

1 expenditures during the historical period was made to ensure that any contributions,
2 donations, and certain advertising expenses complied with Commission Rule
3 25.231(b)(1)(E).

4 **VI. REVENUE REQUIREMENTS**

5 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

6 A. In this section, I describe how each of the components comprising WETT's
7 revenue requirements – rate base, operating expenses, taxes other than income,
8 depreciation and amortization expense, return on investment, and federal income
9 taxes – are developed.

10 **A. Rate Base**

11 **Q. WHAT ARE THE PRINCIPAL COMPONENTS OF RATE BASE?**

12 A. Rate base normally consists of a utility's investment in plant in service less
13 accumulated depreciation, plus working capital items, less non-investor-supplied
14 capital. In addition, CWIP may also be included in rate base under certain
15 circumstances.

16 **Q. HOW DID YOU DETERMINE WETT'S PLANT IN SERVICE?**

17 A. At June 30, 2012, WETT's plant in service consisted of approximately
18 \$888,000 in general plant used in its administrative offices (Schedule II-B-2). At the
19 same time, WETT had approximately \$251.5 million in Account 107 –CWIP. For
20 WETT's preferred procedural approach, I determined that \$182.1 million of this total
21 CWIP balance was related to WETT's CCN1-2 facilities, which are described by
22 other WETT witnesses. Because this \$182.1 million will be transferred from CWIP
23 to plant in service when CCN1-2 is capable of providing service (and the rates being

1 established in this case become effective), a known and measurable change to plant in
2 service was made for this amount (Schedule II-B-1). This resulted in total plant in
3 service of \$183.0 million (Schedule II-B).

4 Under its alternative procedural approach, WETT is requesting that the CWIP
5 associated with CCN3 facilities also be included in rate base at this time. Under this
6 alternative procedural approach, the approximately \$69.4 million of CWIP at June 30,
7 2012 that would not be transferred to plant in service when CCN1-2 facilities are
8 capable of providing service is included in WETT's rate base. This results in a total
9 rate base under the alternative procedural approach of approximately \$252.7 million.

10 **Q. HOW DID YOU DETERMINE WETT'S ACCUMULATED DEPRECIATION**
11 **AND AMORTIZATION?**

12 A. At June 30, 2012, WETT had recorded on its books approximately \$282,000
13 in accumulated depreciation related to general plant (Schedule II-B-5), which served
14 to reduce plant in service to arrive at net plant under both procedural approaches. At
15 June 30, 2012 there was no accumulated depreciation associated with the
16 transmission plant for which a known and measurable change was made, nor will
17 there be any accumulated depreciation associated with this plant at the time it is
18 transferred from CWIP to plant in service.

19 **Q. WHAT WORKING CAPITAL ITEMS ARE INCLUDED IN RATE BASE?**

20 A. Two working capital items are included in WETT's rate base: 1)
21 prepayments, and 2) a cash working capital allowance. For the year ended June 30,
22 2012, WETT had prepayments averaging \$1.8 million (Schedule II-B-10). Removing
23 prepayments related to construction and annualizing those that had been on WETT's

books only a portion of the historical period produced an average prepayment balance of approximately \$95,000, which is included in rate base under both procedural approaches.

Q. HOW IS A CASH WORKING ALLOWANCE DETERMINED?

A. WETT witness Jay Joyce performed a lead-lag study as the basis for determining a reasonable cash working capital allowance to include in rate base, which he discusses in his testimony. As developed on Schedule II-B-9-Attachment, the amount of the cash working capital allowance based on CCN1-2 revenue requirements under WETT's preferred procedural approach is approximately \$384,000. Under WETT's alternative procedural approach, the cash working capital allowance based on CCN1-2 revenue requirements is approximately \$466,000. Please note that, in an effort to simplify each procedural approach, the same cash working capital allowance is used to develop both revenue requirements. Had CCN3 revenue requirements been substituted into Mr. Joyce's lead-lag study, the cash working capital allowances under both procedural approaches would have been slightly greater.

Q. WHAT SOURCES OF NON-INVESTOR SUPPLIED CAPITAL REDUCE WETT'S RATE BASE?

A. As will be discussed in more detail later in my testimony, WETT is a disregarded entity for income tax purposes and does not record tax-related items on its books. However, because the income produced by WETT is subject to federal income taxes, it is proper to include income-tax related items in determining WETT's revenue requirements. One of these tax-related items is accumulated deferred federal

1 income taxes ("ADFIT"), which account for the tax effects of differences between
2 when certain income and expenses are recognized for income tax purposes versus for
3 ratemaking purposes. The only item currently creating ADFIT for WETT is timing
4 differences between book and tax depreciation associated with its general plant in
5 service. An ADFIT liability was calculated by subtracting accumulated tax
6 depreciation from accumulated book depreciation at June 30, 2012 and multiplying
7 the difference times the federal corporate income tax rate of 35% (Schedules II-B-7,
8 II-E-3.7, and II-E-3.8). As shown on Schedule II-B, this ADFIT liability serves to
9 reduce rate base under both procedural approaches by approximately \$46,000. As
10 was the case with accumulated depreciation, there was no net ADFIT at June 30,
11 2012 associated with the transmission facilities for which a known and measurable
12 change, nor will there be any net ADFIT associated with these facilities at the time
13 they are transferred from CWIP to plant in service.

14 **Q. WHAT RATE BASE IS WETT REQUESTING BE USED FOR PRESENT**
15 **PURPOSES?**

16 A. As summarized on Schedule II-B, under its preferred procedural approach,
17 WETT is requesting that revenue requirements for both CCN 1-2 and CCN-3 be
18 established using a rate base of approximately \$183.2 million. Under its alternative
19 procedural approach, WETT is requesting both revenue requirements be based on a
20 rate base of approximately \$252.7 million.

B. Operating Expenses

Q. WHAT TYPES OF OPERATING EXPENSES ARE NORMALLY INCLUDED IN A TRANSMISSION UTILITY'S REVENUE REQUIREMENTS?

A. A transmission utility's operating expenses generally consist of three categories of expenses: 1) Operations expenses (Accounts 560-567), 2) Maintenance expenses (Accounts 568-573), and 3) A&G expenses (Accounts 920-935).

Q. IS THERE ANYTHING UNIQUE CONCERNING WETT'S OPERATING EXPENSES?

A. Yes. First, because none of WETT's transmission facilities has been placed into service, WETT has not yet incurred a great deal of Operation expenses or meaningful Maintenance expenses. Second, expenditures that would be regarded as A&G expenses for an operating utility have been capitalized by WETT as construction overhead expenditures, which is consistent with the USOA. Third, because WETT's facilities are projected to come on line at different times, Maintenance expenses and A&G expenses increase as additional plant becomes capable of providing service. This will be explained in more detail below and is the reason why WETT is requesting that two rates, each with different levels of Maintenance expenses and A&G expenses, be approved in this case.

Q. WHAT OPERATION EXPENSES IS WETT REQUESTING BE INCLUDED IN REVENUE REQUIREMENTS?

A. As explained by Mr. Morton, WETT's Operation expenses will initially be related primarily to the operation of its primary and backup control centers. As of June 30, 2012, WETT has leased both of its control center locations and hired the

majority of the Operations personnel. These expenditures, along with other Operation expenses contracted for and identified, serve as the basis for the known and measurable change to arrive at annual Operation expenses of approximately \$953,000. As shown on Schedules II-D-1-CCN1-2 and II-D-1-CCN3, these Operations expenses are essentially fixed and apply to all CCNs. They also apply to WETT's alternative procedural approach.

Q. WHAT MAINTENANCE EXPENSES IS WETT REQUESTING BE INCLUDED IN REVENUE REQUIREMENTS?

A. Unlike Operation expenses, WETT's Maintenance expenses vary depending on which facilities are capable of providing service. The reason for this is that Maintenance expenses consist primarily of routine inspections and corresponding repairs, which vary with the number of transmission towers and poles, circuit miles, and number of substations capable of providing service. WETT did not incur any Maintenance expenses during the historical year ended June 30, 2012 because none of its facilities was in service. However, as explained by WETT witness Bradley Ballard, based on responses to WETT's requests for proposals for the maintenance of its substations and analyses by a major provider of transmission maintenance services, Maintenance expenses per mile of transmission line, mile of circuit line, and substation are reasonably known and measurable. These unit expenses were applied to determine the total Maintenance expense for each CCN. As shown on Schedules II-D-1-CCN1-2 and II-D-1-CCN3, Maintenance expenses increase as CCN1-2 and CCN3 become capable of providing service and total approximately \$785,000 and

1 \$1,134,000, respectively. For WETT's alternative procedural approach, these same
2 Maintenance expenses apply.

3 **Q. WHAT A&G EXPENSES ARE INCLUDED IN WETT'S REVENUE**
4 **REQUIREMENTS?**

5 A. As indicated above, because expenditures that would be regarded as A&G
6 expenses for an operating utility were capitalized as construction overhead
7 expenditures, WETT's books do not reflect any A&G expenses for the year ended
8 June 30, 2012. However, the capitalized A&G expenditures during this historical
9 period were analyzed and, after adjusting for known and measurable changes, served
10 as the basis for the A&G expenses that WETT is requesting be included in its revenue
11 requirements.

12 **Q. PLEASE EXPLAIN HOW YOU ARRIVED AT WETT'S TOTAL A&G**
13 **EXPENSES.**

14 A. WETT's A&G expenditures fall into eight FERC accounts, with the monthly
15 amounts associated with each of these A&G expense accounts (after excluding
16 expenditures directly related to construction) during the historical period ended June
17 30, 2012 being displayed on Schedule II-D-2.1. Known and measurable changes
18 were made to the historical amounts associated with Accounts 920-A&G Salaries and
19 926-Employee Pensions and Benefits based on WETT's June 2012 personnel plan.
20 No adjustment was made to the historical amount for Account 921-Office Supplies
21 and Expenses, and Account 923-Outside Services was adjusted to remove non-
22 recurring legal expenses identified through an analysis of billing detail by counsel.
23 Account 924-Property Insurance was adjusted by annualizing June 2012 expenses,

1 and Account 925-Injuries and Damages was adjusted to include the \$2 million self-
2 insurance accrual recommended by WETT witness Greg Wilson. Finally, the
3 historical amounts in Accounts 930-Miscellaneous General Expenses and 931-Rents
4 were adjusted for known and measurable changes by annualizing June 2012 expenses.
5 The end-result of these various adjustments is a total annual A&G expense of
6 approximately \$7.6 million.

7 **Q. IS WETT REQUESTING THAT ALL OF THIS A&G EXPENSE BE**
8 **INCLUDED IN THE REVENUE REQUIREMENTS FOR CCN1-2 AND**
9 **CCN3?**

10 A. No. Under the USOA, one of the components of construction cost is overhead
11 expenditures applicable to construction work. Even after CCN1-2 becomes capable
12 of providing service, CCN3 will remain under construction. Accordingly, WETT
13 proposes to include only approximately 64% (which represents the proportion of the
14 cost of CCN1-2 facilities to the total cost of all facilities) of A&G expenditures in
15 CCN1-2 revenue requirements, with the remaining 36% being capitalized into CCN3
16 facilities. Because the USOA also requires that the capitalization of A&G
17 expenditures cease once CCN3 facilities are capable of providing service, a known
18 and measurable change is required to include 100% of A&G expenditures in CCN3
19 rates at that time. The end-result of this known and measurable change that occurs
20 when CCN3 becomes capable of providing service is that A&G expenses for CCN1-2
21 and CCN3 are approximately \$4.9 million and \$7.6 million, respectively, with these
22 numbers representing approximately 64% and 100% of total A&G expenditures

(Schedules II-D-2-CCN1-2 and II-D-2-CCN3). These A&G expenses apply under both procedural approaches.

