,356,271)	(1,340,117)	(10,696,388)	(10,696,388)	-	-
	Total Production Plant						(58,359,695)		(58,359,695)	(1,340,117)	(59,699,812)	(59,699,812)	-	-
Transmission Plant														
A350	Land and Land Rights						(455,739)		(455,739)					
A352	Structures and Improvements						(37,873,532)		(37,873,532)					
A353	Station Equipment						(7,824,912)		(7,824,912)					
A354	Towers and Fixtures						(22,492,727)		(22,492,727)					
A355	Poles and Fixtures						(18,868,536)		(18,868,536)					
A356	O.H. Conductors & Devices													
A357	Underground Conduit													
A358	Underground Conductors						(1,216)		(1,216)					
A359	Roads and Trails													
A106	Completed Const Not Allocated													
	Others													
	Total Transmission Plant						(87,516,663)		(87,516,663)	1,081,534	(86,435,128)	-	(86,435,128)	-
Distribution Plant														
A360	Land and Land Rights													
A361	Structures and Improvements						(18,269,365)		(18,269,365)					
A362	Station Equipment													
A363	Storage Battery Equipment													
A364	Poles, Towers & Fixtures													
A365	O.H. Conductors & Devices													
A366	Underground Conduits													
A367	U.G. Conductors & Devices													
A368	Line Transformers													
A369	Services						69,128		69,128					
A370	Meters													
A371	Install. on Customer prem.													
A372	Leased prop. on Cust. Premises													
A373	Street Lights													
A106	Completed Const Not Allocated													
	Total Distribution Plant						(18,200,237)		(18,200,237)	258,583	(17,941,654)	-	-	(17,941,654)

Brazos Electric
Unbundled Accumulated Depreciation
For the Year Ended December 31, 2001
Docket No 25960

Account No.	Description	Allocation Factor	Generation	Transmission	Distribution	Reference	Balance 12/31/2001	Adjustments	Adjusted Balance 12/31/2001	Account Transfer	Total 12/31/2001	Allocation to Generation	Allocation to Transmission	Allocation to Distribution
General Plant														
A389	Land and land Rights													
A390	Structures and Improvements	Schedule F-2 PAYXAGIC	51.9866%	32.9716%	15.0418%		(937,369)		(937,369)		(937,369)	(487,306.41)	(309,066.07)	(140,996.87)
A391	Office Furniture & Equip.	Schedule F-2 PAYXAGIC	51.9866%	32.9716%	15.0418%		(3,077,704)		(3,077,704)		(3,077,704)	(1,599,993.43)	(1,014,769.50)	(462,940.91)
A392	Transportation Equipment	Schedule F-2 PAYXAGIC	51.9866%	32.9716%	15.0418%		(4,225,284)		(4,225,284)		(4,225,284)	(2,196,581.43)	(1,393,145.62)	(635,557.24)
A393	Stores Equipment	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%		(95,894)		(95,894)		(95,894)	(18,890.81)	(53,155.87)	(23,847.26)
A394	Tools, Shop & Garage Equip.	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%		(530,941)		(530,941)		(530,941)	(104,593.82)	(294,311.10)	(132,036.48)
A395	Laboratory Equipment	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%		(824,513)		(824,513)		(824,513)	(162,426.46)	(457,043.35)	(205,042.89)
A396	Power Operated Equipment	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%		(753,316)		(753,316)		(753,316)	(148,401.02)	(417,577.88)	(187,337.53)
A397	Communication Equipment	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%		(489,370)		(489,370)		(489,370)	(96,404.44)	(271,267.42)	(121,698.42)
A398	Misc. Equipment	Schedule F-3 PLTXGNL-N	19.6997%	55.4319%	24.8684%		(34,442)		(34,442)		(34,442)	(6,785.04)	(19,092.08)	(8,565.26)
	Total General Plant						(10,968,835)		(10,968,835)	-	(10,968,835)	(4,821,383)	(4,229,429)	(1,918,023)
	Retirement Work in Process						(1,561,525)	-	(1,561,525)		(1,561,525)	(112,210)	(178,103)	(1,271,212)
Total Accumulated Dep. and Amort.							(178,163,173)	-	(178,163,173)	(0.00)	(178,163,173)	(64,633,841)	(92,397,907)	(21,131,426)

Brazos Electric

Docket No 25960

NOT APPLICABLE

Schedule B-7
Garland

Brazos Electric
Unbundled Accumulated Provision Balances
For the Test Year Ended December 31, 2001
Docket No. 25960

NOT APPLICABLE

Brazos Electric
Unbundled Materials and Supplies
For the Test Year Ended December 31, 2001
Docket No. 25960

