DISCLAIMER
This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the Clerk of the Commission, Document Control Center.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 21, 1998

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

CASE NO. PUA980020

Ex Parte: In the matter of adopting rules governing the filing of applications for approval pursuant to Chapter 4 of Title 56 of the Code of Virginia

ORDER PRESCRIBING NOTICE AND INVITING COMMENTS

In order to carry out the provisions of Chapter 4 of Title 56 of the Code of Virginia ("Affiliates Act"), the Commission, pursuant to §§ 12.1-28 and 56-87 of the Code of Virginia ("Code"), is considering adopting Rules Governing Applications Filed Pursuant to Chapter 4 of Title 56 of the Code of Virginia ("Rules"). The draft Rules are attached hereto as Attachment A.

The Commission, pursuant to its statutory authority under § 12.1-28 of the Code, will require that notice be given of the proposed rulemaking and that interested persons with objections be provided with an opportunity to present evidence and be heard. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUA980020.

(2) On or before August 20, 1998, the Division of Public Utility Accounting shall complete publication of the following notice to be published as a classified advertisement in major newspapers of general circulation throughout the Commonwealth:

NOTICE OF PROPOSED RULES GOVERNING
AFFILIATES ACT APPLICATIONS
CASE NO. PUA980020

The State Corporation Commission is considering adopting rules governing applications filed pursuant to Chapter 4 of Title 56 of the Code of Virginia("Affiliates Act"). The proposed rules are attached to the Commission Order Prescribing Notice and Inviting Comments in the above referenced proceeding.

The Commission's Order together with the proposed rules may be reviewed by the public at the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, Monday through Friday, 8:15 a.m. to 5:00 p.m. Copies may be requested by writing the Division of Public Utility Accounting at P.O. Box 1197, Richmond, Virginia 23218, or by calling (804) 371-9950.

Interested persons shall submit an original and five (5) copies of written comments or any requests for hearing concerning the proposed procedural rules on or before September 21, 1998. All comments and requests shall be filed with William J. Bridge, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. PUA980020. Interested persons may contact the Division of Public Utility Accounting at (804) 371-9950 to obtain more information about the proposed procedural rules.

> If no requests for hearing on the proposed rules are received, the Commission may act upon them, together with any filed comments, without a hearing. Interested persons are advised that, after considering any comments filed herein and after any other proceeding as the Commission may direct, the Commission may adopt, reject, or alter the proposed rules in whole or in part.
>
> VIRGINIA STATE CORPORATION COMMISSION

(3) On or before July 31, 1998, a copy of this Order and Attachment shall be made available for public inspection in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, from 8:15 a.m. to 5:00 p.m., Monday through Friday. Interested persons may also request a copy by writing the Division of Public Utility Accounting, P.O. Box 1197, Richmond, Virginia 23218, or by calling (804) 371-9950.

(4) On or before September 21, 1998, any interested person shall file an original and five (5) copies of written comments and/or any request for hearing concerning the draft rules set out in Attachment A to this Order. All written comments and/or any request for hearing shall be filed with William J. Bridge, Clerk, State Corporation Commission, P.O. Box 2116, Richmond, Virginia 23218, and shall refer to Case No. PUA980020.

(5) If no request for hearing is received by September 21, 1998, the Commission may consider the rules, together with any filed comments, without convening a hearing.

(6) This Order and Attachment A shall be sent forthwith to the Registrar of Regulations for appropriate publication in the Virginia Register.

(7) On or before September 1, 1998, the Division of Public Utility Accounting shall file with the Clerk of the Commission proof of publication of the notice prescribed herein.

STATE CORPORATION COMMISSION
Division of Public Utility Accounting

CHAPTER 201.

RULES GOVERNING APPLICATIONS FILED PURSUANT TO CHAPTER 4 OF TITLE 56 OF THE CODE OF VIRGINIA (AFFILIATES ACT)

20 VAC 5-201-10. Purpose of chapter and general rules.

A. This chapter is promulgated with four goals in mind:

1. To allow for more efficient review of affiliate applications;

2. To provide a basis for consistent treatment of transactions between a utility and its affiliate;

3. To preclude subsidization of non-regulated business by utility ratepayers; and

4. To ensure that transactions are, and continue to be, in the public interest.

B. The following rules shall be followed when filing applications under the Affiliates Act (§ 56-76 et seq. of the Code of Virginia). Failure to respond to each item will result in an incomplete application. Incomplete applications will not be processed, and the staff will notify the utility regarding specific deficiencies. In the event an applicant believes that an item does not apply, the applicant must reference that item and explain why such item does not apply.

