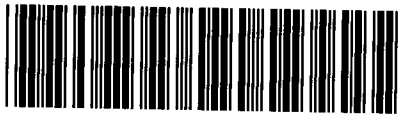

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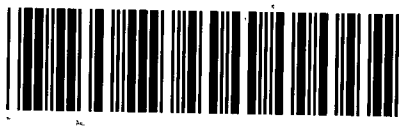

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SOAH DOCKET NO. 473-16-4051
PUC DOCKET NO. 45414

REVIEW OF THE RATES OF SHARYLAND UTILITIES, L.P., ESTABLISHMENT OF RATES FOR SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., AND REQUEST FOR GRANT OF A CERTIFICATE OF CONVENIENCE AND NECESSITY AND TRANSFER OF CERTIFICATE RIGHTS	§	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

REBUTTAL TESTIMONY

AND EXHIBITS

OF

GREG BOGGS

ON BEHALF OF

SHARYLAND UTILITIES, L.P.

AND

SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C.

REVENUE REQUIREMENT PHASE

March 16, 2017

692

SOAH DOCKET NO. 473-16-4051
PUC DOCKET NO. 45414

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REBUTTAL TESTIMONY AND EXHIBITS OF GREG BOGGS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Greg Boggs, and my business address is 1031 Andrews Highway, Suite 400, Midland, Texas 79701.

Q. ARE YOU THE SAME GREG BOGGS WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I provided Direct Testimony on behalf of Sharyland Utilities, L.P. ("Sharyland") and Sharyland Distribution & Transmission Services, L.L.C. ("SDTS") (collectively "Applicants").

Q. PLEASE STATE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

A. I rebut the direct testimony of Office of Public Utility Counsel ("OPUC") witness Karl J. Nalepa regarding Sharyland's reliability measures and the direct testimony of OPUC witness Clarence Johnson regarding Sharyland's meter reading expense and other meter-related issues.

II. OPERATIONAL ISSUES AND SERVICE QUALITY

Q. PLEASE DESCRIBE BRIEFLY THE COMMISSION'S SERVICE QUALITY STANDARDS.

A. The Commission's service quality standards are set forth in 16 Tex. Admin. Code ("TAC") § 25.52, relating to reliability and continuity of service. This rule requires that every utility make all reasonable efforts to prevent interruptions of service, and when such interruptions do occur, to reestablish service within the shortest possible time. The Commission uses the following indices to measure reliability:

> System Average Interruption Frequency Index ("SAIFI") – The average number of times that a customer's service is interrupted. SAIFI is calculated by summing the number of customers interrupted for each event and dividing by the total number of customers on the system being indexed. A

lower SAIFI value represents a higher level of service reliability.[1]

System Average Interruption Duration Index ("SAIDI") – The average amount of time a customer's service is interrupted during the reporting period. SAIDI is calculated by summing the restoration time for each interruption event times the number of customers interrupted for each event, and dividing by the total number of customers. SAIDI is expressed in minutes or hours. A lower SAIDI value represents a higher level of service quality.[2]

For system-wide standards, the rule requires a utility to maintain and operate its distribution system so that its SAIFI and SAIDI values for a reporting year do not exceed its system-wide standards by more than five percent. For distribution feeder performance, each utility is required to operate and maintain its distribution system so that no distribution feeder with 10 or more customers sustains a SAIFI or SAIDI value for a reporting year that is more than 300 percent greater than the system average of all feeders during any two consecutive reporting years.

Q. PLEASE DESCRIBE BRIEFLY HOW APPLICANTS HAVE SOUGHT TO IMPROVE THE RELIABILITY OF THE SYSTEM.

A. As Applicant witness Mark D. Meyer and I discuss in our direct testimony, Applicants have made substantial investments to repair and upgrade the former Cap Rock Energy Corp. ("Cap Rock") system, which Applicants acquired in 2010 after approval in Docket No. 37990.[3]

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[1] 16 Tex. Admin. Code § 25.52(c)(6)(A) (TAC).

[2] 16 TAC § 25.52(c)(6)(B).

[3] *Joint Report and Application of Sharyland Utilities, L.P., Sharyland Distribution & Transmission Services, L.L.C., Hunt Transmission Services, L.L.C., Cap Rock Energy Corp., and NewCorp Resources Electric Cooperative, Inc. for Regulatory Approvals Pursuant to PURA §§ 14.101, 37.154, 39.262, and 39.915*, Docket No. 37990, Order (Jul. 8, 2010).

Q. HOW HAS SHARYLAND PERFORMED IN REGARD TO THE SAIFI AND SAIDI STANDARDS SINCE THE CAP ROCK ACQUISITION?

A. As part of the settlement in Docket No. 37990, Sharyland agreed that it would not exceed the system-wide SAIFI or SAIDI standard by more than five percent beginning in 2011. The system-wide standards were set as the average SAIFI and SAIDI for 2007, 2008, and 2009 for Cap Rock and Sharyland on a consolidated basis—that is, a SAIFI standard of 1.50 and a SAIDI standard of 137.84. Further, Sharyland agreed that no distribution feeder would sustain a SAIFI or SAIDI value for a reporting period that is more than 300 percent greater than the system average for all feeders for any two consecutive reporting periods.

