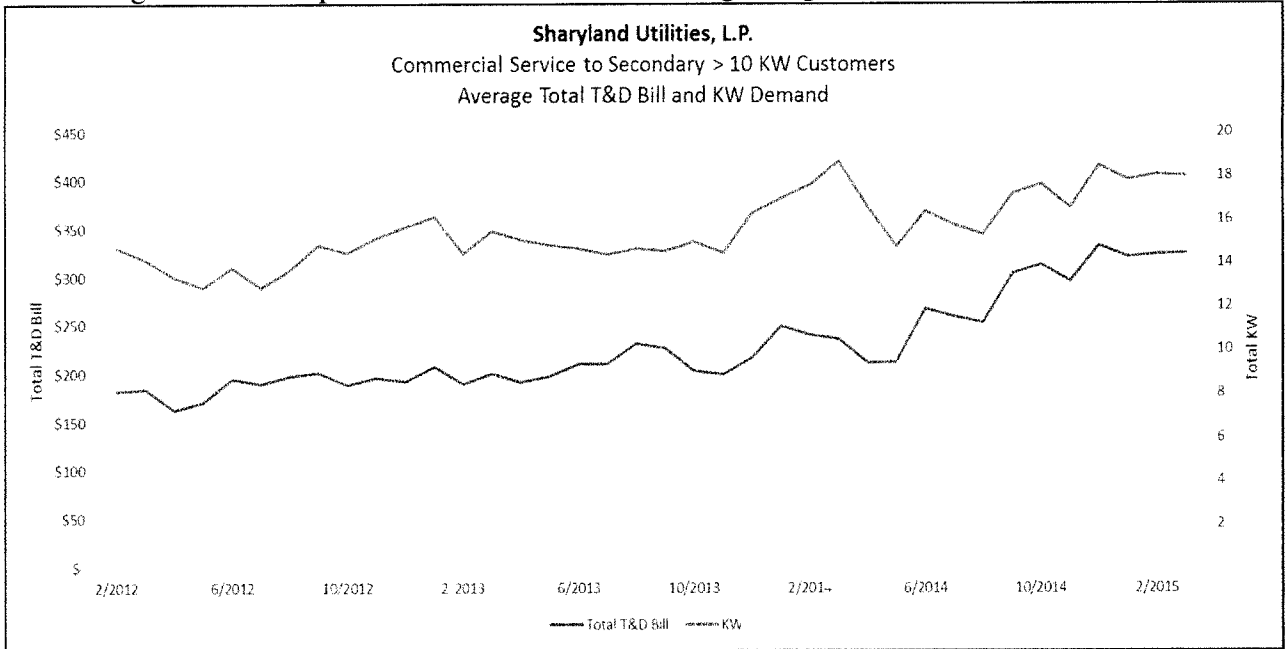


Graph 3-A: Secondary > 10 kW Customers—Average T&D Bill and kW Usage

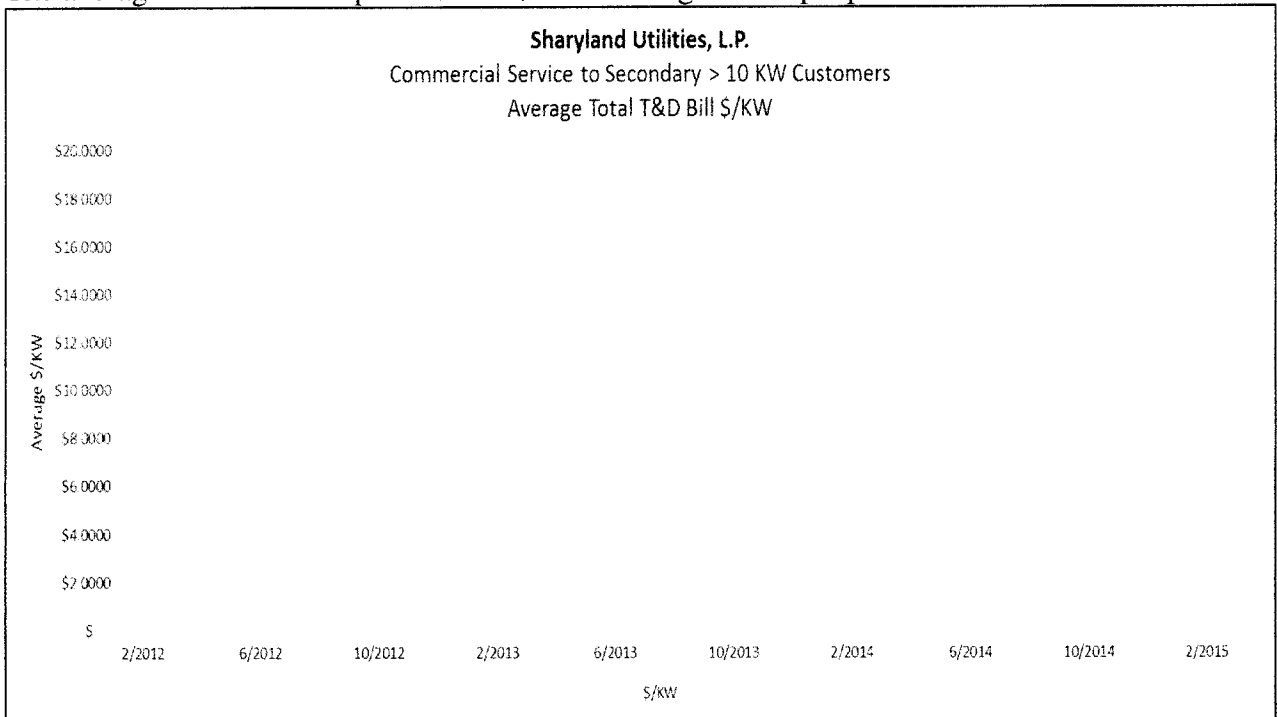
The data from approximately 41 to 46 customers were used to calculate an average bill and average kW usage each month.

