Wind Energy Transmission Texas, LLC
Calculation of Net Salvage Percentages

Acct	Description	Oncor		CenterPoint		TNMP			Entergy			SWEPCO		EI PASO		SW SW Public Service		AEP Central		AEP North		Sum of All NS	Average
		Life	NS	Life	NS	Life		NS	Life		NS	Life	NS	Life	NS	Life	NS	Life	NS	Life	NS		
350	Land and Land Rights	100 R3	0%	65 R1	0%	65	SQ	0%	65	R3	0%	70 R5	0%	70 R4	0%	70 R4	0%	75 R5.0	0%	75 R3.0	0%	0%	0%
352	Structures and Improvements	46 S6	-33%	60 R4	0%				45	R3	5%	60 S5	0%	55 S3	0%	55 R5	-20%	55 L1.0	0%	50 L4.0	0%	-48%	-6%
353	Station Equipment	46 L0.5	-15%	47 R1	-5%	45	R2.5	-5%	45	S1	-5%	60 R2.5	-17%	45 R3	-5%	55 R3	-5%	62 L0.5	2%	54 R0.5	-25%	-80%	-9%
354	Transmission Towers	60 R3	-34%	60 R4	-15%	45	R4	-30%	45	S2	-5%	55 R4	-30%	65 R4	-25%	75 R3	0%	81 S3	-2%	65 R3	-10%	-151%	-17%
355	Poles and Fixtures	50 R2	-100%	40 R0.5	-35%	40	R3	-30%	50	R2	25%	50 S1	-67%	40 S4	-20%	38 R4	-20%	70 R1.0	-27%	46 R4.5	-57%	-331%	-37%
356	Overhead Conductor	50 R2	-65%	50 R2	-74%	50	R3	-30%	60	R3	20%	60 S1.5	-52%	50 R5	0%	44 R2.5	-10%	75 R3.0	-10%	50 S6	-28%	-249%	-28%
	Docket	38929		38339		38480			37744			37364		37690		38147		33309		33310			

Entergy parameters in settlement agreement kept rates from old study in 1990s

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PUC DOCKET NO. 40606

APPLICATION OF WIND ENERGY TRANSMISSION TEXAS, LLC FOR AUTHORITY TO ESTABLISH INITIAL RATES AND TARIFFS	§ § § § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

DIRECT TESTIMONY

OF

JAY JOYCE

ON BEHALF OF

WIND ENERGY TRANSMISSION TEXAS, LLC

AUGUST 2012

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EXECUTIVE SUMMARY

I have performed a lead-lag study to measure the cash working capital ("CWC") allowance required for the Company's operations. My lead-lag study establishes that the CWC requirement for Wind Energy Transmission Texas, LLC ("WETT" or "Company") is $383,987 as shown on Exhibit JJJ-3.

To accurately measure the CWC allowance requirements for WETT's operations, my lead-lag study used the following parameters:

- The lead-lag study was performed in accordance with Commission Substantive Rule §25.231(c)(2)(B)(iii);
- The lead-lag study used a cash method and did not consider non-cash items; and
- The amortization of expenses that the Company classifies as "prepaid expenses" for ratemaking purposes were quantified and excluded from the revenue requirements used to calculate the CWC requirements.

Detailed information supporting my CWC calculation is contained in the lead-lag study accompanying my testimony, as well as in my work papers. This evidence together with my testimony establishes that I have accurately calculated a CWC requirement that is fair, reasonable and reflective of WETT's actual or anticipated practices. In summary, the CWC requirement shown on Exhibit JJJ-3 to my direct testimony should be approved for inclusion in WETT's rate base.

DIRECT TESTIMONY OF JAY JOYCE

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, BUSINESS ADDRESS, AND PLACE OF EMPLOYMENT.

A. My name is Jay Joyce. I am president of Expergy®. My business address is 325 N. St. Paul Street, Suite 2100, Dallas, Texas, 75201.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Wind Energy Transmission Texas, LLC ("WETT" or the "Company").

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS THE PRESIDENT OF EXPERGY.

A. Founded in 2008, Expergy provides expert consulting services to the energy and utility industries. These services include utility rate design, cost allocation, cash working capital studies, depreciation and valuation studies, rate case assistance, expert testimony, and other related consulting services.

My client responsibilities include preparing and presenting analyses relating to pricing and rate design matters; cost of service and revenue requirement issues; cash working capital studies; customer and weather normalization; and other gas, electric, water, and wastewater related matters.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from the University of Texas in 1986 with a BBA in Finance. In 1989, I earned an MBA degree from Southern Methodist University. While at Southern Methodist University, I was employed by Reed-Stowe & Co. as a Senior

Consultant. My responsibilities at Reed-Stowe included developing and presenting analyses and testimony concerning revenue requirements, cost allocation, and rate design for water, wastewater, gas, electric, and cable utilities.

In 1995, I joined the Management Consulting division of Deloitte & Touche LLP (now Deloitte Consulting) as a Manager. In 1997, I was promoted to Senior Manager. My responsibilities included project management for a wide range of utility-related projects including merger and acquisition analyses, merger synergy analyses, cost of service studies, management audits, cash working capital studies, and preparation of expert testimony before various commissions, courts, and other governmental authorities.

In January 2003, I resigned from Deloitte to join Management Applications Consulting ("MAC"), a small professional services firm specializing in utility rate matters. In 2004, four professionals, including several MAC partners and myself, formed Alliance Consulting Group, a professional services firm headquartered in Dallas and focused on the utility industry. In December 2008, I sold my interest in the Alliance partnership, and I launched my own consulting firm, Expergy.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY TO THE PUBLIC UTILITY COMMISSION OF TEXAS ("PUC" OR "COMMISSION")?

A. Yes. I have previously testified before, or submitted written testimony to, the Commission. Additionally, I have previously testified or submitted written testimony before the Public Utilities Commission of Ohio, the Arkansas Public Service Commission, the Railroad Commission of Texas, the Public Service Commission of West Virginia, the Texas Commission on Environmental Quality,

the Virginia State Corporation Commission, the U.S. District Court for the Northern District of California, and the Superior Court of Fulton County, Georgia. Exhibit JJJ-1 provides a listing of the utility proceedings in which I have appeared as an expert witness, participated as an expert, or made formal presentations in utility matters.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to sponsor the results of the lead-lag study used to measure the cash working capital ("CWC") allowance required for the Company's operations. The calculations of CWC amounts are attached as Exhibit JJJ-3, and the summary of the lead-lag study is Exhibit JJJ-4 to my testimony. My study supports the CWC allowances that are included in the rates requested by the Company.

Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A. Yes. I sponsor the exhibits listed in the table of contents of this testimony.

Q. WERE YOUR TESTIMONY AND THE EXHIBITS ATTACHED THERETO PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q. ARE YOU SPONSORING ANY SCHEDULES IN THE RATE FILING PACKAGE?

A. Yes. I sponsor the schedules listed in the table of contents of this testimony.

Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

III. BACKGROUND

Q. CAN YOU PROVIDE A DEFINITION OF CWC AS A RATE BASE COMPONENT?

A. Yes. CWC is a component of utility rate base that is the average amount of capital provided by investors to bridge the gap between the time when expenditures are required to provide services and the time when collections are received for such services.

Q. WOULD YOU EXPLAIN HOW CWC IS MEASURED FOR RATE BASE PURPOSES?

A. Yes. It is a common practice for regulators to establish the total costs incurred in providing service (*i.e.*, the cost of service) and to use such costs as the basis upon which rates are fixed and charged for the services provided. A significant component of cost of service is the cost of financing the investor capital required to build facilities and maintain ongoing operations. In some instances, the funding supplied by investors, such as the capital required to build facilities or to maintain supplies, is measurable from readily available information, such as financial statements. Other investor-supplied funds cannot

be easily identified in the Company's financial records; thus, the level of funding used to support these investor capital requirements must be determined through special analyses. Such special analyses have been labeled as lead-lag studies, and the results labeled as CWC requirements. When the various components of the rate base, including CWC, are adequately identified and combined, a correct and reliable measure of investor capital funding is produced. Below I describe in more detail the meanings of the terms "lead" and "lag."