The chart below sets forth Sharyland's SAIFI and SAIDI figures submitted to the Commission since the Cap Rock acquisition:

Year	Reported SAIFI	Reported SAIDI
2010	1.02	88.39
2011	1.4	132.47
2012	0.92	107.56
2013	0.82	97.47
2014	1.54	148.63
2015	1.84	171.85
2016	1.56	132.95

Q. WHICH OTHER WITNESSES SUBMITTED TESTIMONY REGARDING SHARYLAND'S SAIFI AND SAIDI PERFORMANCE?

A. Mr. Nalepa on behalf of OPUC and Blake Ianni on behalf of Commission Staff ("Staff") submitted direct testimony addressing Sharyland's service quality performance.

Q. WHAT DOES MR. NALEPA CONCLUDE REGARDING THIS ISSUE?

A. Mr. Nalepa claims that despite Sharyland's increased operations and maintenance ("O&M") spending, the company's reliability measures have continued to worsen.[4]

Q. DO YOU AGREE WITH MR. NALEPA'S CONCLUSION? PLEASE EXPLAIN.

A. No, I do not. Sharyland has increased its O&M spending in each year since the Cap Rock acquisition in order to improve that system, accommodate growth in customers and customer demand, and enhance reliability to its customers in the Stanton, Brady, and Celeste ("SBC") divisions. As the table above demonstrates, Sharyland was well within compliance standards from 2010 through 2013, with significant improvements in service quality between 2011 and 2013.

While the table shows that Sharyland's SAIFI and SAIDI standards did worsen in 2014 and 2015, *they improved significantly again in 2016*. Notably, Mr. Nalepa makes no mention of Sharyland's recent 2016 performance, which clearly contradicts his assertion that Sharyland's SAIFI and SAIDI "have been trending up."[5] Mr. Nalepa's claim that Sharyland's reliability performance has been in "long-term decline"[6] appears to be based principally on Sharyland's 2015 SAIFI and SAIDI numbers, which fails to provide a full and accurate picture.

Q. COULD MR. NALEPA HAVE USED THE 2016 PERFORMANCE IMPROVEMENTS IN HIS ANALYSIS?

A. Yes. This 2016 information was readily available to Mr. Nalepa and OPUC through multiple responses to requests for information ("RFIs") in this case[7] and

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[4] Direct Testimony of Karl J. Nalepa at 16–22 ("Nalepa Direct").

[5] *Id.* at 18.

[6] *Id.* at 22.

[7] *See, e.g.*, Applicants' Response to Staff's Nineteenth Set of RFIs at Staff 19-6 and 19-7 (Jan. 30, 2017).

Sharyland's recent service quality report that was publicly filed.[8] Instead, Mr. Nalepa simply (and conveniently) ignores this most recent data.

On the other hand, Staff witness Mr. Ianni specifically testifies that the 2016 data is significant because it shows improvement.[9]

Q. HAS SHARYLAND EXPLAINED ITS LOWER RELIABILITY PERFORMANCE FOR 2014 AND 2015 IN THIS CASE?

A. Yes, several times in both my direct testimony and in multiple RFI responses. To summarize, the Cap Rock system was in poor shape when Sharyland acquired it in 2010. This necessitated numerous improvements, especially in response to the massive and unprecedented load growth on Sharyland's system—particularly in the Stanton division—that has occurred since the Cap Rock acquisition. To accommodate this substantial growth while minimizing impacts to customers, Sharyland has had to perform upgrades on the dated system while it is still in use, which has resulted in increased "construction work in progress" ("CWIP") outages. Further, weather events in 2014 and 2015, including ice storms, lightning storms, and tornados, created severe reliability challenges.

Q. PLEASE EXPLAIN THE MASSIVE AND UNPRECEDENTED LOAD GROWTH YOU MENTION IN THE PREVIOUS RESPONSE.

A. Primarily because of the major and rapid increase in oil and gas-related activities in the Permian Basin, load growth on the Sharyland system has increased by 14.5 percent annually from 2011 to 2015, which resulted in a 2015 peak for Sharyland's West Texas system of 327 MW. The growth on a megawatt ("MW")-basis is shown in the following table:

2011	2012	2013	2014	2015
190 MW	219 MW	254 MW	269 MW	327 MW

[8] *2016 Electric Service Quality Report Pursuant to 16 TAC §§ 25.52 and 25.81*, Docket No. 46717.

[9] Direct Testimony of Blake Ianni at 10 ("Ianni Direct").

This large growth rate has caused Sharyland to remain in a state of upgrade of the dated former Cap Rock facilities which has impacted reliability performance.

Q. HOW DO THE UPGRADES TO ACCOMMODATE THIS LOAD GROWTH AFFECT SHARYLAND'S SAIDI AND SAIFI FIGURES?

A. As mentioned above, these upgrades resulted in a large number of CWIP outages in 2014 and 2015. During the upgrade process, the existing system is spread out to facilitate the installation of new poles and conductor while still providing service to customer loads, leaving the system in a weakened state during the upgrade. This work was performed during all months of the year, including the icy, windy, and rainy seasons, to meet customer expectations and construction schedules, which contributed to increased contact between lines. Use of "buddy arms" allows the existing conductor to be spread out to facilitate installation of new and larger conductor, stronger cross-arms, and poles, yet still provide service through existing facilities during the process. While the system is in this upgrade state, the conductor tends to be in sag, which exposes the system to wind.

