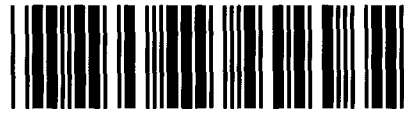


Control Number: 49793



Item Number: 5

Addendum StartPage: 0

**DOCKET NO. 49793**

**APPLICATION OF ONCOR  
ELECTRIC DELIVERY COMPANY  
LLC, FOR INTERIM UPDATE OF  
WHOLESALE TRANSMISSION  
RATES** §  
§  
§  
§  
§

**PUBLIC UTILITY COMMISSION  
OF TEXAS**

2019 JUL 26 AM 10:30  
FILED  
PUBLIC UTILITY COMMISSION  
OF TEXAS  
FILING CLERK

**COMMISSION STAFF'S FINAL RECOMMENDATION**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this recommendation. Staff recommends that the application be approved. In support thereof, Staff would show the following:

**I. BACKGROUND**

On July 25, 2019, Oncor Electric Delivery Company LLC (Oncor) filed an application for interim update of wholesale transmission rates pursuant to 16 Tex. Admin. Code § 25.192(h). Oncor requested an interim revision to its previously-approved transmission cost of service (TCOS) and wholesale transmission rate. Along with the application, Oncor filed the direct testimony of J. Michael Sherburne and the interim TCOS filing package, schedules, and work papers.

Oncor's application seeks a total annual revenue requirement of \$967,272,505 based upon an increase of \$232,062,394 in net transmission invested capital. The requested annual revenue requirement would be an increase of \$33,451,074 to the revenue requirement in Docket No. 49160.<sup>1</sup> Oncor further requests approval of an interim wholesale transmission rate of \$13,943.880032 per megawatt per year.

On July 29, 2019, the administrative law judge issued Order No. 1 requiring Staff to file a recommendation on final disposition by August 29, 2019. This pleading, therefore, is timely filed.

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<sup>1</sup> *Application of Oncor Electric Delivery Company LLC for Interim Update of Wholesale Transmission Rates, Docket No. 49160 Final order (April 26, 2019).*

5

## II. FINAL RECOMMENDATION

After review and based on the attached memoranda of Diane Hopingardner and Brian Murphy of the Commission's Rate Regulation Division, Staff recommends that the application be approved as filed, with the final determination of the recoverable amounts of these transmission facilities additions being made at the next complete review of Oncor's cost of service. Staff also recommends that Oncor be required to file a "clean" record copy of its updated wholesale rate schedule *Network Transmission Service (Rate NTS)* to be stamped "Approved" by the Commission's Central Records Division and retained for future reference.

## III. CONCLUSION

For the reasons stated above, Staff respectfully requests an order consistent with the above recommendations.

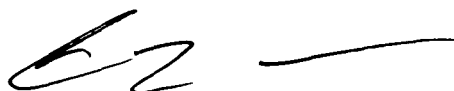
Dated: August 29, 2019

Respectfully Submitted,

### **PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Stephen Mack  
Managing Attorney

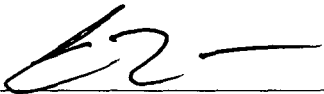


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**DOCKET NO. 49793**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on this the 29<sup>th</sup> of August 2019 in accordance with 16 TAC § 22.74.

  
\_\_\_\_\_  
Creighton R. McMurray

# *Public Utility Commission of Texas*

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## **Memorandum**

TO: Creighton McMurray, Legal Division  
FROM: Diane Hopingardner, Rate Regulation Division  
DATE: August 29, 2019  
SUBJECT: Docket No. 49793, Application of Oncor Electric Delivery Company LLC for Interim Update of Wholesale Transmission Rates

### **SUMMARY AND RECOMMENDATION**

This memo presents the accounting and financial analysis recommendations regarding Oncor Electric Delivery Company LLC's (Oncor) July 25, 2019 request for an interim revision to its previously approved transmission cost of service and wholesale transmission rates pursuant to 16 Texas Administrative Code (TAC) § 25.192(h).