Q. WHAT IS A LEAD-LAG STUDY?

A. A lead-lag study uses historical data and actual payment requirements to measure the differences in the time frames between (1) the time services are rendered until the revenues for those services are received and (2) the time that the costs associated with items used in providing those services, such as labor and materials, are incurred until they are paid for. The differences between these periods are expressed in days, which are then multiplied by the average daily operating expenses to produce the working capital required for operations.[1]

Q. WHAT STANDARDS DID YOU APPLY IN DEVELOPING YOUR LEAD-LAG STUDY?

A. My lead-lag study was prepared consistent with the requirements set forth in Commission Rule § 25.231(c)(2)(B)(iii) and is based on the most accurate, company-specific data available at the time the study was conducted. For convenience, I have included Commission Rule § 25.231(c)(2)(B)(iii) as Exhibit JJJ-2 to my testimony.

[1] *Accounting for Public Utilities*, Robert L. Hahne, *et. al.*, Matthew Bender, §5.06

Q. IS IT REASONABLE TO APPLY THE RESULTS OF YOUR LEAD-LAG STUDY TO THE COMPANY'S REVENUE REQUIREMENTS IN ORDER TO CALCULATE WETT'S CWC REQUIREMENTS?

A. Yes. The lead-lag patterns developed in the lead-lag study are expected to continue into the future. The method I have followed is basically the same method used in every rate proceeding at this Commission. More specifically, I used actual Company-specific data to develop the lead-lag days, and those results were applied to the estimated revenue requirements during the rate period. Information that was not specific to WETT was used only in the single instance where such information did not and could not be reasonably expected to exist.

IV. LEAD-LAG STUDY APPROACH

Q. PLEASE DESCRIBE THE GENERAL APPROACH YOU USED TO CONDUCT THE LEAD-LAG STUDY FOR WETT.

A. I requested and had discussions with Company personnel knowledgeable about billing, collections/accounts receivable, factoring or sale of receivables, payroll, employee benefits, accounts payable, affiliate transactions, payroll taxes, sales taxes, property taxes, state franchise taxes, local gross receipts taxes, public utility commission taxes, income taxes, and bank balances in non-interest-bearing accounts. Based on these interviews, I requested and received data regarding the Company's payments, payment patterns, and payment requirements that I used to develop the lead-lag study. This information is reflected in my work papers.

Q. WHAT TYPES OF ACTUAL WETT DATA WERE YOU ABLE TO OBTAIN AND USE IN YOUR STUDY?

A. I obtained actual WETT data for every aspect of the study with one exception, which I discuss later in my testimony. Based on this information, I was able to calculate lead and lag days specific to WETT. The information I received from WETT included the following:

- Actual O&M invoices and payment clear dates
- Affiliate contracts
- Bank statements for all non-interest bearing accounts
- Actual signed agreements between WETT and affiliates
- Historical accounting data
- Actual due dates established by governmental agencies and contracts applicable to WETT
- The actual payout patterns of the Company's incentive compensation program
- The actual WETT payroll calendar
- Actual Texas State Franchise Tax filing requirements for WETT

Q. ONCE YOU OBTAINED THE DATA, HOW DID YOU DEVELOP THE LEAD-LAG STUDY?

A. The lead-lag study for WETT reflects anticipated payment patterns associated with the rates requested in this rate application. In order to accurately measure investor-supplied capital, I developed the lead-lag study using the following parameters:

(1) The lead-lag study uses a cash method and does not consider non-cash items;

(2) The lead-lag study was performed in accordance with Commission Rule § 25.231(c)(2)(B)(iii). For example, to determine the lead days for expenses, the later of the invoice due date or the payment clear date is used. If the payment was made by check, check float lead (*i.e.*, the average time between check date and encashment) was also applied to the expense lead;

(3) The amortization of those expenses that the Company classifies as "prepaid expenses" for ratemaking purposes is specifically quantified and excluded from the revenue requirements used to calculate WETT's CWC requirements.

Q. PLEASE DESCRIBE THE APPLICATION OF THE TERMS "LEAD" AND "LAG" AS USED IN THE LEAD-LAG STUDY.

A. The terms "lead" and "lag" have been applied in various ways. For purposes of this presentation, I have used the terms "revenue lag" and "expense lead" as follows:

1. Revenue lag– the number of days of lag time between providing electric transmission service to the Company's customers and the subsequent receipt of payments for service; and

2. Expense lead– the number of days of lead time between the service period of goods or services used by the Company to provide electric transmission service and the payments to vendors for those goods and services.

Q. HOW DID YOU DEVELOP THE LEAD AND LAG DAYS IN YOUR LEAD-LAG STUDY?

A. I developed the revenue lag days from the anticipated billing and payment patterns of the Company's customers. Similarly, I developed the expense lead

days for each of the various categories of system expenses by measuring the period of time from when the costs will be incurred until payments are made for such costs.

Q. HAVE YOU SUBMITTED EXHIBITS THAT REFLECT ACCURATE MEASUREMENTS OF THESE INVESTOR PROVIDED FUNDS?

A. Yes. Exhibit JJJ-3 contains the results of the lead-lag study as those results apply to electric transmission services that will be provided by WETT. As shown in this exhibit, the net difference between the computed Revenue Lag days and the computed Expense Lead days was multiplied by the average daily revenue requirements of the system in order to produce the net CWC required.

A. <u>Revenue Lag</u>

Q. HOW WAS THE REVENUE LAG DEVELOPED IN THE LEAD-LAG STUDY?

A. Revenue Lag consists of four components: (1) the service lag measured from the middle of the period for which service is billed; (2) the billing lag that reflects the time required to process and record bills; (3) the collection lag that identifies the time delay between the recording of bills and the receipt of the billed revenues; and (4) the delay in the bank's clearance of deposited check payments. The total number of days produced by the four components represents the amount of time between providing transmission service to customers and the receipt of the related revenues for such service. The determination of revenue lag days for WETT is based on expected lags once rates are approved and billed by the Company.

The first of these four components, the *service period,* measures the time span over which services are provided. The critical feature of this measure is that it establishes the *common point* from which the timing difference between cost incurrence and revenue recovery is measured. For example, assume that a cost is incurred, recorded, and is paid 15 days after the end of the service period. Further assume that the revenues for the related services are recovered 20 days after the end of the service period. In these circumstances, the net recovery lag is 5 days regardless of the point in time used as the starting point. These assumed conditions illustrate that the cost incurrence and cost recovery periods must be measured from a common point. That point may be at the beginning of the period, at the end of the period, or at some point in between. This Commission has consistently adopted an approach that relies on the mid-point of the service period which assumes that service will be provided evenly over the service period. Consistent with the Commission's precedent, I used the mid-point of the service period in my analysis.

The second component is the time consumed in the billing process, or the *billing lag*. In WETT's billing process, this period is the difference from the end of the billing period to the date the invoice is electronically transmitted to the Distribution Service Providers ("DSPs").[2] The Company anticipates that its billing process will require one business day to process and mail the paper invoices. Based on the Company's expectation, I have used a 1.58 day billing lag in order to reflect that in some instances the next business day is more than one actual day due to weekends and holidays.

[2] Per Commission Rule §25.202, "Within a reasonable time after the first day of each month, transmission service providers (TSPs) shall issue invoices for the prior month's transmission service"

The third component, the *collection lag*, reflects the time between billing for the services rendered and the receipt from customers of the revenues billed. The collection lag days are based on the actual expected collection lag under Commission Rule §25.202(a)(1), which states, "An invoice for transmission service shall be paid so that the TSP will receive the funds by the 35th calendar day after the date of issuance of the invoice, unless the TSP and the transmission service customer agree on another mutually acceptable deadline." Consistent with this rule, I have used a 35-day collection lag.

The fourth component of the revenue recovery lag, the *cash receipts float*, represents the time between the receipt of funds from customers until the funds clear the banks and are available to the Company. The cash receipts float is based on the anticipated float under Commission Rule §25.202(a)(1), which states, "All payments shall be made in immediately available funds payable to the TSP, or by wire transfer to a bank named by the service provider or by other mutually acceptable terms." Since all payments from the DSPs are electronic, WETT's cash receipts float is zero days.

Each of these revenue lag components was totaled to arrive at total revenue lag days.

B. <u>Expense Lead – Operation and Maintenance Expenses</u>

Q. PLEASE EXPLAIN THE OTHER OPERATION AND MAINTENANCE ("O&M") EXPENSE LEAD DAYS.

A. In determining the lead days for this group of expenses, I separated total system expenses into four groups – regular payroll costs, incentive payroll costs, third-party O&M costs (*e.g.*, materials, services, etc.), and affiliate transactions

(between WETT and Brookfield Power US Asset Management LLC and between WETT and Iccenlux, Corp.) I measured the lead days for each of these groups independently.

