



Control Number: 53601



Item Number: 1

DOCKET NO. **53601**

APPLICATION OF ONCOR §
ELECTRIC DELIVERY COMPANY §
LLC FOR AUTHORITY TO CHANGE §
RATES
2022 MAY 10 AM 10:41
BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

**PETITION AND STATEMENT OF INTENT OF
ONCOR ELECTRIC DELIVERY COMPANY LLC
FOR AUTHORITY TO CHANGE RATES**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

Oncor Electric Delivery Company LLC (“Oncor” or “Company”), an investor-owned electric utility within the terms of the Public Utility Regulatory Act, Texas Utilities Code Title 2 (“PURA”),¹ hereby submits this Petition and Statement of Intent (“Petition”), respectfully showing the following:

I. INTRODUCTION AND REQUESTED ACTION

Oncor’s filing of this Petition is timely under the requirements of PURA §§ 36.102 and 36.157, the Public Utility Commission of Texas’ (“Commission”) rate review schedule rule, 16 Tex. Administrative Code (“TAC”) § 25.247, and the Commission’s order in Docket No. 52100.² Based on the historic impacts of Winter Storm Uri in February 2021, the Commission’s associated resource constraints, and logistical issues that had been caused by COVID-19, the Commission granted Oncor’s stakeholder-supported request for a good-cause exception to extend the deadline for filing this base-rate case from October 2021 until no later than June 1, 2022.³

The Company has made significant investments in its transmission and distribution (“T&D”) system since December 31, 2016, the end of the test year in its last base-rate case. Oncor has made and continues to make these investments to build the backbone of the growing Texas economy, to benefit customers through improved reliability and customer experiences in its service area, which includes many of the fastest growing cities and counties in the United States, and to facilitate future growth in a technologically

¹ TEX. UTIL. CODE §§ 11.001-66.016.

² *Application of Oncor Electric Delivery Company LLC for Good-Cause Exception to Extend Rate Filing Deadline Under 16 TAC § 25.247*, Docket No. 52100, Order (Jul. 30, 2021).

³ *See id.*, Order at 3-4.

10827

modern and resilient Electric Reliability Council of Texas, Inc. (“ERCOT”) grid. As reported in Oncor’s Form 10-K, the Company has invested a total of approximately \$10.2 billion since 2016 through the end of the test year ending December 31, 2021, upon which this rate filing package (“RFP”) is based. Additionally, as of the end of 2021, Oncor had almost \$1.0 billion in Commission and statutorily authorized costs in non-tax related regulatory assets for which cost recovery is needed. Oncor’s other costs have also increased over the last approximately five and a half years since the Company’s last test year ended. For example, Oncor’s wholesale transmission service expense has increased \$135 million due to increases in the rates of third-party wholesale transmission service providers and growth in Oncor demand.

During this period, Oncor has also completed stakeholder-supported transactions found by the Commission to be in the public interest and that have resulted in an expansion of the Company’s T&D assets. These include the 2017 and 2019 transactions related to Sharyland Distribution & Transmission Services, L.L.C. and Sharyland Utilities, L.P. (collectively, “Sharyland”) and InfraREIT, Inc. (“InfraREIT”). As explained in the relevant direct testimonies included with the RFP, these transactions demonstrate Oncor’s commitment to supporting the needs of Texas and its citizens, and the related capital investment, a portion of which has not been previously reviewed for prudence, was in fact prudent and should be included in Oncor’s rate base.

As a result of Oncor’s significant investments, these transactions, the Company’s increased costs since its last base-rate case, and the need to recover its regulatory asset balances, the Company’s existing rates are inadequate. For Oncor to recover its reasonable cost of service and provide an opportunity for the Company to earn a reasonable return, Oncor’s present revenues should be increased by approximately \$251 million, or approximately 4.5% over Oncor’s current annualized revenues.

Therefore, under PURA § 36.102 and 16 TAC §§ 22.243 and 25.231, and the Commission’s Transmission & Distribution (TDU) Investor-Owned Utilities Rate Filing Package for Cost-of-Service Determination (“IOU-T&DCOS-RFP”), Oncor hereby files this Petition and RFP, including the direct testimony of 27 internal and external Company witnesses and related materials, demonstrating that Oncor’s existing rates do not permit the Company to recover its reasonable cost of service and earn a reasonable return.

Oncor's RFP is presented on a system-wide basis and reflects Oncor's and Oncor Electric Delivery Company NTU LLC's ("Oncor NTU") cost of service on a consolidated basis. The Company prepared the RFP using actual test-year books and records, adjusted for known and measurable changes, using traditional and widely accepted ratemaking principles. The revenue requirement and rate design that Oncor has included in the RFP are factually supported, and Oncor strongly believes that the proposed increase is appropriate and fully justified. The Company has included proposed revisions to its tariffs, and schedules are included in the RFP and incorporated herein by reference. A summary statement of the proposed rate changes, their expected impact on the revenues of Oncor, and their expected effect on each class of customers is provided in Exhibit 1 to this Petition.

Oncor is proposing rates in this RFP that will support the long-term financial integrity of the Company by reflecting its capital investment not currently in rates, timely recovery of operating costs (including increased storm-related recovery), a stronger balance sheet through increased equity in its capital structure, and market-driven, fair, and compensatory return on invested capital. Oncor has invested heavily in Texas, and its proposed rates will enable it to continue doing so, including investing in new technology-driven infrastructure that is designed to reliably meet the growing electrical system needs in ERCOT for the 21st century.

II. AUTHORIZED REPRESENTATIVES

Oncor's designated legal and business representatives for purposes of this proceeding are:

Tab R. Urbantke
State Bar No. 24034717
Myles F. Reynolds
State Bar No. 24033002
Lauren Freeland
State Bar No. 24083023
Hunton Andrews Kurth LLP
1445 Ross Avenue, Suite 3700
Dallas, Texas 75202
214.979.3095
214.880.0011 (fax)

Matthew C. Henry
Senior Vice President, General Counsel
and Secretary
Howard V. Fisher
Senior Counsel
Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202
214.486.2000

Jo Ann Biggs
State Bar No. 02312400
Jaren A. Taylor
State Bar No. 24059069
Vinson & Elkins LLP
2001 Ross Avenue, Suite 3900
Dallas, Texas 75201
214.220.7735
214.999.7735 (fax)

General inquiries concerning this RFP should be directed to Mr. J. Michael Sherburne at the above-stated Oncor address or at 214.486.4981. All pleadings, motions, orders, and other documents filed in this proceeding should be served upon Mr. Urbantke at the above-stated address and sent to regulatory@oncor.com.

III. JURISDICTION

The Commission has exclusive jurisdiction over the rates, operations, and services of Oncor in areas outside municipalities pursuant to PURA § 32.001(a)(1) and for those municipalities that have ceded jurisdiction to the Commission pursuant to PURA § 33.002(b). A list of those municipalities is attached as Exhibit 2. Each municipality in Oncor's service area that has not ceded jurisdiction to the Commission has exclusive original jurisdiction over the rates, operations, and services of Oncor in such municipality pursuant to PURA § 33.001. A list of original jurisdiction municipalities is included in Exhibit 3. The Commission also has sole jurisdiction over Oncor's transmission rates pursuant to PURA § 35.004(d). Oncor is filing this case not only at the Commission, but also with all of its original jurisdiction cities. Oncor anticipates that it will appeal the actions of its original jurisdiction cities to the Commission and that the Company will seek consolidation of those appeals with this docket. It is Oncor's intention to seek one set of system-wide rates for each customer class served on the Oncor and Oncor NTU systems.

IV. EFFECTIVE DATE

The proposed effective date of the requested rate change is June 17, 2022, which is at least 35 days after the filing of this Petition as allowed under PURA § 36.102.

V. TEST YEAR

The test year upon which this RFP is based is the year ending December 31, 2021.

VI. FILING OVERVIEW

This filing consists of a Table of Contents, this Petition, direct testimonies, proposed tariffs, schedules, and workpapers in 12 volumes that satisfy the requirements of PURA § 36.102 and the Commission's IOU-T&DCOS-RFP instructions. Oncor's direct testimonies, along with supporting schedules and workpapers, are presented by the following witnesses:

Witness	Principal Subjects Covered	Vol./Page
E. Allen Nye, Jr. Chief Executive Officer	High-level introduction to Oncor; challenges and opportunities Oncor experienced during the last five years; importance of Oncor's maintaining a strong financial profile and partnering productively with stakeholders; importance of Oncor's recovering its reasonable costs of doing business and a competitive return of and on its investment in Texas.	Volume 1 Pages 28-47
James A. Greer Executive Vice President & Chief Operating Officer	Executive Summary; overview of Oncor; case organization; Oncor's RFP and revenue requirement; Oncor's functional organization; capital investment strategy; operation and maintenance ("O&M") strategy; resource allocation; employee levels and compensation; financial management; safety	Volume 1 Pages 48-145

Witness	Principal Subjects Covered	Vol./Page
	performance; reliability performance and service quality; need for legal services.	
Wesley R. Speed Vice President Transmission Operations	Transmission system and organization; Oncor's transmission capital investment; InfraREIT acquisition; 2017 asset exchange; resiliency and other initiatives; transmission and load-serving substation O&M activities; materials and supplies inventory; Electric Plant Held for Future Use; Schedule M.	Volume 1 Pages 146-320
Keith Hull Vice President Distribution Operations	Distribution organization; response to Winter Storm Uri; Distribution capital investment; Distribution O&M; outage response and emergency restoration; vegetation management; street lights; safety, health, and operations training; Distribution labor needs; materials and supplies inventory.	Volume 1 Pages 321-377
Joseph B. Nichols 1898 & Co.	Prudence of certain Sharyland assets acquired in 2019 InfraREIT acquisition.	Volume 1 Pages 378-445
Collin M. Martin Sr. Director Transmission Grid Operations	T&D Operations organization; Transmission Grid Operations; major operations initiatives since 2016; transmission management system replacement; telecommunications refresh program; new back-up control center; Sharyland operations transition;	Volume 2 Pages 446-489

Witness	Principal Subjects Covered	Vol./Page
	services provided to Oncor NTU and Sharyland; operations during Winter Storm Uri.	
Hagen Haentsch Director Distribution Operations Center	Overview of Advanced Data Analytics; Oncor's grid technology and other investments and resulting benefits concerning use of Advanced Data Analytics; benefits to system reliability and customers, including outage reduction, enhanced storm damage prediction and restoration, targeted vegetation management, and customer engagement.	Volume 2 Pages 490-518
Ellen E. Buck Vice President Business & Operations Services	Overview of Business and Operations Services Organization; T&D Supply Chain; strategic sourcing and procurement; inventory management; working reserves and capital spares; facilities managed by T&D Supply Chain; COVID-19 response.	Volume 2 Pages 519-546
Daniel E. Hall Vice President Measurement & Billing	Overview of Measurement and Billing Organization; measurement services; transformation of metering services; billing services; reasonableness and necessity of O&M expenses associated with metering and billing; working meter reserves.	Volume 2 Pages 547-564
W. Alan Ledbetter Vice President and Controller	Financial reporting and accounting practices; description and functionalization of net rate base; known and measurable O&M adjustments; description	Volume 2 Pages 565-724

Witness	Principal Subjects Covered	Vol./Page
	and functionalization of adjusted Cost of Service; Transmission Cost of Service.	
Dane A. Watson Alliance Consulting Group	Depreciation study.	Volume 2 Pages 725-949
Joel S. Austin Senior Vice President & Chief Digital Officer	Overview of Technology, Measurement & Billing, and Customer Engagement ("TMC") organization; overview of cost controls and TMC-related O&M costs; overview of Technology Modernization Program; overview of TMC capital investments; outsourcing relationships.	Volume 3 Pages 950-983
Malia A. Hodges Senior Vice President & Chief Information Officer	Overview of Technology group; overview of process for ensuring investments are prudent; overview of major technology projects since December 31, 2016; retirements of technology assets; reasonableness and necessity of investments.	Volume 3 Pages 984-1056
Matthew D. Smith Woodview Advisors, LLC	Outsourcing solutions for information technology, customer care, and human resources ("HR"); governance of service providers; reasonableness of test year costs for outsourcing contracts.	Volume 3 Pages 1057-1087
Michael G. Grable Vice President Regulatory Strategy & Chief Compliance Officer	Standards for affiliate transactions; overview of affiliate services/transactions provided to Oncor from affiliates; known and measurable changes to affiliate expenses; overview of affiliate	Volume 3 Pages 1088-1167

Witness	Principal Subjects Covered	Vol./Page
	services/transactions provided to affiliates by Oncor; compliance with rules governing affiliate transactions; sustainability/environmental, social, and governance initiatives.	
Gregory S. Wilson Lewis & Ellis, Inc.	Oncor's insurance coverage; self-insurance reserve; accrual and target reserve recommendations; cost-benefit analysis.	Volume 3 Pages 1168-1201
Angela Y. Guillory Senior Vice President Human Resources & Corporate Affairs	HR overview; hiring, developing, and retaining skilled work force; labor costs; incentive and compensation details.	Volume 3 Pages 1202-1223
Bonnie L. Clutter Assistant Controller	Federal income tax expense calculation; accumulated deferred federal income taxes; state and local taxes; taxes other than income taxes; franchise fees.	Volume 3 Pages 1224-1281
Ashley Thenmadathil Manager Financial Planning – Management Reporting	Cash working capital calculation/lead-lag study; materials and supplies; prepayments; self-insurance reserve accounting.	Volume 3 Pages 1282-1349
Kevin R. Fease Vice President & Treasurer	Cost of debt; credit ratings; program to reduce debt costs; cost of debt calculation; sustainable financing/sustainable bond framework; capital structure and overall cost of capital; pensions and other post-retirement benefits ("OPEBs"); insurance overview.	Volume 3 Pages 1350-1374
Ellen Lapson Lapson Advisory	Importance of financial strength and resilience; access to debt financing requires strong credit	Volume 4 Pages 1375-1628

Witness	Principal Subjects Covered	Vol./Page
	quality; capital structure affects credit ratings and financial strength; Oncor's current financial status; equity investments in Oncor; appropriate regulatory capital structure for Oncor.	
Dylan W. D'Ascendis Scott Madden, Inc.	Recommended return on equity and capitalization; capital market conditions; regulatory principles relevant in determining fair rate of return; Oncor and utility proxy group; capital structure support; common equity cost rate models; common equity cost rate adjustments; conclusions regarding Return on Equity and capital structure.	Volume 4 Pages 1629-1756
Alan S. Taper Aon PLC	Overview of pensions and OPEBs accounting and regulatory rules; second OPEB plan; calculating postretirement benefit obligations; transactions to reduce pension liability since last base-rate case; reasonableness and necessity of test year cost for pensions and OPEBs.	Volume 4 Pages 1757-1788
Matthew A. Troxle Director Rates & Load Research	Rate Class Cost of Service Study; rate design; Tariff for Retail Delivery Service; Tariff for Transmission Service; Oncor NTU Tariff for Transmission Service; other services.	Volume 4 Pages 1789-1847
Darryl E. Nelson Senior Manager Regulatory Rates and Load	Customer growth adjustments; weather normalization adjustments; adjustments to reflect	Volume 4 Pages 1848-1870

Witness	Principal Subjects Covered	Vol./Page
	customer responses to power factor.	
Robert A. Schmidt Regulatory Manager III	Rate-case expenses calculation; recovery method; amortization period; selection of legal and consulting resources; rate-case expense controls; reasonableness and necessity of rate-case expenses.	Volume 4 Pages 1871-1890
Andrea M. Stover Partner, Baker Botts L.L.P.	Standards for recovery of rate-case expenses; methodology used to evaluate reasonableness; results of research; opinions and conclusions.	Volume 4 Pages 1891-1917

VII. MOTION TO ENTER PROTECTIVE ORDER

Section VII of the Commission's IOU-T&DCOS-RFP instructions provides for the protection of confidential information. In connection with information required by new Schedule M of the RFP, Oncor respectfully requests entry of a modified version of the Commission's standard Protective Order that expressly includes Critical Energy Infrastructure Information in the definition of "Highly Sensitive Protected Materials." A draft of this proposed order is included in Volume 9 of the RFP. Oncor requests that the Commission enter this slightly modified standard Protective Order as soon as possible to protect confidential material produced in this proceeding.⁴

⁴ The proposed Protective Order is consistent with and substantially similar to protective orders recently adopted in two of Oncor's certificate of convenience and necessity proceedings. *See Application of Oncor Electric Delivery Company LLC to Amend its Certificate of Convenience and Necessity for the Old Country Switch 345-kV Tap Transmission Line in Ellis County*, Docket No. 51455, Order No. 1 Granting Motion for Entry of Modified Protective Order (Nov. 4, 2021); *Application of Oncor Electric Delivery Company LLC to Amend a Certificate of Convenience and Necessity for a 138-kV Transmission Line in Dallas County (Sargent Road-to-Oakland Avenue Tap)*, Docket No. 50217, Order No. 2 Entering Modified Protective Order (Dec. 9, 2019).

VIII. NOTICE

Under 16 TAC § 22.51(a)(1), the notice attached as Exhibit 4 will be published in newspapers having a general circulation in each county in Oncor's service area once a week for four consecutive weeks. Under 16 TAC § 22.51(a)(2), Oncor will provide notice of this filing by mailing a notice substantially in the form attached as Exhibit 5 by first-class mail to all retail electric providers serving customers in Oncor's service area and all entities listed in the Commission's transmission matrix in Docket No. 52989, *Commission Staff's Petition to Set 2022 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*. Under 16 TAC § 22.51(a)(3), Oncor will provide a copy of its statement of intent to the appropriate officer of each municipality in Oncor's service area and will also provide each municipality with a summary package of information, which includes a Summary of Electric Delivery Revenues by Rate Class, the Company's proposed tariffs and testimony summaries. Additionally, Oncor will provide a notice substantially in the form attached as Exhibit 5 by overnight mail to all parties in Oncor's last base-rate case, Docket No. 46957, *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*.

General Instruction No. 13 in the Commission's IOU-T&DCOS-RFP instructions provides that "[a]ll documents created in native electronic format (e.g., Microsoft Word, Microsoft Excel, or similar compatible formats) in the RFP, including testimony and schedules, must be served upon all intervenors in the utility's most recent major rate case in the same native electronic format via flash drive, electronic mail, or similar electronic means on the date of filing." Thus, coincident with this filing, Oncor is providing the RFP in hard copy and in an electronic format to all parties in Docket No. 46957, the Company's most recent major rate case. Additionally, as required by General Instruction No. 15 in the Commission's IOU-T&DCOS-RFP instructions, Oncor is providing voluminous material in electronic format via flash drive.

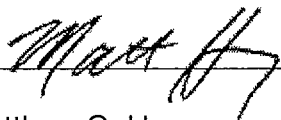
IX. CONCLUSION

Oncor respectfully prays this Honorable Commission approves and authorizes the changes in the Company's rates proposed in its RFP and grant Oncor such other and further relief to which it may be justly entitled.

Respectfully submitted,

Oncor Electric Delivery Company LLC

By:



Matthew C. Henry
Senior Vice President, General Counsel
and Secretary
Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202
214.486.2000

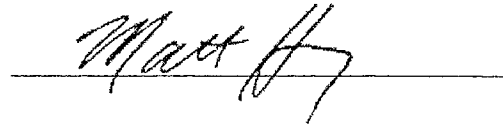
Tab R. Urbantke
State Bar No. 24034717
Myles F. Reynolds
State Bar No. 24033002
Lauren Freeland
State Bar No. 24083023
Hunton Andrews Kurth LLP
1445 Ross Avenue, Suite 3700
Dallas, Texas 75202
214.979.3095
214.880.0011 (fax)

Jo Ann Biggs
State Bar No. 02312400
Jaren A. Taylor
State Bar No. 24059069
Vinson & Elkins LLP
2001 Ross Avenue, Suite 3900
Dallas, Texas 75201
214.220.7735
214.999.7735 (fax)

**ATTORNEYS FOR ONCOR ELECTRIC
DELIVERY COMPANY LLC**

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing Petition and Statement of Intent, together with the RFP, including testimony, proposed tariffs, schedules, and workpapers, have been hand delivered or sent by courier service to PUC Legal and the Office of Public Utility Counsel, on this the 13th day of May, 2022, and that Oncor will otherwise comply with the notice and service requirements described in Section VIII of this Petition.

