

APPENDIX I

DIRECT TESTIMONY AND EXHIBITS OF
ALAN C. HEINTZ

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

Pioneer Transmission, LLC

| Docket No. ER09-____-000

DIRECT TESTIMONY OF ALAN C. HEINTZ

ON BEHALF OF

PIONEER TRANSMISSION, LLC

October 15, 2008

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Exhibits to Direct Testimony

Exhibit No.	Description
PNR-801	Testimony Experience
PNR-802	Formula rate populated with 2009 estimated data
PNR-803	Formula rate populated with 2010 estimated data

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

Pioneer Transmission, LLC

| Docket No. ER09-____-000

DIRECT TESTIMONY OF ALAN C. HEINTZ

1 **I. INTRODUCTION**

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

3 A. My name is Alan C. Heintz. My business address is Brown, Williams, Moorhead
4 & Quinn, Inc. (“BWMQ”), 1155 Fifteenth Street, NW, Suite 400, Washington,
5 DC 20005. I am a Vice President of BWMQ.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

7 A. I am testifying on behalf of Pioneer Transmission, LLC (“Pioneer”).

8 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

9 A. I was employed by the Federal Energy Regulatory Commission (“FERC” or
10 “Commission”) from November 1985 to February 1995. I served as a Public
11 Utilities Specialist in the [Electric] Rate Filings Branch from November 1985 to
12 October 1989. In November 1989, I was promoted to Section Chief in the
13 Division of [Electric] Applications, and was responsible for supervising the

1 review of the terms, conditions, and rates of electric rate applications for such
2 services as interchange power, requirements power, and transmission. During my
3 tenure with FERC, I prepared or supervised the preparation of memoranda
4 recommending acceptance, rejection, deficiency, or investigation in hundreds of
5 cases. These included cases that set important precedents on electric transmission
6 pricing, such as the merger compliance transmission tariffs for Northeast Utilities,
7 the first generation of open access transmission tariffs (“OATT”) filed by utilities
8 such as Entergy Services Inc., Louisville Gas and Electric Co., Florida Power &
9 Light Co., Kansas City Power & Light Co., and American Electric Power Service
10 Corp., as well as the Pennsylvania Electric Company case involving Penntech
11 Papers, Inc. I also taught a one-year course to FERC Staff and gave several
12 presentations to the Edison Electric Institute Interconnection and Interchange
13 Arrangements Committee on the pricing of power and transmission services.

14 From February 1995 through October 2000, I was a Vice President of
15 Stone & Webster Management Consultants, Inc. In this position, I provided
16 consulting services to numerous electric utilities on matters involving
17 requirements and off-system power rates, rate and implementation strategies for
18 developing OATT filings, and issues concerning the organization of Independent
19 System Operators (“ISO”) and Regional Transmission Organizations (“RTO”). I
20 also assisted several utilities in preparing their retail delivery services filings. In
21 November 2000, I joined R.J. Rudden Associates, Inc. as a Vice President, where
22 I continued providing consulting services to the electric industry. I joined
23 BWMQ in February 2004.

1 **Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?**

2 A. I provide consulting services on matters relating to power sales, transmission, and
3 ancillary service issues associated with FERC regulation of open access
4 transmission service, including issues arising from FERC's Order Nos. 888, 889,
5 890, 2000 and 679. I have been actively involved as a consultant to several ISOs
6 and RTOs, to certain participants of the Midwest Independent Transmission
7 System Operator, Inc. ("MISO"), and to transmission-only entities such as
8 American Transmission Company and Trans-Elect. I have advised these clients
9 on transmission and congestion pricing, and the treatment of pre-existing
10 arrangements, losses, and ancillary services, as well as non-rate terms and
11 conditions of their tariffs. In addition, I have provided advice on transmission
12 pricing matters to several transmission-owning members of the PJM
13 Interconnection, LLC ("PJM").

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE FERC OR BEFORE**
15 **OTHER REGULATORY AGENCIES AND COURTS ON UTILITY-**
16 **RELATED MATTERS?**

17 A. Yes. During my tenure at the FERC, I was assigned to the Commission's
18 advisory staff and, therefore, was precluded from testifying before the FERC.
19 However, while at the FERC, I presented cases publicly to the FERC
20 Commissioners at their bi-weekly public meetings and was the technical contact
21 to the Commissioners in numerous cases. Since leaving the FERC, I have filed
22 testimony before the FERC in numerous proceedings. In addition to the FERC, I

1 have testified before the British Columbia Utilities Commission in Canada, the
2 Illinois Commerce Commission, the Maine Public Utilities Commission, the
3 United States Court of Federal Claims, and the United States District Court in
4 Florida. A summary of my prior testimony is contained in Exhibit No. PNR-801.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

6 A. I received the degree of Bachelor of Science in Business and the degree of
7 Bachelor of Arts in Economics from the University of Colorado, Boulder,
8 Colorado, in May 1982. I also received the degree of Master of Business
9 Administration in Finance from the George Washington University in
10 Washington, DC, in December 1988.

11 **II. PURPOSE OF TESTIMONY AND BACKGROUND**

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. The purpose of my testimony is to explain and support the reasonableness of
15 Pioneer's proposed formula transmission rate. The proposed formula allows
16 Pioneer to forecast the net revenue requirement for each calendar year and assess
17 the resulting rates in the same calendar year. A true-up between the forecasted
18 and actual net revenue requirement would be calculated the following year (cost
19 year plus one) and applied as an addition to or subtraction from the subsequent
20 year's net revenue requirement and resultant rates (cost year plus two).

21 Pioneer will forecast the net revenue requirement and loads for each
22 calendar year and assess the resulting rates on a calendar year basis beginning

1 January 1. The proposal includes a true-up mechanism to ensure customers are
2 not harmed if the actual net revenue requirement is less than the billed net revenue
3 requirement. Conversely, the true-up mechanism protects the Company if the
4 actual net revenue requirement is more than the forecasted net revenue
5 requirement. The proposed true-up compares the actual net revenue requirement
6 to the forecasted net revenue requirement collected during the cost year. Any
7 difference will be added to or subtracted from the rates assessed two years later
8 with interest based on Section 35.19a of the Commission's regulations.

9 Pioneer proposes using 13-month average plant balances in determining
10 its annual net revenue requirement. Pioneer will forecast the average of the 13
11 monthly plant balances, including CWIP, for the following year by estimating the
12 date when plant is expected to be retired or new plant is placed in service.
13 Pioneer also proposes to use the average of the beginning and end of year
14 balances for accumulated deferred income taxes, land held for future use,
15 materials and supplies, and prepayments. Should these estimates be incorrect, the
16 true-up mechanism subsequently will adjust Pioneer's rates.

17 Most significantly for purposes of this rate proceeding, I was given a
18 specific mandate to develop a rate formula that would be consistent with
19 Commission policy. The proposed rate formula satisfies these objectives.

20 **Q. PLEASE PROVIDE AN EXAMPLE OF HOW THE FORMULA WOULD**
21 **FUNCTION.**

22 A. For service from January 1, 2010 to December 31, 2010 ("the Service Year"), the
23 average rate base balances and calendar year expenses for 2010 would be

1 forecasted by October 15, 2009. The rates in effect for the Service Year would be
2 calculated pursuant to the formula using these forecasts. On or before June 1,
3 2011, the actual 2010 average rate base and annual expenses for 2010 would be
4 computed. The difference between 2010 revenue requirement forecast and actual
5 2010 net revenue requirement, positive or negative, would be computed with
6 interest based on Section 35.19a and used to adjust rates during calendar year
7 2012.

8 **Q. PLEASE EXPLAIN WHY THE PROPOSED FORMULA IS**
9 **REASONABLE.**

10 A. The proposed formula implementation change is very similar to the method
11 approved by the Commission in *American Transmission Company* (“ATC”),
12 97 FERC ¶ 61,139 (2001), *International Transmission Company*, 116 FERC
13 ¶ 61,036 (2006), *Michigan Electric Transmission Company, LLC*, 117 FERC
14 ¶ 61,314 (2006), *order on reh’g*, 118 FERC ¶ 61,139, *order on compliance*,
15 119 FERC ¶ 61,203 (2007), and *Xcel Energy Services, Inc.*, 121 FERC
16 ¶ 61,284 (2007). Pioneer will invest substantial amounts in new transmission
17 facilities and expects this trend to continue in future years. The proposal allows
18 Pioneer to collect rates that are representative of the costs in the current period,
19 provides for greater certainty for cost recovery of capital expenditures to improve
20 the transmission infrastructure, and ensures that customers pay the cost to serve
21 them over the life of the project(s). Moreover, the Commission has approved
22 numerous other transmission formulas that employ similar true-up mechanisms,
23 see for example *Boston Edison Company*, 91 FERC ¶ 61,198 (2000); *Northeast*

1 *Utilities Service Company*, 105 FERC ¶ 61,089 (2003); *San Diego Gas & Electric*
2 *Company*, 103 FERC ¶ 61,115 (2003).

3 **Q. PLEASE EXPLAIN THE PROPOSED INTEREST CALCULATION AND**
4 **WHY IT IS REASONABLE.**

5 A. As mentioned above, the interest would be calculated pursuant to the interest rates
6 set forth in Section 35.19a of the Commission's regulations. Pioneer proposes to
7 use the method for calculating refunds/surcharges and interest that the
8 Commission approved in *ATC*. Thus, in the example above, the interest charge
9 will be the average of interest rates for the 20 months prior to September 1, 2010.
10 This proposal is reasonable in that: (1) the actual interest rates in 2011 will not be
11 known prior to 2011, the period during which the refund is returned or the
12 surcharge is collected, and (2) the monthly rates in 2011 will not be constantly
13 changing due to changes in interest rates.

14 **Q. DO YOU BELIEVE THAT THE PROPOSED FORMULA RATE IS**
15 **REASONABLE?**

16 A. Yes. The use of forecast data with a true-up to actual with interest has been
17 approved by the Commission for numerous other transmission owners and is
18 reasonable, on its face, for the reasons discussed above.

19 **III. FORMULA RATE**

20 **Q. PLEASE PROVIDE AN OVERVIEW OF PIONEER'S PROPOSED**
21 **FORMULA RATE METHODOLOGY.**

1 A. The formula rate has three components. The first is a statement of the annual
2 transmission revenue requirement (“ATRR”) that will be included as Attachment
3 H-20 of the PJM OATT and Attachment O – Pioneer Transmission, LLC of the
4 MISO OATT. I note that since Pioneer’s revenue requirement will be collected
5 under both the MISO and PJM OATTs, the allocation of the ATRR to MISO and
6 PJM is shown at Lines A-D on page 1 of the formula. The second component is
7 the formula itself with the worksheets discussed later in my testimony. These two
8 components will be included as Appendix A to Attachment H-20 (PJM OATT)
9 and Attachment O – Pioneer Transmission LLC (MISO OATT). Finally,
10 implementation protocols describe how Pioneer will update the formula each
11 year, what the review procedures will be, how customer challenges will be
12 resolved, and how any changes to the annual rate restatements will be
13 implemented. These protocols will be included in the MISO and PJM OATTs as
14 Appendix B to Attachment H-20 (PJM) and Attachment O – Pioneer
15 Transmission LLC (MISO). When the proposed rate becomes effective, MISO
16 and PJM will post the populated formula, including the worksheets and protocols,
17 on their respective websites. The formula rate, populated with projected 2009
18 data, is attached to my testimony as Exhibit No. PNR-802. I have also included
19 the formula rate populated with projected 2010 data. This is attached to my
20 testimony as Exhibit No. PNR-803. The proposed Attachment H-20 (PJM) and
21 Attachment O – Pioneer Transmission, LLC (MISO) , including Appendices A
22 and B thereto, is included as Appendix A to this filing.

1 **Q. PLEASE DESCRIBE IN DETAIL THE ACTUAL APPLICATION OF**
2 **PIONEER’S PROPOSED FORMULA RATE.**

3 A. Lines 1-4 of Appendix A summarize the annual revenue requirement calculations
4 for Pioneer. Line 1 is the gross revenue requirement carried forward from line 78.
5 Line 2 is the amount of the revenue credits detailed in Attachment 1; line 8 is the
6 true-up adjustment for the prior year; and line 4 is net revenue requirement for the
7 year.

8 Lines 5-76 contain the traditional net plant annual transmission revenue
9 requirement components. The gross revenue requirement is the sum of the return
10 on rate base, operation and maintenance expense (“O&M”), depreciation expense,
11 taxes other than income taxes, and income taxes. These cost data reflect
12 Pioneer’s costs (as estimated and trued-up the next year to data reported in Form 1
13 and other inputs to the formula). The estimated revenue requirement is trued up
14 the next year to the actual revenue requirement and the difference, with interest, is
15 added or subtracted from the ATRR for the subsequent Rate Year.

16 Beginning at line 5, each line of the formula consists of five columns of
17 information or data (in addition to the “Line No.” column):

- 18 (1) a description of the cost item or formulaic result of the calculation on the
19 line;
- 20 (2) the source of the input data (a FERC Form 1 page number or an attached
21 worksheet), or an instruction describing a calculation (*e.g.*, “Sum lines 5 to
22 9”);

1 (3) the actual Total Company data input (areas shaded) or sum of the data
2 (unshaded);

3 (4) the allocator or functionalization factor applicable to the Total Company
4 value; and

5 (5) the transmission-related amount obtained by applying the allocator or
6 functionalization factor to the Total Company value.

7 Lines of the formula are grouped by category as follows: (a) Rate Base
8 (net plant, accumulated deferred income taxes (“ADIT”) and other adjustments,
9 cash working capital and land held for future use) (lines 17-40); (b) O&M (lines
10 41-48); (c) Depreciation and Amortization (lines 49-53); (d) Taxes Other than
11 Income Taxes (lines 54-63); (e) Composite Income Taxes (lines 64-73);
12 (f) Return on Rate Base (line 75); and (g) Revenue Requirement (gross) (line 76).

13 Pages 4 and 5 consist of “Supporting Calculations and Notes” that are
14 inputs to the basic formula on lines 77-96, specifically: (a) the Transmission Plant
15 allocator (“TP”) (lines 77-82); (b) the Wages & Salaries allocator (“W/S”) (lines
16 83-89); and (c) the capital structure and overall Rate of Return (“R”) (lines 90-
17 96). Page 5 contains explanatory notes for the items on pages 2-4.

18 **Q. PLEASE DESCRIBE HOW RATE BASE IS CALCULATED PURSUANT**
19 **TO THE FORMULA.**

20 A. As set out on lines 5-10, Transmission plant is allocated by the TP allocator
21 discussed below, and General and Intangible Plant are functionalized to
22 transmission by the W/S allocator. The depreciation accrual balances associated
23 with general and intangible plant are similarly functionalized (lines 11-16).

1 Net transmission plant, property and equipment balances are calculated at
2 lines 17-23. All plant balances are calculated based on 13-month averages, the
3 details of which are developed on Attachment 3.

4 Adjustments to Rate Base (primarily ADIT) are calculated on Attachment
5 3 and carried over to the formula at lines 24-33.

6 CWIP is included on line 30 and reflects the 13 month average balances
7 shown on Attachment 3.

8 The Unamortized Regulatory Asset, consisting of all expenses incurred
9 but not included in CWIP prior to the date the rates become effective, is included
10 at line 31. The proposed regulatory asset is reasonable and necessary in order to
11 allow Pioneer an opportunity to recover all expenses incurred but not included in
12 CWIP prior to the date the formula rate becomes effective and has been accepted
13 by the Commission in a similar case involving a stand-alone transmission
14 company building its first line, i.e., *Potomac-Appalachian Transmission Highline,*
15 *L.L.C.*, 122 FERC ¶ 61,188 (2008).

16 Unamortized Abandoned Plant is included in rate base at line 32. Any
17 amounts included in Unamortized Abandoned Plant would be per FERC order.

18 Land Held for Future Use is specified on Attachment 3 and included at
19 line 34.

20 Working Capital (lines 35-39) consists of three elements: (1) Cash
21 Working Capital (“CWC”) calculated as one-eighth of total O&M expenses;
22 (2) Materials & Supplies; and (3) Prepayments.

1 **Q. PLEASE DISCUSS HOW THE ADIT BALANCES ARE INCLUDED IN**
2 **THE FORMULA.**

3 A. Deferred income taxes arise when items are included in taxable income in
4 different periods than they are included in rates. The beginning and end of year
5 balances reported in Form 1 are averaged on Attachment 3. Consistent with *ATC*,
6 Pioneer allocates the ADIT based on the Net Plant ratio.