Q. WHAT TOTAL OPERATING EXPENSES IS WETT REQUESTING BE INCLUDED IN ITS REVENUE REQUIREMENTS?

A. As summarized on Schedules I-A-1-CCN1-2 and I-A-1-CCN3, WETT is requesting that total operating expenses of approximately \$6.6 million and \$9.7 million be included in its CCN1-2 and CCN3 revenue requirements, respectively, and are applicable under both procedural approaches. These totals reflect fixed Operating expenses of \$953,000, Maintenance expenses increasing in proportion to facilities capable of providing service being added, and A&G expenses being adjusted for known and measurable changes resulting from the fact that, under the USOA, capitalization of overhead costs must cease and begin to be booked as A&G expenses expensed when additional facilities become capable of providing service.

Q. ARE YOU AWARE THAT WETT HAS REQUESTED DEFERRED ACCOUNTING TREATMENT IN THE EVENT THE COMMISSION DISALLOWS SOME OF ITS OPERATING, MAINTENANCE, OR A&G EXPENSES BECAUSE THEY ARE NOT KNOWN AND MEASURABLE?

A. Yes, I am.

Q. PLEASE EXPLAIN HOW WETT PROPOSES TO ACCOUNT FOR SUCH DEFERRED EXPENSES.

A. If the Commission grants WETT's request for deferred accounting, WETT will accumulate those expenses subject to the order in Account 182.3--Other Regulatory

1 Assets. In a subsequent rate proceeding, WETT will seek recovery of these deferred
2 expenses through rates.

3 **Q. WHY IS IT IMPORTANT THAT WETT OBTAIN A DEFERRED**
4 **ACCOUNTING ORDER?**

5 A. Under the USOA, WETT may accumulate the deferred expenses in a regulatory
6 asset only if authorized to do so by the Commission. Absent a deferred accounting
7 order, WETT would never have an opportunity to recover these reasonable and
8 necessary expenses through rates.

9 **C. Taxes Other than Income**

10 **Q. WHAT TAXES OTHER THAN INCOME DOES A TRANSMISSION**
11 **UTILITY INCUR?**

12 A. There are three types of taxes other than income usually incurred by an
13 electric transmission utility operating in Texas and booked in Account 408: 1) payroll
14 taxes, 2) ad valorem taxes, and 3) Texas franchise tax.

15 **Q. WHAT PAYROLL TAXES ARE INCLUDED IN WETT'S REQUESTED**
16 **REVENUE REQUIREMENTS?**

17 A. The Social Security and Medicare taxes (FICA), federal unemployment taxes
18 (FUTA), and state unemployment taxes (SUTA) associated with the payroll included
19 in Operation expenses, Maintenance expenses, and A&G expenses discussed above
20 are calculated using current applicable tax rates and limits and included as payroll
21 taxes in taxes other than income. Because the payroll included in A&G expenses
22 changes as additional facilities become capable of providing service, so too do the
23 payroll taxes included in CCN1-2 and CCN3 revenue requirements (Schedules II-E-

1 2CCN1-2 through II-E-2CCN3). Payroll taxes are the same under both procedural
2 approaches.

3 **Q. WHAT AD VALOREM TAXES ARE INCLUDED IN WETT'S REVENUE**
4 **REQUIREMENTS?**

5 A. During the historical year ended June 30, 2012, the only ad valorem taxes
6 incurred by WETT were those related to its general plant. To account for the ad
7 valorem taxes that will be assessed on WETT's transmission plant when it is capable
8 of providing service, an ad valorem tax rate of 1.5352% is applied to the taxable
9 value of the plant capable of providing service included in rate base. This produces
10 ad valorem taxes for inclusion in both revenue requirements under each procedural
11 approach of approximately \$2.2 million (Schedule II-E-2.1). The 1.5352% ad
12 valorem tax rate was calculated using the 2011 tax rates in all of the taxing
13 jurisdictions where WETT will have facilities weighted by the expected investment in
14 each. This system-wide average ad valorem tax rate is used instead of tax rates
15 specific to the CCN1-2 and CCN3 facilities to simplify the interim TCOS filing
16 process. If more precise ad valorem tax rates were to be used for CCN1-2 and CCN3,
17 they would be 1.5145% and 1.5352%, respectively.

18 **Q. WHAT IS THE TEXAS FRANCHISE TAX?**

19 A. The Texas franchise tax is a privilege tax imposed on taxable entities doing
20 business in Texas. For WETT, the Texas franchise tax is 1% of its taxable margin,
21 which is defined as 70% of total revenues. Accordingly, under each of WETT's
22 procedural approaches, the Texas franchise tax for CCN1-2 and CCN3 is calculated

1 by multiplying the respective revenue requirements by 70% and then 1% (Schedule
2 II-E-2-Attach).

3 **Q. WHAT TOTAL TAXES OTHER THAN INCOME TAXES IS WETT**
4 **REQUESTING BE INCLUDED IN ITS REVENUE REQUIREMENTS?**

5 A. As summarized on Schedules I-A-1-CCN1-2 and I-A-1-CCN3, WETT is
6 requesting that total taxes other than income taxes of approximately \$2.5 million and
7 \$2.6 million be included in its CCN1-2 and CCN3 revenue requirements,
8 respectively, under its preferred procedural approach. Under its alternative
9 procedural approach, total taxes other than income for CCN1-2 and CCN3 are
10 approximately \$2.6 million in both instances. These totals reflect known and
11 measurable changes to payroll taxes on salaries included in revenue requirements, ad
12 valorem taxes on plant investment included in rate base, and the Texas franchise
13 applicable to the respective revenue requirements.

14 **C. Depreciation and Amortization Expense**

15 **Q. HOW ARE DEPRECIATION AND AMORTIZATION RATES**
16 **CALCULATED?**

17 A. I provided WETT witness Dane Watson a breakdown of project direct costs
18 by FERC account that he used to develop his recommended depreciation and
19 amortization rates for each plant account. As discussed in Mr. Watson's testimony,
20 he is also recommending depreciation rates for plant accounts for which there are no
21 balances at June 30, 2012 so that approved depreciation rates will be available for use
22 in interim TCOS filings.

1 **Q. WHAT DEPRECIATION AND AMORTIZATION EXPENSE IS INCLUDED**
2 **IN WETT'S REVENUE REQUIREMENTS?**

A. The depreciation and amortization rates recommended by Mr. Watson for each corresponding plant account are multiplied times the plant in service included in rate base to calculate depreciation and amortization expense. Depreciation and amortization expense by plant account is shown on Schedule II-E-1, with the total of approximately \$3.5 million being included in CCN1-2 and CCN3 revenue requirements. Depreciation expense is the same in both revenue requirements under each procedural approach.

10 **D. Return on Investment**

11 **Q. HOW IS THE RETURN ON INVESTMENT COMPONENT OF REVENUE**
12 **REQUIREMENTS CALCULATED?**

13 A. Return on investment is calculated by multiplying rate base times an overall
14 rate of return. The rate of return is a weighted average calculation that combines
15 capital structure ratios (*i.e.*, debt and equity) with a cost of debt and rate of return on
16 equity (“ROE”).

17 **Q. WHAT WITNESSES ARE SPONSORING THE VARIOUS COMPONENTS**
18 **OF RATE OF RETURN?**

19 A. WETT witnesses Mr. Morton and Robert Hevert address WETT's capital
20 structure ratios, with Mr. Hevert recommending a fair and reasonable ROE. I am
21 sponsoring WETT's cost of debt.

1 **Q. PLEASE DESCRIBE WETT'S DEBT.**

2 A. To finance the debt portion of its transmission facilities, WETT entered into a
3 loan agreement with a group of banks that provides for a \$448.7 million
4 Construction/Term Facility, a \$42.4 Contingency Facility, and a \$15.7 million Letter
5 of Credit Facility. During the construction period, the Construction/Term Facility is
6 designed for 75% of the loan to bear a fixed interest rate of 4.16% (accomplished
7 using an interest rate swap), with the remaining 25% bearing a floating interest rate of
8 LIBOR plus 225 basis points. WETT must also pay a monthly fee based on an
9 annual interest rate of 0.7875% on the unborrowed amount of the loan commitment
10 during construction. When WETT's transmission facilities are placed into service,
11 the loan will convert to a term loan and the respective interest rates will increase 25
12 basis points and quarterly principal payments (based on a 40-year amortization) will
13 begin. The Construction/Loan Facility matures in March of 2016. The Contingency
14 Facility is designed to provide additional funds, if needed, with WETT paying a
15 monthly fee based on an annual interest rate of 0.7875% on the available amount until
16 construction of its transmission facilities are complete. Finally, the Letter of Credit
17 Facility is designed to provide protection for six months of scheduled debt service
18 and bears a monthly fee based on an annual interest rate of 0.7875%.

19 **Q. WHAT IS THE COST OF WETT'S DEBT?**

20 A. Because of the how WETT's debt financing package is structured and the
21 various interest rates and fees involved, calculating WETT's cost of debt is more
22 complicated than for a traditional long-term bond issue. Moreover, looking at
23 WETT's cost of the debt in a particular month or single year does not provide an

1 accurate measure of the cost of the debt financing. Therefore, I calculated WETT's
2 cost of debt by looking at the effective, average cost of WETT's debt over its
3 expected life. The details of this calculation are shown on Exhibit BHF-4. For the
4 months between August 2011 and May 2012, actual interest rates are used, with a
5 projected LIBOR rate through 2016 being based on the current four-year LIBOR
6 swap rate reported by the Federal Reserve Board of 0.80%. Equating the initial
7 issuance costs, monthly draws, monthly interest expense, monthly fees, and quarterly
8 and final principal repayments results in an average annual effective cost of WETT's
9 debt financing of 5.624%, which I recommend be used as the cost of debt in
10 calculating WETT's rate of return.

11 **Q. WHAT RETURN ON INVESTMENT IS INCLUDED IN WETT'S REVENUE**
12 **REQUIREMENTS?**

13 A. As developed in Mr. Hevert's testimony and Schedule II-C-2.1, combining a
14 capital structure of 60% debt and 40% equity with a cost of debt of 5.624% and an
15 ROE of 10.9% results in an overall rate of return of 7.73%. Multiplying this rate of
16 return times WETT's rate base under its preferred procedural approach of
17 approximately \$183.2 million produces a return on investment for inclusion in both
18 revenue requirements of approximately \$14.2 million (Schedule II-C-1). Multiplying
19 this same 7.73% rate of return times the \$252.7 million rate base under WETT's
20 alternative procedural approach results in a return on investment of approximately
21 \$19.5 million.

