

Control Number: 49308



Item Number: 20

Addendum StartPage: 0

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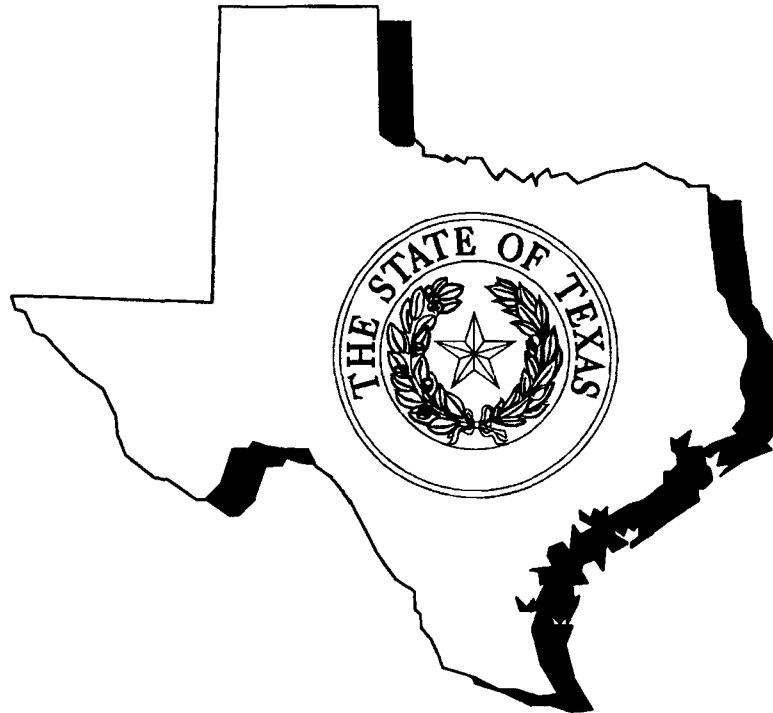
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APPLICATION OF AEP TEXAS INC.  
FOR A FINANCING ORDER

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PUBLIC UTILITY COMMISSION  
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TESTIMONY IN SUPPORT OF STIPULATION OF

NANCY PALMA

RATE REGULATION DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

MAY 10, 2019

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**TABLE OF CONTENTS**

I. PROFESSIONAL QUALIFICATIONS ..... 2

II. PURPOSE AND SCOPE OF TESTIMONY ..... 3

III. KEY TERMS OF THE STIPULATION..... 3

IV. CONCLUSION ..... 5

**LIST OF ATTACHMENTS**

Attachment NP-1                      Curriculum Vitae

1 **I. PROFESSIONAL QUALIFICATIONS**

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

3 A. Nancy Palma, 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 “Commission”) as a  
6 Financial Analyst in the Rate Regulation Division.

7 **Q. What are your principal responsibilities at the Commission?**

8 A. My responsibilities include examination, review, and analysis of matters concerning rate  
9 design, cost allocation, and rate of return. My duties include analyzing electric industry  
10 regulatory policy, reviewing tariffs to determine compliance with Commission  
11 requirements, and preparing and presenting testimony as an expert witness on rate of return,  
12 cost allocation, and rate design in docketed proceedings before the Commission and the  
13 State Office of Administrative Hearings (“SOAH”).

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

15 A. In May 2005, I graduated from the University of Virginia with a Bachelor of Arts degree  
16 in Economics. In May 2011, I graduated with a Masters in Business Administration, with  
17 a concentration in Finance, from the McCombs School of Business at the University of  
18 Texas at Austin. My professional experience includes over nine years working in various  
19 roles within the energy industry related to electric utility regulation and the financing and  
20 operation of energy assets.

21

22

1 **Q. Have you previously testified before the Commission or the State Office of**  
2 **Administrative Hearings (“SOAH”)?**

3 A. Yes. Attachment NP-1 contains a list of testimony as well as memoranda I have filed at the  
4 Commission in lieu of testimony.

5

6 **II. PURPOSE AND SCOPE OF TESTIMONY**

7 **Q. What is the purpose of your testimony in support of the stipulation in this case, PUC**  
8 **Docket No. 49308, *Application of AEP Texas Inc. for a Financing Order*?**

9 A. The purpose of my testimony is to support the reasonableness of the Stipulation and  
10 Settlement Agreement (“Stipulation”) that AEP Texas Inc. (“AEP” or the “Company”)  
11 and the Staff of the Public Utility Commission of Texas (“Staff”) (collectively  
12 “Signatories”) have reached in this proceeding. Intervenor Alliance for Retail Markets  
13 (“ARM”) is not a Signatory, but does not oppose the Stipulation.

14 **Q. What is the scope of your review?**

15 A. In addition to the Stipulation, I have reviewed the Company’s application and previous  
16 cases before the Commission. My review was limited to AEP’s proposed calculation  
17 method and periodic true-up for the proposed System Restoration Charges and ADFIT  
18 Credits.

