

other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.

11. Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC, and the OAG. When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures set forth herein.
12. Delivery of the Copy of Highly Sensitive Protected Material to Staff and Outside Consultants. Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification provided in Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification attached hereto.
13. Restriction on Copying by Commission Staff, OPC, and the OAG. Except as allowed by Paragraphs 7, Commission Staff, OPC, and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the Presiding Officer directs otherwise. Limited notes may be made by Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) of Highly Sensitive Protected Materials furnished to them and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.

14. Public Information Requests. In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.
15. Required Certification. Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification set forth in the attachment to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 44550. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification set forth in the Attachment to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

A copy of each signed certification shall be provided by the reviewing party to counsel for the producing party and served upon all parties of record.

16. Disclosures Between Reviewing Representatives and Continuation of Disclosure Restrictions After a Person is no Longer Engaged in the Proceeding. Any Reviewing

Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the protected material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.

17. Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials. Except for Highly Sensitive Protected Materials which shall be provided to the Reviewing Parties pursuant to Paragraph 9, and voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.
18. Procedures Regarding Voluminous Protected Materials. Production of voluminous Protected Materials will be governed by P.U.C. PROC. R. 22.144(h). Voluminous Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m.

to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.

19. Reviewing Period Defined. The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. Procedures for Making Copies of Voluminous Protected Materials. Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical, or electronic copies of the Protected Materials, subject to the conditions hereof; provided, however, that before photographic, mechanical, or electronic copies can be made, the Reviewing Party seeking photographic, mechanical, or electronic copies must complete a written receipt for copies on the attached form identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.
21. Protected Materials to be Used Solely for the Purposes of These Proceedings. All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (1) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (2) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.
22. Procedures for Confidential Treatment of Protected Materials and Information Derived from those Materials. Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the

Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.

23. Procedures for Submission of Protected Materials. If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion, or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the Presiding Officer and served under seal to the counsel of record for the Reviewing Parties. The Presiding Officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (1) shall notify the party which provided the information within sufficient time so that the providing party may seek a temporary sealing order; and (2) shall otherwise follow the procedures set forth in Rule 76a, Texas Rules of Civil Procedure.
24. Maintenance of Protected Status of Materials During Pendency of Appeal of Order Holding Materials are not Protected Materials. In the event that the Presiding Officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless

otherwise ordered, from the date the party asserting confidentiality receives notice of the Presiding Officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a Presiding Officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.

25. Notice of Intent to Use Protected Materials or Change Materials Designation. Parties intending to use Protected Materials shall notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. 44550 at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such information or material has entered the public domain, such Reviewing Party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.
26. Procedures to Contest Disclosure or Change in Designation. In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality shall file with the appropriate Presiding Officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response shall include a statement by counsel for the party challenging such

confidentiality that he or she has reviewed all portions of the materials in dispute and without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or alternatively that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it shall do so no later than five (5) working days after the party challenging confidentiality has made its written filing.

27. Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation. If the party asserting confidentiality files an objection, the appropriate Presiding Officer will determine whether the proposed disclosure or change in designation is appropriate. Upon the request of either the producing or reviewing party or upon the presiding officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the Presiding Officer determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such Presiding Officer's ruling.
28. Maintenance of Protected Status During Periods Specified for Challenging Various Orders. Any party electing to challenge, in the courts of this state, a Commission or Presiding Officer determination allowing disclosure or a change in designation shall have a period of ten (10) days from: (1) the date of an unfavorable Commission order; or (2) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials shall be afforded the confidential treatment and status

provided for in this Protective Order during the periods for challenging the various orders referenced in this Paragraph. For purposes of this Paragraph, a favorable ruling of a state district court, state appeals court, supreme court or other appellate court includes any order extending the deadlines set forth in this Paragraph.

29. Other Grounds for Objection to Use of Protected Materials Remain Applicable. Nothing in this Protective Order shall be construed as precluding any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless and until such additional disclosure is ordered by the Commission or a court, all parties will abide by the restrictions imposed by the Protective Order.
30. Protection of Materials from Unauthorized Disclosure. All notices, applications, responses, or other correspondence shall be made in a manner which protects Protected Materials from unauthorized disclosure.
31. Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials. Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, "conclusion of these proceedings" refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the "conclusion of these proceedings" is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the

remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit, or other pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel shall remain subject to the provisions of this Protective Order.

32. Applicability of Other Law. This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act, and any other applicable law, provided that parties subject to those acts will give the party asserting confidentiality notice, if possible under those acts, prior to disclosure pursuant to those acts.
33. Procedures for Release of Information Under Order. If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (1) the Reviewing Party shall notify the party asserting confidentiality of such order at least five (5) calendar days in advance of the release of the information in order for the party asserting confidentiality to contest any release of the confidential information; (2) the Reviewing Party shall notify the producing party that there is a request for such information within five (5) calendar days of the date the Reviewing Party is notified of the request for information; and (3) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein.
34. Best Efforts Defined. The term "best efforts" as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body or written opinion of the Texas Attorney General which was sought in compliance with the Public Information Act. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the

confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order.

35. Notify Defined. Notify, for purposes of Paragraphs 33 and 34, shall mean written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. Requests for Non-Disclosure. If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Order, the producing party shall tender the information for in camera review to the presiding officers within 10 calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information. Parties wishing to respond to the producing party's argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the commission.
37. Sanctions Available for Abuse of Designation. If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to P.U.C. PROC. R. 22.161.

38. Modification of Protective Order. Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. Breach of Protective Order. In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

SIGNED AT AUSTIN, TEXAS as of the _____ day of _____, 2015.

