

**APPENDIX F**  
**DIRECT TESTIMONY AND EXHIBIT OF**  
**DANNY WILES**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Pioneer Transmission, LLC       )       Docket No. ER09-\_\_-000**

**DIRECT TESTIMONY AND EXHIBIT OF  
DANNY WILES**

**October 15, 2008**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Pioneer Transmission, LLC)      Docket No. ER09-\_\_\_-000**

**DIRECT TESTIMONY OF  
DANNY WILES**

**I.      INTRODUCTION**

1

**Q.      PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

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A.      My name is Danny Wiles and my business address is 526 South Church Street,  
Charlotte, North Carolina. I am currently General Manager, U.S. Franchised  
Electric & Gas Accounting for Duke Energy Corporation (“Duke”).

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**Q.      WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?**

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A.      As General Manager, U.S. Franchised Electric & Gas Accounting, I have overall  
responsibility for the accounting functions of Duke’s U.S. Franchised Electric &  
Gas business unit, which comprises Duke’s regulated utility businesses in North  
Carolina, South Carolina, Indiana, Ohio, and Kentucky. I am responsible for the  
books of account and accounting records for these regulated utility businesses.

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**Q.      PLEASE    DESCRIBE    YOUR    EDUCATIONAL    BACKGROUND,  
PROFESSIONAL QUALIFICATIONS, AND BUSINESS EXPERIENCE.**

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A.      I graduated from the University of North Carolina at Chapel Hill with a Bachelor  
of Science in Business Administration. I am a certified public accountant and a  
member of the American Institute of Certified Public Accountants. I practiced

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1 public accounting for 16 years with Arthur Andersen LLP, where I was promoted  
2 to Audit Partner in 1999. I joined Duke in 2002 as Managing Director of  
3 Corporate Accounting Research. I became General Manager of Duke's U.S.  
4 Franchised Electric & Gas business unit in February 2008. I am also one of  
5 Duke's accounting representatives with Edison Electric Institute, a trade  
6 association of electric utility companies.

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE A**  
8 **REGULATORY BODY?**

9 A. Yes. I have filed testimony with the North Carolina Utilities Commission  
10 ("NCUC") as a witness in Docket No. E-7, Sub 819, Application of Duke Energy  
11 Carolinas, LLC for Approval of Decision to Incur Nuclear Generation Project  
12 Development Costs. I also filed testimony with the NCUC as a witness in Docket  
13 No. E-7, Sub 831, Application of Duke Energy Carolinas, LLC for Approval of  
14 Save-a-Watt Approach, Energy Efficiency Rider and Portfolio of Energy Efficiency  
15 Programs.

## 16 II. PURPOSE OF TESTIMONY

17 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.**

18 A. In this filing, Pioneer Transmission, LLC ("Pioneer") on behalf of its two  
19 members, Duke Energy Transmission Holding Company, LLC, ("DTHC") and  
20 AEP Transmission Holding Company, LLC, ("ATHC") seeks implementation of  
21 formula rates to recover costs associated with the Pioneer project. My testimony  
22 will describe the accounting for the Pioneer joint venture.

1                                   **III. DESCRIPTION OF ACCOUNTING FOR THE**  
2                                   **PIONEER JOINT VENTURE**

3       **Q. HOW IS PIONEER STRUCTURED?**

4       A. Pioneer is an Indiana limited liability company that is jointly and equally owned  
5           by ATHC, a direct wholly-owned subsidiary of American Electric Power  
6           Company, Inc. (“AEP”) and DTHC, an indirect wholly-owned subsidiary of Duke.  
7           Pioneer was formed to build and operate 240 miles of extra-high-voltage 765-  
8           kilovolt transmission lines and related facilities in Indiana that would link Duke’s  
9           Greentown Station (near Kokomo, Ind.) with AEP’s Rockport Station (east of  
10          Evansville, Ind.). The Direct Testimony of Ms. Heather Geiger (Exh. No. PNR-  
11          100) provides further details on the purpose of the Pioneer joint venture and its  
12          structure.

