



Control Number: 51415



Item Number: 41

Addendum StartPage: 0

PUC DOCKET NO. 51415
SOAH DOCKET NO. 473-21-0538



APPLICATION OF SOUTHWESTERN §
ELECTRIC POWER COMPANY FOR §
AUTHORITY TO CHANGE RATES §

BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

LIST OF ISSUES TO BE ADDRESSED

Southwestern Electric Power Company (SWEPCO or Company) files this proposed list of issues to be addressed, in accordance with the Commission's Order of Referral.

I. ISSUES TO BE ADDRESSED

1. Did SWEPCO comply with the form and instructions for the Commission's rate-filing package?
2. Is SWEPCO's application administratively complete?
3. Did SWEPCO provide notice that was adequate and that complied with the requirements of PURA¹ §§ 36.102 and 36.103?
4. Do SWEPCO's application and any update-period submissions comport with PURA § 36.112?
5. What revenue requirement will give SWEPCO a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses?
6. What is the reasonable and necessary cost of providing electric service calculated in accordance with PURA and Commission rules?
7. What adjustments, if any, should be made to SWEPCO's proposed test-year and update-period data?

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (PURA).

Invested Capital – Rate Base and Return

8. Is SWEPCO's proposed use of its actual capital structure appropriate and consistent with past practice?
9. What is the appropriate overall rate of return, return on equity, and cost of debt for SWEPCO, considering the factors specified in PURA § 36.052 and 16 Texas Administrative Code (TAC) § 25.231(c)(1)?
10. What are the reasonable and necessary components of SWEPCO's rate base?
11. What is the original cost of SWEPCO's property used and useful in providing service to the public at the time the property was dedicated to public use? What is the amount, if any, of accumulated depreciation on that property, consistent with Generally Accepted Accounting Principles (GAAP)?
12. Is it reasonable for SWEPCO to reduce the remaining undepreciated value of the Dolet Hills Power Station by the balance of the Company's unprotected excess Accumulated Deferred Income Taxes (ADIT) and the refund provision associated with the protected excess ADIT that SWEPCO has been amortizing in accordance with the *Tax Cuts and Jobs Act of 2017*? If so, should any remaining net amount of undepreciated value of the Dolet Hills plant be expensed over a four-year period?
13. What amount, if any, of SWEPCO's invested capital has not previously been subject to a prudence review by the Commission? If there are any such amounts, what are the amounts, for what facilities, property, or equipment were the investments made, and were the amounts prudently incurred? What amount, if any, of allowance for funds used during construction (AFUDC) is being transferred to invested capital in this proceeding? If AFUDC is being transferred, for what facilities and at what rate was the AFUDC accrued?
14. Did any of SWEPCO's invested capital arise from payments made to an affiliate? If so, for each item or class of items, does the payment conform to the requirements in PURA § 36.058?
15. What is the reasonable and necessary cash working capital allowance for SWEPCO calculated in accordance with Commission rules?

- A. Does SWEPCO's lead-lag study for its proposed allowance for cash working capital comply with Commission rules?
 - B. If not, should cash working capital be set at a negative one-eighth of operations and maintenance expenses?
16. Is SWEPCO seeking approval of a self-insurance plan or changes to an existing plan? If so,
- A. Is the coverage provided by the plan in the public interest?
 - B. Does the plan provide a lower-cost alternative to purchasing commercial insurance? Will ratepayers receive the benefits of the savings?
 - C. What is the reasonable and necessary target amount for SWEPCO's self-insurance reserve account?
 - D. What is the reasonable and necessary amount of annual accruals to properly fund the self-insurance reserve account?
 - E. What is the amount, if any, of any shortage or surplus for the reserve account for the approved plan, and what actions, if any, should be taken to return the reserve account to the approved target amount?
17. What is the reasonable and necessary amount, if any, of SWEPCO's accumulated reserve for deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items, if any, should be deducted from SWEPCO's rate base?
18. What regulatory assets, if any, are appropriately included in rate base? If included, what is the appropriate treatment of such regulatory assets?
19. What post-test-year adjustments for known and measurable rate-base changes to historical test-year data, if any, should be made? Do any such adjustments comport with the requirements of 16 TAC § 25.231(c)(2)(F)?
- A. Does each addition equal at least 10% of SWEPCO's requested rate base, exclusive of post-test-year adjustments and construction work in progress? For additions that

do not comprise at least 10% of SWEPCO's requested rate base, (1) does PURA § 36.112(f) apply, or (2) should the Commission grant a good cause exception to 16 TAC § 25.231(c)(2)(F)?