Public Utility Commission of Texas

Donna L. Nelson, Chairman

Kenneth W. Anderson Jr., Commissioner

Brandy Marty Marquez, Commissioner

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 44550. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

Signature

Party Represented

Printed Name

Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature

Party Represented

Printed Name

Date

DOCKET NO. 44550

I request to view/copy the following documents:

Document requested	# of Copies	Non-Confidential	Confidential &/or H.S.

Signature _____

Party Represented _____

Printed Name _____

Date _____

PUC DOCKET NO. 30358
SOAH DOCKET NO. 473-05-1538

APPLICATION OF DENTON	§	PUBLIC UTILITY COMMISSION
MUNICIPAL ELECTRIC TO	§	
CHANGE RATES FOR	§	OF TEXAS
WHOLESALE TRANSMISSION	§	
SERVICE	§	

ORDER

This Order addresses Denton Municipal Electric's (DME) application to change its rates for wholesale transmission service and to revise its transmission cost of service (TCOS). DME is a municipal electric utility owned by the City of Denton. In an application filed October 25, 2004, DME sought approval from the Commission for an increase in DME's wholesale transmission service rate and a proposed TCOS of \$3,955,185, based on a test year ending September 30, 2003. DME revised its requested TCOS for the test year to \$3,953,807.¹

DME and Commission Staff (Staff) filed a Stipulation that resolved all but two issues in this case.² In the stipulation the signatories agreed that DME's reasonable and necessary TCOS for the test year should be \$3,861,573 subject to any adjustments associated with the unresolved issues and rate-case expenses.³ The unresolved issues were the appropriate amount of debt-service costs and depreciation expense to be included in DME's TCOS. In a proposal for decision (PFD) issued on April 18, 2005, the administrative law judge (ALJ) for the State Office of Administrative Hearings accepted DME's proposal and recommended approval of DME's TCOS in the amount of \$3,861,573. Except as provided in this Order, the Commission adopts the PFD, including findings of fact and conclusions of law. In addition, the Commission updates DME's rate

¹ DME Errata Schedule at 1 (Feb. 10, 2005).

² Stipulation (Mar. 23, 2005).

³ *Id.* At 3.

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case expenses as recommended by the ALJ resulting in a TCOS of \$4,021,887. Accordingly, DME's application to change its rates, as modified by this Order, is approved.

I. Discussion

A. Depreciation Expense Adjustment

Commission Staff objected to DME's inclusion of a depreciation expense in its cost of service. Staff argued that bond-principal repayment represents the same expense as depreciation when using the DME's chosen cash-flow method, as allowed under the non-investor owned utility TCOS rate filing package. Therefore, according to Staff, only one such item should be included in the transmission system's revenue requirement.

The ALJ found that under the cash-flow method, DME should be allowed to recover its capital requirements sufficient to meet its cash needs to support certain costs.⁴ The ALJ accepted DME's argument that depreciation expenses in this case were used as a surrogate for the annual payments needed to provide internally generated funds for construction and system improvements. The ALJ noted that DME did not request an amount in rates for these costs or any amount for construction funded by internally generated cash.⁵

The Commission agrees with the ALJ that this amount should be included in DME's cost of service, but does not agree that it should be treated as a depreciation expense. While DME states that under Texas Government Code § 1502.057(a), a municipality is allowed to recover both costs related to depreciation and for debt repayment, DME also acknowledges that it "includes depreciation expense in its rates in order to act as a surrogate for the annual payments necessary to provide internally

⁴ PFD at 13.

⁵ *Id.* at 14, citing DME Ex. 4, Application and Schedules at Schedule C-3.

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generated funds for construction, system improvements, repairs and replacements.”⁶ These costs, which were not considered by DME as depreciation, should have been included instead in the appropriate schedule in the RFP (C-3: Cash Flow Method). Rather than looking to the Texas Government Code for justification to include a depreciation line item in TCOS when the expense was not, by DME’s own admission, related to depreciation, DME should have assigned these expenses to the correct category under Schedule C of the Non-IOU TCOS-RFP.

Additionally, the Commission does not agree with DME’s assertion that the Commission has allowed other utilities to include both bond-principal repayment and depreciation expense in revenue requirements. In fact, DME failed to provide any citations to past Commission decisions that allowed the collection of both debt repayment and depreciation expense, instead DME relied solely on the testimony of witness Covington in its filings prior to the PFD’s issuance.⁷ Only in its reply to exceptions did DME reference a Commission decision where it claimed that both debt service and depreciation expense were allowed in the utility’s TCOS.⁸ However, the referenced case, Docket No. 25960, was a final order that approved a stipulation and settlement among the parties and was not an endorsement of the appropriateness of the components contained in the cost of service.⁹

Accordingly, the Commission deletes finding of fact 53 and adds finding of fact 53A and conclusion of Law 10A.

II. Rate-Case Expenses

The rate-case expenses recommended by the ALJ were based on the reasonable and necessary rate-case expenses as of the time of the Stipulation between the parties. Signatories agreed that DME would be allowed to submit actual cost figures following

⁶ DME Reply Brief at 18 (Mar. 23, 2005).

⁷ Rebuttal Testimony of Richard J. Covington at 27 (Feb. 18, 2005).

⁸ DME Reply to Exceptions at 12-13, Docket No. 30358 (May 11, 2005).

⁹ *Application of Brazos Electric Power Cooperative, Inc. to Change Rates for Wholesale Transmission Service*, Docket No. 25960, Order (Oct. 24, 2002).

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the hearing on the merits and again following the filing of replies to exceptions. On April 15, 2005 and May 13, 2005, DME provided its actual invoices that resulted in an increase of \$160,314 to the estimated amount of \$142,694 contained in the PFD for a total of \$303,008. The Commission agrees that this amount is appropriate and therefore modifies finding of fact 57 and conclusion of law 12 to reflect the updated figures. Additionally, as a result of the inclusion of an additional \$160,314 for rate case expenses, finding of fact 57A has been added to reflect DME's approved TCOS of \$4,021,887 and conclusion of law 12 has been adjusted to \$.07340771 per kW.

