



Control Number: 33309



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SOAH DOCKET NO. 473-07-0833
PUC DOCKET NO. 33309

APPLICATION OF AEP TEXAS	§	BEFORE THE STATE OFFICE
CENTRAL COMPANY FOR	§	OF
AUTHORITY TO CHANGE RATES	§	ADMINISTRATIVE HEARINGS

Cross Rebuttal Testimony of
James T. Selecky

On behalf of
**Wal-Mart Stores Texas, LP
and
Texas Retail Energy, LLC**

Project 8731
April 3, 2007

BAI
BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

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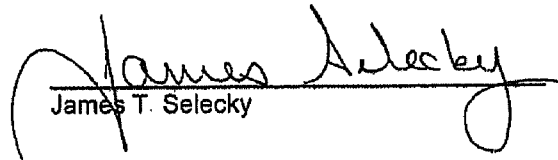
APPLICATION OF AEP TEXAS § BEFORE THE STATE OFFICE
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AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

Affidavit of James T. Selecky

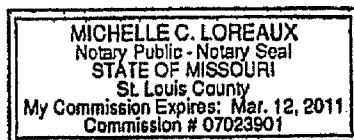
State of Missouri)
) SS
County of Saint Louis)

James T. Selecky, being first duly sworn, on his oath states:

1. My name is James T. Selecky. I am a managing principal with Brubaker & Associates, Inc., 1215 Fern Ridge Parkway, Suite 208, St Louis, MO. We have been retained by Wal-Mart Stores Texas, LP and Texas Retail Energy, LLC to testify in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my Cross Rebuttal Testimony, which has been prepared in written form for introduction into evidence in Public Utility Commission of Texas Docket No. 33309.
3. I hereby swear and affirm that my answers contained in the testimony are true and correct.


James T. Selecky

Subscribed and sworn to before me this 2nd day of April 2007.




Notary Public

My Commission Expires March 12, 2011.

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Direct Testimony of James T. Selecky

INTRODUCTION

1

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A James T. Selecky; 1215 Fern Ridge Parkway, Suite 208; St. Louis, MO 63141-2000.

4 Q ARE YOU THE SAME JAMES T. SELECKY WHO HAS PREVIOUSLY FILED
5 DIRECT TESTIMONY IN THIS PROCEEDING?

6 A Yes.

7 Q ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN
8 THAT PRIOR TESTIMONY?

9 A Yes. This information is included in Appendix A to my direct testimony.

10 Q BASED ON YOUR REVIEW OF THE OTHER INTERVENING PARTIES' DIRECT
11 TESTIMONY IN THIS PROCEEDING ON COST OF SERVICE, DO YOU HAVE ANY
12 REVISIONS OR ADDITIONS TO YOUR DIRECT TESTIMONY?

13 A No. I continue to support the use of the cost of service study with my recommended
14 adjustment to classify a portion of distribution lines as customer related.

1 Q WHAT ISSUES ARE YOU ADDRESSING IN YOUR CROSS REBUTTAL
2 TESTIMONY?

3 A My cross rebuttal testimony responds to the direct testimony of Commercial Customer
4 Group ("CCG") witness James W. Daniel regarding the class distribution of any
5 revenue increase in this case. In addition, I respond to the testimony of Public Utility
6 Commission of Texas Staff ("Staff") witness Christine L. Wright regarding the
7 appropriate class cost of service study that should be applied to allocate AEP Texas
8 Central Company's (TCC or the Company) delivery service costs to the retail classes.

9 **RESPONSE TO CCG WITNESS DANIEL**

10 Q PLEASE DESCRIBE MR. DANIEL'S RECOMMENDATION WITH RESPECT TO
11 THE DISTRIBUTION OF ANY APPROVED REVENUE INCREASE.

12 A Mr. Daniel proposes to apply an equal percentage revenue increase or decrease to
13 all customer classes. In the event the Commission decides to apply a revised
14 customer class cost allocation study, Mr. Daniel proposes to apply a gradualism
15 threshold of 1.25 times the system average increase.

16 Q HOW DOES THE COMPANY PROPOSE TO DISTRIBUTE THE REVENUE
17 INCREASE AMONG THE CUSTOMER CLASSES?

18 A TCC proposes to design rates based on the results of the Company's cost of service
19 study. The cost of service study results dictate that some classes should receive a
20 rate increase in excess of the system average increase, while other classes should
21 be assigned a rate increase that is less than the system average or a rate reduction.

1 Q SHOULD THE COMMISSION ADOPT MR. DANIEL'S RECOMMENDATION?

2 A No. Mr. Daniel's recommendation should be rejected because it violates cost
3 causation principles. For the reasons stated in my direct testimony, cost of service
4 should be the guiding principle in revenue allocation and rate design in this
5 proceeding. What's more, Mr. Daniel acknowledges that it has been the practice of
6 this Commission to strive toward setting rates equal to costs. The Commission
7 should approve a class revenue distribution in this case that follows the results of the
8 approved class cost of service study.