- B. Will each plant addition be in service before the rate year begins?
- C. For any post-test-year adjustments, what future filings, if any, should SWEPCO be required to make to verify that the plant was placed in service before the rate year begins?
- D. Have the attendant impacts on all aspects of SWEPCO's operations (including but not limited to, revenue, expenses and invested capital) been identified, quantified, and matched?

Expenses

- 20. What are SWEPCO's reasonable and necessary operations and maintenance expenses?
- 21. What are SWEPCO's reasonable and necessary administrative and general expenses?
- 22. What are SWEPCO's reasonable rate-case expenses under PURA § 36.061 and 16 TAC § 25.245?
 - A. Does this amount include any anticipated expenses to appeal this proceeding?
 - B. What are the intervening cities' reasonable rate-case expenses under PURA § 36.023(b) and 16 TAC § 22.245?
- 23. What is SWEPCO's reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate rates and methods for depreciation, including service lives and salvage value?
- 24. What is SWEPCO's reasonable and necessary amount for assessments and taxes, other than federal income taxes?
- 25. What is the reasonable and necessary amount for municipal franchise fees? What is the appropriate amount to be included in base rates?
- 26. What is the reasonable and necessary amount for SWEPCO's federal income tax expense?

27. Is SWEPCO's proposed treatment of federal income taxes consistent with PURA, the Commission's substantive rules, and the Commission's amended order in Docket No. 47945?²
- A. Has SWEPCO returned to customers any excess revenue collected due to the reduction in the corporate federal income tax rate from 35% to 21% from January 25, 2018 through the date final rates are set in this proceeding? If not, should SWEPCO return the excess revenue to customers and what interest rate should apply to the over-collected amount?
28. Are there any tax savings derived from liberalized depreciation and amortization, investment tax credits, or similar methods? If so, are they apportioned equitably between consumers and SWEPCO, and are the interests of present and future customers equitably balanced, as required by PURA § 36.059?
29. What is the reasonable and necessary amount for SWEPCO's advertising expense, contributions, and donations?
30. What are SWEPCO's reasonable and necessary expenses for pension and other post-employment benefits calculated in accordance with PURA § 36.065 and 16 TAC § 25.231(b)(1)(H)?
31. Has SWEPCO made any payments for expenses to affiliates? If so, for each item or class of items,
- A. Are costs appropriately assigned to SWEPCO and its affiliates?
- B. Has SWEPCO met the standard for recovery of affiliate costs under PURA § 36.058 and Commission rules?
32. Is SWEPCO's proposed increase in the level of distribution vegetation management expenses for its Texas distribution system reasonable and necessary?

² *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order Related to Changes in Federal Income Tax Rates (Feb. 15, 2018).

33. Are any expenditures unreasonable, unnecessary, or not in the public interest, including but not limited to executive salaries, advertising expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines?
34. What post-test-year adjustments for known and measurable changes to historical test-year and update-period data for expenses, if any, should be made? For any such adjustments, have all the attendant impacts on all aspects of SWEPCO's operations (including but not limited to, revenue, expenses and invested capital) been identified with reasonable certainty, quantified and matched?
35. What are the appropriate amounts, if any, for transmission expenses and revenues under FERC-approved tariffs to be recovered?

Deferred Costs

36. Is SWEPCO seeking to defer any costs, including any rate-case expenses, in this proceeding for recovery in a future proceeding? If so, what is the amount of such costs, and why were those costs incurred (or why will they be incurred?) Is deferral of those costs necessary to carry out a provision of PURA? If not, why is it necessary to defer these costs? What are the appropriate standards by which to make these determinations?
37. Should SWEPCO be granted authority to defer its Texas jurisdictional transmission and distribution (T&D) related Hurricane Laura restoration costs? If so, is it appropriate for SWEPCO to charge its T&D restoration costs against the self-insurance reserve approved in this case as a regulatory asset that will be reduced each month by the amount of reserve collected?
38. Should SWEPCO be granted authority to defer the portion of its ongoing SPP Open Access Transmission Tariff charges that is above or below the net Test Year level into a regulatory asset or liability until they can be addressed in a future TCRF or base-rate proceeding?

Rate Design and Tariffs

39. What are the just and reasonable rates calculated in accordance with PURA and Commission rules? Do the rates comply with the requirements in PURA § 36.003?
40. What are the appropriate rate classes for which rates should be determined? Is SWEPCO proposing any new rate classes? If so, why are these new rate classes needed?