III. Findings of Fact

1. On October 25, 2004, Denton Municipal Electric (DME), a municipal electric utility owned by the City of Denton (the City), filed an application with the Public Utility Commission of Texas (PUC or Commission) to change its rates for wholesale transmission service and to revise its transmission cost of service (TCOS).
2. DME is a transmission service provider that owns and operates 15.5 miles of transmission lines within the Electric Reliability Council of Texas (ERCOT) system.
3. DME previously made a TCOS filing that was approved by the Commission in *Application of Denton Municipal Electric to Change Rates for Wholesale Electric Service*, Docket No. 26672 (Mar. 24, 2003).
4. In this application, DME requests that the Commission approve the reasonableness of DME's wholesale transmission service rate and its proposed TCOS of \$3,861,573.
5. For its application, DME used the Non-Investor Owned Utility (IOU) TCOS Rate Filing Package (RFP).
6. The Commission referred this case to the State Office of Administrative Hearings (SOAH) on October 27, 2004, requesting the assignment of an ALJ to conduct a hearing and issue a proposal for decision.
7. On February 10, 2005, DME filed an errata in support of its Statement of Intent.

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8. On March 23, 2005, DME and Staff filed a stipulation, resolving all but two issues in this case. The two unresolved issues are the appropriate amount of debt-service costs to be included in DME's TCOS and the depreciation expense.
9. The hearing on the merits convened on February 23, 2005.
10. The record closed in this proceeding on April 15, 2005, after the parties filed reply briefs and responded to the ALJ's clarifying questions.
11. DME extended its effective date from November 29, 2004, to December 28, 2004. With the 150-day suspension set out in Order No. 2, the jurisdictional deadline is May 27, 2005.
12. DME provided notice by direct mail on October 25, 2004, to all parties in *Commission Staff's Application to Set 2004 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 28937 (July 6, 2004).
13. No motions to intervene were filed in this docket.
14. DME's debt service costs consist of principal and interest payments for revenue bonds to fund the transmission capital projects.
15. DME proposes use of the cash flow method (a direct assignment methodology) to determine its annual transmission revenue requirement (or TCOS), and Staff proposes an asset-based allocation methodology.
16. The City directly assigns debt-service payments to each of the utilities based on the utility's use of the debt proceeds.
17. Under the cash-flow method, sufficient capital requirements are necessary to support DME's debt service, including principal and interest, for long-term debt and short-term debt.
18. DME's cash flow method results in DME's transmission function being allocated \$2,387,097 in debt-service payments.
19. Approval of Staff's asset-based methodology could have an impact on other municipal electric utilities.

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20. Under Staff's proposal, DME would only pay 3% of the City's total debt service or \$863,126. Staff's proposal would disallow \$1,452,396 or 61% of DME's transmission-service obligation.
21. DME was involved with several transmission capital projects during the test year for this case.
22. The investment in transmission facilities was reasonable and necessary to meet DME's service obligation to its customers.
23. Debt service is a significant part of DME's cost of service in this case because DME has recently undertaken a large capital project campaign to improve the transmission loop in its service territory and to alleviate the transmission congestion in the north Texas region.
24. DME has been required to respond to considerable sustained growth in its service area.
25. For the test year ending September 30, 2003, DME completed and energized seven transmission projects.
26. The transmission projects completed by DME during the test year were reasonable and necessary to alleviate the congestion in DME's territory.
27. DME financed the transmission projects using revenue bonds issued in 2001, 2002, and 2003. All of the Series 2002B bond series proceeds were used to fund transmission-related projects, and 42% of the Series 2003 bond series proceeds were used to finance transmission projects.
28. Given the bond proceeds necessary to fund transmission projects, the capital requirements allocated to transmission have increased significantly since DME's last TCOS case.
29. Operation and Maintenance expenses have increased due to the additional transmission facilities in service.

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30. The cash-flow method is typically used because public utilities rely on revenue bond financing for more favorable interest rates as opposed to longer term mortgage or asset-based financing.
31. Public utilities do not want to pledge public assets as collateral because lenders usually have little interest in potential ownership of public assets.
32. When using revenue-bond financing, revenues rather than assets are pledged as security.
33. The City's revenue bond financing typically uses 20 year terms, paying off the bonds in twenty years, and this debt-repayment period does not match the annual depreciation expense of the utilities' assets.
34. The utilities' assets typically have depreciable lives of 30 to 50 years (electric assets have an average depreciable life of approximately 30 years).
35. The City's ordinance authorizing the issuance of revenue bonds states that the revenue bonds do not create a lien or mortgage on the City's utility system (its assets); therefore, the capital assets of DME are not pledged as security for payment of the revenue bonds.
36. There is no link between revenues pledged as part of a bond issuance and the City's assets.
37. Municipal bond holders have no lien on the assets and, if the City defaults on its loans, the bond holders would have no claim to the assets; the bond holders would only have a lien on the net revenues of the utilities.
38. DME does not issue debt, but relies on the City to issue debt for all City-owned utilities.
39. The City issues combined utility revenue bonds because it is more cost effective for the City to access capital markets (avoid costs for multiple bond issuances).
40. By pledging revenues from all City utilities, the City obtains a lower cost of debt.