A handwritten signature in cursive script, appearing to read "Matt H.", is written over a horizontal line.

**2022 RATE CASE
ONCOR ELECTRIC DELIVERY COMPANY LLC
SUMMARY OF ELECTRIC DELIVERY REVENUES BY RATE CLASS**

Line	Rate Class Description	Number of Customers	Present Revenues ¹	Change	Proposed Revenues ²	Change Pct
			(a)	(b)	(c)	(d)
1	Residential	3,258,283	\$1,921,088,302	\$214,360,982	\$2,135,449,284	11.2%
2	Secondary <= 10 kW	304,430	\$95,557,181	-\$7,553,653	\$88,003,528	-7.9%
3	Secondary > 10 kW	203,588	\$1,486,593,538	-\$35,635,126	\$1,450,958,412	-2.4%
4	Primary DL <= 10 kW	3,101	\$1,232,285	\$386,576	\$1,618,861	31.4%
5	Primary > 10 kW Dist. Line	7,158	\$268,296,647	\$27,510,277	\$295,806,924	10.3%
6	Primary > 10 kW Substation	130	\$31,504,042	\$28,145,677	\$59,649,719	89.3%
7	Transmission	283	\$114,261,671	\$50,114,790	\$164,376,461	43.9%
8	Lighting	55,208	\$60,374,542	\$936,098	\$61,310,640	1.6%
9	Retail Electric Delivery Revenues	3,832,181	\$3,978,908,208	\$278,265,621	\$4,257,173,829	7.0%
10	Wholesale Substation	15	\$608,356	\$965,098	\$1,573,454	158.6%
11	Wholesale DLS	48	\$2,160,192	\$4,607,541	\$6,767,733	213.3%
12	Other Revenue	-	\$53,729,847	\$3,327,781	\$57,057,628	6.2%
13	Grand Total	3,832,244	\$4,035,406,603	\$287,166,041	\$4,322,572,644	7.1%
14						
15	Network Transmission Revenue		\$1,481,651,280	-\$36,474,927	\$1,445,176,353	-2.5%
16	Transmission Related Other Revenues		\$43,023,335	\$0	\$43,023,335	0.0%
17	Total Cost of Service		\$5,560,081,218	\$250,691,114	\$5,810,772,332	4.5%

¹ Test-Year revenues have been adjusted to normalize billing units, to remove the revenues associated with Energy Efficiency Cost Recovery Factor and to increase test-year revenues to reflect TCOS, DCRF, and TCRF adjustments.

² TCRF proposed revenue from Oncor Electric Delivery - Transmission Revenue Requirement for Retail Delivery Service, found on Iteration workbook, Wholesale_NTS_RO tab, Excel Row 59 Column H. Proposed rates include proposed Rate Case Expense Amortization of \$8,233,128 which may be severed into a separate Rate Case Expense proceeding.

CITIES THAT HAVE CEDED ORIGINAL JURISDICTION

Abbott	Crockett	Itasca
Alma	Crowley	Jewett
Alvarado	Cumby	Jolly
Alvord	Cushing	Josephine
Angus	Dawson	Joshua
Anna	Dean	Justin
Annetta North	Dorchester	Kaufman
Annetta South	Dublin	Keene
Annona	Ector	Kemp
Appleby	Edgecliff Village	Kerens
Argyle	Edgewood	Knollwood
Athens	Edom	Krum
Aurora	Elgin	Ladonia
Bangs	Elkhart	Lake Bridgeport
Barry	Emhouse	Lake Dallas
Bartlett	Enchanted Oaks	Lakeside City
Bellevue	Eureka	Latexo
Blanket	Eustace	Lavon
Blooming Grove	Everman	Leona
Boyd	Forney	Leroy
Brownsboro	Frost	Lindsay
Buckholts	Garrett	Lipan
Buffalo	Gholson	Lorena
Burke	Godley	Lovelady
Bynum	Golinda	Lowry Crossing
Caddo Mills	Goodlow	Lucas
Cameron	Gorman	Mabank
Campbell	Grandfalls	Malakoff
Caney City	Grandview	Malone
Canton	Granger	Marquez
Carbon	Grapeland	McGregor
Celeste	Gun Barrel City	Melissa
Centerville	Gunter	Melvin
Chico	Hebron	Mertens
Chireno	Hewitt	Milano
Clarksville	Hickory Creek	Mildred
Cockrell Hill	Hideaway	Milford
Collinsville	Holland	Millsap
Comanche	Honey Grove	Mobile City
Como	Hubbard	Moody
Cool	Hudson	Morgan's Point Resort
Corinth	Huntington	Mount Calm
Corsicana	Hutto	Murchison
Crandall	Italy	Mustang

CITIES THAT HAVE CEDED ORIGINAL JURISDICTION

Nacogdoches	Springtown
Navarro	St. Paul
Nevada	Streetman
New Chapel Hill	Taylor
New Fairview	Terrell
Newark	Thorndale
Neylandville	Thorntonville
Northlake	Thrall
Oak Grove	Tira
Oak Leaf	Tool
Oak Valley	Trinidad
Oakwood	Valley View
Oglesby	Van Alstyne
Ovilla	Venus
Payne Springs	Weir
Pecan Gap	Wells
Pecan Hill	West
Penelope	Westbrook
Pflugerville	Wickett
Pleasant Valley	Wills Point
Ponder	Windom
Post Oak Bend	Wolfe City
Powell	Yantis
Poynor	Zavalla
Princeton	
Pyote	
Quinlan	
Ranger	
Reno - Lamar County	
Reno - Parker County	
Retreat	
Rhome	
Rice	
Richland	
Rockdale	
Rogers	
Rosser	
Roxton	
Royse City	
Runaway Bay	
Sadler	
Savoy	
Shady Shores	
Southmayd	

CITIES WITH ORIGINAL JURISDICTION

Ackerly	Cross Roads	Holliday
Addison	Dallas	Howe
Aledo	Dalworthington Gardens	Hudson Oaks
Allen	Decatur	Hurst
Alto	DeLeon	Hutchins
Andrews	Denison	Iowa Park
Annetta	Denton	Irving
Archer City	DeSoto	Jacksboro
Arlington	Diboll	Jacksonville
Arp	Dish	Jarrell
Austin	Dodd City	Keller
Azle	Duncanville	Kennedale
Balch Springs	Early	Killeen
Bardwell	Eastland	Lacy-Lakeview
Bedford	Electra	Lake Worth
Bellmead	Ennis	Lakeside
Bells	Euless	Lamesa
Belton	Fairfield	Lancaster
Benbrook	Fairview	Lewisville
Beverly Hills	Farmers Branch	Lindale
Big Spring	Farmersville	Little Elm
Blue Mound	Fate	Little River Academy
Bonham	Ferris	Loraine
Brady	Florence	Lott
Breckenridge	Flower Mound	Lufkin
Bridgeport	Forest Hill	Manor
Brownwood	Forsan	Mansfield
Bruceville-Eddy	Fort Worth	Marlin
Bullard	Frankston	Mart
Burkburnett	Frisco	Maypearl
Burleson	Gainesville	McKinney
Carrollton	Gallatin	McLendon-Chisholm
Cashion Community	Garland	Mesquite
Cedar Hill	Georgetown	Mexia
Celina	Glenn Heights	Midland
Chandler	Graford	Midlothian
Cleburne	Graham	Mineral Wells
Coahoma	Grand Prairie	Monahans
Colleyville	Grapevine	Muenster
Colorado City	Greenville	Murphy
Commerce	Groesbeck	New Summerfield
Coolidge	Haltom City	Nolanville
Cooper	Harker Heights	Noonday
Coppell	Haslet	North Richland Hills
Copperas Cove	Heath	Oak Point
Coupland	Henrietta	Odessa
Crane	Highland Park	O'Donnell
Cresson	Hillsboro	Overton

CITIES WITH ORIGINAL JURISDICTION

Palestine	University Park
Palmer	Van
Pantego	Waco
Paradise	Watauga
Paris	Waxahachie
Parker	Weatherford
Plano	Westover Hills
Poetry	Westworth Village
Pottsboro	White Settlement
Prosper	Whitehouse
Ravenna	Wichita Falls
Red Oak	Willow Park
Richardson	Wilmer
Richland Hills	Wink
Richland Springs	Woodway
Riesel	Wortham
River Oaks	Wylie
Roanoke	
Robinson	
Rockwall	
Roscoe	
Rosebud	
Round Rock	
Rowlett	
Rusk	
Sachse	
Saginaw	
Salado	
Sanctuary	
Sansom Park	
Seagoville	
Sherman	
Snyder	
Southlake	
Stanton	
Stephenville	
Sulphur Springs	
Sunnyvale	
Sweetwater	
Teague	
Tehuacana	
Temple	
The Colony	
Thornton	
Trophy Club	
Troup	
Troy	
Tyler	

NOTICE OF RATE CHANGE REQUEST

Oncor Electric Delivery Company LLC (“Oncor”) publishes this notice that on May 13, 2022, Oncor filed with the Public Utility Commission of Texas (“Commission”) its Petition and Statement of Intent to Change Rates, a copy of which is kept at Oncor’s office at 1616 Woodall Rodgers Freeway, Dallas, Texas 75202. This notice is being published pursuant to 16 Tex. Admin. Code § 22.51(a)(1).

Oncor’s rate filing, based on the system-wide financial results for a 12-month test year ending on December 31, 2021, adjusted for known and measureable changes, supports a net increase in transmission and distribution rates of approximately \$251 million over adjusted test-year revenues, or approximately a 4.5% increase over adjusted test-year revenues of \$5,811 million. Test-year revenues have been adjusted to normalize billing units, to remove the revenues associated with Oncor’s Energy Efficiency Cost Recovery Factor, and to increase test-year revenues to reflect Transmission Cost of Service (“TCOS”) and Transmission Cost Recovery Factor (“TCRF”) adjustments. TCOS revenue was adjusted to include the March 31, 2022 interim update rate at 2021 ERCOT 4CP. TCRF revenue was adjusted to equal the March 1, 2022 TCRF revenue requirement reflected on Line 2, Attachment A of Oncor’s petition approved in Docket No. 52898 and further adjusted to include the effects of the 2021 ERCOT 4CP load approved in Docket No. 52989. If approved, the increased rates will be charged to Oncor’s direct customers, all retail electric providers (“REPs”), in those portions of Oncor’s service area under the original jurisdiction of the Commission. Each such REP is potentially affected by the proposed change. Depending on the REPs’ actions, the end-use customer classes of such REPs are potentially affected by the proposed change. In addition, the result could be a change in Oncor’s transmission cost of service rates, which would impact all load serving entities in the Electric Reliability Council of Texas. Oncor has requested a June 17, 2022 effective date for its proposed rate change.

Persons who wish to intervene in or comment upon these proceedings, in Docket No. _____, *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136, toll free at (800) 735-2989 or 711. The deadline for intervention in the proceeding is 45 days after the date the application was filed with the Commission.

ONCOR ELECTRIC DELIVERY COMPANY LLC



Oncor Electric Delivery
1616 Woodall Rodgers Frwy
Dallas, Texas 75202

NOTICE OF RATE CHANGE REQUEST

May 13, 2022

Notice to all REPs Certified with the Commission:

On May 13, 2022, Oncor Electric Delivery Company LLC ("Oncor") filed with the Public Utility Commission of Texas ("Commission") its Petition and Statement of Intent to Change Rates, a copy of which is kept at Oncor's office at 1616 Woodall Rodgers Freeway, Dallas, Texas 75202.

Oncor's rate filing, based on the system-wide financial results for a 12-month test year ending on December 31, 2021, adjusted for known and measureable changes, supports a net increase in transmission and distribution rates of approximately \$251 million over adjusted test-year revenues, or approximately a 4.5% increase over adjusted test-year revenues of \$5,811 million. Test-year revenues have been adjusted to normalize billing units, to remove the revenues associated with Oncor's Energy Efficiency Cost Recovery Factor, and to increase test-year revenues to reflect Transmission Cost of Service ("TCOS") and Transmission Cost Recovery Factor ("TCRF") adjustments. TCOS revenue was adjusted to include the March 31, 2022 interim update rate at 2021 ERCOT 4CP. TCRF revenue was adjusted to equal the March 1, 2022 TCRF revenue requirement reflected on Line 2, Attachment A of Oncor's petition approved in Docket No. 52898 and further adjusted to include the effects of the 2021 ERCOT 4CP load approved in Docket No. 52989. If approved, the increased rates will be charged to Oncor's direct customers, all retail electric providers ("REPs"), in those portions of Oncor's service area under the original jurisdiction of the Commission. Each such REP is potentially affected by the proposed change. Depending on the REPs' actions, the end-use customer classes of such REPs are potentially affected by the proposed change. In addition, the result could be a change in Oncor's transmission cost of service rates, which would impact all load serving entities in the Electric Reliability Council of Texas. Oncor has requested a June 17, 2022 effective date for its proposed rate change.

Persons who wish to intervene in or comment upon these proceedings, in Docket No. _____, *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136, toll free at (800) 735-2989 or 711. The deadline for intervention in the proceeding is 45 days after the date the application was filed with the Commission.

Oncor Electric Delivery Company LLC



Oncor Electric Delivery
1616 Woodall Rodgers Frwy
Dallas, Texas 75202

NOTICE OF RATE CHANGE REQUEST

May 13, 2022

Notice to Customers of Wholesale Transmission:

On May 13, 2022, Oncor Electric Delivery Company LLC ("Oncor") filed with the Public Utility Commission of Texas ("Commission") its Petition and Statement of Intent to Change Rates, a copy of which is kept at Oncor's office at 1616 Woodall Rodgers Freeway, Dallas, Texas 75202

Oncor's rate filing, based on the system-wide financial results for a 12-month test year ending on December 31, 2021, adjusted for known and measureable changes, supports a net increase in transmission and distribution rates of approximately \$251 million over adjusted test-year revenues, or approximately a 4.5% increase over adjusted test-year revenues of \$5,811 million. Test-year revenues have been adjusted to normalize billing units, to remove the revenues associated with Oncor's Energy Efficiency Cost Recovery Factor, and to increase test-year revenues to reflect Transmission Cost of Service ("TCOS") and Transmission Cost Recovery Factor ("TCRF") adjustments. TCOS revenue was adjusted to include the March 31, 2022 interim update rate at 2021 ERCOT 4CP. TCRF revenue was adjusted to equal the March 1, 2022 TCRF revenue requirement reflected on Line 2, Attachment A of Oncor's petition approved in Docket No. 52898 and further adjusted to include the effects of the 2021 ERCOT 4CP load approved in Docket No. 52989. If approved, the increased rates will be charged to Oncor's direct customers, all retail electric providers ("REPs"), in those portions of Oncor's service area under the original jurisdiction of the Commission. Each such REP is potentially affected by the proposed change. Depending on the REPs' actions, the end-use customer classes of such REPs are potentially affected by the proposed change. In addition, the result could be a change in Oncor's transmission cost of service rates, which would impact all load serving entities in the Electric Reliability Council of Texas. Oncor has requested a June 17, 2022 effective date for its proposed rate change.

Persons who wish to intervene in or comment upon these proceedings, in Docket No. _____, *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136, toll free at (800) 735-2989 or 711. The deadline for intervention in the proceeding is 45 days after the date the application was filed with the Commission.

Oncor Electric Delivery Company LLC



Oncor Electric Delivery
1616 Woodall Rodgers Frwy
Dallas, Texas 75202

NOTICE OF RATE CHANGE REQUEST

May 13, 2022

Notice to all Parties in PUC Docket 46957

On May 13, 2022, Oncor Electric Delivery Company LLC ("Oncor") filed with the Public Utility Commission of Texas ("Commission") its Petition and Statement of Intent to Change Rates, a copy of which is kept at Oncor's office at 1616 Woodall Rodgers Freeway, Dallas, Texas 75202.

Oncor's rate filing, based on the system-wide financial results for a 12-month test year ending on December 31, 2021, adjusted for known and measureable changes, supports a net increase in transmission and distribution rates of approximately \$251 million over adjusted test-year revenues, or approximately a 4.5% increase over adjusted test-year revenues of \$5,811 million. Test-year revenues have been adjusted to normalize billing units, to remove the revenues associated with Oncor's Energy Efficiency Cost Recovery Factor, and to increase test-year revenues to reflect Transmission Cost of Service ("TCOS") and Transmission Cost Recovery Factor ("TCRF") adjustments. TCOS revenue was adjusted to include the March 31, 2022 interim update rate at 2021 ERCOT 4CP. TCRF revenue was adjusted to equal the March 1, 2022 TCRF revenue requirement reflected on Line 2, Attachment A of Oncor's petition approved in Docket No. 52898 and further adjusted to include the effects of the 2021 ERCOT 4CP load approved in Docket No. 52989. If approved, the increased rates will be charged to Oncor's direct customers, all retail electric providers ("REPs"), in those portions of Oncor's service area under the original jurisdiction of the Commission. Each such REP is potentially affected by the proposed change. Depending on the REPs' actions, the end-use customer classes of such REPs are potentially affected by the proposed change. In addition, the result could be a change in Oncor's transmission cost of service rates, which would impact all load serving entities in the Electric Reliability Council of Texas. Oncor has requested a June 17, 2022 effective date for its proposed rate change.

Persons who wish to intervene in or comment upon these proceedings, in Docket No. _____, *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, should notify the Commission as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136, toll free at (800) 735-2989 or 711. The deadline for intervention in the proceeding is 45 days after the date the application was filed with the Commission.

DOCKET NO. _____

APPLICATION OF ONCOR ELECTRIC § BEFORE THE
DELIVERY COMPANY LLC FOR § PUBLIC UTILITY COMMISSION
AUTHORITY TO CHANGE RATES § OF TEXAS

TABLE OF CONTENTS

VOLUME 1

	Bates Page
Petition and Statement of Intent	1
Table of Contents	24
Rate Filing Package	
Testimony	
E. Allen Nye, Jr.	28
James A. Greer	48
Wesley R. Speed	146
Keith Hull	321
Joseph B. Nichols	378

VOLUME 2

Testimony (cont.)

Collin M. Martin.....	446
Hagen Haentsch.....	490
Ellen E. Buck	519
Daniel E. Hall	547
W. Alan Ledbetter.....	565
Dane A. Watson.....	725

VOLUME 3

Testimony (cont.)

Joel S. Austin.....	950
Malia A. Hodges	984
Matthew D. Smith	1057
Michael G. Grable.....	1088
Gregory S. Wilson.....	1168
Angela Y. Guillory	1202
Bonnie L. Clutter.....	1224
Ashley Thenmadathil	1282
Kevin R. Fease	1350

TABLE OF CONTENTS (continued)

VOLUME 4

Testimony (cont.)

Ellen Lapson.....	1375
Dylan W. D'Ascendis	1629
Alan S. Taper.....	1757
Matthew A. Troxle.....	1789
Darryl E. Nelson.....	1848
Robert A. Schmidt.....	1871
Andrea M. Stover.....	1891

VOLUME 5

Tariff for Retail Delivery Service	1918
Tariff for Transmission Service.....	2163
Tariff for Transmission Service NTU.....	2248

VOLUME 6

Tariff for Retail Delivery Service – Redline.....	2290
Tariff for Transmission Service – Redline	2541
Tariff for Transmission Service NTU – Redline	2633

VOLUME 7

SECTION I

I-A thru I-A-2	2679
----------------------	------

SECTION II

II-B-1 thru II-G-1.....	2751
-------------------------	------

VOLUME 8

SECTION II (cont.)

II-H-1.1 thru II-I-1 & II-I-2 MET	3085
---	------

VOLUME 9

SECTION II (cont.)

II-I-1 & II-I-2 TBILL TDCS thru II-I-3.....	3446
---	------

SECTION III

III-A thru III-E.5	3624
--------------------------	------

TABLE OF CONTENTS (continued)

SECTION IV

IV-J-1 thru IV-J-8	3628
--------------------------	------

SECTION V

V-K-1 thru V-K-14	3746
-------------------------	------

SECTION VI

Schedule L thru M.....	3766
------------------------	------

SECTION VII 3811

VII-Statement of Confidentiality	
VII – Draft Protective Order	

VOLUME 10

SCHEDULE WORKPAPERS

WP/Section I

WP/I-A	3836
--------------	------

WP/Section II

WP/II-B-1/01 thru WP/II-B-9/5.....	3837
------------------------------------	------

VOLUME 11

WP/Section II (cont.)