The table below shows how CWIP outages contributed to Sharyland's SAIFI and SAIDI figures from 2013 through 2016:

Year	CWIP Outage Contribution to Total SAIFI	CWIP Outage Contribution to Total SAIDI
2013	0%	0%
2014	11.90%	4.73%
2015	14.77%	7.21%
2016	11.28%	4.64%

Sharyland also adopted a coordination scheme where an alternate setting known as a "hot line tag" is enabled while crews are present and performing the construction upgrade. The hot line tag is a setting in which the device utilizes a single operation to lockout by reducing the number of cycles of a fault which incorporates a much lower fault current setting. The alternate setting is used so that crews would be subject to much less fault current duration in an unexpected event, enhancing safety conditions for the crews.

Q. YOU ALSO MENTIONED ABOVE THAT WEATHER HAD A ROLE IN SHARYLAND'S DECLINED SAIFI AND SAIDI PERFORMANCE IN 2015. PLEASE EXPLAIN.

A. Sharyland has also experienced a sharp increase in "major event day" outages. These are outages that affect a large part of the system and are mostly driven by nature. In 2013, most of the Sharyland area was experiencing the effects of drought. Since then, the pattern changed and the system has been exposed to more volatile weather patterns. The system was also struck by several ice storms. The residual effects of these natural occurrences contributed to both 2014 and 2015 performance as major events typically have a residual effect on system reliability. For example, as explained in my direct testimony, it is common for tree branches to become damaged and weakened during a storm but not actually damage the power lines until later. Another residual effect of an ice storm is that the wire is stressed but does not break until another event months later.

The following table compares the numbers of major event day events in 2013 through 2016:

Year	Major Event Day Events[10]
2013	8
2014	8
2015	36
2016	28

Q. HOW DID OTHER UTILITIES PERFORM IN 2015?

A. While weather patterns vary by geography, transmission and distribution utilities in Texas showed an overall degradation of reliability performance in 2015. The State average for SAIDI went from 99.29 to 124.84 from 2014 to 2015, and SAIFI performance worsened from 0.97 to 1.11.[11]

[10] Based on IEEE 1366-2012.

[11] Based on *2014 Electric Service Quality Report Pursuant to 16 TAC §§ 25.52 and 25.81*, Docket No. 44021, and *2015 Electric Service Quality Report Pursuant to 16 TAC §§ 25.52 and 25.81*, Docket No. 45516.

Q. HOW DOES THE WEATHER IN THE RECENT YEARS COMPARE TO THE WEATHER DURING 2007 THROUGH 2009, WHICH IS THE TIME PERIOD USED FOR SHARYLAND'S SAIFI AND SAIDI BENCHMARKS?

A. The period of 2007 through 2009 fell during an extreme drought pattern that encompassed the majority of the former Cap Rock areas. The drought brought an extended period of lower storm events. In late 2013, 2014, and 2015, Sharyland experienced some of the worst ice storm events in the history of Sharyland/Cap Rock. Starting in 2014, the State migrated from the drought to a much more volatile weather pattern, which brought tornados and other severe storms to several of the Sharyland divisions.

Q. WHAT OTHER FACTORS CONTRIBUTED TO SHARYLAND'S DECLINED SAIFI AND SAIDI PERFORMANCE IN 2014 AND 2015?

A. As I stated in my direct testimony, the rapid growth of oil and gas activities in our West Texas service areas has resulted in more trucks and oversized vehicles moving large equipment, which has led to an increase in customer contacts with lines. Events like these are not as common for utilities with more traditional service areas, and but for these customer contacts, Sharyland's SAIFI and SAIDI scores would have been in compliance for these years.

Q. DOES MR. NALEPA SUFFICIENTLY REBUT ANY OF THESE REASONS FOR SHARYLAND'S DECLINED PERFORMANCE IN 2015?

A. No, he does not. Mr. Nalepa simply makes the conclusory statement that "[m]any of the challenges Mr. Boggs describes are faced by other utilities in Texas, who have been able to maintain better reliability," and then compares Sharyland's 2015 SAIDI and SAIFI to other utilities.[12] Mr. Nalepa fails to provide any details or analysis as to how other utilities experienced the unprecedented load growth that Sharyland has over the last few years, or how the types of customer line contacts described above have been prevalent in other utility service areas.[13]

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[12] Nalepa Direct at 20.

[13] *See* OPUC's Response to Applicants' Third Set of RFIs at SU-OPUC 3-2 and 3-3 (Mar. 13, 2017).

Aside from the obvious problems with Mr. Nalepa's comparison of Sharyland to other utilities for a single year and totally ignoring the most recent data for 2016, his general approach of comparing Sharyland to other utilities in this regard is problematic. Sharyland's situation is unique. The vast majority of Sharyland's existing distribution system consists of the facilities acquired from Cap Rock, which were in strong need of upgrade and improvement as discussed in my direct testimony. Further, unlike those utilities, Sharyland has a non-contiguous, spread-out, and very rural service territory with low customer density and all the related geographical challenges. While Texas-New Mexico Power Company ("TNMP") also has a non-contiguous service area, its territory is very distinguishable as it includes urban areas with high customer density. Staff witness Mr. Ianni appears to agree with Sharyland on this point.[14]

Q. DID THE COMMISSION TAKE ANY ACTION FOR SHARYLAND'S NON-COMPLIANCE WITH SAIFI AND SAIDI STANDARDS IN 2014 AND 2015? PLEASE EXPLAIN.