41. What are the appropriate billing and usage data for SWEPCO's test year?
 - A. What known and measurable changes, if any, should be used to adjust the test-year data?
 - B. What changes, if any, are necessary to reflect abnormal weather conditions?
42. Is SWEPCO's line-loss study reasonable, sufficiently recent, and are the resulting loss factors reasonable?
43. What is the just and reasonable amount of expenses and invested capital properly allocable to SWEPCO's end-use customers in Texas, i.e., what is the appropriate state jurisdictional allocation?
44. What are the appropriate allocations of SWEPCO's revenue requirement to functions and rate classes?
 - A. Does SWEPCO have any customer-specific contracts for the provision of transmission or distribution service? If so, identify each customer and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has SWEPCO appropriately allocated revenues and related costs associated with such contracts?
 - B. What are the appropriate allocations of revenues and related costs associated with contracts that SWEPCO enters into with wholesale customers?
 - C. Do all allocation factors properly reflect the types of costs allocated?
 - D. What are the appropriate allocations of SWEPCO's transmission investment, expenses and revenues, including transmission expenses and revenues under FERC-approved tariffs, among jurisdictions?
45. What is the appropriate amount of SWEPCO municipal franchise fees to include in base rates? Is it appropriate to recover a portion of the municipal franchise fees through direct charges to customers in the applicable municipal jurisdictions?
46. Are all rate classes at unity? If not, what is the magnitude of the deviations, and what, if anything, should be done to address the lack of unity?

47. Has SWEPCO proposed any rate riders? If so, should any of the proposed rate riders be adopted? If so, what are the appropriate costs to be recovered through the riders and what are the appropriate terms and conditions of the riders?
48. Does SWEPCO have any existing rate riders that should be modified or terminated? What regulatory assets or other items are currently being recovered through rate riders?
49. What tariff revisions are appropriate as a result of this proceeding?
50. Are SWEPCO's proposed changes to its rules and rate tariffs reasonable?

Baselines for Cost-recovery Factors

51. Should baseline amounts be determined in this proceeding for future SWEPCO transmission-cost-recovery-factor, distribution-cost-recovery-factor, generation-cost-recovery-rider, or purchased-power-cost-recovery-factor filings? If so, what are the investment and expense components and amounts?

Additional Issues

52. Should the Commission approve SWEPCO's request for waivers of requirements, if any, in the Commission's rate-filing package?
53. Has SWEPCO complied with all the requirements of the Commission's final order in Docket No. 46449³?
54. What amount, if any, of the rate-case expenses SWEPCO seeks to recover for participation by SWEPCO and municipalities in past regulatory proceedings is reasonable and necessary? Over what period of time should any such amount be recovered?
55. Is a certificate of convenience and necessity filing or other Commission pre-approval required for a vertically integrated utility outside of ERCOT when a battery is installed as an alternative to a distribution upgrade, or installed in a new high voltage switching station or substation as an alternative to a transmission upgrade, and not used to sell energy or ancillary services in the wholesale market?

³ *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing (Mar. 19, 2018).

II. CONCLUSION

SWEPCO respectfully requests that the Commission include the foregoing list of issues as matters to be decided in this case and grant SWEPCO any other relief to which it shows itself justly entitled.

Respectfully submitted,

Melissa Gage

State Bar No. 24063949

magage@aep.com

Leila Melhem

State Bar No. 24083492

lmelhem@aep.com

400 West 15th Street, Suite 1520

Austin, Texas 78701

Telephone: (512) 481-3320

Facsimile: (512) 481-4591

Service Email: aepaustintx@aep.com

**AMERICAN ELECTRIC POWER SERVICE
CORPORATION**

William Coe

State Bar No. 00790477

wcoe@dwmrlaw.com

Kerry McGrath

State Bar No. 13652200

kmcgrath@dwmrlaw.com

Patrick Pearsall

State Bar No. 24047492

ppersall@dwmrlaw.com

P.O. Box 1149

Austin, Texas 78767

Telephone: (512) 744-9300

Facsimile: (512) 744-9399

DUGGINS WREN MANN & ROMERO, LLP

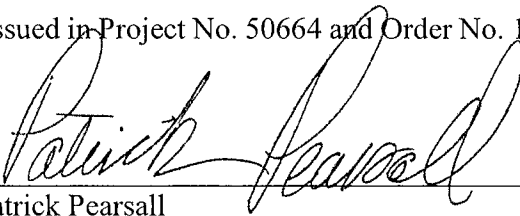
By: 

Patrick Pearsall

**ATTORNEYS FOR SOUTHWESTERN
ELECTRIC POWER COMPANY**

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on November 12, 2020, in accordance with the Second Order Suspending Rules issued in Project No. 50664 and Order No. 1 in this matter.



Patrick Pearsall