13       **Q. HOW WILL THE COMPANIES RECORD EQUITY CONTRIBUTIONS?**

14       A. Pioneer will record the receipt of contributions from the members (DTHC and  
15          ATHC) as equity on its balance sheet. The members will record contributions  
16          made to Pioneer as investments in Pioneer on their respective balance sheets.

17       **Q. HOW ARE PIONEER’S TRANSACTIONS RECORDED FOR**  
18       **ACCOUNTING PURPOSES?**

19       A. All of the transactions for Pioneer are recorded on its books. Consequently, its  
20          financial books and records will reflect its assets, liabilities, equity and results of  
21          operations.

22       **Q. WILL PIONEER RECORD INCOME TAXES?**

23       A. Pioneer is a pass-through entity for income tax purposes and therefore will not

1 reflect income taxes for reporting purposes under Generally Accepted Accounting  
2 Principles in the United States (“U.S. GAAP”). However, subject to Federal  
3 Energy Regulatory Commission (the “Commission” or “FERC”) approval,  
4 Pioneer will maintain its books of account based on the Commission’s Uniform  
5 System of Accounts (“USofA”) as if it were a corporation, including the income  
6 tax accounting requirements of the Commission’s USofA.

7 **Q. WHERE WILL THE INCOME TAXES RESULTING FROM THE**  
8 **OWNERSHIP AND OPERATION OF PIONEER BE RECORDED UNDER**  
9 **U.S. GAAP?**

10 A. Pioneer is owned by DTHC and ATHC. ATHC is a pass-through entity owned by  
11 AEP. DTHC is a single-member limited liability company that will elect for  
12 federal and state tax purposes to be treated as a corporation. Each of AEP and  
13 DTHC will record its respective share of Pioneer’s results from operations on its  
14 books, including the appropriate amounts for income taxes, under U.S. GAAP  
15 and, along with the consolidated group of corporations of which each is a member  
16 for federal and state income tax purposes, will be required to pay any resulting  
17 income taxes.

18 **Q. IS PIONEER ELIGIBLE TO RECOVER INCOME TAXES IN ITS**  
19 **RATES?**

20 A. Yes. On May 4, 2005, the Commission, in Docket No. PL05-5-000, ordered that  
21 pass-through entities will be allowed an income tax allowance. Pioneer is  
22 considered a pass-through entity. The following quote from paragraph 42 of the

1 order reads, "Thus, any pass-through entity desiring an income tax allowance on  
2 utility operating income must be prepared to establish the tax status of its owners,  
3 or if there is more than one level of pass-through entities, where the ultimate tax  
4 liability lies and the character of the tax incurred." For income tax purposes,  
5 Pioneer is a tax partnership owned directly or indirectly by tax-paying entities,  
6 AEP and DTHC.

7 **Q. DO THE OWNERS OF PIONEER HAVE A TAX LIABILITY AS A**  
8 **RESULT OF THEIR OWNERSHIP OF PIONEER?**

9 A. Yes. As described previously, Pioneer is jointly owned by ATHC and DTHC.  
10 DTHC is a corporation liable for federal and state income taxes. ATHC is a pass-  
11 through entity directly owned by AEP – a corporation liable for federal and state  
12 income taxes. Therefore, Pioneer entities fall within the FERC requirements that  
13 allow for the use of an income tax allowance.

14 **Q. HOW WILL DTHC AND AEP RECORD THEIR INCOME TAX**  
15 **LIABILITY RESULTING FROM THE OPERATIONS OF PIONEER?**

16 A. In accordance with U.S. GAAP, each of DTHC and AEP will record its respective  
17 share of Pioneer's results from operations on its books for income tax purposes  
18 and record its respective share of the corresponding current and deferred income  
19 tax expense, benefit, assets and liabilities.