A. The Commission did not take any action against Sharyland for 2014. For 2015, Sharyland and Staff entered into a settlement resolving Sharyland's SAIFI and SAIDI violations in which Sharyland agreed to pay an administrative penalty of $15,000.[15] This is the only notice of violation Sharyland has received for reliability performance.

Q. DOES MR. NALEPA ADDRESS ANY RELIABILITY IMPROVEMENTS IN THE FORMER CAP ROCK DIVISIONS SINCE APPLICANTS' ACQUISITION IN 2010?

A. No, he does not.

[14] Ianni Direct at 8.

[15] *Agreed Notice of Violation and Settlement Agreement Relating to Sharyland Utilities, L.P.'s Violation of PURA § 38.005 and 16 TAC § 25.52, Concerning Reliability and Continuity of Service,* Docket No. 46550, Order (Dec. 16, 2016).

Q. DID SHARYLAND RESPOND TO ANY REQUESTS FOR INFORMATION DISCUSSING IMPROVEMENTS TO RELIABILITY?

A. Yes. As I stated in my direct testimony, since the 2010 acquisition, Applicants have made capital investments to strengthen and improve the reliability of the system in which the predecessor company Cap Rock underinvested. In response to Staff's RFI 27-8 and 27-9, Applicants provided Cap Rock's SAIFI and SAIDI data for the years leading up to the 2010 acquisition, as well as Sharyland's SAIFI and SAIDI data for the former Cap Rock/SBC divisions since the acquisition.[16] This information shows that, on average, the SAIFI and SAIDI performance has improved since Applicants' acquisition of the Cap Rock system.

The following tables were provided in response to Staff's RFI 27-11 and show the improvement in performance in 2016 of feeders associated with the highest outage rates in 2015.

Sharyland Top 10 Feeders SAIFI Forced Interruptions		
Feeder Name	2015 Ranking	2016 Ranking
Salt Flat Road 3	1	40
Brown 2	2	14
Salt Mine 4	3	9
Grady 2	4	15
Buffalo 1	5	5
St. Lawrence 4	6	46
Stiles 3	7	54
South Midland 4	8	39
Salt Mine 2	9	17
St. Lawrence 3	10	113

Sharyland Top 10 Feeders SAIDI Forced Interruptions		
Feeder Name	2015 Ranking	2016 Ranking
Salt Flat Road 3	1	30
Salt Mine 4	2	8
St. Lawrence 3	3	108
St. Lawrence 4	4	43
Stiles 3	5	34
St. Lawrence 5	6	46
St. Lawrence 2	7	7
Brown 4	8	49
South Midland 4	9	41
Canal Road 3	10	20

In response to Staff RFI 27-10, Applicants provided a table detailing recent examples of outage times that were significantly minimized due to the improvements described above.[17]

[16] *See* Exhibit GB-R-1.

[17] *See* Exhibit GB-R-2.

Q. COULD MR. NALEPA HAVE USED THIS INFORMATION REGARDING IMPROVEMENTS SINCE THE CAP ROCK ACQUISITION IN HIS ANALYSIS?

A. Yes. As stated above, this data was provided in response to several RFI responses submitted before OPUC's direct testimony was filed.

Q. MR. NALEPA CLAIMS THAT YOU DO NOT ADDRESS HOW SHARYLAND INTENDS TO IMPROVE ITS RELIABILITY PERFORMANCE. HOW DO YOU RESPOND?

A. Both Mr. Meyer and I discussed investments to improve reliability in our direct testimony. In addition to the improvements I describe above, Applicants have also reviewed and modified the construction procedures to mitigate outages resulting from construction activity. Construction crews are now required to stand down if winds exceed 30 miles per hour, buddy arms are restricted to one-mile stretches, and hot line tags are removed upon the crews' daily work completion.

Q. HAVE THESE MEASURES HAD A POSITIVE IMPACT?

A. Yes, they have. As discussed above, Sharyland's SAIFI and SAIDI have improved overall since the acquisition and improved significantly in 2016. Provided as Exhibit GB-R-3 is a letter that Sharyland received from Staff on March 13, 2017, which states:

> Sharyland was found to be in compliance with all requirements relating to Electric Service Reliability Measures, as well as all Reliability and Continuity of Service requirements. The Commission appreciates Sharyland's efforts to provide reliable service to its customers.[18]

It is also worth mentioning that the 2016 improvement occurred even though the number of weather-related events in that year was similar to the number of weather-related events in 2015. This shows that Applicants' expenditures to improve the reliability of the former Cap Rock system have

[18] *See* Exhibit GB-R-3.

provided favorable results and Mr. Nalepa's claim that Sharyland's reliability performance has continued to deteriorate is without merit.

III. METER READING EXPENSE

Q. WHAT IS SHARYLAND'S REQUESTED RECOVERY OF METER READING EXPENSE?

A. Sharyland is requesting $2.2 million in meter reading expense.

Q. WHICH INTERVENOR WITNESSES SUBMITTED TESTIMONY REGARDING SHARYLAND'S METER READING EXPENSE?

A. Mr. Johnson submitted direct testimony addressing Sharyland's meter reading expense on behalf of OPUC.

Q. WHAT DOES MR. JOHNSON RECOMMEND REGARDING THIS ISSUE?

A. Mr. Johnson claims Sharyland's meter reading expense is excessive and should be reduced by half, or $1.1 million.[19]

Q. DO YOU AGREE WITH MR. JOHNSON ON THIS ISSUE?

A. No, I do not. Mr. Johnson's conclusion that Sharyland's meter reading expense is excessive is primarily based on his comparison of Sharyland's expense per customer to certain other utilities in Texas.[20] This is not an appropriate basis to find that Sharyland's meter reading expense is unreasonable.