D. Federal Income Taxes

Q. HOW ARE THE FEDERAL INCOME TAXES INCLUDED IN WETT'S REVENUE REQUIREMENTS CALCULATED?

A. As discussed earlier, WETT is a disregarded entity for federal income tax purposes, which means that it does not pay federal income taxes and its income is flowed through to upstream entities. Accordingly, WETT does not record tax-related items on its books. However, the income produced by WETT is subject to federal income taxes, which I have been advised by counsel are payable by upstream entities that are either "C corporations" or have elected to be taxed as a C corporation. I have also been advised by counsel that neither WETT nor the taxable entities to which its income flows is eligible to file a consolidated income tax return because they are not part of an affiliated group as defined in Section 1504 of the Internal Revenue Code. Therefore, I calculated WETT's federal income tax expense for inclusion in its revenue requirements using the "return" method, which is consistent with the Rate Filing Package Instructions and Schedules.

Q. HOW ARE THE FEDERAL INCOME TAXES CALCULATED USING THE RETURN METHOD?

A. The return method reflects a "stand-alone" approach to calculating income tax expense for rate purposes, and considers only the revenues and expenses included in revenue requirements. This method begins with the return on investment included in revenue requirements and deducts synchronized interest expense. Synchronized interest is the portion of return on investment representing interest expense and is calculated by multiplying rate base by the weighted cost of debt. The net result is an

1 after-tax dollar return on equity to which a tax factor based on the statutory marginal
2 corporate tax rate of 35% is applied to calculate the amount of federal income taxes
3 associated with the after-tax return. Although the return method makes no distinction
4 between current or deferred federal income taxes, my calculation of ADFIT described
5 earlier “normalizes” WETT’s book and tax timing differences. I would further note
6 that there are no investment tax credits (“ITCs”) associated with WETT’s facilities
7 and the transmission of electricity is not a domestic production activity eligible for a
8 Section 199 deduction.

9 **Q. WHAT FEDERAL INCOME TAX EXPENSE IS INCLUDED IN WETT’S**
10 **REVENUE REQUIREMENTS?**

11 A. Shown on Schedule II-E-3, beginning with WETT’s requested return on
12 investment, synchronized interest and depreciation of non-tax-deductible allowance
13 for equity funds used during construction are deducted to arrive at the taxable
14 component of return. The standard tax factor of .5385 is applied to this amount to
15 calculate federal income taxes of approximately \$4.4 million for inclusion in WETT’s
16 revenue requirements under its preferred procedural approach. Under WETT’s
17 alternative procedural approach, application of this same methodology produces
18 federal income taxes for inclusion in revenue requirements of approximately \$6.0
19 million.

20 **D. Summary**

21 **Q. WHAT REVENUE REQUIREMENTS IS WETT REQUESTING?**

22 A. The components of revenue requirements discussed above (*i.e.*, operating
23 expenses, taxes other than income, depreciation and amortization, return on

investment, and federal income taxes) are combined and summarized on Schedules I-A-1-CCN1-2 and I-A-1-CCN3. As shown there, WETT is requesting under its preferred procedural approach revenue requirements corresponding to the completion dates of its CCN1-2 and CCN3 facilities of approximately \$31.2 million and \$34.3 million, respectively. Under its alternative procedural approach, WETT is requesting revenue requirements of approximately \$38.3 million and \$41.4 million, respectively.

VII. RATE DESIGN

Q. WHAT WHOLESALE TRANSMISSION RATES IS WETT REQUESTING?

A. Under WETT's preferred procedural approach, WETT is requesting annual wholesale transmission rates for CCN1-2 of \$0.47998 per kW and for CCN-3 of \$0.52810 per kW, each of which would become effective when the respective facilities are capable of providing service. Under WETT's alternative procedural approach, it is requesting annual wholesale transmission rates for CCN1-2 of \$0.58855 per kW and for CCN 3 of \$0.63667 per kW, each to become effective when the respective facilities are capable of providing service. These rates are calculated by dividing the four revenue requirements developed above by the 2012 ERCOT average 4CP billing units of approximately 64,992 MW approved by the Commission in Docket No. 39916.

Q. PLEASE DESCRIBE THE WHOLESALE TRANSMISSION TARIFF UNDER WHICH WETT PROPOSES TO CHARGE THESE RATE.

A. WETT's proposed wholesale transmission service ("WTS") tariff is contained in Exhibit BHF-5. This tariff is patterned after other wholesale transmission service tariffs previously approved by the Commission for Brazos Electric Cooperative, Inc.

1 in Docket No. 33326 and Electric Transmission Texas, LLC in Docket No. 37734,
2 and it is in compliance with the provisions of P.U.C. Substantive Rule 25.192.

3 **Q. ARE RATE CASE EXPENSES INCLUDED IN WETT'S REVENUE**
4 **REQUIREMENTS?**

5 A. No. In an effort to simplify WETT's request and consistent with the
6 Commission's practice to sever rate case expenses and permit their recovery through
7 a rate surcharge, no rate case expenses were included in WETT's requested revenue
8 requirements. However, WETT is seeking recovery of its rate case expenses incurred
9 in preparing and presenting its rate application, with Schedule II-E-4.5 containing an
10 estimate of these costs. These expenses include fees and expenses of outside counsel
11 and consultants, certain internal costs, and an estimated budget for rate case expenses
12 of municipalities that may intervene in this proceeding. The reasonableness of these
13 estimated expenses is addressed in the testimony of WETT witness Kay Trostle. I
14 understand that WETT will be filing a motion to sever the rate case expenses into a
15 separate docket.

16 **Q. WHAT IS THE ESTIMATED RATE CASE EXPENSE SURCHARGE?**

17 A. WETT proposes to recover rate case expenses over a 24-month period through
18 a rate case surcharge provided for in its WTS tariff. Assuming total rate case
19 expenses of the \$3.9 million estimated in Schedule II-E-4.5, the rate case expense
20 surcharge based on 2012 ERCOT average 4CP billing units is estimated to be
21 approximately \$0.0025 per kW per month until the approved expenses are recovered.
22 This estimated rate case surcharge will change depending on the rate case expenses,

1 billing units, and amortization period the Commission finds appropriate in the severed
2 rate case docket.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes. However, I reserve the right to make changes or corrections as
5 necessary.

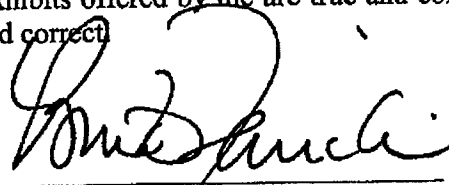
STATE OF TEXAS

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COUNTY OF Travis

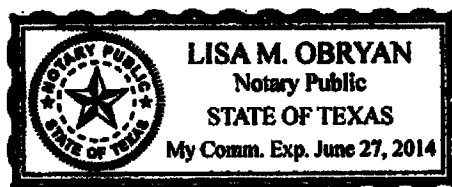
BEFORE ME, the undersigned authority, on this day personally appeared Bruce H. Fairchild, who, having been placed under oath by me, did depose as follows:

My name is Bruce H. Fairchild. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are accurate, true and correct.



Bruce H. Fairchild

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bruce H. Fairchild
this 21st day of August, 2012.





Notary Public, State of Texas

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Summary of Qualifications

M.B.A. and Ph.D. in finance, accounting, and economics; Certified Public Accountant. Extensive consulting experience involving regulated industries, valuation of closely-held businesses, and other economic analyses. Previously held managerial and technical positions in government, academia, and business, and taught at the undergraduate, graduate, and executive education levels. Broad experience in technical research, computer modeling, and expert witness testimony.

Employment

Principal,
FINCAP, Inc.
(Sep. 1979 to present)

Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included revenue requirements, rate of return, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Other assignments have involved some seventy valuations as well as various economic (e.g., damage) analyses, typically in connection with litigation. Presented expert witness testimony before courts and regulatory agencies on over one hundred occasions.

Adjunct Assistant Professor,
University of Texas at Austin
(Sep. 1979 to May. 1981)

Taught undergraduate courses in finance: Fin. 370 – Integrative Finance and Fin. 357 – Managerial Finance.

*Assistant Director, Economic
Research Division,*
Public Utility Commission of Texas
(Sep. 1976 to Aug. 1979)

Division consisted of approximately twenty-five financial analysts, economists, and systems analysts responsible for rate of return, rate design, special projects, and computer systems. Directed Staff participation in rate cases, presented testimony on approximately thirty-five occasions, and was involved in some forty other cases ultimately settled. Instrumental in the initial development of rate of return and financial policy for newly-created agency. Performed independent research and managed State and Federal funded projects. Assisted in preparing appeals to the Texas Supreme Court and testimony presented before the Interstate Commerce Commission and Department of Energy. Maintained communications with financial community, industry representatives, media, and consumer groups. Appointed by Commissioners as Acting Director.

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Assistant Professor, College of Business Administration,
University of Colorado at Boulder
(Jan. 1977 to Dec. 1978)

Taught graduate and undergraduate courses in finance: Fin. 305 – Introductory Finance, Fin. 401 – Managerial Finance, Fin. 402 – Case Problems in Finance, and Fin. 602 – Graduate Corporate Finance.

Teaching Assistant,
University of Texas at Austin
(Jan. 1973 to Dec. 1976)

Taught undergraduate courses in finance and accounting: Acc. 311 – Financial Accounting, Acc. 312 – Managerial Accounting, and Fin. 357 – Managerial Finance. Elected to College of Business Administration Teaching Assistants' Committee.

Internal Auditor,
Sears, Roebuck and Company,
Dallas, Texas
(Nov. 1970 to Aug 1972)

Performed audits on internal operations involving cash, accounts receivable, merchandise, accounting, and operational controls, purchasing, payroll, etc. Developed operating and administrative policy and instruction. Performed special assignments on inventory irregularities and Justice Department Civil Investigative Demands.

Accounts Payable Clerk,
Transcontinental Gas Pipeline
Corp., Houston, Texas
(May. 1969 to Aug. 1969)

Processed documentation and authorized payments to suppliers and creditors.

Education

Ph.D., Finance, Accounting, and Economics,
University of Texas at Austin
(Sep. 1974 to May 1980)

Doctoral program included coursework in corporate finance, investment theory, accounting, and economics. Elected to honor society of Phi Kappa Phi. Received University outstanding doctoral dissertation award

Dissertation: *Estimating the Cost of Equity to Texas Public Utility Companies*

M.B.A., Finance and Accounting,
University of Texas at Austin,
(Sep. 1972 to Aug. 1974)

Awarded Wright Patman Scholarship by World and Texas Credit Union Leagues.

Professional Report: *Planning a Small Business Enterprise in Austin, Texas*

B.B.A., Accounting and Finance,
Southern Methodist University,
Dallas, Texas
(Sep. 1967 to Dec. 1971)

Dean's List 1967-1971 and member of Phi Gamma Delta Fraternity.

Other Professional Activities

Certified Public Accountant, Texas Certificate No. 13,710 (October 1974); entire exam passed in May 1972. Member of the American Institute of Certified Public Accountants and Texas Society of Certified Public Accountants.

Member of Financial Management Association, Southwestern Finance Association, and American Finance Association. Participated as session chairman, moderator, and paper discussant at annual meetings of these and other professional associations.

Visiting lecturer in Executive M.B.A program at the University of Stellenbosch Graduate Business School, Belleville, South Africa (1983 and 1984).