7 **Q. PLEASE DISCUSS THE DEVELOPMENT OF O&M EXPENSES.**

8 A. Total transmission O&M expense shown at line 48 consists of Transmission
9 expense (line 42), plus Administrative & General (“A&G”) expense
10 functionalized to transmission and several adjustments.

11 The formula (line 43) excludes Account 565 (Transmission by Others) (if
12 any).

13 The TP allocator is applied to the total company amounts for Transmission
14 O&M and Account 565.

15 Total company A&G expense, adjusted for Regulatory Commission
16 Expense, General Advertising Expense and Post Retirement Other Than Pension
17 (“PBOP”) expenses, is functionalized to Transmission by the W/S allocator.

18 Regulatory Commission Expenses related to transmission are included on
19 line 46.

20 PBOP expenses for Pioneer Transmission are subject to actuary studies for
21 American Electric Power Company, Inc. and Duke Energy Corporation that
22 allocate PBOP expenses based on labor dollars. The purpose of this adjustment,
23 detailed on Attachment 3, is to ensure that the PBOP expenses do not change due

1 to a change in the actuary study absent a separate Section 205 filing by Pioneer
2 Transmission. This treatment is consistent with the treatment approved in *Trans-*
3 *Allegheny Interstate Line Co.*, 124 FERC ¶ 61,075 (2008) (“*TrAILCo*”).

4 **Q. PLEASE DISCUSS HOW THE FORMULA DEVELOPS DEPRECIATION**
5 **AND AMORTIZATION EXPENSE.**

6 A. Total Transmission Depreciation and Amortization Expense is shown on line 53.
7 It is the sum of transmission plant depreciation and amortization expense (line
8 50), plus general plant depreciation and intangible plant amortization (line 51),
9 functionalized to transmission. Consistent with the functionalization of general
10 and intangible, W/S is the allocation factor.

11 The formula also includes a provision (line 52) for including the
12 amortization of unrecovered abandoned incentive plant (requiring Commission
13 approval in a separate filing). Pioneer seeks to accrue AFUDC on the balance of
14 the regulatory asset until the rates become effective in order to recover the time
15 value associated with the expenditures.

16 **Q. PLEASE DISCUSS HOW THE FORMULA DEVELOPS TAXES OTHER**
17 **THAN INCOME TAXES.**

18 A. Taxes other than income taxes (“Other Taxes”) are functionalized to transmission
19 and specified at lines 54-63. Labor-related taxes are functionalized by the W/S
20 allocator (lines 55-57). Real and personal property, miscellaneous other taxes and
21 payments in lieu of taxes (if any) (lines 59, 61 and 62) are functionalized by the
22 GP allocator. Gross receipts are excluded (line 60).

23 **Q. PLEASE DISCUSS HOW THE FORMULA DEVELOPS INCOME TAXES.**

1 A. Federal and state income taxes (line 73) are developed consistent with the return
2 on rate base calculated at line 40.

3 The tax components are Federal Income Tax Rate (“FIT”), State Income
4 Tax Rate (or Composite) (“SIT”), and the percent (“p”), if any, of federal income
5 tax deductible in the calculation of state income tax (lines 65-66). These
6 components are further specified in Note F. The composite federal/state income
7 tax rate, “T”, is calculated on line 65, where:

$$8 \qquad T = 1 - \{[(1-SIT) * (1-FIT)] / (1-SIT * FIT * p)\}$$

9 The tax multiplier, $1/(1-T)$, is calculated on line 69.

10 The investment tax credit (“ITC”) adjustment is shown at line 72 and is
11 calculated by multiplying the amortization of the ITC credit (line 70) by the tax
12 multiplier at line 69, the product of which is functionalized to transmission by
13 multiplying by NP.

14 The income tax component is calculated at line 71 as the product of the tax
15 rate (line 66), the investment return (line 75), and the portion of the investment
16 return that is taxable (which is 1 minus the weighted debt cost rate divided by the
17 overall rate of return). The weighted debt cost rate is calculated at line 93, and the
18 overall rate of return is calculated at line 96.

19 Total income taxes (line 73) are the summation of the income tax
20 component (line 71) and the ITC adjustment (line 72).

21 **Q. PLEASE DISCUSS HOW THE FORMULA DEVELOPS THE RETURN**
22 **ON RATE BASE.**

1 A. Return on Rate Base (“ROR”) (line 75) is the product of rate base (line 40) times
2 overall rate of return (“R”) (line 96). R is the sum of the weighted cost rates for
3 long-term debt (“LTD”), preferred stock, and common equity calculated at lines
4 93 through 95.

5 The LTD cost rate (line 93) is developed on Attachment 5 during the
6 project financing phase and on Attachment 6 once permanent financing is
7 obtained.

8 The preferred cost rate (line 94) is calculated on Attachment 3 consistent
9 with standard FERC rate making.

10 The common equity of the capital structure is developed on Attachment 3
11 and is shown at line 95.

12 Total capitalization (line 96) is the sum of LTD, preferred stock and
13 common equity. LTD (line 93), preferred stock (line 94) and common stock (line
14 95) divided by total capitalization gives the capitalization shares shown on those
15 lines, respectively.

16 The capital structure will remain 50/50 debt equity during the construction
17 period consistent with *TrAILCo* since during the construction period the debt to
18 equity ratio will be in flux, changing each time equity is infused or debt drawn
19 down. Tracking the constantly changing capital structure would be complicated
20 and result in unpredictable cash flows. Having certainty associated with using the
21 target 50-50 capital structure would improve the chances for favorable terms from
22 the lenders.

1 **Q. IS PIONEER REQUESTING INCENTIVE TREATMENT FOR**
2 **TRANSMISSION PROJECTS?**

3 A. Yes, Pioneer is seeking authorization for specific transmission plant additions
4 (“approved projects”) to earn incentives, as the Commission has described in
5 Order No. 679. Pioneer also is requesting incentive rate treatment for its
6 continued participation in MISO and PJM, as explained in the testimony of
7 witness Dr. William E. Avera.

8 The revenue requirement for such incentive projects is determined in
9 Attachment 4. Attachment 4 details the calculation of revenue requirement(s)
10 associated with the specific transmission facilities for which Pioneer has obtained
11 Commission approval to receive incentives (such as an increased ROE).

12 **Q. PLEASE DISCUSS ATTACHMENTS 5, 6, 7 AND 8.**

13 A. Attachments 5 and 6 provide examples of the types of financing Pioneer
14 anticipates will be used to finance the projects. Attachment 5 pertains to
15 financing costs for construction debt, and shows the proposed method of
16 calculating the effective cost of debt incurred while the projects are under
17 construction. Attachment 6 has a similar purpose, but pertains only to the
18 development of the cost of debt after construction is complete and permanent
19 financing has been obtained.

20 Attachments 7 and 8 are used to true-up the annual interest rate
21 calculations once the construction financing is paid off, so that all costs are trued-
22 up to actuals. Attachment 8 calculates the actual yield to maturity for the
23 construction financing and Attachment 7 calculates a true-up with interest for all

1 years between the date the rates become effective to the date the actual yield to
2 maturity for the construction financing is known.

3 **Q. HOW HAVE YOU COMPLIED WITH THE COMMISSION'S**
4 **REGULATIONS CONCERNING THE INCLUSION OF CWIP IN RATE**
5 **BASE?**

6 A. The filing includes Statement BM as required by Section 35.13(h)(38) and the
7 information required by Section 35.25. Specifically, Appendix J to the filing
8 provides the general description of the planning process required by Statement
9 BM; support for the request for waiver of the requirement related to forward
10 looking allocators required by Section 35.25(c)(4); the accounting procedures and
11 controls to ensure customers will not be charged for both capitalized AFUDC and
12 corresponding amounts of CWIP proposed to be included in rate base as required
13 by Section 35.25(e)-(f); an explanation of why the percentage of the proposed
14 increase in the jurisdictional rate level attributable to non-pollution control/fuel
15 conversion CWIP as required by Section 35.25(g) is not applicable to this filing;
16 and explanations as to why the percentage of non-pollution control/fuel
17 conversion CWIP permitted by the state or local commission, and individual
18 earned rate of return analyses of each of the competing retail rates developed on a
19 basis fully consistent with the wholesale cost of service as required by Section
20 35.25(g), are not applicable to this filing.

21 **Q. WILL CUSTOMERS OR OTHER INTERESTED PARTIES HAVE AN**
22 **OPPORTUNITY TO REVIEW AND CHALLENGE THE RATES UNDER**
23 **THE FORMULA?**

1 A. Yes. Consistent with similar protocols approved by the Commission for PJM
2 Transmission Owners (see for example, *Baltimore Gas and Electric Company*,
3 115 FERC ¶ 61,066 (2006) (“*BGE*”)), the protocols in Appendix B to Attachment
4 H-20 (PJM) and Attachment O – Pioneer Transmission, LLC (MISO) provide the
5 details. The review procedures provide 150 days after the publication date for
6 transmission customers, state commissions and other interested parties to review
7 and submit a written challenge to specific items included in the formula. These
8 interested parties also have 120 days from the publication date to serve reasonable
9 information requests on Pioneer. Interested parties must make a good faith effort
10 to submit consolidated sets of information requests that limit the number and
11 overlap of questions. Pioneer will make a good faith effort to respond to these
12 requests within 15 business days. If the parties have not been able to resolve any
13 such challenge within 21 days, the party bringing the challenge will have an
14 additional 21 days to file a formal complaint with the Commission. Pioneer will
15 have 30 days to respond. These procedures do not limit in any way Pioneer’s
16 right to file, pursuant to Section 205 of the Federal Power Act, changes to the
17 formula rate or any of its inputs requiring a Section 205 filing under the protocols,
18 or the right of any other party to file a complaint requesting such changes under
19 Section 206.

20 **Q. IN YOUR OPINION, DOES THE FORMULA RATE PROPOSED BY**
21 **PIONEER IN THIS PROCEEDING CONFORM TO COMMISSION**
22 **PRECEDENT WITH RESPECT TO FORMULA RATES?**

1 A. Yes. The classification, functionalization and allocation factors used for the cost
2 items reflect standard Commission ratemaking. The estimate and true-up
3 functions also reflect Commission precedent. Furthermore, all data used in the
4 formula are taken directly out of the Form 1 or, when more detailed data are
5 required, the detailed data are provided in the Attachments.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Pioneer Transmission, LLC

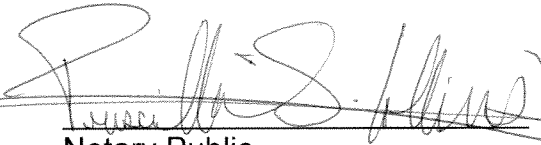
Docket No. ER09-____-000

Washington, District of Columbia:

Alan C. Heintz, being first duly sworn, deposes and states that he is the Alan C. Heintz referred to in the document entitled "Direct Testimony of Alan C. Heintz," and that the statements set forth therein are true and correct to the best of his knowledge, information and belief in this proceeding.



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



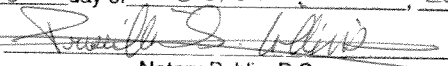
Notary Public

Priscilla S. Collins
Notary Public, District of Columbia
My Commission Expires 11/14/2011

My Commission expires on: _____

District of Columbia: SS

Subscribed and sworn to before me, in my presence,
this 8th day of October, 2008



Notary Public, D.C.

My commission expires 11/14/2011.

SUMMARY OF TESTIMONY EXPERIENCE
ALAN C. HEINTZ

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
1	FERC	ER95-836-000	Maine Public Service Company	Maine Public Service Company	1995	Rates, Terms and Conditions for Open Access Transmission Services
2	FERC	ER95-854-000	Kentucky Utilities Company	Kentucky Utilities Company	1995	Rates, Terms and Conditions for Open Access Transmission Services
3	FERC	ER95-1686-000 ER96-496-000	Northeast Utilities Service Company	Northeast Utilities Service Company	1996	Rates, Terms and Conditions for Open Access Transmission Services
4	FERC	ER96--58-000	Allegheny Power Services Corporation	Allegheny Power Services Corporation	1995 & 1996	Rates, Terms and Conditions for Open Access Transmission Services
5	FERC	OA96-138-000	Consolidated Edison Company of New York, Inc.	Consolidated Edison Company of New York, Inc.	1997	Rates, Terms and Conditions for Open Access Transmission Services
6	FERC	ER96-1208-000	Interstate Power Company	Interstate Power Company	1996	Rates, Terms and Conditions for Open Access Transmission Services
7	British Columbia Utilities Commission		British Columbia Hydro and Power Authority	Bonneville Power Administration	1997	Rates, Terms and Conditions for Open Access Transmission Services

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
8	FERC	ER98-1438-000 EC98-24-000	Cincinnati Gas & Electric Company, et al. (Midwest Independent System Operator)	Midwest ISO Transmission Owners	1998 & 1999	Rates, Terms and Conditions for Midwest ISO Tariff
9	FERC	EC98-2770-000 ER98-2770-000 ER98-2786-000	American Electric Power Company, Inc. and Central & Southwest Corporation	Midwest Independent System Operator Transmission Owners	1999	Reasonableness of the conditions to be placed on the merging parties
10	Illinois Commerce Commission	99-0117	Commonwealth Edison Company	Commonwealth Edison Company	1998	Cost of service for Retail Distribution Services Tariff
11	FERC	ER99-3110-000	Nevada Power Company	Nevada Power Company	1998	Rates, Terms and Conditions for Open Access Transmission Services
12	FERC	ER99-4415-000	Illinois Power Company	Illinois Power Company	1999	Rates, Terms and Conditions for Open Access Transmission Services
13	FERC	ER99-4470-000	Commonwealth Edison Company	Commonwealth Edison Company	1999	Rates, Terms and Conditions for Open Access Transmission Services
14	U.S. District Court, FL	92-35-CIV-ORL-3A22	Florida Municipal Power Agency vs. Florida Power and Light Company	Florida Power and Light Company	1999	Rates, Terms and Conditions for Network Service in an anti-trust case
15	U.S. Court of Federal Claims, DC	97-268C	Carolina Power & Light Company vs. U.S. Department of Energy	Carolina Power & Light Company	1999	Cost recovery of Decontamination & Decommissioning Fund Assessments

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
16	FERC	ER98-496-006 ER98-2160-004	San Diego Gas & Electric	Dynegy	1999	Rates for Must Run units
17	FERC	ER00-980-000	Bangor Hydro Electric Company	Bangor Hydro Electric Company	1999	Rates, Terms and Conditions for Open Access Transmission Services
18	Maine Public Utilities Commission	99-185	Bangor Hydro Electric Company	Bangor Hydro Electric Company	2000	Rates, Terms and Conditions for Open Access Transmission Services
19	FERC	EL00-98-000, et al.	Dynegy Power Marketing, Inc, et al.	Dynegy Power Marketing, Inc.	2000	Nexus between fuel and emissions costs and the market prices in California
20	Illinois Commerce Commission	No. 01-0423	Commonwealth Edison Company	Commonwealth Edison Company	2001	Direct, Rebuttal and Surrebuttal: Cost of service for Retail Distribution Services Tariff
21	FERC	ER01-2992	Commonwealth Edison Company	Commonwealth Edison Company	2001	Rates, Terms and Conditions for Open Access Transmission Services
22	FERC	ER01-123.004	Midwest ISO Transmission Owners	Midwest ISO Transmission Owners	2001	Super Region Adjustment for the MISO/ARTO Super Region
23	FERC	ER01-2999	Illinois Power Company	Illinois Power Company	2001	Rates, Terms and Conditions for Open Access Transmission Services