Q. PLEASE EXPLAIN.

A. In his comparison, which is set forth in Table 1 of his direct testimony (revenue requirement), Mr. Johnson selects four non-Electric Reliability Council of Texas ("ERCOT") investor-owned utilities—El Paso Electric Company ("EPEC"), Southwestern Electric Power Company ("SWEPCO"), Southwest Public Service Company ("SPS"), and Entergy Texas, Inc. ("ETI")—and four electric

[19] Direct Testimony of Clarence Johnson (Revenue Requirement) at 26–31 (Feb. 28, 2017) ("Johnson Direct").

[20] *Id.* at 26–28.

cooperatives—Pedernales Electric Cooperative ("PEC"), Rio Grande Electric Cooperative ("RGEC"), Houston County Electric Cooperative, and Cherokee Electric Cooperative—to which he compares Sharyland.[21] He states that he did not use any other transmission and distribution utilities ("TDUs") in ERCOT because they have installed advanced metering system ("AMS") meters that allow remote reading.[22]

Mr. Johnson's comparison is flawed because Sharyland has unique characteristics that make it distinguishable from those eight other entities. Sharyland has a non-contiguous service territory that is geographically diverse. Sharyland's Stanton division is in West Texas; the Brady division is in Central Texas; the Celeste division is in North Texas; and the McAllen division is in far South Texas. Further, the areas Sharyland serves are predominantly rural with very low customer density. This creates geographical challenges, as meter readers are required to travel longer distances among the customers to manually read the meters, which increases cost and resources. The utilities included in Mr. Johnson's comparison table have more traditional service territories and several of the utilities—particularly EPEC, ETI, and PEC—serve areas with much higher customer density.[23] Finally, PEC and RGEC have both deployed two-way automatic communication system ("TWACS") meters in their service territories, which are a form of advanced meters, and like AMS they substantially reduce the need for manual meter reading and the related expenses. These two cooperatives, like the ERCOT TDUs, are also not reliable comparisons for this reason.

[21] *Id.* at 27–28.

[22] *Id.* at 27.

[23] SWEPCO has a small portion of its service territory in the Texas Panhandle, separate from the majority of its Texas service territory which is in the northeastern part of the state. This is nonetheless distinguishable from Sharyland's non-contiguous service territory, as Sharyland has four divisions that are spread out among several different regions in Texas. It is also worth noting that SWEPCO's Panhandle territory is contiguous to the service territories of affiliated electric utilities.

Q. YOU MENTION CUSTOMER DENSITY AS HAVING AN IMPACT ON SHARYLAND'S EXPENSE. DID THE 2015 STAFF REPORT ON SHARYLAND'S RATES ADDRESS CUSTOMER DENSITY?

A. Yes. The 2015 Staff Report found that Sharyland's low customer density was a factor that distinguishes Sharyland from other utilities and has an impact on Sharyland's rates, including its per-customer O&M expense.[24]

Q. YOU MENTIONED EARLIER THAT MR. JOHNSON DID NOT COMPARE SHARYLAND TO OTHER ERCOT TDUS BECAUSE THEY HAVE AMS METERS, WHICH HAVE REMOTE READING CAPABILITY. HAS SHARYLAND SOUGHT APPROVAL TO INSTALL AMS METERS THAT WOULD PROVIDE FOR REMOTE METER READING?

A. Yes, we have. In Docket No. 44361, Sharyland filed an application for approval of an AMS meter deployment plan on January 23, 2015. As was testified in that proceeding:

> Sharyland proposes to implement an AMS because it will provide significant benefits to Sharyland and its customers. Such benefits include (1) *a significant reduction in meter reading expenses*, (2) operational efficiencies from the use of automated meter reads and automated connects and disconnects, (3) reductions in certain discretionary service charges to reflect the costs of those services once AMS is deployed, and (4) potential efficiencies related to increased reliability. *In particular, because of the relatively low customer density in Sharyland's service territory and the fact that an average customer is approximately 50 miles from a Sharyland service center, the use of automated reads and other functionalities of an advanced meter will result in significant savings in the time that Sharyland employees must currently travel for meter-related issues.*[25]

In the proposal for decision issued in Docket No. 44361, the Administrative Law Judge ("ALJ") agreed with the benefits of Sharyland's AMS deployment plan and

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[24] *Relating to a Project Regarding Sharyland Utilities, L.P. Complaints*, Project No. 44592, Staff Report on the Factors and Historical Background Underlying the Rates of Sharyland Utilities at 19–22 (Sept. 8, 2015).

[25] *Application of Sharyland Utilities, L.P. for Approval of an Advanced Metering System Deployment Plan, Surcharge, and Non-Standard Metering Service Fees*, Docket No. 44361, Direct Testimony of Ralph G. Goodlet, Jr. at 3 (Jan. 23, 2015) (adopted by Bridget Headrick) (emphasis added).

approved it. However, because this rate case was pending, the Commission abated the proceeding until a final order is signed in this case or otherwise ordered by the Commission, with Commissioner Anderson dissenting.