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Associate Editor of *Austin Financial Digest*, 1974-1975. Wrote and edited a series of investment and economic articles published in a local investment advisory service.

Military

Texas Army National Guard, Feb. 1970 to Sep. 1976. Specialist 5th Class with duty assignments including recovery vehicle operator for armor unit and company clerk for finance unit.

Bibliography

Monographs

- "On the Use of Security Analysts' Growth Projections in the DCF Model," with William E. Avera, *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds., Institute for Study of Regulation (1982).
- "An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies", with William E. Avera, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982).
- "The Spring Thing (A) and (B)" and "Teaching Notes", with Mike E. Miles, a two-part case study in the evaluation, management, and control of risk; distributed by *Harvard's Intercollegiate Case Clearing House*; reprinted in *Strategy and Policy: Concepts and Cases*, A. A. Strickland and A. J. Thompson, Business Publications, Inc. (1978) and *Cases in Managing Financial Resources*, I. Matur and D. Loy, Reston Publishing Co., Inc. (1984).
- "Energy Conservation in Existing Residences, Project Director for development of instruction manual and workshops promoting retrofitting of existing homes, *Governor's Office of Energy Resources* and *Department of Energy* (1977-1978).
- "Linear Algebra," "Calculus," "Sets and Functions," and "Simulation Techniques," contributed to and edited four mathematics programmed learning texts for MBA students, *Texas Bureau of Business Research* (1975).

Articles and Notes

- "How to Value Personal Service Practices," with Keith Wm. Fairchild, *The Practical Accountant* (August 1989).
- "The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test," with Adrien M. McKenzie, *Public Utilities Fortnightly* (May 25, 1989).
- "North Arctic Industries, Limited," with Keith Wm. Fairchild, *Case Research Journal* (Spring 1988).
- "Regulatory Effects on Electric Utilities' Cost of Capital Reexamined," with Louis E. Buck, Jr., *Public Utilities Fortnightly* (September 2, 1982).
- "Capital Needs for Electric Utility Companies in Texas: 1976-1985", *Texas Business Review* (January-February 1979), reprinted in "The Energy Picture: Problems and Prospects", J. E. Pluta, ed., *Bureau of Business Research* (1980).
- "Some Thoughts on the Rate of Return to Public Utility Companies," with William E. Avera, *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978).
- "Regulatory Problems of EFTS," with Robert McLeod, *Issues in Bank Regulation* (Summer 1978) reprinted in *Illinois Banker* (January 1979).
- "Regulation of EFTS as a Public Utility," with Robert McLeod, *Proceedings of the Conference on Bank Structure and Competition* (1978).
- "Equity Management of REA Cooperatives," with Jerry Thomas, *Proceedings of the Southwestern Finance Association* (1978).
- "Capital Costs Within a Firm," *Proceedings of the Southwestern Finance Association* (1977).

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"The Cost of Capital to a Wholly-Owned Public Utility Subsidiary," *Proceedings of the Southwestern Finance Association* (1977).

Selected Papers and Presentations

- "Legislative Changes Affecting Texas Utilities," Texas Committee of Utility and Railroad Tax Representatives, Fall Meeting, Austin, Texas (September 1995).
- "Rate of Return," "Origins of Information," Economics," and "Deferred Taxes and ITC's," New Mexico State University and National Association of Regulatory Utility Commissioners Public Utility Conferences on Regulation and the Rate-Making Process, Albuquerque, New Mexico (October 1983, 1984, 1985, 1986, 1987, 1988, 1990, 1991, 1992, 1994, and 1995, and September 1989); Pittsburgh, Pennsylvania (April 1993); and Baltimore, Maryland (May 1994 and 1995).
- "Developing a Cost-of-Service Study," 1994 Texas Section American Water Works Association Annual Conference, Amarillo, Texas (March 1994).
- "Financial Aspects of Cost of Capital and Common Cost Considerations," Kidder, Peabody & Co. Two-Day Rate Case Workshop for Regulated Utility Companies, New York, New York (June 1993).
- "Cost-of-Service Studies and Rate Design," General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).
- "Rate Base and Revenue Requirements," The University of Texas Regulatory Institute Fundamentals of Utility Regulation, Austin, Texas (June 1989 and 1990).
- "Determining the Cost of Capital in Today's Diversified Companies," New Mexico State University Public Utilities Course Part II, Advanced Analysis of Pricing and Utility Revenues, San Francisco, California (June 1990).
- "Estimating the Cost of Equity," Oklahoma Association of Tax Representatives, Tulsa, Oklahoma (May 1990).
- "Impact of Regulations," Business and the Economy, Leadership Dallas, Dallas, Texas (November 1989).
- "Accounting and Finance Workshop" and "Divisional Cost of Capital," New Mexico State University Current Issues Challenging the Regulatory Process, Albuquerque, New Mexico (April 1985 and 1986) and Santa Fe, New Mexico (March 1989).
- "Divisional Cost of Equity by Risk Comparability and DCF Analyses," NARUC Advanced Regulatory Studies Program, Williamsburg, Virginia (February 1988) and USTA Rate of Return Task Force, Chicago, Illinois (June 1988).
- "Revenue Requirements," Revenue, Pricing, and Regulation in Texas Water Utilities, Texas Water Utilities Conference, Austin, Texas (August 1987 and May 1988).
- "Rate Filing – Basic Ratemaking," Texas Gas Association Accounting Workshop, Austin, Texas (March 1988).
- "The Effects of Regulation on Fair Market Value: P.H. Robinson – A Case Study," Annual Meeting of the Texas Committee of Utility and Railroad Tax Representatives, Austin, Texas (September 1987).
- "How to Value Closely-held Businesses," TSCPA 1987 Entrepreneurs Conference, San Antonio, Texas (May 1987).
- "Revenue Requirements" and "Determining the Rate of Return," New Mexico State University Regulation and the Rate-Making Process, Southwestern Water Utilities Conference, Albuquerque, New Mexico (July 1986) and El Paso, Texas (November 1980).
- "How to Evaluate Personal Service Practices," TSCPA CPE Exposition 1985, Houston and Dallas, Texas (December 1985).

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- "How to Start a Small Business – Accounting and Record Keeping," University of Texas Management Development Program, Austin, Texas (October 1984).
- "Project Financing of Public Utility Facilities", TSCPA Conference on Public Utilities Accounting and Ratemaking, San Antonio, Texas (April 1984).
- "Valuation of Closely-Held Businesses," Concho Valley Estate Planning Council, San Angelo, Texas (September 1982).
- "Rating Regulatory Performance and Its Impact on the Cost of Capital," New Mexico State University Seminar on Regulation and the Cost of Capital, El Paso, Texas (May 1982).
- "Effect of Inflation on Rate of Return," Cost of Capital Conference and Workshop, Pinehurst, North Carolina (April 1981).
- "Original Cost Versus Current Cost Regulation: A Re-examination," Financial Management Association, New Orleans, Louisiana (October 1980).
- "Capital Investment Analysis for Electric Utilities," The University of Texas at Dallas, Richardson, Texas (June 1980).
- "The Determinants of Capital Costs to the Electric Utility Industry," with Cedric E. Grice, Southwestern Finance Association, San Antonio, Texas (March 1980).
- "The Entrepreneur and Management: A Case Study," Small Business Administration Seminar, Austin, Texas (October 1979).
- "Capital Budgeting by Public Utilities: A New Perspective," with W. Clifford Atherton, Jr., Financial Management Association, Boston, Massachusetts (October 1979).
- "Issues in Regulated Industries – Electric Utilities," University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).
- "Investment Conditions and Strategies in Today's Markets," American Society of Women Accountants, Austin, Texas (January 1979).
- "Attrition: A Practical Problem in Determining a Fair Return to Public Utility Companies," Financial Management Association, Minneapolis, Minnesota (October 1978).
- "The Cost of Equity to Wholly-Owned Electric Utility Subsidiaries," with William L. Beedles, Financial Management Association, Minneapolis, Minnesota (October 1978).
- "PUC Retrofitting Program," Texas Electric Cooperatives Spring Workshop, Austin, Texas (May 1978).
- "The Economics of Regulated Industries," Consumer Economics Forum, Houston, Texas (November 1977).
- "Public Utilities as Consumer Targets – Is the Pressure Justified?," University of Texas at Dallas 2nd Annual Public Utilities Conference, Dallas, Texas (July 1977).

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BRUCE H. FAIRCHILD**SUMMARY OF TESTIMONY BEFORE REGULATORY AGENCIES**

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
1.	Arkansas Electric Cooperative	Arkansas PSC	U-3071	Aug-80	Wholesale Rate Design
2.	East Central Oklahoma Electric Cooperative	Oklahoma CC	26925	Sep-80	Retail Rate Design
3.	Kansas Gas & Electric Company	Kansas CC	115379-U	Nov-80	PURPA Rate Design Standards
4.	Kansas Gas & Electric Company	Kansas CC	128139-U	May-81	Attrition
5.	City of Austin Electric Department	City of Austin	--	Jun-81	PURPA Rate Design Standards
6.	Tarrant County Water Control and Improvement District No. 1	Texas Water Commission	--	Oct-81	Wholesale Rate Design
7.	Owentown Gas Company	Texas RRC	2720	Jan-82	Revenue Requirements and Retail Rate Design
8.	Kansas Gas & Electric Company	Kansas CC	134792-U	Aug-82	Attrition
9.	Mississippi Power Company	Mississippi PSC	U-4190	Sep-82	Working Capital
10.	Lone Star Gas Company	Texas RRC	3757; 3794	Feb-83	Rate of Return on Equity
11.	Kansas Gas & Electric Company	Kansas CC	134792-U	Feb-83	Rate of Return on Equity
12.	Southwestern Bell Telephone Company	Oklahoma CC	28002	Oct-83	Rate of Return on Equity
13.	Morgas Company	Texas RRC	4063	Nov-83	Revenue Requirements
14.	Seagull Energy	Texas RRC	4541	Jul-84	Rate of Return
15.	Southwestern Bell Telephone Company	FCC	84-800	Nov-84	Rate of Return on Equity
16.	Kansas Gas & Electric Company, Kansas City Power & Light Company, and Kansas Electric Power Cooperatives	Kansas CC	142098-U; 142099-U; 142100-U	May-85	Nuclear Plant Capital Costs and Allowance for Funds Used During Construction
17.	Lone Star Gas Company	Texas RRC	5207	Oct-85	Overhead Cost Allocation
18.	Westar Transmission Company	Texas RRC	5787	Nov-85 Jan-86 Jul-86	Rate of Return, Rate Design, and Gas Processing Plant Economics
19.	City of Houston	Texas Water Commission	RC-022; RC-023	Nov-86	Line Losses and Known and Measurable Changes
20.	ENSTAR Natural Company	Alaska PUC	TA 50-4; R-87-2; U-87-2	Nov-86 May-87 May-87	Cost Allocation, Rate Design, and Tax Rate Changes
21.	Brazos River Authority	Texas Water Commission	RC-020	Jan-87	Revenue Requirements and Rate Design
22.	East Texas Industrial Gas Company	Texas RRC	5878	Feb-87	Revenue Requirements and Rate Design
23.	Seagull Energy	Texas RRC	6629	Jun-87	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
24.	ENSTAR Natural Company	Alaska PUC	U-87-42	Jul-87 Sep-87 Sep-87	Cost Allocation, Rate Design, and Contracts
25.	High Plains Natural Gas Company	Texas RRC	6779	Sep-87	Rate of Return
26.	Hughes Texas Petroleum	Texas RRC	2-91,855	Jan-88	Interim Rates
27.	Cavallo Pipeline Company	Texas RRC	7086	Sep-88	Revenue Requirements
28.	Union Gas System, Inc.	Kansas CC	165591-U	Mar-89 Aug-89	Rate of Return
29.	ENSTAR Natural Gas Company	Alaska PUC	U-88-70	Mar-89	Cost Allocation and Bypass
30.	Morgas Co.	Texas RRC	7538	Aug-89	Rate of Return and Cost Allocation
31.	Corpus Christi Transmission Company	Texas RRC	7346	Sep-89	Revenue Requirements
32.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Rate of Return and Cost Allocation
33.	Iowa Southern Utilities	Iowa Utilities Board	RPU-89-7	Nov-89 Mar-90	Rate of Return on Equity
34.	Southwestern Bell Telephone Company	FCC	89-624	Feb-90 Apr-90	Rate of Return on Equity
35.	Lower Colorado River Authority	Texas PUC	9427	Mar-90 Aug-90 Aug-90	Revenue Requirements
36.	Rio Grande Valley Gas Company	Texas RRC	7604	May-90	Consolidated FIT and Depreciation
37.	Southern Union Gas Company	El Paso PURB	--	Oct-90	Disallowed Expenses and FIT
38.	Iowa Southern Utilities	Iowa Utilities Board	RPU-90-8	Nov-90 Feb-91	Rate of Return on Equity
39.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Revenue Requirements
40.	San Jacinto Gas Transmission	Texas RRC	7865	Dec-90	Revenue Requirements
41.	Southern Union Gas Company	Austin; Texas RRC	-- 7878	Feb-91 Feb-91	Rate of Return and Acquisition Adjustment
42.	Southern Union Gas Company	Port Arthur; Texas RRC	-- 8033	Mar-91 Aug-91 Oct-91	Rate of Return and Acquisition Adjustment
43.	Cavallo Pipeline Company	Texas RRC	8016	Jun-91	Revenue Requirements
44.	New Orleans Public Service Inc.	New Orleans City Council	CD-91-1	Jun-91 Mar-92	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