20 **Q. HOW WILL THE MEMBERS (PARENT COMPANIES) RECORD THE**  
21 **RESULTS OF OPERATIONS OF PIONEER?**

22 A. After Pioneer closes its books each month, each member, DTHC and ATHC will

1 adjust its investment balance to recognize its share of the net income or net loss of  
2 Pioneer.

3 **Q. HOW WILL THE MEMBERS RECORD RECEIPT OF DISTRIBUTION**  
4 **PAYMENTS?**

5 A. If and when Pioneer pays distributions to the members, the payments will reduce  
6 Pioneer's equity. The members will reduce their investment balance in Pioneer on  
7 their balance sheets for any distributions received.

8 **Q. DESCRIBE PIONEER'S PROPOSED ACCOUNTING FOR, AND**  
9 **RECOVERY OF, PRE-CONSTRUCTION COSTS.**

10 A. Pioneer has already incurred some direct costs, such as the cost of attorneys and  
11 consultants in this proceeding, and will continue to incur such costs prior to the  
12 commencement of construction. Also, the members, as service providers to  
13 Pioneer, have incurred and will continue to incur both third party costs and  
14 internal costs. These costs include, among things, costs to educate the public  
15 about the Pioneer project and to obtain the various regulatory and related  
16 approvals for the project, including the cost of obtaining siting approvals, the cost  
17 of participation in the PJM Interconnection, L.L.C.'s Regional Transmission  
18 Expansion Plan and the Midwest Independent Transmission System Operator,  
19 Inc.'s Transmission Expansion Plan processes relating to this project, and the cost  
20 of proceedings before this Commission to recover the costs of the project.

21 To date, Pioneer has expensed all such costs. Pioneer requests permission  
22 to defer expenses not included in CWIP that are incurred in connection with the

1 Project until its proposed formula rates take effect. Pioneer further proposes to be  
2 allowed to recover the time value of these deferred pre-construction costs by  
3 deferring a carrying cost on such costs pending future recovery. These deferred  
4 costs would be amortized to expense commensurate with their recovery prior to  
5 the Pioneer project going into service. Pioneer proposes to recover these deferred  
6 pre-construction costs and related carrying costs through its proposed formula  
7 rates. The deferral of unrecovered pre-construction costs and related carrying  
8 costs would prevent any adverse effect on Pioneer's earnings and compensate  
9 Pioneer for delays in recovery. Pioneer requests accounting authority to transfer  
10 pre-construction costs that are being recorded in Account 183, Survey and  
11 Investigation Costs, to Account 182.3, Other Regulatory Assets, to defer future  
12 pre-construction costs in Account 182.3, to record a return on such deferred costs,  
13 and to begin to amortize the costs to expense once formula rates are implemented  
14 in this proceeding.

15 **Q. WHAT IS THE RECOVERY PERIOD FOR THESE DEFERRED COSTS?**

16 A. These deferred costs will be amortized over 60 months, the approximate  
17 construction period, beginning when the formula rates are made effective.

18 **Q. WHEN DID PIONEER FIRST INCUR AND DEFER COSTS AND WHAT**  
19 **IS THE EXPECTED DEFERRAL BALANCE ON THE DATE THAT THE**  
20 **FORMULA RATES TAKE EFFECT?**

21 A. Pioneer first incurred costs in the third quarter of 2008. We do not have a precise  
22 date that the formula rates will become effective. However, assuming that the

1 formula rates will be effective October 1, 2009, it is expected that the total costs  
2 incurred and deferred as regulatory assets as of that date will be approximately \$6  
3 million, inclusive of carrying costs.

4 **Q. HOW WILL CONSTRUCTION COSTS BE RECORDED?**

5 A. Construction costs will be capitalized in Construction Work in Progress (CWIP),  
6 FERC Account 107.

7 **Q. HOW WILL COSTS OTHER THAN CONSTRUCTION COSTS BE**  
8 **RECORDED?**

9 A. All other costs, incurred prior to the effectiveness of the formula rates will be  
10 deferred as a regulatory asset in FERC Account 182.3 (since it is probable they  
11 will be subject to recovery during construction). After the formula rates take  
12 effect and recovery begins, all costs other than construction costs will be expensed  
13 as incurred.