Line Number	Functional Group	Acct. Description	Acct. No.	Factor	Reference	Balance 31-Dec-01	Allocation to Generation	Allocation to Transmission	Allocation to Distribution
1	**Material and Supplies**								
2		Fuel Stock-Oil	151.30 00	Direct		3,631,206	3,631,206		
3						3,631,206	3,631,206		
4									
5	Materials and Supplies-Other	Matl & Supp Electric	154.10 00	Direct		22,474,949		10,373,209	12,101,741
6		Matl & Sup-Plants	154.23 00	Direct		3,449,175	3,449,175		
7		Matl & Supp Elec Radio Pts	154.30 00	Direct		39,484		39,484	
8		Matl & Supp-Automotive	154.60 00	Schedule F-3		80,883	15,934	44,835	20,114
9							19.6997%	55.4319%	24.8684%
10						26,044,492	3,465,109	10,457,528	12,121,855
11									
12	**Total Material & Supplies**					29,675,698	7,096,315	10,457,528	12,121,855

Brazos Electric
Unbundled Cash Working Capital
For the Year Ended December 31, 2001
Docket No. 25960

Line No.	Description	Reference	Test Year Amount	Adjustments	Exclusions	Adjusted Test Year Amount	To Generation	To Transmission	To Distribution
1	Power production O & M		7,299,096	91,364		7,390,460	7,390,460		
2	Transmission O & M		6,230,060	21,451		6,251,511		6,251,511	
3	Distribution O & M		3,498,099	(112,815)		3,385,284			3,385,284
4	Consumer accounts		83,116	0		83,116			83,116
5	Customer service		449,286	0		449,286			449,286
6	Sales		0	0		0			
7	Administrative & general	Schedule D-2	10,221,683		(120,736)	10,100,950	3,919,890	4,284,552	1,896,508
8	Less: Non working cash expenses		(2,018,749)			(2,018,749)	(534,684.92)	(972,201.66)	(511,862.63)
9									
10	Total		25,762,591	0	(120,736)	25,641,858	10,775,665	9,563,862	5,302,332
11									
12	45 day allowance		12.50%	12.50%	12 50%	12.50%	12.50%	12.50%	12.50%
13									
14	Cash working capital		3,220,324	0	(15,092)	3,205,232	1,346,958	1,195,483	662,791
15									
16	Material & supplies	Schedule B-8	26,044,492			26,044,490	3,465,110	10,457,530	12,121,850
17									
18	Fuel stock	Schedule B-8	3,631,206			3,631,206	3,631,206		
19									
20	Prepayments	Schedule B-10	847,198			847,200	229,520	433,790	183,890
21									
22	Total working capital		33,743,220	0	(15,092)	33,728,128	8,672,794	12,086,803	12,968,531

Brazos Electric
Unbundled Prepayments
For the Year Ended December 31, 2001
Docket No 25960

Line umber	Acct. Description	Reference	New Allocation Factor	Allocation Factor	To Production	To Transmission	To Distribution	Prepayment Acct No	Expense Acct. Charged	Balance 31-Dec-01	Allocation to Generation	Allocation to Transmission	Allocation to Distribution
1	**Prepayments:**												
2	Prepayments Insurance							165 10 00					
3	Auto Insurance	F-2	PAYXAGIC	TPIC	51 9866%	32 9716%	15 0418%		184.00	2,594.79	1,348 94	855 55	390.30
4	Communication/Contractor	F-5	PLTSVC-N	NTP	19.8926%	55.8644%	24 2430%		924 00	348 24	69.27	194.54	84.42
5	Fidelity Bond	F-5	PLTSVC-N	NTP	19.8926%	55.8644%	24.2430%		924 00	736.50	146.51	411.44	178.55
6	Property Insurance	F-5	PLTSVC-N	NTP	19 8926%	55.8644%	24 2430%		924.00	535,477.46	106,520.14	299,141.32	129,815.99
7	CGL	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17.3408%		925.00	(35,128.27)	(13,848.65)	(15,188 09)	(6,091.52)
8	Fiduciary Responsibility	F-1	PAYXAG	TPEC	39.4231%	43 2361%	17.3408%		925 00	3,413.50	1,345 71	1,475.86	591.93
9	Pollution Legal Liability	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17.3408%		925 00	74,159 02	29,235.78	32,063.47	12,859.77
10	Umbrella Liability	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17.3408%		925 00	1,029.17	405.73	444.97	178.47
11	WC	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17 3408%		925.00	(31,870 12)	(12,564.19)	(13,779.40)	(5,526.53)
12	Dental	F-1	PAYXAG	TPEC	39.4231%	43 2361%	17 3408%		926.00	19,870.80	7,833.69	8,591.35	3,445.76
13	Hospitalization	F-1	PAYXAG	TPEC	39.4231%	43 2361%	17.3408%		926 00	283,269 58	111,673.65	122,474.72	49,121.21
14	Life	F-1	PAYXAG	TPEC	39.4231%	43 2361%	17 3408%		926 00	15,851.99	6,249.35	6,853.78	2,748.86
15	LTD	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17.3408%		926 00	(24,398 09)	(9,618.48)	(10,548.78)	(4,230.82)
16	Directors' & Officers	F-1	PAYXAG	TPEC	39 4231%	43 2361%	17 3408%		930 00	1,843.68	726.84	797.14	319.71
17													
18													
19	**Total Prepayments Insurance**									847,198.25	229,524.29	433,787.87	183,886.10
20													
21	Other Prepayments	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17.3408%	165 20 00	926.00	-	-	-	-
22	Prepayments-JDE Maintenance	F-1	PAYXAG	TPEC	39.4231%	43.2361%	17 3408%	165 25 00	921.00	-	-	-	-
23	Prepayments 401(K)	F-1	PAYXAG	TPEC	39.4231%	43 2361%	17.3408%	165 30 00	926.00	-	-	-	-
										847,198 25	229,524.29	433,787.87	183,886.10