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
24	FERC	ER01-3142, et. al	Midwest ISO	Midwest ISO Transmission Owners	2001	Revised treatment of Network Upgrades
25	FERC	ER01-3142, et. al	Midwest ISO	Midwest ISO Transmission Owners	2001	Uncertainties that support a higher ROE
26	FERC	EL000-95-045, et.al	San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Service Into Markets Operated by the CALISO...	Dynergy, Mirant, Reliant and Williams	2001 & 2002	Costing of emissions and start-up costs
27	FERC	EC02-23 & ER02-320	Trans-Elect, Inc., et. al	Trans-Elect, Inc.	2001 & 2002	Support of rates and ratemaking methodology for new transmission company
28	FERC		Sithe New Boston, LLC	Sithe New Boston, LLC	2001 & 2002	Cost of Service for Must Run Unit
29	FERC	RM01-12	FERC Technical Conference	SeTrans	2002	Allocation of FTRs/CRRs
30	FERC	EL02-111	Midwest ISO & PJM	Midwest ISO Transmission Owners	2002	Through and Out Rates
31	FERC	ER02-2595	Midwest ISO	Midwest ISO Transmission Owners	2002	Cost Allocation for FTR and Market Administration
32	FERC	ER03-37	Sierra Pacific Resources	Sierra Pacific and Nevada Power	2003	Ancillary Service Rates

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
33	FERC	ER03-626	Empire District Electric Co.	Empire District Electric Co.	2003	Cost of Service; Wholesale Requirements Customers
34	FERC	EL-02-25-001, et. al	Intermountain, Holy Cross, Yampa and Aquila	Public Service Co. of Colorado	2003	Fuel Adjustment Clause
35	FERC	ER03-959	Exelon Framingham LLC, <u>et al.</u>	Exelon Framingham LLC, et al.	2003	Production Cost of Service
36	FERC	ER03-1187	MidWest Generation, LLC	Commonwealth Edison	2003	Black Start Rates
37	FERC	ER03-1223	Montana Megawatts I, LLC, <u>et al.</u>	Montana Megawatt	2003	Production Formula Rates
38	FERC	ER03-1335	Commonwealth Edison	Commonwealth Edison	2003	Transmission Tariff Rates
39	FERC	ER03-1354	Black Hills Power Company, <u>et al.</u>	Black Hills Power Company, <u>et al.</u>	2003	Joint transmission Tariff Rates
40	FERC	ER03-1328	Sierra Pacific Resources	Nevada Power	2003	Transmission Tariff Rates
41	FERC	EL02-111, et. Al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2004	Long-term Transmission Pricing Plan
42	FERC	ER05-14	Sierra Pacific Resources	Sierra Pacific	2004	Transmission Tariff Rates
43	FERC	ER05-26	Mirant Kendall, LLC	Mirant Kendall, LLC	2004	Reliability Must Run Agreement and Rates

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
44	Illinois Commerce Commission	No.04-0779	NICOR Gas Company	NICOR Gas Company	2004	Distribution Service Embedded Cost of Service Study
45	FERC	Er05-163	Milford Power Company LLC	Milford Power Company LLC	2004	Reliability Must Run Agreement and Rates
46	FERC	EL02-111, et. al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2004	Seams Elimination
47	FERC	EL00-95, et. al	SDG&E V. Sellers, et al.	Portland General Electric Company	2005	California Refund Proceeding
48	FERC	ER05-447	Midwest ISO	Midwest ISO Transmission Owners	2005	Schedule 10 & 17 Recovery for Grandfathered Agreements
49	FERC	EL02-111, et. al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2005	Seams Elimination
50	FERC	ER05-860	Whiting Clean Energy	Whiting Clean Energy	2005	Cost Based Power Rates
51	FERC	ER05-903	Con. Ed. Energy Mass., Inc.	Con. Ed. Energy Mass., Inc.	2005	Reliability Must Run Agreement and Rates
52	FERC	EL02-111, et. al	Midwest ISO and PJM Transmission Owners	Midwest ISO Transmission Owners	2005	Seams Elimination
53	FERC	ER05-1050	AmerGen Energy Company, L.L.C.	AmerGen Energy Company, L.L.C.	2005	Reactive power charges

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
54	Illinois Commerce Commission	No.05-0597	Commonwealth Edison Co.	Commonwealth Edison Co.	2005	Distribution Service Embedded Cost of Service Study
55	FERC	ER05-1179	Berkshire Power Company, LLC	Berkshire Power Company, LLC	2005	Reliability Must Run Agreement and Rates
56	FERC	ER05-1243	Basin Electric Power Cooperative	Basin Electric Power Cooperative	2005	Revised Transmission Cost of Service
57	FERC	ER05-1304 & ER05-1305	Mystic I, LLC and Mystic Development, LLC	Mystic I, LLC and Mystic Development, LLC	2005	Reliability Must Run Agreement and Rates
58	FERC	ER05-273	Midwest ISO	Midwest ISO Transmission Owners	2005	Proper Pricing for Regional Non-firm Redirects
59	FERC	ER05-515	PHI and BGE	PHI and BGE	2005	Transmission Formula Rates
60	FERC	EL05-19	Southwestern Public Service Company	Southwestern Public Service Company	2005	Production rates and Fuel Adjustment Clause,
61	FERC	ER06-427	Mystic Development, LLC	Mystic Development, LLC	2006	Reliability Must Run Agreement and Rates
62	FERC	ER06-822	Fore River Development, LLC	Fore River Development, LLC	2006	Reliability Must Run Agreement and Rates
63	FERC	ER06-819	Consolidated Edison Energy Massachusetts, Inc	Consolidated Edison Energy Massachusetts, Inc	2006	Reliability Must Run Agreement and Rates

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
64	FERC	ER07-169	Ameren Energy Marketing Company	Ameren Energy Marketing Company	2006	Ancillary service rates
65	FERC	ER06-1549	Duquesne Light Company	Duquesne Light Company	2006	Transmission Formula Rates
66	FERC	ER07-170	Ameren Energy, Inc.	Ameren Energy, Inc.	2006	Ancillary service rates
67	FERC	ER06-787	Idaho Power	Idaho Power	2006 & 2007	Transmission Formula Rates
68	FERC	ER07-562	Trans-Allegheny Interstate Line Company	Trans-Allegheny Interstate Line Company	2007	Transmission Formula Rates
69	FERC	ER07-583	Commonwealth Edison	Commonwealth Edison	2007	Transmission Formula Rates
70	FERC	ER07-1171	Arizona Public Service Co.	Arizona Public Service Co.	2007	Transmission Formula Rates
71	Illinois Commerce Commission	No. 07-0566	Commonwealth Edison Co.	Commonwealth Edison Co.	2007	Distribution Service Embedded Cost of Service Study
72	FERC	ER07-1371	Sierra Pacific Resources	Sierra Pacific Resources	2007	Transmission Rates
73	FERC	ER08-281	Oklahoma Gas & Electric	Oklahoma Gas & Electric	2007	Transmission Formula Rates
74	FERC	ER08-313	Southwestern Public Service	Southwestern Public Service	2007	Transmission Formula Rates
75	FERC	ER08-386	Potomac-Appalachian Transmission Highline, LLC	Potomac-Appalachian Transmission Highline, LLC	2007	Transmission Formula Rates
76	FERC	ER08-374	Atlantic Path 15, LLC	Atlantic Path 15, LLC	2007	Transmission Rates

#	JURISDICTION	CASE OR DOCKET NO.	UTILITY/ORGANIZATION INITIATING PROCEEDING	CLIENT	APPROXIMATE DATE	SUBJECT MATTER
77	Illinois Commerce Commission	No. 08-0363	NICOR Gas Company	NICOR Gas Company	2008	Distribution Service Embedded Cost of Service Study
78	FERC	ER08-951	PSEG Energy Resources & Trade, LLC	PSEG Energy Resources & Trade, LLC	2008	Reactive Power Charges
79	FERC	ER08-1233	Public Service Gas & Electric Company	Public Service Gas & Electric Company	2008	Transmission Formula Rates
80	FERC	ER08-1457	PPL Electric Utilities Corp.	PPL Electric Utilities Corp.	2008	Transmission Formula Rates
81	FERC	ER08-1584	Black Hills Power	Black Hills Power	2008	Transmission Formula Rates
82	FERC	ER08-1600	Basin Electric Power Coop	Basin Electric Power Coop	2008	Transmission Rates
83	FERC	ER09-36	Prairie Wind Transmission, LLC	Prairie Wind Transmission, LLC	2008	Transmission Formula Rates
84	FERC	ER09-35	Tallgrass Transmission, LLC	Tallgrass Transmission, LLC	2008	Transmission Formula Rates

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009
Page 1

Pioneer Transmission, LLC

Line No.	(1)	(2)	(3)
			Allocated Amount
<u>1</u>	GROSS REVENUE REQUIREMENT (line 76)	12 months	\$ 1,597,002
REVENUE CREDITS			
2	Total Revenue Credits Attachment 1, line 8	<u>Total</u> 0	
3	True-up Adjustment Attachment 7	TP 1.00000 DA 1.00000	-
4	NET REVENUE REQUIREMENT (line 1 & minus line 2 plus line 3)		\$ 1,597,002
A	Allocation of Revenue Requirement between MISO and PJM		
B	MISO Allocation (line B x line 4)	Allocation (Note K) 50.00%	\$ 798,501
C	PJM Allocation (line C x line 4)	50.00%	\$ 798,501
D	Total (Sum lines B & C)	100.00%	\$ 1,597,002

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009
Page 2

Pioneer Transmission, LLC

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator	(5) Transmission (Col 3 times Col 4)
5	GROSS PLANT IN SERVICE				
5	Production	(Attachment 3)	-	NA	0.00000
6	Transmission	(Attachment 3)	-	TP	1.00000
7	Distribution	(Attachment 3)	-	NA	0.00000
8	General & Intangible	(Attachment 3)	-	W/S	1.00000
9	Capital Lease	(Attachment 3)	-	DA	-
10	TOTAL GROSS PLANT (sum lines 5-9)	(GP=1 if plant =0)	-	GP=	1.00000
11	ACCUMULATED DEPRECIATION				
12	Production	(Attachment 3)	-	NA	0.00000
13	Transmission	(Attachment 3)	-	TP	1.00000
14	Distribution	(Attachment 3)	-	NA	0.00000
15	General & Intangible	(Attachment 3)	-	W/S	1.00000
16	TOTAL ACCUM. DEPRECIATION (sum lines 12-15)		-		-
17	NET PLANT IN SERVICE				
18	Production	(line 5- line 12)	-		-
19	Transmission	(line 6- line 13)	-		-
20	Distribution	(line 7- line 14)	-		-
21	General & Intangible	(line 8- line 15)	-		-
22	Capital Lease	(line 9)	-		-
23	TOTAL NET PLANT (sum lines 18-22)	(NP=1 if plant =0)	-	NP=	1.0000
24	ADJUSTMENTS TO RATE BASE (Note A)				
25	Account No. 281 (enter negative)	(Attachment 3)	-	NA	0.00000
26	Account No. 282 (enter negative)	(Attachment 3)	-	NP	1.00000
27	Account No. 283 (enter negative)	(Attachment 3)	-	NP	1.00000
28	Account No. 190	(Attachment 3)	-	NP	1.00000
29	Account No. 255 (enter negative) (Note F)	(Attachment 3)	-	NP	1.00000
30	CWIP	(Attachment 3)	-	TP	1.00000
31	Unamortized Regulatory Asset	(Attachment 3)	5,043,188	DA	1.00000
32	Unamortized Abandoned Plant	(Attachment 3)	-	DA	1.00000
33	TOTAL ADJUSTMENTS (sum lines 25-32)		5,043,188		5,043,188
34	LAND HELD FOR FUTURE USE	(Attachment 3)	-	TP	1.00000
35	WORKING CAPITAL (Note C)				
36	CWC	calculated	99,828		99,828
37	Materials & Supplies (Note B)	(Attachment 3)	-	TP	1.00000
38	Prepayments (Account 165 - Note C)	(Attachment 3)	-	GP	1.00000
39	TOTAL WORKING CAPITAL (sum lines 36-38)		99,828		99,828
40	RATE BASE (sum lines 23, 33, 34, & 39)		<u>5,143,016</u>		<u>5,143,016</u>

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009
Page 3

		Pioneer Transmission, LLC				
(1)	(2)	(3)	(4)	(5)		
	Form No. 1 Page, Line, Col.	Company Total	Allocator	Transmission (Col 3 times Col 4)		
41	O&M					
42	Transmission	321.112.b	258,625	TP=	1.00000	258,625
43	Less Account 565	321.96.b	-	TP=	1.00000	-
44	A&G	323.197.b	540,000	W/S	1.00000	540,000
45	Less EPRI & Reg. Comm. Exp. & Other Ad.	(Note D & Attach 4)	-	DA	1.00000	-
46	Plus Transmission Related Reg. Comm. Exp.	(Note D & Attach 4)	-	TP=	1.00000	-
47	PBOP expense adjustment	(Attachment 3)	-	TP=	1.00000	-
48	TOTAL O&M (sum lines 42, 44, 46, 47 less lines 43 & 45)		798,625			798,625
49	DEPRECIATION EXPENSE					
50	Transmission	336.7.b & c	-	TP	1.00000	-
51	General and Intangible	336.1.d&e + 336.10.b&c	-	W/S	1.00000	-
52	Amortization of Abandoned Plant	(Attachment 3)	-	DA	1.00000	-
53	TOTAL DEPRECIATION (Sum lines 50-52)		-			-
54	TAXES OTHER THAN INCOME TAXES (Note E)					
55	LABOR RELATED					
56	Payroll	263i	-	W/S	1.00000	-
57	Highway and vehicle	263i	-	W/S	1.00000	-
58	PLANT RELATED					
59	Property	263i	-	GP	1.00000	-
60	Gross Receipts	263i	-	NA	0.00000	-
61	Other	263i	-	GP	1.00000	-
62	Payments in lieu of taxes		-	GP	1.00000	-
63	TOTAL OTHER TAXES (sum lines 56-62)		-			-
64	INCOME TAXES (Note F)					
65	$T = 1 - \{[(1 - \text{SIT}) * (1 - \text{FIT})] / (1 - \text{SIT} * \text{FIT} * p)\} =$		38.08%			
66	$\text{CIT} = (T / (1 - T)) * (1 - (\text{WCLTD} / \text{R})) =$		36.50%			
67	where WCLTD=(line 93) and R=(line 96)					
68	and FIT, SIT & p are as given in footnote F.					
69	$1 / (1 - T) = (T \text{ from line 65})$		1.6149			
70	Amortized Investment Tax Credit (266.8f) (enter negative)		-			
71	Income Tax Calculation = line 66 * line 75		213,477	NA		213,477
72	ITC adjustment (line 69 * line 70)		-	NP	1.00000	-
73	Total Income Taxes (line 71 plus line 72)		213,477			213,477
74	RETURN					
75	[Rate Base (line 40) * Rate of Return (line 96)]		584,900	NA		584,900
76	REV. REQUIREMENT (sum lines 48, 53, 63, 73, 75)		<u>1,597,002</u>			<u>1,597,002</u>

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2009
Page 4

Pioneer Transmission, LLC
SUPPORTING CALCULATIONS AND NOTES

77 TRANSMISSION PLANT INCLUDED IN RTO RATES

78	Total transmission plant (line 6, column 3)		0
79	Less transmission plant excluded from RTO rates (Note H)		0
80	Less transmission plant included in OATT Ancillary Services (Note H)		0
81	Transmission plant included in RTO rates (line 78 less lines 79 & 80)		0

82 Percentage of transmission plant included in RTO Rates (line 81 divided by line 78) [If line 78 equal zero, enter 1] TP= 1.00000

83 WAGES & SALARY ALLOCATOR (W&S) (Note I)

84	Form 1 Reference	\$	TP	Allocation		
85	Production	354.20.b	0			
86	Transmission	354.21.b	0	1.00	0	
87	Distribution	354.23.b	0			
88	Other	354.24,25,26.b	0			
89	Total (sum lines 85-88) [TP equals 1 if there are no wages & salaries]		0		0	= <u>W&S Allocator (\$ / Allocation)</u> = 1.00000 = WS

90 RETURN (R)

91		\$	%	Cost	Weighted	
92						
93	Long Term Debt (Attachment 3)	0	50%	9.25%	0.0462	=WCLTD
94	Preferred Stock (Attachment 3)	0	0%	0.00%	0.0000	
95	Common Stock (Note J) (Attachment 3)	0	50%	13.50%	0.0675	
96	Total (sum lines 93-95)	0			0.1137	=R

Formula Rate - Non-Levelized

SUPPORTING CALCULATIONS AND NOTES

Rate Formula Template
Utilizing FERC Form 1 Data

Pioneer Transmission, LLC

For the 12 months ended 12/31/2009

Page 5

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note
Letter

- A The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note F. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission
Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
- D EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, except safety, education and out-reach related advertising included in Account 930.1. Regulatory Commission Expenses directly related to transmission service, RTO filings, or transmission siting itemized at 351.h.
- E Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year.
Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
- F The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) .