14 **Q. WHO WILL PERFORM THE NECESSARY WORK FOR THE PIONEER**  
15 **PROJECT?**

16 A. For the most part, the work on the Pioneer project will be performed by  
17 employees of Duke and American Electric Power Service Corporation  
18 (“AEPSC”), AEP’s service company, until construction begins. Additional  
19 services may be performed by third party vendors. After construction begins, a  
20 significant amount of the work will be performed by third party vendors.

21 **Q. HOW WILL COSTS BE BILLED TO PIONEER?**

22 A. AEPSC will bill ATHC for the cost of services rendered to Pioneer. ATHC will

1 in turn bill these costs to Pioneer. Costs for services provided by other AEP  
2 affiliates will be billed in the same manner. Costs incurred by Duke or its  
3 affiliates for services rendered to Pioneer will be charged directly to the accounts  
4 of Pioneer. Costs associated with contracts with third party vendors will be billed  
5 directly to Pioneer.

6 **Q. PLEASE DISCUSS THE ACCOUNTING FOR BUSINESS AND**  
7 **ADMINISTRATIVE EXPENSES FOR PIONEER.**

8 A. The business and administrative expenses for Pioneer will come from three  
9 sources: 1) Pioneer direct expenses, 2) ATHC billings, and 3) DTHC or Duke  
10 charges.

11 The Pioneer direct expenses consist primarily of third party (non-affiliate)  
12 contracts for administrative services entered into directly by Pioneer.

13 The expenses charged to Pioneer from DTHC or Duke will be primarily  
14 for cash management and treasury services, risk management services, tax and  
15 accounting services, budgeting and forecasting services and legal services  
16 provided to Pioneer. The expenses billed to Pioneer for services performed by  
17 AEPSC will primarily consist of engineering, design and project management for  
18 construction of the facilities.

19 **Q. PLEASE DISCUSS HOW DUKE AND ATHC COSTS ARE ASSIGNED TO**  
20 **PIONEER.**

21 A. The services provided by AEPSC and other AEP employees and billed by ATHC  
22 to Pioneer, and by Duke employees and charged to Pioneer, will fall into two

1 categories: direct and allocated. As discussed below, the costs billed or charged  
2 to Pioneer by Duke and ATHC will include overheads, but no profits.

3 The directly-charged costs are those that are requested by and charged only  
4 to the Pioneer for project services. These are typically comprised of services  
5 provided to Pioneer by AEPSC or Duke employees. The services are provided to  
6 Pioneer at cost, which is the same basis as services provided to other AEP or  
7 Duke affiliates. Pioneer is billed based on the hourly rate and appropriate  
8 overhead loading factors for the employees providing service to Pioneer. The  
9 same overhead loading factors will be used for billings to Pioneer that are used for  
10 all affiliate and non-affiliate billings.

11 The majority of the direct costs are for AEP or Duke employees who will  
12 perform services for Pioneer and these costs will be billed to Pioneer by ATHC or  
13 charged directly to Pioneer by Duke or DTHC. These employees participate in the  
14 AEP or Duke benefit plans and employee programs, and there will not be any  
15 differences between these AEP or Duke employees and other AEP or Duke  
16 employees in regard to compensation and benefit plans.

17 Allocated costs are those that are billed to multiple affiliates using an  
18 allocation formula. These are cost that, due to their shared nature, cannot be  
19 directly billed to an individual company. Examples of services whose costs are  
20 allocated or shared are information technology, purchasing, human resources,  
21 finance, payroll, accounts payable, strategic planning, business logistics and  
22 internal support services.

