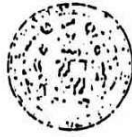


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April 18, 1983

To The Party Addressed:

At the present time, the Commission is considering the adoption of certain filing requirements for use in proceedings which are initiated by the filing of a base rate adjustment application by a public service company whose gross annual revenues exceed \$75,000,000. These additional filing requirements are under consideration as a possible means to expedite Commission proceedings by providing as much relevant data as possible at the beginning of the proceeding and thereby obviating or diminishing the need for subsequent time consuming and costly data requests.

Pursuant to COMAR 20.07.04.07, the Commission currently requires public service companies earning in excess of \$25,000,000 in gross annual Maryland jurisdictional revenues to file the direct testimony and exhibits of their witnesses concurrently with their applications for authority to increase rates and charges. However, the amount of relevant information which is included in prefiled testimony and exhibits varies from company to company and from case to case. Obviously, the sooner all relevant information is provided to the other parties, the sooner those parties will be able to begin the preparation of whatever direct case they determine to be appropriate.

The Commission has reviewed the initial filings which have been made in several recent rate proceedings, as well as the initial data requests which have been occasioned by those filings, and finds that there are certain requests which are typically made in nearly every rate case. For the most part,

these requests are necessary to the preparation of People's Counsel, Staff and Intervenor evidentiary presentations and in nearly all instances have been subsequently responded to by the applicant. Since these data requests are presently being responded to by the applicant during the course of the rate proceedings, it appears that no undue burden would be placed upon these public service companies by requiring them to include this data with their rate increase application.

In general, the Commission is considering a requirement that each applicant file, among other things, various financial and operating reports (e.g., the company's annual report to stockholders, the company's most recent Form 1, etc.); certain financial data (e.g., bond ratings, coverage ratios, AFUDC as a percent of net income, etc.); a listing and an explanation of all rate-making proposals which differ from the treatment which was accorded to that item in the Commission's last rate order; all workpapers and any other material which is necessary to explain and justify each rate-making adjustment; and the detailed calculations underlying various rate base and income items (e.g., the company's proposed cash working capital allowance). Attached to this letter is a list of the data which we believe should be included with one copy of the initial filing and provided to Staff and People's Counsel.

The Commission is also considering whether, if the aforementioned data is provided at the outset of a rate proceeding, it may also be desirable to modify the manner in which rate increase proceedings have heretofore been litigated by the Commission. For example, the filing of such information concurrently with the rate increase application should diminish the volume of subsequent data requests, shorten the time to prepare Staff, People's Counsel and Intervenor evidentiary presentations and obviate the need to use cross-examination as a means of obtaining discovery. Accordingly, once the proposed filing requirements have been implemented, the Commission may employ a procedure whereby all direct, rebuttal and surrebuttal testimony is filed prior to commencement of any hearings. Consecutive days of hearing would then be scheduled for the purpose of providing all parties with an opportunity to cross-examine witnesses for each of the other parties.

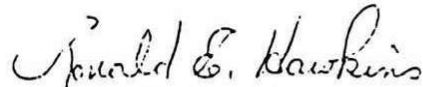
As previously mentioned, the adoption of these revised filing requirements and hearing procedures is intended to expedite the rate-making process, as well as to facilitate the comprehensive investigation of any rate increase proposal. However, before formally proposing the adoption of specific Rules and Regulations implementing these changes, the Commission wishes to informally

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solicit the views of all interested parties. Accordingly, any party desiring to comment on these possible changes in rate case procedures should submit their comments to the Commission by no later than May 16, 1983.

Although the Commission has not taken any formal action with respect to these guidelines, we would encourage all affected public service companies to comply with these suggested filing requirements in their next rate increase application.

By Direction of the Commission,


Ronald E. Hawkins
Executive Secretary

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Enclosure

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INFORMATION TO BE FILED CONCURRENTLY
WITH ANY BASE RATE APPLICATION

In addition to the direct testimony and exhibits of its witnesses, any public service company whose gross annual revenues exceed \$75,000,000 shall file concurrently with its application for a base rate increase the following information:

- I. General Information Concerning the Operations and Financial Condition of the Applicant.
 - A. A copy of latest annual report to stockholders.
 - B. A copy of the most recent statistical supplement to the annual report to the stockholders.
 - C. A copy of the most recent security prospectus (mortgage bonds, debentures, equity, etc.).
 - D. A copy of the most recent "Form No. 1" (electric, gas companies) to FERC or "Form M" (telephone) to FCC.
 - E. A copy of the most recent 10-K report filed with SEC.
 - F. A copy of the most recent quarterly report to stockholders.
 - G. Complete copies of monthly financial and operating reports, showing operating statistics, balance sheets, details of individual balance sheet accounts, operating income statements and detailed revenue and expense accounts for the most recent 12-month period.
 - H. Information for the test year, for the most recent 12-month period, and for each of the last three calendar years concerning:
 - (a) pre-tax interest coverage ratios, including a definition of the components of this ratio.
 - (b) after-tax fixed charge coverage ratios, including a definition of the components of this ratio.
 - (c) coverage ratios for bond indenture purposes, including a definition of this ratio.

