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APPLICATION OF

AEP TEXAS INC.

FOR AUTHORITY TO CHANGE RATES

REBUTTAL TESTIMONY OF

DAVID A. HAWK

FOR

AEP TEXAS INC.

AUGUST 2019

3941

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is David A. Hawk. I am Regulatory Pricing & Analysis Manger, in the
4 Regulatory Services Department of AEP Texas Inc. (AEP Texas or Company). AEP
5 Texas is a subsidiary of American Electric Power Company, Inc. (AEP). My business
6 address is 539 N. Carancahua, Corpus Christi, Texas 78401.

7 Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?

8 A. Yes, I did.
9

10 II. PURPOSE OF REBUTTAL TESTIMONY

11 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

12 A. The purpose of my rebuttal testimony is to address the recommended Transmission
13 Service Line Extension policy changes proposed by Texas Industrial Energy
14 Consumers (TIEC) witness Jeffrey Pollock.
15

16 III. TRANSMISSION LINE EXTENSION POLICY (69 KV AND ABOVE)

17 Q. CAN YOU SUMMARIZE THE COMPANY'S PROPOSED CHANGES TO ITS
18 TRANSMISSION LINE EXTENSION POLICY?

19 A. Yes. The Company is proposing the following changes to its Transmission Line
20 Extension Policy:

- 21 1) The Company is proposing to remove the one-mile allowance from its current
22 Transmission Line Extension policy.
23 2) The Company is proposing to add clarifying language that the Company has the
24 final determination on whether the load warrants transmission service.

1 3) The Company is proposing to add language that the Company may require
2 contractual agreements and other means of security to ensure that the extension is
3 carried out under reasonable financial terms and conditions.

4 Q. DO YOU AGREE WITH MR. POLLOCK’S ASSERTIONS REGARDING THE
5 FIRST PROPOSED CHANGE?

6 A. No. Mr. Pollock states that this change “would require the customer to fully pay for
7 any costs to connect the customers load to the transmission system.” To the contrary,
8 this proposed change does not require the customer to fully pay all costs to connect to
9 the transmission system in each case. The proposed language change removes the
10 one-mile allowance, which currently allows the customer to avoid cost responsibility
11 if the extension is one mile or less. However, the first proposed change also adds
12 language stating that “The Company will evaluate each new transmission customer’s
13 request for connection to the transmission system to determine if a CIAC will be
14 required.” In cases where components of the line extension provide benefit to the
15 transmission system or in cases where there is a reasonable possibility that one or
16 more other loads will be served by the facilities constructed in the extension, the
17 customer would not “fully” pay the costs to connect. This approach allows the
18 Company to allocate costs consistent with the principal of cost causation based on the
19 facts present in each case.

20 Q. DO YOU AGREE WITH MR. POLLOCK’S RECOMMENDATIONS
21 REGARDING THE FIRST PROPOSED CHANGE?

22 A. No. Mr. Pollock recommends that the Company change its Transmission Line
23 Extension Policy to include a provision to refund a portion of a CIAC associated with

1 facilities that are subsequently used to serve other loads. The example comparative
2 tariff language he provides, however, is from a non-ERCOT utility, and as such does
3 not reflect practice within ERCOT. As indicated in the previous answer, the
4 Company's proposed extension policy provides a means to address that issue in
5 determining the initial CIAC payment, which negates the potential to refund a portion
6 of the CIAC at a later date. In addition, it would be expected that a customer would
7 want to know the project costs up front in order to make various business decisions
8 related to the project.

9 Q. DO YOU AGREE WITH MR. POLLOCK'S RECOMMENDATIONS
10 REGARDING THE SECOND PROPOSED CHANGE?

11 A. Yes, but only in part. Mr. Pollock appears to agree with the Company's proposal that
12 the Company will determine the appropriate delivery voltage for the extension.
13 However, Mr. Pollock uses the words "minimum voltage level" verses "appropriate
14 delivery voltage" and does not clarify what the difference is between "minimum
15 voltage level" and "appropriate delivery voltage". AEP's use of "appropriate delivery
16 voltage" allows AEP to determine, based on the customer needs at the location of the
17 request and impacts on the system, what the "appropriate delivery voltage" should be
18 to meet the customer needs and not adversely impact the network. The use of the
19 word "minimum" attempts to constrain the Company's discretion to find the best
20 solution, by inserting the concept of "just enough to get by." In the long run, such an
21 approach could be more costly, if expansion becomes necessary due to expected
22 customer expansion or other load growth in the area. It is the electric companies'

1 responsibility to plan for growth and as such a study of the customer connection
2 request would determine an “appropriate delivery voltage”.