Inputs Required:	FIT =	35.00%	
	SIT=	4.74%	(State Income Tax Rate or Composite SIT from Attachment 3)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- G Removes dollar amount of transmission expenses included in the OATT ancillary services rates, if any.
- H Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
- I Enter dollar amounts
- J ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
- K The MISO and PJM allocations will be as determined in a separate proceeding before the Commission

Attachment 1 - Revenue Credit Workpaper
Pioneer Transmission, LLC

Account 454 - Rent from Electric Property	Notes 1 & 4	
1 Rent from FERC Form No. 1		-
Account 456.1	Notes 1 & 4	
2 Other Electric Revenues (Note 2)		-
3 Professional Services (Note 3)		-
4 Revenues from Directly Assigned Transmission Facility Charges (Note 2)		-
5 Rent or Attachment Fees associated with Transmission Facilities (Note 3)		-
6 Gross Revenue Credits	Sum lines 2-5 + line 1	-
7 Less line 14	less line 14	-
8 Total Revenue Credits	line 6 + line 7	-
9 Revenues associated with lines 9 thru 14 are to be included in lines 1-5 and total of those revenues entered here		-
10 Income Taxes associated with revenues in line 9		-
11 One half margin (line 9 - line 10)/2		-
12 All expenses (other than income taxes) associated with revenues in line 9 that are included in FERC accounts recovered through the formula times the allocator used to functionalize the amounts in the FERC account to the transmission service at issue.		-
13 Line 11 plus line 12		-
14 Line 9 less line 13		-

Note 1 All revenues related to transmission that are received as a transmission owner from MISO and PJM except the amounts received which relate to the revenue requirement shown on Appendix A, line 4 will be included as a revenue credit.

Note 2 If the facilities associated with the revenues are not included in the formula, the revenue is shown below, but not include in the total above and explained in the Attachment 3. For example revenues associated with distribution facilities.

Note 3 Ratemaking treatment for the following specified secondary uses of transmission assets: (1) right-of-way leases and leases for space on transmission facilities for telecommunications; (2) transmission tower licenses for wireless antennas; (3) right-of-way property leases for farming, grazing or nurseries; (4) licenses of intellectual property (including a portable oil degasification process and scheduling software); and (5) transmission maintenance and consulting services (including energized circuit maintenance, high-voltage substation maintenance, safety training, transformer oil testing, and circuit breaker testing) to other utilities and large customers (collectively, products). DLC will retain 50% of net revenues consistent with *Pacific Gas and Electric Company*, 90 FERC ¶ 61,314. Note: in order to use lines 7 & 9-14, the utility must track in separate subaccounts the revenues and costs associated with each secondary use (except for the cost of the associated income taxes).

Note 4 All Account 454 and 456 Revenues must be itemized below

Account 454	Include	\$
Joint pole attachments - telephone	Include	-
Joint pole attachments - cable	Include	-
Underground rentals	Include	-
Transmission tower wireless rentals	Include	-
Other rentals	Include	-
Corporate headquarters sublease	Include	-
Misc non-transmission rentals	Include	-
xxxx	Include	-
xxxx		-
xxxx		-
Total		-
Account 456	Include	-
Other electric revenues	Include	-
Transmission Revenue - Firm	Include	-
Transmission Revenue - Non-Firm	Include	-
xxxx		-
xxxx		-
xxxx		-
xxxx		-
xxxx		-
xxxx		-
xxxx		-
Total		-
Total Account 454 and 456 included		-
Payments by MISO and PJM of the revenue requirement calculated on Appendix A	Exclude	-
Total Account 454 and 456 included and excluded		-

**Attachment 2 - Calculation of Composite Depreciation Rate
Pioneer Transmission, LLC**

1 Calculation of Composite Depreciation Rate

2	Transmission Plant @ Beginning of Period	(Attachment 3)	-
3	Transmission Plant @ End of Period	(Attachment 3)	-
4	Sum	(sum lines 2 & 3)	<hr/> -
5	Average Balance of Transmission Investment	(line 4/2)	-
6	Depreciation Expense	Appendix A	<hr/> -
7	Composite Depreciation Rate	(line 6/ line 5)	0.00%
8	Depreciable Life for Composite Depreciation Rate	(1/line 7)	-
9	Round line 8 to nearest whole year		-

**Attachment 3 - Cost Support
Pioneer Transmission, LLC**

Plant in Service Worksheet

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instruction:

Line #	Description	Source	Year	Balance
1	Calculation of Transmission Plant In Service	Source		
2	December	p206.58.b	2009	-
3	January	company records	2010	-
4	February	company records	2010	-
5	March	company records	2010	-
6	April	company records	2010	-
7	May	company records	2010	-
8	June	company records	2010	-
9	July	company records	2010	-
10	August	company records	2010	-
11	September	company records	2010	-
12	October	company records	2010	-
13	November	company records	2010	-
14	December	p207.58.g	2010	-
15	Transmission Plant In Service	(sum lines 2-14) /13		-
16	Calculation of Distribution Plant In Service	Source		
17	December	p206.75.b	2009	-
18	January	company records	2010	-
19	February	company records	2010	-
20	March	company records	2010	-
21	April	company records	2010	-
22	May	company records	2010	-
23	June	company records	2010	-
24	July	company records	2010	-
25	August	company records	2010	-
26	September	company records	2010	-
27	October	company records	2010	-
28	November	company records	2010	-
29	December	p207.75.g	2010	-
30	Distribution Plant In Service	(sum lines 17-29) /13		-
31	Calculation of Intangible Plant In Service	Source		
32	December	p204.5.b	2009	-
33	December	p205.5.g	2010	-
34	Intangible Plant In Service	(sum lines 32 & 33) /2		-
35	Calculation of General Plant In Service	Source		
36	December	p206.99.b	2009	-
37	December	p207.99.g	2010	-
38	General Plant In Service	(sum lines 36 & 37) /2		-

39	Calculation of Production Plant In Service	Source		
40	December	p204.46b	2009	-
41	January	company records	2010	-
42	February	company records	2010	-
43	March	company records	2010	-
44	April	company records	2010	-
45	May	company records	2010	-
46	March	Attachment 6	2010	-
47	April	company records	2010	-
48	August	company records	2010	-
49	September	company records	2010	-
50	October	company records	2010	-
51	November	company records	2010	-
52	December	p205.46.g	2010	-
53	Production Plant In Service	(sum lines 40-52) /13		-
54	Total Plant In Service	(sum lines 15, 30, 34, 38, & 53)		-

Accumulated Depreciation Worksheet

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instruction:					Details
		Source	Year	Balance	
55	Calculation of Transmission Accumulated Depreciation	Source			
56	December	Prior year p219.25	2009	-	
57	January	company records	2010	-	
58	February	company records	2010	-	
59	March	company records	2010	-	
60	April	company records	2010	-	
61	May	company records	2010	-	
62	June	company records	2010	-	
63	July	company records	2010	-	
64	August	company records	2010	-	
65	September	company records	2010	-	
66	October	company records	2010	-	
67	November	company records	2010	-	
68	December	p219.25	2010	-	
69	Transmission Accumulated Depreciation	(sum lines 56-68) /13		-	
70	Calculation of Distribution Accumulated Depreciation	Source			
71	December	Prior year p219.26	2009	-	
72	January	company records	2010	-	
73	February	company records	2010	-	
74	March	company records	2010	-	
75	April	company records	2010	-	
76	May	company records	2010	-	
77	June	company records	2010	-	
78	July	company records	2010	-	
79	August	company records	2010	-	
80	September	company records	2010	-	
81	October	company records	2010	-	
82	November	company records	2010	-	
83	December	p219.26	2010	-	
84	Distribution Accumulated Depreciation	(sum lines 71-83) /13		-	
85	Calculation of Intangible Accumulated Depreciation	Source			
86	December	Prior year p200.21.c	2009	-	
87	December	p200.21c	2010	-	
88	Accumulated Intangible Depreciation	(sum lines 86 & 87) /2		-	

89	Calculation of General Accumulated Depreciation	Source		
90	December	Prior year p219.28	2009	-
91	December	p219.28	2010	-
92	Accumulated General Depreciation	(sum lines 90 & 91) /2		-
93	Calculation of Production Accumulated Depreciation	Source		
94	December	Prior year p219	2009	-
95	January	company records	2010	-
96	February	company records	2010	-
97	March	company records	2010	-
98	April	company records	2010	-
99	May	company records	2010	-
100	June	company records	2010	-
101	July	company records	2010	-
102	August	company records	2010	-
103	September	company records	2010	-
104	October	company records	2010	-
105	November	company records	2010	-
106	December	p219.20 thru 219.24	2010	-
107	Production Accumulated Depreciation	(sum lines 94-106) /13		-
108	Total Accumulated Depreciation	(sum lines 69, 84, 88, 92, & 107)		-

ADJUSTMENTS TO RATE BASE (Note A)

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions					Details	
			Beginning of Year	End of Year	Average Balance	
109	Account No. 281 (enter negative)	273.8.k	-	-	0	
110	Account No. 282 (enter negative)	275.2.k	-	-	0	
111	Account No. 283 (enter negative)	277.9.k	-	-	0	
112	Account No. 190	234.8.c	-	-	0	
113	Account No. 255 (enter negative)	267.8.h	-	-	0	
114	Unamortized Abandoned Plant	Per FERC Order	-	-	0	
115	Prepayments (Account 165)	111.57.c	-	-	0	

116	Calculation of Transmission CWIP	Source			
117	December	216.b	2009	-	
118	January	company records	2010	-	
119	February	company records	2010	-	
120	March	company records	2010	-	
121	April	company records	2010	-	
122	May	company records	2010	-	
123	June	company records	2010	-	
124	July	company records	2010	-	
125	August	company records	2010	-	
126	September	company records	2010	-	
127	October	company records	2010	-	
128	November	company records	2010	-	
129	December	216.b	2010	-	
130	Transmission CWIP	(sum lines 117-129) /13		-	

LAND HELD FOR FUTURE USE

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Beg of year	End of Year	Average	Details
131	LAND HELD FOR FUTURE USE	p214	Total	-	-	-	
			Non-transmission Related	-	-	-	
			Transmission Related	-	-	-	

Capital Leases

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Details	
Plant In Service				Total	Transmission
9	Capital Leases	Net Lease Value	p200.4	-	-

EPRI Dues Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Details	
Allocated General & Common Expenses				EPRI Dues	Common Expenses
132	EPRI Dues & Common Expenses		EPRI Dues p352-353 Common Expenses p356	-	-

Regulatory Expense Related to Transmission Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Transmission Related	Non-transmission	Details
133	Directly Assigned A&G	Regulatory Commission Exp Account 92E	p323.189.b	-	-	-	

Safety Related Advertising Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Safety Related	Other	Details
134	Directly Assigned A&G	General Advertising Exp Account 930.1	p323.191.b	-	-	-	None

Multi-state Workpaper

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		State 1	State 2	State 3	State 4	State 5	Weighed Average
Income Tax Rates							
135	SIT=State Income Tax Rate or Composite	Indiana 4.74%					4.74%

Education and Out Reach Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Form 1 Amount	Education, Siting & Outreach Related	Other	Details
136	Directly Assigned A&G General Advertising Exp Account 930.1 p323.191.b	-	-	-	None

Excluded Plant Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Excluded Transmission Facilities	Description of the Facilities
137	Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities Excluded Transmission Facilities	0	General Description of the Facilities
	Instructions: 1 Remove all investment below 69 kV facilities, including the investment allocated to distribution of a dual function substation, generator, interconnection and local and direct assigned facilities for which separate costs are charged and step-up generation substation included in transmission plant in service. 2 If unable to determine the investment below 69kV in a substation with investment of 69 kV and higher as well as below 69 kV the following formula will be used Example A Total investment in substation 1,000,000 B Identifiable investment in Transmission (provide workpapers) 500,000 C Identifiable investment in Distribution (provide workpapers) 400,000 D Amount to be excluded (A x (C / (B + C))) 444,444	Enter \$ - Or Enter \$ - - -	None
Add more lines if necessary			

Materials & Supplies

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Beg of year	End of Year	Average
138	Assigned to O&M p227.6	-	-	-
139	Stores Expense Undistributed p227.16	-	-	-
140	Undistributed Stores Exp	-	-	-
141	Transmission Materials & Supplies p227.8	-	-	-

Regulatory Asset

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
142	Beginning Balance of Regulatory Asse	5,172,500	Uncapitalized costs as of date the rates become effective
143	Months remaining in Amortization Perioc	60	As approved by FERC
144	Monthly Amortization to Account 56€ (line 142 / line 143)	86,208	All amortizations of the Regulatory Asset are to be booked to Account 56€
145	Months in Year to be amortized	3	Number of months rates are in effect during the calendar year
146	Ending Balance of Regulatory Assel (line 142 - line 144 * 145)	4,913,875	
147	Average Balance of Regulatory Asset (line 142 + line 146)/2	5,043,188	

Capital Structure

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions

148	Monthly Balances for Capital Structure	Year	Debt	Preferred Stock	Common Stock
149					
150	January	2010	-	-	-
151	February	2010	-	-	-
152	March	2010	-	-	-
153	April	2010	-	-	-
154	May	2010	-	-	-
155	June	2010	-	-	-
156	July	2010	-	-	-
157	August	2010	-	-	-
158	September	2010	-	-	-
159	October	2010	-	-	-
160	November	2010	-	-	-
161	December	2010	-	-	-
162	Average		-	-	-

Note: the amount outstanding for debt retired during the year is the outstanding amount as of the last month it was outstanding; the equity is less Account 216.1, Preferred Stock, and Account 219; and the capital structure is fixed at 50/50 until the first two lines are placed

PBOPs

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions

Details

163	Calculation of PBOP Expenses		
164	AEP Employees		
165	Total PBOP expenses	\$	117,254,159
166	Amount relating to retired personne	\$	-
167	Amount allocated on Labor	\$	117,254,159
168	Labor dollars	\$	1,151,954,661
169	Cost per labor dollar	\$	0.102
170	labor (labor not capitalized) current yea	\$	8,100
171	PBOP Expense for current year	\$	824
172	PBOP Expense in Account 926 for current year	\$	824
173	PBOP Adjustment for Appendix A, Line 54	\$	-
174	Lines 165-169 cannot change absent approval or acceptance by FERC in a separate proceeding		
174	Duke Employees		
175	Total PBOP expenses	\$	46,899,479
176	Amount relating to retired personne	\$	24,111,469
177	Amount allocated on Labor	\$	22,788,010
178	Labor dollars	\$	342,895,903
179	Cost per labor dollar	\$	0.066
180	labor (labor not capitalized) current yea	\$	189,000
181	PBOP Expense for current year	\$	12,560
182	PBOP Expense in Account 926 for current year	\$	12,560
183	PBOP Adjustment for Appendix A, Line 54	\$	-
184	Lines 175-179 cannot change absent approval or acceptance by FERC in a separate proceeding		
185	PBOP expense adjustment (sum lines 173 & 183)	\$	-

**Attachment 4 - Transmission Enhancement Charge Worksheet
Pioneer Transmission, LLC**

1
2
3
4
5
6

New Plant Carrying Charge

Formula Line	Item	
4	NET REVENUE REQUIREMENT	1,597,002
19	Net Transmission Plant	-
30	CWIP	-
Carrying charge (line 3/sum of lines 4 and 5)		0.000%

(1) (2) (3) (4)

7
8

**The FCR resulting from Formula in a given year is used for that year only
Therefore actual revenues collected in a year do not change based on cost data for subsequent year.**

9
10
11
12

"Yes" if a project under MISO and PJM OATT,
otherwise "No"

Forecast – Forecast of average 13 month current
year net plant plus 13-mo CWIP balances.
Reconciliation – Average of 13 month prior year net
plant balances plus prior year 13-mo CWIP
balances.