In addition to information required by these rules, additional information believed to demonstrate that the proposed arrangement is in the public interest should be provided with the application and explained in sufficient detail to support the applicant's position.

C. Applications must be filed with the Document Control Center with an original and four copies. Additional copies shall be provided if requested. The mailing address for the Document Control Center is as follows:

Document Control Center
Tyler Building-B1
P. O. Box 2118
Richmond, VA 23216

D. 1. Applications requiring approval under the Affiliates Act include any contract or arrangement providing for the furnishing of management, supervisory, engineering, accounting, legal, financial, construction, or similar services; and contracts or arrangements for the purchase, sale, lease, or exchange of any property, right, or thing; or for the purchase or sale of treasury bonds or treasury capital stock made or entered into with any affiliate. In determining whether an entity is an affiliate, definitions provided in Chapter 4 (§ 56-76 et seq. of the Code of Virginia) of Title 56 of the Code of Virginia should be used. All public utilities subject to Commission regulation as to rates and service under the

provisions of Chapter 10 (§ 56-232 et seq. of the Code of Virginia) of Title 56 are subject to Chapter 4.

2. The application must contain verified signatures of individuals representing all parties to the application.

3. No filing fees are required.

4. Utilities may request, pursuant to § 56-77 B of the Code of Virginia, exemption from the filing and prior approval requirements of Chapter 4. Such exemptions are not automatic but may be obtained only by filing an application for an exemption. The following are the types of contracts or arrangements that may be considered for exemption from filing requirements:

a. Contracts or arrangements that do not have any impact on the utility company's Virginia jurisdictional business;

b. Contracts or arrangements that do have an impact on the utility company's Virginia jurisdictional business but for which total annual billings on a total contract basis are no more than one percent of total operating and maintenance expense up to a maximum exemption of $250,000; and

c. Contracts or arrangements involving utilities whose rates are no longer set based on traditional rate base or cost basis regulation.

5. It is the responsibility of each utility company to file for approval of such contracts or arrangements regardless of the amount involved. Contracts and arrangements must be approved prior to the utility entering into them (unless the Commission has granted an exemption). If approval is sought after entering into the contracts or arrangements, a detailed explanation as to why this occurred must be included in the application. Any such contract or arrangement may be voided by the Commission. The explanation must include the following: the length of time the contract or arrangement has been in effect and the dollar amount that has transferred between the utility and the affiliate as a result of the contract or arrangement.

6. It is the responsibility of each utility to conform to the appropriate Uniform System of Accounts and adhere to established accounting principles.

7. These rules place responsibility on the utility to identify, value, allocate, and account for transfers among affiliates.

8. These rules do not amend or alter accounting procedures used by utilities to allocate costs among jurisdictions or among customer classes. Also, the rules do not amend the bases for making allocations of revenues and costs to below-the-line accounts.

9. These rules are not intended to dictate or restrict the discretion of management in making prudent business decisions.

10. These rules are not intended to, and do not, limit the oversight authority of the Commission.

11. The Commission may perform independent audits of the books and records of the utility and/or its affiliates in connection with any affiliate approval granted by the Commission (if deemed necessary) to verify adherence to these rules and/or approved contracts and arrangements.

12. Implementation and compliance with these rules must be done in a way that minimizes costs.

13. These rules apply to all applicants regardless of the applicant's form of corporate organization. Different forms of corporate organization only affect the frequency or likelihood that a particular contract or arrangement type may occur.

14. The Commission may waive any and all rules for good cause.

20 VAC 5-201-20. Pricing rules.

A. When goods or services are to be provided to an affiliate, the following guidelines shall be followed:

1. Goods and services provided by the regulated utility to an unregulated or regulated affiliate pursuant to a regulated tariff shall be provided at the tariffed rate;

2. Goods and services provided by the regulated utility to an unregulated affiliate shall be provided at the higher of fully distributed cost (to include a return component) or the market value, or market price, for such goods and services;

3. Goods and services provided between regulated utilities shall be provided at fully distributed cost;

4. Goods and services provided by an unregulated affiliate to the regulated utility shall be provided at the lower of cost (which may include a return component) or the fair market value, or the market price, for such goods and services; and

5. The determination of fair market value should be an ongoing process using such methods as competitive bids, appraisals, catalog listings, sales to third parties, and replacement cost of assets. If appraisals are used in determining fair market value, such value shall be determined by averaging two or more independent appraisals.

