

**ARKANSAS
PUBLIC SERVICE COMMISSION**



**TRANSITION COST
GUIDELINES**

Approved in 99-229-R
Order #8 2-22-00
Amended in 03-055-R
Order #2 10-17-03

**ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST GUIDELINES**

Section 1: General

Section 9 of Act 204 of 2003 (to be codified at §23-4-209) (Act 204) provides generally that electric utilities may recover the costs that are found to have been necessary to carry out the electric utility's responsibilities associated with efforts to implement retail open access, or were mandated by statute or regulation and are not otherwise recoverable. In accordance with Act 204, no electric utility shall recover transition costs unless found to be necessary and approved by the Commission. These guidelines establish the uniform policies and procedures which govern the filing of, and procedures for, processing applications for transition cost recovery. Electric utilities seeking Commission approval of transition cost recovery shall comply with the policies and procedures contained in these guidelines.

The investigation of and hearing on the transition cost recovery application filed by any electric utility shall be conducted in a separate proceeding. The Commission's Rules of Practice and Procedure shall apply to all such proceedings including the rights and duties of the parties to the docket. The burden of proof shall rest with the electric utility to demonstrate expenditures are eligible for transition cost recovery under Act 204 and these guidelines.

Exemptions from these guidelines may be granted by the Commission in conformity with Rule 1.03 of the Commission's Rules of Practice and Procedure. Nothing in these guidelines shall preclude the Commission on its own initiative or in

response to a party's motion and after notice and hearing from adjusting the level of the transition cost surcharge pursuant to the provisions of Section 8 of these guidelines.

Section 2: Transition Costs

Transition costs are defined in Act 204. Transition costs mean those costs, investments, or unfunded mandates, either recurring or non-recurring, incurred by an electric utility after July 30, 1999 and no later than January 1, 2002 that are found to have been necessary to carry out the electric utility's responsibilities associated with efforts to implement retail open access, or were mandated by statute or regulation and are not otherwise recoverable. Transition costs shall be limited to charges which were prudent, reasonable, and directly caused by Act 1556 of 1999 and rules and orders adopted by this Commission to implement Act 1556.

In no event shall transition costs include retirement or severance programs, marketing or promotional activities, professional or advisory services, or legal costs associated with any competitive strategy.

In no event shall costs that are allowable in the utility's regulated cost of service and rates be included as transition costs, and the electric utility shall be required to demonstrate that its requested transition cost recovery does not contain amounts which are otherwise reflected in current rate levels. For example, the costs of employees who focused their efforts on Act 1556 implementation but which are reflected in current rate levels shall not be recoverable as transition costs. The same would apply for affiliate employees when the costs are reflected in current rate levels.

Section 3: Transition Cost Recovery

Transition cost recovery shall be by a customer transition charge during a period of time ending February 21, 2006, which is thirty-six (36) months after the effective date of Act 204. No electric utility shall recover transition costs unless approved by the Commission after notice and hearing.

Section 4: Accounting for Expenditures

Each electric utility seeking to recover transition costs shall have developed and implemented appropriate accounting procedures, subject to the review of the Commission, which provide for separate tracking, accounting and reporting of transition costs. The procedures shall enable transition costs and transition cost recovery to be readily identified and verified and clearly separated from any stranded costs and stranded cost recovery. Separate work orders or other accounting cost tracking mechanisms shall have been established to capture all transition costs. The electric utility shall have secured or created, and subsequently retained documentation, including but not limited to vouchers, account records, and journal entries, to support each item for which it seeks transition cost recovery.

Section 5: Application for Recovery of Transition Costs

In order to recover transition costs, an electric utility shall have filed its initial application between January 1, 2001 and April 30, 2001 or by such date as ordered by the Commission. The initial application must have contained the actual transition cost expenditures incurred after July 30, 1999 through December 31, 2000. The Commission shall establish a separate procedural schedule for each of the electric utilities filing for

transition cost recovery which specifies dates for the filing of testimony and the public hearing.

In addition to the actual transition cost expenditures from July 30, 1999 through December 31, 2000, an initial application for recovery of transition costs shall have included the following unless otherwise ordered by the Commission:

- (1) the utility's comprehensive plan for transition to, or the implementation of, retail open access which shall include its overall objectives, specific timelines and workplans for implementation, and estimates of transition costs which will be incurred;
- (2) the information required in Transition Cost Recovery Minimum Filing Schedules 1, 2 and 3 which includes the date incurred, account number, description of the expenditure, amount, eliminations, and requested recovery amount;
- (3) a clear demonstration that all amounts for which the electric utility is seeking recovery were eligible under Act 1556 and were necessary to carry out the electric utility's responsibilities associated with the transition to, or the implementation of, retail open access;
- (4) a detailed discussion of the approach used to ensure that no costs otherwise reflected in current rate levels were included as required by Section 2;
- (5) the electric utility's estimate of the transition costs that will be incurred over the remaining term of the incurrence period segregated by categories by calendar year including a thorough description of the basis of the estimate, with the categories of costs including at a minimum employee and employee-

related costs, reorganization costs to meet functional separation requirements, costs associated with a regional transmission organization or other transmission entity, customer billing and information systems, and customer education;

