



Control Number: 44361



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SHARYLAND UTILITIES, L.P.'S
REQUEST FOR APPROVAL OF AN
ADVANCED METERING SYSTEM
(AMS) DEPLOYMENT, AMS
SURCHARGE, AND NON-STANDARD
METERING SERVICE FEE

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PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S RESPONSE TO EXCEPTIONS

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), and files this Response to Exceptions to the Proposal for Decision (PFD), and would show the following:

I. INTRODUCTION

The PFD in this proceeding was filed on January 20, 2016. Docket Management set February 4, 2016 as the deadline to file exceptions to the PFD, and February 11, 2016 as the deadline to file responses to the exceptions. Exceptions were filed by Staff, the Office of the Public Utility Counsel (OPUC), the St. Laurence Cotton Growers Association, Pioneer Natural Resources USA, Inc. (Pioneer), and a joint response from TXU Energy Retail Company LLC (TXU Energy) and the Alliance for Retail Markets (ARM) (jointly, TXU/ARM). Sharyland Utilities, LP indicated that it will not file exceptions.

II. RESPONSE TO EXCEPTIONS

Staff's exceptions focused on two reasons why Sharyland's Advanced Metering System (AMS) application is unreasonable and should be rejected. First, Sharyland's application is unreasonable because Sharyland has not included a pilot project in its deployment plan that would allow Sharyland to identify and address potential problems before full deployment of the advanced meters. Second, Sharyland has not explored any potential costs savings from a potential business combination with Oncor, if the transaction in Docket No. 45188 is approved.¹ In that proceeding,

¹ Joint Report and Application of Oncor Electric Delivery Company LLC, Ovation Acquisition I, LLC, Ovation Acquisition II, LLC, and Shary Holdings, LLC for Regulatory Approvals Pursuant to PURA §§14.101, 37.154, 39.262(I)-(M), and 39.915, Rebuttal Testimony of Ralph Goodlet, Jr. at 5:3-11, Docket No. 45188 (Dec. 21, 2015).

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a commitment has been made that, should the transaction be approved, a study will be performed that examines a business combination between Oncor and Sharyland.² Staff generally supports the exceptions filed by the other parties to the extent they support these positions. However, Staff will respond one issue raised by OPUC in its exceptions.

PFD Sec. VI. SHARYLAND'S AMS SURCHARGE [Germane to Preliminary Order Issues 8-18, 20, and 34]

B. Allocation of Surcharge [Germane to Preliminary Order Issue 18]

OPUC argues that the “proposed allocation of the surcharge is inequitable and allocates a disproportionate share to the residential class using an allocation factor that ignores the system benefits of AMS.”³ OPUC argues that, historically, metering costs have been allocated on a customer basis; however AMS “does more than simply record a particular customer's usage; it is a ‘sophisticated network of communications and technology’ that increases reliability, controls costs, reduces peak demand, and promotes efficiency.”⁴ Because of the increased benefits, OPUC concludes that “[u]sing a customer allocation factor for the network/back office AMS costs is simply wrong, not consistent with cost causation principles, and unfairly burdens residential customers.”⁵ While OPUC does not specifically recommend a different cost allocation methodology in its exceptions, OPUC cites to Staff Witness Grant Gervais’ cross examination that it may be reasonable to allocate on a demand basis rather than a customer basis.⁶

OPUC mischaracterizes Mr. Gervais’ questioning. Metering costs have been allocated on a customer basis based on cost-causation principles, as is recognized in the PFD.⁷ OPUC is essentially converting this into a “benefit-incidence” allocation of costs, in that since some of the downstream benefits of AMS might affect overall demand, the costs should be allocated in that manner as well. This is a flawed method to allocate the costs, and ignores cost-causation principles. If the cost is based on, or varies with, the demand that a customer places on the system, then the cost might reasonably be allocated on a demand basis, and Mr. Gervais’ response would

² Rebuttal Testimony of Ralph Goodlet, Jr. at 5:3-11, Docket No. 45188 (Dec. 21, 2015).

³ Office of Public Utility Counsel's Exceptions to Proposal for Decision at 31 (Feb. 4, 2016).

⁴ *Id.* at 33.

⁵ *Id.* at 34.

⁶ Tr. at 429:6-9 (Gervais Cross)

⁷ Proposal for Decision at 51.

apply. Furthermore, even considered from the point of view of benefit incidence instead of cost causation, while AMS would facilitate increased demand response, reliability, and enhanced energy efficiency, AMS does not directly produce these benefits. Rather, AMS offers expended functionality to each customer on a meter-by-meter basis and that functionality is not dependent upon the demand the customer places on the system, thus a customer-based allocation factor is appropriate.

OPUC previously raised its argument on cost allocation, the ALJ took this position into account in his determination, and correctly rejected OPUC's argument. The AMS costs should be allocated on a customer basis, which follows cost-causation principles. While Staff does not support the PFD's overall recommendation to approve the application, Staff believes that Sharyland's proposed allocation methodology is reasonable and the PFD is correct in this issue.

III. CONCLUSION

Staff argues that Sharyland's application is unreasonable because Sharyland has not included a pilot project in its deployment plan and has not explored any costs savings from a potential business combination with Oncor. Staff supports the exceptions of the other parties the extent that the parties support these positions. Because of these omissions in the deployment plan, the plan is not reasonable and should be amended to account for these issues or be denied. However, Staff believes that Sharyland's proposed allocation methodology is reasonable and that the PFD is correct on this issue.

DATE: February 11, 2016

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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the February 11, 2016 in accordance with 16 Tex. Admin. Code § 22.74.



Jason Haas