



Control Number: 41794



Item Number: 6

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**DOCKET NO. 41794**

**APPLICATION OF SHARYLAND  
UTILITIES, L.P. FOR INTERIM  
UPDATE OF WHOLESALE  
TRANSMISSION RATES PURSUANT  
TO P.U.C. SUBST. R. 25.192(h)** §  
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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

2013 OCT -8 AM 11:11  
FILING CLERK

**COMMISSION STAFF’S RECOMMENDATION ON FINAL DISPOSITION**

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this recommendation on final disposition.

**I. BACKGROUND**

On August 27, 2013, Sharyland Utilities, LP (Sharyland) filed an application for interim update of wholesale transmission rates pursuant to P.U.C. SUBST. R. 25.192(h). Sharyland’s application compares the actual July 31, 2013 transmission net plant balances with the transmission net balances established in Docket No. 41438, Sharyland’s last interim transmission cost of service proceeding. The difference between these two balances provides the basis for the increase in transmission invested capital in this proceeding. Order No. 1 set a deadline of October 8, 2013 for Commission Staff to request a hearing or to file a recommendation on final disposition.

**II. RECOMMENDATION**

Based on the attached memoranda from Jolie Mathis, Anjuli Winker, Glenda Spence, and Grant Gervais, Staff recommends approval of Sharyland's application.

**Dated: October 8, 2013**

Respectfully Submitted,

Joseph P. Younger  
Division Director

Karen Hubbard  
Managing Attorney  
Legal Division

  
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Jason Haas

Attorney-Legal Division  
State Bar No. 24032386  
(512) 936-7295 (telephone)  
(512) 936-7268 (facsimile)  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on October 8, 2013, in accordance with P.U.C. Procedural Rule 22.74.

  
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Jason Haas

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Jason Haas  
Attorney, Legal Division

**FROM:** Jolie Mathis  
Utility Analyst  
Infrastructure & Reliability Division

**DATE:** October 7, 2013

**RE:** Docket No. 41794 – Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates Pursuant to P.U.C. Subst. R.25.192 (h)

On August 27, 2013, Sharyland Utilities, L.P. (Sharyland) filed for approval of an update of wholesale transmission rates based on interim revision to its previously-approved transmission cost of service (TCOS) rates, pursuant to P.U.C. Subst. R. 25.192(h)(1). Section 25.192(h)(1) states that each transmission service provider (TSP) in the ERCOT region may apply to update its transmission rates on an interim basis not more than once per calendar year to reflect changes in its invested capital. Further, if the TSP elects to update its transmission rates, the new rates shall reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, and the commission-allowed rate of return on such facilities as well as changes in loads.

Staff finds that the total annual transmission depreciation expense of \$14,427,028 and the total electric accumulated depreciation of \$11,173,533 are reasonable. Commission Staff's review of depreciation is only a conditional review and is not the final determination of its appropriateness. As § 25.192(h)(2) states, an update of transmission rates shall be subject to reconciliation at the next complete review of the TSPs' transmission cost of service.

Staff therefore recommends that Sharyland's application be approved as filed on August 27, 2013 subject to a more comprehensive analysis and reconciliation at the next complete review of Sharyland's cost of service pursuant to 25.192(h)(2).

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Jason Haas, Legal

**FROM:** Anjuli Winker, Rate Regulation – Financial Review

**DATE:** October 3, 2013 *abw*

**RE:** Docket No.41438– Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(h)

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### **Recommendation**

I recommend application approval based on my analysis, which is limited to a review of the calculation of return on transmission rate base. This recommendation makes no assumptions concerning the reasonableness or prudence of rate base additions.

### **Analysis**

Sharyland Utilities (Sharyland) is requesting an interim update of its wholesale transmission rates pursuant to PUC Subst. R. §25.192(h)(1). A review of Sharyland's requested return on wholesale transmission rate base indicates that the appropriate rate of return (ROR) was applied to rate base. Schedule B indicates that a 10.8375% ROR was applied to rate base.

The 10.8375% ROR was developed in Sharyland's rate filing, Docket No. 22348. The return on transmission rate base is correctly calculated by applying the 10.8375% rate of return to the updated transmission rate base. When applied to the updated transmission rate base of \$548,627,706, the 10.8375% ROR produces a return of \$59,457,528, which is an increase of \$35,553,712 compared to Sharyland's most recent interim update filing in Docket No. 41438.