1. Regular Payroll

Q. HOW DID YOU DETERMINE THE LEAD DAYS FOR THE PAYROLL COSTS?

A. I based the lead days for payroll on the Company's wage payment process that employs semi-monthly pay periods. The Company outsources its payroll processing to Automatic Data Processing, Inc. ("ADP"). Employees are paid on last day of each pay period, except when the payday falls on a weekend or holiday. In such cases, the payday is moved up to the preceding business day. I computed the lead days for payroll costs by determining the average days of service being reimbursed and adding the days between the end of each service period and the payment by the Company to ADP. This calculation produces the number of total days between the middle of the period for which employees' costs were recorded and the disbursement of the payments.

Q. DID YOU MAKE ANY ADJUSTMENT TO THE PAYROLL LEAD DAYS IN YOUR LEAD-LAG STUDY?

A. Yes. I have adjusted the payroll lead days to incorporate the effects of vacation pay using a 7.5% vacation factor.

Q. WHAT IS THE BASIS FOR YOUR VACATION ADJUSTMENT TO PAYROLL LEAD DAYS?

A. As I alluded to earlier, WETT's employees are generally new to the Company, and a vacation pattern has not yet been established. In order to address

this fact, I based the vacation adjustment on comparable data from recent utility rates cases. The cases that I reviewed are detailed in my work papers. As my work papers show, vacation patterns are generally consistent among utilities, and thus provide a reasonable basis on which to make a vacation adjustment to WETT's payroll lead days.

Q. WHAT EFFECT DOES YOUR DECISION TO INCLUDE A VACATION ADJUSTMENT HAVE ON THE WORKING CAPITAL ANALYSIS?

A. While the Commission's Rule does not require a vacation adjustment to payroll lead days, my decision to include a vacation adjustment to payroll lead days represents a conservative approach that benefits customers by reducing WETT's working capital requirement.

2. Incentive Payroll

Q. PLEASE EXPLAIN THE CALCULATION OF LEAD DAYS FOR WETT'S INCENTIVE PAYROLL.

A. The Company has an annual incentive program. The Company's annual 2011 incentives were paid on April 6, 2012. These incentives were based on calendar year 2010 performance. I based the lead days on the weighted days between the midpoint of the service period and the date the incentives were paid. The details of the incentive program are spelled out in each employee's offer letter which provides his specific annual percentage of incentive.

3. Other Non-Affiliate O&M

Q. HOW WERE THE LEAD DAYS DETERMINED FOR THE REMAINING NON-AFFILIATE EXPENSES IN THE O&M EXPENSE GROUP?

A. The measure of lead days for the expenses in this group of Other Operation and Maintenance Expenses was based upon random sampling of these expenses for the period ending March 31, 2012.

Q. HOW WAS THE MID-POINT OF THE SERVICE PERIOD FOR OTHER NON-AFFILIATE O&M COSTS IDENTIFIED?

A. Consistent with the ruling of the Commission in AEP Texas Central Company's Docket No. 33309, the Company's study estimates the midpoint of the service period independently for each invoice rather than assuming that the invoice date is the midpoint of the service period for all invoices. I carefully examined each of the sample items to determine the service period and the invoice due date. Consistent with the requirements of the Commission, the effects of the amortization of prepaid expenses were removed.

4. Other O&M – Affiliate Transactions

Q. HOW DID YOU DERIVE THE LEAD DAYS ASSOCIATED WITH AFFILIATE TRANSACTIONS?

A. To determine the average lead days for affiliate transactions, the study utilizes the contractual payment requirements and resultant pattern. The actual signed affiliate agreements that govern these transactions are included in my work papers.

C. Expense Lead – Current Federal Income Tax Expense

Q. WHAT ARE THE LEAD DAYS ASSIGNED TO FEDERAL INCOME TAXES?

A. I calculated the lead days for federal income taxes by measuring the days between the mid-point of an annual calendar year service period (as the tax is incurred throughout the year) and the actual pro forma payment dates of the Company for the rate period. Payment of at least 100% of the estimated tax for the year must be made in quarterly payments on April 15th, June 15th, September 15th, and December 15th. The Commission has accepted this method in every case in which I have been involved.

D. Expense Lead – Depreciation, Deferred Federal Income Tax Expense, and Return

Q. DOES YOUR LEAD-LAG STUDY INCLUDE NON-CASH ITEMS, SUCH AS DEPRECIATION, DEFERRED INCOME TAX EXPENSES, AND RETURN?

A. No. Commission Rule § 25.231(c)(2)(B)(iii) provides, "The lead-lag study will use the cash method; all non-cash items, including but not limited to depreciation, amortization, deferred taxes, prepaid items, and return (including interest on long-term debt and dividends on preferred stock), will not be considered." Consistent with this requirement, the above items were not considered in my lead-lag study.

E. Expense Lead and Lag– Taxes Other than Income Taxes

Q. WHAT TAXES ARE INCLUDED IN TAXES OTHER THAN INCOME TAXES?

A. This group of taxes consists of: (1) payroll-related taxes (FICA, Federal Unemployment, and State Unemployment), (2) state franchise taxes, and (3) ad valorem taxes.

Q. HOW WERE THE LEAD OR LAG DAYS FOR PAYROLL-RELATED TAXES MEASURED?

A. The payment leads or lags for the various payroll taxes were calculated from the midpoints of the applicable work periods to the payment dates of the taxes to ADP.

Q. WHAT IS THE BASIS FOR YOUR CALCULATION OF THE LAG DAYS FOR STATE FRANCHISE TAXES?

A. My calculation is based on the state franchise tax statute applied to the calculation of the lead-lag days. To determine the average lead days for state franchise taxes, the study utilizes the statutory payment requirements and resultant pattern. This requires that the study recognize that the Company will pay state franchise taxes in May in order to conduct business in the State of Texas from January 1 through December 31 for that same year. This calculation is consistent with the calculation of the lead-lag days for all of the other expenses and revenues included in the lead-lag study.

Q. IS YOUR CALCULATION OF THE LAG DAYS FOR THE STATE FRANCHISE TAX CONSISTENT WITH THE MOST RECENT RULING BY THIS COMMISSION?

A. Yes, it is.[3] In addition, my calculation of lag days for the state franchise tax is consistent with the recent ruling on the issue by the Railroad Commission of Texas.[4]

Q. HOW WERE THE LEAD DAYS FOR AD VALOREM TAXES MEASURED?

A. The payment lead for ad valorem taxes was calculated from the midpoint of the period for which the tax was assessed to the due date. WETT intends to pay its ad valorem taxes by the due date in order to avoid the substantial penalties for late payments. This is consistent with the general practice within the utility industry and is reasonable.

F. <u>Other Component– Average Bank Balances</u>

Q. PLEASE EXPLAIN THE OTHER COMPONENT THAT YOU HAVE INCLUDED IN CWC.

A. I included average cash balances in the measurement of CWC.

Q. DO THE COMMISSION'S SUBSTANTIVE RULES SUPPORT THE INCLUSION OF THIS AMOUNT?

A. Yes. Commission Substantive Rule 25.231(c)(2)(B)(iii)(IV)(-e-) specifies that the CWC requirement should include the average daily bank balance of all non-interest bearing demand deposits and working cash funds.

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[3] *Application of CenterPoint Energy Houston Electric for Authority to Change Rates*, Docket No. 38339, Commission's Order on Rehearing issued on June 23, 2011, Finding of Fact No. 50

[4] Docket No. GUD 10000, Atmos Pipeline—Texas, Finding of Fact No. 55.

Q. WHAT DATA HAVE YOU RELIED ON TO IDENTIFY THE AVERAGE BANK BALANCE AMOUNT TO INCLUDE IN THE CWC REQUIREMENT?

A. The cash balances were determined from bank statements containing daily balances maintained in each of the Company's non-interest bearing bank accounts. These daily balances were averaged over the twelve months ending October 31, 2011 for each of the banks, and the average daily balance was added to the CWC schedule. These were the latest available bank statements at the time the study was conducted.

V. SUMMARY AND CONCLUSION

Q. WHERE DO YOU PROVIDE THE DETAILED CALCULATIONS AND METHODOLOGIES USED IN THE LEAD-LAG STUDY?

A. Exhibit JJJ-4 is a summary of the lead-lag study. The lead-lag study and the associated work papers provide detailed information regarding the specific calculations used for each of the lead-lag study components. The supporting documentation can be found in the work papers and electronic files associated with my testimony and Schedule II-B-9.