45.	Houston Pipe Line Company	Texas RRC	8017	Jul-91	Rate of Return
No.	Utility Case	Agency	Docket	Date	Nature of Testimony
46.	Southern Union Gas Company	El Paso PURB	--	Aug-91 Sep-91	Acquisition Adjustment
47.	Southwestern Gas Pipeline, Inc.	Texas RRC	8040	Jan-92 Feb-92	Rate Design and Settlement
48.	City of Fort Worth	Texas Water Commission	8748-A 9261-A	Mar-92 Aug-92 Dec-92 Oct-94 Nov-94	Interim Rates, Revenue Requirements, and Public Interest
49.	Southern Union Gas Company	Oklahoma Corp. Com.	--	Jun-92	Rate of Return
50.	Minnegasco	Minnesota PUC	G-008/GR-92-400	Jul-92 Dec-92	Rate of Return
51.	Guadalupe-Blanco River Authority	Texas PUC	11266	Sep-92	Cost Allocation and Bond Funds
52.	Dorchester Intra-State Gas System	Texas RRC	8111	Oct-92 Nov-92	Rate Impact of System Upgrade
53.	Corpus Christi Transmission Company GP and GPII	Texas RRC	8300 8301	Oct-92 Oct-92	Revenue Requirements
54.	East Texas Industrial Gas Company	Texas RRC	8326	Mar-93	Revenue Requirements
55.	Arkansas Louisiana Gas Company	Arkansas PSC	93-081-U	Apr-93 Oct-93	Rate of Return on Equity
56.	Texas Utilities Electric Company	Texas PUC	11735	Jun-93 Jul-93	Impact of Nuclear Plant Construction Delay
57.	Minnegasco	Minnesota PUC	G-008/GR-93-1090	Nov-93 Apr-94	Rate of Return
58.	Gulf States Utilities Company	Municipalities	--	May-94 Oct-94 Nov-94	Rate of Return on Equity
59.	Louisiana Power & Light Company	Louisiana PSC	U-20925	Aug-94 Feb-95	Rate of Return on Equity
60.	San Jacinto Gas Transmission	Texas RRC	8429	Sep-94	Revenue Requirements
61.	Cavallo Pipeline Company	Texas RRC	8465	Sep-94	Revenue Requirements
62.	Eastrans Limited Partnership	Texas RRC	8385	Oct-94	Revenue Requirements
63.	Gulf States Utilities Company	Louisiana PSC	U-19904	Oct-94	Rate of Return on Equity
64.	Entergy Services, Inc.	FERC	ER95-112-000	Mar-95 Nov-95	Rate of Return on Equity
65.	East Texas Gas Systems	Texas RRC	8435	Apr-95	Revenue Requirements

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Summary of Testimony Before Regulatory Agencies
(Continued)

66.	System Energy Resources, Inc.	FERC	ER95-1042-000	May-95 Dec-95 Jan-96	Rate of Return on Equity
No.	Utility Case	Agency	Docket	Date	Nature of Testimony
67.	Minnegasco	Minnesota PUC	G-008/GR-95-700	Aug-95 Dec-95	Rate of Return
68.	Entex	Louisiana PSC	U-21586	Aug-95	Rate of Return
69.	City of Fort Worth	Texas NRCC	SOAH 582-95-1084	Nov-95	Public Interest of Contract
70.	Seagull Energy Corporation	Texas RRC	8589	Nov-95	Revenue Requirements
71.	Corpus Christi Transmission Company LP	Texas RRC	8449	Feb-96	Revenue Requirements
72.	Missouri Gas Energy	Missouri PSC	GR-96-285	Apr-96 Sep-96 Oct-96	Rate of Return
73.	Entex	Mississippi PSC	96-UA-202	May-96	Rate of Return
74.	Entergy Gulf States, Inc.	Louisiana PSC	U-22084	May-96	Rate of Return on Equity (Gas)
75.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-96 Oct-96	Rate of Return on Equity
76.	American Gas Storage, L.P.	Texas RRC	8591	Sep-96	Revenue Requirements
77.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	Sep-96 Oct-96	Rate of Return on Equity
78.	Lone Star Pipeline and Gas Company	Texas RRC	8664	Oct-96 Jan-97	Rate of Return
79.	Entergy Arkansas, Inc.	Arkansas PSC	96-360-U	Oct-96 Sep-97	Rate of Return on Equity
80.	East Texas Gas Systems	Texas RRC	8658	Nov-96	Revenue Requirements
81.	Entergy Gulf States, Inc.	Texas PUC	16705	Nov-96 Jul-97	Rate of Return on Equity
82.	Eastrans Limited Partnership	Texas RRC	8657	Nov-96	Revenue Requirements
83.	Enserch Processing, Inc.	Texas RRC	8763	Nov-96	Interim Rates
84.	Entergy New Orleans, Inc.	City of New Orleans	UD-97-1	Feb-97 Mar-97 May-98	Rate of Return on Equity
85.	ENSTAR Natural Gas Company	Alaska PUC	U-96-108	Mar-97 Apr-97	Service Area Certificate
86.	San Jacinto Gas Transmission	Texas RRC	8741	Sep-97	Revenue Requirements

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Summary of Testimony Before Regulatory Agencies
(Continued)

87.	Missouri Gas Energy	Missouri PSC	GR-98-140	Nov-97 Apr-98 May-98	Rate of Return
88.	Corpus Christi Transmission Company LP	Texas RRC	8762	Dec-97	Revenue Requirements
89.	Texas-New Mexico Power Company	Texas PUC	17751	Feb-98	Excess Cost Over Market
90.	Southern Union Gas Company	Texas RRC	8878	May-98	Rate of Return
No.	Utility Case	Agency	Docket	Date	Nature of Testimony
91.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	May-98 Jul-98	Financial Integrity
92.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-98 Jul-98	Financial Integrity
93.	ACGC Gathering Company, LLC	Texas RRC	8896	Sep-98	Cost-based Rates
94.	American Gas Storage, L.P.	Texas RRC	8855	Oct-98	Revenue Requirements
95.	Duke Energy Intrastate Network	Texas RRC	8940	Jun-99	Rate of Return
96.	Aquila Energy Corporation	Texas RRC	8970	Aug-99	Revenue Requirements
97.	San Jacinto Gas Transmission	Texas RRC	8974	Sep-99	Revenue Requirements
98.	Southern Union Gas Company	El Paso PURB	--	Oct-99	Rate of Return
99.	TXU Lone Star Pipeline	Texas RRC	8976	Oct-99 Feb-00	Rate of Return
100.	Sharyland Utilities, L.P.	Texas PUC	21591	Nov-99	Rate of Return
101.	TXU Lone Star Gas Distribution	Texas RRC	9145	Apr-00 Aug-00	Rate of Return
102.	Rotherwood Eastex Gas Storage	Texas RRC	9136	May-00	Revenue Requirements
103.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9137	May-00	Revenue Requirements
104.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9138	Jul-00	Revenue Requirements
105.	East Texas Gas Systems	Texas RRC	9139	Jul-00	Revenue Requirements
106.	Eastrans Limited Partnership	Texas RRC	9140	Aug-00	Revenue Requirements
107.	Reliant Energy – Entex	City of Tyler	--	Oct-00	Rate of Return
108.	City of Fort Worth	Texas NRCC	SOAH 582-00-1092	Dec-00	CCN – Rates and Financial Ability
109.	Entergy Services, Inc.	FERC	RTO1-75	Dec-00	Rate of Return on Equity

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Summary of Testimony Before Regulatory Agencies
(Continued)