Brazos Electric
Unbundled Other Rate Base Items
For the Test Year Ended December 31, 2001
Docket No. 25960

NOT APPLICABLE

Brazos Electric
Unbundled Regulatory Assets
For the Test Year Ended December 31, 2001
Docket No. 25960

NOT APPLICABLE

PUBLIC UTILITY COMMISSION OF TEXAS
BRAZOS ELECTRIC POWER COOPERATIVE, INC.
FOR THE YEAR ENDING 12/31/01
DOCKET NO. 25960

HIGHLY SENSITIVE PROTECTED
MATERIALS PROVIDED PURSUANT
TO PROTECTIVE ORDER ISSUED
IN DOCKET NO 25960

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Brazos Electric
O & M Expenses
For the Test Year Ended December 31, 2001
Docket No. 25960

Line Number		Account Description		Balance December 31, 2001	Account Transfer	Adjusted Balance
1	**Power Production Expense**					
2						
3		Operation				
4	500	Operation Super. & Eng.		253,579	-	253,579
5	501	Eligible Fuel		-	-	-
6	501	Non Eligible Fuel		-	-	-
7	502	Steam Expenses		1,000,825	-	1,000,825
8	504	Steam Transfer - Credit - Water Rec		-	-	-
9	505	Electric Expenses		622,155	-	622,155
10	506	Misc. Steam power Expenses		641,293	-	641,293
11	507	Rents		-	-	-
12		Other				
13			Subtotal	2,517,852	-	2,517,852
14						
15		Maintenance				
16	510	Maint. Super. & Eng.		112,979	-	112,979
17	511	Maint. of Structures		112,961	-	112,961
18	512	Maint. of Boiler Plant		372,080	-	372,080
19	513	Maint. of Electric Plant		2,502,117	-	2,502,117
20	514	Maint. of Misc. Steam Plant		285,364	-	285,364
21		Other		-	91,364	91,364
22			Subtotal	3,385,502	91,364	3,476,866
23						
24		**Nuclear Power Generation**				
25		Operation				
26	517	Operation Supervision		-	-	-
27	518	Nuclear Fuel-Direct		-	-	-
28	519	Coolants and Water		-	-	-
29	520	Steam Expenses		-	-	-

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Schedule D-1
Garland

Brazos Electric
O & M Expenses
For the Test Year Ended December 31, 2001
Docket No. 25960

Line Number		Account Description	Balance December 31, 2001	Account Transfer	Adjusted Balance
30	523	Electric Expenses	-	-	-
31	524	Misc. Nuclear Power Expenses	-	-	-
32	525	Rents-Allocable	-	-	-
33		Subtotal	-	-	-
34					
35		Maintenance			
36	528	Maint. Supervision	-	-	-
37	529	Maint. of Structures	-	-	-
38	530	Maint. of Reactor Plant	-	-	-
39	531	Maint. of Electric Plant	-	-	-
40	532	Maint. of Misc. Nuclear Plant	-	-	-
41		Subtotal	-	-	-
42					
43		**Hydralic Generation**			
44		Operation			
45	535	Operation Supervision	-	-	-
46	536	Water for Power	-	-	-
47	537	Hydralic Expenses	-	-	-
48	538	Electric Expenses	-	-	-
49	539	Misc. Hydralic Gen. Exp.	-	-	-
50	540	Rents	-	-	-
51		Subtotal	-	-	-
52					
53		Maintenance			
54	541	Maint. Supervision	-	-	-
55	542	Maint of Structures	-	-	-
56	543	Maint. of Reservoirs, Dams, & Waterways	-	-	-
57	544	Maint. of Electric Plant	-	-	-
58	545	Maint. of Misc. Hydralic Gen. Exp.	-	-	-

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