Q. WHAT WERE THE RESULTS OF THE LEAD-LAG STUDY?

A. The CWC requirement for WETT's preferred approach is $383,987 and the CWC requirement for WETT's alternative approach is $466,402, as shown on Exhibit JJJ-3. I have provided these results to Dr. Bruce Fairchild for inclusion in rate base.

Q. ARE THE RESULTS OF THIS LEAD-LAG STUDY REASONABLE?

A. Yes. The calculations of CWC requirements resulting from this lead-lag study are reflective of actual or anticipated Company practices, are fair and reasonable.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

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

STATE OF TEXAS §
§
COUNTY OF DALLAS §

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

My name is Jay Joyce. 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.

Jay Joyce

SUBSCRIBED AND SWORN TO BEFORE ME by the said Jay Joyce this 14th day of August, 2012.

Notary Public, State of Texas

SHELBY DOUGLAS
MY COMMISSION EXPIRES
July 31, 2015

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JAY JOYCE – REPRESENTATIVE UTILITY PROJECTS

Line	Jurisdiction	Docket	Company	Year	Description
1	Texas Natural Resource Conservation Commission (TNRCC)	7796-M & 7831-M	City of Kilgore, Texas	1989	Wholesale Revenue Requirements, Cost of Service, and Rate Design
2	Texas Public Utility Commission (PUC)	8928	Texas-New Mexico Power Company	1989	Revenue Requirements
3	Texas PUC	8585	Southwestern Bell Telephone Company	1989	Revenue requirements
4	Texas PUC	9491	Texas-New Mexico Power Company	1990	Revenue requirements, prudence
5	TNRCC	8388-M	Trinity Water Reserve, Inc. d/b/a Devers Canal System	1990	Rate base, return, rate design
6	Texas PUC	10200	Texas-New Mexico Power Company	1991	Revenue requirements, prudence
7	N/A	N/A	TCI Cablevision of Texas, Inc.	1991	Franchise Compliance
8	Oklahoma Corp. Comm.	PUD 001346	Arkansas-Oklahoma Gas Company	1991	Cost of Service, Rate Design
9	TNRCC	8293-M	United Irrigation District of Hidalgo County, Texas	1991	Revenue requirements, cost of service
10	Texas PUC	10034	Texas-New Mexico Power Company	1992	Deferred Accounting
11	Texas PUC	9892	Denton County Electric Cooperative	1992	Revenue Requirements, settlement negotiations
12	N/A		Southern Union Gas Company	1992	Federal Income Taxes
13	TNRCC		Culleoka Water Supply Corporation	1992	Wholesale Revenue Requirements, Cost of Service, and Rate Design *
14	TNRCC	8338-A	City of Lewisville, Texas	1993	Revenue requirements, cost of service *
15	N/A	N/A	City of Paris, Texas	1993	Revenue requirements, cost of service
16	TNRCC		City of Knollwood, Texas	1994	Wholesale Revenue Requirements, Cost of Service, and Rate Design
17	N/A	N/A	Rockett Special Utility District/City of Midlothian, Texas	1994	Water Supply Feasibility Analysis

JAY JOYCE – REPRESENTATIVE UTILITY PROJECTS

Line	Jurisdiction	Docket	Company	Year	Description
18	Texas PUC	12065	Houston Lighting & Power Company	1994	Revenue Requirements, Restructuring Costs *
19	Texas PUC	12900	Texas-New Mexico Power Company	1994	Revenue requirements, rate case expenses *
20	TNRCC	N/A	Lakeside Utilities, Inc.	1994	Revenue requirements, cost of service *
21	N/A	N/A	City of North Richland Hills, Texas	1994	Revenue requirements, cost of service
22	N/A	N/A	Detroit Edison/MCN Corporation	1995	Merger analysis
23	N/A	N/A	Illinois Power Company	1995	Merger candidate evaluation
24	N/A	N/A	Northern States Power/Wisconsin Electric Company	1995	Merger analysis
25	Washington Utilities & Transportation Commission	UE-960195	Washington Natural Gas/Puget Sound Power & Light	1995	Merger analysis, testimony in support of merger
26	N/A	N/A	General Public Utilities	1996	Merger candidate evaluation
27	N/A	N/A	San Diego G&E/Southern California Gas Company	1996	Merger analysis
28	Texas PUC	14980	Southwest Public Service Company/Public Service Company of Colorado	1996	Testimony in support of merger
29	New Mexico Public Regulation Commission (PRC)	2678	Southwest Public Service Company/Public Service Company of Colorado	1996	Testimony in support of merger
30	Colorado Public Service Commission	95A-513EG	Southwest Public Service Company/Public Service Company of Colorado	1996	Testimony in support of merger
31	N/A	N/A	Western Resources/Kansas City Power & Light	1996	Merger analysis
32	N/A	N/A	Fort Worth Water Department	1996	Wholesale water revenue requirements, cost of service, rate design
33	N/A	N/A	Nashville Metro Water Services	1996	Wastewater Cost of Service and Rate Design
34	Texas PUC	18490	TXU Electric Company	1997	Cash Working Capital (CWC)
35	N/A	N/A	Tucson Electric Power	1997	Stranded cost quantification

JAY JOYCE – REPRESENTATIVE UTILITY PROJECTS

Line	Jurisdiction	Docket	Company	Year	Description
36	N/A	N/A	Cobb County Water System	1997	Sewer Development Fee Analysis
37	N/A	N/A	Fern Bluff Municipal Utility District	1997	Wastewater Contract Negotiations
38	N/A	N/A	Lower Colorado River Authority	1997	Wastewater Contract Negotiations
39	N/A	N/A	Nashville Thermal Transfer Corporation	1997	Financial Advisory Services
40	N/A	N/A	Pflugerville Water and Wastewater Utility	1997	Water and Wastewater Revenue Requirements, Cost of Service, Rate Design
41	N/A	N/A	Travis County Municipal Utility District No.4	1997	Wholesale water revenue requirements, cost of service, rate design
42	N/A	N/A	Southwest Power Pool	1998	Tariff policies and procedures
43	N/A	N/A	Houston Public Utilities	1998	Management Audit
44	TNRCC	N/A	Trinity River Authority	1998	Management Audit
45	Texas PUC	22350	TXU Electric Company	1999	CWC
46	Texas PUC	22350	TXU SESCO Company	1999	CWC
47	N/A	N/A	Mt. Carmel Public Utilities	1999	Valuation
48	TNRCC	97-0049-UCR	Waco Water and Wastewater Utility	1999	Wholesale water revenue requirements, cost of service, rate design
49	Texas Railroad Commission (RRC)	8976	Lone Star Pipeline Company	2000	CWC
50	Texas RRC	9145	TXU Gas Distribution – Dallas Distribution System	2000	CWC
51	Georgia PSC	14311-U	Atlanta Gas Light Company	2001	CWC
52	New Jersey BPU	GR02040245	Elizabethtown Gas Company	2002	CWC
53	United States Bankruptcy Court for the Northern District of Georgia	02-10835 through 02-10837	NewPower	2002	Contractual pricing, bankruptcy
54	Texas RRC	9400	TXU Gas Company	2003	CWC *
55	Texas PUC	28840	American Electric Power - Texas Central Company	2003	CWC
56	North Carolina UC	E-22, Sub 412	Dominion Virginia Electric Power	2004	CWC
57	PUC of Ohio	04-571-GA-AIR and 04-794-GA-AAM	Vectren Energy Delivery of Ohio	2004	CWC *