110	ENSTAR Natural Gas Company	Alaska PUC	U-00-88	Jun-01 Aug-01 Nov-01 Sep-02 Dec-02	Revenue Requirements, Cost Allocation, and Rate Design
111.	TXU Gas Distribution	Texas RRC	9225	Jul-01	Rate of Return
112.	Centana Intrastate Pipeline LLC	Texas RRC	9243	Aug-01	Rate of Return
113.	Maxwell Water Supply Corp.	Texas NRCC	SOAH-582-01-0802	Oct-01 Mar-02 Apr-02	Reasonableness of Rates
114.	Reliant Energy Arkla	Arkansas PSC	01-243-U	Dec-01 Jun-01	Rate of Return
115.	Entergy Services, Inc.	FERC	ER01-2214-000	Mar-02	Rate of Return on Equity
No.	Utility Case	Agency	Docket	Date	Nature of Testimony
116.	TXU Lone Star Pipeline	Texas RRC	9292	Apr-02	Rate of Return
117.	Southern Union Gas Company	El Paso PURB	--	Apr-02	Rate of Return
118.	San Jacinto Gas Transmission Co.	Texas RRC	9301	May-02	Rate of Return
119.	Duke Energy Intrastate Network	Texas RRC	9302	May-02	Rate of Return
120.	Reliant Energy Arkla	Oklahoma CC	200200166	May-02	Rate of Return
121.	TXU Gas Distribution	Texas RRC	9313	Jul-02 Sep-02	Rate of Return
122.	Entergy Mississippi, Inc.	Mississippi PSC	2002-UN-256	Aug-02	Rate of Return on Equity
123.	Aquila Storage & Transportation LP	Texas RRC	9323	Sep-02	Revenue Requirements
124.	Panther Pipeline Ltd.	Texas RRC	9291	Oct-02	Revenue Requirements
125.	SEMCO Energy	Michigan PSC	U-13575	Nov-02	Revenue Requirements
126.	CenterPoint Energy Entex	Louisiana PSC	U-26720	Jan-03	Rate of Return
127.	Crosstex CCNG Transmission Ltd.	Texas RRC	9363	May-03	Revenue Requirements
128.	TXU Gas Company	Texas RRC	9400	May-03 Jan-04	Rate of Return
129.	Eastrans Limited Partnership	Texas RRC	9386	May-03	Rate of Return
130.	CenterPoint Energy Entex	City of Houston		Jun-03	Rate of Return
131.	East Texas Gas Systems, L.P.	Texas RRC	9385	Jun-03	Rate of Return
132.	ENSTAR Natural Gas Company	Alaska RCA	U-03-084	Aug-03 Nov-03	Line Extension Surcharge
133.	CenterPoint Energy Arkla	Louisiana PSC		Nov-03	Rate of Return
134.	ENSTAR Natural Gas Company	Alaska RCA	U-03-091	Feb-04	Cost Separation and Taxes

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Summary of Testimony Before Regulatory Agencies
(Continued)

135.	Sid Richardson Pipeline, Ltd.	Texas RRC	9532	Jun-04 Nov-04	Revenue Requirements
136.	ETC Katy Pipeline, Ltd.	Texas RRC	9524	Sep-04	Revenue Requirements
137.	CenterPoint Energy Entex	Mississippi PSC	03-UN-0831	Sep-04	Rate Formula
138.	Centana Intrastate Pipeline LLC	Texas RRC	9527	Sep-04	Rate of Return
139.	SEMCO Energy	Michigan PSC	U-14338	Dec-04	Revenue Requirements
140.	Atmos Energy – Energas	Texas RRC	9539	Feb-05	Regulatory Policy
141.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9613	Sep-05	Revenue Requirements
142.	SiEnergy, L.P.	Texas RRC	9604	Dec-05	Rate of Return, Income Taxes, and Cost Allocation
143.	ENSTAR Natural Gas Company	Alaska RCA	TA-140-4	Feb-06	Connection Fees
144.	SEMCO Energy	Michigan PSC	U-14984	May-06 Dec-06	Revenue Requirements
No.	Utility Case	Agency	Docket	Date	Nature of Testimony
145.	Atmos Energy – Mid-Tex	Texas RRC	9676	May-06 Oct-06	Revenue Requirements
146.	EasTrans Limited Partnership	Texas RRC	9659	Jun-06	Rate of Return
147.	Kinder Morgan Texas Pipeline, L.P.	Texas RRC	9688	Jul-06	Rate of Return
148.	Crosstex CCNG Transmission Ltd.	Texas RRC	9660	Aug-06	Revenue Requirements
149.	Enbridge Pipelines (North Texas), LP	Texas RRC	9691	Oct-06	Rate of Return
150.	Panther Interstate Pipeline Energy	FERC	CP03-338-00	Mar-07	Revenue Requirements
151.	El Paso Electric Company	Texas PUC	34494	Jul-07	CCN
152.	El Paso Electric Company	NM PRC	07-00301-UT	Jul-07	CCN
153.	Atmos Energy	Kansas CC	08-ATMG- 280-RTS	Sep-07 Feb-08	Rate of Return on Equity
154.	Centana Intrastate Pipeline LLC	Texas RRC	9759	Sep-07	Rate of Return
155.	Texas Gas Service Company	Texas RRC	9770	Nov-07	Rate of Return
156.	ENSTAR Natural Gas Company	Alaska RCA	U-08-25	Jun-08	Rate Class Switching
157.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-131-301	Oct-08	Rate of Return
158.	ExxonMobil Pipeline Co.	Alaska RCA	TL-140-304	Nov-08	Rate of Return
159.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9843	Dec-08	Revenue Requirements
160.	Koch Alaska Pipeline Company	Alaska RCA	TL 128-308	Dec-08	Rate of Return
161.	Unocal Pipeline Company	Alaska RCA	TL 118-312	Dec-08	Rate of Return
162.	ETC Katy Pipeline, Ltd.	Texas RRC	9841	Dec-08	Revenue Requirements
163.	Oklahoma Natural Gas	Oklahoma CC	200800348	Jan-09	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

164. Entergy Mississippi, Inc.	Mississippi PSC	EC-123-0082	Mar 09	Rate of Return on Equity
165. ENSTAR Natural Gas Company	Alaska RCA	U-09-69 U-09-70	Jun-09 Jul-09 Oct-09	Revenue Requirements, Cost Allocation, and Rate Design
166. EasTrans, LLC	Texas RRC	9857	Jun-09	Rate of Return
167. Oklahoma Natural Gas	Oklahoma CC	200900110	Jun-09	Rate of Return
168. Crosstex CCNG Transmission Ltd.	Texas RRC	9858	Jun-09	Revenue Requirements
169. ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul-09	Rate of Return
170. ENSTAR Natural Gas Company	Alaska RCA	U-08-142	Jul-09	Gas Cost Adjustment
171. Kinder Morgan Texas Pipeline, LLC	Texas RRC	9889	Jul-09	Rate of Return
172. Koch Alaska Pipeline Company	Alaska RCA	TL 133-308	Aug-09	Rate of Return
173. ExxonMobil Pipeline Co.	Alaska RCA	TL-147-304	Nov-09	Rate of Return
174. Texas Gas Service Company	El Paso PURB	--	Dec-09	Rate of Return
175. Unocal Pipeline Company	Alaska RCA	TL126-312	Dec-09	Rate of Return
176. Kuparuk Transportation Company	Alaska RCA	P-08-05	Apr-10	Rate of Return
177. Trans-Alaska Pipeline System	FERC	ISO9-348-000	Apr 10	Rate of Return
178. Texas Gas Service	Texas RRC	9988	May 10 Aug 10	Rate of Return
179. SEMCO Energy Gas Company	Michigan PSC	U-16169	Jun 10 Dec 10	Revenue Requirements
180. ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul 10	Rate of Return
181. Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-308	Aug 10	Rate of Return
182. CPS Energy	Texas PUC	36633	Sep 10 Apr 11	Rate of Return for MOU
183. ExxonMobil Pipeline Co.	Alaska RCA	TL-151-304	Dec 10	Rate of Return
184. New Mexico Gas Company	NM PRC	11-00042-UT	Mar 11	Rate of Return
185. ConocoPhillips Transportation Alaska	Alaska RCA	TL-143-301	May 11	Rate of Return
186. Enbridge Pipelines (Southern Lights)	FERC	IS11-146-000	Jun 11 Nov 11	Rate of Return
187. Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-__	Jul 11	Rate of Return
188. Unocal Pipeline Company	Alaska RCA	TL126-__	Dec-11	Rate of Return
189. Kansas Gas Service	Kansas CC		May 12	Rate of Return

List of Schedules with Sponsor and/or Co-Sponsor
Wind Energy Transmission Texas, LLC

Schedule	Schedule Title	Sponsor / Co-Sponsors	Applicable unless N/A
I-A	Cost of Service Summary	Bruce Fairchild	
I-A-1 CCN1-2	Total Cost of Service by Function - CCN1-2	Bruce Fairchild	
I-A-1 CCN3	Total Cost of Service by Function - CCN3	Bruce Fairchild	
II-B	Rate Base by Function	Bruce Fairchild	
II-B-1	Original Cost of Utility Plant	Bruce Fairchild	
II-B-2	General Plant Functionalization	Bruce Fairchild	
II-B-3	Communication Equipment	Bruce Fairchild	
II-B-4	Construction Work in Progress	Bruce Fairchild	N/A
II-B-5	Accumulated Depreciation	Bruce Fairchild	
II-B-6	Plant Held for Future Use	Bruce Fairchild	N/A
II-B-7	Accumulated Provision Balances	Bruce Fairchild	
II-B-8	Materials & Supplies	Bruce Fairchild	N/A
II-B-9	Cash Working Capital	Jay Joyce	
II-B-9- Attach	Lead Lag Study Results	Jay Joyce	
II-B-10	Prepayments	Bruce Fairchild	
II-B-11	Other Rate Base Items	Bruce Fairchild	N/A
II-B-12	Regulatory Assets	Bruce Fairchild	
II-C-1	Rate of Return Calculation	Bob Hevert	
II-C-1.1	Rate of Return Method	Bob Hevert	
II-C-2.1	Weighted Average Cost of Capital	Bob Hevert	
II-C-2.2	Weighted Average Cost of Preferred Stock	Bob Hevert	N/A
II-C-2.2a	Adjusted Cost of Preferred Stock	Bob Hevert	N/A
II-C-2.3	Weighted Average Cost of Preferred Trust Securities	Bob Hevert	N/A
II-C-2.3a	Adjusted Cost of Preferred Trust Securities	Bob Hevert	N/A
II-C-2.4	Weighted Average Cost of Long-Term Debt	Bruce Fairchild	
II-C-2.4a	Adjusted Cost of Long-Term Debt	Bruce Fairchild	N/A
II-C-2.5	Short-term Debt	Bruce Fairchild	N/A
II-C-2.6	Security Issuance Restrictions	Bruce Fairchild	N/A
II-C-2.7	Capital Requirements and Acquisition Plan	Bruce Fairchild	
II-C-2.8	Historical Financial Statistics	Bob Hevert	N/A
II-C-2.9	Growth in Earnings, Dividends, and Book Value	Bob Hevert	N/A
II-C-2.10	Rating Agency Reports	Bob Hevert	N/A
II-D-1 CCN1-2	Operations & Maintenance (O&M) Expenses - CCN1-2	Bruce Fairchild/Wayne Morton	
II-D-1 CCN3	Operations & Maintenance (O&M) Expenses - CCN3	Bruce Fairchild/Wayne Morton	
II-D-1.1 CCN1-2	Monthly O&M Expenses - CCN1-2	Bruce Fairchild/Wayne Morton	
II-D-1.1 CCN3	Monthly O&M Expenses - CCN3	Bruce Fairchild/Wayne Morton	
II-D-2 CCN1-2	Administrative & General (A&G) Expenses - CCN1-2	Bruce Fairchild/Wayne Morton	
II-D-2 CCN3	Administrative & General (A&G) Expenses - CCN3	Bruce Fairchild/Wayne Morton	
II-D-2.1	Monthly A&G Expenses	Bruce Fairchild/Wayne Morton	
II-D-2.2	Bad Debt Expense	Bruce Fairchild	N/A
II-D-2.3	Summary of Advertising, Contributions & Dues	Bruce Fairchild/Wayne Morton	
II-D-2.4	Summary of Advertising Expense	Bruce Fairchild	N/A
II-D-2.4a	Capitalized Advertising	Bruce Fairchild	N/A
II-D-2.5	Summary of Contribution & Donation Expense	Wayne Morton	
II-D-2.6	Summary of Membership Dues Expenses	Bruce Fairchild/Wayne Morton	
II-D-2.6a	Summary of Industry Organization Dues	Bruce Fairchild/Wayne Morton	
II-D-2.6b	Summary of Business/Economic Dues	Bruce Fairchild/Wayne Morton	N/A
II-D-2.6c	Summary of Professional Dues	Bruce Fairchild/Wayne Morton	
II-D-2.7	Outside Services Employed – FERC 900 Series Expenses	Bruce Fairchild	
II-D-2.8	Factoring or Sale of Accounts Receivable Expense	Bruce Fairchild	N/A
II-D-2.9	Rents and Leases	Wayne Morton	
II-D-3	Payroll Expense Distribution	Wayne Morton	
II-D-3.1	Payroll Information	Wayne Morton	
II-D-3.2	Regular and Overtime Payroll by Function	Bruce Fairchild	
II-D-3.3	Functionalized Regular Payroll by Category	Bruce Fairchild	
II-D-3.4	Payroll Capitalized vs. Expensed by Function	Bruce Fairchild	
II-D-3.5	Number of Employees	Wayne Morton	
II-D-3.6	Payments other than Standard Pay by Function	Bruce Fairchild	
II-D-3.7	General Employee Benefit Information	Bruce Fairchild	
II-D-3.8	Pension Expense	Bruce Fairchild	
II-D-3.9	Postretirement Benefits Other than Pension	Bruce Fairchild	N/A