WP/II-B-9/6 thru WP/II-D-3.7.3.....	4245
-------------------------------------	------

VOLUME 12

WP/Section II (cont.)

WP/II-E-1/01 thru WP/II-I-3.1	4606
-------------------------------------	------

WP/Section III

WP/III-A thru WP/III-B	4893
------------------------------	------

WP/Section IV

WP/IV-J-1 thru WP/IV-J-8/1	4903
----------------------------------	------

TABLE OF CONTENTS (continued)

WP/Section V

WP/V-K-1 thru WP/V-K-14	4966
-------------------------------	------

WP/Section VI

WP/VI-M-1 and 2	4981
-----------------------	------

**INDEX TO THE DIRECT TESTIMONY
OF E. ALLEN NYE, JR., WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY LLC**

I.	POSITION AND QUALIFICATIONS	2
II.	PURPOSE OF DIRECT TESTIMONY	3
III.	CHALLENGES AND OPPORTUNITIES.....	4
A.	The EFH Bankruptcy and a Fresh Start.....	8
B.	The Sharyland and IntraREIT Transactions.....	10
C.	The Pandemic and the Weather	11
D.	The Texas Miracle	15
E.	Keeping Texas Open for Business	16
IV.	SUMMARY AND CONCLUSION.....	18
	AFFIDAVIT	19

PUC Docket No. _____

**Nye - Direct
Oncor Electric Delivery
2022 Rate Case**

1 **DIRECT TESTIMONY OF E. ALLEN NYE, JR.**

2 **I. POSITION AND QUALIFICATIONS**

3 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT
4 EMPLOYMENT POSITION.

5 A. My name is E. Allen Nye, Jr. My business address is 1616 Woodall Rodgers
6 Freeway, Dallas, Texas 75202. I am currently the Chief Executive Officer
7 ("CEO") of Oncor Electric Delivery Company LLC ("Oncor" or "Company"),
8 and I lead Oncor's Senior Leadership Team ("SLT"). I also serve on Oncor's
9 Board of Directors.

10 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
11 PROFESSIONAL EXPERIENCE.

12 A. I received a Bachelor of Science degree in Economics from Texas A&M
13 University and a Juris Doctor degree from St. Mary's University. I am
14 licensed to practice law in the State of Texas and have been since 1993. I
15 became CEO of Oncor in March 2018. From January 1, 2011, until I
16 became CEO, I served Oncor as Senior Vice President, General Counsel
17 & Secretary ("General Counsel"). In that capacity, I was responsible for
18 Oncor's legal, regulatory, and governmental relations functions, among
19 other duties as assigned. For much of my tenure as General Counsel, I had
20 primary responsibility for steering Oncor through the eventual bankruptcy of
21 our then ~80% indirect majority owner, Energy Future Holdings Corp.
22 ("EFH"). Prior to joining Oncor in 2010, I was a partner in the international
23 law firm Vinson & Elkins LLP ("V&E"). Prior to joining V&E, I was a partner
24 in the international law firm Hunton & Williams LLP ("Hunton"). I began my
25 legal career in 1993 with the Dallas-based law firm Worsham Forsythe
26 Wooldridge LLP, which merged into Hunton in 2002.

27 I spent the vast majority of my legal career representing clients in the
28 energy industry and, in particular, in the electric utility sector. This included
29 being the lead lawyer for Oncor in dozens of matters before the Public Utility
30 Commission of Texas ("Commission"), including the Competitive

1 Renewable Energy Zone ("CREZ") proceedings, to enable the development
2 of renewable generation resources in west Texas. I have also had
3 significant responsibility in several rate cases.

4 Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION?

5 A. As CEO, I work with our experienced SLT to provide overall direction and
6 strategy for our highly skilled workforce. I work closely with our owners, our
7 Board of Directors, and our stakeholders to ensure that Oncor delivers safe,
8 reliable, and affordable electric transmission and distribution ("T&D")
9 service to our customers.

10 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE
11 COMMISSION?

12 A. No. While I have appeared before the Commission many times in my
13 capacity as a lawyer, and later as a senior executive, I have not previously
14 submitted testimony.

15 **II. PURPOSE OF DIRECT TESTIMONY**

16 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

17 A. My direct testimony provides an initial, high-level introduction to Oncor. I will
18 also discuss a few of the challenges and opportunities we have experienced
19 during the last four years, coincident with my tenure as CEO. I am proud of
20 how we responded as a company to these challenges and opportunities.
21 But we have more work to do. For us to be successful, it is important to the
22 State of Texas and our customers that Oncor maintain a strong financial
23 profile and partner productively with our stakeholders. Important to this
24 objective is that we recover our reasonable costs of doing business and a
25 competitive return of and on our investment in Texas. Company witness
26 Mr. James A. Greer introduces the Company's Rate Filing Package ("RFP"),
27 which includes the details of our request.

28 Q. WAS YOUR DIRECT TESTIMONY PREPARED BY YOU OR UNDER
29 YOUR DIRECT SUPERVISION?

1 A. Yes. My direct testimony was prepared by me or under my direction,
2 supervision, or control, and is, to the best of my knowledge and belief, true
3 and correct.

4 **III. CHALLENGES AND OPPORTUNITIES**

5 Q. PLEASE PROVIDE A HIGH-LEVEL DESCRIPTION OF ONCOR.

6 A. Oncor is the largest electric utility in Texas and the largest pure T&D (poles
7 and wires) company in the United States. We serve approximately 13
8 million customers and interconnect to approximately 3.8 million homes and
9 businesses in Texas. Our service area is over 54,000 square miles and
10 covers approximately 20% of the State of Texas geographically and
11 approximately 48% of the meters in the Electric Reliability Council of Texas,
12 Inc. ("ERCOT") operating region. The service we provide is essential for
13 the safety, health, and overall well-being of millions of Texans and a driving
14 force behind economic development across the state.

15 Oncor has a long history of being a good corporate citizen, working
16 collaboratively with the Commission and other stakeholders, investing
17 heavily in Texas to support the ERCOT market, and doing whatever is
18 necessary to keep the lights on and provide safe, reliable, and affordable
19 electric T&D service to our customers, often, and in particular, recently,
20 under very difficult circumstances. I will not attempt to discuss in detail in
21 my direct testimony all of the contributions we have made to the Texas
22 energy market, but our efforts and achievements include:

23 **Investing in Texas**

- 24 • Oncor led the State's CREZ initiative by constructing over 1,037
25 miles of transmission facilities, both interconnecting more than
26 18,000 megawatts of renewable generation in Texas and, more
27 recently, supporting the enormous growth in oil and gas production
28 in Texas;
- 29 • Oncor was the first utility in Texas to deploy a system-wide advanced
30 (smart) metering system that enabled remote capabilities (such as

- 1 turn on/off), real-time monitoring of customer usage, situational
2 awareness of our system such as outage detection, and
3 sophisticated data analytics that enable predictive maintenance,
4 among other customer benefits;
- 5 • Oncor invested \$10.2 billion in Texas from December 31, 2016,
6 through the end of our 2021 test year (excluding \$1.9 billion spent on
7 the InfraREIT acquisition), leading all Texas utilities, reflecting the
8 exponential growth in our service area, and benefitting customers
9 and the ERCOT market while supporting economic development in
10 Texas;
 - 11 • Oncor is making significant investments in technology to benefit
12 customers, including what will ultimately be more than \$700 million
13 invested in distribution automation to improve reliability and the
14 overall customer experience;
 - 15 • Oncor completed an over \$600 million transmission project (the
16 Culberson Loop) to relieve the most urgent transmission constraints
17 in the Permian Basin and support oil and gas development in west
18 Texas;
 - 19 • Oncor's 2022 capital budget is almost \$3 billion, and in October 2021
20 we raised our forecasted capital investment over the next five years
21 (2022-26) to \$15 billion;

22 **Partnering with Our Stakeholders for Texas**

- 23 • Oncor completed a stakeholder-supported, financially-neutral
24 transaction (the 2017 Sharyland Utilities, L.P. ("Sharyland") asset
25 exchange) resulting in over 50,000 former Sharyland customers now
26 being served by Oncor and seeing their highest-in-Texas electricity
27 bills approximately cut in half;
- 28 • Oncor completed a stakeholder-supported transaction in 2019 to
29 acquire InfraREIT that facilitated the smooth transition of the

- 1 InfraREIT assets from a troubled real estate investment trust
2 ("REIT") structure to a traditional utility structure;
- 3 • Oncor played a leading role in the formation and implementation of
4 the Electricity Relief Program ("ERP") that provided bill relief to tens
5 of thousands of Texans suffering economic hardship during the
6 COVID-19 pandemic;
 - 7 • Oncor has an extensive history of working with state and local
8 governments to attract businesses and jobs to Texas;
 - 9 • Oncor has an established history of working with stakeholders to
10 resolve regulatory and compliance matters in a collaborative and
11 amicable manner, including achieving settlements in contested
12 matters when possible;
- 13 **Practicing Corporate Citizenship and Good Governance**
- 14 • Oncor achieved a sustainability rating for our environmental, social,
15 and governance profile that ranked us in the top two percent in the
16 industry;
 - 17 • Oncor issued the first ever utility sustainability bonds to support
18 Oncor spending with minority and women-owned business
19 enterprises at record low interest rates for the industry;
 - 20 • Oncor, with an initial "seed" grant from the Sempra Energy
21 Foundation, established the Oncor Cares Foundation to support
22 enhanced charitable efforts in the communities in which we serve;
 - 23 • Oncor has launched numerous diversity, equity, and inclusion
24 initiatives, including the establishment of various employee resource
25 groups, to ensure that our current and future employees have a safe,
26 supportive, and fair place to work and that we are engaged with our
27 communities on matters of equity;
- 28 **Delivering for Texas and Our Customers**
- 29 • Oncor performed admirably throughout the tragedy of Winter Storm
30 Uri, losing no transmission functionality, shedding load to stabilize

1 the ERCOT grid and avoid a complete blackout, and successfully
2 restoring distribution service as rapidly as possible;

- 3 • Oncor maintained service to all of the “critical” gas facilities that were
4 registered with Oncor at the beginning of the Winter Storm Uri event,
5 as well numerous gas facilities that were identified to Oncor as critical
6 during the event;
- 7 • Oncor achieved top-quartile in the industry reliability in 2020, two
8 years ahead of our internal schedule;
- 9 • Oncor achieved historically exceptional employee and customer
10 safety in 2020 and 2021;
- 11 • Oncor has made major advancements in customer service by
12 implementing technology designed to empower and engage the
13 customer experience and has achieved exemplary performance in
14 meeting or exceeding reportable market metrics;
- 15 • Oncor has maintained top-quartile/decile ratings in most operating
16 and maintenance metrics, demonstrating the efficiencies of our
17 operations; and
- 18 • Oncor has accomplished all of these things while maintaining the
19 lowest rates of any investor-owned utility (“IOU”) in ERCOT.

20 We have a great company. Our employees work hard to deliver
21 electricity in a safe, reliable, and affordable manner. The Texas economy
22 is booming, and we are the backbone of that economy. The state is growing
23 at an extraordinary rate. We are rising to meet that challenge. Our success
24 is critical to the continued growth and development of the Texas economy.
25 Further below, I will expound on some of the matters I listed above.
26 Company witness Mr. Greer provides a more detailed overview of Oncor in
27 his direct testimony.

28 Q. WHY DO YOU THINK IT IS IMPORTANT FOR THE COMMISSION AND
29 OTHER STAKEHOLDERS TO UNDERSTAND THE CHALLENGES AND
30 OPPORTUNITIES FACED BY THE COMPANY?

1 A. Rate cases are complex. The testimony and schedules can be dense and
2 difficult to penetrate. While the details are important, the larger picture is
3 also important. We settled our most recent base-rate case in late 2017.
4 The challenges and opportunities we have faced since then, and how we
5 responded and will continue to respond, shape who we are as a company,
6 highlight the importance of our mission, and instruct our commitment to our
7 stakeholders. For that reason, I think it is important that the Commission
8 and other stakeholders know where Oncor has been and understand where
9 we are going.

10 Q. WHAT DO YOU MEAN BY THE TERM "STAKEHOLDERS"?

11 A. Our stakeholders include any person or organization that has a stake in the
12 success or failure of our business operations. This starts with our
13 customers, who have an appropriate expectation that the services we
14 provide will be available, reliable, safe, and affordable. It also extends to
15 the Texas Legislature, state and local officials, our regulators, the cities we
16 serve, ERCOT market participants, consumer groups, and our
17 shareholders, among others. We do not provide services in isolation. Our
18 facilities literally touch every home and business we serve. We need a
19 constructive partnership with our stakeholders to be successful, and we
20 work hard to establish and maintain those relationships. We are not perfect,
21 but our commitment is sincere and supported by our track record.

22 **A. The EFH Bankruptcy and a Fresh Start**

23 Q. PLEASE DESCRIBE THE EFH BANKRUPTCY.

24 A. From April 2014 until March 2018, Oncor operated with its then majority
25 owner, EFH, in bankruptcy. The EFH bankruptcy is generally thought to
26 have been one of the largest corporate bankruptcy of an energy company
27 in history. Before the 2014 bankruptcy filing, EFH had been in dire financial
28 distress for several years. I was the General Counsel for Oncor during this
29 entire period.

1 During the EFH bankruptcy, Oncor was protected by a corporate
2 “ring-fence” ordered by the Commission in connection with the 2007-2008
3 leveraged buyout of the former TXU Corp. (which became EFH) by a
4 consortium of private equity firms. The “ring-fence,” essentially a legal
5 structure and a set of corporate “separateness undertakings,” provided a
6 degree of independence and separation from EFH such that Oncor (and its
7 assets) were not consolidated with the rest of the EFH bankruptcy estate.

8 As I previously stated, the bankruptcy lasted several years. During
9 this period, Oncor continued to be responsible for operating and growing its
10 business and providing safe and reliable service to its customers. It was
11 not easy. The bankruptcy “overhang” meant that we could not count on our
12 majority owner for equity, there was downward pressure on our credit
13 ratings and credit quality, and there was uncertainty around new ownership
14 and the potential effects on our employees. During the EFH bankruptcy,
15 we continued to fund our capital needs using funds from operations and
16 prudently managed our expenses. There was a noticeable adverse impact
17 to our reliability statistics during this time, as we simply did not have enough
18 dollars to address rapid growth on our system while maintaining top-quartile
19 industry reliability.

20 Q. HOW WAS THE BANKRUPTCY RESOLVED AS TO ONCOR?

21 A. As the bankruptcy played out, EFH negotiated agreements to sell the
22 majority interest in Oncor on four separate occasions, all of which required
23 active involvement from Oncor and its management. The Commission
24 approved the first attempt, but with conditions such that the transaction did
25 not close. The Commission rejected the second attempt at the approval
26 stage. EFH chose to abandon the third attempt in favor of a competing, and
27 ultimately successful, fourth offer from Sempra Energy (“Sempra”). In
28 March 2018, Sempra acquired EFH and its ~80% majority interest in Oncor,
29 Oncor’s connection to the EFH bankruptcy proceeding effectively ended,
30 and I became CEO of Oncor.

1 Q. PLEASE DESCRIBE THE TRANSITION TO NEW MAJORITY
2 OWNERSHIP UNDER SEMPRA.

3 A. The resolution of the bankruptcy lifted a heavy cloud from Oncor. The
4 certainty of new, stable, and financially sound majority ownership had an
5 immediate positive impact, both on employee morale and our overall credit
6 quality. Semptra and our minority (~20%) owner, Texas Transmission
7 Investment LLC, have continuously provided strong financial and
8 governance support for Oncor and our management team. We would need
9 that support in the years following the transition.

10 **B. The Sharyland and IntraREIT Transactions**

11 Q. PLEASE DESCRIBE THE 2017 SHARYLAND TRANSACTION.

12 A. While the EFH bankruptcy approached resolution, and as we were trying to
13 settle our 2017 base-rate case, another opportunity came our way. For
14 reasons not of their own making, over 50,000 Sharyland distribution
15 customers found themselves effectively stuck with distribution rates that
16 were materially higher than rates being paid by other customers in ERCOT.
17 The consequences were severe, as these customers were generally in rural
18 areas and many did not have the resources to pay the high bills. The
19 problem became acute and received significant media attention.

20 The Sharyland customers were generally located in areas
21 contiguous to or near Oncor's service area. As such, several stakeholders,
22 including the Commission, approached Oncor to see if we could do anything
23 to relieve the rate pressure on those customers. Eventually, working with
24 Sharyland, we were able to negotiate an "asset exchange" where Sharyland
25 gave us the distribution facilities used to serve the affected Sharyland
26 customers, and we gave certain transmission facilities of equivalent value
27 to Sharyland. By doing this, we were able to absorb the Sharyland
28 distribution customers into our operations and transition them to the much
29 lower Oncor rates.

1 Q. WAS THE SHARYLAND TRANSACTION CRITICAL TO ONCOR'S
2 BUSINESS STRATEGY?

3 A. Not really, but it was the right thing to do. We were not thrilled about giving
4 up core transmission assets in the asset exchange, and the transaction was
5 not financially beneficial to our business. But, we recognized that an Oncor
6 solution was the quickest, easiest, and likely only way to solve the problem.
7 And we had solid support from our stakeholders. The real beneficiaries of
8 the transaction were the 50,000 former Sharyland customers, who
9 essentially had their T&D rates cut in half.

10 Q. PLEASE DESCRIBE THE 2019 INFRAREIT TRANSACTION.

11 A. InfraREIT was a publicly traded REIT that owned utility assets in ERCOT.
12 Sharyland operated those assets for InfraREIT inside the REIT structure.
13 The REIT structure as applied to a Texas utility was unique and, ultimately,
14 unsuccessful. In 2018, InfraREIT announced that it was looking to
15 reorganize or consider other options. The InfraREIT assets were attractive
16 to Oncor because they complemented our existing service area; indeed,
17 they included the transmission assets that we gave to Sharyland in the 2017
18 asset exchange.

19 We were able to reach an agreement to acquire InfraREIT, and the
20 deal closed in May 2019. Today, we operate the former InfraREIT assets
21 as part of the larger Oncor system. The transaction enabled us to expand
22 our footprint in areas of significant growth, including parts of West Texas
23 and the Panhandle. Significantly, the transaction also solved for the
24 problematic REIT structure, which had created uncertainty for InfraREIT, its
25 employees, and its customers.

26 **C. The Pandemic and the Weather**

27 Q. PLEASE DESCRIBE SOME OF THE KEY CHALLENGES FACED BY
28 ONCOR SINCE ITS LAST BASE-RATE CASE IN 2017.

29 A. 2018 and 2019 were not without challenges, including the extreme weather
30 described below. But with the Sempra transaction closed, we used this time

1 period to re-establish our leadership position in the marketplace, began
2 working to improve reliability, and closed the InfraREIT transaction. Things
3 were moving in a positive direction as we returned to normalcy after the
4 difficult EFH bankruptcy years. The next two years, however, would be
5 defined by a global pandemic and extreme weather events, among other
6 challenges. By no means was Oncor alone in these experiences. But we
7 do have an important role in society as an essential services provider. And
8 that role, which has never been more critical than in the last two years, made
9 our experience unique.

10 Q. HOW DID ONCOR RESPOND TO THE PANDEMIC?

11 A. Most of our employees are field workers or those who directly support field
12 workers. Additionally, we have a large number of contractors, all of whom
13 we need to reliably keep the lights on. These essential workers did not, and
14 largely cannot, work from home. We changed procedures to ensure
15 employee and public safety as best we could, developed alternatives to
16 large face-to-face meetings, required the use of personal protective
17 equipment, and took other steps as necessary to respond to the pandemic.
18 As expected, the employees continued to do their jobs installing and
19 maintaining equipment, connecting new customers, addressing outages,
20 and generally working to keep the lights on. These men and women
21 performed incredibly well under very difficult circumstances and served our
22 state and our customers well.