- (6) the information required on Transition Cost Recovery Minimum Filing Schedules 4 and 5, and a detailed explanation of how costs were assigned and/or allocated between/among jurisdictions and the basis for the assignment and/or allocation;
- (7) support for the basis of the electric utility's proposed allocation of transition cost recovery among the customer classes which shall include the information required on Transition Cost Recovery Minimum Filing Schedules 4 and 5;
- (8) a description of the proposed transition cost surcharge and the detailed calculations in support of the rate developed; and
- (9) comprehensive workpapers including all source and backup material which would enable Staff to perform a detailed review of the electric utility's documentation without requiring an on-site visit, including, but not limited to, all relevant invoices and voucher payment records, and journal entries.

Detailed testimony and exhibits in support of items 1 through 9 listed above shall have been filed with any application. The detailed supporting documentation required by these guidelines may be provided in the form of workpapers made available to the parties at the time of the filing. Five copies shall have been provided to the Staff. Copies of any computer files used in developing the workpapers and/or testimony should also have been made available in electronic format with formulas intact.

Section 6: Initial Application Updates

Pursuant to Section 5, the electric utility's initial application must have contained the actual transition cost expenditures incurred after July 30, 1999 through December 31, 2000. Further, an electric utility shall have filed, for the years 2001 and 2002, an update to its initial application in its entirety. These updates shall have contained the actual transition cost expenditures incurred January 1 through December 31 of each year.

Section 7: Required Supplemental Filing

No later than thirty (30) days after the Commission's order in Docket No. 03-055-R adopting these guidelines, an electric utility seeking to recover transition costs shall be required to make a supplemental filing which shall include the following information:

- (1) A determination of the transition cost recovery rate developed as a per kWh charge;
- (2) The development of the kWh charge based on allocation among the classes on the basis of production revenue requirement as established in the electric utility's most recently approved unbundled cost of service study, and utilizing estimated billing determinants for an eighteen (18) month period ending not later than February, 2006;
- (3) Comprehensive workpapers in support of the above calculations made available at the time of filing, including copies of any computer files used in developing the allocation and rates in electronic format with formulas intact; and
- (4) Any information for which the electric utility had previously been granted a waiver of any of the application requirements set forth in Section 5,

including the filing of additional testimony and exhibits, the provision of comprehensive workpapers, and the provision of computer files consistent with the requirements of Section 5.

Section 8: Periodic Review and Reporting

An electric utility granted recovery of transition costs shall be required to monitor the amounts collected. The total sum of transition costs collected from ratepayers and retained by the electric utility shall not exceed the total sum of actual approved transition costs. If an electric utility recovers the approved transition cost amount by class prior to the end of the recovery period, February 21, 2006, the electric utility shall cease collection from that class. Any overrecovery at the end of the recovery period shall be refunded through the electric utility's Energy Cost Recovery Rider.

The Commission may require, or an electric utility may request to make, an additional filing to more effectively address over/under collections prior to the end of the recovery period. Any electric utility request shall be made no later than October 1, 2005.

An electric utility granted transition cost recovery shall timely file with the Commission a report of the actual collections during the first twelve (12) months of the surcharge. At the conclusion of the recovery period, the electric utility shall timely file a final report of transition cost recovery for the purposes of establishing that no overcollection resulted.

ARKANSAS PUBLIC SERVICE COMMISSION
MINIMUM FILING SCHEDULES
FOR TRANSITION COST RECOVERY
APPENDIX I

GENERAL FILING INSTRUCTIONS

In preparing the information specified in these filing schedules, the following instructions are applicable:

- (a) All schedules shall be mathematically correct and properly cross-referenced. The electric utility shall ensure that adequate detail has been provided to explain and support all significant items and amounts.
- (b) Amounts may be rounded, where appropriate, to the nearest thousand dollars.
- (c) All schedules shall be numbered as provided in schedules identified below.
- (d) Schedules, titles, and row and column headings shall clearly indicate the nature and intent of the schedule and the dates or time periods covered. Row and column headings shall be clearly indicated.
- (e) At the date of filing, the electric utility shall file an original and thirteen (13) copies of all schedules, exhibits, and tariffs.
- (f) If the electric utility prepares the filing schedules using an electronic spreadsheet, i.e. Excel or Lotus, the electric utility shall provide to Staff and all other parties at the time it files its transition cost recovery filing a diskette with a copy of the electronic spreadsheets with formulas intact.
- (g) Five copies of workpapers shall be delivered to the Arkansas Public Service Commission General Staff in care of the Secretary of the Commission at the time of filing.