3 Q. CAN YOU PLEASE PROVIDE THE COMPANY’S PROPOSED LANGUAGE
4 REGARDING THE THIRD CHANGE TO ITS TRANSMISSION VOLTAGE
5 FACILITIES EXTENSION POLICY?

6 A. Yes. Below is the proposed language change regarding contractual agreements and
7 other means of security:

8 Additionally, the Company may require additional contractual
9 agreements and other means of security to ensure the costs for
10 planning, licensing and constructing non-customer owned facilities
11 are recoverable in the event the transmission service customer is
12 unable to take transmission service.

13 Q. DO YOU AGREE WITH MR. POLLOCK’S ASSERTIONS REGARDING THE
14 THIRD PROPOSED CHANGE?

15 A. No. Mr. Pollock asserts that because the customer pays the entirety of all costs
16 incurred to interconnect the customer to AEP Texas’ transmission system, it is
17 unclear that the proposed third change is needed. Based on this response, I assume
18 that Mr. Pollock is addressing the Company’s proposal that “other means of security
19 may be required” and he is not asserting that contractual arrangements are
20 unnecessary. If this is correct, as discussed earlier in my rebuttal testimony, the
21 Company’s proposed language change does not require the customer to pay for the
22 entirety of all costs incurred in every case. In those cases, as indicated in the
23 proposed language change, the Company believes it is eminently reasonable to make
24 provision for recovery of costs incurred in the event the customer is unable to take

1 service. Transmission level facilities extension may involve very significant outlays
2 of AEP Texas funds, running at times into millions of dollars. It is reasonable and
3 appropriate for both parties to expect that such undertakings would be supported by
4 clearly stated, contractually enforceable undertakings to protect the financial interests
5 of the parties.

6 Q. WHAT IS MR. POLLOCK'S ADDITIONAL RECOMMENDATION REGARDING
7 THE COMPANY'S TRANSMISSION LINE EXTENSION POLICY?

8 A. Mr. Pollock recommends that the Company modify its Transmission Line Extension
9 policy to explicitly state that retail transmission customers have a choice to construct,
10 own, and maintain the substation serving their loads.

11 Q. DO YOU BELIVE THIS MODIFICATOIN IS NECESSARY?

12 A. No. It is not necessary because the Company has a long-standing practice of allowing
13 customers to construct, own, operate and maintain a substation to serve their own
14 loads and the Company currently has existing customers who construct, own and
15 maintain the substation serving their loads. In addition, the proposed changes to the
16 line extension policy language reference non-customer owned facilities, which clearly
17 contemplates the existence of "customer owned" facilities and creates no obstacle to
18 their existence. Since such facilities do not involve provision of service from AEP
19 Texas, there is no reason that they be included in the tariff.

20 Q. DOES MR. POLLOCK HAVE ANY ADDITIONAL RECOMMENDATIONS
21 RELATED TO CUSTOMER CONSTRUCTION, MAINTENANCE AND
22 OWNERSHIP OF SUBSTATION FACILITES?

1 A. Yes. Mr. Pollock recommends that the tariff provide the ability for the transmission
2 owning utility and retail customer to enter into the appropriate NERC agreements
3 delegating responsibilities for meeting NERC reliability standards.

4 Q. WHAT IS THE COMPANY'S POSITION REGARDING THIS
5 RECOMMENDATION?

6 A. The Company is opposed to this recommendation. The rebuttal testimony of
7 Company witness Daniel Boezio will address the Company's position regarding this
8 issue.

9

10 IV. CONCLUSION

11 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

12 A. Yes, it does.