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41. Although projects for several utilities may be included in a single bond issuance, the City separately identifies the costs of each project and allocates the specific debt service to the particular utility financing the project.
42. Each utility of the City is responsible for its own debt service based on the amount of debt issued for that utility and those amounts are included in the rates charged by that utility.
43. Direct assignment of debt-service payments prevents cost-shifting subsidies between the City's utility customers.
44. Direct assignment of debt-service obligations to each utility function is consistent with revenue bond financing, fund accounting, and generally accepted accounting principals (GAAP).
45. To comply with GAAP, the City directly assigns debt service as identified by the City's financial advisor, First Southwest.
46. GAAP requires changes in liabilities (e.g., debt service payments on bonds) of the Electric System Fund be segregated from the other utilities' changes in liabilities.
47. In accordance with GAAP's directives, the City separates the debt-service obligations of each of its utilities.
48. The cash-flow method is recognized in the Non-IOU TCOS RFP instructions as an acceptable method to determine transmission revenue requirement.
49. DME followed the Non-IOU TCOS RFP instructions when it functionalized its debt service.
50. The Non-IOU TCOS RFP also allows the Commission to consider reasonable cash needs for various categories of costs. These costs include annual payments to provide internally generated funds for construction, system improvements, repairs, and replacements.
51. DME has not requested an amount in rates specifically for annual payments to provide internally generated funds for construction, system improvements, repairs, and replacements.

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- 52. DME included a depreciation expense in its rates to act as a surrogate for the annual payments necessary to provide internally generated funds for construction, system improvements, repairs, and replacements.
- 53. Deleted.
- 53A. Under the cash-flow method in the Non-IOU TCOS RFP, amounts in rates specifically for annual payments to provide internally generated funds for construction, system improvements, repairs, and replacements should be included under Schedule C-3 and not classified as depreciation.
- 54. DME and Staff reached a stipulation on all issues in this proceeding except for the two issues discussed in this proposal for decision.
- 55. The negotiations resulted in an agreement that no adjustments would be made to DME's stipulated TCOS of \$3,861,573, except for any adjustments involving the two unresolved issues and the inclusion of the rate-case expenses associated with this docket.
- 56. The \$3,861,573 TCOS amount represents a reduction of \$92,234 to DME's requested TCOS as updated in its February 10, 2005 errata.
- 57. The rate-case expenses included in DME's TCOS for rate-case expenses is \$303,008 and is reasonable.
- 57A. With the inclusion of rate case expenses, DME's TCOS is \$4,021,887.

IV. Conclusions of Law

- 1. The Commission has jurisdiction over this application pursuant to Sections 14.001 and 35.004 of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-64.158 (Vernon 1998 & Supp. 2004-2005) (PURA) and P.U.C. SUBST. R. 25.191-.203.
- 2. SOAH has jurisdiction over matters relating to the conduct of the hearing in this proceeding pursuant to TEX. GOV'T CODE ANN. § 2003.049.
- 3. DME is a transmission service provider under P.U.C. SUBST. R. 25.5(143).

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4. DME provided notice of its application in compliance with P.U.C. PROC. R. 22.55.
5. DME's application was processed in accordance with the requirements of PURA and the Texas Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001-2001.902 (Vernon 2000 & Supp. 2005).
6. P.U.C. SUBST. R. 25.192(c)(2) permits municipal utilities such as DME to determine their TCOS by employing the cash-flow method.
7. The Non-IOU TCOS RFP instructions permit municipal utilities such as DME to determine their TCOS by employing the cash-flow method.
8. Section 35.004(c) of PURA requires the Commission to ensure that a utility recovers its reasonable costs in providing wholesale transmission services and that the costs are borne by the entities that receive the service.
9. Under TEX. GOV'T CODE ANN. § 1502.057, Charges for Services, a municipality shall impose and collect charges for services provided by a utility system in amounts at least sufficient to pay: (1) all operating, maintenance, depreciation, replacement, improvement, and interest charges, (2) for an interest and sinking fund sufficient to pay any public securities issued, and (3) any outstanding debt against the system.
10. TEX. GOV'T CODE ANN. § 1502.057(a) permits depreciation expense and debt service obligations to be recovered separately.
- 10A DME's designated depreciation expenses are annual payments to provide internally generated funds for construction, system improvements, and repair and replacement and therefore are not depreciation expenses as allowed under TEX. GOV'T CODE ANN. § 1502.057(a).
11. DME's wholesale transmission cost of service is reasonable and necessary.
12. DME's wholesale transmission rate of \$.07340771 per kW is just and reasonable and properly calculated pursuant to P.U.C. SUBST. R. 25.192.

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V. Ordering Paragraphs

In accordance with the findings of fact and conclusions of law, the Commission issues the following Order:

1. Consistent with the Stipulation and the Findings of Fact and Conclusions of Law, DME's application to establish a TCOS is approved. The new TCOS rates are effective upon the date this Order is signed.
2. DME shall file a separate compliance tariff in Tariff Control No. 31180, *Docket No. 30358 Compliance Tariff Pursuant to Final Order in Docket No. 30358 (Application of Denton Municipal Electric to Change Rates for Wholesale Transmission Service)* based on the cost of service approved in this case. DME shall file its tariff sheets consistent with this Order no later than 20 days after receipt of this Order.
3. The entry of this Order consistent with the Stipulation does not include the Commission's endorsement of any principle or method that may underlie the Stipulation. Neither should entry of this Order be regarded as precedent as to the appropriateness of any principle or methodology underlying the Stipulation.
4. All other motions and other requests for general or specific relief, if not expressly granted herein, are denied.

