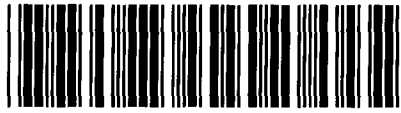




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PUC DOCKET NO. 45524**

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**APPLICATION OF SOUTHWESTERN  
PUBLIC SERVICE COMPANY FOR  
AUTHORITY TO CHANGE RATES**

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**BEFORE THE STATE OFFICE**

**OF**

**ADMINISTRATIVE HEARINGS**



**DIRECT TESTIMONY IN SUPPORT OF THE STIPULATION OF**

**BRIAN T. MURPHY**

**RATE REGULATION DIVISION**

**PUBLIC UTILITY COMMISSION OF TEXAS**

**DECEMBER 8, 2016**

0000001

532

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## **ATTACHMENTS:**

<b>Attachment BTM-1</b>	Regulatory Resumé of Brian T. Murphy
<b>Attachment BTM-2</b>	Baseline workpapers (on CD)

1    **I.       PROFESSIONAL QUALIFICATIONS**

2    **Q.       Please state your name and business address.**

3    A.       Brian T. Murphy, 1701 N. Congress Avenue, Austin, TX 78711-3326.

4    **Q.       By whom are you employed and in what capacity?**

5    A.       I am employed by the Public Utility Commission of Texas ("PUC" or "the  
6           Commission") as a Senior Rate Analyst in the Tariff and Rate Analysis Section of  
7           the Rate Regulation Division.

8    **Q.       Did you file direct testimony on August 23, 2016 and cross-rebuttal testimony  
9           on September 7, 2016 in this proceeding?**

10   A.       Yes.

11   **Q.       What are your principal responsibilities as a Senior Rate Analyst for the  
12           Public Utility Commission of Texas?**

13   A.       My principal responsibility is to analyze utility tariff filings, cost allocation, and  
14           rate design. My responsibilities include preparing and presenting testimony as an  
15           expert witness on cost allocation and rate design in docketed proceedings before  
16           the Commission and the State Office of Administrative Hearings ("SOAH").

17   **Q.       Please state your educational background and professional experience.**

18   A.       I have provided a summary of my educational background and regulatory  
19           experiences in Attachment BTM-1.

20   **Q.       Have you previously filed direct testimony in a Commission proceeding?**

21   A.       Yes. A listing of my previously filed direct testimony can also be found in  
22           Attachment BTM-1.

23

**II. SCOPE OF TESTIMONY**

**Q. What is the purpose of your supplemental testimony in this proceeding, Docket No. 45524, *Application of Southwestern Public Service Company for Authority to Change Rates*?**

**A.** My supplemental testimony will address the reasonableness of the unopposed stipulation filed on December 7, 2016 ("Stipulation") with regard to the agreed class revenue distribution, rate design, and TCRF, DCRF, and PCRF baseline values.

**III. SUMMARY OF RECOMMENDATIONS**

**Q. What is your recommendation?**

**A.** Based on my review as well as the direct testimony of Staff witness Mark Filarowicz in support of the stipulation, and given the positions and recommendations of the parties in this proceeding, the Stipulation represents a reasonable compromise that would conserve resources compared to continued litigation. I recommend that the Commission approve the Stipulation.

**IV. AGREEMENT ON REVENUE DISTRIBUTION AND RATE DESIGN**

**Q. What are the primary terms of the Stipulation with respect to class revenue distribution?**

**A.** The agreed distribution of the \$35.2 million increase in base revenues among the classes is presented in Attachment A to the Stipulation. With respect to base rates, the overall percentage increase in revenue recovery is approximately

1           6.9%, with class revenue changes ranging from -14.7% to 16.0% on a  
2           percentage basis.

3       **Q.   Are the agreed class revenue distribution terms reasonable and in the**  
4       **public interest?**

5       A.   Yes. Generally, the agreed revenue distribution would not result in any class  
6       experiencing relative movement away from Staff's view of the reasonable cost  
7       of service for that class. In Staff's opinion, the revenue increases for the sub-  
8       transmission (69 kV) and backbone transmission (115 kV) customer groups are  
9       appropriate as SPS will propose consolidation of the two customer groups in its  
10      next rate case. In the context of the case as a whole, and based upon cost-  
11      causation, as well as the costs and likely outcomes of continued litigation, the  
12      agreed revenue distribution terms represent a reasonable compromise and  
13      should be approved.