Had Sharyland been able to install AMS meters as planned, our meter reading expense would have been substantially reduced as we would be better equipped to overcome the geographical challenges.

Q. DID OPUC OPPOSE SHARYLAND'S DEPLOYMENT OF AMS METERS?

A. Yes, OPUC opposed Sharyland's AMS deployment.

Q. DOES MR. JOHNSON PROVIDE SUFFICIENT ANALYSIS IN HIS TESTIMONY AS TO WHY THE APPROPRIATE LEVEL OF DISALLOWANCE IS 50 PERCENT?

A. No. He states that Sharyland's meter reading expense "has not been proven reasonable and necessary" and recommends a reduction by half.[26] He does not, however, explain in his testimony why 50 percent is the appropriate level, as opposed to some other level of disallowance. For instance, he does not discuss specific types and amounts of meter costs that should not be recovered in light of his concerns. Therefore, in my opinion, his specific amount of disallowance is without adequate support.

Q. MR. JOHNSON ALSO RAISES A CONCERN WITH SHARYLAND'S USE OF CONTRACTORS FOR METER READING.[27] HOW DO YOU RESPOND?

A. AMS would practically eliminate the need for Sharyland-employed meter readers. The turnover rate for meter readers is fairly high. When Sharyland-employed meter readers left the company, we could have hired new meter readers as company employees—however, we knew there was a high likelihood those new employees may have to be laid off once we deployed AMS. Therefore, we decided to use contractors to read meters instead of hiring new employees.

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[26] Johnson Direct at 30–31.

[27] *Id.* at 29.

Q. IS THERE SUFFICIENT OVERSIGHT OF THE CONTRACTOR COSTS?

A. Yes. We review these expenses monthly to make sure they are reasonable and necessary. I believe these costs are reasonable, especially considering the expense paid includes costs of vehicles, gasoline, and maintenance, which is important considering our geographically diverse service territory with a sparse customer base and the short lifespan of these vehicles given the mileage and terrain covered daily. This course of action also addressed the issue of acquisition and then disposal of multiple vehicles with the advent of the AMS program.

Q. MR. JOHNSON ALSO USES CUSTOMER COMPLAINTS REGARDING METER READS AS A BASIS FOR HIS METER READING EXPENSE DISALLOWANCE.[28] HOW DO YOU RESPOND?

A. I disagree with this basis. Sharyland acknowledges it made some meter reading errors, which is not uncommon among utilities. It is common industry knowledge that billing and metering errors were frequent when the other ERCOT TDUs were transitioning to competition, as Sharyland recently did. Sharyland has implemented changes it hopes will reduce customer complaints and increase customer satisfaction. Mr. Johnson, however, fails to show in his testimony that the number of complaints against Sharyland regarding meter reads was so excessive that it merits a more than $1 million disallowance to Sharyland's meter reading expense. Indeed, as to the particular types of meter reading complaints that Mr. Johnson discusses,[29] Applicants identified in an RFI response that less than 30 customers were affected by this error[30] from over approximately 600,000 meter reads annually.

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[28] *Id.* at 29–30.

[29] *Id.* at 29.

[30] Applicants' Supplemental Response to OPUC's Eighth Set of RFIs at OPUC 8-1 (Feb. 24, 2017).

Q. MR. JOHNSON ALSO ASSERTS THAT SHARYLAND PREMATURELY INSTALLED DEMAND METERS FOR THE SMALL SECONDARY CLASS.[31] DO YOU AGREE?

A. No, I do not.

Q. PLEASE EXPLAIN.

A. It was our policy to replace the older meters with demand meters because of the additional and beneficial functionalities. Neither Sharyland's tariff for electric service in effect prior to May 2014, Sharyland's tariff for retail delivery service currently in effect, nor the Commission's rules require or prohibit Sharyland from installing and utilizing meters capable of measuring both energy consumption and demand. However, the rules do require Sharyland to undertake all reasonable efforts to minimize losses associated with inaccurate meters and to perform load research to support ERCOT's load profiling activities.

Because of these requirements and the relatively insignificant cost difference between consumption-only meters and the demand meters selected, Sharyland adopted the practice of installing demand meters in order to:

- Enable Sharyland to monitor the customers' actual demand after the transition to competition once the new tariff was in place to determine whether customers in Sharyland's Small Secondary rate schedule should be moved to Sharyland's Large Secondary rate schedule. Without demand meters, Sharyland would have been unable to measure and confirm whether the customer had exceeded the 10 kW demand threshold for transitioning the customer to Large Secondary Service, which would have resulted in high-demand customers in Small Secondary continuing to be subsidized.
- Cost-effectively standardize the type of meters on the Sharyland system by installing demand meters when a meter needs to be replaced or when new service is initiated.
- Provide ERCOT with statistically valid load research data from its load territories, including demand data. Before moving to competition, Sharyland

[31] Johnson Direct at 31–35.

was able to address substation loads by metering located at the substation, but upon the transition to competition that ability was lost as load settlement moved to the customer meter from the substation meter. The demand component is critical for peak load calculations.

- Obtain load research data required for Sharyland's present rate case.