The average bill for this period was \$228.87. The average usage was 16 kW.



Graph 3-B: Secondary > 10 kW Customers—Average T&D Rate

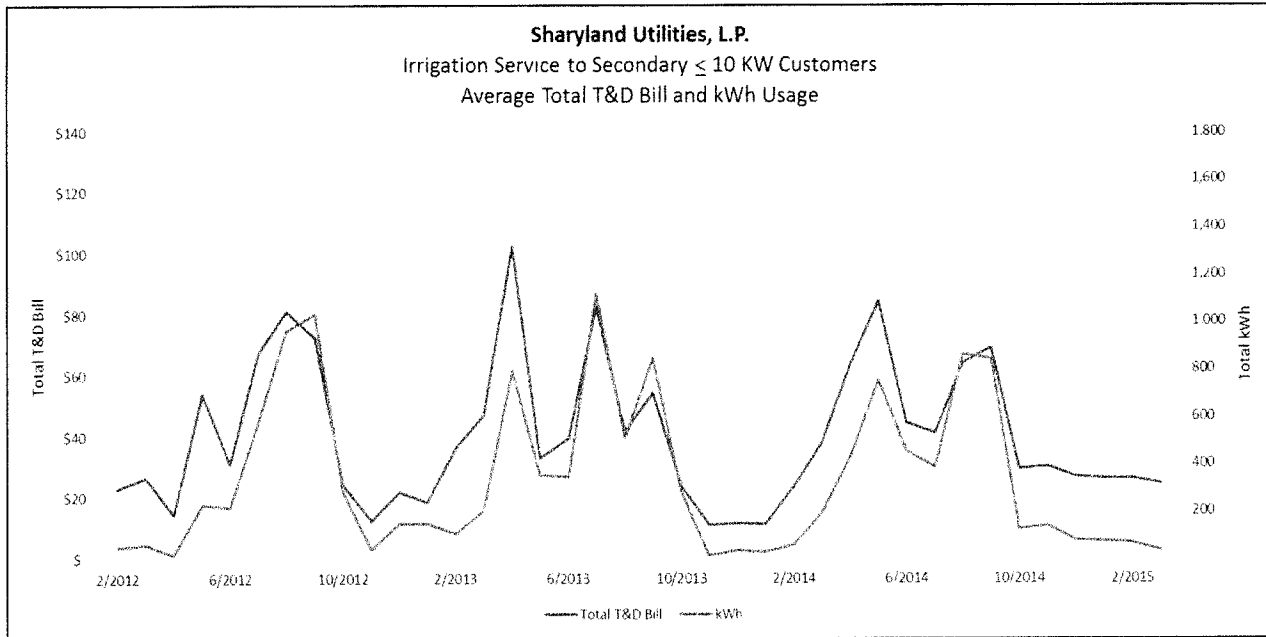
The average amount billed per kW was \$14.61 during the sample period.