Details		RTO Upgrade ID:			
		RTEP-xxx	MTEP-xx2	Plant In Service	Totals
MTEP or RTEP	(Yes or No)	Yes	Yes		
FCR for This Project		0.000%	0.000%	0.000%	
Investment		0	-	-	0
Revenue Requirement		-	-	-	0

Attachment 5 - Financing Costs for Long Term Debt using the Internal Rate of Return Methodology
Pioneer Transmission, LLC

Reflects financing will be a 5 year loan, where by paying Origination Fees of \$9.6 million and a Commitments Fee of 0.375% on the undrawn principle.
Consistent with GAAP, the Origination Fees and Commitments Fees will be amortized using the standard Internal Rate of Return formula below.
Each year, the amounts withdrawn, the interest paid in the year, Origination Fees, Commitments Fees, and total loan amount will be updated on this attachment.
The IRR calculation will use the Excel Worksheet Function XIRR.

Total Loan Amount	\$ 500,000,000
--------------------------	-----------------------

Internal Rate of Return¹ 9.25%

Based on following Financial Formula²:

$$NPV = 0 = \sum_{t=1}^N \frac{C_t}{(1+IRR)^{pwr(t)}}$$

Origination Fees	
Underwriting Discount	-
Arrangement Fee	3,750,000
Upfront Fee	3,750,000
Rating Agency Fee	72,000
Legal Fees	2,000,000
Total Issuance Expense	9,572,000
Annual Rating Agency Fee 200,000	
Annual Bank Agency Fee	50,000
Revolving Credit Commitment Fee	0.375%

	2010	2011	2012	2013	2014	2015	2016
LIBOR Rate	4.0000%	4.2500%	4.5000%	4.7500%	5.0000%	5.2500%	5.5000%
Spread	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Interest Rate	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%	7.75%

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Year		Capital Expenditures (\$000's)	Principle Drawn In (\$000's)	Principle Drawn To Date (\$000's)	Interest Expense (\$000's)	Origination Fees (\$000's)	Commitment & Utilization Fee (\$000's)	Net Cash Flows (\$000's) (D-F-G-H)
11/15/2009	Prior Periods	5,172						1
2/15/2010	Q1	13,328	9,250	9,250	-	9,572		(322)
5/15/2010	Q2	12,500	6,250	15,500	141		710	5,399
8/15/2010	Q3	12,500	6,250	21,750	242		454	5,554
11/15/2010	Q4	12,500	6,250	28,000	340		448	5,462
2/15/2011	Q1	25,000	12,500	40,500	438		443	11,620
5/15/2011	Q2	25,000	12,500	53,000	658		681	11,161
8/15/2011	Q3	25,000	12,500	65,500	861		419	11,220
11/15/2011	Q4	25,000	12,500	78,000	1,064		407	11,028
2/15/2012	Q1	50,000	25,000	103,000	1,268		396	23,337
5/14/2012	Q2	50,000	25,000	128,000	1,738		622	22,640
8/14/2012	Q3	50,000	25,000	153,000	2,160		349	22,491
11/14/2012	Q4	50,000	25,000	178,000	2,582		325	22,093
2/14/2013	Q1	50,000	25,000	203,000	3,004		302	21,694
5/14/2013	Q2	50,000	25,000	228,000	3,553		528	20,919
8/14/2013	Q3	50,000	25,000	253,000	3,990		255	20,755
11/14/2013	Q4	50,000	25,000	278,000	4,428		295	20,278
2/14/2014	Q1	62,500	31,250	309,250	4,865		278	26,107
5/14/2014	Q2	62,500	31,250	340,500	5,605		506	25,139
8/14/2014	Q3	62,500	31,250	340,500	6,172		235	24,844
11/14/2014	Q4	62,500	31,250	340,500	6,172		235	24,844
2/14/2015	Q1	50,000	25,000	428,000	6,172		235	18,594
5/14/2015	Q2	50,000	25,000	453,000	8,025		425	16,551
8/14/2015	Q3	50,000	25,000	478,000	8,494		157	16,349
11/14/2015	Q4	50,000	25,000	503,000	8,963		140	15,897
2/14/2016	Q1	-	-	503,000	512,431		123	(512,554)
5/13/2016	Q2							

¹ The IRR is the Debt Cost shown on Line 115 of Appendix A.

² The IRR is a discount rate that makes the net present value of a series of cash flows equal to zero. The IRR equation can only be solved through iterations performed by a computer program (i.e.NPV function with goal seek in a spreadsheet program).

**Attachment 6 - CALCULATION OF COST OF DEBT AFTER CONSTRUCTION PHASE
Pioneer Transmission, LLC**

YEAR ENDED	12/31/2014	(HYPOTHETICAL EXAMPLE)					
	Amount Outstanding	Unamortized Debt Issue Expense	Unamortized Debt Premium/ (Discount)	Unamortized Losses on Reacquired Debt	Net Amount Outstanding	Effective Cost Rate ¹	Annualized Cost
Debt:							
<u>First Mortgage Bonds:</u>	\$ 300,000,000	\$2,900,000	(\$2,320,000)	\$0	\$294,780,000	#N/A	#N/A
<u>Other Long Term Debt:</u>							
6.600% Series Medium Term Notes Due 2021	\$ 200,000,000	\$1,800,000		-	\$198,200,000	#N/A	#N/A
					-		
Total Debt	<u>\$ 500,000,000</u>	<u>\$ 4,700,000</u>	<u>\$ (2,320,000)</u>	<u>\$ -</u>	<u>\$ 492,980,000</u>	<u>#N/A</u>	<u>#N/A</u>
Check with FERC Form 1 B/S pgs 110-113	\$ 185,750,000	\$ (1,131,082)	\$ (1,595,909)	\$ 17,075,452			

Development of Effective Cost Rates:											
	Issue Date	Maturity Date	Amount Issued	(Discount) Premium at Issuance	Issuance Expense	Loss on Reacquired Debt	Net Proceeds	Net Proceeds Ratio	Coupon Rate	Effective Cost Rate	Annual Interest
<u>First Mortgage Bonds</u>											
7.090% Series Due 2041	1/1/2014	6/30/2044	\$ 300,000,000	\$ (2,400,000)	\$ 3,000,000	-	\$ 294,600,000	98.2000	0.07090	#N/A	\$ 21,270,000
<u>Other Long Term Debt:</u>											
6.600% Series Medium Term Notes Due 2021	01/01/2014	06/30/2024	200,000,000		2,000,000		\$ 198,000,000	99.0000	0.06600	#N/A	13,200,000
			<u>\$ 500,000,000</u>	<u>(2,400,000)</u>	<u>\$ 5,000,000</u>	<u>-</u>	<u>\$ 492,600,000</u>				<u>\$ 34,470,000</u>

¹ The Effective Cost Rate is the Debt Cost shown on Line 121 of Appendix A.

**Attachment 7 - Example of Interest Rates and Interest Calculations
Pioneer Transmission, LLC**

2009		2009		Over (Under) Recovery
Actual Revenue Requirement		Revenue Requirement Forecast		
-	Less	1,597,002.4	Equals	\$0

Interest Rate on Amount of Refunds or Surcharges from 35.19a	Over (Under) Recovery Plus Interest	Monthly Interest Rate	Months	Calculated Interest	Amortization	Surcharge (Refund) Owed
		0.5500%				

An over or under collection will be recovered prorata over year collected, held for one year and returned prorata over next year

<u>Calculation of Interest</u>					Monthly	
January	Year 2009	-	0.5500%	12	-	-
February	Year 2009	-	0.5500%	11	-	-
March	Year 2009	-	0.5500%	10	-	-
April	Year 2009	-	0.5500%	9	-	-
May	Year 2009	-	0.5500%	8	-	-
June	Year 2009	-	0.5500%	7	-	-
July	Year 2009	-	0.5500%	6	-	-
August	Year 2009	-	0.5500%	5	-	-
September	Year 2009	-	0.5500%	4	-	-
October	Year 2009	-	0.5500%	3	-	-
November	Year 2009	-	0.5500%	2	-	-
December	Year 2009	-	0.5500%	1	-	-
				-	-	-

					Annual	
January through December	Year 2010	-	0.5500%	12	-	-

<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>					Monthly	
January	Year 2011	-	0.5500%		-	-
February	Year 2011	-	0.5500%		-	-
March	Year 2011	-	0.5500%		-	-
April	Year 2011	-	0.5500%		-	-
May	Year 2011	-	0.5500%		-	-
June	Year 2011	-	0.5500%		-	-
July	Year 2011	-	0.5500%		-	-
August	Year 2011	-	0.5500%		-	-
September	Year 2011	-	0.5500%		-	-
October	Year 2011	-	0.5500%		-	-
November	Year 2011	-	0.5500%		-	-
December	Year 2011	-	0.5500%		-	-
					-	-

Total Amount of True-Up Adjustment	\$	-
Less Over (Under) Recovery	\$	-
Total Interest	\$	-

Attachment 8 - Hypothetical Example of Final True-Up of Interest Rates and Interest Calculations for the Construction Loan
Pioneer Transmission, LLC

To be Prepared on 8/15/2015 (hypothetical date)

SUMMARY							
YEAR	Estimated Effective cost of debt used in forecast/true up	Final Effective cost of debt for the construction loan:	Revenue Requirement			Monthly Interest Rate applicable over the ATRR period	Total Amount of Construction Loan Related True-Up included in rates effective Jan 2014 (Refund)/Owed
			Based on Estimated Effective cost of debt	Based on Actual Effective cost of debt	Over (Under) Recovery		
2009	7.18%	7.00%	\$ 2,500,000.00	\$ 2,400,000.00	\$ 100,000.00	0.5500%	\$ (148,288.33)
2010	6.8%	7.00%	\$5,000,000.00	\$5,150,000.00	\$ (150,000.00)	0.5600%	\$ 209,670.43
2011	7.2%	7.00%	\$8,300,000.00	\$8,200,000.00	\$ 100,000.00	0.5400%	\$ (131,109.09)
2012	7.3%	7.00%	\$12,300,000.00	\$12,000,000.00	\$ 300,000.00	0.5800%	\$ (368,656.73)
2013	7.1%	6.83%	\$18,000,000.00	\$17,900,000.00	\$ 100,000.00	0.5700%	\$ (114,946.28)
2014	6.50%	6.50%	\$25,000,000.00	\$25,000,000.00	\$ -		
2015	6.50%	6.50%					\$ (553,329.99)

Example assumes that the construction loan is retired on Sept 1, 2014
Example assumes permanent debt structure is put in place on Sept 1, 2014 with effective rate of 6.5%
*Example assumes the True-Up period is 2009 - 2014, with the true-up amount included in 2015 forecasted ATRR. Final effective cost of debt for 2015 is computed as follows: ((7%*243days)+(6.5%*122days))/365days*
Note: The final true-up interest rate will replace the estimated interest rates beginning on the date the rates become effective

Calculation of Applicable Interest Expense for each ATRR period

Interest Rate on Amount of Refunds or Surcharges from 35.19a	Over (Under) Recovery Plus Interest	Monthly Interest Rate	Months	Calculated Interest	Amortization	Surcharge (Refund) Owed
Calculation of Interest for 2009 True-Up Period						
Monthly						
January 2009	-	0.5500%	12	-	-	-
February 2009	-	0.5500%	11	-	-	-
March 2009	10,000	0.5500%	10	(550)		(10,550)
April 2009	10,000	0.5500%	9	(495)		(10,495)
May 2009	10,000	0.5500%	8	(440)		(10,440)
June 2009	10,000	0.5500%	7	(385)		(10,385)
July 2009	10,000	0.5500%	6	(330)		(10,330)
August 2009	10,000	0.5500%	5	(275)		(10,275)
September 2009	10,000	0.5500%	4	(220)		(10,220)
October 2009	10,000	0.5500%	3	(165)		(10,165)
November 2009	10,000	0.5500%	2	(110)		(10,110)
December 2009	10,000	0.5500%	1	(55)		(10,055)
				(3,025)		(103,025)
Annual						
January through December 2010	(103,025)	0.5600%	12	(6,923)		(109,948)
January through December 2011	(109,948)	0.5400%	12	(7,125)		(117,073)
January through December 2012	(117,073)	0.5800%	12	(8,148)		(125,221)
January through December 2013	(125,221)	0.5700%	12	(8,565)		(133,786)
January through December 2014	(133,786)	0.5700%	12	(9,151)		(142,937)
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months						
Monthly						
January 2015	142,937	0.5700%		(815)	(12,357)	(131,395)
February 2015	131,395	0.5700%		(749)	(12,357)	(119,786)
March 2015	119,786	0.5700%		(683)	(12,357)	(108,112)
April 2015	108,112	0.5700%		(616)	(12,357)	(96,371)
May 2015	96,371	0.5700%		(549)	(12,357)	(84,563)
June 2015	84,563	0.5700%		(482)	(12,357)	(72,687)
July 2015	72,687	0.5700%		(414)	(12,357)	(60,744)
August 2015	60,744	0.5700%		(346)	(12,357)	(48,733)
September 2015	48,733	0.5700%		(278)	(12,357)	(36,653)
October 2015	36,653	0.5700%		(209)	(12,357)	(24,505)
November 2015	24,505	0.5700%		(140)	(12,357)	(12,287)
December 2015	12,287	0.5700%		(70)	(12,357)	0
				(5,351)		
Total Amount of True-Up Adjustment for 2008 ATRR					\$ (148,288)	
Less Over (Under) Recovery					\$ 100,000	
Total Interest					\$ (48,288)	

<u>Calculation of Interest for 2010 True-Up Period</u>						
					Monthly	
January	2010	(12,500)	0.5600%	12	840	13,340
February	2010	(12,500)	0.5600%	11	770	13,270
March	2010	(12,500)	0.5600%	10	700	13,200
April	2010	(12,500)	0.5600%	9	630	13,130
May	2010	(12,500)	0.5600%	8	560	13,060
June	2010	(12,500)	0.5600%	7	490	12,990
July	2010	(12,500)	0.5600%	6	420	12,920
August	2010	(12,500)	0.5600%	5	350	12,850
September	2010	(12,500)	0.5600%	4	280	12,780
October	2010	(12,500)	0.5600%	3	210	12,710
November	2010	(12,500)	0.5600%	2	140	12,640
December	2010	(12,500)	0.5600%	1	70	12,570
					5,460	155,460
					Annual	
January through December	2011	155,460	0.5400%	12	10,074	165,534
January through December	2012	165,534	0.5800%	12	11,521	177,055
January through December	2013	177,055	0.5700%	12	12,111	189,166
January through December	2014	189,166	0.5700%	12	12,939	202,104
<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>						
					Monthly	
January	2015	(202,104)	0.5700%		1,152	185,784
February	2015	(185,784)	0.5700%		1,059	169,370
March	2015	(169,370)	0.5700%		965	152,863
April	2015	(152,863)	0.5700%		871	136,262
May	2015	(136,262)	0.5700%		777	119,566
June	2015	(119,566)	0.5700%		682	102,775
July	2015	(102,775)	0.5700%		586	85,888
August	2015	(85,888)	0.5700%		490	68,905
September	2015	(68,905)	0.5700%		393	51,826
October	2015	(51,826)	0.5700%		295	34,649
November	2015	(34,649)	0.5700%		197	17,374
December	2015	(17,374)	0.5700%		99	(0)
					7,566	
Total Amount of True-Up Adjustment for 2009 ATRR					\$	209,670
Less Over (Under) Recovery					\$	(150,000)
Total Interest					\$	59,670

<u>Calculation of Interest for 2011 True-Up Period</u>						
					Monthly	
January	2011	8,333	0.5400%	12	(540)	(8,873)
February	2011	8,333	0.5400%	11	(495)	(8,828)
March	2011	8,333	0.5400%	10	(450)	(8,783)
April	2011	8,333	0.5400%	9	(405)	(8,738)
May	2011	8,333	0.5400%	8	(360)	(8,693)
June	2011	8,333	0.5400%	7	(315)	(8,648)
July	2011	8,333	0.5400%	6	(270)	(8,603)
August	2011	8,333	0.5400%	5	(225)	(8,558)
September	2011	8,333	0.5400%	4	(180)	(8,513)
October	2011	8,333	0.5400%	3	(135)	(8,468)
November	2011	8,333	0.5400%	2	(90)	(8,423)
December	2011	8,333	0.5400%	1	(45)	(8,378)
					(3,510)	(103,510)
					Annual	
January through December	2012	(103,510)	0.5800%	12	(7,204)	(110,714)
January through December	2013	(110,714)	0.5700%	12	(7,573)	(118,287)
January through December	2014	(118,287)	0.5700%	12	(8,091)	(126,378)
<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>						
					Monthly	
January	2012	126,378	0.5700%		(720)	(116,173)
February	2012	116,173	0.5700%		(662)	(105,909)
March	2012	105,909	0.5700%		(604)	(95,587)
April	2012	95,587	0.5700%		(545)	(85,206)
May	2012	85,206	0.5700%		(486)	(74,766)
June	2012	74,766	0.5700%		(426)	(64,266)
July	2012	64,266	0.5700%		(366)	(53,707)
August	2012	53,707	0.5700%		(306)	(43,087)
September	2012	43,087	0.5700%		(246)	(32,407)
October	2012	32,407	0.5700%		(185)	(21,666)
November	2012	21,666	0.5700%		(123)	(10,864)
December	2012	10,864	0.5700%		(62)	(0)
					(4,731)	
Total Amount of True-Up Adjustment for 2010 ATRR					\$	(131,109)
Less Over (Under) Recovery					\$	100,000
Total Interest					\$	(31,109)