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SIGNED AT AUSTIN, TEXAS the 15th day of June, 2005

PUBLIC UTILITY COMMISSION OF TEXAS



JULIE PARSLEY, COMMISSIONER



BARRY T. SMITHERMAN, COMMISSIONER

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Docket No. 30358
Compliance TCOS

Schedule A: Transmission Cost of Service

Transmission Cost of Service Denton Municipal Electric Period Ending September 30, 2003				
Description	Production Function	Transmission Function	Distribution Function	Total
Eligible Fuel & Purchased Power	\$84,274,825	\$0	\$0	\$84,274,825
Non-Eligible Fuel & Purchased Power	0	0	0	0
Operation & Maintenance	82,869	1,041,900	11,384,101	12,508,871
Depreciation and Amortization	0	207,526	3,608,373	3,815,899
Decommissioning Expense	0	0	0	0
Taxes Other Than Income Taxes	0	0	0	0
Federal Income Taxes	0	0	0	0
Total Operating Cost	84,357,694	1,249,427	14,992,474	100,599,595
Capital Requirements	255,159	2,939,476	11,579,488	14,774,123
Total Revenue Requirement	\$84,612,853	\$4,188,902	\$26,571,962	\$115,373,718
Less: Other Revenues	0	167,015	3,626,167	3,793,182
Unbundled Cost of Service	\$84,612,853	\$4,021,887	\$22,945,795	\$111,580,536
ERCOT 4-CP MW	-	54,788	-	-
WHOLESALE TRANSMISSION RATE \$/MW		\$73.4077181		

Schedule B: Transmission Rate Base

Denton Municipal Electric Period Ending September 30, 2003				
Description	Production Function	Transmission Function	Distribution Function	Total
Net Plant in Service	\$0	\$5,218,881	\$54,785,340	\$60,004,221
Other Rate Base Items				
Plant Held for Future Use	0	0	0	0
Accumulated Provisions	0	0	0	0
Materials & Supplies	0	130,309	3,328,163	3,458,472
Completed Construction Not Classified	0	5,000,975	4,670,117	9,671,093
Cash Working Capital	10,359	130,238	1,423,013	1,563,609
Prepayments	0	0	0	0
ADIT & FAS 109 Accounts	0	0	0	0
Subtotal	10,359	5,261,522	9,421,293	14,693,174
Total Rate Base	\$10,359	\$10,480,403	\$64,206,633	\$74,697,395
Capital Requirements	\$255,159	\$2,939,476	\$11,579,488	\$14,774,123

Transmission Capital Requirements
Transmission Rate Base
Rate of Return

\$2,939,476
\$10,480,403
28.05%

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - PAYROLL ASSIGNMENT
Reporting period: Fiscal Year Ended Sept. 30, 2014

Account No.	Description	Functionalization Factor (1)	Total Company (2)	Pro-forma Adjustments (3)	Adjusted Total (4)	Power Supply (5)	Transmission (6)	Distribution (7)	Total (8)	Power Supply (9)	Transmission (10)	Distribution (11)
Power Production Labor												
Steam Power Generation												
Operation												
A500	Operation Super. & Eng.	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A501	Eligible Fuel	ENERGY	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A501	Non Eligible Fuel	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A502	Steam Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A503	Lake & Pumping Equipment	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A505	Electric Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A506	Misc. Steam power Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A507	Rents	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Maintenance												
A510	Maint. Super. & Eng.	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A511	Maint. of Structures	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A512	Maint. of Boiler Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A513	Maint. of Electric Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A514	Maint. of Misc. Steam Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A515	Electricity Used by Gas Dept.	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Nuclear Power Generation												
Operation												
A517	Operation Supervision	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A518	Nuclear Fuel-Direct	ENERGY	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A519	Coolants and Water	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A520	Steam Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A523	Electric expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A524	Misc. Nuclear Power Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A525	Rents-Allocable	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Maintenance												
A528	Maint. Supervision	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A529	Maint. of Structures	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A530	Maint. of Reactor Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A531	Maint. of Electric Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A532	Maint. of Misc. Nuclear Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - PAYROLL ASSIGNMENT
Reporting period: Fiscal Year Ended Sept. 30, 2014

Account No.	Description	Functionalization Factor (1)	Total Company (2)	Pro-forma Adjustments (3)	Adjusted Total (4)	Power Supply (5)	Transmission (6)	Distribution (7)	Total (8)	Power Supply (9)	Transmission (10)	Distribution (11)
Hydraulic Generation												
A535	Operation											
A536	Operation Supervision	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A537	Water for Power	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A538	Hydraulic Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A539	Electric Expenses	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A540	Misc Hydraulic Gen. Exp	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Rents	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A541	Maintenance											
A542	Maint. Supervision	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A543	Maint. of Structures	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A544	Maint. of Reservoirs, Dams, & Waterways	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A545	Maint. of Electric Plant	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Maint. of Misc. Hydraulic Gen. Exp.	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Power Generation												
A546	Operation											
A547	Operation Super. & Engin.	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A549	Fuel	ENERGY	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A550	Misc. Other Power Generation	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Rents	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A551	Maintenance											
A552	Maintenance Super. & Engin.	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A553	Maintenance of Structures	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A554	Maint. Gener. & Elect. Plt	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Maint. Misc. Other power	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other Power Supply												
A555	Purchased Power Demand	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Purchased Power Direct	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Net Trans. Expense-Recon. Fuel	ENERGY	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Off System Sales Credit	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A556	Subtotal		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A557	System Control & Load Dispatch	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Other	GEN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal(Other Power Supply)		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Total Power Production Labor		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - PAYROLL ASSIGNMENT
Reporting period: Fiscal Year Ended Sept 30, 2014