Graph 4-A: Irrigation Service to Secondary ≤ 10 kW Customers—Average Bill and kWh Usage

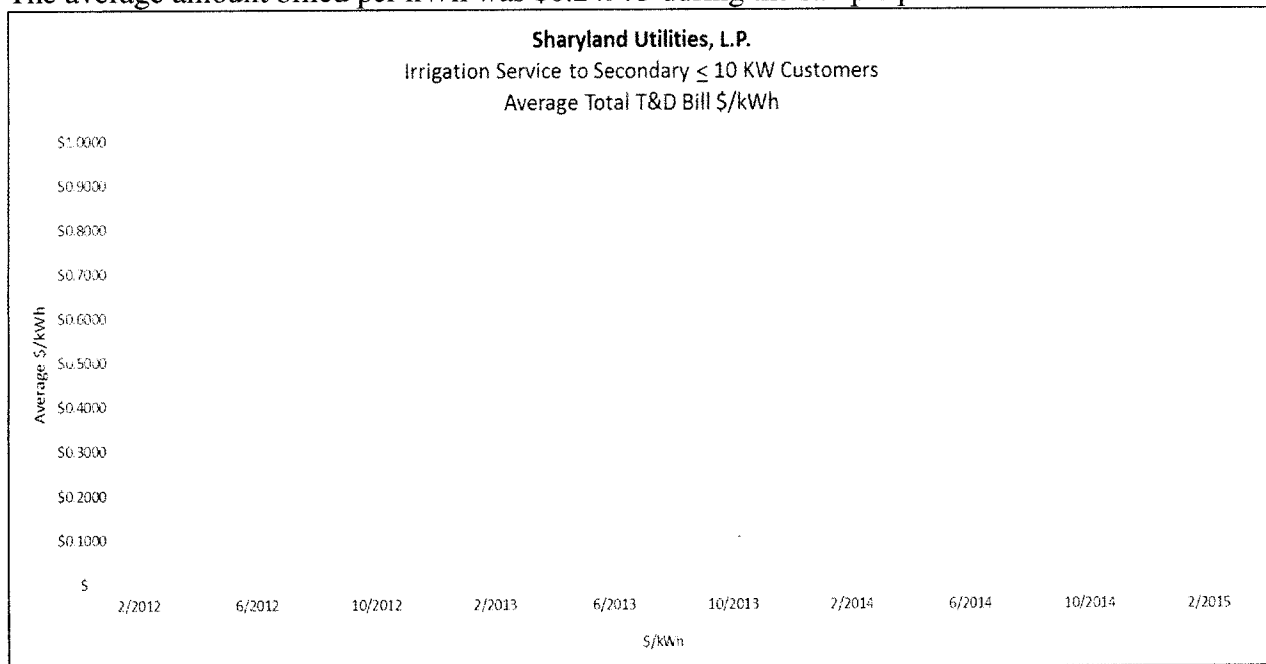
The data from approximately 30 to 32 customers were used to calculate an average T&D bill and average kWh usage each month. Usage for spring and summer months clearly shifted the averages.

The average bill for this period was \$40.45. The average usage was 339 kWh.



Graph 4-B: Irrigation Service to Secondary ≤ 10 kW Customers—Average T&D Rate

The average amount billed per kWh was \$0.24973 during the sample period.