1       **Q.     HOW WILL PIONEER ACCOUNT FOR ANY DIFFERENCE BETWEEN**  
2       **THE AMORTIZATION OF THE REGULATORY ASSET DEFERRALS**  
3       **PLUS CURRENT GENERAL EXPENSES AND THE ACTUAL AMOUNTS**  
4       **COLLECTED IN RATES?**

5       A.     Any under-recovery will be recorded as a regulatory asset for future recovery; any  
6       over-recovery will be deferred as a regulatory liability for future return to  
7       customers.

8       **Q.     PLEASE DISCUSS PIONEER’S REQUEST FOR A WAIVER OF**  
9       **SPECIFIC ACCOUNTING TREATMENT FOR IMPLEMENTATION OF**  
10       **CERTAIN INCENTIVE RATE TREATMENTS.**

11      A.     When recovering a carrying charge during construction, the Commission has  
12      directed specific, special accounting treatment to recognize the economic effects  
13      of, and comparability of financial information from, the implementation of certain  
14      incentive rate treatments including accounting treatment for CWIP in rate base.  
15      The special accounting treatment requires the accrual of Allowance for Funds  
16      Used During Construction (“AFUDC”) and a corresponding debit to FERC  
17      Account 407.3, Regulatory Debits, and a credit to FERC Account 254, Other  
18      Regulatory Liabilities, and the additional requirement that the balance in Account  
19      254 related to return on the project be deducted from rate base. This accounting  
20      treatment was originally required in *American Transmission Company II* (“ATC”),  
21      105 FERC ¶ 61,388 at P 39 (2003). The *ATC* Order, issued December 29, 2003,  
22      required ATC to make certain adjustments to its FERC Accounts to provide

1 comparability of its financial information to other utilities.

2 On January 28, 2004, ATC filed a Request for Clarification and/or  
3 Rehearing in Docket No. ER04-108-002, requesting that it be permitted to fulfill  
4 the accounting requirement through footnote disclosure instead of by adjustments  
5 to certain accounts. ATC argued that since the adjustments to the FERC Accounts  
6 are not consistent with U.S. GAAP, they will impose significant administrative  
7 costs and create inconsistencies between ATC's financial statements and those of  
8 other utilities. In the Commission's "Order Dismissing Rehearing as Moot,  
9 Providing Clarification and Approving Uncontested Settlement," 107 FERC  
10 ¶ 61,117 at PP 16-17 (2004) ("*ATC Clarification Order*"), the Commission agreed  
11 with ATC that providing disclosure in financial footnotes to the FERC Form No.  
12 1 and Form No. 3-Q can provide the necessary financial information for  
13 comparability, while simplifying compliance. Pioneer asks that it be authorized to  
14 follow the disclosure approved for ATC in the Commission's *ATC Clarification*  
15 *Order*, which was also approved in *Trans-Allegheny Interstate Line Company*,  
16 119 FERC ¶ 61,219 (2007), in lieu of the specific accounting treatment.

17 **Q. HOW WILL PIONEER ACCOUNT FOR ANY DIFFERENCE BETWEEN**  
18 **THE INCLUSION OF PROJECTED CWIP IN RATE BASE AND THE**  
19 **ACTUAL CWIP BALANCE?**

20 A. The recovery of the return on CWIP will be trued up to actual. Any difference  
21 between the actual carrying costs, i.e., the return on CWIP in rate base, and the  
22 amounts recovered in rates will be recorded as a regulatory asset for future

1 recovery in the next rate rider if it is an under-recovery or deferred as a regulatory  
2 liability for future return to customers if it is an over-recovery.

3 **Q. PLEASE DISCUSS HOW PIONEER WILL MAINTAIN CWIP RECORDS.**

4 A. Since Pioneer is requesting incentive treatment to include the CWIP balance in  
5 rate base, it is essential that the accounting records are maintained in sufficient  
6 detail to eliminate the possibility of improper capitalization. In accordance with  
7 the FERC USofA, CWIP balances are typically subject to AFUDC calculations  
8 that increase the asset balance for the cost of funds used during construction.  
9 However, due to the incentive treatment available on this project, Pioneer will be  
10 earning a return on CWIP during the construction period and, therefore, no  
11 AFUDC should be accrued in Account 107, Construction Work in Progress.