23 Much of our executive management and administrative employees
24 were required to work from home. Still, the mission continued. In the very
25 early stages of the pandemic, our team was instrumental in working with the
26 Commission, ERCOT, and other stakeholders to create and implement the
27 Commission's Electricity Relief Program ("ERP"), which ensured that tens
28 of thousands of Texans would not have their power turned off when
29 economic hardship resulted from the pandemic. The ERP was hard to
30 create, harder to implement, and required the cooperation of just about

1 every market segment. Collectively, we got it done. We are continuing to
2 respond to the evolving pandemic and will do what's necessary to protect
3 the safety of our employees and the public while maintaining service and
4 reliability.

5 Q. HOW HAS THE WEATHER IMPACTED ONCOR'S OPERATIONS?

6 A. Since our last base-rate case, we have experienced some of the most
7 volatile and destructive weather in our Company's history. Our service area
8 covers much of north, west, central, and east Texas, so we expect a certain
9 level of storm conditions and storm damage every year – but nothing like
10 what we have seen recently. Among many other significant storms and
11 weather events, Oncor and its customers experienced major events that
12 included: extreme rain events, particularly in late 2018; a remarkable
13 “downburst” event in June 2019 that leveled trees and power lines over
14 much of the Dallas-Fort Worth Metroplex; a multiple-tornado event in
15 October 2019 that tore through 17 miles of North Dallas and nearby
16 suburbs; the incredible tragedy of Winter Storm Uri in February 2021; and
17 a major ice storm in Winter Storm Landon in February 2022. Even as I am
18 preparing this direct testimony, we have been dealing with a wave of
19 tornadoes that pushed through the I-35 corridor, wildfires in West and North
20 Texas, and a snowstorm in April 2022 in the Texas Panhandle that affected
21 our transmission facilities. Our employees have fought through these
22 difficult conditions to restore power as quickly as possible and ensure the
23 public safety. I am very proud of our team's efforts through all of these
24 events.

25 Q. PLEASE ELABORATE ON ONCOR'S WINTER STORM URI
26 EXPERIENCE.

27 A. Winter Storm Uri is very familiar to anyone who experienced it or who may
28 read my direct testimony in the context of this case, so I won't repeat all of
29 the details. It was a terrible tragedy, and there are plenty of lessons learned
30 for all of us. My views on the storm and Oncor's role in it are well

1 documented in my sworn testimony before the Texas House and Senate.
2 With hindsight and a full review of the storm, it is clear that Oncor's facilities
3 and equipment worked as intended, and we were instrumental in saving the
4 ERCOT grid. Critically, Oncor did not lose the functionality of any
5 transmission facilities during the storm, as those facilities were, effectively,
6 fully operational. During the worst part of the event, approximately 1.34
7 million Oncor points of delivery ("PODs") were off, primarily due to
8 mandatory load-shed requirements. As generation came back online, all
9 but approximately 100,000 PODs were restored, and those 100,000 PODs
10 were out due to ice damage primarily in a band extending from the
11 Waco/Temple/Round Rock areas in the west to the Lufkin/Nacogdoches
12 areas in deep east Texas.

13 It is important to note that after the 2011 winter storm event, which
14 was of shorter duration and less severe than Uri, we voluntarily
15 implemented every one of the Federal Energy Regulatory Commission's
16 T&D weatherization recommendations that followed that event.
17 Additionally, we designed our system to permit us to remotely reduce
18 voltage at certain substations, thus reducing the load requirements of those
19 substations. We are the only Texas utility with this capability. I have no
20 doubt that those practices contributed to our equipment functioning well
21 under harsh conditions ten years later, in February 2021. Because of our
22 size, we were required to shed more load than any other ERCOT utility. Our
23 ability to do so effectively and timely helped maintain frequency on the grid
24 at the storm's worst moments. When sufficient generation became
25 available, we were able to rapidly restore the vast majority of customers that
26 had experienced an outage. We will continue to work with state and local
27 officials to ensure that our system is ready for future weather events.

D. The Texas Miracle

Q. HOW HAS THE RAPIDLY EXPANDING TEXAS ECONOMY AFFECTED ONCOR?

A. When I became CEO in March 2018, the "Texas Miracle" was well under way. We could not have predicted, however, the incredible and consistent growth that we have seen throughout our service area, which includes five of the 15 fastest growing counties and four of the 15 fastest growing cities in the United States over the last decade. For the last three years, we have connected over 70,000 new premises each year, representing newly constructed homes and businesses. Our greater than 2.00 percent premise growth is roughly twice the national average. For several years now, we have delivered more kilowatt-hours through the Oncor system than any other utility in the country. These trends continued through the pandemic and have not shown any signs of slowing.

Additionally, we have seen a boom in oil and gas development activity, particularly in the Permian Basin in west Texas. Much of that development is in our service territory, and we have made significant investments to ensure that the oil and gas industry has sufficient, reliable power. We have also interconnected more new solar and wind generation resources in west Texas and other parts of our service area than any other utility in the country.

The Texas economy continues to prosper. In addition to the traditional oil and gas industry, Texas has become a global leader in the technology space. Texas Instruments has plans to invest up to \$30 billion in four new semiconductor fabrication plants in Sherman, Texas. Samsung announced plans to build an estimated \$17 billion dollar semiconductor fabrication plant in Taylor, Texas. As we are preparing our RFP, Meta announced that it will build an \$800 million data center near Temple, Texas. These projects are all in the Oncor service area, and they require a great

1 deal of electric infrastructure, bring significant construction jobs to Texas,
2 and also support a great number of permanent jobs.

3 The bottom line is the Texas economy is flourishing and nearly all
4 trends suggest that the Texas Miracle will continue. It's a good time to be
5 a Texan, and we are excited about our role in providing the foundation for
6 the Texas economy.

7 **E. Keeping Texas Open for Business**

8 Q. WHAT IS ONCOR'S ROLE IN PROVIDING THE FOUNDATION FOR THE
9 TEXAS MIRACLE?

10 A. At over 54,000 square miles, we have the largest service area in ERCOT.
11 It extends from the Red River down to just north of Austin and includes
12 much of east Texas, west Texas (including much of the Permian Basin),
13 and even parts of the Panhandle. The D-FW Metroplex, the I-35 corridor
14 from Austin to the Oklahoma border, and major, growing population centers
15 such as Midland-Odessa, Tyler, and Waco are all inside our service area.
16 Much of the economic development and growth is taking place in these
17 areas, and we must ensure there is sufficient infrastructure in place to serve
18 these new customers.

19 As part of the approval of the Sempra transaction, we made a
20 commitment to invest no less than \$7.5 billion in Texas over the next five
21 years. Now, through four years of that five-year period, we have actually
22 already invested \$8.9 billion. When I became CEO in 2018, our capital
23 budget was \$1,767 billion for that year, with a projected 2018 through 2020
24 capital investment of \$5.1 billion. Our current capital budgets generally
25 track the growth we have seen in Texas since that time. As discussed in
26 detail by Company witness Mr. Greer, today our 2022 capital budget is
27 almost \$3 billion, and we have forecasted \$15 billion of capital investment
28 over the next five years (2022-26). These numbers represent real,
29 necessary projects that we are building or expect to build. And we are not
30 chasing projects; we are responding to the needs of the ERCOT market and

1 our customers. Company witnesses Messrs. Greer, Wesley R. Speed, and
2 Keith Hull provide the details of our capital plans in their respective direct
3 testimonies.

4 Utilities like Oncor need capital projects to remain strong. This is a
5 good problem. But it does come with challenges. We will be accessing the
6 debt markets regularly, raising capital to fund our investments. We need to
7 be attractive to investors, who have lots of options. While I have no
8 concerns about our owners' commitment to Oncor and to Texas, we also
9 must maintain Oncor as an attractive investment opportunity for our owners,
10 as they have other investment opportunities outside of Texas. It is critical,
11 however, that we have a competitive financial and risk profile so that we are
12 as attractive as other comparable opportunities.

13 We are executing our mission in an environment with increased
14 weather risk and rising inflation. The Company's test year largely does not
15 reflect the impacts of inflationary pressures on the goods and services we
16 acquire. We also need to provide our employees with fair, competitive
17 wages and benefits. Our debt costs do not reflect rising interest rates that
18 we expect to experience over the next few years. Additionally, although we
19 have capital investment trackers in Texas that permit interim recovery of our
20 investments, there is always revenue "lag" associated with those
21 investments. In particular, investments in our distribution system experience
22 a roughly 16-month lag between being placed in service and recovered in
23 rates. This lag, which is exacerbated the more we invest, means that while
24 we are investing at the rates we project, it will be difficult, if not impossible,
25 to earn whatever return on equity the Commission determines in this case.
26 These circumstances highlight the importance of setting our rates at a level
27 that will enable us to continue providing the quality of service that our
28 customers rightfully expect.

1 **IV. SUMMARY AND CONCLUSION**

2 Q. WHAT CONCLUSIONS HAVE YOU REACHED CONCERNING ONCOR'S
3 CHALLENGES AND OPPORTUNITIES AND THE COMPANY'S RFP?

4 A. The last four years have been an exciting and challenging time for Oncor.
5 Our employees have consistently risen to the challenge. Our overall
6 performance during the pandemic and severe weather events was
7 exemplary. We have met and are continuing to meet the challenges and
8 opportunities brought about by the Texas Miracle. During this time, we have
9 maintained the lowest rates of any IOU in ERCOT, restored our reliability to
10 top-quartile in the industry, achieved one of the top sustainability scores in
11 the industry, and launched our first formal diversity, equity, and inclusion
12 initiative to ensure a welcoming and fair workplace for our employees.

13 Our rate proposal, as set forth in the RFP, reflects the reality of our
14 operations. We have done our best to ensure that the RFP reflects an
15 accurate assessment of our costs and what is required to ensure the
16 financial strength of Oncor and our ability to serve customers and meet the
17 expectations of our stakeholders. As always, there will be fair debate about
18 some of our proposals, but I urge the Commission to keep an eye on the
19 larger picture. Oncor is the backbone of the Texas economy. We need to
20 work in partnership with our stakeholders to drive Texas forward. Our rate
21 proposal is consistent with that objective.

22 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

23 A. Yes.

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF DALLAS §

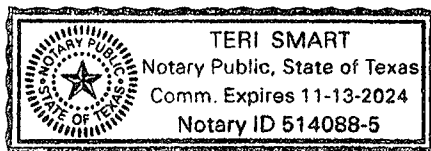
BEFORE ME, the undersigned authority, on this day personally appeared E. Allen Nye, Jr., who, having been placed under oath by me, did depose as follows:

My name is E. Allen Nye, Jr. I am of legal age and a resident of the State of Texas. The foregoing direct testimony offered by me is true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



E. Allen Nye, Jr.

SUBSCRIBED AND SWORN TO BEFORE ME by the said E. Allen Nye, Jr. this 18th day of April, 2022.





Notary Public, State of Texas

PUC Docket No. _____

**Nye - Direct
Oncor Electric Delivery
2022 Rate Case**

**2022 RATE CASE
ONCOR ELECTRIC DELIVERY COMPANY LLC
WORKPAPERS FOR
THE DIRECT TESTIMONY OF
E. ALLEN NYE, JR.**

Mr. Nye has no supporting workpapers for his direct testimony.

**INDEX TO THE DIRECT TESTIMONY
OF JAMES A. GREER, WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY LLC**

I.	POSITION AND QUALIFICATIONS	3
II.	PURPOSE OF DIRECT TESTIMONY	4
III.	EXECUTIVE SUMMARY	5
	A. Oncor Builds the Backbone of the Texas Economy	5
	B. Oncor is Dedicated to Providing Safe Reliable, and Affordable Service	7
	C. Oncor Invests in Technology for a 21 st Century Grid	11
	D. Oncor has a History of Working Cooperatively with and Being Transparent with Stakeholders and Regulators	12
	E. Oncor's RFP Demonstrates the Need to Change Oncor's Rates.....	14
IV.	OVERVIEW OF ONCOR.....	15
V.	CASE ORGANIZATION	19
VI.	ONCOR'S MANAGEMENT PHILOSOPHY	23
	A. Implementation of Oncor's Management Philosophy	25
	B. Commitment to Public and Employee Safety	27
	C. Environmental, Social, and Governance Initiatives	27
VII.	OVERVIEW OF ONCOR'S FUNCTIONAL ORGANIZATION.....	29
	A. Operations	30
	B. Finance and Accounting.....	30
	C. Legal and Regulatory	31
	D. Customer Service & Human Resources	32
	E. Technology, Measurement & Billing, and Customer Engagement.....	32
VIII.	CAPITAL INVESTMENT STRATEGY	33
	A. Planning and Budgeting	33
	B. Used and Useful Invested Capital.....	34
IX.	STRATEGY FOR O&M EXPENSES	36

PUC Docket No. _____

**Greer - Direct
Oncor Electric Delivery
2022 Rate Case**

A. O&M Categories	37
B. Test-Year Level of O&M.....	37
C. Other Support and Administrative Expense	39
D. Labor Expense.....	39
E. Financial Management.....	41
X. SAFETY PERFORMANCE.....	42
XI. RELIABILITY PERFORMANCE	43
XII. LEGAL SERVICES.....	46
XIII. CONCLUSION	47
AFFIDAVIT.....	48
EXHIBITS.....	49
Exhibit JAG-1	Decision Point List
Exhibit JAG-2	Oncor Capital Investments
Exhibit JAG-3	System Reliability
Exhibit JAG-4	Rate Comparison of ERCOT IOUs
Exhibit JAG-5	Operational Cost Per Customer
Exhibit JAG-6	Operational Cost Per MWh Delivered
Exhibit JAG-7	Winter Storm Uri Preparedness Timeline
Exhibit JAG-8	Comparison of Proposal to Authorized Amounts
Exhibit JAG-9	List of Testifying Witnesses
Exhibit JAG-10	Oncor Service Area/Oncor Operating Area
Exhibit JAG-11	Oncor Functional Organization Chart
Exhibit JAG-12	Operations Functional Organization Chart and Description
Exhibit JAG-13	Finance & Accounting Functional Organization Chart and Description
Exhibit JAG-14	Legal & Regulatory Functional Organization Chart and Description
Exhibit JAG-15	Customer Service & Human Resources Functional Organization Chart and Description
Exhibit JAG-16	Technology, Measurement, & Customer Engagement Functional Organization Chart and Description
Exhibit JAG-17	Cost Versus Reliability Performance (Highly Sensitive Protected Material)
Exhibit JAG-18	Oncor Safety Performance (LTI)
Exhibit JAG-19	Oncor Safety Performance (DART)
Exhibit JAG-20	Feeder Reliability

PUC Docket No. _____

**Greer - Direct
Oncor Electric Delivery
2022 Rate Case**

1 **DIRECT TESTIMONY OF JAMES A. GREER**

2 **I. POSITION AND QUALIFICATIONS**

3 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT
4 EMPLOYMENT POSITION.

5 A. My name is James A. Greer. My business address is 1616 Woodall
6 Rodgers Freeway, Dallas, Texas 75202. I am currently Executive Vice
7 President and Chief Operating Officer for Oncor Electric Delivery Company
8 LLC ("Oncor" or "Company").

9 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
10 PROFESSIONAL EXPERIENCE.

11 A. I received a Bachelor of Science degree in Electrical Engineering from the
12 University of Texas at Arlington and a Masters in Business Administration
13 from Texas Christian University. Additionally, I completed the Advanced
14 Management Program conducted by Harvard Business School. I have
15 been employed in various engineering, project design, operations, and
16 asset management positions within Oncor or its predecessor companies for
17 over 30 years. I became Director of Asset Management in 2001, and I
18 became a Senior Vice President in 2007. I was named Chief Operating
19 Officer in 2011 and an Executive Vice President in March 2018. I am a
20 licensed Professional Engineer in the State of Texas and formerly served
21 as a Board member of the Texas Board of Professional Engineers. I am a
22 member of the Texas Society of Professional Engineers and former
23 president of the Fort Worth Chapter. I am also a member of the Institute of
24 Electrical and Electronics Engineers ("IEEE").

25 Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION?

26 A. As Executive Vice President and Chief Operating Officer, I oversee all
27 distribution and transmission engineering, construction, maintenance,
28 operations, strategic sourcing and procurement, continuous improvement,
29 as well as system operations. I am a member of Oncor's Senior Leadership
30 Team ("SLT").

PUC Docket No. _____

**Greer - Direct
Oncor Electric Delivery
2022 Rate Case**

1 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE
2 PUBLIC UTILITY COMMISSION OF TEXAS ("COMMISSION")?

3 A. Yes. I filed testimony with the Commission in Docket Nos. 34040, 35717,
4 35718, 38929, 39552, 45188, 46238, and 46957.

5 **II. PURPOSE OF DIRECT TESTIMONY**

6 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

7 A. My direct testimony provides: (1) an Executive Summary of this case; (2)
8 an overview of Oncor; (3) a description of the testimony, schedules, and
9 workpapers that we are presenting to support the relief requested in this
10 case; (4) a description of Oncor's management philosophy and how we
11 implement that philosophy; (5) an overview of Oncor's functional
12 organization; (6) descriptions of Oncor's capital investment strategy and our
13 strategy for operation and maintenance ("O&M") expenses; (7) a description
14 of Oncor's safety and reliability performance; and (8) a description of the
15 legal services Oncor receives. Through our testimonies and supporting
16 schedules, we present a clear picture of the work we do to deliver electricity
17 to our customers safely and reliably and the dollar amounts we need to
18 recover in our rates to continue to provide that service.

19 Q. IS IT IMPORTANT FOR ONCOR TO RECOVER THROUGH ITS RATES
20 THE AMOUNTS DESCRIBED IN ITS RATE FILING PACKAGE ("RFP")?

21 A. Yes, it is very important for the continued viability of Oncor and the
22 continued reliability and resiliency of the Electric Reliability Council of Texas
23 ("ERCOT") grid that Oncor's rates be set a level that allows us to recover
24 our capital investments and our O&M expenses. It is equally important that
25 Oncor's capital structure and return on equity ("ROE") be set at a level that
26 ensures that Oncor can attract sufficient capital to support its planned
27 capital investments. I describe below the numerous witnesses we present
28 in the RFP whose testimonies demonstrate that the expenses and revenues
29 Oncor is proposing in this case should be approved. I have also included

1 as Exhibit JAG-1 to my testimony a Decision Point List for the Commission's
2 use in evaluating Oncor's case.

3 Q. DO YOU SPONSOR ANY EXHIBITS SUBMITTED BY ONCOR IN THIS
4 PROCEEDING?

5 A. Yes. I sponsor the following exhibits: Exhibits JAG-1 through JAG-20.
6 These exhibits and this direct testimony were prepared by me or under my
7 direction, supervision, or control and are, to the best of my knowledge and
8 belief, true and correct. My direct testimony is organized consistent with the
9 topics set forth above.

10 Q. DO YOU SPONSOR ANY SCHEDULES IN THE RFP SUBMITTED BY
11 ONCOR IN THIS PROCEEDING?

12 A. Yes. I co-sponsor Schedule II-C-2.7 and sponsor Schedule II-C-4.

13 **III. EXECUTIVE SUMMARY**

14 Q. PLEASE PROVIDE AN EXECUTIVE SUMMARY OF ONCOR'S FILING IN
15 THIS CASE.

16 A. Throughout its history, Oncor's goal has consistently been to provide safe,
17 reliable, and affordable service to customers, and we work hard every day
18 to meet that goal and to be a good corporate citizen in the communities we
19 serve. Oncor is proposing rates in this case that will make it possible for
20 Oncor to continue to meet that goal and to meet the needs of the ERCOT
21 market and the Texas economy. In the paragraphs below, I describe
22 Oncor's filing in this case.

23 **A. Oncor Builds the Backbone of the Texas Economy.**

24 Q. HOW DOES ONCOR BUILD THE BACKBONE OF THE TEXAS
25 ECONOMY?

26 A. Since Oncor's last test year ended on December 31, 2016, Oncor has
27 continued to build the backbone of the growing Texas economy. Oncor's
28 service area includes many of the fastest growing cities and counties in the
29 U.S., and Oncor's ability to provide reliable and affordable electric service
30 in those areas continues to support their attractiveness to businesses and

1 families. To meet customers' needs and to continue to provide reliable
2 service, Oncor has invested over \$10.2 billion in Texas since December 31,
3 2016,¹ as well as acquired assets from Sharyland Distribution &
4 Transmission Services, L.L.C. ("SDTS") and Sharyland Utilities, L.P.
5 (together, referred to as "Sharyland") in 2019 for \$1.9 billion.