Calculation of Interest for 2012 True-Up Period						
An over or under collection will be recovered prorata over 2011, held for 2012, 2013 and returned prorate over 2014						
					Monthly	
January	2012	25,000	0.5800%	12	(1,740)	(26,740)
February	2012	25,000	0.5800%	11	(1,595)	(26,595)
March	2012	25,000	0.5800%	10	(1,450)	(26,450)
April	2012	25,000	0.5800%	9	(1,305)	(26,305)
May	2012	25,000	0.5800%	8	(1,160)	(26,160)
June	2012	25,000	0.5800%	7	(1,015)	(26,015)
July	2012	25,000	0.5800%	6	(870)	(25,870)
August	2012	25,000	0.5800%	5	(725)	(25,725)
September	2012	25,000	0.5800%	4	(580)	(25,580)
October	2012	25,000	0.5800%	3	(435)	(25,435)
November	2012	25,000	0.5800%	2	(290)	(25,290)
December	2012	25,000	0.5800%	1	(145)	(25,145)
					(11,310)	(311,310)
					Annual	
January through December	2013	(311,310)	0.5700%	12	(21,294)	(332,604)
January through December	2014	(332,604)	0.5700%	12	(22,750)	(355,354)
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months						
					Monthly	
January	2013	355,354	0.5700%		(2,026)	(30,721)
February	2013	326,658	0.5700%		(1,862)	(30,721)
March	2013	297,798	0.5700%		(1,697)	(30,721)
April	2013	268,774	0.5700%		(1,532)	(30,721)
May	2013	239,585	0.5700%		(1,366)	(30,721)
June	2013	210,229	0.5700%		(1,198)	(30,721)
July	2013	180,706	0.5700%		(1,030)	(30,721)
August	2013	151,015	0.5700%		(861)	(30,721)
September	2013	121,154	0.5700%		(691)	(30,721)
October	2013	91,123	0.5700%		(519)	(30,721)
November	2013	60,921	0.5700%		(347)	(30,721)
December	2013	30,547	0.5700%		(174)	(30,721)
					(13,303)	0
Total Amount of True-Up Adjustment for 2011 ATRR					\$	(368,657)
Less Over (Under) Recovery					\$	300,000
Total Interest					\$	(68,657)

Calculation of Interest for 2013 True-Up Period						
					Monthly	
January	2013	8,333	0.5700%	12	(570)	(8,903)
February	2013	8,333	0.5700%	11	(523)	(8,856)
March	2013	8,333	0.5700%	10	(475)	(8,808)
April	2013	8,333	0.5700%	9	(428)	(8,761)
May	2013	8,333	0.5700%	8	(380)	(8,713)
June	2013	8,333	0.5700%	7	(333)	(8,666)
July	2013	8,333	0.5700%	6	(285)	(8,618)
August	2013	8,333	0.5700%	5	(238)	(8,571)
September	2013	8,333	0.5700%	4	(190)	(8,523)
October	2013	8,333	0.5700%	3	(143)	(8,476)
November	2013	8,333	0.5700%	2	(95)	(8,428)
December	2013	8,333	0.5700%	1	(48)	(8,381)
					(3,705)	(103,705)
					Annual	
January through December	2014	(103,705)	0.5700%	12	(7,093)	(110,798)
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months						
					Monthly	
January	2015	110,798	0.5700%		(632)	(9,579)
February	2015	101,851	0.5700%		(581)	(9,579)
March	2015	92,853	0.5700%		(529)	(9,579)
April	2015	83,803	0.5700%		(478)	(9,579)
May	2015	74,702	0.5700%		(426)	(9,579)
June	2015	65,549	0.5700%		(374)	(9,579)
July	2015	56,344	0.5700%		(321)	(9,579)
August	2015	47,086	0.5700%		(268)	(9,579)
September	2015	37,776	0.5700%		(215)	(9,579)
October	2015	28,412	0.5700%		(162)	(9,579)
November	2015	18,995	0.5700%		(108)	(9,579)
December	2015	9,525	0.5700%		(54)	(9,579)
					(4,148)	0
Total Amount of True-Up Adjustment for 2012 ATRR					\$	(114,946)
Less Over (Under) Recovery					\$	100,000
Total Interest					\$	(14,946)

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010
Page 1

Pioneer Transmission, LLC

Line No.	(1)	(2)	(3)
<u>1</u>	GROSS REVENUE REQUIREMENT (line 76)	12 months	<u>\$ 7,147,074</u>
REVENUE CREDITS			
2	Total Revenue Credits Attachment 1, line 8	<u>Total</u> 0	<u>Allocator</u> TP 1.00000 -
3	True-up Adjustment Attachment 7	0	DA 1.00000 -
4	NET REVENUE REQUIREMENT (line 1 & minus line 2 plus line 3)		<u>\$ 7,147,074</u>
A	Allocation of Revenue Requirement between MISO and PJM		
B	MISO Allocation (line B x line 4)		Allocation (Note K) 50.00% \$ 3,573,537
C	PJM Allocation (line C x line 4)		50.00% \$ 3,573,537
D	Total (Sum lines B & C)		100.00% \$ 7,147,074

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010
Page 2

Pioneer Transmission, LLC

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator	(5) Transmission (Col 3 times Col 4)
5	GROSS PLANT IN SERVICE				
5	Production	(Attachment 3)	-	NA	0.00000
6	Transmission	(Attachment 3)	-	TP	1.00000
7	Distribution	(Attachment 3)	-	NA	0.00000
8	General & Intangible	(Attachment 3)	-	W/S	1.00000
9	Capital Lease	(Attachment 3)	-	DA	-
10	TOTAL GROSS PLANT (sum lines 5-9)	(GP=1 if plant =0)	-	GP=	1.00000
11	ACCUMULATED DEPRECIATION				
12	Production	(Attachment 3)	-	NA	0.00000
13	Transmission	(Attachment 3)	-	TP	1.00000
14	Distribution	(Attachment 3)	-	NA	0.00000
15	General & Intangible	(Attachment 3)	-	W/S	1.00000
16	TOTAL ACCUM. DEPRECIATION (sum lines 12-15)		-		-
17	NET PLANT IN SERVICE				
18	Production	(line 5- line 12)	-		-
19	Transmission	(line 6- line 13)	-		-
20	Distribution	(line 7- line 14)	-		-
21	General & Intangible	(line 8- line 15)	-		-
22	Capital Lease	(line 9)	-		-
23	TOTAL NET PLANT (sum lines 18-22)	(NP=1 if plant =0)	-	NP=	1.0000
24	ADJUSTMENTS TO RATE BASE (Note A)				
25	Account No. 281 (enter negative)	(Attachment 3)	-	NA	0.00000
26	Account No. 282 (enter negative)	(Attachment 3)	-	NP	1.00000
27	Account No. 283 (enter negative)	(Attachment 3)	-	NP	1.00000
28	Account No. 190	(Attachment 3)	-	NP	1.00000
29	Account No. 255 (enter negative) (Note F)	(Attachment 3)	-	NP	1.00000
30	CWIP	(Attachment 3)	25,000,002	TP	1.00000
31	Unamortized Regulatory Asset	(Attachment 3)	4,396,625	DA	1.00000
32	Unamortized Abandoned Plant	(Attachment 3)	-	DA	1.00000
33	TOTAL ADJUSTMENTS (sum lines 25-32)		29,396,627		29,396,627
34	LAND HELD FOR FUTURE USE	(Attachment 3)	-	TP	1.00000
35	WORKING CAPITAL (Note C)				
36	CWC	calculated	316,813		316,813
37	Materials & Supplies (Note B)	(Attachment 3)	-	TP	1.00000
38	Prepayments (Account 165 - Note C)	(Attachment 3)	-	GP	1.00000
39	TOTAL WORKING CAPITAL (sum lines 36-38)		316,813		316,813
40	RATE BASE (sum lines 23, 33, 34, & 39)		<u>29,713,440</u>		<u>29,713,440</u>

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010
Page 3

		Pioneer Transmission, LLC				
(1)	(2)	(3)	(4)	(5)		
	Form No. 1 Page, Line, Col.	Company Total	Allocator		Transmission (Col 3 times Col 4)	
41	O&M					
42	Transmission	321.112.b	1,034,500	TP=	1.00000	1,034,500
43	Less Account 565	321.96.b	-	TP=	1.00000	-
44	A&G	323.197.b	1,500,000	W/S	1.00000	1,500,000
45	Less EPRI & Reg. Comm. Exp. & Other Ad.	(Note D & Attach 4)	-	DA	1.00000	-
46	Plus Transmission Related Reg. Comm. Exp.	(Note D & Attach 4)	-	TP=	1.00000	-
47	PBOP expense adjustment	(Attachment 3)	-	TP=	1.00000	-
48	TOTAL O&M (sum lines 42, 44, 46, 47 less lines 43 & 45)		2,534,500			2,534,500
49	DEPRECIATION EXPENSE					
50	Transmission	336.7.b & c	-	TP	1.00000	-
51	General and Intangible	336.1.d&e + 336.10.b&c	-	W/S	1.00000	-
52	Amortization of Abandoned Plant	(Attachment 3)	-	DA	1.00000	-
53	TOTAL DEPRECIATION (Sum lines 50-52)		-			-
54	TAXES OTHER THAN INCOME TAXES (Note E)					
55	LABOR RELATED					
56	Payroll	263i	-	W/S	1.00000	-
57	Highway and vehicle	263i	-	W/S	1.00000	-
58	PLANT RELATED					
59	Property	263i	-	GP	1.00000	-
60	Gross Receipts	263i	-	NA	0.00000	-
61	Other	263i	-	GP	1.00000	-
62	Payments in lieu of taxes		-	GP	1.00000	-
63	TOTAL OTHER TAXES (sum lines 56-62)		-			-
64	INCOME TAXES (Note F)					
65	$T=1 - \{[(1 - \text{SIT}) * (1 - \text{FIT})] / (1 - \text{SIT} * \text{FIT} * p)\} =$		38.08%			
66	$\text{CIT}=(T/1-T) * (1-(\text{WCLTD}/R)) =$		36.50%			
67	where WCLTD=(line 93) and R= (line 96)					
68	and FIT, SIT & p are as given in footnote F.					
69	$1 / (1 - T) = (T \text{ from line 65})$		1.6149			
70	Amortized Investment Tax Credit (266.8f) (enter negative)		-			
71	Income Tax Calculation = line 66 * line 75		1,233,349	NA		1,233,349
72	ITC adjustment (line 69 * line 70)		-	NP	1.00000	-
73	Total Income Taxes (line 71 plus line 72)		1,233,349			1,233,349
74	RETURN					
75	[Rate Base (line 40) * Rate of Return (line 96)]		3,379,224	NA		3,379,224
76	REV. REQUIREMENT (sum lines 48, 53, 63, 73, 75)		<u>7,147,074</u>			<u>7,147,074</u>

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/2010
Page 4

Pioneer Transmission, LLC
SUPPORTING CALCULATIONS AND NOTES

77 TRANSMISSION PLANT INCLUDED IN RTO RATES

78	Total transmission plant (line 6, column 3)		0
79	Less transmission plant excluded from RTO rates (Note H)		0
80	Less transmission plant included in OATT Ancillary Services (Note H)		0
81	Transmission plant included in RTO rates (line 78 less lines 79 & 80)		0

82 Percentage of transmission plant included in RTO Rates (line 81 divided by line 78) [If line 78 equal zero, enter 1] TP= 1.00000

83 WAGES & SALARY ALLOCATOR (W&S) (Note I)

84	Form 1 Reference	\$	TP	Allocation		
85	Production	354.20.b	0			
86	Transmission	354.21.b	0	1.00	0	
87	Distribution	354.23.b	0			
88	Other	354.24,25,26.b	0			W&S Allocator (\$ / Allocation)
89	Total (sum lines 85-88) [TP equals 1 if there are no wages & salaries]		0		0	= 1.00000 = WS

90 RETURN (R)

91		\$	%	Cost	Weighted	
92						
93	Long Term Debt (Attachment 3)	0	50%	9.25%	0.0462	=WCLTD
94	Preferred Stock (Attachment 3)	0	0%	0.00%	0.0000	
95	Common Stock (Note J) (Attachment 3)	0	50%	13.50%	0.0675	
96	Total (sum lines 93-95)	0			0.1137	=R

SUPPORTING CALCULATIONS AND NOTES

Formula Rate - Non-Levelized

Rate Formula Template
Utilizing FERC Form 1 Data

Pioneer Transmission, LLC

For the 12 months ended 12/31/2010

Page 5

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note
Letter

- A The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income as discussed in Note F. Account 281 is not allocated.
- B Identified in Form 1 as being only transmission related.
- C Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission
Prepayments are the electric related prepayments booked to Account No. 165 and reported on Pages 110-111 line 57 in the Form 1.
- D EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, except safety, education and out-reach related advertising included in Account 930.1. Regulatory Commission Expenses directly related to transmission service, RTO filings, or transmission siting itemized at 351.h.
- E Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year.
Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
- F The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) .

Inputs Required:	FIT =	35.00%	
	SIT=	4.74%	(State Income Tax Rate or Composite SIT from Attachment 3)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- G Removes dollar amount of transmission expenses included in the OATT ancillary services rates, if any.
- H Removes dollar amount of transmission plant included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed to included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
- I Enter dollar amounts
- J ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
- K The MISO and PJM allocations will be as determined in a separate proceeding before the Commission

**Attachment 1 - Revenue Credit Workpaper
Pioneer Transmission, LLC**

Account 454 - Rent from Electric Property	Notes 1 & 4	
1 Rent from FERC Form No. 1		-
 Account 456.1	Notes 1 & 4	
2 Other Electric Revenues (Note 2)		-
3 Professional Services (Note 3)		-
4 Revenues from Directly Assigned Transmission Facility Charges (Note 2)		-
5 Rent or Attachment Fees associated with Transmission Facilities (Note 3)		-
6 Gross Revenue Credits	Sum lines 2-5 + line 1	-
7 Less line 14	less line 14	-
8 Total Revenue Credits	line 6 + line 7	-
9 Revenues associated with lines 9 thru 14 are to be included in lines 1-5 and total of those revenues entered here		-
10 Income Taxes associated with revenues in line 9		-
11 One half margin (line 9 - line 10)/2		-
12 All expenses (other than income taxes) associated with revenues in line 9 that are included in FERC accounts recovered through the formula times the allocator used to functionalize the amounts in the FERC account to the transmission service at issue.		-
13 Line 11 plus line 12		-
14 Line 9 less line 13		-

Note 1 All revenues related to transmission that are received as a transmission owner from MISO and PJM except the amounts recieved which relate to the revenue requirement shown on Appendix A, line 4 will be included as a revenue credit.

Note 2 If the facilities associated with the revenues are not included in the formula, the revenue is shown below, but not included in the total above and explained in the Attachment 3. For example revenues associated with distribution facilities.

Note 3 Ratemaking treatment for the following specified secondary uses of transmission assets: (1) right-of-way leases and leases for space on transmission facilities for telecommunications; (2) transmission tower licenses for wireless antennas; (3) right-of-way property leases for farming, grazing or nurseries; (4) licenses of intellectual property (including a portable oil degasification process and scheduling software); and (5) transmission maintenance and consulting services (including energized circuit maintenance, high-voltage substation maintenance, safety training, transformer oil testing, and circuit breaker testing) to other utilities and large customers (collectively, products). DLC will retain 50% of net revenues consistent with *Pacific Gas and Electric Company*, 90 FERC ¶ 61,314. Note: in order to use lines 7 & 9-14, the utility must track in separate subaccounts the revenues and costs associated with each secondary use (except for the cost of the associated income taxes).