9 Q DO YOU AGREE WITH MR. DANIEL'S RECOMMENDATION TO APPLY A
10 GRADUALISM CONSTRAINT IN THE REVENUE ALLOCATION?

11 A No. It is my understanding that the Commission considered and rejected a proposal
12 to apply a gradualism constraint in a prior TCC rate case. Delivery service rates
13 should be based on cost of service

14 **RESPONSE TO STAFF WITNESS WRIGHT**

15 Q DO YOU HAVE ANY COMMENTS REGARDING WITH MS. WRIGHT'S
16 PROPOSED CLASS COST OF SERVICE STUDY?

17 A Yes, I do. While the Staff is proposing a *reduction* in TCC's total revenue
18 requirement, the Staff's class cost of service model results in significant *increases* in
19 the distribution cost of service for the primary voltage classes.

20 All else being equal, the lower total distribution revenue requirement proposed
21 by the Staff should yield a decrease in the allocated revenue requirement across all
22 customer classes. This is not the case under the Staff's model.

1 Q HAS MS. WRIGHT IDENTIFIED ANY PROBLEMS WITH THE CLASS COST OF
2 SERVICE STUDY PROPOSED BY THE COMPANY?

3 A Yes. Ms. Wright contends that there is an error in the "flow of work" between the
4 functional and class cost of service models developed by TCC. However, Ms Wright
5 did not describe the details of this alleged error.

6 Q DID MS. WRIGHT'S TESTIMONY DISCUSS ANY PROPOSED CHANGES TO THE
7 COMPANY'S CLASS COST OF SERVICE STUDY?

8 A No. Ms. Wright's testimony does not discuss any suggested changes to the
9 Company's proposed retail cost allocation methods.

10 Q WERE YOU ABLE TO IDENTIFY ANY DIFFERENCES BETWEEN THE STAFF'S
11 AND THE COMPANY'S COST OF SERVICE STUDY?

12 A Yes. The Staff's class cost of service model changes the allocation of distribution
13 Plant Accounts 364 through 368 relative to the Company's proposal. In developing
14 its proposed demand allocators for these accounts, TCC separated the cost of
15 primary and secondary distribution plant. Under the Company's model, primary
16 voltage level customers did not receive any allocation of secondary distribution plant
17 costs.

18 The Staff's cost of service study allocated both the primary and secondary
19 voltage level distribution plant costs based on the class maximum diversified
20 demands at the primary voltage level. The result is that Staff's model requires
21 primary voltage level customers to pay a share of secondary distribution plant costs.

1 **Q IS THE STAFF'S PROPOSED ALLOCATION OF DISTRIBUTION PLANT COSTS**
2 **CONSISTENT WITH COST CAUSATION PRINCIPLES?**

3 **A No. Primary customers do not utilize secondary voltage level distribution facilities.**
4 **Therefore, they do not cause the Company to incur costs to construct secondary**
5 **voltage level distribution facilities. TCC recognized this fact in developing its demand**
6 **allocators for distribution plant costs. The Staff's proposal would inappropriately**
7 **require primary voltage level customers to pay for a portion of the costs that TCC**
8 **incurs to serve secondary voltage level customers. This violates the principle of cost**
9 **causation.**

10 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE CLASS COST OF**
11 **SERVICE STUDY PROPOSED BY MS. WRIGHT?**

12 **A I recommend that the Commission reject the cost of service study filed by Ms. Wright**
13 **in this case. The Staff did not provide any testimony explaining its changes to the**
14 **Company's class cost of service model or to the Company's proposed allocation of**
15 **costs to the retail classes. Finally, the Staff's proposed allocation of distribution plant**
16 **costs clearly violates cost causation principles**

17 **Instead, the Commission should accept the class cost of service model and**
18 **allocation methods filed by the Company, with the exception that a portion of**
19 **distribution line costs should be classified and allocated on a customer basis as**
20 **recommended in my direct testimony.**

21 **Q DOES THIS CONCLUDE YOUR CROSS REBUTTAL TESTIMONY?**

22 **A Yes.**

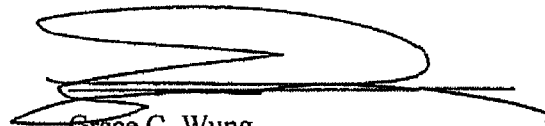
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CERTIFICATE OF SERVICE

I, Grace C. Wung, hereby certify that a true and correct copy of the foregoing Cross Rebuttal Testimony of James T. Selecky on behalf of Wal-Mart Stores Texas, LP and Texas Retail Energy, LLC was served on all parties of record in this proceeding on April 3, 2007, via email and/or United States First-Class Mail.



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