B. When goods or services are to be provided to an affiliate and costs of providing such services are charged or allocated to the recipient, the following guidelines shall be followed:

1. Costs must be directly charged or assigned where possible;

2. Direct costs include labor costs and expenses that can be identified through a work order or similar system as being applicable to services performed for a single company or group of companies. Costs incidental to or related to a directly charged item shall be classified as direct costs;

3. Indirect costs include those costs of a general overhead nature such as general services, housekeeping costs, and other support costs that cannot be separately identified to a single company or group of companies and, therefore, shall be allocated;

4. Costs that cannot be directly charged or assigned shall be allocated. Allocations shall be made based on a direct cost factor such as labor and other costs when costs can be identified with a particular activity;

5. Cost allocations that cannot be associated with a particular activity and therefore cannot be allocated based on some direct cost factor shall be allocated based on a formula. Allocations made based on a general allocator (formula approach) shall be used only as a last resort and shall be limited to 5% of total charges relative to the provision of goods and services pursuant to a particular arrangement or agreement; and

6. If allocations or cost assignments are to be made based on estimates, indicate whether, and if so, when adjustments are to be made to true-up the estimates. If adjustments are not to be made, explain why not.

C. Additional pricing rules follow:

1. Explain, in detail, any proposed pricing that would deviate from the above rules.

2. Section 56-233.1 of the Code of Virginia requires that every public utility shall use competitive bidding, to the extent possible, in its purchasing practices. Indicate whether competitive bidding was used in the proposed arrangement and provide the names of vendors contacted, prices quoted, and copies of bid requests. The above referenced information may be provided as confidential information. If competitive bidding was not used, explain why not.

3. If a return component is used in determining costs, include an explanation as to how such component is determined and state what the current component is.

4. The selection of the appropriate method to determine fair market value is at the discretion of the utility. The utility will retain documentation supporting its choice of market valuation and specific data supporting the computation.

5. The burden of proof shall be with the utility to show that transfers of goods or services with affiliates have been

valued at either the higher or lower of cost or fair market value as appropriate.

6. Transfers of individual items of tangible personal property with a net book value of less than $10,000 may, at the option of the utility, be valued at cost. The purpose of this exception is to provide an alternative to the market determination for smaller items.

20 VAC 5-201-30. Filing requirements for prior approval under the Affiliates Act; include items in subsections A through E.

A. Requirements for description of contract or arrangement:

1. Describe, in detail, the affiliate relationship among the parties involved.

2. Describe specific services, rights, or things to be provided.

3. Describe the conditions and term of the agreement, contract, or arrangement, including rights of parties to cancel and renewability. If the agreement requires the utility company to become involved in a long-term captive relationship, explain why this is necessary.

4. Provide a copy of any formal agreement. If there is no formal agreement, provide a statement to that effect with a complete description of the contract or arrangement.

B. Requirements for description of goods or services provided to the utility:

1. Describe the utility's need for the goods or services.

2. Describe the utility's current and prior arrangements for obtaining the goods or services, where applicable.

3. Discuss whether or not the goods or services can be provided by the utility internally. If so, quantify the costs of doing so and compare such costs to costs of obtaining such goods or services from the affiliate. If not, explain why such goods or services cannot be provided internally.

4. Discuss other alternative sources for obtaining the goods or services available to the utility. Provide specific details, quantifying the costs of obtaining such goods or services from the alternative sources and comparing those costs to the costs of obtaining the goods or services from the affiliate.

5. Explain how the costs of obtaining goods or services from the affiliate are to be determined. If costs to the utility are to be based on the affiliate's cost of providing the goods or services, provide those cost components. If the cost components are to include a return on investment component, state what that is and show how it is determined.

6. If costs to the utility are to be based on market rates, explain, in detail, how such market rates are to be

determined. Provide the dollar amount and percentage of the affiliate's revenues that are derived from providing such goods or services to non-affiliated entities. Provide supporting calculations.

7. If the utility is to be charged or allocated costs from the affiliate, explain how such charges or allocations are to be made, providing specific allocations methodologies. If allocation formulas are to be used, provide such formulas.

8. If services are not proposed to be priced at the lower of cost, plus a reasonable return, or the market price, explain why this will not be done.