Q. MR. JOHNSON CLAIMS IT WAS PARTICULARLY UNREASONABLE FOR SHARYLAND TO INSTALL DEMAND METERS WHEN THE COMPANY WAS AWARE THAT AMS METERS WOULD EVENTUALLY BE INSTALLED.[32] DO YOU AGREE?

A. No, I do not. We began installing demand meters in 2013 for the reasons I state above, including because the former Cap Rock meters were old and needed to be replaced. Our AMS plan was not filed until January 23, 2015, pursuant to the order in Docket No. 41474 issued a year earlier. Even though we were planning to file an AMS plan after Docket No. 41474, there was no guarantee the Commission would approve it—indeed, it has been over two years now since that filing and the AMS plan still has not been approved. Therefore, I do not believe it was unreasonable for Sharyland to begin installing the new demand meters, for the reasons discussed above, at the time we did.

IV. SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. Mr. Nalepa's position that Sharyland's SAIFI and SAIDI performance has been in long-term deterioration is without merit, as he completely ignores evidence of recent and overall reliability improvement, despite having full access to that information. Further, Mr. Johnson's recommendation for a 50 percent reduction to Sharyland's meter reading expense should also be rejected, as his recommendation is based almost entirely on a comparison of Sharyland to distinguishable entities and he does not justify his arbitrary selection of a 50 percent reduction.

[32] *Id.* at 33.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

AFFIDAVIT OF GREG BOGGS

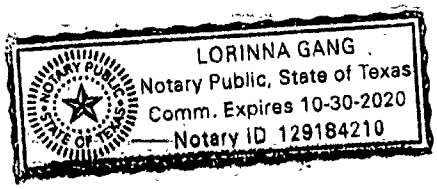
THE STATE OF TEXAS §
§
COUNTY OF COLLIN §

BEFORE ME, the undersigned notary public, this day personally appeared Greg Boggs, to me known, who being duly sworn according to law, deposes and says:

"My name is Greg Boggs. I am of legal age and a resident of the State of Texas. I certify that the foregoing testimony and exhibit, offered by me on behalf of Sharyland Utilities, L.P. and Sharyland Distribution & Transmission Services, L.L.C. are true and correct based upon my personal knowledge and professional experience."

Greg Boggs
GREG BOGGS

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 15 day of March 16, 2017.



Lorinna Gang
Notary Public in and for the State of Texas

My Commission expires: 10/30/20.

APPLICANTS' RESPONSE TO COMMISSION STAFF'S TWENTY-SEVENTH REQUEST FOR INFORMATION

STAFF 27-8:

For the years 2007, 2008, and 2009, please provide SAIDI and SAIFI data for Cap Rock and Sharyland separately, when they were separate entities. Please do not provide the weighted average of the two companies.

Response:

Sharyland Utilities, L.P.

				SAIFI Calculations				SAIDI Calculations			
Year	Customers	SAIFI	SAIDI	Calculation	Interruptions	Calculation	System Avg.	Calculation	Interruptions	Calculation	System Avg.
2007	2,049	0.07000	2.89000	^2,049*0.07=	143.43	^143.43/2,049=	0.07000	^2,049*2.89=	5,921.61	^5,921.61/2,049=	2.89000
2008	2,176	0.08000	5.17000	^2,176*0.08=	174.08	^174.08/2,176=	0.08000	^2,176*5.17=	11,249.92	^11,249.92/2,176=	5.17000
2009	2,306	0.02000	3.04000	^2,306*0.02=	46.12	^46.12/2,306=	0.02000	^2,306*3 04=	7,010.24	^7,010.24/2,306=	3.04000

Cap Rock Energy

				SAIFI Calculations				SAIDI Calculations			
Year	Customers	SAIFI	SAIDI	Calculation	Interruptions	Calculation	System Avg.	Calculation	Interruptions	Calculation	System Avg
2007	33,057	1.95000	173.44000	^33,057*1.95=	64,461.15	^64,461.15/33,057=	1.95000	^33,057*173.44=	5,733,406.08	^55,733,406.08/33,057=	173.44000
2008	36,594	1.53000	113 78000	^36,594*1.53=	55,988.82	^55,988.82/36,594=	1.53000	^36,594*113.78=	4,163,665 32	^4,163,665.32/36,594=	113.78000
2009	37,208	1.28000	150.98000	^37,208*1.28=	47,626.24	^47,626.24/37,208=	1.28000	^37,208*150.98=	5,617,663.84	^5,617,663.84/37,208=	150.98000

Preparer: Greg Boggs
Sponsor: Greg Boggs

APPLICANTS' RESPONSE TO COMMISSION STAFF'S TWENTY-SEVENTH REQUEST FOR INFORMATION

STAFF 27-9:

With reference to the Direct Testimony of Greg Boggs, page 5 ("Sharyland and SDTS have made capital investments to strengthen and improve the reliability of the former Cap Rock system that was underinvested in before the acquisition in 2010."). Please confirm or deny that since the acquisition, the former Cap Rock system's reliability has worsened in terms of both SAIDI and SAIFI. If denied, please provide an explanation with supporting data. Also, with any response, please provide SAIDI and SAIFI measures for the Cap Rock system for the time period beginning with the acquisition by Sharyland through present.

Response:

Deny. Please see the SAIDI/SAIFI data for Cap Rock Energy Corporation provided in response to Staff 27-8 as compared to the SAIDI/SAIFI data provided in the chart below. Please also see the responses to Staff 19-6; Staff 19-7; Staff 19-8 and Staff 23-3.