14     **Q.   How has the agreed class revenue distribution been implemented in setting**  
15     **rates?**

16     A.   The class revenue distribution has been implemented in the agreed rate tariffs in  
17     Attachment B.

18     **Q.   What are the primary terms of the Stipulation with regard to rate design?**

19     A.   With respect to the residential rate class, parties agreed to a transition plan to  
20     eliminate the Residential Space Heating ("RSH") rate plan, to be implemented in  
21     SPS's next base-rate proceeding. The rates for the new Residential class will be  
22     designed to moderate the impact on RSH customers of eliminating the RSH rate  
23     option, and may include options such as rates that are based on consumption bands.

1 An example of rates based on consumption bands is a declining block rate structure  
2 for the winter months, in which monthly consumption up to a specified level is  
3 billed at a certain rate per kilowatt-hour (kWh), and monthly consumption in excess  
4 of the specified level is billed at a lower rate per kWh. Although a winter declining  
5 block rate design is one example, parties have not stipulated to a winter declining  
6 block rate design or any other specific rate design for the transition plan.

7 With respect to retail customers that take service under SPS's large general  
8 service transmission tariff, Staff and SPS have agreed that SPS will treat large  
9 general service-transmission ("LGS-T") as a single class in its next rate case,  
10 including for cost allocation and revenue distribution purposes.<sup>1</sup>

11 **Q. Are the agreed rate tariffs shown in Attachment B reasonable and in the**  
12 **public interest?**

13 **A.** Yes. While parties take no position on the components of the class cost of service,  
14 and thus the exact number that represents cost for each rate component, in general  
15 the agreed rates shown in Attachment B represent meaningful movement towards  
16 Staff's impartial view of cost-based rates. In the context of the case as a whole,  
17 and based upon cost causation, as well as the costs and likely outcomes of continued  
18 litigation, the agreed rate design is reasonable and should be approved.

19 **Q. How were the agreed TCRF, DCRF, and PCRF baseline values developed?**

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<sup>1</sup> SPS will propose a single set of rates for the LGS-T class, except that SPS will propose cost-based credit rates for energy and demand charges applicable to higher voltage customers within the LGST class to reflect the lower line losses and other identifiable cost differences associated with serving those higher voltage customers. Other parties do not oppose this provision of the stipulation.

1 A. Staff developed the stipulated baseline values consistent with the approach that was  
2 used to establish the Commission-adopted baseline values in Docket No. 43695,  
3 except for the following adjustments:

- 4 • The Company's cost of service study was scaled-down to the settlement level  
5 of revenues by decreasing in equal proportion all line items in the Company's  
6 cost of service study, with the exception of those that are plant-related.
- 7 • Revenue distribution adjustment. The baseline values are adjusted to reflect the  
8 agreed revenue distribution.
- 9 • ADIT. The effects of ADIT have been removed from the net plant allocator  
10 used to identify the proportion of property tax functionalized to distribution that  
11 is DCRF-related, and the proportion of property tax functionalized to  
12 transmission that is TCRF-related. The proportions are also calculated on a  
13 class by class basis as opposed to globally.
- 14 • TCRF revenue credits. Consistent with the Commission's decisions in Docket  
15 No. 45084, revenue credits booked to the following FERC accounts are  
16 included: account 450 (late pmt), account 454 (rent from elec property), and  
17 subaccount 456.42 ("other"). Revenue credits functionalized to transmission  
18 interconnection are also included.

19 **Q. Are the agreed baseline values reasonable and in the public interest?**

20 A. Yes. While parties take no position on the individual components of the class cost  
21 of service, and thus the exact number that represents cost for each baseline-value  
22 parameter, the agreed baseline values shown in Attachment D are reasonably  
23 representative of Staff's impartial view of cost-based baseline values, and



1 consistent with the agreed terms of the stipulation. In the context of the case as a  
2 whole, and based upon cost causation, as well as the costs and likely outcomes of  
3 continued litigation, the stipulated TCRF, DCRF, and PCRF baseline values are  
4 reasonable and should be approved. I have included the workpapers for Staff's  
5 development of the baselines for informational purposes only. As set out in the  
6 Stipulation, all the parties agree that any information to develop the baselines are  
7 non-binding and not to be treated as precedent in any other proceeding of any kind,  
8 and does not reflect an agreement on any methodology that may or may not have  
9 been used to derive those baselines. The electronic workpapers can be found in the  
10 native files folder on the Commission's Interchange.