List of Schedules with Sponsor and/or Co-Sponsor
Wind Energy Transmission Texas, LLC

Schedule	Schedule Title	Sponsor / Co-Sponsors	Applicable unless N/A
II-D-3.10	Administration Fees	Bruce Fairchild	
II-D-4	Summary of Exclusions from Test Year	Wayne Morton	
II-E-1	Depreciation Expense	Bruce Fairchild/Dane Watson	
II-E-2 CCN1-2	Taxes Other Than Federal Income Taxes - CCN1-2	Bruce Fairchild	
II-E-2 CCN3	Taxes Other Than Federal Income Taxes - CCN3	Bruce Fairchild	
II-E-2- Attach	Texas State Franchise Tax	Bruce Fairchild	
II-E-2.1	Ad Valorem Taxes and Plant Balances	Bruce Fairchild	
II-E-3	Federal Income Taxes	Bruce Fairchild	
II-E-3- Attach	Federal Income Taxes- Tax Method 1	Bruce Fairchild	
II-E-3.1	Reconciliation of Book Net Income to Taxable Net Income	Bruce Fairchild	
II-E-3.1- Attach	Reconciliation of Book Net Income to Taxable Net Income	Bruce Fairchild	
II-E-3.1(a)- Attach	Explanation of Reconciling Items	Bruce Fairchild	
II-E-3.2	Reconciliation of Timing Differences	Bruce Fairchild	
II-E-3.3	Plant Adjustments	Bruce Fairchild	
II-E-3.4	Consolidated Taxes	Bruce Fairchild	
II-E-3.5	Consolidation Benefits	Bruce Fairchild	N/A
II-E-3.6	Consolidation / Inter-Corporate Tax Allocation	Bruce Fairchild	N/A
II-E-3.7	ADFIT	Bruce Fairchild	
II-E-3.8	ADFIT – Description of Timing Differences	Bruce Fairchild	
II-E-3.9	Adjustments to ADFIT	Bruce Fairchild	N/A
II-E-3.10	ADFIT and ITC – Plant Adjustments & Allocations	Bruce Fairchild	N/A
II-E-3.11	Analysis of ITC's	Bruce Fairchild	N/A
II-E-3.12	ITC Utilized	Bruce Fairchild	N/A
II-E-3.13	Generated But Not Utilized	Bruce Fairchild	N/A
II-E-3.14	Utilized – Stand Alone Basis	Bruce Fairchild	N/A
II-E-3.15	ITC Election	Bruce Fairchild	N/A
II-E-3.16	FERC Account 255 Balance	Bruce Fairchild	N/A
II-E-3.17	Analysis of Test Year FIT & Requested FIT – Tax Method 2	Bruce Fairchild	
II-E-3.18	Analysis of Deferred FIT	Bruce Fairchild	
II-E-3.19	Analysis of Additional Depreciation Requested	Bruce Fairchild	N/A
II-E-3.20	Amortization of Protected and Unprotected Excess Deferred	Bruce Fairchild	N/A
II-E-3.21	Analysis of Excess Deferred Taxes by Timing Difference	Bruce Fairchild	N/A
II-E-3.22	Effects of Post Test Year Adjustment	Bruce Fairchild	N/A
II-E-3.23	List of FIT Testimony	Bruce Fairchild	
II-E-3.24	History of Tax Normalization	Bruce Fairchild	N/A
II-E-3.25	Tax Elections, IRS Audit Status and Private Letter Ruling	Bruce Fairchild	N/A
II-E-3.26	Method of Accounting for ADFIT Related to NOL Carryforward	Bruce Fairchild	N/A
II-E-4	Other Expenses	Bruce Fairchild	N/A
II-E-4.1	Deferred Expenses from Prior Dockets	Bruce Fairchild	N/A
II-E-4.2	Below the Line Expenses	Bruce Fairchild	
II-E-4.3	Nonrecurring or Extraordinary Expenses	Bruce Fairchild	N/A
II-E-4.4	Regulatory Commission Expenses	Bruce Fairchild	N/A
II-E-4.5	Rate Case Expenses	Kay Trostle	
II-E-5	Other Revenues	Bruce Fairchild	N/A
II-F	Functionalization Factors	Bruce Fairchild	
II-F- Data	Functionalization Factors Data	Bruce Fairchild	
II-G	Status of Nuclear Decommissioning Funds	Bruce Fairchild	N/A
II-I-1	Class Revenue Requirement Analysis	Bruce Fairchild	N/A
III-A-1	Summary of Total Cost of Service by Function/TCOS Rate	Bruce Fairchild	
III-B-1	Original Cost of Plant	Bruce Fairchild	N/A
III-B-2	General Plant Functionalization	Bruce Fairchild	N/A
III-B-3	Communication Equipment	Bruce Fairchild	N/A
III-B-4	Construction Work in Progress	Bruce Fairchild	N/A
III-B-5	Accumulated Depreciation	Bruce Fairchild	N/A
III-B-6	Plant Held for Future Use	Bruce Fairchild	N/A
III-B-7	Accumulated Provision Balances	Bruce Fairchild	N/A
III-B-8	Materials and Supplies	Bruce Fairchild	N/A
III-B-9	Cash Working Capital	Jay Joyce	N/A
III-B-10	Prepayments	Bruce Fairchild	N/A
III-B-11	Other Rate Base Items	Bruce Fairchild	N/A
III-B-12	Regulatory Assets	Bruce Fairchild	
III-C	Rate of Return	Bruce Fairchild	N/A

List of Schedules with Sponsor and/or Co-Sponsor
Wind Energy Transmission Texas, LLC

Schedule	Schedule Title	Sponsor / Co-Sponsors	Applicable unless N/A
III-D-1	O&M Expenses	Bruce Fairchild	
III-D-2	A&G Expenses	Bruce Fairchild	
III-D-3	Payroll Expenses	Bruce Fairchild	
III-D-4	Summary of Exclusions from the Reporting Period	Bruce Fairchild	
III-E-1	Depreciation Expense	Bruce Fairchild	
III-E-2	Taxes Other than Income Taxes	Bruce Fairchild	
III-E-3	Federal Income Taxes	Bruce Fairchild	
III-E-4	Other Expenses	Bruce Fairchild	N/A
III-E-5	Other Revenue Items	Bruce Fairchild	N/A
IV-J-1	Class Revenue Requirement by Function	Bruce Fairchild	N/A

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EFFECTIVE COST OF DEBT CALCULATION