JAY JOYCE – REPRESENTATIVE UTILITY PROJECTS

Line	Jurisdiction	Docket	Company	Year	Description
58	Texas Commission on Environmental Quality (TCEQ)	2004-0979-UCR	Chisholm Trail SUD	2005	Cost of Service, Rate Design *
59	TCEQ	2004-1120-UCR, et. al.	Aqua Texas	2005	Valuation, Cost Allocation, Revenue Requirements *
60	US District Court for the Northern District of California	C01-20289 RMW	TXU Energy Services	2006	Wholesale Gas Supply Pricing Dispute *
61	Superior Court of Fulton County, Georgia	2000-CV-20379	City of Atlanta Water Utility	2006	Water Rates *
62	Texas PUC	32093	CenterPoint Energy	2006	CWC*
63	Texas RRC	9670	Atmos Energy – Mid-Tex	2006	CWC *
64	Texas PUC	33309	American Electric Power - Texas Central Company	2006	CWC *
65	Texas PUC	33310	American Electric Power - Texas North Company	2006	CWC *
66	Oklahoma Corp. Comm.	PUD-200600285	Public Service Company of Oklahoma	2006	CWC
67	Arkansas PSC	060161-U	CenterPoint Energy Arkansas Gas	2007	Working Capital *
68	TCEQ	2006-1919-UCR	Oak Shores Water System	2007	Water Cost of Service, Rate Design *
69	Texas PUC	34040	TXU Electric Delivery Company	2007	CWC
70	TCEQ	2008-0804-UCR	Kendall County Utility Company	2008	Water & Wastewater Cost of Service & Rate Design *
71	Texas PUC	35717	Oncor Electric Delivery Company	2008	CWC
72	Texas RRC	9872	CenterPoint Energy Entex Gas – Texas Coast Division	2008	CWC *
73	New Mexico Public Regulation Commission	09-00171-UT	El Paso Electric Company	2009	CWC
74	Texas RRC	9902	CenterPoint Energy Entex Gas – Houston Division	2009	CWC *
75	TCEQ	2008-1856-UCR	City of Pecos City	2009	Water & Wastewater Cost of Service & Rate Design *
76	Virginia State Corporation Comm.	PUE-2009-0030	Appalachian Power Company	2009	CWC *
77	Texas PUC	37364	SWEPCo	2009	CWC *
78	Texas PUC	37690	El Paso Electric	2009	CWC *
79	West Virginia PSC	10-099-E-42T	Appalachian Power Company & Wheeling Power Company	2010	CWC *
80	Texas PUC	38339	CenterPoint Energy Houston Electric	2010	CWC *

JAY JOYCE – REPRESENTATIVE UTILITY PROJECTS

Line	Jurisdiction	Docket	Company	Year	Description
81	Texas RRC	9985, 9986, 9987	CenterPoint Energy Entex Gas – Beaumont Division	2010	CWC *
82	Texas RRC	10006, 10007, 10018	CenterPoint Energy Entex Gas – Texas Coast Division	2010	CWC *
83	Texas RRC	10038	CenterPoint Energy Entex Gas – South Texas Division	2010	CWC *
84	Oklahoma Corp. Comm.	PUD-201000050	Public Service Company of Oklahoma	2010	CWC
85	Virginia State Corporation Comm.	PUE-2011-00037	Appalachian Power Company	2011	CWC *
86	New Mexico Public Regulation Commission	11-00042-UT	New Mexico Gas Company	2011	CWC
87	Texas PUC	39896	Entergy Texas, Inc.	2011	CWC *
88	Texas PUC	40020	Lone Star Transmission	2012	CWC *

* Indicates projects where Mr. Joyce was a testifying expert witness

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Substantive Rule §25.231(c)(2)(B)(iii)

(iii) A reasonable allowance for cash working capital. The following shall apply in determining the amount to be included in invested capital for cash working capital:

(I) Cash working capital for electric utilities shall in no event be greater than one-eighth of total annual operations and maintenance expense, excluding amounts charged to operations and maintenance expense for materials, supplies, fuel, and prepayments.

(II) For electric cooperatives, river authorities, and investor-owned electric utilities that purchase 100% of their power requirements, one-eighth of operations and maintenance expense excluding amounts charged to operations and maintenance expense for materials, supplies, fuel, and prepayments will be considered a reasonable allowance for cash working capital.

(III) Operations and maintenance expense does not include depreciation, other taxes, or federal income taxes, for purposes of subclauses (I), (II), and (V) of this clause.

(IV) For all investor-owned electric utilities a reasonable allowance for cash working capital, including a request of zero, will be determined by the use of a lead-lag study. A lead-lag study will be performed in accordance with the following criteria:

(-a-) The lead-lag study will use the cash method; all non-cash items, including but not limited to depreciation, amortization, deferred taxes, prepaid items, and return (including interest on long-term debt and dividends on preferred stock), will not be considered.

(-b-) Any reasonable sampling method that is shown to be unbiased may be used in performing the lead-lag study.

(-c-) The check clear date, or the invoice due date, whichever is later, will be used in calculating the lead-lag days used in the study. In those cases where multiple due dates and payment terms are offered by vendors, the invoice due date is the date corresponding to the terms accepted by the electric utility.

(-d-) All funds received by the electric utility except electronic transfers shall be considered available for use no later than the business day following the receipt of the funds in any repository of the electric utility (e.g. lockbox, post office box, branch office). All funds received by electronic transfer will be considered available the day of receipt.

(-e-) For electric utilities the balance of cash and working funds included in the working cash allowance calculation shall consist of the average daily bank balance of all non-interest bearing demand deposits and working cash funds.

(-f-) The lead on federal income tax expense shall be calculated by measurement of the interval between the mid-point of the annual service period and the actual payment date of the electric utility.

(-g-) If the cash working capital calculation results in a negative amount, the negative amount shall be included in rate base.

(V) If cash working capital is required to be determined by the use of a lead-lag study under the previous subclause and either the electric utility does not file a lead lag study or the electric utility's lead-lag study is determined to be so flawed as to be unreliable, in the absence of persuasive evidence that suggests a different amount of cash working capital, an amount of cash working capital equal to negative one-eighth of operations and maintenance expense including fuel and purchased power will be presumed to be the reasonable level of cash working capital.

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WIND ENERGY TRANSMISSION TEXAS, LLC
CASH WORKING CAPITAL REQUIREMENT
FOR THE TEST YEAR ENDED JUNE 30, 2012 - AS ADJUSTED

Line No.	Description	Adjusted Test Year Amount	CWC Adjustments	Avg. Daily Expense	Revenue Lag Days	Expense Lead Days	Net (Lead)/Lag	Working Capital Requirement
	(a)	(b)	(c)	(d)=((b)-(c))/365	(e)	(f)	(g)=(e)+(f)	(h)=(d)*(g)
1	Operation & Maintenance Expenses							
2	Labor							
3	Payroll	$ 2,146,858		$ 5,882	51.50	(18.70)	32.80	$ 192,923
4	Incentive Bonus	555,606		1,522	51.50	(278.50)	(227.00)	(345,541)
5	Non-Labor							
6	Other Third-Party O&M	3,720,654	$ (392,000)	9,120	51.50	(20.35)	31.15	284,076
7	Affiliate Charges	224,225		614	51.50	(45.83)	5.67	3,483
8	Total O&M	$ 6,647,343						
9								
10	Federal Income Taxes							
11	Current	$ 3,867,001		10,595	51.50	(36.00)	15.50	164,215
12	Deferred FIT & ITC	495,961		1,359	0.00	0.00	0.00	-
13	Total FIT	$ 4,362,962						
14								
15	Taxes Other Than Income Taxes							
16	Payroll Taxes	$ 158,980		436	51.50	(5.42)	46.08	20,071
17	State Franchise Taxes	218,364		598	51.50	45.50	97.00	58,031
18	Ad Valorem Taxes	2,152,073		5,896	51.50	(212.50)	(161.00)	(949,271)
19	Total Taxes Other Than Income Taxe	$ 2,529,417						
20								
21	Depreciation Expense	$ 3,489,308		9,560	0.00	0.00	0.00	0
22								
23	Return	$ 14,165,826		38,810	0.00	0.00	0.00	0
24								
25	Subtotal	$ 31,194,856						$ (572,013)
26								
27	Average Bank Balances							$ 956,000
28								
29	Total Cash Working Capital Requirement (Preferred Approach)							$ 383,987

Line No.	Description	Adjusted Test Year Amount	CWC Adjustments	Avg. Daily Expense	Revenue Lag Days	Expense Lead Days	Net (Lead)/Lag	Working Capital Requirement
	(a)	(b)	(c)	(d)=((b)-(c))/365	(e)	(f)	(g)=(e)+(f)	(h)=(d)*(g)
1	Operation & Maintenance Expenses							
2	Labor							
3	Payroll	$ 2,146,858		$ 5,882	51.50	(18.70)	32.80	$ 192,923
4	Incentive Bonus	555,606		1,522	51.50	(278.50)	(227.00)	(345,541)
5	Non-Labor							
6	Other Third-Party O&M	3,720,654	$ (392,000)	9,120	51.50	(20.35)	31.15	284,076
7	Affiliate Charges	224,225		614	51.50	(45.83)	5.67	3,483
8	Total O&M	$ 6,647,343						
9								
10	Federal Income Taxes							
11	Current	$ 5,498,637		15,065	51.50	(36.00)	15.50	233,504
12	Deferred FIT & ITC	495,961		1,359	0.00	0.00	0.00	-
13	Total FIT	$ 5,994,598						
14								
15	Taxes Other Than Income Taxes							
16	Payroll Taxes	$ 158,980		436	51.50	(5.42)	46.08	20,071
17	State Franchise Taxes	267,759		734	51.50	45.50	97.00	71,158
18	Ad Valorem Taxes	2,152,073		5,896	51.50	(212.50)	(161.00)	(949,271)
19	Total Taxes Other Than Income Taxe	$ 2,578,812						
20								
21	Depreciation Expense	$ 3,489,308		9,560	0.00	0.00	0.00	0
22								
23	Return	$ 19,541,203		53,538	0.00	0.00	0.00	0
24								
25	Subtotal	$ 38,251,264						$ (489,598)
26								
27	Average Bank Balances							$ 956,000
28								
29	Total Cash Working Capital Requirement (Alternative Approach							$ 466,402