6 Since 2016, Oncor has also implemented new technologies that are
7 focused on improving grid reliability, such as distribution automation
8 technologies that automatically respond to adverse system conditions to
9 restore power and minimize customer outages, and transmission dynamic
10 reactive devices that provide fast response to grid abnormalities, such as
11 loss of critical transmission or generation facilities.

12 Oncor's specific capital investments in its transmission system are
13 described in the testimony of Company witness Mr. Wesley R. Speed, and
14 he also sponsors Schedule M, which provides a detailed list of the
15 responsive transmission projects constructed by Oncor since 2016 as well
16 as the details of the projects developed and constructed by Sharyland
17 between January 1, 2013 and 2019, which Oncor purchased in 2019.
18 Company witness Mr. Joseph B. Nichols discusses his analysis of the
19 prudence of the assets purchased from Sharyland in 2019. Oncor's capital
20 investments in its distribution system are primarily described in the
21 testimony of Company witness Mr. Keith Hull.

22 We recognize that Oncor must continue to be financially capable of
23 building the infrastructure needed to effectively support its customers, the
24 ERCOT market, and the Texas economy. Over the next five years, Oncor
25 will need to invest over \$15 billion to fund the projects necessary to support
26 the growth in Oncor's service area and maintain reliability at appropriate

¹As noted in Oncor's Compliance Report filed in Project No. 48119, *Compliance Reports of Oncor Electric Delivery Company Regarding Regulatory Commitments in Docket No. 47675*, Oncor has surpassed – a year early – its commitment in Docket No. 47675 of making at least \$7.5 billion in capital expenditures over the five-year period beginning January 1, 2018, and ending December 31, 2022.

1 levels. Exhibit JAG-2 shows the growth in Oncor's capital investments since
2 2016 and shows Oncor's capital investment plan for the next five years. To
3 continue to enable and support the growth in the Texas economy, Oncor
4 will need to attract significant capital and maintain adequate credit ratings.
5 Oncor's filing in this case demonstrates that the proposed rates, capital
6 structure, and ROE will enable Oncor to continue to meet the needs of its
7 customers, ERCOT, and the Texas economy and that those proposed
8 rates, capital structure, and ROE should be approved. The testimony of
9 Company witnesses Mr. Kevin R. Fease and Ms. Ellen Lapson describe the
10 capital structure being proposed by Oncor. The ROE that Oncor is seeking
11 in this case is presented by Company witness Mr. Dylan W. D'Ascendis.

12 **B. Oncor is Dedicated to Providing Safe, Reliable, and Affordable**
13 **Service.**

14 Q. HOW DOES THE RFP DEMONSTRATE ONCOR'S DEDICATION TO
15 SAFE, RELIABLE, AND AFFORDABLE SERVICE TO CUSTOMERS?

16 A. In the RFP, various witnesses describe Oncor's dedication to its goal of
17 providing safe, reliable, and affordable service and Oncor's dedication to
18 safety for both its employees and the public. I will address Oncor's
19 approach to employee and public safety later in my testimony.

20 In addition to describing the capital investments discussed above,
21 the RFP further demonstrates Oncor's dedication to maintaining our service
22 reliability while maintaining low O&M expenses relative to our peer utilities.
23 Oncor's dedication to reliability is also demonstrated through our
24 investments in technology to ensure that customers and the ERCOT market
25 have a modern electric grid that meets their needs. Exhibit JAG-3 presents
26 Oncor's non-storm "System Average Interruption Duration Index" ("SAIDI")
27 as of December 31, 2021, and shows that Oncor's SAIDI compares
28 favorably with other utilities. Company witnesses Messrs. Speed and Hull,
29 as well as Mr. Collin M. Martin, Ms. Ellen E. Buck, Mr. Daniel E. Hall, and
30 Mr. Hagen Haentsch provide detail about Oncor's operations. Details

1 concerning Oncor's technology investments are described in the
2 testimonies of Company witnesses Mr. Joel S. Austin and Ms. Malia A.
3 Hodges.

4 As shown on Exhibit JAG-4, Oncor's rates are the lowest among
5 ERCOT investor-owned utilities ("IOUs"), and even with the rate increase
6 proposed in this case, Oncor's rates will continue to be among the lowest
7 of IOUs in ERCOT. The RFP also demonstrates that Oncor's vigilant
8 management of its business and cost controls contribute to an O&M per
9 customer that is among the lowest in the industry. Exhibits JAG-5 and JAG-
10 6 demonstrate that Oncor's O&M cost per customer and O&M cost per MWh
11 delivered are low when compared to other utilities in the industry. In
12 addition, an analysis performed by ScottMadden, Inc., in support of the
13 Company's ROE request shows that Oncor's O&M cost per customer and
14 per MWh from 2010 to 2020 compare favorably to the costs of the utilities
15 in the ScottMadden proxy group for Oncor. Several witnesses in the RFP
16 discuss the cost controls used in various business units. For example,
17 Company witnesses Messrs. Speed and Hull and Ms. Buck discuss the cost
18 controls used in their respective transmission and distribution ("T&D")
19 organizations, and Company witnesses Mr. Austin and Ms. Hodges discuss
20 the cost controls used in the Technology organization.

21 Q. DOES THE RFP ADDRESS WINTER STORM URI?

22 A. Yes. Throughout this case, we will describe Oncor's preparation for and
23 performance during Winter Storm Uri and our ongoing efforts since that
24 storm. Exhibit JAG-7 is a depiction of various preparations Oncor made in
25 advance of Winter Storm Uri. Those preparations include employee training
26 and drills that simulate emergency scenarios (including load shed training
27 and Black Start training), various winterization activities to prepare our
28 system for severe winter weather, contacting mutual assistance
29 organizations of which Oncor is a member to seek additional resources to
30 help address outages, and sourcing and procurement activities to ensure

1 that potentially needed equipment was available. These preparations are
2 discussed in the testimonies of Company witnesses Messrs. Speed, Hull,
3 and Martin, and Ms. Buck. Because of these preparations, Oncor was able
4 to implement the ERCOT directives for load shed in a timely manner.

5 The RFP also describes Oncor's activities since Winter Storm Uri,
6 some of which were required by legislation passed by the Texas Legislature
7 and resulting rules adopted by the Commission. In his testimony, Company
8 witness Mr. Martin discusses actions Oncor has taken since Winter Storm
9 Uri.

10 Q. HOW HAS ONCOR DEALT WITH THE COVID-19 PANDEMIC?

11 A. We met, and continue to meet, the challenges presented by the COVID-19
12 pandemic through the coordinated efforts of every group within Oncor.
13 From the outset of the pandemic, our goal has been to protect employees
14 and continue to provide reliable service. As described in more detail by
15 Company witness Ms. Buck in her direct testimony, we began regular
16 reviews and updates to our Pandemic Readiness Plan ("Pandemic Plan")
17 in January 2020 and initiated the first phase of the Pandemic Plan on
18 January 30, 2020. The Plan remained activated throughout 2021 and is still
19 activated as of the date of my testimony. Oncor continues to secure
20 protective materials and execute safety-related procedures designated to
21 protect our workforce. Through our Accounting organization, we tracked
22 the incremental costs incurred related to the pandemic, such as the cost of
23 security and medical services, additional cleaning, additional information
24 technology support, additional safety and personal protective equipment,
25 and rental vehicles. Company witnesses Ms. Buck and Mr. W. Alan
26 Ledbetter address these costs in their direct testimonies.

27 Q. WHICH ONCOR WITNESSES PROVIDE DETAILS ABOUT ONCOR'S
28 COST OF SERVICE?

29 A. In his testimony, Company witness Mr. Ledbetter describes and supports
30 Oncor's cost of service study and revenue requirement presented in this

1 case. He also describes the known and measurable changes to test year
2 expenses that Oncor is seeking in this case. Company witness Mr. Dane
3 A. Watson presents the depreciation study he performed for Oncor in
4 support of this case.

5 Q. WHAT OTHER WITNESSES ADDRESS THE WAYS IN WHICH ONCOR
6 ENSURES ITS COST OF SERVICE IS REASONABLE?

7 A. Numerous witnesses address various aspects of Oncor's costs of service
8 as well as Oncor's compliance with Commission requirements. Oncor's
9 affiliate transactions and Oncor's compliance with the rules governing those
10 transactions are demonstrated in the testimony of Company witness Mr.
11 Michael G. Grable. He also describes Oncor's sustainability and
12 environmental, social, and governance initiatives, along with Company
13 witness Mr. Fease.

14 Company witness Mr. Gregory S. Wilson provides a study related to
15 Oncor's self-insurance reserve and supports the Company's requested
16 accrual. Company witness Ms. Angela Guillory describes Oncor's human
17 resources organization and its practices for hiring, developing, and retaining
18 a skilled workforce. She also describes Oncor's labor costs, including
19 incentive compensation. Company witness Ms. Bonnie L. Clutter provides
20 the Company's federal income tax expense calculation and testifies
21 concerning Oncor's state and local taxes, taxes other than income taxes,
22 and franchise taxes. Company witness Mr. Ashley Thenmadathil provides
23 the cash working capital calculation and lead-lag study, and he also
24 describes Oncor's self-insurance reserve accounting. Company witness
25 Mr. Alan S. Taper describes Oncor's accounting for pensions and other
26 post-employment benefits ("OPEBs").

27 The testimonies of Company witnesses Messrs. Matthew A. Troxle
28 and Darryl E. Nelson provide testimony supporting the Company's rate
29 design and resulting proposed tariffs.

1 The testimonies of Company witnesses Robert A. Schmidt and Ms.
2 Andrea M. Stover address the reasonableness of Oncor's rate-case
3 expenses.

4 **C. Oncor Invests in Technology for a 21st Century Grid.**

5 Q. HOW DO ONCOR'S INVESTMENTS IN TECHNOLOGY BENEFIT
6 CUSTOMERS?

7 A. Oncor has made several significant technology investments since its last
8 base-rate case as part of its technology modernization program. This
9 program, as well as other technology investments described in the RFP,
10 make Oncor's grid, and the entire ERCOT grid, more resilient and better
11 able to provide safe and reliable service to customers in the future. Those
12 investments targeted at technology modernization include Oncor's
13 investments in its new Customer Care & Billing system, an Advanced
14 Enterprise Geographic Information System, its Telecommunications
15 Refresh Program project, and a new Transmission Management System.
16 Company witness Mr. Austin describes that technology modernization
17 program and the capital expenditures associated with that program as well
18 as the technology-related costs incurred during the test year. Company
19 witness Ms. Hodges further describes those technology-related
20 investments in her testimony as well as the process the Technology group
21 follows to evaluate potential technology-related capital projects and to
22 ensure that all capital expenditures incurred are reasonable and prudent.
23 She also describes the reasonableness and necessity of the Technology
24 group's test-year O&M costs, as adjusted for known and measurable
25 changes. Company witness Mr. Matthew D. Smith presents the result of
26 his review of Oncor's outsourcing contracts in various areas of the
27 Company, including Information Technology.

28 Oncor is an industry leader in the use of data analytics to maintain
29 and improve reliability. Over the past several years, Oncor has invested in
30 AMS, a variety of SCADA-enabled distribution devices, and upgrades to its

1 communication infrastructure. Company witness Mr. Haentsch describes
2 how these investments improved customer service and grid reliability and
3 created new operational data that can now be correlated with existing data
4 sets or even external data. This ability to combine multiple, very large data
5 sets provides the basis for Advanced Data Analytics and enables Oncor to
6 make more accurate decisions and predictions.

7 **D. Oncor has a History of Working Cooperatively with and Being**
8 **Transparent with Stakeholders and Regulators.**

9 Q. WHAT IS ONCOR'S APPROACH FOR LITIGATING THIS RATE CASE?

10 A. Oncor's long-standing approach has been to work with stakeholders in all
11 ways possible to ensure the best outcome for customers and for the
12 Company. Our intention is to continue the same approach in this case.

13 The transactions in which Oncor participated in 2017 and 2019
14 related to Sharyland and InfraREIT, Inc. demonstrate that Oncor is
15 committed to supporting the needs of Texas and its citizens. In 2017, Oncor
16 engaged in an asset exchange with Sharyland in which we exchanged a
17 portion of our transmission assets and cash for Sharyland's distribution
18 assets (constituting substantially all of their electricity distribution business)
19 and certain of their transmission assets ("2017 Asset Exchange").² By
20 allowing Sharyland's distribution customers to be served by Oncor, this
21 transaction resulted in significant rate relief for Sharyland's distribution
22 customers in their Stanton, Brady, and Celeste divisions and avoided a
23 significant rate increase for Sharyland's distribution customers in its
24 McAllen division.

25 In 2019, Oncor also undertook transactions that resulted in Oncor's
26 ownership of most of the transmission assets owned by Sharyland and the

² *Joint Report and Application of Sharyland Utilities, L.P., Sharyland Distribution & Transmission Services, L.L.C., and Oncor Electric Delivery Company LLC For Transfer of Facilities, Transfer of Rights Under and Amendment of Certificates of Convenience and Necessity, and for Other Regulatory Approvals*, Docket No. 47469 (Oct. 17, 2017).

1 elimination of InfraREIT.³ In approving those transactions the Commission
2 identified the following four tangible and quantifiable benefits that customers
3 would receive as a result of the transactions: (1) wholesale-transmission-
4 service rate credits of 90% of interest rate savings achieved from improved
5 credit quality and of debt issuance savings; (2) \$17 million in merger savings
6 rate credits; (3) Oncor's commitment not seek recovery of the termination
7 fee paid by InfraREIT Partners to Hunt Utility Services, LLC to terminate the
8 management agreement between InfraREIT, InfraREIT Partners, and Hunt
9 Utility Services; and (4) Oncor's commitment that it would not seek recovery
10 of any amount of the approximately \$8.9 million regulatory asset related to
11 Sharyland Utilities, L.P.'s rate case expenses that were requested or
12 incurred in Docket No. 45979.⁴

13 As a result of the 2019 transactions, we also demonstrate in the RFP
14 the prudence of capital investments made by Sharyland between January
15 1, 2013 and May 16, 2019, the date the 2019 transactions closed. The
16 Sharyland capital investments are discussed by two company witnesses.
17 First, the direct testimony of Company witness Mr. Nichols (an independent
18 external witness employed by 1898 & Co., which is a division of Burns &
19 McDonnell) describes the analysis of the prudence and reasonableness of
20 certain Sharyland assets today held by Oncor NTU. Additionally, the direct
21 testimony of Mr. Speed addresses the prudence and reasonableness of
22 Sharyland's major CCN investments as well as a few smaller projects not
23 addressed by Mr. Nichols. Together these witnesses support Sharyland's
24 capital investments and demonstrate that the assets Oncor received from
25 Sharyland as part of the 2019 transactions that have not been previously

³ *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.*, Docket No. 48929 (May 9, 2019).

⁴ *Id.* at 27 (FOF104).

1 reviewed by the Commission for prudence were, in fact, prudent and should
2 be included in Oncor's rate base.

3 **E. Oncor's RFP Demonstrates the Need to Change Oncor's**
4 **Rates.**

5 Q. WHY IS ONCOR SEEKING TO CHANGE ITS RATES IN THIS
6 PROCEEDING?

7 A. As demonstrated in the RFP, Oncor's current rates are inadequate to permit
8 Oncor a reasonable opportunity to earn a reasonable return on its invested
9 capital used and useful in providing service to the public in excess of
10 Oncor's reasonable and necessary operating expenses. To ensure that
11 Oncor will continue to be able to support the growing Texas economy and
12 the communities we serve, Oncor's rates must be set at an appropriate level
13 that ensures the continued financial health of Oncor and enables Oncor to
14 attract the capital it needs to support the Texas economy. We are proposing
15 rates in this case that will support the long-term financial integrity of the
16 Company by reflecting (1) its capital investment not previously reviewed for
17 prudence, (2) timely recovery of operating costs, (3) a stronger balance
18 sheet through increased equity in its capital structure, and (4) market-
19 driven, fair, and compensatory return on invested capital.

20 Through the testimonies of 27 internal and external witnesses, the
21 supporting schedules, and workpapers, Oncor demonstrates that to allow
22 Oncor to recover its reasonable cost of service and provide an opportunity
23 to earn a reasonable return, Oncor's present revenues should be increased
24 by approximately \$251 million, or approximately 4.5%. The total cost of
25 service that Oncor is seeking is \$5,810,772,332, which includes several
26 adjustments for known and measurable changes. The primary proposed
27 known and measurable adjustments that are included in the RFP are listed
28 below:

- 29 • an increase in wholesale transmission service expense of
30 \$135 million to reflect increases in the rates of third-party

1 wholesale transmission service providers and growth in Oncor
2 demand;

- 3 • an increase to O&M of \$47.2 million to reflect the more
4 comprehensive self-insured loss provision proposed by Oncor
5 witness Mr. Wilson and an increase in O&M of \$75.1 million
6 to address under-recovered property and liability losses;
- 7 • an increase of \$16 million to labor-related O&M to address
8 compensation increases; and
- 9 • a reduction in pension O&M of \$20.1 million, a reduction in
10 OPEB O&M of \$21.1 million, and a reduction of \$7.9 million in
11 amortization of under-recovered pension and OPEB costs.

12 Pursuant to Rate Case General Instruction 2,⁵ my Exhibit JAG-8
13 contains a comparison of the rate base, rate of return, sales/other revenues,
14 operating expenses by major category, and operating income as authorized
15 in Oncor's last base-rate case and as proposed in this proceeding. Exhibit
16 JAG-9 contains a complete listing of each testifying witness, the general
17 subject matter addressed by the witness, and the volume number and Bates
18 number on which each witness's testimony begins.

19 **IV. OVERVIEW OF ONCOR**

20 Q. PLEASE DESCRIBE ONCOR.

21 A. Oncor owns and operates facilities used to transmit and distribute electricity
22 to customers across west, north, central, and east Texas within the ERCOT

⁵ General Instruction 2 of the Commission's *Transmission & Distribution (TDU) Investor-Owned Utilities Rate Filing Package For Cost-Of-Service Determination 2020* requires the following:

The Executive Summary or the testimony of an overview witness must include a comparison of the rate base, rate of return, sales or other revenues, operating expenses by major category (e.g., O&M, depreciation, other taxes, income taxes), and operating income as authorized in the utility's last rate case and as proposed; an explanation of the cost or revenue drivers causing rates to change; and a complete listing of each testifying witness, the general subject matter addressed by the witness, and the volume number and Bates page number on which each witness's testimony begins.

1 control area. Oncor's service area covers over 54,000 square miles. Page
2 1 of Exhibit JAG-10 shows Oncor's service area, and page 2 of Exhibit JAG-
3 10 shows the counties in which Oncor operates transmission and/or
4 distribution facilities. Oncor delivers electricity to approximately 3.8 million
5 points of delivery, representing approximately 13 million people, in over 400
6 cities and over 120 counties in Texas, through the largest electric system in
7 Texas and one of the largest in the United States.

8 As of December 31, 2021, Oncor owns, operates, and maintains
9 more than 140,000 circuit miles of T&D lines, and more than 1,100
10 substations and switching stations. Oncor also staffs multiple service
11 centers across its service area to support those lines and stations. Oncor
12 has significant technology resources that are necessary to operate Oncor's
13 system, provide physical and cyber security for that system, provide
14 customer service, and support ERCOT market transactions.

15 Q. PLEASE DESCRIBE ONCOR'S OWNERSHIP STRUCTURE.

16 A. Oncor is owned by two investors (indirect majority owner, Sempra Energy,
17 and minority owner, Texas Transmission Investment LLC) and is managed
18 by its Board of Directors, which is comprised of a majority of disinterested
19 directors. Pursuant to commitments made to the Commission, certain
20 structural and operational "ring-fencing" measures have been implemented
21 to enhance Oncor's credit quality and the separateness between Oncor and
22 its subsidiaries from Sempra Energy and Sempra Energy's affiliates and
23 any other entities with a direct or indirect ownership interest in Oncor.