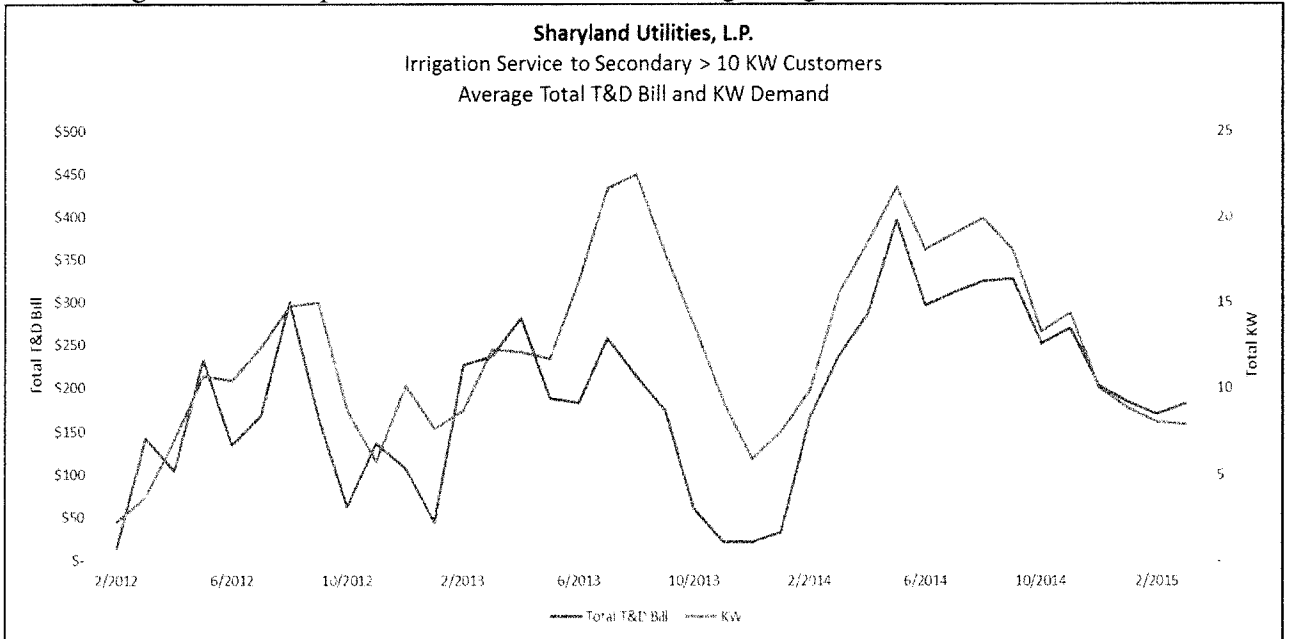


Graph 5-A:

Irrigation Service to Secondary > 10 kW—Average T&D Bill and kW Usage

The data from approximately 27 to 33 customers were used to calculate an average bill and average kW used each month.