- (d) a history of bond ratings by Standard & Poor's and Moody's for the last three years, including current ratings.
 - (e) AFUDC as percent of net income, including the calculations underlying this percentage.
 - (f) coverage of common cash dividends by cash earnings, including the calculations underlying this coverage figure.
 - (g) monthly market-to-book ratios for the most recent 12 months.
 - (h) provide the same information as in (a), (b), (c) and (e) above for the year that new rates will be effective, assuming no rate relief from the case at hand.
1. A copy of the company's most recently prepared five- or ten-year construction budget, showing at a minimum:
- (a) description of all construction items within each of the major construction categories (construction categories being, for example, "Production", "Transmission", etc.).
 - (b) anticipated construction expenditures for each of the above items for each of the next five or ten years.
- J. A summary statement listing in detail what rate base components/adjustments and operating revenue and expense components/adjustments included in test year results deviate or are not consistent with the Commission's decision and order regarding the company's prior base rate proceeding.
- K. A summary statement of past and anticipated changes, since the previous rate case, in major accounting procedures.
- L. A listing and explanation of all nonrecurring, abnormal or extraordinary expenses incurred in the test year which cannot reasonably be expected to be present in future years.
- M. A copy of the most recent C&P of Maryland Statistical Manual (for telephone companies only).

- N. The detailed workpapers showing and explaining calculations supporting all proposed rate-making adjustments, with a comprehensive narrative explanation of each adjustment. There shall be a clear audit trail within the workpapers and to the filed testimony and exhibits.

II. Information Concerning the Applicant's Proposed Rate Base.

- A. Comparative balance sheets (showing all uniform system of account balance sheet accounts) for the test year and for each of the prior two calendar years.
- B. Information concerning plant (property) held for future use:
 - (a) A detailed breakdown of components, including associated dollar amounts.
 - (b) The date of initial acquisition and intended purpose at that time.
 - (c) The current intended plan and purpose.
 - (d) The expected in-service date.
- C. Information concerning fuel stock and gas stored, including the test year's average inventory quantity (Bbls; tons; Mcf's, etc.). Also, provide such average inventory quantities for the most recent three calendar years.
- D. A copy of complete working capital lead-lag study.
- E. Information concerning test year CWIP and associated AFUDC (electric/gas) or IDC (telephone) including:
 - (a) AFUDC (IDC) accrual rate employed, on a monthly basis.
 - (b) Specific basis for AFUDC (IDC) accrual rate. Show computations.
 - (c) AFUDC (IDC) accrual rate used in prior year, on a monthly basis, as well as anticipated near-future accrual rate.
 - (d) Is AFUDC taken on AFUDC? If so, how frequently does this compounding take place? (monthly, semi-annually, etc.?)

(e) On a monthly basis for the test year show: (1) total CWIP balance, (2) CWIP balance accruing AFUDC (IDC), (3) CWIP balance not accruing AFUDC (specify exactly what this CWIP represents and why it does not accrue AFUDC), (4) AFUDC accrual rate, and (5) resulting monthly AFUDC by applying accrual rate to AFUDC-accruing CWIP.

- F. The detailed components, including dollar amounts, of the test year's average prepayment balance.
- G. The detailed components, including dollar amounts, of the test year's average working fund balance.
- H. The minimum and compensating bank balance requirements during the test year and currently in effect. Show all involved banks, associated balance requirements (amounts and percentages), the purpose of such balances, and the extent to which such balances are satisfied by disbursement float.
- I. The bank fees paid during the test year. In supplying these bank fees, show the specific banks involved, the associated fees paid and the purpose of such bank fees.
- J. Supporting workpapers showing all detailed calculations underlying all pro forma rate base adjustments. Workpapers should also include brief narrative explaining the detailed calculations if not self-evident.