Year	SBC (Cap Rock)	
	SAIDI	SAIFI
2010	85.99	1.00
2011	131.60	0.78
2012	107.56	0.92
2013	97.46	0.80
2014	147.39	1.28
2015	171.77	1.84
2016	132.91	1.56

Preparer: Greg Boggs
Sponsor: Greg Boggs

APPLICANTS' RESPONSE TO COMMISSION STAFF'S TWENTY-SEVENTH REQUEST FOR INFORMATION

STAFF 27-10:

With reference to the Direct Testimony of Greg Boggs, page 10 (stating that Sharyland built new distribution substations that can "operate with multiple transmission line interconnections" and that this is "a material improvement over the radial design typically used by Cap Rock that prolonged restoration times during outages."). Have the restoration times during outages improved in the former Cap Rock territory since Sharyland acquired it? Please provide supporting operation/engineering data in your response.

Response:

Sharyland's ability to respond to outages has substantially improved since the acquisition of Cap Rock Energy Corporation ("Cap Rock"). The Sharyland West Texas system at the time of the acquisition of Cap Rock was fed by two interconnections with the Southwest Power Pool with a capacity of 150 MW. Prior to Sharyland acquiring Cap Rock, there were eighteen substations in the West Texas transmission loop, only six of which contained transmission breakers. As a result, any transmission line event would affect multiple substations. If the breakers locked out, substations were de-energized until the source of the line outage was identified and confirmation could be made that the public safety would not be impacted by reclosing the line breakers. As the West Texas transmission loop was 310 miles long and breakers were located up to ninety miles (and five substations) apart, riding out the line to find the source of the breaker operation often resulted in extended outages (hours long) to the substation customers. Sharyland has upgraded the system so that transmission breakers are installed in each substation (new and existing) so that breaker operations open transmission line sections without affecting substation loads. In addition, Sharyland now has the ability to back feed circuits through other substations, which greatly reduces outage time and was not possible prior to the purchase of the Cap Rock system. Please see the table below for a few recent examples of outage times that were significantly minimized due to the improvements described above.

Outage Date	Substation Impacted	Backfeed Source	Duration of Outage	System Restoration (Duration Outage Would Have Been But For Backfeed)	Customers Impacted
4/16/16	Hadacol	St Lawrence & Stiles	3hrs 21mins	40hrs 28mins	499
7/5/16	Triangle	Buffalo	1hr 51mins	14hrs 59mins	387
7/31/16	Triangle-1	Triangle-6	1hr	20hrs 25mins	640

APPLICANTS' RESPONSE TO COMMISSION STAFF'S TWENTY-SEVENTH REQUEST FOR INFORMATION

Due primarily to a major increase in oil and gas related activities in the Permian Basin the Sharyland system has also grown by 14.5% annually from 2011 to 2015, which resulted in a 2015 peak for the Sharyland West Texas system of 325 MW. To accommodate this load growth while minimizing impacts to customers, Sharyland has performed upgrades while the system is in use, which has resulted in increased CWIP outages as more fully described in Staff 19-8.

Without the increase of multiple transmission line interconnections, the system would have been unable to carry the load of 325 MW – more than double the capacity of the Cap Rock's West Texas system at the time of the acquisition. Furthermore, without the multiple interconnections, the stability of the BES (Bulk Electric system) would not have been maintained at levels required to support needed system conductor upgrades and system expansion.

See also Staff 19-6; Staff 19-7; Staff 19-8 and Staff 23-3.

Preparer: Greg Boggs
Sponsor: Greg Boggs

Public Utility Commission of Texas

March 13, 2017

VIA CERTIFIED MAIL

Mr. Richard Noland
Sharyland Utilities, L.P.
600 Congress Avenue, Suite 2000
Austin, Texas 78701-3232

RE: Investigation of Compliance with PURA § 38.005, relating to Electric Service Reliability Measures and 16 TAC § 25.52, relating to Reliability and Continuity of Service

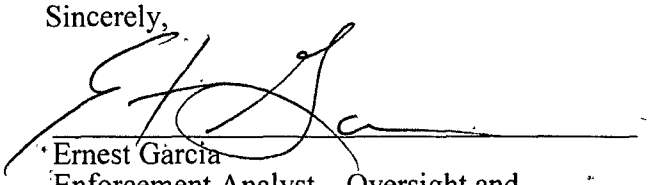
Investigation No. 2017020011

Dear Mr. Noland:

The Public Utility Commission of Texas (Commission) received and reviewed Sharyland Utilities' (Sharyland) 2016 annual service quality report as required by 16 TAC § 25.81. Sharyland was found to be in compliance with all requirements relating to Electric Service Reliability Measures, as well as all Reliability and Continuity of Service requirements. The Commission appreciates Sharyland's efforts to provide reliable electric service to its customers.

If Sharyland has any questions regarding the Commission's review of its annual service quality report, please contact me at the following address, Ernest Garcia, Enforcement Analyst, Oversight and Enforcement Division, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin TX 78711-3326. I may also be reached at the following phone number or email address: (512) 936-7365, ernest.garcia@puc.state.tx.us.

Sincerely,



Ernest Garcia
Enforcement Analyst – Oversight and Enforcement