12 Pioneer will use the PowerPlant System to maintain its accounting records  
13 for CWIP electric plant assets during construction and after the project is placed in  
14 service. The PowerPlant System includes the capability to identify specific  
15 project(s) that should not be included in the calculation and capitalization of  
16 AFUDC. The project(s) related to the construction that have been granted  
17 incentive treatment will be identified in PowerPlant and no AFUDC will be  
18 calculated on their balances. This will ensure that the CWIP in the formula rate  
19 filing will not include AFUDC. Please see Exhibit PNR-501 for more details  
20 regarding the safeguards in the PowerPlant System that will prevent the  
21 calculation and recordation of AFUDC and thus duplicate recovery of  
22 construction costs.

1       **Q.     DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2       **A.     Yes, it does.**

UNITED STATES OF AMERICA  
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Pioneer Transmission, LLC

Docket No. ER09-\_\_\_\_-000

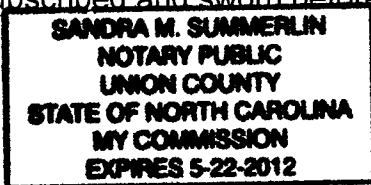
State of North Carolina

County of Mecklenburg

I, Danny Wiles, being first duly sworn, on oath state that I am the General Manager of U.S. Franchised Electric and Gas Accounting for Duke Energy Corporation whose prepared direct testimony was served on all parties to the above reference proceeding. If asked the questions contained in the text of the testimony, I would give the answers that are herein set forth and I adopt the aforesaid answers as my direct testimony in this proceeding.

Danny Wiles

Subscribed and sworn before me this 9th day of October, 2008.



Sandra M Summerlin  
Notary Public

My Commission expires on: 5-22-2012

**Pioneer Transmission, LLC**  
**Internal Accounting Controls**

Pioneer Transmission, LLC (“Pioneer”) will implement certain accounting procedures to ensure that all costs are properly classified in its accounting records. In this regard, Pioneer will establish separate unique aggregators for its construction costs classified as Construction Work in Progress (“CWIP”) in FERC Account 107, which qualifies for rate base treatment and will therefore not include Allowance for Funds Used During Construction (“AFUDC”).

Pioneer will maintain its accounting records for electric plant assets during the construction period and the in-service period using the PowerPlant System. Within the PowerPlant System, the company will establish a series of separate and unique project(s) for the construction of the transmission facilities for which the company is requesting the incentive of CWIP in rate base. Pioneer will use the unique project(s) to accumulate the costs that may be properly capitalized in compliance with Electric Plant Instruction 3, Components of Construction Costs of the FERC Uniform System of Accounts.

The PowerPlant System provides Pioneer with the ability to determine if, and when, AFUDC should be capitalized on a group of project(s) as shown in Figure #1 or on an individual project by project basis as shown in Figure #2. Note that these Figures represent other project(s) since the Pioneer project(s) codes have not yet been established. Pioneer will code the project(s) related to the construction of the transmission facilities that qualify for incentive treatment as a specific project type. The PowerPlant System will recognize that project type and will not calculate and capitalize AFUDC on the Pioneer project as a component of the costs to be recorded in Account 107, as shown in Figure #3.

Therefore, although all other prudently incurred costs of construction will be aggregated in the transmission facilities project(s) for Pioneer, no AFUDC will be included. This process will ensure that the CWIP included in the formula rate filing will not include AFUDC. Similarly, this process ensures that, once placed in service, the Pioneer project will not include AFUDC when the project is classified to Electric Plant in Service, FERC Account 101, and unitized.