Pursuant to 16 TAC § 25.192(h)(1), each transmission service provider (TSP) in the ERCOT region may apply to update its transmission rates on an interim basis not more than twice per calendar year to reflect changes in its invested capital. The new rates should reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, and the Commission-allowed rate of return on such facilities as well as changes in load. Pursuant to 16 TAC § 25.192(h)(2), the Commission shall review whether the cost of transmission plant additions are reasonable and necessary at the next complete review of the TSP's transmission cost of service.

Additionally, 16 TAC § 25.192(c) states that transmission cost of service shall be based on the expenses in Federal Energy Regulatory Commission (FERC) expense accounts 560-573 plus the depreciation, federal income tax, and other associated taxes, and the Commission-allowed rate of return based on FERC plant accounts 350-359, less accumulated depreciation and accumulated deferred federal income taxes, as applicable.

For the period ending June 30, 2019, Oncor requests a total annual revenue requirement of \$967,272,505 based upon an increase of \$232,062,394 in net transmission invested capital. Oncor's request includes additions to and retirements of transmission investment subsequent to December 31, 2018. The amounts included in the total annual revenue requirement are as follows:

| <b>Description</b>                       | <b>Interim Revenue Requirement</b> |
|--|------------------------------------|
| Operation and Maintenance                | \$ 148,102,424                     |
| Depreciation and Amortization            | \$ 271,079,753                     |
| Taxes Other Than Income Taxes            | \$ 102,924,523                     |
| Federal Income Tax                       | \$ 36,278,840                      |
| Return on Rate Base                      | \$ 431,348,977                     |
| Other Revenues                           | \$ (22,462,012)                    |
| <b>Total Interim Revenue Requirement</b> | <b>\$ 967,272,505</b>              |

Pursuant to 16 TAC § 25.192(h)(2), my review of Oncor's application is only a conditional review and not the final determination as to the appropriateness of the new transmission facilities and resulting wholesale transmission rate. I have completed my review of the application and recommend the inclusion of Oncor's operations and maintenance expense and return on rate base to its updated transmission invested capital balance. I also recommend the inclusion of the increase in associated property taxes of \$3,261,711 and Texas margin tax in the amount of \$111,160.<sup>1</sup> In addition, I recommend the increase in federal income taxes of \$2,567,741. The incremental federal income tax expense was calculated using the 21% federal income tax rate pursuant to the Tax Cuts and Jobs Acts of 2017.

Oncor's resulting interim revenue requirement is \$967,272,505 which is an increase of \$33,451,074 to the revenue requirement approved in Docket No. 49160.<sup>2</sup>

I recommend that Oncor's application be approved as filed on July 25, 2019, with the final determination of the recoverable amounts of these transmission facilities additions being made at the next complete review of Oncor's cost of service.

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<sup>1</sup> *Application at Schedule E-2.*


<sup>2</sup> *Application of Oncor Electric Delivery Company LLC for Interim Update of Wholesale Transmission Rates. Docket No. 49160, Final order. (April 26, 2019)*

# PUBLIC UTILITY COMMISSION OF TEXAS

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## Memorandum

**TO:** Creighton McMurray  
Legal Division

**FROM:** Brian Murphy   
Rate Regulation Division, Tariff & Rate Analysis

**DATE:** August 29, 2019

**RE:** **Docket No. 49793**—*Application of Oncor Electric Delivery Company LLC for Interim Update of Wholesale Transmission Rates*

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On July 25, 2019, Oncor filed for an interim update of its wholesale transmission rate approved in Docket No. 49160.

I have reviewed the Company's requested interim wholesale transmission rate of \$13,943.880032 per megawatt ("MW") per year, which was calculated by dividing the above-requested interim revenue requirement by the average of the Electric Reliability Council of Texas's ("ERCOT's") 2018 monthly peak loads in June, July, August, and September ("4-CP months") of 69,368.9635 MW, obtained from Public Utility Commission of Texas ("PUCT" or "Commission") Docket No. 48928, *Commission Staff's Petition to Set 2019 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*.

Based on the above information and recommendations of other assigned Staff, I conclude that Oncor's requested interim wholesale transmission rate has been calculated correctly and should be approved, subject to a more comprehensive review of the Company's transmission cost of service pursuant to 16 TAC § 25.192(h)(2).

I recommend that the Company be required to file a "clean" record copy of its updated wholesale rate schedule *Network Transmission Service (Rate NTS)* to be stamped "Approved" by the Commission's Central Records Division and retained for future reference.