Note 4	All Account 454 and 456 Revenues must be itemized below		
	Account 454	Include	\$
	Joint pole attachments - telephone	Include	-
	Joint pole attachments - cable	Include	-
	Underground rentals	Include	-
	Transmission tower wireless rentals	Include	-
	Other rentals	Include	-
	Corporate headquarters sublease	Include	-
	Misc non-transmission rentals	Include	-
	xxxx	Include	-
	xxxx		
	xxxx		
	Total		-
	Account 456	Include	-
	Other electric revenues	Include	-
	Transmission Revenue - Firm	Include	-
	Transmission Revenue - Non-Firm	Include	-
	xxxx		-
	xxxx		-
	xxxx		-
	xxxx		-
	xxxx		-
	xxxx		-
	xxxx		-
	Total		-
	Total Account 454 and 456 included		-
	Payments by MISO and PJM of the revenue requirement calculated on Appendix A	Exclude	-
	Total Account 454 and 456 included and excluded		-

**Attachment 2 - Calculation of Composite Depreciation Rate
Pioneer Transmission, LLC**

1 Calculation of Composite Depreciation Rate

2	Transmission Plant @ Beginning of Period	(Attachment 3)	-
3	Transmission Plant @ End of Period	(Attachment 3)	-
4	Sum	(sum lines 2 & 3)	<hr/> -
5	Average Balance of Transmission Investment	(line 4/2)	-
6	Depreciation Expense	Appendix A	<hr/> -
7	Composite Depreciation Rate	(line 6/ line 5)	0.00%
8	Depreciable Life for Composite Depreciation Rate	(1/line 7)	-
9	Round line 8 to nearest whole year		-

Attachment 3 - Cost Support
Pioneer Transmission, LLC

Plant in Service Worksheet

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instruction:

Line #	Description	Source	Year	Balance
1	Calculation of Transmission Plant In Service	Source		
2	December	p206.58.b	2009	-
3	January	company records	2010	-
4	February	company records	2010	-
5	March	company records	2010	-
6	April	company records	2010	-
7	May	company records	2010	-
8	June	company records	2010	-
9	July	company records	2010	-
10	August	company records	2010	-
11	September	company records	2010	-
12	October	company records	2010	-
13	November	company records	2010	-
14	December	p207.58.g	2010	-
15	Transmission Plant In Service	(sum lines 2-14) /13		-
16	Calculation of Distribution Plant In Service	Source		
17	December	p206.75.b	2009	-
18	January	company records	2010	-
19	February	company records	2010	-
20	March	company records	2010	-
21	April	company records	2010	-
22	May	company records	2010	-
23	June	company records	2010	-
24	July	company records	2010	-
25	August	company records	2010	-
26	September	company records	2010	-
27	October	company records	2010	-
28	November	company records	2010	-
29	December	p207.75.g	2010	-
30	Distribution Plant In Service	(sum lines 17-29) /13		-
31	Calculation of Intangible Plant In Service	Source		
32	December	p204.5.b	2009	-
33	December	p205.5.g	2010	-
34	Intangible Plant In Service	(sum lines 32 & 33) /2		-
35	Calculation of General Plant In Service	Source		
36	December	p206.99.b	2009	-
37	December	p207.99.g	2010	-
38	General Plant In Service	(sum lines 36 & 37) /2		-

39	Calculation of Production Plant In Service	Source		
40	December	p204.46b	2009	-
41	January	company records	2010	-
42	February	company records	2010	-
43	March	company records	2010	-
44	April	company records	2010	-
45	May	company records	2010	-
46	March	Attachment 6	2010	-
47	April	company records	2010	-
48	August	company records	2010	-
49	September	company records	2010	-
50	October	company records	2010	-
51	November	company records	2010	-
52	December	p205.46.g	2010	-
53	Production Plant In Service	(sum lines 40-52) /13		-
54	Total Plant In Service	(sum lines 15, 30, 34, 38, & 53)		-

Accumulated Depreciation Worksheet

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instruction:					Details
		Source	Year	Balance	
55	Calculation of Transmission Accumulated Depreciation	Source			
56	December	Prior year p219.25	2009	-	
57	January	company records	2010	-	
58	February	company records	2010	-	
59	March	company records	2010	-	
60	April	company records	2010	-	
61	May	company records	2010	-	
62	June	company records	2010	-	
63	July	company records	2010	-	
64	August	company records	2010	-	
65	September	company records	2010	-	
66	October	company records	2010	-	
67	November	company records	2010	-	
68	December	p219.25	2010	-	
69	Transmission Accumulated Depreciation	(sum lines 56-68) /13		-	
70	Calculation of Distribution Accumulated Depreciation	Source			
71	December	Prior year p219.26	2009	-	
72	January	company records	2010	-	
73	February	company records	2010	-	
74	March	company records	2010	-	
75	April	company records	2010	-	
76	May	company records	2010	-	
77	June	company records	2010	-	
78	July	company records	2010	-	
79	August	company records	2010	-	
80	September	company records	2010	-	
81	October	company records	2010	-	
82	November	company records	2010	-	
83	December	p219.26	2010	-	
84	Distribution Accumulated Depreciation	(sum lines 71-83) /13		-	
85	Calculation of Intangible Accumulated Depreciation	Source			
86	December	Prior year p200.21.c	2009	-	
87	December	p200.21c	2010	-	
88	Accumulated Intangible Depreciation	(sum lines 86 & 87) /2		-	

89	Calculation of General Accumulated Depreciation	Source		
90	December	Prior year p219.28	2009	-
91	December	p219.28	2010	-
92	Accumulated General Depreciation	(sum lines 90 & 91) /2		-
93	Calculation of Production Accumulated Depreciation	Source		
94	December	Prior year p219	2009	-
95	January	company records	2010	-
96	February	company records	2010	-
97	March	company records	2010	-
98	April	company records	2010	-
99	May	company records	2010	-
100	June	company records	2010	-
101	July	company records	2010	-
102	August	company records	2010	-
103	September	company records	2010	-
104	October	company records	2010	-
105	November	company records	2010	-
106	December	p219.20 thru 219.24	2010	-
107	Production Accumulated Depreciation	(sum lines 94-106) /13		-
108	Total Accumulated Depreciation	(sum lines 69, 84, 88, 92, & 107)		-

ADJUSTMENTS TO RATE BASE (Note A)

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions					Details	
			Beginning of Year	End of Year	Average Balance	
109	Account No. 281 (enter negative)	273.8.k	-	-	0	
110	Account No. 282 (enter negative)	275.2.k	-	-	0	
111	Account No. 283 (enter negative)	277.9.k	-	-	0	
112	Account No. 190	234.8.c	-	-	0	
113	Account No. 255 (enter negative)	267.8.h	-	-	0	
114	Unamortized Abandoned Plant	Per FERC Order	-	-	0	
115	Prepayments (Account 165)	111.57.c	-	-	0	

116	Calculation of Transmission CWIP	Source		
117	December	216.b	2009	-
118	January	company records	2010	4,166,667
119	February	company records	2010	8,333,334
120	March	company records	2010	12,500,001
121	April	company records	2010	16,666,668
122	May	company records	2010	20,833,335
123	June	company records	2010	25,000,002
124	July	company records	2010	29,166,669
125	August	company records	2010	33,333,336
126	September	company records	2010	37,500,003
127	October	company records	2010	41,666,670
128	November	company records	2010	45,833,337
129	December	216.b	2010	50,000,004
130	Transmission CWIP	(sum lines 117-129) /13		25,000,002

LAND HELD FOR FUTURE USE

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Beg of year	End of Year	Average	Details
131	LAND HELD FOR FUTURE USE	p214	Total	-	-	-	
			Non-transmission Related	-	-	-	
			Transmission Related	-	-	-	

Capital Leases

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Details	
Plant In Service				Total	Transmission
9	Capital Leases	Net Lease Value	p200.4	-	-

EPRI Dues Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Details	
Allocated General & Common Expenses				EPRI Dues	Common Expenses
132	EPRI Dues & Common Expenses		EPRI Dues p352-353 Common Expenses p356	-	-

Regulatory Expense Related to Transmission Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Transmission Related	Non-transmission	Details
133	Directly Assigned A&G	Regulatory Commission Exp Account 92E	p323.189.b	-	-	-	

Safety Related Advertising Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions				Form 1 Amount	Safety Related	Other	Details
134	Directly Assigned A&G	General Advertising Exp Account 930.1	p323.191.b	-	-	-	None

Multi-state Workpaper

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		State 1	State 2	State 3	State 4	State 5	Weighted Average
Income Tax Rates							
135	SIT=State Income Tax Rate or Composite	Indiana 4.74%					4.74%

Education and Out Reach Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Form 1 Amount	Education, Siting & Outreach Related	Other	Details
136	Directly Assigned A&G General Advertising Exp Account 930.1 p323.191.b	-	-	-	None

Excluded Plant Cost Support

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Excluded Transmission Facilities	Description of the Facilities
137	Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities Excluded Transmission Facilities	0	General Description of the Facilities
	Instructions: 1 Remove all investment below 69 kV facilities, including the investment allocated to distribution of a dual function substation, generator, interconnection and local and direct assigned facilities for which separate costs are charged and step-up generation substation included in transmission plant in service. 2 If unable to determine the investment below 69kV in a substation with investment of 69 kV and higher as well as below 69 kV the following formula will be used Example A Total investment in substation 1,000,000 B Identifiable investment in Transmission (provide workpapers) 500,000 C Identifiable investment in Distribution (provide workpapers) 400,000 D Amount to be excluded (A x (C / (B + C))) 444,444	Enter \$ - Or Enter \$ - - -	None
Add more lines if necessary			

Materials & Supplies

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions		Beg of year	End of Year	Average
138	Assigned to O&M p227.6	-	-	-
139	Stores Expense Undistributed p227.16	-	-	-
140	Undistributed Stores Exp	-	-	-
141	Transmission Materials & Supplies p227.8	-	-	-

Regulatory Asset

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions			
142	Beginning Balance of Regulatory Asset	4,913,875	Uncapitalized costs as of date the rates become effective
143	Months remaining in Amortization Period	57	As approved by FERC
144	Monthly Amortization to Account 566 (line 142 / line 143)	86,208	All amortizations of the Regulatory Asset are to be booked to Account 566
145	Months in Year to be amortized	12	Number of months rates are in effect during the calendar year
146	Ending Balance of Regulatory Asset (line 142 - line 144 * 145)	3,879,375	
147	Average Balance of Regulatory Asset (line 142 + line 146)/2	4,396,625	

Capital Structure

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions

148	Monthly Balances for Capital Structure					
149		Year	Debt	Preferred Stock	Common Stock	
150	January	2010	-	-	-	-
151	February	2010	-	-	-	-
152	March	2010	-	-	-	-
153	April	2010	-	-	-	-
154	May	2010	-	-	-	-
155	June	2010	-	-	-	-
156	July	2010	-	-	-	-
157	August	2010	-	-	-	-
158	September	2010	-	-	-	-
159	October	2010	-	-	-	-
160	November	2010	-	-	-	-
161	December	2010	-	-	-	-
162	Average		-	-	-	-

Note: the amount outstanding for debt retired during the year is the outstanding amount as of the last month it was outstanding; the equity is less Account 216.1, Preferred Stock, and Account 219; and the capital structure is fixed at 50/50 until the first two lines are placed

PBOPs

Appendix A Line #s, Descriptions, Notes, Form 1 Page #s and Instructions

Details

163	Calculation of PBOP Expenses		
164	AEP Employees		
165	Total PBOP expenses	\$	117,254,159
166	Amount relating to retired personne	\$	-
167	Amount allocated on Labor	\$	117,254,159
168	Labor dollars	\$	1,151,954,661
169	Cost per labor dollar	\$	0.102
170	labor (labor not capitalized) current yea	\$	225,000
171	PBOP Expense for current year	\$	22,902
172	PBOP Expense in Account 926 for current year	\$	22,902
173	PBOP Adjustment for Appendix A, Line 54	\$	-
174	Lines 165-169 cannot change absent approval or acceptance by FERC in a separate proceeding		
174	Duke Employees		
175	Total PBOP expenses	\$	46,899,479
176	Amount relating to retired personne	\$	24,111,469
177	Amount allocated on Labor	\$	22,788,010
178	Labor dollars	\$	342,895,903
179	Cost per labor dollar	\$	0.066
180	labor (labor not capitalized) current yea	\$	525,000
181	PBOP Expense for current year	\$	34,890
182	PBOP Expense in Account 926 for current year	\$	34,890
183	PBOP Adjustment for Appendix A, Line 54	\$	-
184	Lines 175-179 cannot change absent approval or acceptance by FERC in a separate proceeding		
185	PBOP expense adjustment	(sum lines 173 & 183)	\$ -

**Attachment 4 - Transmission Enhancement Charge Worksheet
Pioneer Transmission, LLC**

1
2
3
4
5
6

New Plant Carrying Charge

Formula Line	Item	
4	NET REVENUE REQUIREMENT	7,147,074
19	Net Transmission Plant	-
30	CWIP	25,000,002
Carrying charge (line 3/sum of lines 4 and 5)		28.588%

(1) (2) (3) (4)

7
8

**The FCR resulting from Formula in a given year is used for that year only
Therefore actual revenues collected in a year do not change based on cost data for subsequent year:**

9
10
11
12

"Yes" if a project under MISO and PJM OATT,
otherwise "No"

Forecast – Forecast of average 13 month current
year net plant plus 13-mo CWIP balances.
Reconciliation – Average of 13 month prior year net
plant balances plus prior year 13-mo CWIP
balances.

Details		RTO Upgrade ID:			
		RTEP-xxx	MTEP-xx2	Plant In Service	Totals
MTEP or RTEP	(Yes or No)	Yes	Yes		
FCR for This Project		28.588%	28.588%	28.588%	
Investment		25,000,002	-	-	25,000,002
Revenue Requirement		7,147,074	-	-	7,147,074

Attachment 5 - Financing Costs for Long Term Debt using the Internal Rate of Return Methodology
Pioneer Transmission, LLC

Reflects financing will be a 5 year loan, where by paying Origination Fees of \$9.6 million and a Commitments Fee of 0.375% on the undrawn principle.
Consistent with GAAP, the Origination Fees and Commitments Fees will be amortized using the standard Internal Rate of Return formula below.
Each year, the amounts withdrawn, the interest paid in the year, Origination Fees, Commitments Fees, and total loan amount will be updated on this attachment.
The IRR calculation will use the Excel Worksheet Function XIRR.

Total Loan Amount	\$ 500,000,000
--------------------------	-----------------------

Internal Rate of Return¹ 9.25%

Based on following Financial Formula²:

$$NPV = 0 = \sum_{t=1}^N \frac{C_t}{(1+IRR)^{pwr(t)}}$$

Origination Fees	
Underwriting Discount	-
Arrangement Fee	3,750,000
Upfront Fee	3,750,000
Rating Agency Fee	72,000
Legal Fees	2,000,000
Total Issuance Expense	9,572,000
Annual Rating Agency Fee 200,000	
Annual Bank Agency Fee	50,000
Revolving Credit Commitment Fee	0.375%

	2010	2011	2012	2013	2014	2015	2016
LIBOR Rate	4.0000%	4.2500%	4.5000%	4.7500%	5.0000%	5.2500%	5.5000%
Spread	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Interest Rate	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%	7.75%

(A) Year	(B)	(C) Capital Expenditures (\$000's)	(D) Principle Drawn In Quarter (\$000's)	(E) Principle Drawn To Date (\$000's)	(F) Interest Expense (\$000's)	(G) Origination Fees (\$000's)	(H) Commitment & Utilization Fee (\$000's)	(I) Net Cash Flows (\$000's) (D-F-G-H)
11/15/2009	Prior Periods	5,172						1
2/15/2010	Q1	13,328	9,250	9,250	-	9,572		(322)
5/15/2010	Q2	12,500	6,250	15,500	141		710	5,399
8/15/2010	Q3	12,500	6,250	21,750	242		454	5,554
11/15/2010	Q4	12,500	6,250	28,000	340		448	5,462
2/15/2011	Q1	25,000	12,500	40,500	438		443	11,620
5/15/2011	Q2	25,000	12,500	53,000	658		681	11,161
8/15/2011	Q3	25,000	12,500	65,500	861		419	11,220
11/15/2011	Q4	25,000	12,500	78,000	1,064		407	11,028
2/15/2012	Q1	50,000	25,000	103,000	1,268		396	23,337
5/14/2012	Q2	50,000	25,000	128,000	1,738		622	22,640
8/14/2012	Q3	50,000	25,000	153,000	2,160		349	22,491
11/14/2012	Q4	50,000	25,000	178,000	2,582		325	22,093
2/14/2013	Q1	50,000	25,000	203,000	3,004		302	21,694
5/14/2013	Q2	50,000	25,000	228,000	3,553		528	20,919
8/14/2013	Q3	50,000	25,000	253,000	3,990		255	20,755
11/14/2013	Q4	50,000	25,000	278,000	4,428		295	20,278
2/14/2014	Q1	62,500	31,250	309,250	4,865		278	26,107
5/14/2014	Q2	62,500	31,250	340,500	5,605		506	25,139
8/14/2014	Q3	62,500	31,250	340,500	6,172		235	24,844
11/14/2014	Q4	62,500	31,250	340,500	6,172		235	24,844
2/14/2015	Q1	50,000	25,000	428,000	6,172		235	18,594
5/14/2015	Q2	50,000	25,000	453,000	8,025		425	16,551
8/14/2015	Q3	50,000	25,000	478,000	8,494		157	16,349
11/14/2015	Q4	50,000	25,000	503,000	8,963		140	15,897
2/14/2016	Q1	-	-	503,000	512,431		123	(512,554)
5/13/2016	Q2							

¹ The IRR is the Debt Cost shown on Line 115 of Appendix A.