III. Information Concerning the Applicant's Net Operating Income.

- A. Comparative operating expenses (showing all uniform system of account expense accounts) for the test year and for each of the last two calendar years.
- B. A summary statement explaining all the timing differences that are currently being normalized for tax purposes and all of the timing differences that are currently being flowed through for tax purposes.
- C. A schedule showing in detail the computations of the test year federal income taxes. This schedule should show all "additions and deductions" to book results, all deferred taxes, ITC generated, ITC amortization, and the resultant current federal income taxes.

In addition, a detailed breakdown of the deferred taxes should be provided in this schedule, showing the exact deferred tax components.

- D. On a monthly basis for the test year and for each of the two prior years, provide the following information:
- (a) billed revenues
 - (b) uncollectible accrual amount
 - (c) uncollectible rate per \$100 of revenue
 - (d) actual write-off amount
 - (e) actual write-off rate per \$100 of revenue
 - (f) reserve balance
- E. A schedule showing for the test year and for each of the last two calendar years, an analysis of gains and losses on the sales of property. This analysis should show all individual sales with their corresponding dollar gains/losses.
- F. The total amount and a breakdown of the major components making up the estimated rate case expenses for the case at hand.
- G. The actual rate case expenses, broken down by major components, incurred for the prior base case proceeding.
- H. The rate case expenses (distinguished by case no.) included in test year operating expenses.
- I. On a monthly basis, the number of full-time equivalent employees (separate by management and non-management) during the test year and the prior year as well as from the end of the test year until to date.
- J. For the test year operating results, a reconciliation of the fuel clause revenues included in operating revenues and the fuel costs included in operating expenses (for electric and gas companies only).
- K. The detailed components and corresponding dollar amounts for the "other income" account during the test year and during each of the last two calendar years.
- L. The detailed components and corresponding dollar amounts for the test year total interest expenses.

M. A statement as to whether the following expenses have been included as "above the line" or "below the line" test year expenses:

- (a) contributions/donations
- (b) lobbying expenses
- (c) memberships/dues

If any of such expenses have been included as "above the line" expenses, provide a schedule showing the type of expenses and associated dollar amounts, including all detailed memberships, contribution recipients, etc.

N. The interest rate paid on customer deposits.

O. A schedule showing all advertising expenses included in the test year as well as for each of the last two calendar years. Advertising expenses should be broken out by the functional categories as specified by Commission Rule IV C.

P. With regard to test year production maintenance, a schedule showing a description of major maintenance projects during the test year by generation station in the following format (electric utilities only):

<u>Station/Unit</u>	<u>Work Description</u>	<u>Outage Days</u>	<u>Maintenance Expense Amount</u>
XXX	XXXXX	XXX	\$XXXX

Q. On a monthly basis as well as on a total annual basis, the test year heating-degree days and cooling-degree days.

In addition, provide the normal heating- and cooling-degree days experienced in company's service area (for gas and electric companies only).

R. The actual amount of "storm damage" expenses incurred during test year. In addition, provide the actually experienced storm damage expenses during each of the last 10 years.

S. For the test year and for each of the last two calendar years, the detailed components and associated dollar amounts included in the following Administrative and General expense accounts (electric and gas utilities only):

- Account 923 - outside services employed
- Account 930.1 - general advertising expense
- Account 930.2 - miscellaneous general expense

- T. A statement of all legal expenses (broken down by major categories) included in test year expenses as well as in each of the last two calendar years.
- U. A breakdown of test year "taxes other than income taxes", including components and associated dollar amounts.
- V. On a monthly basis and on a total annual basis, the following information by customer classification or tariff class should be provided (for electric and gas utilities only):
 - (a) number of customer during the test year and from the end of the test year to date.
 - (b) test year unit sales (kWh's, Mcf's, Dth's, etc.).
 - (c) test year billed revenues.
 - (d) test year fuel clause revenues included in (c) above.
- W. The line losses (percent of total output) and/or unaccounted for gas (percent of total output) for the test year as well as actually experienced during the last five calendar years (electric and gas companies only).
- X. All revenues, expense and tax bookings included in unadjusted per books test year results that relate to periods prior to the test year. Identify all specific bookings.
- Y. Supporting workpapers showing all detailed calculations underlying all pro forma income adjustments. Workpapers should also include brief narrative explaining the detailed calculations if not self-evident.