	Loan Amount Outstanding	Fixed Rate Portion		Variable Rate Portion		Total Interest	Fees			Issuance Costs/ Repayment	PV Factor	Cash Flows	PV Flows
		Amount	Interest Rate	Amount	Interest Rate		Standby Amount	Letter of Credit	Contingency Loan				
Jul 2011	57,327,994	42,995,996	4.16%	14,331,999	2.47%	178,571	391,365,054	15,717,437	42,422,902	0.7875%	294,988	0.7875%	(14,479,785)
Aug 2011	67,377,994	50,533,496	4.16%	16,844,499	2.62%	211,940	381,315,054	15,717,437	42,422,902	0.7875%	288,393	0.7875%	56,854,435
Sep 2011	84,727,994	63,545,996	4.16%	21,181,999	2.58%	265,866	363,965,054	15,717,437	42,422,902	0.7875%	277,007	0.7875%	9,549,668
Oct 2011	89,877,994	67,408,496	4.16%	22,469,499	2.51%	280,681	358,815,054	15,717,437	42,422,902	0.7875%	273,627	0.7875%	16,807,127
Nov 2011	94,327,994	70,745,996	4.16%	23,581,999	2.82%	300,744	354,365,054	15,717,437	42,422,902	0.7875%	270,707	0.7875%	4,595,692
Dec 2011	98,177,994	73,633,496	4.16%	24,544,499	2.65%	309,516	350,515,054	15,717,437	42,422,902	0.7875%	268,180	0.7875%	4,510,534
Jan 2012	115,627,994	86,720,996	4.16%	28,906,999	2.49%	360,711	333,065,054	15,717,437	42,422,902	0.7875%	256,729	0.7875%	3,878,549
Feb 2012	120,677,994	90,160,496	4.16%	30,516,999	2.72%	382,138	328,015,054	15,717,437	42,422,902	0.7875%	253,414	0.7875%	3,788,922
Mar 2012	127,827,994	95,870,996	4.16%	31,956,999	2.60%	401,506	320,865,054	15,717,437	42,422,902	0.7875%	253,414	0.7875%	16,290,524
Apr 2012	131,677,994	98,758,496	4.16%	32,919,499	2.49%	410,636	317,015,054	15,717,437	42,422,902	0.7875%	248,722	0.7875%	4,252,365
May 2012	136,827,994	104,120,996	4.16%	34,706,999	2.99%	449,166	309,865,054	15,717,437	42,422,902	0.7875%	246,196	0.7875%	6,231,915
Jun 2012	148,377,994	111,283,496	4.16%	37,094,499	3.05%	480,065	300,315,054	15,717,437	42,422,902	0.7875%	241,504	0.7875%	3,047,294
Jul 2012	168,727,994	126,545,996	4.16%	42,181,999	3.05%	545,905	279,965,054	15,717,437	42,422,902	0.7875%	235,236	0.7875%	6,135,492
Aug 2012	199,277,994	149,458,496	4.16%	49,819,499	3.05%	644,747	249,415,054	15,717,437	42,422,902	0.7875%	221,882	0.7875%	8,352,625
Sep 2012	235,227,994	176,420,996	4.16%	58,806,999	3.05%	761,061	213,465,054	15,717,437	42,422,902	0.7875%	201,833	0.7875%	19,582,213
Oct 2012	269,977,994	202,483,496	4.16%	67,494,499	3.05%	873,491	178,715,054	15,717,437	42,422,902	0.7875%	178,241	0.7875%	29,703,419
Nov 2012	308,927,994	231,695,996	4.16%	77,231,999	3.05%	999,511	139,765,054	15,717,437	42,422,902	0.7875%	155,436	0.7875%	35,010,698
Dec 2012	343,677,994	257,758,496	4.16%	85,919,499	3.05%	1,111,942	105,015,054	15,717,437	42,422,902	0.7875%	129,875	0.7875%	33,721,072
Jan 2013	376,027,994	282,020,996	4.16%	94,006,999	3.05%	1,216,607	72,665,054	15,717,437	42,422,902	0.7875%	107,071	0.7875%	31,290,295
Feb 2013	399,977,994	299,983,496	4.16%	99,994,499	3.05%	1,294,095	48,715,054	15,717,437	42,422,902	0.7875%	85,841	0.7875%	34,930,607
Mar 2013	415,527,994	311,645,996	4.16%	103,881,999	3.05%	1,344,406	33,165,054	15,717,437	42,422,902	0.7875%	70,124	0.7875%	30,824,296
Apr 2013	423,877,994	317,908,496	4.16%	105,969,499	3.05%	1,371,422	24,815,054	15,717,437	42,422,902	0.7875%	59,919	0.7875%	28,408,183
May 2013	428,627,994	321,470,996	4.16%	107,156,999	3.05%	1,386,790	20,065,054	15,717,437	42,422,902	0.7875%	54,439	0.7875%	20,569,340
Jun 2013	433,377,994	325,033,496	4.41%	108,344,499	3.30%	1,492,445	15,315,054	15,717,437	42,422,902	0.8750%	51,322	0.8750%	12,822,665
Jul 2013	433,377,994	325,033,496	4.41%	108,344,499	3.30%	1,492,445	15,315,054	15,717,437	42,422,902	0.8750%	53,561	0.8750%	6,247,261
Aug 2013	433,377,994	325,033,496	4.41%	108,344,499	3.30%	1,492,445	15,315,054	15,717,437	42,422,902	0.8750%	11,461	0.8750%	2,974,190
Sep 2013	430,573,662	322,930,247	4.41%	107,643,416	3.30%	1,482,788	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	2,863,875
Oct 2013	430,573,662	322,930,247	4.41%	107,643,416	3.30%	1,482,788	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	2,863,875
Nov 2013	427,769,330	320,826,998	4.41%	106,942,333	3.30%	1,473,131	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,337,989)
Dec 2013	427,769,330	320,826,998	4.41%	106,942,333	3.30%	1,473,131	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,337,989)
Jan 2014	424,964,998	318,723,749	4.41%	106,241,250	3.30%	1,463,473	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,331,747)
Feb 2014	424,964,998	318,723,749	4.41%	106,241,250	3.30%	1,463,473	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,331,747)
Mar 2014	422,160,666	316,620,500	4.41%	105,540,167	3.30%	1,453,816	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(3,788,744)
Apr 2014	422,160,666	316,620,500	4.41%	105,540,167	3.30%	1,453,816	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(3,788,744)
May 2014	419,356,334	314,517,251	4.41%	104,839,084	3.30%	1,444,158	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,284,264)
Jun 2014	419,356,334	314,517,251	4.41%	104,839,084	3.30%	1,444,158	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,284,264)
Jul 2014	416,552,002	312,414,002	4.41%	104,138,001	3.30%	1,434,501	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,278,273)
Aug 2014	416,552,002	312,414,002	4.41%	104,138,001	3.30%	1,434,501	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,278,273)
Sep 2014	413,747,670	310,310,753	4.41%	103,436,918	3.30%	1,424,844	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,262,267)
Oct 2014	413,747,670	310,310,753	4.41%	103,436,918	3.30%	1,424,844	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,262,267)
Nov 2014	410,943,338	308,207,504	4.41%	102,735,835	3.30%	1,415,186	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(3,608,126)
Dec 2014	410,943,338	308,207,504	4.41%	102,735,835	3.30%	1,415,186	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(3,608,126)
Jan 2015	408,139,006	306,104,255	4.41%	102,034,752	3.30%	1,405,529	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,232,487)
Feb 2015	408,139,006	306,104,255	4.41%	102,034,752	3.30%	1,405,529	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,232,487)
Mar 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,226,738)
Apr 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,226,738)
May 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(3,549,818)
Jun 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(3,549,818)
Jul 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,207,309)
Aug 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,207,309)
Sep 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,207,309)
Oct 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,207,309)
Nov 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,207,309)
Dec 2015	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,461	0.8750%	(1,207,309)
Jan 2016	405,334,674	304,001,006	4.41%	101,333,669	3.30%	1,395,871	15,717,437	15,717,437	42,422,902	0.8750%	11,42		

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Wind Energy Transmission Texas, LLC**

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WHOLESALE TRANSMISSION SERVICE (WTS) RATE

Availability

This tariff for Wholesale Transmission Service is available for Wholesale Transmission Service using any transmission facilities owned by Wind Energy Transmission Texas, LLC (WETT), in accordance with PUC Substantive Rules 25.191 through 25.203 ("Transmission Rules"). Wholesale Transmission Service is available through WETT's transmission system.

Applicability

Wholesale Transmission Service is provided on a non-discriminatory basis to any eligible Transmission Service Customer, as that term defined by the Transmission Rules. This service is applicable to wholesale transactions involving the wholesale purchase and sale of electric power and energy.

Type of Service

Three phase, 60 hertz alternating current, delivered onto or received from the WETT's transmission system at 60,000 volts or higher, and on transmission facilities which have been prepared and made available for this service.

Transmission Service Requirements

As a condition to obtaining Wholesale Transmission Service, the eligible Transmission Service Customer that is physically connected to WETT's transmission system shall execute an Interconnection Agreement with WETT, containing terms and provisions consistent with the Transmission Rules, prior to commencement of such service.

Conditions Precedent for Receiving Service

Subject to the terms and conditions hereof and of the Transmission Rules, WETT will provide Wholesale Transmission Service to any eligible Transmission Service Customer, provided that:

- (A) the Transmission Service Customer has executed an Agreement for Wholesale Transmission Service;

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- (B) the Transmission Service Customer and WETT, or a third party, have completed installation of all equipment specified under the Interconnection Agreement, consistent with the National Electric Reliability Corporation (NERC) and ERCOT guidelines set forth in the Transmission Rules;
- (C) the Transmission Service Customer, if directly connected to WETT's transmission system, has an executed Interconnection Agreement for Wholesale Transmission Service under this tariff or, if necessary, requested in writing that WETT file a proposed unexecuted agreement with the Public Utility Commission of Texas;
- (D) each wholesale load for which Wholesale Transmission Service is requested maintains a power factor of 95% or greater at each point of interconnection;
- (E) the Transmission Service Customer has constructed, maintains and operates the facilities on its side of each point of interconnection that are necessary to reliably interconnect and deliver power from a resource to WETT's transmission system and from WETT's transmission system to the Transmission Service Customer's loads;
- (F) to the extent that the Agreement for Transmission Service requires the addition of facilities or upgrades to the transmission system, such facilities or upgrades have been placed in service; and
- (G) the Transmission Service Customer has complied with all Transmission Rules.

Construction of New Facilities

Construction of transmission facilities needed to accommodate a request for Wholesale Transmission Service shall be in accordance with the procedures set forth in the Transmission Rules. Upon receipt of a request for Wholesale Transmission Service, ERCOT shall, if necessary, initiate a System Security Screening Study in accordance with the Transmission

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Rules. Based on the results of the System Security Screening Study, if additions or upgrades to the transmission system are needed to supply the Transmission Service Customer's forecasted transmission requirements, WETT will, upon the approval of the requesting Transmission Service Customer, initiate a facilities study, in accordance with the Transmission Rules. An executed Facility Study Agreement with the Transmission Service Customer is required prior to WETT performing a facilities study. In the event that existing facilities are inadequate to support the requested Wholesale Transmission Service, the Transmission Service Customer may be required to provide a contribution in aid of construction, as provided in the Transmission Rules.

Load Shedding and Curtailment

Wholesale Transmission Service hereunder shall be subject to, and WETT and the Transmission Service Customer will comply with, the load shedding and curtailment procedures established under the Transmission Rules.

Pricing

Charges for Wholesale Transmission Service shall be in accordance with the Transmission Rules. The Wholesale Transmission Service Rate for WETT is as follows:

	<u>Annual</u>	<u>Monthly</u>
Wholesale Transmission Service Rate (CCN1-2):	\$ 0.47998 per kW	\$0.04000 per kW
Wholesale Transmission Service Rate (CCN3):	\$0.52810 per kW	\$0.04401 per kW

The Wholesale Transmission Service Rate (CCN1-2) shall become effective upon the CCN1 and CCN2 facilities becoming capable of providing service. The Wholesale Transmission Service Rate (CCN3) shall become effective upon the CCN3 facilities becoming capable of providing service.

Voltage Support

WETT will provide all devices necessary to maintain proper operating voltages on the transmission system in accordance with good utility practice for voltage support and in accordance with the requirements of the ERCOT ISO, or its successor.

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Reliability Guidelines

To maintain reliability of the ERCOT transmission grid, WETT shall operate its transmission system in accordance with ERCOT Protocols and Operating Guides, NERC guidelines, and any guidelines of the ISO that may apply to WETT's transmission system. WETT reserves the right, consistent with good utility practice and on a non-discriminatory basis, to interrupt Wholesale Transmission Service without liability on WETT's part for the purpose of making necessary adjustments to, changes in, or repairs to its lines, substations, and other facilities, or where the continuance of Wholesale Transmission Service would endanger persons or property. In the event of any adverse condition or disturbance on WETT's transmission system or on any other system directly or indirectly interconnected with WETT's transmission system, WETT, consistent with good utility practice, also may interrupt Wholesale Transmission Service on a non-discriminatory basis in order to limit the extent or damage of the adverse condition or disturbance, to prevent damage to generating or transmission facilities, or to expedite restoration of service.

WETT will give the Transmission Service Customer as much advance notice as is practicable in the event of such interruption, and shall restore service with due diligence.

Payment

Any charges due to WETT under this rate schedule shall be billed in accordance with the Transmission Rules. The Transmission Service Customer shall make payment to WETT in a manner consistent with the procedures and deadlines set forth in the Transmission Rules. Any late payments by Transmission Service Customer or Transmission Service Customer default shall be handled in accordance with the Transmission Rules.

Amendment to Rules

In the event the Transmission Rules are amended or if a new rule is adopted governing the subject matter of this tariff, this tariff shall, nevertheless, remain effective until new tariff(s) filed pursuant to any such amendment(s) or such new rule are approved, unless the amendment(s) or new rule or an agreement of the parties provide otherwise.

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Rate-Case Expense Surcharge

In addition to the above charges, the Transmission Service Customer shall pay a monthly rate of _____ per kW of coincident peak demand for 24 months after the effective date of this rate schedule or until the rate case expense approved in Docket No. _____ are fully recovered.

Notice

This rate schedule is subject to WETT's Tariff and Applicable Legal Authorities.

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- (B) the Transmission Service Customer and WETT, or a third party, have completed installation of all equipment specified under the Interconnection Agreement, consistent with the National Electric Reliability Corporation (NERC) and ERCOT guidelines set forth in the Transmission Rules;
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