24 Q. DOES ONCOR HAVE AN EXPERIENCED UTILITY MANAGEMENT
25 TEAM?

26 A. Yes. The nine-member SLT has a combined total of over 220 years of utility
27 industry experience, and Oncor's other executives and managers have
28 considerable experience and diverse skills. Taking input from the Texas
29 Legislature, the Commission, and other important stakeholders, such as our
30 customers, retail electric providers ("REPs"), and the cities we serve, the

1 SLT has adopted a forward-thinking, innovative, and long-term approach
2 with regard to system improvements and operating cost controls. Under the
3 current management team, Oncor has been a leader in the deployment of
4 smart grid technologies, the application and use of data analytics, the
5 construction of new T&D facilities to support customer growth, and new
6 generation sources being added to the ERCOT market. With dedication,
7 knowledge, and skill, Oncor has provided reliable electric service for over
8 100 years.

9 Q. PLEASE DESCRIBE ONCOR'S ASSETS AS OF DECEMBER 31, 2021.

10 A. As of December 31, 2021, Oncor's transmission grid (facilities operated at
11 or above 60 kV) included over 18,100 circuit miles of 345 kV, 138 kV, and
12 69 kV transmission lines and supporting structures, more than 1,100
13 substations and switching stations, and numerous service centers to
14 support those lines and stations. The direct testimony of Company witness
15 Mr. Speed provides additional information about Oncor's transmission
16 assets and operations.

17 Oncor's distribution system (facilities operated at less than 60 kV)
18 consisted of over 122,000 miles of primary and secondary distribution lines.
19 The direct testimony of Company witness Mr. Hull provides additional
20 information about Oncor's distribution assets and operations.

21 Oncor also has significant technology assets that support the T&D
22 system and the necessary customer service and ERCOT market functions.
23 Technology assets are described in the direct testimonies of Company
24 witnesses Mr. Austin and Ms. Hodges.

25 Q. PLEASE DESCRIBE ONCOR'S INVESTMENTS AND OPERATIONS.

26 A. To serve the Company's customer base and support the ERCOT market,
27 Oncor makes appropriate and necessary investments in T&D infrastructure
28 and in new technology in an efficient and cost-effective manner. We
29 prioritize the programs and projects within the Company's capital plan and
30 continuously monitor and make any necessary adjustments based upon

1 changing business, operational, security, and technology environments. As
2 I mentioned earlier, since Oncor's last rate case test year ended December
3 31, 2016, Oncor has made total capital investments of approximately \$10.2
4 billion, which is far in excess of its depreciation expense included in rates
5 over that time.

6 Despite significant growth in customers and infrastructure since the
7 last test year, Oncor's basic O&M expense on both a per-MWh basis and a
8 per-customer basis has remained low relative to our peer utilities as a result
9 of diligent cost management and contracting efforts. Oncor's O&M expense
10 remains among the lowest when compared to the O&M expenses of
11 Oncor's peer utilities. Company witnesses Messrs. Speed and Hull provide
12 additional detail regarding Oncor's T&D capital investments and operations
13 in their direct testimonies. Company witness Ms. Buck testifies about
14 Oncor's sourcing and procurement strategies, and Company witness Mr.
15 Martin describes T&D system operations.

16 Q. WHAT SERVICES DOES ONCOR PROVIDE?

17 A. Consistent with the Commission's Substantive Rules, 16 Tex. Admin. Code
18 ("TAC") §§ 25.341-25.343, Oncor provides: (1) system service; (2)
19 discretionary service; and (3) other services. 16 TAC § 25.341(13) defines
20 "system service" as a service that is essential to the transmission and
21 distribution of electricity from the point of interconnection of a generation
22 source or third-party electric grid facility to the point of interconnection with
23 a retail customer or other third-party facility. Oncor provides system
24 services pursuant to the retail and wholesale rate schedules set forth in the
25 Company's Tariff for Retail Delivery Service and Tariff for Transmission
26 Service, respectively.

27 16 TAC § 25.341(4) defines "discretionary service" as a service that
28 is related, but not essential, to the transmission and distribution of electricity
29 from the point of interconnection of a generation source or third-party
30 electric grid facilities, to the point of interconnection with a retail customer

1 or other third-party facilities. Oncor provides the discretionary services
2 shown on Schedule IV-J-2 of the RFP. Those services are discussed in the
3 direct testimony of Company witness Mr. Troxle.

4 16 TAC § 25.342(f)(1)(D) limits the offering of “other services” to
5 those services that: (1) maximize the value of T&D system service facilities;
6 and (2) are provided without additional personnel and facilities other than
7 those essential to the provision of T&D system services. Oncor offers
8 limited “other services,” which are described in the direct testimony of
9 Company witness Mr. Troxle.

10 Q. UNDER WHAT TARIFFS DOES ONCOR PROVIDE DELIVERY
11 SERVICE?

12 A. Oncor provides delivery service over the Company’s T&D facilities in
13 accordance with the Public Utility Regulatory Act (“PURA”), the
14 Commission’s Substantive Rules, and pursuant to the following tariffs:

- 15 • Tariff for Retail Delivery Service;
- 16 • Tariff for Transmission Service; and
- 17 • Tariff for Transmission Service To, From and Over Certain HVDC
18 Interconnections, Federal Energy Regulatory Commission (“FERC”).

19 Q. PLEASE DESCRIBE ONCOR’S SAFETY AND RELIABILITY
20 PERFORMANCE AND SERVICE QUALITY.

21 A. Oncor strives to provide safe and reliable service to customers. While no
22 electric utility can deliver electricity without interruption, Oncor has an
23 excellent record for continuity of service and responsiveness to customer
24 service interruptions. Company witnesses Messrs. Speed and Hull provide
25 additional information regarding the safety and reliability of Oncor’s T&D
26 system in their direct testimonies. I also discuss Oncor’s safety
27 performance and reliability performance later in my testimony.

28 **V. CASE ORGANIZATION**

29 Q. PLEASE DESCRIBE ONCOR’S INITIAL FILING IN THIS CASE.

1 A. We have prepared Oncor's RFP consistent with the requirements of PURA
2 and the Commission's Substantive and Procedural Rules, including the
3 "Transmission & Distribution (TDU) Investor-Owned Utilities Rate Filing
4 Package for Cost-of-Service Determination," revised by the Commission in
5 Project No. 49199.

6 Oncor's RFP is based on a test year ended on December 31, 2021.
7 In addition to the initial pleading, the first component of Oncor's RFP is the
8 sworn direct testimony of 27 internal and external witnesses. Next, the RFP
9 includes the non-voluminous direct testimony workpapers, revised tariffs,
10 required RFP schedules, and non-voluminous RFP schedule workpapers.

11 The RFP reflects the significant efforts of many Oncor employees
12 and external resources over several months, and we believe that it reflects
13 an accurate and transparent view of Oncor's business and the need for the
14 relief requested in this case.

15 The witnesses who are submitting direct testimony in support of
16 Oncor's Application and the topics covered by their testimony are described
17 in Exhibit JAG-9.

18 Q. WHAT ARE THE RESULTS OF ONCOR'S COST-OF-SERVICE STUDY
19 AND THE DEVELOPMENT OF ITS REVENUE REQUIREMENT BASED
20 ON A TEST YEAR ENDED DECEMBER 31, 2021, AS ADJUSTED FOR
21 KNOWN AND MEASURABLE CHANGES?

22 A. As described and supported in the Company's RFP, Oncor's total cost of
23 service based on a test year ended December 31, 2021, as adjusted for
24 known and measurable changes, is \$5,810,772,332. This includes a
25 proposed ROE of 10.3%, a capital structure of 55% debt and 45% equity,
26 and a proposed overall weighted cost of capital of 7.05% on a rate base of
27 approximately \$18,815,928,376.

28 The Company has prepared the RFP using actual test year books
29 and records, adjusted for known and measurable changes, and using
30 traditional and widely accepted accounting and ratemaking principles.

1 Company witness Mr. Ledbetter details Oncor's annual revenue
2 requirement and known and measurable adjustments in his direct
3 testimony.

4 Q. IF NEW RATES WERE TO BE IMPLEMENTED BASED ON THE RFP,
5 WHAT EFFECT WOULD ONCOR'S RATE INCREASE HAVE ON
6 RESIDENTIAL CUSTOMERS?

7 A. The Company's RFP, including direct testimony, schedules, and proposed
8 tariffs, has been presented on a system-wide basis. The RFP supports an
9 increase over present revenues of approximately \$251 million, or
10 approximately 4.5%. Assuming the full increase as proposed in and
11 supported by the RFP were to be implemented in the rates for Retail
12 Delivery Service, the impact on a residential customer using 1,300 kilowatt-
13 hours ("kWh") per month would be an increase of approximately \$6.02 per
14 month. A residential customer with a retail plan that charges 11 cents per
15 kWh would see a 4.2% increase in their total bill. Of course, Oncor's rates
16 for Retail Delivery Service are charged to REPs, not directly to residential
17 customers, and the extent to which these additional charges would be
18 passed on by REPs is a function of the competitive market. Even with the
19 increase proposed in this case, Oncor's rates would still be among the
20 lowest of the ERCOT IOUs.

21 Q. WHAT ARE THE PRIMARY FACTORS THAT DISTINGUISH ONCOR'S
22 PROPOSED ANNUAL REVENUE REQUIREMENT FROM THE LEVEL OF
23 TEST YEAR REVENUES?

24 A. There are a number of factors that have contributed to the increased
25 revenue requirement requested in this case, but the primary drivers include:
26 (1) the move to a more typical industry-accepted capital structure of 55%
27 debt to 45% equity; (2) the adjustment to a 10.3% ROE; (3) the growth of
28 Oncor's under-recovered self-insurance reserve balance to about \$588.5
29 million (primarily storm-driven) at the end of the test year to be recovered
30 over five years; (4) an increase to O&M of \$47.2 million to reflect a more

1 comprehensive self-insurance loss provision; (5) \$75.3 million of deferred
2 costs of wholesale distribution substation service approved in the 2017
3 Asset Exchange to be recovered over five years, and an increase of \$13.3
4 million in current wholesale distribution substation service expense; (6)
5 \$34.7 million in incremental operating expenses associated with the
6 Company's response to the COVID-19 pandemic to be recovered over five
7 years; and (7) \$34 million increase in depreciation expense.

8 Q. ARE THE INCREASES IN ONCOR'S REVENUE REQUIREMENT
9 PRIMARILY RELATED TO INCREASES IN ONCOR'S NORMAL BASE
10 O&M COSTS?

11 A. No. While some increases in O&M costs are to be expected over time given
12 inflation, a larger customer base, and growth in facilities, in this instance,
13 the proposed increase in Oncor's revenue requirement is primarily driven
14 by the factors I previously mentioned. In fact, Oncor's O&M cost per
15 customer for controllable, base O&M (excluding things like mandated
16 energy efficiency costs, self-insurance reserve costs, pensions and OPEBs)
17 has remained low relative to our peer utilities for many years, due in large
18 part to Oncor's success in managing its O&M expenditures, which is
19 explained later in my direct testimony and in the direct testimonies of
20 Company witnesses Messrs. Speed and Hull.

21 Q. WHY IS AN INCREASE IN ONCOR'S EQUITY TO 45% OF ITS CAPITAL
22 STRUCTURE JUSTIFIED?

23 A. Company witness Ms. Lapson testifies that the requested capital structure
24 would provide Oncor with improved financial strength and greater resilience
25 to withstand adverse events, such as the infrequent but severe systemic
26 stresses of adverse economic and capital market conditions; and the
27 particular stress that could result from unexpected operating or business
28 events affecting Oncor. Please see Company witness Ms. Lapson's
29 testimony for more detail. As discussed by Company witness Mr. Fease,
30 the proposed capital structure is reflective of Oncor's actual capital structure

1 at the end of the test year, and as discussed by Company witness Mr.
2 D'Ascendis, Oncor's proposed capital structure is also more in line with the
3 proxy group companies used to evaluate the Company's cost of equity.

4 Q. WHY IS ONCOR'S PROPOSED ROE JUSTIFIED?

5 A. Company witness Mr. D'Ascendis discusses the quantitative and qualitative
6 analyses he conducted that support his recommendation that the
7 Commission authorize Oncor the opportunity to earn an ROE of 10.3% on
8 its rate base within a reasonable range of 9.6% to 11.6%. Please see his
9 testimony for further discussion of his analyses.

10 Q. WHAT ARE YOU ASKING THE COMMISSION TO DO IN THIS CASE?

11 A. I urge the Commission to approve Oncor's requested revenue requirement
12 and proposed rates as described in our RFP. Oncor's RFP demonstrates
13 that Oncor has invested heavily in Texas to meet the growing needs of
14 customers, the State, and the ERCOT market, and Oncor will continue to
15 do so. Oncor continues to be forward-thinking and innovative in
16 implementing and managing system improvements and controllable base
17 O&M costs. Oncor provides an essential service to society in a safe and
18 reliable manner, and we take this responsibility seriously. I am confident
19 that the RFP reflects the progressive vision of Oncor's management and
20 the hard work of Oncor employees. I am also confident that the RFP reflects
21 the fair cost of providing service to customers. For the Commission's
22 convenience, my Exhibit JAG-1 describes the decisions that the
23 Commission must make in this case and states Oncor's position with
24 respect to each decision.

25 **VI. ONCOR'S MANAGEMENT PHILOSOPHY**

26 Q. WHAT IS ONCOR'S MANAGEMENT PHILOSOPHY?

27 A. Our management philosophy and primary goal is to provide safe and
28 reliable electric delivery service to our customers and to provide that service
29 at a reasonable cost. Oncor has a long and distinguished history of
30 providing safe, reliable, and low-cost service to its customers, and we have

1 not wavered from our mission. As I mentioned earlier, we provide service
2 to customers in over 400 cities in Texas, and we are very committed to the
3 communities we serve. We know that safe and reliable electricity is critical
4 to every community and every industrial, commercial, and residential
5 customer connected to our system. We recognize that our system must be
6 robust and secure to support a vibrant, growing economy in Texas, and as
7 part of our management philosophy, we are committed to ensuring that our
8 system can continue to meet the needs of Texans and the Texas economy.
9 We also recognize that the cyber and physical security of our system is
10 critical to our ability to continue to provide safe and reliable service.

11 Q. HOW DID ONCOR MEET THE UNIQUE CHALLENGES PRESENTED
12 DURING 2021?

13 A. One significant challenge Oncor faced was Winter Storm Uri. Oncor
14 prepared for the storm before it hit, addressed issues during the storm, and
15 followed the multiple directives from ERCOT to shed load during the storm
16 in a timely manner that kept the grid from collapsing. Exhibit JAG-7 is a
17 depiction of the preparations Oncor undertook in advance of Winter Storm
18 Uri. As described in more detail in the testimony of Company witness Mr.
19 Martin, Oncor's ability to shed the required amount of load was critical to
20 ERCOT's ability to maintain the grid and avoid a collapse of the entire
21 ERCOT grid. Since Winter Storm Uri, we have taken numerous steps to
22 improve our response to such significant events, and Company witness Mr.
23 Martin describes those steps in his testimony.

24 During 2021, Oncor also faced the challenge of continuing to provide
25 safe and reliable electric service throughout the COVID-19 pandemic.
26 Oncor has had a Pandemic Plan in place for many years, and because of
27 our previous planning, we were able to implement that Plan quickly in 2020
28 and continued to provide reliable service and operate effectively in 2021.
29 We at Oncor are proud of our employees' continued commitment to meet
30 the electric delivery needs of our customers regardless of the challenges

1 presented. In 2021, we continued to implement the Pandemic Plan.
2 Company witness Ms. Buck describes how Oncor's Pandemic Plan was
3 initially implemented and continues to be implemented. Her testimony also
4 addresses the costs associated with implementing the Pandemic Plan,
5 including those that have been booked to the COVID-19 pandemic
6 response regulatory asset. Company witness Mr. Ledbetter also provides
7 information about the COVID-19 pandemic response regulatory asset.

8 **A. Implementation of Oncor's Management Philosophy**

9 Q. HOW DOES ONCOR IMPLEMENT ITS MANAGEMENT PHILOSOPHY?

10 A. Oncor's philosophy is implemented through Oncor's employees, who are
11 guided by our core values and supported by our organizational and
12 reporting structure. Our core values are excellence, intensity, ethical
13 conduct, respect, and innovation. Together, those core values and our
14 organizational and reporting structure govern how we manage our business
15 every day and ensure that all facets of the operation of our T&D system and
16 the supporting technology are closely managed to provide safe, reliable,
17 and affordable service. In addition to my direct testimony, Company
18 witnesses Messrs. Speed and Hull provide detailed information in their
19 direct testimonies on how Oncor manages its T&D operations and capital
20 investment consistent with this philosophy. In their direct testimonies,
21 Company witnesses Mr. Austin and Ms. Hodges provide detailed
22 information about how Oncor manages its investments in leading-edge
23 technology consistent with this philosophy to support the needs of
24 customers and the ERCOT market.

25 We also implement our management philosophy by hiring,
26 developing, and retaining highly qualified and skilled employees who are
27 responsible on a day-to-day basis for ensuring that they perform their jobs
28 in a manner that is consistent with the Company's philosophy. The
29 performance of all Oncor employees is driven by our focus on service to
30 customers, safety, reliability, and cost management. To further deliver

1 superior service and reliability to our customers at a reasonable cost, we
2 have implemented an internal organizational imperative known as *One*
3 *Oncor*. The objective seeks to create a seamless organization that
4 improves decision-making speed and promotes internal productivity. We
5 believe the *One Oncor* approach best serves our customers and
6 communities alike, while also positioning the Company to meet future
7 industry requirements. Company witness Ms. Guillory discusses in her
8 direct testimony our training and development programs, our commitment
9 to developing our employees, and how Oncor employees are compensated.

10 We also demonstrate our commitment to the communities we serve
11 by having a management structure that has local and regional managers
12 who are responsible for ensuring that the needs of all customers and
13 communities in our service area are addressed.

14 Q. HOW DOES ONCOR ENSURE THAT IT HIRES, DEVELOPS, AND
15 RETAINS HIGHLY QUALIFIED AND SKILLED EMPLOYEES?

16 A. Hiring and retaining highly qualified and skilled employees is critical to
17 support the needs of our customers. To ensure our wages and benefits are
18 competitive with those offered by comparable employers, we annually
19 review the marketplace. Once hired, we take great care in developing our
20 employees through our Talent Development Framework, which is described
21 in detail in the testimony of Company witness Ms. Guillory.

22 In 2019, Oncor developed a new leadership model designed to grow
23 our future leaders. The model, also known as "*Leadership The Oncor Way*,"
24 advances our company's vision and mission by inspiring and motivating
25 individual, group, and organizational performance. The *Oncor Way*
26 emphasizes character and relates our core values to building capabilities,
27 influencing people, leading change, and delivering results. Our leadership
28 team remains committed to further investing in our developmental programs
29 and people.

1 Q. HOW IS ONCOR'S MANAGEMENT PHILOSOPHY COMMUNICATED TO
2 EMPLOYEES?

3 A. Our management philosophy and the goals for the Company are
4 communicated to employees through the implementation of the
5 management structures and the Talent Development Framework I
6 discussed above, and through direct and frequent communication
7 emphasizing the Oncor Way.

8 **B. Commitment to Public and Employee Safety**

9 Q. YOU MENTIONED ABOVE THAT ONCOR IS COMMITTED TO PUBLIC
10 AND EMPLOYEE SAFETY. HOW IS THAT COMMITMENT TO SAFETY
11 IMPLEMENTED?

12 A. The safety and health of every employee, visitor, and member of the public
13 are of critical importance to our Company. We are fully committed to the
14 safe design, construction, and operation of our system with emphasis on
15 the prevention of accidents and injuries. For example, through our Super
16 Safe Kids program, we have implemented the largest safety education
17 campaign in the Company's history. It includes school and community
18 presentations by Oncor employees explaining why children should avoid
19 playing around Oncor equipment. The program provides lessons on how
20 to recognize hazards and how to make a storm safety kit, and includes
21 animated appearances by Oncor's safety mascots. The campaign has also
22 released Public Service Announcements that warn children about the
23 dangers of downed power lines and padmount transformers. Company
24 witness Mr. Hull provides testimony concerning our comprehensive safety
25 programs designed to promote awareness and eliminate hazards as we
26 seek to provide a safe environment for all.