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WIND ENERGY TRANSMISSION TEXAS, LLC
LEAD/LAG STUDY RESULTS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Description	Revenue Lag Days*	Expense Lead Days	Reference
	(a)	(b)	(c)	(d)
1	Operation & Maintenance Expenses			
2	Labor			
3	Payroll	51.50	(18.70)	WP/II-B-9/2
4	Incentive Bonus	51.50	(278.50)	WP/II-B-9/3
5	Non-Labor			
6	Other Third-Party O&M	51.50	(20.35)	WP/II-B-9/4
7	Affiliate Charges	51.50	(45.83)	WP/II-B-9/5
8				
9	Federal Income Taxes			
10	Current	51.50	(36.00)	WP/II-B-9/6
11	Deferred	0.00	0.00	N/A
12				
13	Taxes Other than Income Taxes			
14	Payroll Taxes	51.50	(5.42)	WP/II-B-9/7
15	State Franchise Taxes	51.50	45.50	WP/II-B-9/8
16	Ad Valorem Tax	51.50	(212.50)	WP/II-B-9/9
17				
18	Depreciation Expense	0.00	0.00	N/A
19				
20	Return	0.00	0.00	N/A
21				
22	Sub-total			
23				
24	Average Daily Bank Balances		$ 956,000	WP/II-B-9/10
25				
26	Amortization of Prepaid O&M		$ 392,000	WP/II-B-9/11
27				
28	* WP/II-B-9/1			

WIND ENERGY TRANSMISSION TEXAS, LLC
CALCULATION OF OPERATING REVENUES LAG DAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Service Period Lag:	Days	Reference
	(a)	(b)	(c)
1	Average service period		
2	(365 days/12 months)/2	15.25	
3			
4	Billing Process Lag	1.50	WP/II-B-9/1-1
5			
6	Collection Lag	34.750	WP/II-B-9/1-2
7			
8	Cash Receipts Lag	0.000	(1)
9			
10			
11	Operating Revenues Lag Days	51.50	
12			
13	Source: (1) PUCT Substantive Rule 25-202.pdf		

WIND ENERGY TRANSMISSION TEXAS, LLC
BILLING PROCESS LAG
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Period Begin	Period End	Scheduled Bill Issuance	Weekend or Holiday	Actual Bill Issuance *	Billing Lag Days
	(a)	(b)	(c)	(d)	(e)	(f)
1	4/1/2011	4/30/2011	Sunday, May 01, 2011	Weekend	Monday, May 02, 2011	2
2	5/1/2011	5/31/2011	Wednesday, June 01, 2011	No	Wednesday, June 01, 2011	1
3	6/1/2011	6/30/2011	Friday, July 01, 2011	No	Friday, July 01, 2011	1
4	7/1/2011	7/31/2011	Monday, August 01, 2011	No	Monday, August 01, 2011	1
5	8/1/2011	8/31/2011	Thursday, September 01, 2011	No	Thursday, September 01, 2011	1
6	9/1/2011	9/30/2011	Saturday, October 01, 2011	Weekend	Monday, October 03, 2011	3
7	10/1/2011	10/31/2011	Tuesday, November 01, 2011	No	Tuesday, November 01, 2011	1
8	11/1/2011	11/30/2011	Thursday, December 01, 2011	No	Thursday, December 01, 2011	1
9	12/1/2011	12/31/2011	Sunday, January 01, 2012	Weekend, Holiday	Tuesday, January 03, 2012	3
10	1/1/2012	1/31/2012	Wednesday, February 01, 2012	No	Wednesday, February 01, 2012	1
11	2/1/2012	2/29/2012	Thursday, March 01, 2012	No	Thursday, March 01, 2012	1
12	3/1/2012	3/31/2012	Sunday, April 01, 2012	Weekend	Monday, April 02, 2012	2
13						
14						
15	Average					1.50
16						

17 * No billing on weekends or holidays
18 Sources:
19 Company Holidays.xlsx
20 Federal Reserve Holidays.pdf
21 PUCT Substantive Rule 25-202.pdf

WIND ENERGY TRANSMISSION TEXAS, LLC
COLLECTION LAG
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Period Begin	Period End	Bill Issuance (1)	Collection Date	Collection Lag Days (2)
	(a)	(b)	(c)	(d)	(e)
1	4/1/2011	4/30/2011	5/2/2011	Monday, June 06, 2011	35
2	5/1/2011	5/31/2011	6/1/2011	Wednesday, July 06, 2011	35
3	6/1/2011	6/30/2011	7/1/2011	Friday, August 05, 2011	35
4	7/1/2011	7/31/2011	8/1/2011	Friday, September 02, 2011	32
5	8/1/2011	8/31/2011	9/1/2011	Thursday, October 06, 2011	35
6	9/1/2011	9/30/2011	10/3/2011	Monday, November 07, 2011	35
7	10/1/2011	10/31/2011	11/1/2011	Tuesday, December 06, 2011	35
8	11/1/2011	11/30/2011	12/1/2011	Thursday, January 05, 2012	35
9	12/1/2011	12/31/2011	1/3/2012	Tuesday, February 07, 2012	35
10	1/1/2012	1/31/2012	2/1/2012	Wednesday, March 07, 2012	35
11	2/1/2012	2/29/2012	3/1/2012	Thursday, April 05, 2012	35
12	3/1/2012	3/31/2012	4/2/2012	Monday, May 07, 2012	35
13					
14					
15	Total Lag				34.75
16					
17	Sources:				
18	(1) WP/II-B-9/1-1				
19	(2) PUCT Substantive Rule 25-202.pdf				
20	Federal Reserve Holidays.pdf				

WIND ENERGY TRANSMISSION TEXAS, LLC
CALCULATION OF PAYROLL LEAD DAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Semi - Monthly	Days	Reference
	(a)	(b)	(c)
1	MidPoint of Pay Periods	(7.13)	WP/II-B-9/2-1
2			
3	Employees are paid on the last day of the pay period - 15th and the last day of the month	-	Paid current
4			
5	If payday falls on a weekend or bank holiday,		
6	payment is made on the preceding work day.	0.42	WP/II-B-9/2-2
7			
8	ADP Funding	1.29	WP/II-B-9/2-3
9			
10	Regular payroll lag days before Vacation Adjustment	(5.42)	
11			
12	Vacation Adjustment	(13.28)	WP/II-B-9/2-4
13			
14	Net payroll lag days	(18.70)	

WIND ENERGY TRANSMISSION TEXAS, LLC
CALCULATION OF PAYROLL LEAD DAYS - MIDPOINT OF PAY PERIOD
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Pay Period	Pay Period Begin Date	Pay Period End Date	Midpoint of Pay Period	Lead Days
	(a)	(b)	(c)	(d)	(e)
1	7	4/1/2011	4/15/2011	4/8/2011	(7)
2	8	4/16/2011	4/30/2011	4/23/2011	(7)
3	9	5/1/2011	5/15/2011	5/8/2011	(7)
4	10	5/16/2011	5/31/2011	5/23/2011	(8)
5	11	6/1/2011	6/15/2011	6/8/2011	(7)
6	12	6/16/2011	6/30/2011	6/23/2011	(7)
7	13	7/1/2011	7/15/2011	7/8/2011	(7)
8	14	7/16/2011	7/31/2011	7/23/2011	(8)
9	15	8/1/2011	8/15/2011	8/8/2011	(7)
10	16	8/16/2011	8/31/2011	8/23/2011	(8)
11	17	9/1/2011	9/15/2011	9/8/2011	(7)
12	18	9/16/2011	9/30/2011	9/23/2011	(7)
13	19	10/1/2011	10/15/2011	10/8/2011	(7)
14	20	10/16/2011	10/31/2011	10/23/2011	(8)
15	21	11/1/2011	11/15/2011	11/8/2011	(7)
16	22	11/16/2011	11/30/2011	11/23/2011	(7)
17	23	12/1/2011	12/15/2011	12/8/2011	(7)
18	24	12/16/2011	12/31/2011	12/23/2011	(8)
19	1	1/1/2012	1/15/2012	1/8/2012	(7)
20	2	1/16/2012	1/31/2012	1/23/2012	(8)
21	3	2/1/2012	2/15/2012	2/8/2012	(7)
22	4	2/16/2012	2/29/2012	2/22/2012	(7)
23	5	3/1/2012	3/15/2012	3/8/2012	(7)
24	6	3/16/2012	3/31/2012	3/23/2012	(8)
25					
26					
27	Total				(171.00)
28					
29	Ln 27, Col (d) divided by 24 pay periods				(7.13)
30					
31	Source:				
32	WETT Employee Handbook December 2010 final.pdfpage 8, section B. Payment of				
33	Salary				