² The IRR is a discount rate that makes the net present value of a series of cash flows equal to zero. The IRR equation can only be solved through iterations performed by a computer program (i.e.NPV function with goal seek in a spreadsheet program).

**Attachment 6 - CALCULATION OF COST OF DEBT AFTER CONSTRUCTION PHASE
Pioneer Transmission, LLC**

YEAR ENDED 12/31/2014

(HYPOTHETICAL EXAMPLE)

	Amount Outstanding	Unamortized Debt Issue Expense	Unamortized Debt Premium/ (Discount)	Unamortized Losses on Reacquired Debt	Net Amount Outstanding	Effective Cost Rate ¹	Annualized Cost
Debt:							
<u>First Mortgage Bonds:</u>	\$ 300,000,000	\$2,900,000	(\$2,320,000)	\$0	\$294,780,000	#N/A	#N/A
<u>Other Long Term Debt:</u>							
6.600% Series Medium Term Notes Due 2021	\$ 200,000,000	\$1,800,000		-	\$198,200,000	#N/A	#N/A
					-		
Total Debt	<u>\$ 500,000,000</u>	<u>\$ 4,700,000</u>	<u>\$ (2,320,000)</u>	<u>\$ -</u>	<u>\$ 492,980,000</u>	<u>#N/A</u>	<u>#N/A</u>
Check with FERC Form 1 B/S pgs 110-113	\$ 185,750,000	\$ (1,131,082)	\$ (1,595,909)	\$ 17,075,452			

Development of Effective Cost Rates:

	Issue Date	Maturity Date	Amount Issued	(Discount) Premium at Issuance	Issuance Expense	Loss on Reacquired Debt	Net Proceeds	Net Proceeds Ratio	Coupon Rate	Effective Cost Rate	Annual Interest
<u>First Mortgage Bonds</u>											
7.090% Series Due 2041	1/1/2014	6/30/2044	\$ 300,000,000	\$ (2,400,000)	\$ 3,000,000	-	\$ 294,600,000	98.2000	0.07090	#N/A	\$ 21,270,000
<u>Other Long Term Debt:</u>											
6.600% Series Medium Term Notes Due 2021	01/01/2014	06/30/2024	200,000,000		2,000,000		\$ 198,000,000	99.0000	0.06600	#N/A	13,200,000
			<u>\$ 500,000,000</u>	<u>(2,400,000)</u>	<u>\$ 5,000,000</u>	<u>-</u>	<u>\$ 492,600,000</u>				<u>\$ 34,470,000</u>

¹ The Effective Cost Rate is the Debt Cost shown on Line 121 of Appendix A.

Attachment 8 - Hypothetical Example of Final True-Up of Interest Rates and Interest Calculations for the Construction Loan
Pioneer Transmission, LLC

To be Prepared on 8/15/2015 (hypothetical date)

SUMMARY							
YEAR	Estimated Effective cost of debt used in forecast/true up	Final Effective cost of debt for the construction loan:	Revenue Requirement			Monthly Interest Rate applicable over the ATRR period	Total Amount of Construction Loan Related True-Up included in rates effective Jan 2014 (Refund)/Owed
			Based on Estimated Effective cost of debt	Based on Actual Effective cost of debt	Over (Under) Recovery		
2009	7.18%	7.00%	\$ 2,500,000.00	\$ 2,400,000.00	\$ 100,000.00	0.5500%	\$ (148,288.33)
2010	6.8%	7.00%	\$5,000,000.00	\$5,150,000.00	\$ (150,000.00)	0.5600%	\$ 209,670.43
2011	7.2%	7.00%	\$8,300,000.00	\$8,200,000.00	\$ 100,000.00	0.5400%	\$ (131,109.09)
2012	7.3%	7.00%	\$12,300,000.00	\$12,000,000.00	\$ 300,000.00	0.5800%	\$ (368,656.73)
2013	7.1%	6.83%	\$18,000,000.00	\$17,900,000.00	\$ 100,000.00	0.5700%	\$ (114,946.28)
2014	6.50%	6.50%	\$25,000,000.00	\$25,000,000.00	\$ -		
2015	6.50%	6.50%					\$ (553,329.99)

Example assumes that the construction loan is retired on Sept 1, 2014
Example assumes permanent debt structure is put in place on Sept 1, 2014 with effective rate of 6.5%
*Example assumes the True-Up period is 2009 - 2014, with the true-up amount included in 2015 forecasted ATRR. Final effective cost of debt for 2015 is computed as follows: ((7%*243days)+(6.5%*122days))/365days*
Note: The final true-up interest rate will replace the estimated interest rates beginning on the date the rates become effective

Calculation of Applicable Interest Expense for each ATRR period

Interest Rate on Amount of Refunds or Surcharges from 35.19a	Over (Under) Recovery Plus Interest	Monthly Interest Rate	Months	Calculated Interest	Amortization	Surcharge (Refund) Owed
Calculation of Interest for 2009 True-Up Period						
Monthly						
January 2009	-	0.5500%	12	-	-	-
February 2009	-	0.5500%	11	-	-	-
March 2009	10,000	0.5500%	10	(550)		(10,550)
April 2009	10,000	0.5500%	9	(495)		(10,495)
May 2009	10,000	0.5500%	8	(440)		(10,440)
June 2009	10,000	0.5500%	7	(385)		(10,385)
July 2009	10,000	0.5500%	6	(330)		(10,330)
August 2009	10,000	0.5500%	5	(275)		(10,275)
September 2009	10,000	0.5500%	4	(220)		(10,220)
October 2009	10,000	0.5500%	3	(165)		(10,165)
November 2009	10,000	0.5500%	2	(110)		(10,110)
December 2009	10,000	0.5500%	1	(55)		(10,055)
				(3,025)		(103,025)
Annual						
January through December 2010	(103,025)	0.5600%	12	(6,923)		(109,948)
January through December 2011	(109,948)	0.5400%	12	(7,125)		(117,073)
January through December 2012	(117,073)	0.5800%	12	(8,148)		(125,221)
January through December 2013	(125,221)	0.5700%	12	(8,565)		(133,786)
January through December 2014	(133,786)	0.5700%	12	(9,151)		(142,937)
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months						
Monthly						
January 2015	142,937	0.5700%		(815)	(12,357)	(131,395)
February 2015	131,395	0.5700%		(749)	(12,357)	(119,786)
March 2015	119,786	0.5700%		(683)	(12,357)	(108,112)
April 2015	108,112	0.5700%		(616)	(12,357)	(96,371)
May 2015	96,371	0.5700%		(549)	(12,357)	(84,563)
June 2015	84,563	0.5700%		(482)	(12,357)	(72,687)
July 2015	72,687	0.5700%		(414)	(12,357)	(60,744)
August 2015	60,744	0.5700%		(346)	(12,357)	(48,733)
September 2015	48,733	0.5700%		(278)	(12,357)	(36,653)
October 2015	36,653	0.5700%		(209)	(12,357)	(24,505)
November 2015	24,505	0.5700%		(140)	(12,357)	(12,287)
December 2015	12,287	0.5700%		(70)	(12,357)	0
				(5,351)		
Total Amount of True-Up Adjustment for 2008 ATRR				\$	(148,288)	
Less Over (Under) Recovery				\$	100,000	
Total Interest				\$	(48,288)	

<u>Calculation of Interest for 2010 True-Up Period</u>					
					Monthly
January	2010	(12,500)	0.5600%	12	840
February	2010	(12,500)	0.5600%	11	770
March	2010	(12,500)	0.5600%	10	700
April	2010	(12,500)	0.5600%	9	630
May	2010	(12,500)	0.5600%	8	560
June	2010	(12,500)	0.5600%	7	490
July	2010	(12,500)	0.5600%	6	420
August	2010	(12,500)	0.5600%	5	350
September	2010	(12,500)	0.5600%	4	280
October	2010	(12,500)	0.5600%	3	210
November	2010	(12,500)	0.5600%	2	140
December	2010	(12,500)	0.5600%	1	70
					5,460
					155,460
					Annual
January through December	2011	155,460	0.5400%	12	10,074
January through December	2012	165,534	0.5800%	12	11,521
January through December	2013	177,055	0.5700%	12	12,111
January through December	2014	189,166	0.5700%	12	12,939
<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>					
					Monthly
January	2015	(202,104)	0.5700%		1,152
February	2015	(185,784)	0.5700%		1,059
March	2015	(169,370)	0.5700%		965
April	2015	(152,863)	0.5700%		871
May	2015	(136,262)	0.5700%		777
June	2015	(119,566)	0.5700%		682
July	2015	(102,775)	0.5700%		586
August	2015	(85,888)	0.5700%		490
September	2015	(68,905)	0.5700%		393
October	2015	(51,826)	0.5700%		295
November	2015	(34,649)	0.5700%		197
December	2015	(17,374)	0.5700%		99
					7,566
Total Amount of True-Up Adjustment for 2009 ATRR					\$ 209,670
Less Over (Under) Recovery					\$ (150,000)
Total Interest					\$ 59,670

<u>Calculation of Interest for 2011 True-Up Period</u>					
					Monthly
January	2011	8,333	0.5400%	12	(540)
February	2011	8,333	0.5400%	11	(495)
March	2011	8,333	0.5400%	10	(450)
April	2011	8,333	0.5400%	9	(405)
May	2011	8,333	0.5400%	8	(360)
June	2011	8,333	0.5400%	7	(315)
July	2011	8,333	0.5400%	6	(270)
August	2011	8,333	0.5400%	5	(225)
September	2011	8,333	0.5400%	4	(180)
October	2011	8,333	0.5400%	3	(135)
November	2011	8,333	0.5400%	2	(90)
December	2011	8,333	0.5400%	1	(45)
					(3,510)
					(103,510)
					Annual
January through December	2012	(103,510)	0.5800%	12	(7,204)
January through December	2013	(110,714)	0.5700%	12	(7,573)
January through December	2014	(118,287)	0.5700%	12	(8,091)
<u>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</u>					
					Monthly
January	2012	126,378	0.5700%		(720)
February	2012	116,173	0.5700%		(662)
March	2012	105,909	0.5700%		(604)
April	2012	95,587	0.5700%		(545)
May	2012	85,206	0.5700%		(486)
June	2012	74,766	0.5700%		(426)
July	2012	64,266	0.5700%		(366)
August	2012	53,707	0.5700%		(306)
September	2012	43,087	0.5700%		(246)
October	2012	32,407	0.5700%		(185)
November	2012	21,666	0.5700%		(123)
December	2012	10,864	0.5700%		(62)
					(4,731)
Total Amount of True-Up Adjustment for 2010 ATRR					\$ (131,109)
Less Over (Under) Recovery					\$ 100,000
Total Interest					\$ (31,109)

Calculation of Interest for 2012 True-Up Period						
An over or under collection will be recovered prorata over 2011, held for 2012, 2013 and returned prorate over 2014						
					Monthly	
January	2012	25,000	0.5800%	12	(1,740)	(26,740)
February	2012	25,000	0.5800%	11	(1,595)	(26,595)
March	2012	25,000	0.5800%	10	(1,450)	(26,450)
April	2012	25,000	0.5800%	9	(1,305)	(26,305)
May	2012	25,000	0.5800%	8	(1,160)	(26,160)
June	2012	25,000	0.5800%	7	(1,015)	(26,015)
July	2012	25,000	0.5800%	6	(870)	(25,870)
August	2012	25,000	0.5800%	5	(725)	(25,725)
September	2012	25,000	0.5800%	4	(580)	(25,580)
October	2012	25,000	0.5800%	3	(435)	(25,435)
November	2012	25,000	0.5800%	2	(290)	(25,290)
December	2012	25,000	0.5800%	1	(145)	(25,145)
					(11,310)	(311,310)
					Annual	
January through December	2013	(311,310)	0.5700%	12	(21,294)	(332,604)
January through December	2014	(332,604)	0.5700%	12	(22,750)	(355,354)
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months						
					Monthly	
January	2013	355,354	0.5700%		(2,026)	(30,721)
February	2013	326,658	0.5700%		(1,862)	(30,721)
March	2013	297,798	0.5700%		(1,697)	(30,721)
April	2013	268,774	0.5700%		(1,532)	(30,721)
May	2013	239,585	0.5700%		(1,366)	(30,721)
June	2013	210,229	0.5700%		(1,198)	(30,721)
July	2013	180,706	0.5700%		(1,030)	(30,721)
August	2013	151,015	0.5700%		(861)	(30,721)
September	2013	121,154	0.5700%		(691)	(30,721)
October	2013	91,123	0.5700%		(519)	(30,721)
November	2013	60,921	0.5700%		(347)	(30,721)
December	2013	30,547	0.5700%		(174)	(30,721)
					(13,303)	0
Total Amount of True-Up Adjustment for 2011 ATRR					\$	(368,657)
Less Over (Under) Recovery					\$	300,000
Total Interest					\$	(68,657)

Calculation of Interest for 2013 True-Up Period						
					Monthly	
January	2013	8,333	0.5700%	12	(570)	(8,903)
February	2013	8,333	0.5700%	11	(523)	(8,856)
March	2013	8,333	0.5700%	10	(475)	(8,808)
April	2013	8,333	0.5700%	9	(428)	(8,761)
May	2013	8,333	0.5700%	8	(380)	(8,713)
June	2013	8,333	0.5700%	7	(333)	(8,666)
July	2013	8,333	0.5700%	6	(285)	(8,618)
August	2013	8,333	0.5700%	5	(238)	(8,571)
September	2013	8,333	0.5700%	4	(190)	(8,523)
October	2013	8,333	0.5700%	3	(143)	(8,476)
November	2013	8,333	0.5700%	2	(95)	(8,428)
December	2013	8,333	0.5700%	1	(48)	(8,381)
					(3,705)	(103,705)
					Annual	
January through December	2014	(103,705)	0.5700%	12	(7,093)	(110,798)
Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months						
					Monthly	
January	2015	110,798	0.5700%		(632)	(9,579)
February	2015	101,851	0.5700%		(581)	(9,579)
March	2015	92,853	0.5700%		(529)	(9,579)
April	2015	83,803	0.5700%		(478)	(9,579)
May	2015	74,702	0.5700%		(426)	(9,579)
June	2015	65,549	0.5700%		(374)	(9,579)
July	2015	56,344	0.5700%		(321)	(9,579)
August	2015	47,086	0.5700%		(268)	(9,579)
September	2015	37,776	0.5700%		(215)	(9,579)
October	2015	28,412	0.5700%		(162)	(9,579)
November	2015	18,995	0.5700%		(108)	(9,579)
December	2015	9,525	0.5700%		(54)	(9,579)
					(4,148)	0
Total Amount of True-Up Adjustment for 2012 ATRR					\$	(114,946)
Less Over (Under) Recovery					\$	100,000
Total Interest					\$	(14,946)