C. Requirements for description of goods or services provided by the utility:

1. Describe the affiliate's need for the goods or services.

2. Describe the affiliate's current and prior arrangements for obtaining the goods or services, where applicable.

3. Discuss other alternative sources for obtaining the goods or services available to the affiliate. Describe specific details and quantify the costs of obtaining such goods or services from the alternative sources. Compare to obtaining the goods or services from the utility.

4. Explain how the costs of providing goods or services to the affiliate are to be determined. If costs to the affiliate are to be based on the utility's costs of providing the goods or services, provide the cost components. If the cost components include a return on investment component, state what it is and show how it is determined.

5. If the utility's charges to the affiliate are based on market rates, explain, in detail, how such market rates are to be determined and state the percentage of revenues that are derived from providing such goods or services to non-affiliated entities.

6. If the utility will be charging or allocating costs to the affiliate, explain how such charges or allocations are to be made, providing specific allocations methodologies. If allocation formulas will be used, provide such formulas.

7. If goods or services are not to be priced at the higher of fully distributed cost or market price, explain why this will not be done.

8. If services will be provided by the utility to an affiliate, provide details on the amount of employee time that will be spent providing affiliate services; the number of employees that will be involved; and an explanation as to how such time will be tracked. Discuss whether the utility will

need to hire additional employees or purchase additional equipment and facilities to provide the proposed services.

9. If the utility is proposing to provide services to a subsidiary of the utility in order to allow the subsidiary to provide certain services to utility customers, provide information demonstrating that the services to be provided by the subsidiary are “related to or incidental to” the utility company’s purpose of providing public utility service to its customers.

D. Requirements for description of leasing arrangements with affiliates:

1. Provide a summary of the leasing arrangement to include:

a. The names of the lessor and the lessee;

b. A complete description of the asset or assets to be leased;

c. Complete details of the lease arrangement to include the term, renewal options, rights and obligations during the term of the lease as to insurance, taxes, maintenance, repair, and failure or destruction of the asset; and

d. A copy of the lease agreement.

2. Type of lease: capital or operating

Capital lease means a lease of property used in utility or nonutility operations that meets any of the criteria of SFAS No. 13 (Statement of Financial Accounting Standards No. 13 Accounting for Leases) for a capital lease.

Operating lease means a lease of property used in utility or nonutility operations that does not meet any of the capital lease criteria contained in SFAS No. 13.

3. Show how the lease rate was determined with supporting detail.

4. If the utility will be leasing from an affiliate, the utility must justify leasing as opposed to buying. It shall also justify leasing from an affiliate, as opposed to leasing from a third party. A copy of the lease/buy analysis shall be provided to support the utility's request, including all assumptions used in the analysis. If buying was not considered an option, explain why.

5. If the utility is leasing to an affiliate, other than a regulated affiliate, the utility shall show that it is recovering the higher of net book cost or the market price for the asset or assets leased. Supporting documentation shall be provided for the determination of cost and market price. All assumptions used should be explained in detail. A copy of any

analysis used for final lease rate determination shall be provided.

6. If the utility is leasing to a regulated affiliate, the utility shall show that it is recovering at least net book cost. Supporting documentation and all assumptions used shall be provided. A copy of any analysis used in determining net book cost should be provided.

E. Filing requirements for accounting and other issues to be provided or addressed by the utility:

1. Describe the accounting system (to include the chart of accounts used) in place to track costs accurately relative to contracts and arrangements with affiliates.

2. Describe any specific safeguards in place to ensure that no unregulated affiliate will be subsidized by the regulated company as a result of the proposed contract or arrangement.

3. Discuss whether the proposed arrangement will expose the utility to greater risk. If so, show that the arrangement is in the public interest in spite of the increased risk exposure.

4. Discuss any anticipated cost savings for the utility as a result of the arrangement. Describe such anticipated savings and quantify to the extent possible. Provide support for anticipated savings. Include any anticipated impacts on

operating efficiencies or quality of service and explain and quantify to the extent possible with supporting detail.

5. Discuss in specific terms any other anticipated positive impacts on public interest not yet addressed.

6. If approval is required in other jurisdictions, provide the status of the review process in those jurisdictions and provide copies of any orders issued.

7. Descriptions of goods or services to be provided or received pursuant to affiliate contracts or arrangements must be specific. Categories such as “other” and “incidental” without description of the types of services in those categories are unacceptable and cannot be recommended for Commission approval.