Account No	Description	Functionalization Factor (1)	Total Company (2)	Pro-forma Adjustments (3)	Adjusted Total (4)	Power Supply (5)	Transmission (6)	Distribution (7)	Total (8)	Power Supply (9)	Transmission (10)	Distribution (11)
Transmission Labor												
Operation												
A560	Operation Super. & Engin.	TRAN	\$268,630	\$0	\$268,630	\$0	\$268,630	\$0	100.00%	0.00%	100.00%	0.00%
A561	Load Dispatching	TRAN	8,222	0	8,222	0	8,222	0	100.00%	0.00%	100.00%	0.00%
A562	Station Equipment	TRAN	687	0	687	0	687	0	100.00%	0.00%	100.00%	0.00%
A563	Overhead Line Expense	TRAN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A564	Underground Line Expense	TRAN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A565	Transmission of Electricity to Others	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A566	Misc. Transmission Expense	TRAN	338	0	338	0	338	0	100.00%	0.00%	100.00%	0.00%
A567	Rents	TRAN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		\$277,877	\$0	\$277,877	\$0	\$277,877	\$0	100.00%	0.00%	100.00%	0.00%
Maintenance												
A568	Maintenance Super. & Engin.	TRAN	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
A569	Maint. of Structures	TRAN	3,873	0	3,873	0	3,873	0	100.00%	0.00%	100.00%	0.00%
A570	Maint. of Station Equipment	TRAN	158,037	0	158,037	0	158,037	0	100.00%	0.00%	100.00%	0.00%
A571	Maint. of Overhead Lines	TRAN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A572	Maint. of Underground Lines	TRAN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A573	Maint. of Misc. Trans. Plant	TRAN	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		161,910	0	161,910	0	161,910	0	100.00%	0.00%	100.00%	0.00%
Regional Transmission Market Labor												
A575	Regional Market Ops Exp	TRAN	\$621,629	\$0	\$621,629	\$0	\$621,629	\$0	100.00%	0.00%	100.00%	0.00%
	Total Transmission Labor		\$1,061,416	\$0	\$1,061,416	\$0	\$1,061,416	\$0	100.00%	0.00%	100.00%	0.00%
Distribution												
Operation												
A580	Operation Super. & Engin.	DIST	\$681,561	\$0	\$681,561	\$0	\$681,561	\$0	100.00%	0.00%	100.00%	0.00%
A581	Load Dispatching	DIST	360,414	0	360,414	0	360,414	0	100.00%	0.00%	100.00%	0.00%
A582	Station Expense	DIST	546	0	546	0	546	0	100.00%	0.00%	100.00%	0.00%
A583	Overhead Line Expense	DIST	142,585	0	142,585	0	142,585	0	100.00%	0.00%	100.00%	0.00%
A584	Underground Line Expense	DIST	22,576	0	22,576	0	22,576	0	100.00%	0.00%	100.00%	0.00%
A585	Street Light & Signal Systems	DIST	44,232	0	44,232	0	44,232	0	100.00%	0.00%	100.00%	0.00%
A586	Meter Expenses	DIST	778,853	0	778,853	0	778,853	0	100.00%	0.00%	100.00%	0.00%
A587	Customer Installation Expense	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A588	Misc. Distribution Expenses	DIST	2,430,303	0	2,430,303	0	2,430,303	0	100.00%	0.00%	100.00%	0.00%
A589	Rents	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		\$4,461,070	\$0	\$4,461,070	\$0	\$4,461,070	\$0	100.00%	0.00%	100.00%	0.00%
Maintenance												
A590	Maintenance Super. & Engin.	DIST	\$3,272	\$0	\$3,272	\$0	\$3,272	\$0	100.00%	0.00%	100.00%	0.00%
A591	Maint. of Structures	DIST	1,892	0	1,892	0	1,892	0	100.00%	0.00%	100.00%	0.00%
A592	Maint. of Station Equipment	DIST	165,832	0	165,832	0	165,832	0	100.00%	0.00%	100.00%	0.00%
A593	Maint. of Overhead Lines	DIST	127,591	0	127,591	0	127,591	0	100.00%	0.00%	100.00%	0.00%
A594	Maint. of Underground Lines	DIST	107,375	0	107,375	0	107,375	0	100.00%	0.00%	100.00%	0.00%
A595	Maint. of Line Transformers	DIST	4,792	0	4,792	0	4,792	0	100.00%	0.00%	100.00%	0.00%
A596	Maint. of Street Lights	DIST	27,599	0	27,599	0	27,599	0	100.00%	0.00%	100.00%	0.00%
A597	Maint. of Meters	DIST	1,725	0	1,725	0	1,725	0	100.00%	0.00%	100.00%	0.00%
A598	Maint. of Misc. Dist. Plant	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		\$440,078	\$0	\$440,078	\$0	\$440,078	\$0	100.00%	0.00%	100.00%	0.00%
	Total Distribution Labor		\$4,901,148	\$0	\$4,901,148	\$0	\$4,901,148	\$0	100.00%	0.00%	100.00%	0.00%
	Total Prod., Trans., & Dist. Labor		\$5,962,564	\$0	\$5,962,564	\$0	\$1,061,416	\$4,901,148	100.00%	0.00%	17.80%	82.20%

Company Name Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - PAYROLL ASSIGNMENT
Reporting period Fiscal Year Ended Sept. 30, 2014