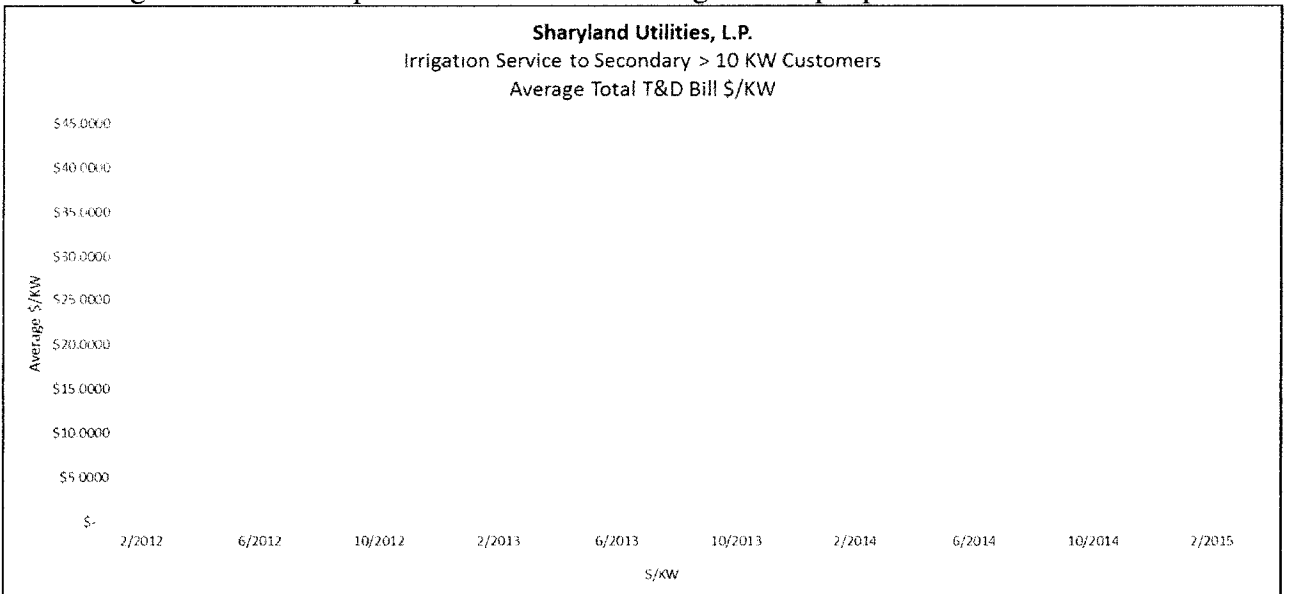
The average bill for this period was \$187.53. The average usage was 12 kW.



Graph 5-B:

Irrigation Service to Secondary > 10 kW Customers—Average T&D Rate

The average amount billed per kW was \$15.381 during the sample period.

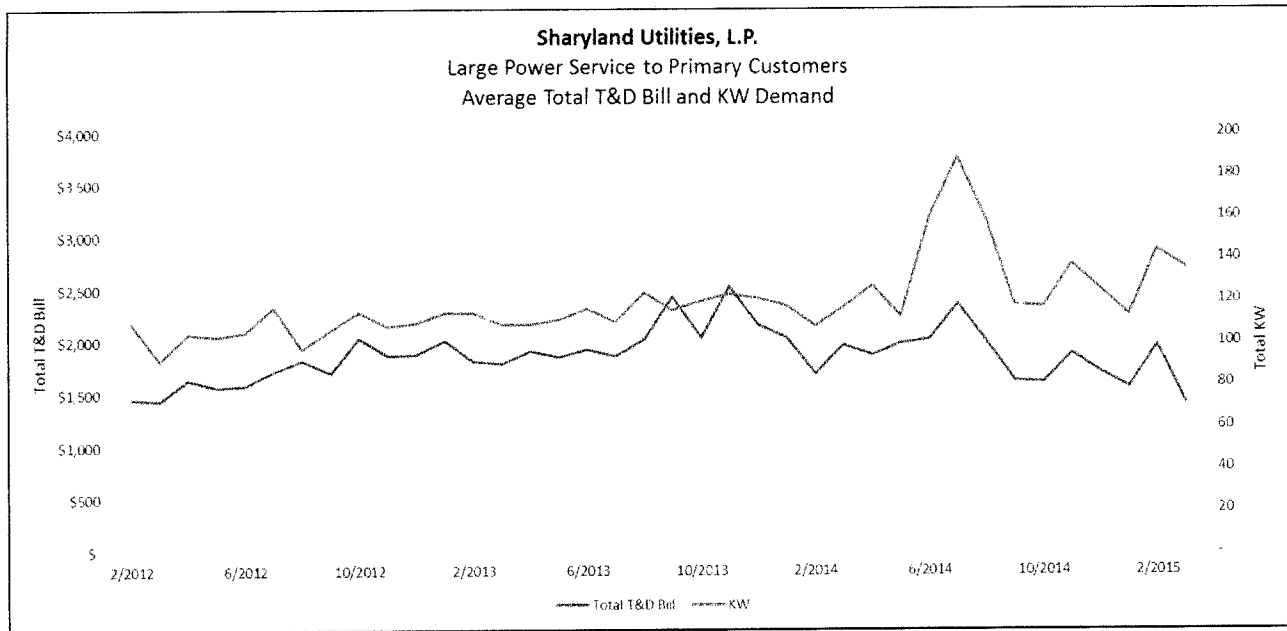


Graph 6-A:

Large Power Service to Primary—Average T&D Bill and kW Usage

The data from approximately 16 to 21 customers were used to calculate an average bill and average kW used each month.