27 **C. Environmental, Social, and Governance Initiatives**

28 Q. WHAT IS ONCOR'S GOAL WITH RESPECT TO SUSTAINABILITY?

29 A. As described in Company witness Mr. Grable's testimony, Oncor's goal with
30 respect to sustainability is to operate its business in an environmentally

1 sustainable manner, foster community partnerships to nurture the quality of
2 life and economic well-being of the surrounding community, and be an
3 example of good governance and a workforce committed to excellence. For
4 instance, we have integrated environmental considerations into our
5 decision-making and work with customers, business partners, and
6 regulatory authorities to minimize the environmental impact of our
7 operations. Indeed, our actions are making an impact. In 2019, nearly 62%
8 of operational waste generated by Oncor, such as oil, poles, and other
9 electrical equipment, was recycled or repurposed. Further, as of June 2020,
10 Oncor has contracted to receive 100% renewable energy for all the
11 electricity consumed at Oncor facilities.

12 As described in the testimony of Company witness Mr. Fease, as
13 part of its goal for sustainability, Oncor has implemented a Sustainable
14 Bond Framework that allows Oncor to issue, from time to time, certain
15 bonds or related debt instruments with net proceeds that we intend to utilize
16 to finance or refinance one or more projects that we believe may have
17 environmental and/or societal benefits. Mr. Fease also describes in his
18 testimony the efforts required to create that Sustainable Bond Framework
19 as well as the Company's first Sustainable Bond offering and sustainability
20 linked revolving line of credit.

21 In addition to these sustainability initiatives, Oncor also makes it a
22 priority to partner with the people of Texas – working with our fellow
23 employees, communities, businesses, and non-profit organizations to
24 nurture the quality of life and economic well-being that makes Texas an
25 incredible place to live and work. Oncor is an active member in a number
26 of supplier diversity programs and councils as well as numerous community
27 outreach events across our service area. Company witness Ms. Buck
28 provides testimony regarding these vital programs.

29 For more than a century, Oncor has been an integral part of Texas –
30 helping power the Lone Star State through innovation, exemplary service,

1 and a workforce committed to excellence. Our core values, along with our
2 strong ethics, compliance programs, and corporate governance structure
3 provide the foundation for everything we do as a company. These values
4 also provide the context for our *One Oncor* framework that encourages all
5 employees to share a “one team, one outcome” mentality to deliver value
6 for our customers.

7 Q. PLEASE DESCRIBE ONCOR'S COMMITMENT TO DIVERSITY, EQUITY,
8 AND INCLUSION.

9 A. Oncor's diversity, equity, and inclusion initiative, *Together We Deliver*,
10 demonstrates the Company's commitment to building a workplace of
11 diversity, inclusivity, and togetherness. All employees – regardless of their
12 race, color, religion, sex, national origin, ancestry, disability, age, sexual
13 orientation, gender identity, or any other individual characteristic – should
14 be empowered with a sense of belonging and equipped with the resources
15 needed to achieve their full potential. Only then, with the support of all
16 Oncor employees, will Oncor reach its full potential. Accordingly, we have
17 developed a new officer-level position designed to advance our diversity
18 and inclusion goals. In November 2020, we hired Mr. Scott Trapp to be the
19 new Vice President of Diversity, Equity and Inclusion. Mr. Trapp leads the
20 Company's efforts to refine and execute our diversity, equity, and inclusion
21 strategy.

22 **VII. OVERVIEW OF ONCOR'S FUNCTIONAL ORGANIZATION**

23 Q. HOW IS ONCOR ORGANIZED?

24 A. As I describe below, Oncor is organized into five broad functions:
25 Operations, Finance and Accounting, Legal and Regulatory, Customer
26 Service & Human Resources, and Technology, Measurement & Billing and
27 Customer Engagement. Each of these organizations ultimately reports to
28 Oncor's Chief Executive Officer. I provide a visual representation of those
29 functions in my Exhibit JAG-11, and my testimony below provides a short
30 description of each of those functions.

Oncor is a large organization that serves a very important role in our society – the delivery of safe and reliable electricity. To evaluate Oncor's cost of service, the Commission should understand the breadth and scope of our organization and the quality and experience of those persons who are responsible for providing electric delivery service to millions of Texans.

A. Operations

Q. WHAT ACTIVITIES ARE PERFORMED BY THE OPERATIONS ORGANIZATION?

A. The Operations organization is responsible for the planning, engineering design, construction, maintenance, and operation of the transmission grid and distribution system, as previously described. These activities ensure that the T&D systems operate reliably and safely, and are modified or enhanced in a timely and efficient manner to accommodate the needs of new and existing customers, as well as the needs of the ERCOT market. The Operations organization is also responsible for strategic sourcing and procurement, performance management, and management of contractor resources that work on Oncor's system. As of December 31, 2021, Oncor's Operations organization had 3,508 full-time employees, making it the largest of Oncor's organizations. Exhibit JAG-12 to my testimony contains an organizational chart reflecting the groups within Oncor's Operations organization. In his testimony, Company witness Mr. Speed provides more detail about Oncor's transmission operations, and in his testimony, Company witness Mr. Hull provides more detail about Oncor's distribution operations. Company witness Mr. Martin describes the T&D Operations group in his testimony. Company witness Ms. Buck describes the Business and Operations Services group in her testimony.

B. Finance and Accounting

Q. WHAT ACTIVITIES ARE PERFORMED BY ONCOR'S FINANCE AND ACCOUNTING ORGANIZATION?

1 A. The Finance and Accounting organization is responsible for providing
2 finance, accounting, treasury, regulatory support, audit services, and
3 financial planning services for all organizations within Oncor. As of
4 December 31, 2021, the Finance and Accounting organization had 78
5 employees. Mr. Don Clevenger is the Senior Vice President and Chief
6 Financial Officer for Oncor and directs the Finance and Accounting
7 organization. Mr. Clevenger joined Oncor's predecessor company in 2005
8 and became Oncor's Chief Financial Officer in 2018. Since 2005, Mr.
9 Clevenger has held management positions in various departments. As
10 shown on the organizational chart in Exhibit JAG-13, Mr. Clevenger's
11 organization includes the Controller, the Treasurer, Financial Planning,
12 Asset Investment Strategy, Internal Audit, and Corporate Strategy
13 functions. A more detailed description of these sub-groups and the
14 activities in which they engage is provided on pages 2 and 3 of Exhibit JAG-
15 13.

16 **C. Legal and Regulatory**

17 Q. WHAT ACTIVITIES DOES THE LEGAL AND REGULATORY
18 ORGANIZATION PERFORM?

19 A. The Legal and Regulatory organization provides legal and regulatory
20 services to all organizations within Oncor. This group also supports all
21 Oncor activities in the governmental affairs area. This organization is
22 responsible for Oncor's interactions with its regulators, such as the
23 Commission, and for Oncor's regulatory filings, such as this case. This
24 organization is described in more detail on my attached Exhibit JAG-14,
25 which identifies the various sub-groups within the Legal and Regulatory
26 organization and the activities in which those groups engage. As of
27 December 31, 2021, this organization had 80 employees. The Legal and
28 Regulatory group is led by Mr. Matthew Henry, who is a licensed attorney
29 with many years of experience representing Oncor and its predecessor
30 companies as outside counsel. In 2018, Mr. Henry became Senior Vice

1 President, General Counsel, and Secretary for Oncor. In that role, he is
2 responsible for overseeing all of Oncor's legal, regulatory, and compliance
3 matters.

4 **D. Customer Service & Human Resources**

5 Q. WHAT ACTIVITIES DOES THE CUSTOMER SERVICE & HUMAN
6 RESOURCES ORGANIZATION PERFORM?

7 A. The Customer Service & Human Resources organization is responsible for
8 ensuring that Oncor delivers a quality experience to our customers and
9 works closely with the municipalities we serve. This organization also
10 provides human resources support to other organizations within Oncor,
11 including employee relations support and labor relations support, training,
12 and development. In addition, this organization is also responsible for
13 managing Oncor's compensation and benefits programs.

14 This organization is led by Ms. Debbie Dennis, who is Senior Vice
15 President, Chief Customer Officer, and Chief HR Officer for Oncor. She has
16 over 40 years of experience with the Company in human resources,
17 customer service, supply chain, outsourcing management, and community
18 affairs. As of December 31, 2021, this organization had 117 employees.
19 Ms. Dennis' organization is summarized in my attached Exhibit JAG-15.

20 **E. Technology, Measurement & Billing, and Customer Engagement**

21 Q. WHAT ACTIVITIES DOES THE TECHNOLOGY, MEASUREMENT, &
22 CUSTOMER ENGAGEMENT ORGANIZATION PERFORM?

23 A. This organization is responsible for Oncor's overall Technology strategy
24 and cybersecurity, Oncor's strategy and tools for enabling communication
25 with end-use customers, Oncor's interactions with and support of the
26 ERCOT market, and measurement of electricity delivery and billing. This
27 organization includes Contact Center operations, ERCOT market
28 transaction management, and revenue management. As of December 31,
29 2021, this organization had 745 employees. This organization is led by
30 Company witness Mr. Joel S. Austin, who is Senior Vice President and

1 Chief Digital Officer for Oncor. As shown on the organizational chart in
2 Exhibit JAG-16, Mr. Austin's organization includes the Information
3 Technology, Market Relations, Measurement & Billing, and Customer
4 Engagement functions. A more detailed description of these sub-groups
5 and the activities in which they engage is provided on pages 2 and 3 of
6 Exhibit JAG-16 and in Mr. Austin's testimony.

7 **VIII. CAPITAL INVESTMENT STRATEGY**

8 Q. WHAT ARE THE PRIMARY OBJECTIVES OF ONCOR'S CAPITAL
9 INVESTMENT STRATEGY?

10 A. Oncor's primary capital investment objective is to make the appropriate and
11 necessary T&D investments to serve Oncor's growing customer base and
12 to support the ERCOT market in a safe, reliable, and cost-effective manner.
13 In support of this objective, Oncor makes investments that are necessary to
14 fulfill its mandates under its tariffs, PURA, the Commission's Substantive
15 Rules, and other applicable regulatory requirements. To ensure Oncor's
16 capital investments are consistent with customer and market needs, Oncor
17 utilizes an investment strategy framework that allows the Company to
18 prioritize its many capital needs.

19 **A. Planning and Budgeting**

20 Q. HOW DOES ONCOR PREPARE ITS CAPITAL PLAN?

21 A. The Company prepares a detailed one-year capital plan and a more general
22 five-year plan (together, the "Capital Plan") on an annual basis. A major
23 component of the Capital Plan development is an ongoing comprehensive
24 analysis of the T&D system and supporting technology that is conducted by
25 Oncor personnel. This ensures that new facilities and other investments,
26 including new technologies, are in place to safely and reliably accommodate
27 anticipated system operation. This analysis is intended to ensure the
28 integrity and cost-effectiveness of the Oncor system, maintain reliability of
29 service, and expand the system efficiently.

1 The Capital Plan reflects the Company's investment strategy for new
2 facilities, existing facilities, and supporting technologies. When it is
3 implemented, the Capital Plan is then used for tracking expenditures during
4 the calendar year for which it was prepared. Oncor's Senior Management,
5 including myself, regularly reviews the expenses associated with the Capital
6 Plan to ensure that they are executed appropriately and are in line with the
7 Capital Plan.

8 **B. Used and Useful Invested Capital**

9 Q. HAVE THERE BEEN ANY ADDITIONS OR CHANGES TO ONCOR'S
10 TRANSMISSION SYSTEM SINCE THE TEST YEAR IN ONCOR'S LAST
11 BASE-RATE CASE?

12 A. Yes. Since our last base-rate case, Oncor has constructed approximately
13 2,300 miles of new and re-built transmission lines and the necessary
14 stations and related equipment to support those lines. Company witness
15 Mr. Speed provides additional detail about these projects in his direct
16 testimony.

17 Q. HAVE ANY OF THESE TRANSMISSION PROJECTS BEEN INCLUDED
18 IN INTERIM TCOS FILINGS AS PROVIDED IN 16 TAC § 25.192?

19 A. Yes. Company witness Mr. Speed provides the capital investments
20 associated with those filings in his testimony and describes the interim
21 TCOS filings that have been approved by the Commission since Oncor's
22 last base-rate case, which was Docket No. 46957.

23 Q. HAVE THERE BEEN ANY ADDITIONS OR CHANGES TO ONCOR'S
24 DISTRIBUTION SYSTEM SINCE THE TEST YEAR IN ONCOR'S LAST
25 BASE-RATE CASE?

26 A. Yes. Oncor has continued to invest in its distribution system since the last
27 base-rate case. As I mentioned above, as part of the 2017 Asset Exchange
28 with Sharyland, Oncor now owns the distribution system previously owned
29 by Sharyland except their distribution assets in the McAllen area, which are
30 now owned by AEP Texas Inc. In addition to acquiring the Sharyland

1 distribution assets, Oncor's distribution investments have been focused on
2 addressing load and service connections associated with approximately
3 345,000 additional points of delivery and load changes for existing
4 customers, facility relocations, planned and reactive maintenance, as well
5 as continued investments in distribution automation and related
6 technologies. Company witness Mr. Hull provides additional detail about
7 these distribution projects in his direct testimony. Company witnesses Mr.
8 Austin and Ms. Hodges support and provide details about the technology
9 investments that Oncor has made since December 31, 2016, in their direct
10 testimonies.

11 Q. HAVE ANY OF THESE DISTRIBUTION PROJECTS BEEN INCLUDED IN
12 INTERIM DISTRIBUTION COST RECOVERY FACTOR FILINGS AS
13 PROVIDED IN 16 TAC § 25.243?

14 A. Yes. Oncor has completed four Distribution Cost Recovery Factor ("DCRF")
15 proceedings (Docket Nos. 48231, 49427, 50734, and 51996).

16 Q. WHAT AMOUNT OF INVESTED CAPITAL IS INCLUDED IN THE RFP
17 THAT ONCOR SUBMITTED IN THIS PROCEEDING?

18 A. Oncor's invested capital at the end of the test year was \$18,815,928,376.
19 This amount is included in Schedule II-B of the RFP and is discussed in the
20 direct testimony of Company witness Mr. Ledbetter.

21 Q. IS THE INVESTED CAPITAL YOU DESCRIBED ABOVE USED AND
22 USEFUL IN PROVIDING SERVICE TO THE PUBLIC, AND REASONABLE
23 AND NECESSARY FOR THE CONTINUED SAFE AND RELIABLE
24 OPERATION OF ONCOR'S SYSTEM?

25 A. Yes. The invested capital described in my testimony, in the direct
26 testimonies of Company witnesses Messrs. Speed, Hull, Martin, Nichols,
27 and Austin and Ms. Hodges, and included in the Company's rate base on
28 Schedule II-B, is used and useful in rendering service to the public and the
29 associated costs are reasonable and necessary in providing service

1 pursuant to the Company's tariffs, PURA, and the Commission's
2 Substantive Rules.

3 Q. IS FULL APPROVAL OF THE COMPANY'S INVESTED CAPITAL AS
4 PRESENTED IN SCHEDULE II-B CRITICAL TO ONCOR'S ABILITY TO
5 PROVIDE SAFE, RELIABLE ELECTRIC SERVICE?

6 A. Yes. Oncor has a long history of providing safe, reliable service to the
7 public. Oncor has expended significant amounts of capital in providing such
8 service and continues to invest heavily in Texas to continue that level of
9 service. As such, it is very important that the significant capital investment
10 Oncor incurred in serving the public be approved for recovery consistent
11 with the standards in PURA and the Commission's Substantive Rules and
12 that Oncor be able to attract the needed capital from investors at a
13 reasonable cost. In their direct testimonies, Company witnesses Mr.
14 D'Ascendis and Ms. Lapson discuss the importance of Oncor's ability to
15 attract capital from investors at a reasonable cost.

16 **IX. STRATEGY FOR O&M EXPENSES**

17 Q. WHAT IS ONCOR'S PRIMARY OBJECTIVE WITH RESPECT TO O&M
18 EXPENSES?

19 A. Oncor's primary O&M objective is to operate and maintain its facilities in a
20 manner that ensures that the Company provides safe and reliable electric
21 service to customers in an appropriate and cost-effective manner. In
22 support of this objective, the Company continually reviews its
23 methodologies and practices. Additionally, Oncor has extensive experience
24 and expertise in utility operations that allow the Company to effectively
25 manage the cost of performing the activities required to achieve its
26 objectives. Oncor remains focused on O&M management in an effort to
27 consistently perform more efficiently and cost-effectively. Exhibits JAG-5
28 and JAG-6 demonstrate that Oncor's O&M cost per customer and O&M cost
29 per MWh delivered are low when compared to other utilities. As evidence
30 of the balance of cost and reliability, Oncor has been able to achieve top

1 quartile performance in reliability while maintaining the lowest rates of IOUs
2 in ERCOT, as shown on Exhibit JAG-17 (Highly Sensitive Protected
3 Material). Company witnesses Messrs. Speed and Hull further describe the
4 management practices used by Oncor in their direct testimonies. Company
5 witnesses Mr. Austin and Ms. Hodges describe steps taken to ensure that
6 the O&M costs related to technology are prudent in their direct testimonies.

7 **A. O&M Categories**

8 Q. PLEASE IDENTIFY THE GENERAL CATEGORIES OF OVERALL O&M
9 EXPENSES THAT ONCOR INCURRED DURING THE TEST YEAR.

10 A. At a high level, the O&M expenses that Oncor incurs in providing service to
11 the public can generally be divided into seven broad categories:

- 12 • transmission operations expense;
- 13 • distribution operations expense;
- 14 • technology operations expense;
- 15 • transmission maintenance expense;
- 16 • distribution maintenance expense;
- 17 • technology maintenance expense; and
- 18 • other support and administrative expense.

19 Company witness Mr. Speed discusses transmission O&M expenses
20 in detail in his direct testimony. Company witness Mr. Hull discusses
21 distribution O&M expenses in detail in his direct testimony. Company
22 witnesses Mr. Austin and Ms. Hodges discuss O&M technology expenses
23 in detail in their testimonies. I will address other support and administrative
24 expenses later in my direct testimony.

25 **B. Test-Year Level of O&M**

26 Q. WHAT LEVEL OF TOTAL O&M EXPENSE WAS INCURRED BY ONCOR
27 DURING THE TEST YEAR?

28 A. As summarized on Schedule I-A-1 of the Oncor RFP, the Company's
29 adjusted O&M requirement in the cost of service is \$2,793,714,829.

1 Q. DOES THE TOTAL O&M EXPENSE INCLUDED IN THE ONCOR RFP
2 REFLECT REASONABLE AND NECESSARY COSTS INCURRED IN
3 PROVIDING SERVICE TO THE PUBLIC?

4 A. Yes. The O&M expenses summarized on Schedule I-A-1 and included in
5 the various II-D Schedules represent the reasonable and necessary costs
6 that Oncor, as a T&D utility, incurs to meet its obligation to provide service
7 to customers in Texas. Those costs are also reasonable because they
8 reflect Oncor's effective O&M management practices that I describe in my
9 testimony and that are described in the direct testimonies of Company
10 witnesses Messrs. Speed, Hull, and Austin, and Ms. Hodges.

11 Q. DOES YOUR TESTIMONY ADDRESS ALL OF THE CATEGORIES OF
12 O&M COSTS THAT WERE INCURRED BY ONCOR DURING THE TEST
13 YEAR?

14 A. Yes. Below, my direct testimony addresses each type or category of O&M
15 expenses incurred by Oncor during the test year. Company witness Mr.
16 Ledbetter includes Oncor's total O&M costs, as adjusted, in Oncor's total
17 cost of service.

18 Q. ARE THOSE O&M EXPENSES REASONABLE AND NECESSARY TO
19 PROVIDE SERVICE TO THE PUBLIC?

20 A. Yes. The O&M expenses incurred by Oncor during the test year were
21 reasonable and necessary and used to provide service to the public
22 consistent with PURA, the Commission's Substantive Rules, and the
23 Company's tariffs. The adjustments that we have proposed to test-year
24 levels are known and measurable and reflective of our ongoing level of O&M
25 expense, and are likewise reasonable and necessary.

