CPS Energy

Annual Pole Attachment Rate and Attachment Connection Fee _ Revised

(Effective on January 1, 2017)

In compliance with the CPS Energy Pole Attachment Standards, this disclosure statement outlines the formula, inputs, and calculation used to derive the annual Attachment Rate and the annual Wireless Installation Rate and is based on audited annual financial reports for Fiscal Year Ending (FYE) 2016[1].

CPS Energy calculates the annual Attachment Rate as provided by Section 54.204(c) of the Texas Utilities Code, which requires application of the pole attachment rate formula adopted by the Federal Communications Commission[2] under 47 U.S.C. § 224(e), where:

Attachment Rate = (**Space Factor**) x (**Cost**)

Space Factor = $\frac{\text{(Space Occupied) + ((2/3)(Unusable Space))/(Number of Attaching Entities)}}{\text{(Average Pole Height)}}$

and,

Cost = (0.44) x (Net Cost of a Bare Pole) x (Carrying Charge Rate) = **$13.32 per 1.0 foot of Space**

Direct Inputs:

Space Occupied		1.0 Foot	
Number of Attaching Entities		3.0	*Per PUCT Order in Docket #36633*
Total Investment FYE 2016	A/C 364 Poles, Towers, & Fixtures	$ 464,313,560.27	*CPS Energy Audited Financial Report*
Total Investment FYE 2016	A/C 365 OH Conductors & Devices	$ 312,771,620.32	*CPS Energy Audited Financial Report*
Total Investment FYE 2016	A/C 369 Services	$ 309,247,903.58	*CPS Energy Audited Financial Report*
Total Investment FYE 2016	Total Electric Plant In-Service (Gross)	$ 10,721,921,689.86	*CPS Energy Audited Financial Report*
Total Investment FYE 2016	Total Gas Plant In-Service (Gross)	$ 860,915,928.70	*CPS Energy Audited Financial Report*
Total Investment FYE 2016	Total Common Plant In-Service (Gross)	$ 875,933,576.35	*CPS Energy Audited Financial Report*
Total Depreciation FYE 2016	A/C 364 Poles, Towers, & Fixtures	$ 170,186,213.68	*CPS Energy Audited Financial Report*
Total Depreciation FYE 2016	A/C 365 OH Conductors & Devices	$ 117,814,626.70	*CPS Energy Audited Financial Report*
Total Depreciation FYE 2016	A/C 369 Services	$ 179,121,886.86	*CPS Energy Audited Financial Report*
Total Depreciation FYE 2016	Total Electric Plant In-Service (Accum)	$ 4,664,843,424.02	*CPS Energy Audited Financial Report*
Total Depreciation FYE 2016	Total Gas Plant In-Service (Accum)	$ 338,700,881.39	*CPS Energy Audited Financial Report*
Total Depreciation FYE 2016	Total Common Plant In-Service (Accum)	$ 292,765,065.47	*CPS Energy Audited Financial Report*
Total Expense FYE 2016	A/C 408 Payroll & Other Taxes *(Electric Only)*	$ 6,226,430.40	*CPS Energy Audited Financial Report*
Total Expense FYE 2016	A/C 593 Maintenance of OH Lines	$ 30,382,527.63	*CPS Energy Audited Financial Report*
Total Expense FYE 2016	A/C 920-932 Total Admin & General *(Electric Plant Only)*	$ 126,098,875.12	*CPS Energy Audited Financial Report*
Depreciation Rate		4.66%	*CPS Energy Depreciation Study*
Cost of Capital[3]		11.000% (1/1/2017 – 6/30/17) 10.750% (7/1/2017 – 12/31/2017)	*FCC Authorized Rate of Return*
Total Number of Poles (A/C 364)		305,733	*CPS Energy Financial Records*

[1] CPS Energy's FYE 2016 covers the period February 1, 2015 to January 31, 2016.

[2] Federal Communications Commission Order 15-151, effective March 4, 2016.

[3] Per FCC Order 16-33, dated 5/25/2016. In this Order, the FCC reduces the default authorized Rate of Return (ROR) by 25 basis points beginning on July 1, 2016 and each July 1, thereafter until the ROR is 9.75%. CPS Energy uses the FCC default ROR since state law does not prescribe a ROR for CPS Energy.