# *Public Utility Commission of Texas*

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## **Memorandum**

To: Jason Haas, Legal

From: Glenda Spence, Rate Regulation, Accounting 

Date: October 4, 2013

Re: **Docket No. 41794** – Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(h)

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On August 27, 2013, Sharyland Utilities, L.P. (“Sharyland” or “Company”) filed for an interim update of its wholesale transmission rates pursuant to PUC Substantive Rule 25.192(h). The requested increase in total rate base in this filing is \$328,061,930, with a total requested revenue requirement increase of \$61,677,257.

Rule §25.192(h)(1) states that each TSP in the ERCOT region may apply to update its transmission rates on an interim basis not more than twice per calendar year to reflect changes in its invested capital. The new rates should reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, and the commission-allowed rate of return on such facilities as well as changes in load. Rule §25.192(h)(2) states that the commission shall review whether the cost of transmission plant additions are reasonable and necessary at the next complete review of the TSP’s transmission cost of service.

This memo represents Staff’s accounting recommendation relating to Sharyland’s request. Given Rule §25.192(h)(2), my review of the Company’s application is limited in scope and not the final accounting determination as to the appropriateness of the new transmission facilities and the resulting wholesale transmission rate. The review of the filing indicated that the company had not used the lower gross margins tax rate enacted in H.B. 500 when calculating its adjustment to taxes other than income taxes. After discussion with Sharyland a revised set of electronic schedules was provided recalculating the requested increase using the lower gross margins tax rate. I have reviewed the application and the revised schedules and conclude the additions of transmission facilities and the associated tax effects have been appropriately reflected.

I recommend that the Sharyland application be approved as filed taking into account the change in the requested gross margins tax. The recalculation of gross margins tax results in an increase of

\$61,658,807 to the total revenue requirement which is slightly lower than the amount requested in the original application. In addition, due to the limited nature of review in the interim filings, I recommend that the underlying transmission facilities additions, be subject to a more comprehensive analysis and reconciliation (per §25.192(h)(2)) at the next complete review of the Company's transmission cost of service.

*Public Utility Commission of Texas*

**Memorandum**

**TO:** Jason Haas, Legal Division

**FROM:** Grant Gervais, Tariff & Rate Analysis, Rate Regulation Division

**RE:** **Docket No. 41794-** *Application of Sharyland Utilities, LP for Interim Update of Wholesale Transmission Rates Pursuant to Commission Substantive Rule 25.192(h)*

**DATE:** October 7, 2013

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On August 27, 2013, Sharyland Utilities, LP (Sharyland) filed for an interim update of its wholesale transmission rate pursuant to P.U.C. Substantive Rule 25.192(h). An error in the tax rate calculation was discovered, in which Sharyland used the gross margins tax rate of 1% instead of the .975% enacted in House Bill 500. After discussing the issue with Sharyland, a revised set of electronic schedules with the correct tax rate was provided. Sharyland requested an increase in total rate base of \$328,061,930, to a total of \$548,627,706. Sharyland's original request for an interim transmission cost of service (TCOS) total revenue requirement of \$104,534,605 was decreased to \$104,516,155 after the revised electronic schedules were provided. The revised revenue requirement of \$104,516,155 represents a \$61,658,807 increase over the amount approved in Sharyland's last interim TCOS filing, which was \$42,857,348<sup>1</sup>.

I have reviewed Sharyland's revised schedules supporting an interim annual wholesale transmission rate of \$1,583.2333/MW, which is derived by dividing the interim TCOS referenced above, \$104,516,155, by the 2012 ERCOT Average 4-CP load of 66,014.3759 MW<sup>2</sup>. I conclude that Sharyland's revised interim wholesale transmission rate calculation is correct. In conformance with standard commission practice of expressing annual wholesale transmission rates on a kW basis to six decimal places, Sharyland's calculated -interim annual wholesale transmission rate of **\$1.583233/kW** should be **approved**, subject to further review pursuant to P.U.C. Substantive Rule 25.192(h)(2).

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<sup>1</sup> *Application of Sharyland Utilities for Interim Update of Wholesale Transmission Rates Pursuant to P.U.C. Subst. R. 25.192(h)*, P.U.C. Docket Number 41438

<sup>2</sup> *Commission Staff's Application to Set 2013 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, P.U.C. Docket No. 40946

Additionally, I recommend that Sharyland be required to file a “clean” copy of its *Wholesale Transmission Service (WTS) Rate* tariff sheet, containing the approved rate, and with an effective date consistent with the Commission’s Final Order in this docket. Furthermore, I recommend that the clean copy be stamped “Approved” by the Commission’s Central Records Division and retain it for future reference.