26 Q. IS FULL RECOVERY OF O&M EXPENSES IMPORTANT TO ONCOR?

27 A. Yes, it is very important to Oncor. Full recovery of O&M expenses is
28 necessary to ensure that the Company's T&D system and supporting
29 technology will continue to be operated and maintained in a safe, reliable,
30 and efficient manner. The approved level of O&M expenses has a direct

1 impact on the resources available to the Company to safely and reliably
2 operate and maintain the Company's utility plant.

3 **C. Other Support and Administrative Expense**

4 Q. PLEASE DESCRIBE OTHER SUPPORT AND ADMINISTRATIVE
5 ACTIVITIES PERFORMED BY ONCOR?

6 A. In addition to the T&D operations and maintenance activities described by
7 Company witnesses Messrs. Speed and Hull, Oncor also engages in certain
8 other support and administrative activities such as customer service, market
9 operations, human resources, and regulatory activities. All of these types
10 of activities are necessary functions of a T&D utility.

11 Q. ARE ALL OF THE EXPENSES ASSOCIATED WITH THE OTHER
12 SUPPORT AND ADMINISTRATIVE ACTIVITIES REASONABLE AND
13 NECESSARY?

14 A. Yes. Support and administrative activities are essential for the Company to
15 fulfill its obligations as a T&D utility and to provide safe and reliable electric
16 service in compliance with all applicable laws and regulations. Oncor's
17 effective management activities ensure that the expense associated with
18 other support and administrative functions is reasonable.

19 **D. Labor Expense**

20 **1. Employee Staffing Levels**

21 Q. DO ONCOR'S EMPLOYEES SUPPORT THE CONTINUED SAFE,
22 RELIABLE, AND ECONOMIC PROVISION OF ELECTRIC DELIVERY
23 SERVICE?

24 A. Absolutely. Oncor has a highly experienced and skilled workforce that
25 plans, designs, constructs, maintains, and operates its electric delivery
26 system and provides customer service, supporting technology, and
27 measurement service. That workforce also provides the corporate support
28 services and regulatory services that are necessary to ensure that Oncor's
29 electric delivery service is provided in compliance with all laws and
30 regulations. It is the dedication, skill, and effectiveness of the Company's

1 employees that allow the Company to achieve high standards of safety and
2 reliability in a cost-effective manner.

3 Q. WHAT WAS ONCOR'S EMPLOYEE COUNT AS OF DECEMBER 31,
4 2021?

5 A. As noted in Oncor's Form 10-K, at December 31, 2021, there were 4,537
6 employees within Oncor.

7 Q. DOES THE TEST-YEAR LEVEL OF EMPLOYMENT REPRESENT THE
8 LEVEL OF EMPLOYEES NEEDED TO PROVIDE SERVICE TO THE
9 PUBLIC CONSISTENT WITH THE REQUIREMENTS OF PURA, THE
10 COMMISSION'S SUBSTANTIVE RULES, AND THE COMPANY'S
11 TARIFFS?

12 A. Yes, it does. Oncor is continually evaluating its need in terms of number of
13 employees as well as the required skill sets. Oncor looks at the needed
14 construction and operating activities and determines the appropriate mix of
15 internal and external resources which, depending on circumstances,
16 changes over time. For the long-term, Oncor proactively evaluates
17 workforce demographics and industry trends to ensure adequate availability
18 of skilled internal and external labor resources. Oncor collaborates in these
19 efforts with its significant external service providers and has put in place
20 appropriate contractual agreements and internal workforce development
21 programs.

22 **2. Compensation**

23 Q. WHAT LEVEL OF EXPENSE WAS INCURRED BY ONCOR FOR LABOR
24 DURING THE TEST YEAR?

25 A. During the test year ended December 31, 2021, Oncor incurred
26 \$280,856,648 in O&M labor expense. As shown in the Company's RFP
27 Schedules, the adjusted test-year level of O&M-related labor costs is
28 \$299,779,685 (as summarized on RFP Schedule II-D-3) and \$103,425,450
29 as adjusted for employee pension and benefits expense (as summarized

1 on RFP Schedule II-D-2). The testimony of Company witness Ms. Guillory
2 further supports Oncor's labor expense.

3 Q. WERE THE EXPENSES INCURRED BY ONCOR DURING THE TEST
4 YEAR FOR WAGES AND BENEFITS, AS ADJUSTED FOR KNOWN AND
5 MEASURABLE CHANGES, REASONABLE AND NECESSARY?

6 A. Yes. As I have described above, Oncor has a highly experienced and
7 skilled workforce. These employees are essential to the operations of the
8 Company in providing services pursuant to the Commission's rules and the
9 Company's tariffs. Oncor strives to make sure that the wages and benefits
10 provided to Oncor employees are set at appropriate levels. Accordingly,
11 the expenses associated with the wages and benefits paid by Oncor are
12 reasonable and necessary. In her direct testimony, Company witness Ms.
13 Guillory describes the Company's base, incentive, and executive
14 compensation plans, as well as the processes that the Company
15 implements to ensure that compensation is competitive in the marketplace
16 and yet at a reasonable cost for customers.

17 **E. Financial Management**

18 Q. WHAT MANAGEMENT SYSTEMS ARE USED TO ENABLE ONCOR TO
19 MANAGE ITS O&M EXPENSES?

20 A. Each year, Oncor goes through a business planning process to plan for the
21 next several years. The financial aspect of the next year's business plan is
22 developed to meet expanding operating requirements due to the continual
23 growth of the system as well as ongoing maintenance, and the repair and
24 replacement of facilities due to storm damage or failed equipment.
25 Organizational budgets are developed throughout Oncor based on the
26 finalized business plan.

27 Consistent with 16 TAC § 25.72, Oncor adheres to the FERC
28 Uniform System of Accounts. In order to be sure accounts are properly
29 charged, an account validation system is utilized.

Oncor's Financial Planning & Performance Management group prepares monthly budget reports for Company management that track expenses for the year as compared to the business plan. These reports, obtained from the Company's financial information management system, are used to monitor and make adjustments to ensure that Oncor's objectives are being achieved and that costs incurred in meeting those objectives are properly assigned.

Q. DOES ONCOR USE ANY OTHER MANAGEMENT PRACTICES TO ENSURE THAT ONCOR'S O&M EXPENDITURES ARE REASONABLE AND NECESSARY?

A. Yes, there are other management practices in place that help ensure that Oncor's O&M expenditures are reasonable and necessary. For example, Internal Audit tests and reports on the use of accounting systems as well as the proper application of Company policies and procedures. These audits include examination of functional, compliance, and contract verification procedures. The objective of these audits is to ensure that: (1) proper controls are in place and functioning as intended; (2) Company policies and procedures are being followed; (3) regulatory requirements are complied with; and (4) contract terms and conditions are being met. The Company also hires third-party auditors to evaluate various aspects of O&M expenses. The bulk of Oncor's O&M expenses relate to (1) materials and supplies, which are the subject of a disciplined procurement process; (2) employee labor costs, which I addressed earlier in my testimony; and (3) contractor resources, which are identified and obtained in a competitive environment.

X. SAFETY PERFORMANCE

Q. IS SAFETY IMPORTANT TO ONCOR?

A. Yes. The safety of the public and our employees is our top priority at Oncor, and we are fully committed to providing a safe working environment for our employees. The vision of our Safety Program is *Going Beyond Zero* and

PUC Docket No.

**Greer - Direct
Oncor Electric Delivery
2022 Rate Case**

1 prioritizes building a safety culture that includes awareness, employee
2 empowerment, and continuous learning and improvement. Employees are
3 regularly provided safety training and actively participate in the
4 development of safety procedures and programs. Company Witness Mr.
5 Hull describes the group within his organization that is responsible for
6 Oncor's training related to safety.

7 Promoting public safety is also a priority for Oncor. As I mentioned
8 earlier, we continue to promote Oncor's Super Safe Kids program and
9 sponsor Public Service Announcements, while also working with our state
10 and local officials in supporting safety-related legislation. For example,
11 House Bill 4150 (William Thomas Heath Power Line Safety Act), which was
12 enacted in 2019, requires regular inspections of high-voltage power lines to
13 ensure carriers comply with state and federal height and other safety
14 regulations. Oncor supported this legislation and continues to take swift
15 action to ensure public safety is maintained. Oncor completed the work
16 required by HB 4150 by the deadline of December 31, 2021.

17 Q. PLEASE DESCRIBE ONCOR'S WORKFORCE SAFETY PERFORMANCE
18 SINCE DECEMBER 31, 2016.

19 A. As shown on my Exhibit JAG-18, Oncor continues to be one of the leading
20 utilities in the nation with regard to workforce safety. Benchmarking results
21 indicate that Oncor continues to maintain top quartile performance in lost-
22 time incidence rates when measured among peer utilities participating in
23 the First Quartile Consulting Surveys. In addition, the Company's OSHA
24 Total Recordable Injury Rate decreased nearly 26% from 2016 to 2021,
25 while the Company's T&D Days Away, Restricted, Transferred ("DART")
26 rate decreased 38% during the same period. Exhibit JAG-19 illustrates this
27 reduction in DART.

28 **XI. RELIABILITY PERFORMANCE**

29 Q. PLEASE DESCRIBE THE QUALITY OF SERVICE AND CONTINUITY OF
30 SERVICE PROVIDED BY ONCOR.

1 A. Oncor provides a high level of reliability, availability, and quality of service.
2 While no electric utility can deliver electricity without interruption, Oncor has
3 an excellent record for continuity of service and responsiveness to customer
4 service interruptions. When major events such as severe thunderstorms,
5 tornados, high winds, or ice storms disrupt the system, Oncor responds in
6 a quick and effective manner by following established and efficient
7 restoration procedures.

8 Oncor continues to invest in technology to improve reliability for
9 customers. This includes distribution automation and other Smart Grid
10 technology, which allows individual devices to automatically sense local
11 operating conditions and make adjustments that optimize performance.
12 Analytics leveraging Oncor's advanced metering system and other data
13 sources also enable Oncor to improve operations, which benefits
14 customers. Data analytics is used to identify facilities with increased
15 probability of failure, allowing them to be addressed before they impact the
16 customer. For example, Vegetation Management is an area that Oncor
17 sees as a prime opportunity for the application of Advanced Data Analytics.
18 Recent technology advancements and the availability of new data sources,
19 such as high-resolution satellite imagery, infrared color spectrum analysis,
20 LiDAR, and computer image recognition, allow Oncor to assess and
21 prioritize Vegetation Management activities. These tools and data sources
22 will allow us to increase the effectiveness and benefit from our Vegetation
23 Management program. Our improved data analytics capabilities and
24 investments in Smart Grid technologies are further discussed in the direct
25 testimonies of Company witnesses Messrs. Haentsch and Hull.

26 Q. IS THERE ANY STATISTICAL DATA THAT SUPPORTS YOUR
27 CONCLUSION THAT ONCOR PROVIDES HIGH QUALITY, RELIABLE
28 SERVICE?

29 A. Yes. SAIDI, which is a well-known and widely used measure in the utility
30 industry, is the average time that a customer is out of service in a year due

1 to outages of a non-major event. Oncor's current SAIDI performance
2 (excluding major events and planned outages) compares favorably to other
3 utilities in Texas. My Exhibit JAG-3 sets out Oncor's "non-storm" SAIDI data
4 in comparison to other utilities. Oncor's Non-Storm SAIDI was 78.5 minutes
5 during the test-year ending December 31, 2021.

6 I would note that the above numbers differ slightly from those
7 reported to the Commission. The foregoing numbers are based on one-
8 minute outages, which reflect the numbers reported by many utilities for
9 benchmarking purposes, while the numbers reported to the Commission
10 are based on those outages five minutes or greater for Distribution only and
11 exclude planned outages. Using the numbers reported to Commission,
12 Oncor's performance generally compares favorably to other IOUs in Texas.
13 Oncor's non-storm SAIDI performance has been on a favorable trend, as
14 shown in my Exhibit JAG-3, based on information submitted to the
15 Commission and the approach used for benchmarking purposes. Oncor
16 has also significantly reduced the number of feeders that do not meet the
17 Commission's reliability requirements outlined in 16 TAC § 25.52 (see
18 Exhibit JAG-20).

19 Importantly, Oncor provides reliable service with superior O&M cost
20 performance and with a high level of safety. As I mentioned previously,
21 during the test year Oncor ranked significantly better than average in the
22 areas of O&M costs per customer (see Exhibit JAG-5) and O&M per MWh
23 delivered (see Exhibit JAG-6).

24 Q. WHAT IS THE SIGNIFICANCE OF THE FACT THAT ONCOR'S
25 PERFORMANCE COMPARES FAVORABLY TO THE PERFORMANCE
26 OF OTHER UTILITIES?

27 A. It shows that Oncor is operating in a safe, reliable, and cost-effective
28 manner. Benchmarking is an additional method that demonstrates that the
29 Company's processes and people produce reasonable results when
30 compared to other similar utilities, and the cost of producing those results

1 should be reflected in Oncor's cost of service and rates. It additionally
2 demonstrates the quality of Oncor's management and the skills,
3 capabilities, and dedication of its employees.

4 Exhibit JAG-4 demonstrates that we currently provide service at
5 rates that are the lowest in ERCOT for IOUs. Even with the increase in
6 rates we are requesting in the RFP, our rates would still remain among the
7 lowest for IOUs in ERCOT.

8 **XII. LEGAL SERVICES**

9 Q. DID ONCOR UTILIZE LEGAL SERVICES DURING THE TEST YEAR?

10 A. Yes. Oncor received legal services from various law firms during the test
11 year.

12 Q. WHAT TYPES OF LEGAL SERVICES WERE PROVIDED TO ONCOR
13 DURING THE TEST YEAR?

14 A. During the test year, Oncor received legal advice on numerous topics
15 including compliance with state and federal laws and regulations,
16 employment and safety laws and regulations, and environmental laws and
17 regulations. Oncor was also a party to numerous lawsuits during the test
18 year and required the assistance of outside lawyers to represent Oncor in
19 those lawsuits.

20 Q. ARE THE LEGAL SERVICES THAT WERE PROVIDED TO ONCOR
21 DURING THE TEST YEAR REASONABLE AND NECESSARY FOR THE
22 PROVISION OF ELECTRIC DELIVERY SERVICE TO THE PUBLIC?

23 A. Yes. The legal services that were provided to Oncor during the test year,
24 as reflected in our rate request, were reasonable and necessary for the
25 Company to provide electric delivery service to the public. Furthermore,
26 those services remain necessary for Oncor to provide safe and reliable
27 electric delivery services to the public on an ongoing basis.

28 Q. HAVE YOU REVIEWED THE COSTS FOR THE LEGAL SERVICES
29 PROVIDED TO ONCOR?

1 A. Yes. I have reviewed the adjusted test-year costs associated with the
2 provision of legal services, I have concluded that the legal services are at a
3 level necessary to meet the needs of Oncor, are not duplicative of services
4 that Oncor receives internally, and that the costs of such legal services are
5 appropriate.

6 **XIII. CONCLUSION**

7 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

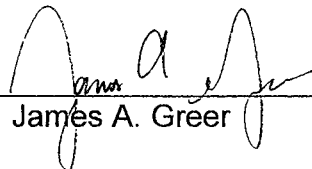
8 A. Yes.

AFFIDAVIT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

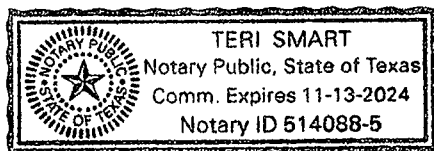
BEFORE ME, the undersigned authority, on this day personally appeared James A. Greer, who, having been placed under oath by me, did depose as follows:

My name is James A. Greer. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and attached exhibits offered by me is true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



James A. Greer

SUBSCRIBED AND SWORN TO BEFORE ME by the said James A. Greer this 19th day of April, 2022.





Notary Public, State of Texas

**Decision Point List for Docket No. _____,
Application of Oncor Electric Delivery Company LLC for Authority to Change Rates**

#	Issues to be decided	Oncor's Position	Commission Staff/Intervenor Positions	Decision
1.0	Rate Base			
1.1	Invested Capital: Is Oncor's invested capital as of December 31, 2021 prudent, and used and useful in providing service to the public? [PURA § 36.053; 16 TAC § 25.231(c)(2)]	Yes. Oncor's adjusted invested capital as of December 31, 2021 of \$18,815,928,376 is prudent, is used by and useful in providing service to the public, and is includable in Oncor's rate base. (Oncor witnesses Greer, Speed, Hull, Hall, Martin, Nichols, Austin, & Hodges)		
1.2	Materials and Supplies: Are Oncor's costs for materials and working reserves of transformers, capacitors, and meters reasonable and necessary? [16 TAC § 25.231(c)(2)(B)(i)]	Yes. Oncor has strategically sourced and procured necessary equipment in a cost-efficient manner and has maintained an appropriate level of working reserves and capital spares that allow Oncor to provide adequate and continuous service to the public. (Oncor witness Buck (transformers & capacitors) and Oncor witness Hall (meters))		
1.3	Prepayments: Are the prepayments identified by Oncor a reasonable working capital allowance of prepayments? [16 TAC § 25.231(c)(2)(B)(ii)]	Yes. The 13-month average ending balance as adjusted to remove non-recoverable costs is reasonable and should be included in the calculation of Oncor's rate base. (Oncor witnesses Thenmadathil and Ledbetter)		

#	Issues to be decided	Oncor's Position	Commission Staff/Intervenor Positions	Decision
1.4	Cash Working Capital: Is the Company's proposed rate base inclusion of working capital allowance reasonable? [16 TAC § 25.231(c)(2)(B)(iii)]	Yes. Oncor's proposed rate base inclusion consists of inventories of materials and supplies, prepaid operating expenses, and an allowance for cash working capital is reasonable. (Oncor witness Thenmadathil)		
1.5	Accumulated Deferred Federal Income Taxes ("ADFIT"): Is the level of ADFIT that Oncor is seeking to include in rate base reasonable?	Yes. Oncor's ADFIT level of \$ 2,347,893,771 is reasonable and should be approved. (Oncor witness Clutter)		
1.6	Pension Plan, OPEBs: Are the regulatory assets and liabilities related to unrecovered employee retirement costs reasonable? [PURA § 36.065(d)]	Yes. These costs include Oncor's pension and OPEB costs that have (1) previously been reviewed and are being amortized, and (2) been deferred since Oncor's last base-rate case. Those amounts should be included in rate base pursuant to PURA § 36.065(d). (Oncor witness Ledbetter.)		
1.7	Self-Insurance Reserve: Should Oncor's deficit balance in its self-insurance reserve that is reflected in the regulatory asset balance be added to the Company's rate base? [PURA § 36.064(d); 16 TAC § 25.231(c)(2)(E)]	Yes. Pursuant to PURA § 36.064(d), Oncor's deficit balance in its self-insurance reserve that is included in the regulatory asset balance should be included in Oncor's rate base. (Oncor witnesses Thenmadathil & Ledbetter)		

#	Issues to be decided	Oncor's Position	Commission Staff/Intervenor Positions	Decision
1.8	Plant Held for Future Use: Is Oncor's proposed amount for Plant Held for Future Use reasonable and necessary? <i>[Cities For Fair Utility Rates v. Public Utility Commission of Texas, 924 S.W.2d 933, 937-938; Application of Oncor Electric Delivery Company LLC for Authority to Change Rates, PUC Docket No. 35717, Order on Rehearing (November 30, 2009) FOFs 73A – 74A.]</i>	Yes. The costs included in Oncor's proposal associated with electric plant held for future use as reflected in Schedule II-B-6 are reasonable and necessary. (Oncor witnesses Speed & Buck)		
1.9	Net Regulatory Assets and Liabilities: Is the net regulatory asset and liability balance as of December 31, 2021, as presented in Oncor's RFP reasonable?	Yes. The net balance of Oncor's regulatory assets and liabilities is reasonable as of December 31, 2021. Those approximate net balances are: Employee retirement costs - \$135.1 million, Self-insurance reserve losses - \$588.5 million; under-recovered AMS costs - \$127.3 million; unrecovered wholesale distribution service costs - \$75.3 million; deferred incremental operating costs associated with the Company's response to COVID-19 - \$34.6 million. (Oncor witness Ledbetter)		
1.10	Intangible Assets: Are Oncor's investments in intangible assets	Yes. Oncor's investments in intangible assets, such as Oncor's technology investments, are prudent		