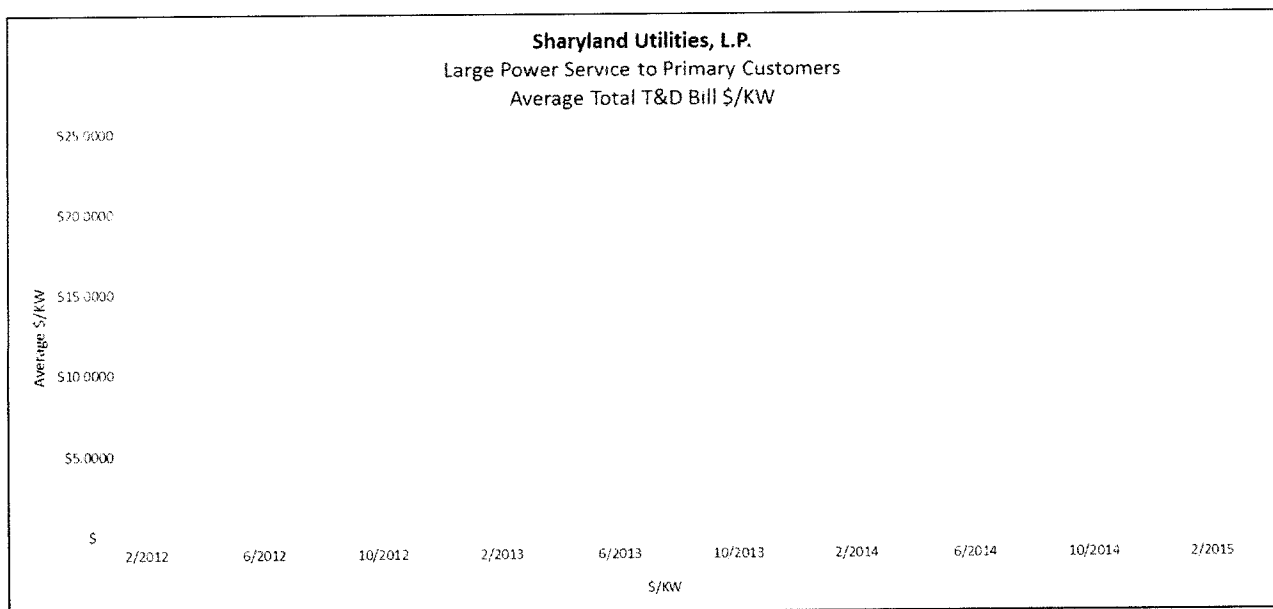
The average bill for this period was \$1,863.21. The average usage was 119 kW.



Graph 6-B:

Large Power Service to Primary—Average T&D Rate

The average amount billed per kW was \$15.84 during the sample period.



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PUBLIC UTILITY COMMISSION
FILING CLERK

DOCKET NO. 44620

APPLICATION OF SHARYLAND §
UTILITIES, L.P. TO REVISE ITS TCRF §
CLASS ALLOCATION FACTORS AND §
REQUEST FOR GOOD CAUSE §
EXCEPTION FROM P.U.C. SUBST. R. §
25.193(c) §

PUBLIC UTILITY COMMISSION
OF TEXAS

ORDER

This order addresses Sharyland Utilities, L.P.'s application to revise its transmission cost recovery factor (TCRF) allocation factors before its next base rates case. According to Sharyland, the TCRF allocation factors no longer reasonably represent each class's use of the transmission system because Sharyland's primary-service class has experienced extraordinary growth compared to other rate classes since Sharyland's last base-rate case in 2012.