8. If the proposed contract or arrangement is for the utility to provide services to an affiliate to support the affiliate providing services to other entities, the affiliate shall have a separate accounting system established prior to obtaining Commission approval. If this has not been established, indicate when this will take place. A copy of the accounting procedures established for the affiliate showing how costs will be tracked must be provided to the Division of Public Utility Accounting.

9. If the contract or arrangement involves investment by the utility company in an affiliate and the provision of services to the affiliate to enable the affiliate to operate,

describe, in specific detail, how the utility's customers (customers or members in the case of electric cooperatives) will be protected against any losses incurred by the affiliate.

10. For contracts or arrangements in which services are offered to an affiliate operating in a competitive environment, describe, in specific detail, what steps are being taken to ensure that the affiliate is not being favored over competitors.

11. Describe, in detail, how the proposed services provided by the utility company will be accounted for in its financial records.

12. Describe the proposed ratemaking treatment for the operational effects for services provided to an affiliate by the utility.

20 VAC 5-201-40. Requirements for filing for an exemption pursuant to § 56-77 B of the Code of Virginia; include items in subsections A through D.

A. Include the following information for contracts or arrangements that do not affect the utility company's Virginia jurisdictional business:

1. Describe, in detail, the types of contracts or arrangements for which an exemption is requested and provide the names of affiliates involved.

2. Provide the number of such contracts or arrangements and the total dollar amount of each contract or arrangement currently in existence.

3. Describe, in detail, how the Commission can be assured that such contracts or arrangements will not, in fact, affect the company's Virginia jurisdictional business.

4. Describe, in specific terms, how the requested exemption will be in the public interest.

B. Include the following information for contracts or arrangements that do affect the utility company's Virginia jurisdictional business but for which total annual billings on a total contract basis are of no more than 1% of total operating and maintenance expense up to a maximum exemption of $250,000:

1. Describe the types of contracts or arrangements for which an exemption is requested and provide the names of the affiliates involved.

2. Provide the number of contracts or arrangements and the dollar amount for each contract or arrangement currently in effect for the requested exemption.

3. Explain, in detail, how the requested exemption would be in the public interest.

4. Describe the steps taken, or that will be taken, to ensure that contracts or arrangements that will require prior Commission approval will be filed in a timely manner. Describe

the steps taken, or that will be taken, to ensure that contracts or arrangements for which an exemption has been granted will not go beyond the threshold amount granted for such annual billings. Applicants must obtain approval for contracts or arrangements that are expected to exceed the threshold amount.

C. Include the following information for contracts or arrangements involving utilities whose rates are no longer set based on traditional rate base or cost basis regulation:

1. Explain, in detail, the exemption requested and the reasons for the request.

2. Provide a description of the types of contracts or arrangements for which the exemption is being requested and the dollar amount of each contract or arrangement.

3. Explain, in detail, how the requested exemption would serve the public interest.

D. The following accounting and other issues to be provided or addressed by the utility:

1. Describe the accounting system (to include the chart of accounts used) in place to track costs accurately relative to contracts and arrangements with affiliates.

2. Describe any specific safeguards in place, or that will be put in place, to ensure that the public interest will continue to be protected.

3. Discuss, in specific terms, any other anticipated positive impacts on public interest not yet addressed.

4. For contracts or arrangements in which services are offered to an affiliate operating in a competitive environment, describe, in specific detail, what steps are being taken to ensure that the affiliate is not being favored over the competitors.

5. Describe the proposed ratemaking treatment for revenues received by the utility for services provided to an affiliate.

20 VAC 5-201-50. Reporting requirements; applicable to all filings:

A. Every utility shall file, on or before the first of May in the year following that in which it filed its application, and in every succeeding year, an Annual Report of Affiliate Transactions with the Division of Public Utility Accounting of the Commission.