WIND ENERGY TRANSMISSION TEXAS, LLC
CALCULATION OF PAYROLL LEAD DAYS - HOLIDAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Pay Period	Pay Date	Weekend or Holiday	Days Payday Moved Up	Revised Pay Date
	(a)	(b)	(c)	(d)	(e)
1	7	Friday, April 15, 2011	No		Friday, April 15, 2011
2	8	Saturday, April 30, 2011	Weekend	1	Friday, April 29, 2011
3	9	Sunday, May 15, 2011	Weekend	2	Friday, May 13, 2011
4	10	Tuesday, May 31, 2011	No		Tuesday, May 31, 2011
5	11	Wednesday, June 15, 2011	No		Wednesday, June 15, 2011
6	12	Thursday, June 30, 2011	No		Thursday, June 30, 2011
7	13	Friday, July 15, 2011	No		Friday, July 15, 2011
8	14	Sunday, July 31, 2011	Weekend	2	Friday, July 29, 2011
9	15	Monday, August 15, 2011	No		Monday, August 15, 2011
10	16	Wednesday, August 31, 2011	No		Wednesday, August 31, 2011
11	17	Thursday, September 15, 2011	No		Thursday, September 15, 2011
12	18	Friday, September 30, 2011	No		Friday, September 30, 2011
13	19	Saturday, October 15, 2011	Weekend	1	Friday, October 14, 2011
14	20	Monday, October 31, 2011	No		Monday, October 31, 2011
15	21	Tuesday, November 15, 2011	No		Tuesday, November 15, 2011
16	22	Wednesday, November 30, 2011	No		Wednesday, November 30, 2011
17	23	Thursday, December 15, 2011	No		Thursday, December 15, 2011
18	24	Saturday, December 31, 2011	Weekend	1	Friday, December 30, 2011
19	1	Sunday, January 15, 2012	Weekend	2	Friday, January 13, 2012
20	2	Tuesday, January 31, 2012	No		Tuesday, January 31, 2012
21	3	Wednesday, February 15, 2012	No		Wednesday, February 15, 2012
22	4	Wednesday, February 29, 2012	No		Wednesday, February 29, 2012
23	5	Thursday, March 15, 2012	No		Thursday, March 15, 2012
24	6	Saturday, March 31, 2012	Weekend	1	Friday, March 30, 2012
25					
26					
27	Total			10.00	
28					
29	Ln 27, Col (d) divided by 24 pay periods			0.42	
30					
31	Sources:				
32	WETT Employee Handbook December 2010 final.pdfpage 8, section B. Payment of Salary				
33	Company Holidays.xlsx				

WIND ENERGY TRANSMISSION TEXAS, LLC
CALCULATION OF PAYROLL LEAD DAYS - ADP FUNDING
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Pay Period	Pay Date (1)	ADP Funding Date	Number of Days Funding Before Due Date
	(a)	(b)	(c)	(d)
1	7	4/15/2011	Thursday, April 14, 2011	1.00
2	8	4/29/2011	Thursday, April 28, 2011	1.00
3	9	5/13/2011	Thursday, May 12, 2011	1.00
4	10	5/31/2011	Friday, May 27, 2011	4.00
5	11	6/15/2011	Tuesday, June 14, 2011	1.00
6	12	6/30/2011	Wednesday, June 29, 2011	1.00
7	13	7/15/2011	Thursday, July 14, 2011	1.00
8	14	7/29/2011	Thursday, July 28, 2011	1.00
9	15	8/15/2011	Friday, August 12, 2011	3.00
10	16	8/31/2011	Tuesday, August 30, 2011	1.00
11	17	9/15/2011	Wednesday, September 14, 2011	1.00
12	18	9/30/2011	Thursday, September 29, 2011	1.00
13	19	10/14/2011	Thursday, October 13, 2011	1.00
14	20	10/31/2011	Friday, October 28, 2011	3.00
15	21	11/15/2011	Monday, November 14, 2011	1.00
16	22	11/30/2011	Tuesday, November 29, 2011	1.00
17	23	12/15/2011	Wednesday, December 14, 2011	1.00
18	24	12/30/2011	Thursday, December 29, 2011	1.00
19	1	1/13/2012	Thursday, January 12, 2012	1.00
20	2	1/31/2012	Monday, January 30, 2012	1.00
21	3	2/15/2012	Tuesday, February 14, 2012	1.00
22	4	2/29/2012	Tuesday, February 28, 2012	1.00
23	5	3/15/2012	Wednesday, March 14, 2012	1.00
24	6	3/30/2012	Thursday, March 29, 2012	1.00
25				
26				
27	Total			31.00
28				
29	Ln 27, Col (d) divided by 24 pay periods			1.29
30				
31	Source:			
32	(1) WP/II-B-9/2-2			

WIND ENERGY TRANSMISSION TEXAS, LLC
CALCULATION OF PAYROLL LEAD DAYS - VACATION ADJUSTMENT
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE
WP/II-B-9/2-1-2

Line No.	Regular %	Vac % (1)	Regular Days (2)	Vac Days	Vacation Days Adjustment
	(a)	(b)	(c)	(d)	(e)
1	92.50%	7.50%	5.42	(177.08)	(13.28)
2					
3	Sources:				
4	(1) Vacation Percentage Analysis.xlsx				
5	(2) WP/II-B-9/2				

WIND ENERGY TRANSMISSION TEXAS, LLC
ANNUAL BONUS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Beginning of Period	End of Period	Mid-Point	Payout Date *	(Lead)/Lag Days
	(a)	(b)	(c)	(d)	(e)
1	1/1/2011	12/31/2011	7/2/2011	4/6/2012	(278.50)
2					
3					

WIND ENERGY TRANSMISSION TEXAS, LLC
OTHER O&M EXPENSES LEAD/LAG DAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Invoice Number	Begin Date Midpoint of Service Period or Invoice Date	End Date - Later of Due Date or Clear Date	Amount	Total (Lead)/Lag Days	Weighted Dollar Days
	(a)	(b)	(c)	(d)	(e)	(f)
1	AA-093011	9/7/2011	10/7/2011	$ 75.76	(30.00)	$ (2,272.80)
2	131844	8/9/2011	9/8/2011	29.66	(30.00)	(889.80)
3	126986.1	5/9/2011	6/8/2011	44.30	(30.00)	(1,329.00)
4	135059	10/20/2011	11/18/2011	40.17	(29.00)	(1,164.93)
5	389583	8/4/2011	9/2/2011	84.48	(29.00)	(2,449.92)
6	130237	7/11/2011	8/10/2011	149.41	(30.00)	(4,482.30)
7	93611901-Sept.11	10/21/2011	11/7/2011	22.65	(17.00)	(385.05)
8	PR 31May2011	5/24/2011	6/2/2011	91.09	(9.00)	(819.81)
9	061311WM	5/22/2011	7/6/2011	88.35	(45.00)	(3,975.75)
10	15883082	7/8/2011	7/20/2011	109.37	(12.00)	(1,312.44)
11	WM-091911	9/10/2011	9/20/2011	124.10	(10.00)	(1,241.00)
12	135280.1	10/21/2011	11/18/2011	23.49	(28.00)	(657.72)
13	0614-11-WM	6/7/2011	7/6/2011	58.76	(29.00)	(1,704.04)
14	132421	8/19/2011	9/16/2011	109.66	(28.00)	(3,070.48)
15	126713	5/4/2011	6/3/2011	41.14	(30.00)	(1,234.20)
16	131120	7/27/2011	8/26/2011	94.64	(30.00)	(2,839.20)
17	MM 06062011	6/3/2011	6/9/2011	128.89	(6.00)	(773.34)
18	070111-WM	6/19/2011	7/18/2011	135.77	(29.00)	(3,937.33)
19	133913.1	9/22/2011	10/21/2011	120.97	(29.00)	(3,508.13)
20	93611901-Aug.11	7/28/2011	9/19/2011	23.33	(53.00)	(1,236.49)
21	128676	6/9/2011	7/8/2011	25.98	(29.00)	(753.42)
22	8152011	8/8/2011	8/17/2011	115.02	(9.00)	(1,035.18)