Index of Schedules

<u>Schedule</u>	<u>Description</u>
1	Summary of Actual and Projected Transition Costs Incurred and Expected to be After July 30, 1999 Through 24 Months After Retail Open Access
2	Summary of Actual Transition Costs Incurred
3	Summary of Projected Transition Costs to be Incurred
4	Transition Cost Allocation to Other Jurisdictions, Arkansas Retail Jurisdiction, and Arkansas Retail Rate Schedules/Classes
5	Development of Transition Cost Allocation Factors

ARKANSAS PUBLIC SERVICE COMMISSION
 TRANSITION COST RECOVERY FILING SCHEDULES
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 1

Title: Summary of Actual and Projected Transition Costs Incurred and Expected to be Incurred After July 30, 1999 Through 24 Months After Retail Open Access

Explanation: Disclosure of all expenditures for transition costs that were incurred and expected to be incurred after July 30, 1999 through 24 months after retail open access.

(1)	(2)	(3)	(4)
Account Number	Total Company Amount of Expenditure	Elimination of Non-Allowable Amount	Total Company Requested Recovery Amount

Supporting Schedules
2, 3

Recap Schedules

ARKANSAS PUBLIC SERVICE COMMISSION
 TRANSITION COST RECOVERY FILING SCHEDULES
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 2

Title: Summary of Actual Transition Costs Incurred

Explanation: Disclosure of all expenditures for transition costs that were incurred after July 30, 1999 through December 31, 2000 and/or subsequent periods as directed by the Commission.

(1)	(2)	(3)	(4)	(5)	(6)
			Total Company Amount of <u>Expenditure</u>	Elimination of Non-Allowable <u>Amount</u>	Total Company Requested Recovery <u>Amount</u>
<u>Date Incurred</u>	<u>Account Number</u>	<u>Description of Expenditure</u>			

Note: An asterisk should be placed by any amount appearing in column 5 that the electric utility eliminated because it will seek to recover those expenditures through its distribution rates.

Supporting Schedules

As needed

Recap Schedules

1

ARKANSAS PUBLIC SERVICE COMMISSION
 TRANSITION COST RECOVERY FILING SCHEDULES
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 3

Title: Summary of Projected Transition Costs to be Incurred

Explanation: Disclosure of all expenditures for transition costs that are expected to be incurred from the end of the period reflected in Schedule 2 through 24 months after retail open access.

(1)	(2)	(3)	(4)	(5)	(6)
<u>Date to be Incurred</u>	<u>Account Number</u>	<u>Description of Expenditure</u>	<u>Estimated Amount of Expenditure</u>	<u>Elimination of Non-Allowable Amount</u>	<u>Requested Recovery Amount</u>

Note: An asterisk should be placed by any amount appearing in column 5 that the electric utility eliminated because it will seek to recover those expenditures through its distribution rates.

Supporting Schedules
 As needed

Recap Schedules
 1

ARKANSAS PUBLIC SERVICE COMMISSION
 TRANSITION COST RECOVERY FILING SCHEDULES
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 4

Title: Transition Cost Allocation to Other Jurisdictions, Arkansas Retail Jurisdiction, and Arkansas Retail Rate Schedules/Classes

Explanation: Schedule showing allocation of transition cost expenditures by FERC/RUS account to other Jurisdictions, Arkansas, and Arkansas Rate Schedules/Classes.

<u>Date Incurred</u>	<u>Account</u>	<u>Total Requested Recovery Amount (A)</u>	<u>Other Jurisdictions</u>	<u>Total Arkansas Retail</u>	<u>RS 1</u>	<u>RS 2</u>	<u>Etc.</u>	<u>Allocation Factor(a)</u>
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Supporting Schedules
 (a) 5

Recap Schedules
 (A) 2, 3

ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST RECOVERY FILING SCHEDULES
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 5

Title: Development of Transition Cost Allocation Factors

Explanation: Schedule(s) showing derivation of all allocation factors utilized to allocate the requested transition cost recovery amounts. All factors shall be labeled to show simple direct cross references to Schedule 4.

<u>Allocation</u> <u>Factor</u>	<u>Description</u>	<u>Total</u> <u>Company</u>	<u>Other</u> <u>Jurisdiction(s)</u>	<u>Ark.</u>	<u>RS 1</u>	<u>RS 2</u>	<u>Etc.</u>
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NOTE: Please show actual data used as well as resulting factor.

Supporting Schedules
As needed

Recap Schedules
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