11  
12 **CONCLUSION**

13 **Q. Does this conclude your supplemental testimony in support of the stipulation?**

14 **A. Yes.**

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**Brian T. Murphy**

Public Utility Commission of Texas  
1701 North Congress Avenue  
Austin, TX 78711-3326

**REGULATORY EXPERIENCE:**

Senior Rate Analyst, Tariff and Rate Analysis Section

Public Utility Commission of Texas, Rate Regulation Division

Employed: October, 2010 to present.

Duties: Perform analysis of tariff filings, cost allocation, and rate design. Review tariffs of regulated utilities to determine compliance with Commission requirements. Analyze cost allocation studies and rate design issues for regulated electric utilities. Analyze policy issues associated with the regulation of the electric industry. Work on or lead teams in contested cases, reports, the development of market rules, and research concerning pricing and related issues. Prepare and present testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

**EDUCATION:**

1998            Baylor University, Waco, TX  
Master of Business Administration, concentration in finance.

1996            George Mason University, Fairfax, VA  
Bachelor of Science.

1989-91        University of Chicago, Chicago, IL  
Core Curriculum.

**BUSINESS SKILLS:**

1999            St. Charles Training Center, St. Charles, IL.  
Financial Modeling.

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**List of Testimony Filed at the Public Utility Commission of Texas:**

**Docket No. 45524**—*Application of Southwestern Public Service Company for Authority to Change Rates*—August 23, 2016 (Direct) and September 7, 2016 (Cross-rebuttal).

**Docket No. 46014**—*Application of CenterPoint Energy Houston Electric, LLC to Adjust Its Energy Efficiency Cost Recovery Factor*—August 8, 2016.

**Docket No. 45691**—*Application of Southwestern Electric Power Company for Approval to Amend Transmission Cost Recovery Factor*—June 9, 2016.

**Docket No. 44498**—*Review of Rate Case Expenses Incurred by Southwestern Public Service Company and Municipalities in Docket No. 43695*—May 9, 2016.

**Docket No. 44941**—*Application of El Paso Electric Company to Change Rates*—December 18, 2015 (Direct) and January 15, 2016 (Cross-Rebuttal).

**Docket No. 45084**—*Application of Entergy Texas, Inc. for Approval of a Transmission Cost Recovery Factor*—November 24, 2015.

**Docket No. 44698**—*Application of Southwestern Public Service Company to Adjust its Energy Efficiency Cost Recovery Factor*—July 31, 2015 (Direct); and August 11, 2015 (Cross-Rebuttal).

**Docket No. 43695**—*Application of Southwestern Public Service Company for Authority to Change Rates*—May 22, 2015 (Direct); and June 8, 2015 (Cross-Rebuttal).

**Docket No. 44496**—*Application of Southwestern Electric Power Company for Approval to Amend its Transmission Cost Recovery Factor*—May 22, 2015.

**Docket No. 42560**—*Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*—August 7, 2014.

**Docket No. 42448**—*Application of Southwestern Electric Power Company for Approval of a Transmission Cost Recovery Factor*—July 31, 2014.

**Docket No. 42454**—*Application of Southwestern Public Service Company to Adjust its Energy Efficiency Cost Recovery Factor*—July 11, 2014.

**Docket No. 42042**—*Application of Southwestern Public Service Company for Approval of a Transmission Cost Recovery Factor*—May 1, 2014.

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**Docket No. 41791**—*Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs*—January 17 (Direct), January 31 (Cross-Rebuttal), and April 4 (Supplemental), 2014.

**Docket No. 41474**—*Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate*—October 28 (Direct) and December 20, 2013 (Settlement).

**Docket No. 41444**—*Application of Entergy Texas, Inc. for Authority to Redetermine Rates for Energy Efficiency Cost Recovery Factor*—July 26, 2013.

**Docket No. 40627**—*Petition by Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-05*—February 14, 2013.

**Docket No. 40443**—*Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs*—December 17, 2012.

**Docket No. 40295**—*Application of Entergy Texas, Inc., for Rate Case Expenses Severed from PUC Docket No. 39896; SOAH Docket No. 473-12-2979*—November 6, 2012.

**Docket No. 40020**—*Application of Lone Star Transmission, LLC for Authority to Establish Interim and Final Rates and Tariffs*—June 28, 2012.

**Docket No. 39590**—*Petition of El Paso Electric Company for Approval to Revise Military Base Discount Recovery Factor Tariff, Pursuant to PURA § 36.354*—October 26, 2011.

**Docket No. 39361**—*Application of AEP Texas North Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief*—August 2, 2011.

**Docket No. 39359**—*Application of Southwestern Electric Power Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief*—July 29, 2011.

**Docket No. 39360**—*Application of AEP Texas Central Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief*—July 27, 2011.