Account No.	Description	Functionalization Factor (1)	Total Company (2)	Pro-forma Adjustments (3)	Adjusted Total (4)	Power Supply (5)	Transmission (6)	Distribution (7)	Total (8)	Power Supply (9)	Transmission (10)	Distribution (11)
Customer and Information Labor												
<u>Customer Accounts Labor</u>												
A901	Supervision	DIST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
A902	Meter Reading Expense	DIST	193,805	0	193,805	0	0	193,805	100.00%	0.00%	0.00%	100.00%
A903	Customer Records & Collect.	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A904	Uncollectible Accounts	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A905	Misc. Customer Account Exp.	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		\$193,805	\$0	\$193,805	\$0	\$0	\$193,805	100.00%	0.00%	0.00%	100.00%
<u>Cust. Service & Information Labor</u>												
A906	Customer Svc. & Infor	DIST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
A907	Supervision	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A908	Customer Assistance	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A909	Inform. & Instruct. Adv. Exp	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A910	Misc. Cust. Service & Inform.	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
<u>Sales Labor</u>												
A911	Supervision	DIST	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
A912	Demonstrating & Selling Exp.	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A913	Advertising Exp.	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A916	Misc. Sales Exp.	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A917	Sales Expense	DIST	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal		\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
	Total Cust. Serv., Inform. & Sales Labor		\$193,805	\$0	\$193,805	\$0	\$0	\$193,805	100.00%	0.00%	0.00%	100.00%
Administrative & General Labor												
A920	Admin. & General Salaries	PAYXAG	\$898,065	\$0	\$898,065	\$0	\$154,835	\$743,230	100.00%	0.00%	17.24%	82.76%
A921	Office Supplies	PAYXAG	674	0	674	0	168	806	100.00%	0.00%	17.24%	82.76%
A922	Admin. Exp. Transferred	PAYXAG	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A923	Outside Services	TOMXFP	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A924	Property Insurance Exp		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Property Ins.-Prod. Plant	PRODPLT	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Property Ins.-Transmission Plant	TRANPLT	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Property Ins.-Distribution	DISTPLT	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Property Ins.-Common	PLTSVC-N	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Property Ins.-Other	PLTSVC-N	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Subtotal (A924)		\$0	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	0.00%
A925	Injuries & Damages	PAYXAG	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A926	Pensions & Benefits	PAYXAG	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A927	Franchise Requirements	PAYXAG	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A928	Regulatory Commission	DISTPLT	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A929	Duplicate Charges	DA928	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A930	Misc. General Expense	DISTPLT	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A931	Rents	DA930	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
A932	Maint. of General Plant	PAYXAG	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	GNLPLT-N		0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
	Total Admin. & General Labor		\$898,039	\$0	\$898,039	\$0	\$155,003	\$744,036	100.00%	0.00%	17.24%	82.76%
	Total Labor		\$7,055,408	\$0	\$7,055,408	\$0	\$1,218,419	\$5,838,989	100.00%	0.00%	17.24%	82.76%
	Labor excluding A&G (PAYXAG Allocation Factor)		\$5,156,369	\$0	\$5,156,369	\$0	\$1,061,416	\$5,094,953	100.00%	0.00%	17.24%	82.76%

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - Net Plant in Service less General Plant
Reporting period: Fiscal Year Ended Sept. 30, 2014

PLTXGNL-N	
Total Transmission Plant in Service	\$51,394,324
Less: Total Trans. Accum. Depreciation	<u>12,709,204</u>
Net Transmission Plant In Service	<u>\$38,685,120</u>
Total Plant in Service	\$259,770,387
Less: General Plant In Service	<u>20,136,403</u>
Total EPIS less General Plant	<u>\$239,633,984</u>
Total Accumulated Depreciation	\$105,629,863
Less: General Plant Accum. Depreciation	<u>13,735,228</u>
Total Accum Depr. Less General Plant	<u>\$91,894,635</u>
Net Plant in Service excluding General Plant	<u>\$147,739,349</u>
Net Plant in Service less General Plant Ratio	<u>26.18%</u>

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - Net Plant in Service
Reporting period: Fiscal Year Ended Sept. 30, 2014

Transmission EPIS	\$51,394,324
Transmission Accum. Depreciation	<u>12,709,204</u>
Net Trans. EPIS	\$38,685,120
Total Net Plant In Service	<u>154,140,524</u>
Net Trans. Plant to Total Net Plant	<u><u>25.10%</u></u>

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014 - Total O&M less Fuel and Purchased Power
Reporting period: Fiscal Year Ended Sept. 30, 2014

Total O & M	\$117,793,597
Less: Total Purch Power	<u>99,511,453</u>
Total O&M less Purchased Power Exp.	<u>\$18,282,144</u>
 Total Transmission Related O&M	 <u>\$786,202</u>
Transmission O&M Ratio to Total O&M	<u><u>4.30%</u></u>

Company Name: Denton Municipal Electric
Fiscal Year Ending September 30, 2014
Reporting period: Fiscal Year Ended Sept. 30, 2014

Interest Income and Other Revenue Allocation Derivation

Interest Income to be Allocated	Allocation Method		25%	Production	Transmission	Distribution
	Revenue	Bond Functionalization				
Interest Income Direct Assignment	671,293	Direct		0	0	0
Total Interest Income Account 419 per CAFR	671,293			0	0	671,293

Rate Stabilization as a
Percentage of Non-Bond
Funded Reserves

Analysis of Retained Earnings	CAFR Balance	Non-Bond Funded
	(14,190,900)	
Retained Earnings	0	0
Reserve for Bond Retirement	(65,383,528)	(65,383,528)
Reserve for Rate Stabilization	0	0
Reserve for Capital Construction	0	0
Other	0	0
Unreserved	0	0
Total Retained Earnings	(79,574,428)	(65,383,528)

*Reference Docket No. 30358 WP/E-5/2

Transmission Cost of Service
Denton Municipal Electric
Reporting period: Fiscal Year Ended Sept. 30, 2014

Other Revenues Functionalization

Description	FERC Account	Revenue	Allocation	Productior Transmission Distribution
Electric Service - AIC	4150	600,111	100% Distribution	0 600,111
Electric Service - Other damage	4150	34,208	100% Distribution	0 34,208
Electric Service - Relocations	4150	9,531	100% Distribution	0 9,531
Int Chg Prior Past Due Balance	4510	932,538	100% Distribution	0 932,538
Sale - Scrap	4170	69,905	100% Distribution	0 69,905
Radio Maint Fees	4170	551,808	100% Distribution	0 551,808
Internal Radio Install	4170	13,306	100% Distribution	0 13,306
NSF Check Fees	4510	34,209	100% Distribution	0 34,209
Total Distribution		\$2,245,616		\$0 \$0 \$2,245,616

To Be Functionalized Using Net Plant In Service PLTSVC-N:

External Radio Install	4170	1,303	PLTSVC-N	0 327 976
External Vehicle Lighting	4170	0	PLTSVC-N	0 0 0
External Fiber Optic Revenue	4560	67,518	PLTSVC-N	0 16,945 50,573
Revenue from Nonutility Operations	4170	58,850	PLTSVC-N	0 14,770 44,080
Other	4560	80	PLTSVC-N	0 20 60
Misc. Income - Assist Others - Storm	4150	40,247	PLTSVC-N	0 10,101 30,146
Recovery of Previous Year Expenses		6,066	PLTSVC-N	0 1,522 4,544
Subtotal	9030/9040	\$174,064		\$0 \$42,163 \$125,835

*Reference Docket No. 30358 WP/E-5/1

Transmission Cost of Service
Denton Municipal Electric
Reporting period: Fiscal Year Ended Sept. 30, 2014

Other Fees Functionalization

Description	FERC Account	Revenue	Allocation	Production	Transmission Distribution
Dusk to Dawn Rentals	4560	941	100% Distribution	0	941
Unmetered Security Cameras	4560	23	100% Distribution	0	23
Transmission for Others	4560	4,408,419	100% Distribution	0	4,408,419
Load Congestion Revenue	4560	419,995	100% Distribution	0	419,995
Other Electric Charges	4560	287,724	100% Distribution	0	287,724
Saw Pole Permit	4560	8,505	100% Distribution	0	8,505
External Fiber Optics	4560	67,518	100% Distribution	0	67,518
FICA/Medicare	4560	15	100% Distribution	0	15
Misc. Income	4560	80	100% Distribution	0	80
Internal Service Transfers	4170	1,234,009	100% Distribution	0	1,234,009
Total Distribution		\$ 6,427,229		\$ -	\$ 6,427,229

To Be Functionalized Using Net Plant In Service PLTSVC-N:

Other	Various	831,453	PLTSVC-N	0	208,672	622,781
Subtotal		831,453		\$0	\$208,672	\$622,781
Total Other Fees		7,258,682		\$0	\$208,672	\$7,050,010

**DENTON MUNICIPAL ELECTRIC
BOND FUND FUNCTIONALIZATION**
Reporting period: Fiscal Year Ended Sept. 30, 2014

Fund #	Fund Description	Trans	Dist	Gen	Total
483	1998 ELECTRIC REV BONDS (653)	4%	96%	0%	100%
484	2000A ELECTRIC REV BONDS (654)	31%	64%	5%	100%
485	2000B ELECTRIC REV BONDS (655)	3%	97%	0%	100%
486	2001 ELECTRIC REV BONDS (656)	14%	79%	7%	100%
487	2002B ELECTRIC REV BONDS	2%	88%	10%	100%
488	2002A ELEC TAXABLE REV BONDS	90%	9%	1%	100%
489	2003 ELECTRIC REV BONDS	19%	75%	5%	100%
492	2003 ELEC REV BONDS (FROM WW)	23%	74%	3%	100%
493	2006 ELECTRIC REVENUE BONDS	8%	86%	6%	100%
494	2007 ELECTRIC REVENUE FUNDS	6%	87%	7%	100%
495	2008 ELECTRIC REVENUE BONDS	46%	47%	7%	100%
496	00496 2010 ELECTRIC CERT OF OBLIG	17%	81%	2%	100%
498	2011 ELECTRIC CERT OF OBLIG	22%	77%	1%	100%
499	2012 ELECTRIC CERT OF OBLIG	27%	69%	4%	100%
500	COMBINED ELECTRIC CERT OF OBLIG	61%	38%	1%	100%
		25%	71%	4%	100.00%

Transmission Cost of Service
Denton Municipal Electric
Period Ending September 30, 2014
Other Fees Functionalization

Description	FERC Account	COD Acct	Revenue	Allocation	Production	Transmission	Distribution
Electric Service - AIC	4150	5075.0024	600,111	100% Distribution	0	0	600,111
Electric Service - Other damage	4150	5075.0022	34,208	100% Distribution	0	0	34,208
Electric Service - Relocations	4150	5075.0023	9,532	100% Distribution	0	0	9,532
Int Chg Prior Past Due Balance	4150	5078	932,538	100% Distribution	0	0	932,538
Sale - Scrap	4170	8158	69,905	100% Distribution	0	0	69,905
Radio Maint Fees	4170	5082	551,808	100% Distribution	0	0	551,808
Internal Radio Install	4170	5084	13,306	100% Distribution	0	0	13,306
NSF Check Fees	4510	8157	34,209	100% Distribution	0	0	34,209
Total Distribution			2,245,617		\$0	\$0	\$2,245,617
<u>To Be Functionalized Using Net Plant In Service PLTSVC-N:</u>							
External Ratio Install	4170	5086	1,303	PLTSVC-N	0	316	987
External Vehicle Lighting	4170	5072	-	PLTSVC-N	0	0	0
External Fiber Optic Revenue	4560	5071	67,518	PLTSVC-N	0	16,372	51,146
Revenue from Nonutility Operations	4170	8153	58,850	PLTSVC-N	0	14,270	44,580
Other	4560	8151	80	PLTSVC-N	0	19	61
Misc. Income - Assist Others - Storm	4150	5075.0025	40,247	PLTSVC-N	0	9,759	30,488
Recovery of Previous Year Expenses		5908	6,066				
Subtotal	9030/9040		174,064		\$0	\$40,737	\$127,261
Utility Fees Per CAFR (Page 26)			2,419,681		\$0	\$40,737	\$2,372,878

Signature Page

I certify that I am the responsible official of Denton Municipal Electric;
that I have examined the foregoing report; that to the best of my knowledge, information, and belief, all
statements of fact contained in the said report are true and the said report is a correct statement of the
business and affairs of the above-named respondent in respect to each and every matter set forth therein
during the period from October 1, 2013 to September 30, 2014, inclusive.

5/29/2015
Date

Phil Williams
Signature

General Manager
Title

Address:
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Alternative contact regarding this report:

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