B. Such Report for utilities shall include (see Appendix A for suggested format example):

1. Names of regulated or non-regulated affiliates;

2. Summary of services provided by or to the utility to or by a regulated or non-regulated affiliate (Schedules 1 and 2, modified as necessary by utilities);

3. Summary of transaction charges provided by the utility to a regulated or non-regulated affiliate; identification by affiliate and by utility department or functional group; identification of valuation bases used to account for transactions (i.e., cost, tariff, higher of cost or market) and comparable market value (where appropriate) (Schedule 3, modified as necessary by utilities);

4. Summary of transaction charges provided to the utility by a regulated or non-regulated affiliate; identification by affiliate; identification of valuation bases used to account for transactions (i.e., cost, tariff, lower of cost or market) and comparable market value (where appropriate) (Schedule 4, modified as necessary by utilities);

5. Component costs of each category of transactions where services are by or to the utility or to or by a regulated or non-regulated affiliate (Schedules 5 and 6, modified as necessary by utilities);

6. Description of any changes relative to price, services offered, and cost allocation bases in any affiliate contract or arrangement during the year (Schedule 7, modified as necessary by utilities);

7. Allocation bases or factors for allocating costs (Schedules 8 and 9, modified as necessary by utilities); and

8. Explanations of any variances by utility department or functional group greater than or equal to 10% of the prior year's amounts (Schedule 10, modified as necessary by utilities).

C. Every utility that is a registered public utility holding company, under the Public Utility Holding Company Act of 1935 (15 U.S.C. §§ 79 et seq.) or that is receiving services from such registered holding company, shall file a copy of the annual report (Form U5S), filed with the Securities and Exchange Commission, with the Division of Public Utility Accounting.

D. Every utility receiving services from a service company under the Public Utility Holding Company Act of 1935 shall file a copy of the service company's annual report (Form U-13-60), filed with the Securities and Exchange Commission, with the Division of Public Utility Accounting.

E. For appropriate cause shown, the Director of Public Utility Accounting may grant an extension for the filing of such annual reports.

F. Schedules included in Appendix A of this regulation may be modified as necessary for reporting and filing by utilities. The Division of Public Utility Accounting shall be permitted to modify the data requirements of the Schedules in Appendix A as it deems necessary and provide utilities copies of the revised Schedules.

Appendix A
(20 VAC 5-201-50.)

(NAME OF UTILITY)

ANNUAL REPORT OF AFFILIATED TRANSACTIONS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, XXXX

TABLE OF CONTENTS

SCHEDULE 1 - SUMMARY OF SERVICES PROVIDED TO (NAME(S) OF AFFILIATE(S))

SCDEDULE 2 - SUMMARY OF SERVICES PROVIDED BY (NAME(S) OF AFFILIATE(S))

SCHEDULE 3 - SUMMARY OF TRANSACTION CHARGES PROVIDED TO (NAMES (S) OF AFFILIATE(S))

SCHEDULE4 - SUMMARY OF TRANSACTION CHARGES PROVIDED BY (NAME (S) OF AFFILIATE(S))

SCHEDULE 5 - SUMMARY OF TRANSACTION COMPONENT COSTS FOR SERVICES PROVIDED TO (NAME(S) OF AFFILATE(S))

SCHEDULE 6 - SUMMARY OF TRANSACTION COMPONENT COSTS FOR SERVICES PROVIDED BY (NAME(S) OF AFFILATE(S))

SCHEDULE 7 - AFFILIATE CONTRACT/ARRANGEMENT CHANGES

SCHEDULE 8 - ALLOCATION BASES/FACTORS FOR SERVICES PROVIDED TO AFFILIATES

SCHEDULE 9 - ALLOCATION BASES/FACTORS FOR SERVICES PROVIDED BY AFFILIATES

SCHEDULE 10 - VARIANCE EXPLANATIONS

(NAME OF UTILITY)
SUMMARY OF SERVICES PROVIDED TO (NAME(S) OF AFFILIATE(S))
(YEAR)

(PROVIDE A BRIEF NARRATIVE DESCRIPTION, BY DEPARTMENT OR FUNCTIONAL GROUP, OF SERVICES PROVIDED DURING THE YEAR. PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE FOR WHICH SERVICES WERE PROVIDED)

(EXAMPLES)

1) **CONTROLLER**

   TAXES & PLANT ACCOUNTING - narrative description

   CORPORATE ACCOUNTING - narrative description

2) **AUDITING - narrative description**

3) **CUSTOMER ACCOUNTING/SERVICES - narrative description**

4) **HUMAN RESOURCES - narrative description**

5) **INFORMATION SYSTEM SERVICES - narrative description**

6) **REGULATION - narrative description**

7) **MARKETING & ADVERTISING SERVICES - narrative description**

8) **ADMINISTRATIVE SERVICES - narrative description**

   SECURITY - narrative description

(NAME OF UTILITY)
SUMMARY OF SERVICES PROVIDED BY (NAME(S) OF AFFILIATE(S))
(YEAR)