19

20 **III. KEY TERMS OF THE STIPULATION**

21 **Q. What are the provisions of the Stipulation that you address?**

22 A. The provisions of the Stipulation that I address in my testimony relate to select Findings of  
23 Fact in the stipulated Financing Order, included as Attachment 2 to the Stipulation. These

1 terms specifically concern the refund to customers of the Accumulated Deferred Federal  
2 Income Taxes (“ADFIT”) benefits associated with the recovery of AEP’s relevant system  
3 restoration costs as well as the calculation and periodic true-up of the System Restoration  
4 Charges established to service the System Restoration Bonds.

5 **Q. Is the Company’s proposed calculation methodology and periodic true-up of System**  
6 **Restoration Charges and ADFIT credits reasonable and adequate?**

7 A. Yes. AEP’s proposed calculation methodology and periodic true up of System Restoration  
8 Charges is reasonable and adequate to equitably recover the principal and interest on the  
9 system restoration bonds and to recover the ongoing qualified costs of supporting and  
10 servicing the system restoration bonds. The Company’s proposed calculation methodology  
11 for ADFIT credits is also reasonable and adequate to equitably refund to customers the  
12 benefits associated with the incurrence and recovery of system restoration costs.

13 **Q. Does the Stipulation reflect a reasonable resolution of AEP’s application in this**  
14 **proceeding?**

15 A. Yes. In my opinion, the implementation of the terms in the Stipulation will result in a fair  
16 and reasonable resolution of this proceeding. It is also my opinion that a settlement  
17 conserves resources and limits expenses that would be incurred if the proceeding continued  
18 to hearing.

19

1 **IV. CONCLUSION**

2 **Q. Please summarize your recommendation.**

3 A. Taken as a whole, and given the costs associated with continued litigation as well as the  
4 likely results of a fully litigated proceeding, the terms of the Stipulation discussed above  
5 are reasonable. I therefore recommend that the Commission approve the Stipulation.

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

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**REGULATORY EXPERIENCE:**

Public Utility Commission of Texas, Rate Regulation Division

September 2017 to present.

Financial Analyst, Tariff and Rate Analysis

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, rate design and rate of return issues for regulated electric utilities. Analyze policy issues associated with the regulation of the electric industry. Prepare testimony as an expert witness on rate related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

**EDUCATION:**

- 2011      **University of Texas at Austin**  
            McCombs Graduate School of Business  
            *Master of Business Administration, Finance*
- 2005      **University of Virginia**  
            *Bachelor of Arts, Economics*



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

**Docket No. 48420** – *Application of CenterPoint Energy Houston Electric to Adjust Its Energy Efficiency Cost Recovery Factor* – August 20, 2018

**Docket No. 48401** – *Application of Texas-New Mexico Power Company for Authority to Change Rates* – August 21, 2018

**Docket No. 48577** – *Application of AEP Texas, Inc. for Determination of System Restoration Costs* – October 16, 2018

**Docket No. 49042** – *Application of Southwestern Electric Company to Amend Its Transmission Cost Recovery Factor* – March 14, 2019

**Docket No. 48929** - *Joint Report and Application of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services L.L.C., Sharyland Utilities L.P., and Sempra Energy for Regulatory Approvals Under PURA §§ 14.101, 37.154, 39.262 and 39.915* – March 22, 2019

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

**Docket No. 49143** – *Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates* – March 1, 2019

**Docket No. 49219** – *Compliance Filing of AEP Texas, Inc. for a Standard True-Up of Rider TC-3 — Transition Charge-3 Rates* – February 26, 2019

**Docket No. 49028** – *2018 Merger Savings Compliance Filing of AEP Texas, Inc. Pursuant to the Order in Docket No. 46050* – February 22, 2019

**Docket No. 48963** – *Application of Denton Municipal Electric for Interim Update of Wholesale Transmission Rates* – February 26, 2019

**Docket No. 48933** – *Petition of CenterPoint Energy Houston Electric LLC for Transmission Cost Recovery Factor Update* – December 20, 2018

**Docket No. 48884** – *Compliance Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-Up of Transition Charges Under Schedule TC5* – December 7, 2018

**Docket No. 48874** – *Application of Wind Energy Transmission Texas, LLC for a New Wholesale Transmission Service Credit Rider* – November 29, 2018

**Docket No. 48698** – *Application of Electric Transmission Texas, LLC for a Tax Credit Refund Rider* – November 8, 2018

**Docket No. 48507** – *Application of AEP Texas Inc. for Interim Update of Wholesale Transmission Rates* – August 21, 2018

**Docket No. 48419** – *Petition of CenterPoint Energy Houston Electric LLC for Transmission Cost Recovery Factor Update* – July 2, 2018.