IV. Information Concerning Applicant's Cost of Capital.

1. Summary of Short-term Debt.

- A. The following data shall be provided for existing short-term debt (consolidated, partially consolidated or other) during the test year and on the last day of the test year:
 - (a) Type of instrument, term, maturity date and holder;
 - (b) Amount outstanding;

- (c) Applicable interest rate;
 - (d) Annualized interest requirement;
 - (e) Composite cost rate for total short-term debt;
 - (f) Standby fee and/or compensating balances, if any, currently required. Also indicate whether required by formal contractual agreement or by informal understanding;
 - (g) Lines of credit and principal lending institutions for the current calendar year and subsequent year; and
 - (h) Average historical daily cash balances as recorded on the books of the utility, by bank, for the most recent 12-month period where such balances are used to meet line of credit requirements.
2. Summary of Embedded Cost of Long-term Debt.
- A. The following data shall be provided on existing long-term debt (consolidated, partially consolidated or other) during the test year and on the last day of the test year:
- (a) Type and coupon rate of issue;
 - (b) Date issued;
 - (c) Maturity date;
 - (d) Original principal amount issued;
 - (e) Face amount outstanding;
 - (f) Unamortized discount or premium, and description of amortization method;
 - (g) Carrying value, net of outstanding amount, unamortized discount or premium and expenses;
 - (h) Annualized interest cost;
 - (i) Composite embedded cost rate;
 - (j) Price to public (including discount/premium);
 - (k) Annualized amortization of underwriting expenses;

- (l) Proceeds to utility before corporate expenses;
 - (m) Corporate expenses; and
 - (n) Unamortized balance of underwriting expenses.
- B. A schedule will be provided showing amounts of outstanding debt instruments which were reacquired by market purchase, the amounts paid for such reacquired debt instruments, the dates of reacquisition, the gains or losses realized, and the method of accounting for the reacquired debt and gains or losses resulting from reacquired debt.
3. Summary of Embedded Cost of Preferred Stock.
- A. The following data shall be provided for outstanding preferred stock during the test year and on the last day of the test year:
- (a) Type, dividend rate, par value;
 - (b) Date issued;
 - (c) Par value outstanding;
 - (d) Premium;
 - (e) Issue expense;
 - (f) Net proceeds after premium and issue expense;
 - (g) Annualized dividends;
 - (h) Embedded cost rate; and
 - (i) Summary of stock provisions as to convertability, redemption, sinking fund, preference provisions, and penalties in event of default.
4. Information Concerning Common Stock.
- A. The following common stock data shall be provided for the most recent historical period and on an actual basis for each of the preceding ten (10) calendar years except as noted:
- (a) Shares outstanding - year-end;
 - (b) Shares outstanding - weighted, with description of weighting method;

- (c) Net income for equity per share, on year-end basis and weighted basis;
- (d) Dividends paid per share, and date of payment, dividends declared per share and date of declaration, and ex-dividend date;
- (e) Market price per share, high and low for each quarter;
- (f) Book value in total dollars on a year-end and on a weighted share basis separated as to the following:
 - (1) Par or stated value;
 - (2) Capital surplus;
 - (3) Earned surplus;
 - (4) Other (describe); and
 - (5) Total of (1) through (4).
- (g) Growth in total book value per share year-end, and growth in book value per share year-end from retained earnings;
- (h) For major issues, the following data:
 - (1) Number of shares issued;
 - (2) Stock issue method, whether by rights, direct offer or other method;
 - (3) Date of issue;
 - (4) Price received (net);
 - (5) Financing costs; and
 - (6) A narrative description of any stock issue methods other than public sales including provisions for purchase relating to qualifications, differentials from market prices or par values and maximum and minimum amounts allowed to be subscribed.
- (i) For minor or continuing issues such as Employee Stock Option Plan or Dividend Reinvestment Plan, the number of shares and amount received; and

- (j) The date of any formal presentation to securities analysts or rating agencies within the last twelve (12) months. Make available for inspection copies of all formal prepared reports distributed to the public in connection with such presentations and a listing of documents distributed in support of such presentations for which privilege or confidentiality is asserted.

V. A Copy of the Applicant's Most Recent Jurisdictional and Class Cost-of-Service Studies (both embedded and marginal cost-based studies).

- A. Each cost-of-service study which is filed by the applicant should be sufficiently complete to permit replication of the company's results.
- B. Each cost-of-service study should include functionalized and classified accounts by FERC account number and a listing of all externally generated allocation factors.
- C. The applicant shall provide load data for the year of the cost-of-service study consisting of:
 - (a) monthly class and jurisdictional peaks (both coincident with the system peak and the noncoincident peaks).
 - (b) class and jurisdictional load and diversity factors.
 - (c) the daily system peaks for each day of the year.
 - (d) a load duration list for the system.