(PROVIDE A BRIEF NARRATIVE DESCRIPTION, BY DEPARTMENT OR FUNCTIONAL GROUP, OF SERVICES RECEIVED DURING THE YEAR. PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE FROM WHICH SERVICES WERE RECEIVED)

(EXAMPLES)

1) **EXECUTIVE GROUP - narrative description**

2) **CONTROLLER GROUP - narrative description**

3) **CHIEF FINANCIAL OFFICER GROUP - narrative description**

4) **CORPORATE SECRETARY GROUP - narrative description**

5) **HUMAN RESOURCE SERVICES - narrative description**

6) **INFORMATION SYSTEMS SERVICES - narrative description**

7) **MARKETING & ADVERTISING SERVICES - narrative description**

8) **TAX SERVICES - narrative description**

(NAME OF UTILITY)
SUMMARY OF TRANSACTION CHARGES PROVIDED TO (NAME(S) OF AFFILIATE(S))
(YEAR)

(PROVIDE TOTAL DOLLAR AMOUNT OF TRANSACTION CHARGES BY DEPARTMENT OR FUNCTIONAL GROUP. PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE)

Line No.	Department or Functional Group	Valuation Bases (1)	Comparable Market Value (2)	Total Amount
	(EXAMPLES)			
1	CONTROLLER			
2	AUDITING			
3	CUSTOMER ACCOUNTING/SERVICES			
4	HUMAN RESOURCES			
5	INFORMATION SYSTEM SERVICES			
6	REGULATION			
7	MARKETING & ADVERTISING SERVICES			
8	ADMINISTRATIVE SERVICES			
	Total			

FOOTNOTE:

(1) - C (COST); T (TARIFF); M (MARKET)

(2) - PROVIDE A COMPARABLE MARKET VALUE FOR SERVICES VALUED AT COST.

(NAME OF UTILITY)
SUMMARY OF TRANSACTION CHARGES PROVIDED BY (NAME(S) OF AFFILIATE(S))
(YEAR)

(PROVIDE TOTAL DOLLAR AMOUNT OF TRANSACTION CHARGES BY DEPARTMENT OR FUNCTIONAL GROUP. PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE)

ine No.	Department or Functional Group	Valuation Bases (1)	Comparable Market Value (2)	Total Amount
	(EXAMPLES)			
1	EXECUTIVE GROUP			
2	CONTROLLER GROUP			
3	CHIEF FINANCIAL OFFICER GROUP			
4	CORPORATE SECRETARY GROUP			
5	HUMAN RESOURCE SERVICES			
6	INFORMATION SYSTEMS SERVICES			
7	MARKETING & ADVERTISING SERVICES			
8	TAX SERVICES			
	Total			

FOOTNOTE:

(1) - C (COST); T (TARIFF); M (MARKET)

(2) - PROVIDE A COMPARABLE MARKET VALUE FOR SERVICES VALUED AT COST.

(NAME OF UTILITY)
SUMMARY OF TRANSACTION COMPONENT COSTS FOR SERVICES PROVIDED TO (NAME(S) OF AFFILIATE(S))
(YEAR)

(PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE FOR WHICH SERVICES WERE PROVIDED)

Line No.	Description of Component Costs	Allocation Bases (A)	Total Amount
	(EXAMPLES)		
1	CONTROLLER:		
2	Direct Labor		
3	Indirect Labor		
4	Fringe Benefits Applicable to Labor		
5	Transportation Costs		
6	Materials and Supplies		
7	Equipment/Facilities charges		
8	Overhead		
9	Miscellaneous Expenses		
10	Profit Component		
11	Interest		
12	Services Allocated (Labor and Expenses):		
13	Information Systems		
14	Payroll		
15	Human Resources		
16	Controller Group		
17	Executive Group		
18	Accounts Payable Customer Accounting		
19	Other		
20	Total Accounting, Financial and Statistical Services		
21	Auditing Services		
	breakdown of component costs		
	Budget Services		
	breakdown of component costs		
	Grand Total		

Footnotes:
A) See Schedule 8

(NAME OF UTILITY)
SUMMARY OF TRANSACTION COMPONENT COSTS FOR SERVICES PROVIDED BY (NAME(S) OF AFFILIATE(S))
(YEAR)

(PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE FROM WHICH SERVICES WERE RECEIVED)