Derived Inputs:

Average Height of Pole		43.52 Feet	*Calculated from Pole Records*

Unusable Space

Defined as: 18.0' + (10% of Average Pole Height) + 2.0' — *Per PUCT Order in Docket #36633*

Unusable Space = 18.0 + (0.1 x 43.52) + 2.0 = 24.35'

Net Cost of a Bare Pole

Total Investment FYE 2015	A/C 364 Poles, Towers, & Fixtures	$ 464,313,560.27	
Total Depreciation FYE 2015	A/C 364 Poles, Towers, & Fixtures	($ 170,186,213.68)	
	Net Investment in Poles	$ 294,127,346.59	
	Less (15%)	($ 44,119,101.99)	*Per FCC Instructions*
	Total Cost in Bare Poles:	$ 250,008,244.60	
	Total Number of CPS Energy Poles	305,733	
	Net Cost of a Bare Pole:	$ 817.73	

Net Electric Plant In-Service

Total Investment FYE 2015	Total Electric Plant In-Service (Gross)	$ 10,721,921,689.86	*92.57%*
Total Investment FYE 2015	Total Gas Plant In-Service (Gross)	$ 860,915,928.70	*7.43%*
		$11,582,837,618.56	*100.0%*
Total Investment FYE 2015	Total Common Plant In-Service (Gross)	$ 875,933,576.35	
	Electric Ratio	92.57%	
	Total Common Plant Allocated to Electric	$ 810,828,185.67	
	Total Plant-In-Service Electric (Gross)	$ 11,532,749,875.53	
Total Depreciation FYE 2015	Total Electric Plant In-Service (Accum)	$ 4,664,843,424.02	*93.23%*
Total Depreciation FYE 2015	Total Gas Plant In-Service (Accum)	$ 338,700,881.39	*6.77%*
		$ 5,003,544,305.41	*100.0%*
Total Depreciation FYE 2015	Total Common Plant In-Service (Accum)	$ 292,765,065.47	
	Electric Ratio	93.23%	
	Total Common Plant Allocated to Electric	$ 272,947,156.47	
	Accumulated Depreciation of Total Plant In-Service (Electric)	$ 4,937,790,580.49	
	Total Plant-In-Service Electric (Gross)	$ 11,532,749,875.53	
	Accumulated Depreciation of Total Plant In-Service (Electric)	($ 4,937,790,580.49)	
	Net Electric Plant In-Service:	$ 6,594,959,295.04	

Derived Inputs (Continued):

Carrying Charge Rate

Defined as: Administration Expense + Maintenance Expense + Depreciation Expense + Taxes + Cost of Capital

Per PUCT Order in Docket #36633

$$\text{Administration Expense} = \frac{\text{A/C 920-932 Total Admin \& General } \textit{(Electric Plant Only)}}{\text{Net Electric Plant In-Service}}$$

$$= \frac{\$\ 126{,}098{,}875.12}{\$\ 6{,}594{,}959{,}295.04} = 1.9120\%$$

$$\text{Maintenance Expense} = \frac{\text{A/C 593 Maintenance of OH Lines}}{\text{(Total Investment in A/C 364, 365, 369) – (Total Accum Depr A/C 364, 365, 369)}}$$

$$= \frac{\$\ 30{,}382{,}527.63}{(\$\ 1{,}086{,}333{,}084.17 - \$\ 467{,}122{,}727.24)} = 4.9067\%$$

Depreciation Expense = Depreciation Rate x [(Total Investment A/C 364) / (Net Investment in Poles)]

= 0.0466 x ($ 464,313,560.27 / $ 294,127,346.59) = 7.3563%

$$\text{Taxes} = \frac{\text{A/C 408 Payroll \& Other Taxes } \textit{(Electric Only)}}{\text{Net Electric Plant In-Service}}$$

$$= \frac{\$\ 6{,}226{,}430.40}{\$\ 6{,}594{,}959{,}295.04} = 0.0944\%$$

Cost of Capital = 10.8639% (Blended Rate---See Footnote 3)

Carrying Charge Rate = Administration Expense + Maintenance Expense + Depreciation Expense + Taxes + Cost of Capital

= 1.9120% + 4.9067% + 7.3563% + 0.0944% + 10.8639%

= 25.1333%

Rate Calculation:

Attachment Rate = (**Space Factor**) x (**Cost**)

Space Factor = $\frac{\text{(Space Occupied) + ((2/3)(Unusable Space))/(Number of Attaching Entities)}}{\text{(Average Pole Height)}}$

and,

Cost = (0.44) x (Net Cost of a Bare Pole) x (Carrying Charge Rate)

Therefore, using both the direct and derived inputs from above:

Space Factor = $\frac{\text{(1.0) + ((2/3)(24.33))/(3.0)}}{\text{(43.52)}}$ = 0.14732

and,

Cost = (0.44) x ($817.73) x (25.1333%) = $90.43

Resulting in:

Attachment Rate = (0.1473) x ($90.43) = **$13.32 per 1.0 foot of Attachment Space**