The Commission finds that it has authority to grant Sharyland's application under 16 TAC § 25.193(c), which states, in relevant part, that the formula for calculating the TCRF should use "the class allocator approved by the commission to allocate the transmission revenue requirement among classes in the DSP's last rate case, unless otherwise ordered by the commission." The unless-otherwise-ordered language provides ample authority to change the allocation factors outside of a base-rate proceeding.

The Commission concludes that the extraordinary circumstances of this case justify changing the allocation factors before Sharyland's next rate case in order to avoid the imposition of unjust and unreasonable rates. The Commission finds that it is appropriate to deviate from the general requirement of using the allocation factors set in the utility's last rate case when it is justified by extraordinary facts and circumstances, like in this case. Therefore, the Commission's conclusions regarding the facts and circumstances found in this case are confined only to this case.

The Commission adopts the following findings of fact and conclusions of law:

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I. Findings of Fact

Procedural History

1. On April 8, 2015, Sharyland filed an application to revise its TCRF allocation factors. The application included the direct testimony of James W. Daniel.
2. The following parties petitioned for and were granted intervenor status: Texas Industrial Energy Consumers (TIEC); the Office of Public Utility Counsel (OPUC); TXU Energy Retail Company, LLC; the Alliance for Retail Markets (ARM); Pioneer Natural Resources USA, Inc.; Targa Pipeline Mid-Continent WestTex LLC; and the St. Lawrence Cotton Growers' Association. Commission Staff also participated.
3. On April 24, 2015, in Order No. 3, the Commission ALJ found that Sharyland's application and notice were sufficient.
4. On May 12, 2015, Sharyland filed an affidavit of notice.
5. OPUC and TIEC each timely filed a request for a hearing.
6. The following parties timely filed at least one statement of position: TXU Energy and ARM (jointly, the REP Group); St. Lawrence; Targa; and Pioneer.
7. On August 7, 2015, TIEC filed the direct testimony of Jeffrey Pollock and errata to Mr. Pollock's testimony, while OPUC filed the direct testimony of Clarence Johnson.
8. On August 21, 2015, Commission Staff filed the direct testimony of William Abbott.
9. On September 8, 2015, TIEC, Commission Staff, and OPUC filed respectively the cross-rebuttal testimony of Jeffrey Pollock, William Abbott, and Clarence Johnson, while Sharyland filed the rebuttal testimony of James Daniel.
10. TIEC filed errata to Jeffrey Pollock's direct testimony on September 10, 2015, and errata to his cross-rebuttal testimony on September 17.
11. On September 24, 2015, the Commission held a hearing on the merits and issued an order requesting briefing.
12. On September 29, 2015, the following parties filed briefs: St. Lawrence; OPUC; Commission Staff; TIEC, Targa, and Pioneer (jointly); the REP Group; and Sharyland.

13. On October 8, 2015, the Commission granted Sharyland's application at an open meeting.

Distinguishing Facts

14. Sharyland applied in this separate docket to change the TCRF allocation factors almost two months prior to filing its regular TCRF update.¹
15. The primary-service class in Sharyland's service area has experienced significant load growth, which has caused sizeable interclass and intra-class disparities.² For example, from 2012 to 2014, the primary-service class's total energy usage grew from approximately 448,000 MWh to approximately 958,000 MWh.³ During the same time period, the primary-service class's contribution to the ERCOT 4CP load grew from 56 MW to 126 MW, which is 42% of Sharyland's total contribution.⁴
16. If the Commission did not revise the allocation factors, primary-service customers without interval data recorders would likely be paid for using the transmission system.⁵
17. Sharyland entered ERCOT's competitive market in May 2014 without a price-to-beat mechanism or gradual transition; thus, customers have had less time to educate themselves regarding finding competitive rates.⁶
18. In Sharyland's first rate case after the transition to competition, a partial movement towards cost-based rates as well as the shifting of some customers between classes has magnified the resulting impact on certain customers.⁷

¹ See Application; see also *Petition of Sharyland for Administrative Approval of TCRF Update Pursuant to P.U.C. Subst. R. 25.193*, Docket No. 44785, Application (Jun. 1, 2015).