**Docket No. 48416** – *Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates* – July 11, 2018

**Docket No. 48403** – *Petition of Texas-New Mexico Power Company for Approval of a Transmission Cost Recovery Factor Update* – July 2, 2018

**Attachment NP-1**

- Docket No. 48389** – *Application of CenterPoint Energy Houston Electric, LLC for Interim Update of Wholesale Transmission Rates – July 3, 2018*
- Docket No. 48369** – *Application of Cross Texas Transmission LLC for Interim Update of Wholesale Transmission Rates – June 29, 2018*
- Docket No. 48368** – *Compliance Tariff Filing of CenterPoint Energy Houston Electric, LLC for Interim Update of Transition Charges Under Schedule TC5 – May 31, 2018*
- Docket No. 48334** – *Application of Southwestern Electric Power Company to Adjust Its Energy Efficiency Cost Recovery Factor – August 15, 2018*
- Docket No. 48324** – *Application of Southwestern Public Service Company to Adjust Its Energy Efficiency Cost Recovery Factor – June 26, 2018*
- Docket No. 48239** – *Application of Sharyland Utilities, LP for Interim Update of Wholesale Transmission Rates – May 18, 2018*
- Docket No. 48222** – *Application of AEP Texas Inc. to Amend Its Distribution Cost Recovery Factors – June 6, 2018*
- Docket No. 48179** – *Application of Cross Texas Transmission, LLC for a Wholesale Transmission Service Rate Reduction and Income Tax Credit Rider – April 19, 2018*
- Docket No. 48163** – *Petition of Southwestern Electric Power Company for Approval of Military Base Surcharge Tariff pursuant to PURA § 36.354– April 10, 2018*
- Docket No. 48127** – *Application of Wind Energy Transmission Texas, LLC for Wholesale Transmission Service Credit Riders – April 13, 2018*
- Docket No. 48123** – *Application of Bryan Texas Utilities for Interim Update of Wholesale Transmission Rates – April 12, 2018*
- Docket No. 48122** – *Application of AEP Texas, Inc. and Request for Immediate Rate Reduction – May 11, 2018*
- Docket No. 48110** – *2017 Merger Savings Compliance Filing of AEP Texas, Inc. Pursuant to the Order in Docket No. 46050 – May 7, 2018*
- Docket No. 48101** – *Application of Lone Star Transmission, LLC for a Wholesale Transmission Service Tax Rate Change Rider – April 4, 2018*
- Docket No. 48065** – *Application of CenterPoint Energy Houston Electric, LLC for Interim Update of Wholesale Transmission Rates – March 20, 2018*
- Docket No. 48042** – *Compliance Filing of AEP Texas, Inc. for a Standard True-Up of Transition Charges Under Schedule TC-3 – February 27, 2018*
- Docket No. 48002** – *Application of Guadalupe Valley Electric Cooperative, Inc. for Interim Update of Wholesale Transmission Rates pursuant to 16 Tex. Admin. Code § 25.192(h)(1) – March 16, 2018*
- Docket No. 48001** – *Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates pursuant to 16 Tex. Admin. Code § 25.192(h)(1) – March 19, 2018*
- Docket No. 47988** – *Application of Oncor Electric Delivery Company LLC for Interim Update of Wholesale Transmission Rates pursuant to 16 Tex. Admin. Code § 25.192(h)(1) – March 13, 2018*

**Attachment NP-1**

**Docket No. 47913** – *Compliance Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-Up of Transition Charges Under Schedule TC3* – January 22, 2018

**Docket No. 47900** – *Application of Denton Municipal Electric for Interim Update of Wholesale Transmission Rates* – February 9, 2018

**Docket No. 47820** – *Petition of CenterPoint Energy Houston Electric LLC for Transmission Cost Recovery Factor Update* – January 4, 2018

**Docket No. 47802** – *Petition of Texas-New Mexico Power Company for Transmission Cost Recovery Factor Update* – December 22, 2017

**Docket No. 47778** - *Compliance Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-Up of Transition Charges Under Schedule TC5* – December 6, 2017

**Docket No. 47777** – *Commission Staffs Application to Set 2018 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas* – February 21, 2018

**Docket No. 47750** – *Compliance Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-Up of Transition Charges Under Schedule TC2* – November 21, 2017

**Docket No. 47735** – *Application of Electric Transmission Texas, LLC for Interim Update of Wholesale Transmission Rates Pursuant to 16 Tex. Admin. Code § 25.192(h)(1)* – December 7, 2017

**Docket No. 45319** – *Interest Rates Set Under Texas Utilities Code § 183.003 and Set for Overcharges and Undercharges Under 16 Texas Admin. Code §§ 25.28, 25.480, and 26.37* – November 10, 2017

**Docket No. 47659** – *Application of AEP Texas Inc. for Interim Update of Wholesale Transmission Rates* – November 8, 2017

**Docket No. 47610** – *Application of CenterPoint Energy Houston Electric, LLC for Interim Update of Wholesale Transmission Rates Pursuant to 16 Tex. Admin. Code § 25.192(h)* – November 2, 2017

**Docket No. 47605** – *Compliance Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-up of System Restoration Charges Under Schedule SRC* – October 6, 2017

**Docket No. 47604** – *Compliance Tariff Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-Up of ADFIT Charges Under Schedule ADFITC* – October 6, 2017

**Docket No. 47591** – *Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates Pursuant to 16 Tex. Admin. Code § 25.192(h)* – October 23, 2017