Line No.	Description of Component Costs	Allocation Bases (A)	Total Amount
	(EXAMPLES)		
1	CONTROLLER GROUP:		
2	Direct Labor		
3	Indirect Labor		
4	Fringe Benefits Applicable to Labor		
5	Transportation Costs		
6	Materials and Supplies		
7	Equipment/Facilities charges		
8	Overhead		
9	Miscellaneous Expenses		
10	Profit Component		
11	Interest		
12	Services Allocated (Labor and Expenses):		
13	Information Systems		
14	Payroll		
15	Human Resources		
16	Controller Group		
17	Executive Group		
18	Accounts Payable Customer Accounting		
19	Other		
20	Charge backs from other affiliates		
21	Total Accounting, Financial and Statistical Services		
22	Auditing Services		
	breakdown of component costs		
	Budget Services		
	breakdown of component costs		
	Grand Total		

Footnotes:
A) See Schedule 9

(NAME OF UTILITY)
AFFILIATE CONTRACT/ARRANGEMENT CHANGES
(YEAR)

(PROVIDE A BRIEF DESCRIPTION OF ANY CHANGES RELATIVE TO PRICING, COSTING, SERVICES OFFERED, AND COST ALLOCATION BASES OCCURRING DURING THE YEAR. PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE)

Description

(Name of Affiliate)

(NAME OF UTILITY)
ALLOCATION BASES/FACTORS FOR SERVICES PROVIDED TO AFFILIATES
(YEAR)

(PROVIDE A BRIEF NARRATIVE DESCRIPTION OF ALLOCATION METHODOLOGY (DIRECT CHARGE, INDIRECT CHARGE, ALLOCATION BASES) USED IN DETERMINING FULLY DISTRIBUTED COSTS FOR SERVICES PROVIDED TO OTHER AFFILIATES)

ALLOCATION BASES/ FACTORS	Description
	(EXAMPLES)
1	DIRECT LABOR - narrative description
2	INFORMATION SYSTEMS - narrative description
3	PAYROLL - narrative description
4	HUMAN RESOURCES - narrative description
5	OFFICERS - narrative description
6	CUSTOMER ACCOUNTING - narrative description
7	FRINGE BENEFITS APPLICABLE TO LABOR - narrative description
8	TRANSPORTATION COSTS - narrative description
9	RENT - narrative description
10	AMOUNTS RELATED TO THIRD-PARTY BILLINGS - narrative description

(NAME OF UTILITY)
ALLOCATION BASES/FACTORS FOR SERVICES PROVIDED BY AFFILIATES
(YEAR)

(PROVIDE A BRIEF NARRATIVE DESCRIPTION OF ALLOCATION METHODOLOGY (DIRECT CHARGE, INDIRECT CHARGE, ALLOCATION BASES) USED IN DETERMINING FULLY DISTRIBUTED COSTS FOR SERVICES PROVIDED BY OTHER AFFILIATES)

ALLOCATION BASES/ FACTORS	Description
	(EXAMPLES)
	(NAME OF AFFILIATE)
1	DIRECT LABOR - narrative description
2	INFORMATION SYSTEMS - narrative description
3	PAYROLL - narrative description
4	HUMAN RESOURCES - narrative description
5	EXECUTIVE GROUP - narrative description
6	CONTROLLER GROUP - narrative description
7	FRINGE BENEFITS APPLICABLE TO LABOR - narrative description
8	TRANSPORTATION COSTS - narrative description
9	RENT - narrative description
10	TAX SERVICES - narrative description

(NAME OF UTILITY)
VARIANCE EXPLANATIONS
(YEAR)

(PROVIDE EXPLANATIONS OF ANY VARIANCES BY DEPARTMENT OR FUNCTIONAL GROUP GREATER THAN OR EQUAL TO 10% OF THE PRIOR YEAR AMOUNTS. PREPARE A SEPARATE SUMMARY FOR EACH AFFILIATE)

	Description	Amount
	(EXAMPLES)	
	(NAME OF AFFILIATE)	
1)	CONTROLLER - narrative description	
2)	AUDITING SERVICES - narrative description	
3)	INFORMATION SYSTEM SERVICES - narrative description	
4)	MARKETING & ADVERTISING SERVICES - narrative description	
5)	ADMINISTRATIVE SERVICES - narrative description	
6)	EXECUTIVE GROUP - narrative description	
7)	CORPORATE SECRETARY GROUP - narrative description	
8)	TAX SERVICES - narrative description	