WIND ENERGY TRANSMISSION TEXAS, LLC
OTHER O&M EXPENSES LEAD/LAG DAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Invoice Number	Begin Date Midpoint of Service Period or Invoice Date	End Date - Later of Due Date or Clear Date	Amount	Total (Lead)/Lag Days	Weighted Dollar Days
	(a)	(b)	(c)	(d)	(e)	(f)
23	131796	8/9/2011	9/8/2011	185.06	(30.00)	(5,551.80)
24	122479	8/16/2011	8/31/2011	84.31	(15.00)	(1,264.65)
25	93611901-4	3/28/2011	5/17/2011	23.33	(50.00)	(1,166.50)
26	ADP-10312011	10/24/2011	11/16/2011	100.42	(23.00)	(2,309.66)
27	MM-092911	9/28/2011	10/11/2011	40.59	(13.00)	(527.67)
28	WM-101311	10/5/2011	10/20/2011	115.97	(15.00)	(1,739.55)
29	123456	5/28/2011	6/9/2011	522.00	(12.00)	(6,264.00)
30	40833	11/16/2011	11/1/2011	274.66	15.00	4,119.90
31	052511-DA	5/25/2011	5/27/2011	368.73	(2.00)	(737.46)
32	262037	7/6/2011	7/7/2011	220.00	(1.00)	(220.00)
33	HSA 15-SEP-2011	9/8/2011	9/15/2011	775.00	(7.00)	(5,425.00)
34	532159201-June 2011	5/17/2011	6/27/2011	1,314.89	(41.00)	(53,910.49)
35	WM-101111	10/3/2011	10/20/2011	470.96	(17.00)	(8,006.32)
36	40833	10/16/2011	10/17/2011	1,196.34	(1.00)	(1,196.34)
37	051111-WM	5/11/2011	5/16/2011	426.64	(5.00)	(2,133.20)
38	HSA-15-OCT-2011	10/8/2011	10/14/2011	775.00	(6.00)	(4,650.00)
39	081011-DA	8/9/2011	8/22/2011	397.94	(13.00)	(5,173.22)
40	CW21666	7/16/2011	8/25/2011	302.02	(40.00)	(12,080.80)
41	WM-092711	9/25/2011	10/6/2011	1,893.42	(11.00)	(20,827.62)
42	5172011	5/17/2011	5/16/2011	508.35	1.00	508.35
43	40817	10/16/2011	10/5/2011	1,719.32	11.00	18,912.52
44	744787	6/17/2011	6/10/2011	442.15	7.00	3,095.05
45	052111-M.Ahmed	5/20/2011	6/3/2011	812.33	(14.00)	(11,372.62)

WIND ENERGY TRANSMISSION TEXAS, LLC
OTHER O&M EXPENSES LEAD/LAG DAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Invoice Number	Begin Date Midpoint of Service Period or Invoice Date	End Date - Later of Due Date or Clear Date	Amount	Total (Lead)/Lag Days	Weighted Dollar Days
	(a)	(b)	(c)	(d)	(e)	(f)
46	4374103	9/4/2011	10/5/2011	1,327.47	(31.00)	(41,151.57)
47	JT 20May2011	5/20/2011	5/31/2011	768.47	(11.00)	(8,453.17)
48	1265	6/14/2011	7/18/2011	234.93	(34.00)	(7,987.62)
49	WM081111	8/10/2011	8/26/2011	601.73	(16.00)	(9,627.68)
50	082411-Quinn	8/18/2011	8/31/2011	212.84	(13.00)	(2,766.92)
51	061311-AA	6/8/2011	6/21/2011	268.07	(13.00)	(3,484.91)
52	732713	5/18/2011	5/18/2011	442.15	-	-
53	4272521	7/5/2011	7/19/2011	1,326.61	(14.00)	(18,572.54)
54	080911-H. Woessner	8/8/2011	8/24/2011	686.88	(16.00)	(10,990.08)
55	130456	7/14/2011	8/12/2011	263.47	(29.00)	(7,640.63)
56	HW-091211	9/12/2011	9/16/2011	805.27	(4.00)	(3,221.08)
57	HSA-10312011	10/24/2011	10/27/2011	775.00	(3.00)	(2,325.00)
58	11207738	9/16/2011	9/1/2011	274.66	15.00	4,119.90
59	615	4/7/2011	7/28/2011	2,000.00	(112.00)	(224,000.00)
60	MM101711	10/12/2011	10/25/2011	247.96	(13.00)	(3,223.48)
61	226804	8/17/2011	9/21/2011	2,216.96	(35.00)	(77,593.60)
62	070111-DA	6/30/2011	7/11/2011	334.56	(11.00)	(3,680.16)
63	CW21366	6/16/2011	10/12/2011	302.02	(118.00)	(35,638.36)
64	128670	6/9/2011	7/8/2011	458.18	(29.00)	(13,287.22)
65	OLM561650	7/8/2011	7/14/2011	600.00	(6.00)	(3,600.00)
66	2011-0299	8/16/2011	10/6/2011	5,174.25	(51.00)	(263,886.75)
67	34783	8/17/2011	9/26/2011	2,720.00	(40.00)	(108,800.00)
68	WM-092111	9/18/2011	10/3/2011	2,530.70	(15.00)	(37,960.50)

WIND ENERGY TRANSMISSION TEXAS, LLC
OTHER O&M EXPENSES LEAD/LAG DAYS
FOR THE TEST YEAR ENDED MARCH 31, 2012
SPONSOR: JAY JOYCE

Line No.	Invoice Number	Begin Date Midpoint of Service Period or Invoice Date	End Date - Later of Due Date or Clear Date	Amount	Total (Lead)/Lag Days	Weighted Dollar Days
	(a)	(b)	(c)	(d)	(e)	(f)
69	40770	8/16/2011	8/15/2011	2,886.05	1.00	2,886.05
70	6623269041	8/10/2011	9/20/2011	2,420.15	(41.00)	(99,226.15)
71	5447178-Nov 2011	11/16/2011	11/28/2011	2,295.47	(12.00)	(27,545.64)
72	35473	10/13/2011	10/26/2011	4,558.75	(13.00)	(59,263.75)
73	US0130456560	7/1/2011	8/23/2011	4,000.00	(53.00)	(212,000.00)
74	5447178-SEP11	9/16/2011	9/12/2011	2,724.40	4.00	10,897.60
75	080911-PB	7/31/2011	8/19/2011	3,057.29	(19.00)	(58,088.51)
76	2011-0174	4/16/2011	5/26/2011	11,126.78	(40.00)	(445,071.20)
77	09302011-401K	9/23/2011	9/27/2011	9,031.03	(4.00)	(36,124.12)
78	401K-08312011	8/24/2011	8/30/2011	8,745.61	(6.00)	(52,473.66)
79	41456326	6/3/2011	6/17/2011	12,178.13	(14.00)	(170,493.82)
80	15655981	5/24/2011	5/25/2011	7,832.02	(1.00)	(7,832.02)
81	US0130447911	6/13/2011	7/19/2011	15,000.00	(36.00)	(540,000.00)
82	114-150-CU Aug 2011	8/16/2011	8/1/2011	10,643.56	15.00	159,653.40
83	15593641	5/8/2011	5/11/2011	9,064.29	(3.00)	(27,192.87)
84	18683	9/16/2011	10/14/2011	8,665.00	(28.00)	(242,620.00)
85	PB-102711	9/19/2011	11/21/2011	114.62	(63.00)	(7,221.06)
86	MM102811	10/24/2011	11/22/2011	307.11	(29.00)	(8,906.19)
87	CW22510	10/16/2011	11/28/2011	302.02	(43.00)	(12,986.86)
88	35679	10/31/2011	11/25/2011	640.00	(25.00)	(16,000.00)
89	35680	10/26/2011	11/25/2011	448.00	(30.00)	(13,440.00)
90	35678	10/26/2011	11/25/2011	2,903.25	(30.00)	(87,097.50)
91	136305	11/1/2011	12/1/2011	70.60	(30.00)	(2,118.00)