² Direct Testimony of James Daniel at 5-9.

³ *Id.* at 5.

⁴ *Id.*

⁵ *Id.* at 7.

⁶ *Relating to a Project Regarding Sharyland Utility Complaints*, Project No. 44592, Staff Report at 17-18, 33-35 (Sept. 17, 2015) (admitted into evidence in Docket No. 44620 as TIEC exhibit 3).

⁷ *Id.* at 4, 6-7, 12-14.

19. Sharyland's predecessor utility had a favorable power contract with Southwestern Public Service Co. that expired in December 2013; without the benefit of that contract, Sharyland must purchase power at today's market rate.⁸
20. Sharyland's residential customers are facing distribution rates over three times higher than those charged by other transmission-and-distribution utilities (TDUs).⁹
21. Compared to residential customers of other TDUs in Texas, Sharyland's residential customers use on average significantly more electricity during the winter months.¹⁰
22. Sharyland has extremely low customer density.¹¹
23. Sharyland is the smallest TDU in Texas—a fact which magnifies the impact of its out-of-date cost-of-service study.¹²

Allocation Factors

24. Under 16 TAC § 25.193(c), the class allocator approved by the Commission in the last rate case is to be used in calculating the TCRF unless otherwise ordered by the Commission.
25. The extraordinary circumstances in this case, several of which are detailed in findings of fact 13-22, justify the Commission invoking the unless-otherwise-ordered language in 16 TAC § 25.193(c) in order to change the TCRF allocation factors before Sharyland's next rate case.
26. Section 36.003(a) of the Public Utility Regulatory Act (PURA)¹³ requires the Commission to ensure that each rate made by an electric utility is just and reasonable.
27. If the Commission did not change the allocation factors in this proceeding, at least some customers would likely be charged unjust and unreasonable rates under Sharyland's TCRF.

⁸ *Id.* at 4, 6, 14.

⁹ *Id.* at 3-4, 7-8.

¹⁰ *Id.* at 3, 16.

¹¹ *Id.* at 3, 19-20.

¹² Direct Testimony of Clarence Johnson at 12.

¹³ Texas Utilities Code §§ 11.001-66.016 (West 2007 & Supp. 2014).

II. Conclusions of Law

1. Sharyland is an electric utility as defined in PURA §§ 11.004 and 31.002(6).
2. The Commission has jurisdiction over this matter under PURA chapter 36.
3. Sharyland's application was processed in accordance with the requirements of PURA, the Administrative Procedure Act,¹⁴ and the Commission's rules.
4. Under 16 TAC § 25.193(c), the Commission may order that allocation factors other than those approved in a utility's last rate case be used to calculate the TCRF.
5. The extraordinary circumstances in this case justify the Commission changing the TCRF allocation factors under 16 TAC § 25.193(c) before Sharyland's next rate case in order to ensure that Sharyland's TCRF rates are just and reasonable.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. The Commission grants Sharyland's application.
2. Effective December 1, 2015, Sharyland's allocation factors shall be revised in accordance with Sharyland's application. Such revisions shall be implemented from December 1, 2015 forward and shall be used in Sharyland's December 1, 2015 TCRF update filing.
3. The entry of this Order represents the Commission's conclusions and holdings regarding the facts underlying this case and shall not be regarded as precedent in any future Commission proceeding.
4. All other motions, requests for entry of specific findings of fact and conclusions of law, and other requests for general or specific relief, if not expressly granted herein, are denied.

¹⁴ Tex. Gov't Code §§ 2001.001-.902 (West 2008 & Supp. 2014).

SIGNED AT AUSTIN, TEXAS the 15th day of October, 2015.

PUBLIC UTILITY COMMISSION OF TEXAS



DONNA L. NELSON, CHAIRMAN



KENNETH W. ANDERSON, JR., COMMISSIONER



BRANDY MARTY MARQUEZ, COMMISSIONER