Finally, uniquely identifying, tracking and accounting for the costs associated with the construction of the Pioneer project, also will ensure that none of the costs of the project will be inadvertently assigned to any other project that will be included in a subsequent Section 205 filing.

### Pioneer Transmission, LLC Internal Accounting Controls

Figure #1

Project (Work Order) Types will be developed to code the Pioneer projects by group to receive AFUDC.

The screenshot displays the 'Work Order Type Entry' application window. It is divided into several sections:

- PowerPlant Fields:** Contains input fields for 'Modified' (06/29/2008 04:50:02), 'User' (PWRPLANT), and 'System Key' (47912620).
- Descriptions:** Contains 'Short' and 'Long' description fields, both containing '804 Transmission Lines - CGE'. The 'Long' field also includes '[75023]'.
- Action Buttons:** A grid of buttons for 'This Record' (Save, Refresh, Delete, Cancel) and 'Other Records' (Add, Add Like, Previous, Next). There are also 'Help' and 'Audits' buttons under the 'Other' header.
- Columns / Relational Tables:** A tabbed interface with 'Columns' selected.
- Categorizations (\* = required):** A large section with multiple rows of fields:
  - Removal GL Account\* (0108620 - Retire Work In)
  - Jobbing GL Account\* (0186984 - Other Long Te)
  - Expense GI Account\* (0402000 - Maintenance E)
  - Afc Elig Indicator (yes)
  - Cpi Elig Indicator (yes)
  - escalation id (empty)
  - Unitize By Account (no)
  - budget review type id (empty)
  - Default Afc Type\* (CGE - Electric Non Produ)
  - Agreemnt (<none>)
  - Alloc Method Type \* (Estimated Dollars)
  - Closing Pattern Id (<none>)
  - Activity WD Number (empty)
  - Tolerance (<none>)

**Pioneer Transmission, LLC  
Internal Accounting Controls**

Figure #2

Individual projects can be coded for AFUDC application if group application is not applicable.

<b>Project Number</b> C3447	
<b>General Options:</b>	
Base Year	Escalation Type
Closing Option Standard Close	Reimbursable Indicator 0001 Percent Re
Project Class 810 - Line Extensions	Co-Tenancy Agreement <none>
Functional Class Elec - Distribution Pla	Unitization Allocation Estimated Dollars
Accrual Type	Retirement Type
Accrual Project	
<b>AFUDC and Unitization:</b>	
AFUDC Type CGE - Electric Non Pr	AFUDC Start Date
Eligible for AFUDC yes	AFUDC Stop Date
Eligible for CPI yes	Unitize by Account
	Unitize Tolerance <none>
<b>General Ledger Posting Accounts:</b>	
Cwip 0107000 - Const. Wor	Retirements 108999
Unitized Close 0101000 - Property, P	Removal 0108620 - Retire Wor
Non Unitized Close 0106000 - Comp Cons	Salvage 0108620 - Retire Wor
Expense 0402000 - Maintenanc	Jobbing 186984

**Pioneer Transmission, LLC  
Internal Accounting Controls**

Figure #3

Exclusion from AFUDC calculation by project for “CWIP in Base”.

Business Unit	Project	CWIP In Base	Retentions	Roll To Next Month
75023-DE Ohio Power Deliv	10009			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10011			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10030			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10035			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10090			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10097			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10182			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10199			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10210			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10252			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10285			<input type="checkbox"/>
75023-DE Ohio Power Deliv	10294			<input type="checkbox"/>
75023-DE Ohio Power Deliv	20011			<input type="checkbox"/>
75023-DE Ohio Power Deliv	20175			<input type="checkbox"/>
75023-DE Ohio Power Deliv	20181			<input type="checkbox"/>
75023-DE Ohio Power Deliv	20381			<input type="checkbox"/>
75023-DE Ohio Power Deliv	20438			<input type="checkbox"/>
75023-DE Ohio Power Deliv	20460			<input type="checkbox"/>