

I. Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of account 432, Allowance for Borrowed Funds Used During Construction-Credit.

(2) Subparagraph '(17) Allowance for Funds Used During Construction' of Electric Plant Instruction '3. *Components of Construction Cost.*' is amended by revising the first sentence of the paragraph and by adding two new paragraphs (a) and (b) immediately following the first paragraph. As amended, subparagraph (17) reads:

ELECTRIC PLANT INSTRUCTIONS

****6** 3. *Components of Construction Cost.*

(17) 'Allowance for funds used during construction' includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of the Commission, allowances computed in accordance with the formula prescribed in paragraph (a) below. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

(a) The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s(S/W) + d(D/D + P + C) (1 - S/W)$$

$$A_e = [1 - S/W] [p(P/D + P + C) + c(C/D + P + C)]$$

A_i = Gross allowance for borrowed funds used during construction rate

A_e = Allowance for other funds used during construction rate

S = Average short-term debt

s = Short-term debt interest rate

D = Long-term debt

***615** d = long-term debt interest rate

P = Preferred stock

p = Preferred stock cost rate

C = Common equity

c = Common equity cost rate

W = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment and fabrication.

(4) The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in § 35.13 of the Commission's Regulations under the Federal Power Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdictions. If such cost rate is not available, the average rate actually earned during the preceding 3 years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication shall be estimated for the current year with appropriate adjustments as actual data becomes available.

NOTE: * * *

(3) The Chart of Income Accounts is amended by revising the title of account '419.1, Allowance for Funds Used During Construction,' to read '419.1, Allowance for Other Funds Used During Construction;' by adding a new account 432, Allowance for Borrowed Funds Used During Construction-Credit, immediately following account '431, Other Interest Expense' and revising the sub-total caption 'Total Interest Charges' to read 'Net Interest Charges.' As amended, the Chart of Income Accounts reads:

INCOME ACCOUNTS

(Chart of Accounts)

2. Other Income and Deductions

A. Other Income

419.1 Allowance for other funds used during construction.

*616 3. Interest Charges

**7 432 Allowance for borrowed funds used during construction-Credit.
Net interest charges

(4) The text of the Income Accounts is amended by revising the title and text of account '419.1, Allowance for Funds Used During Construction,' and by adding a new account 432, Allowance for Borrowed Funds Used During Construction-Credit, immediately following account '431, Other Interest Expense.' As amended, these portions of the text of the Income Accounts reads:

INCOME ACCOUNTS

2. Other Income and Deductions

419.1 Allowance for other funds used during construction.

This account shall include concurrent credits for allowance for other funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 3(17).

3. Interest Charges

432 Allowance for borrowed funds used during construction-Credit.

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 3(17).

(B) Effective January 1, 1977, the Commission's Uniform System of Accounts for Class C and Class D Public Utilities and Licensees in Part 104, Chapter I, Title 18 of the Code of Federal Regulations is amended as follows:

(1) The General Instructions are amended by revising paragraph 'I' of Instruction '15. *Long-Term Debt: Premium, Discount and Expense, and Gain or Loss on Reacquisition.*' As amended, this portion of General Instruction 15 reads:

*617 GENERAL INSTRUCTIONS

15. *Long-Term Debt: Premium, Discount and Expense, and Gain or Loss on Reacquisition.*

I. Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of account 432, Allowance for Borrowed Funds Used During Construction-Credit.

(2) Electric Plant Instruction '2. Components of Construction Cost.' is amended by revising the first paragraph and lettering it 'A.' and by adding two new paragraphs B. and C. immediately following the first paragraph. As amended, Instruction 2 reads:

ELECTRIC PLANT INSTRUCTIONS

2. Components of Construction Cost.

A. The cost of construction of property chargeable to the electric plant accounts shall include, where applicable, the cost of labor; materials and supplies; transportation; work done by others for the utility; injuries and damages incurred in construction work; privileges and permits; special machine service; allowance for funds used during construction, not to exceed without prior approval of the Commission amounts computed in accordance with the formula prescribed in paragraph B below; and such portion of general engineering, administrative salaries and expenses, insurance, taxes, and other analogous items as may be properly includible in construction costs.

****8** B. The formula and elements for computation of the allowance for funds used during construction shall be:

$$A_i = s(S/W) + d(D/D + P + C) (1 - S/W)$$

$$A_e = [1 - S/W] [p(P/D + P + C) + c(C/D + P + C)]$$

A_i = Gross allowance for borrowed funds used during construction rate

A_e = Allowance for other funds used during construction rate

S = Average short-term debt

s = Short-term debt interest rate

D = Long-term debt

***618** d = Long-term debt interest rate

P = Preferred stock

p = Preferred stock cost rate

C = Common equity

c = Common equity cost rate

W = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment and fabrication

C. The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in § 35.13 of the Commission's Regulations under the Federal Power Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdiction. If such cost rate is not available, the average rate actually earned during the preceding 3 years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress plus

unclear fuel in process of refinement, conversion, enrichment, and fabrication shall be estimated for the current year with with appropriate adjustments as actual data becomes available.

(3) The Chart of Income Accounts is amended by revising the title of account '419.1, Allowance for Funds Used During Construction,' to read '419.1, Allowance for Other Funds Used During Construction' and by adding a new account 432, Allowance for Borrowed Funds Used During Construction—Credit immediately following account '431, Other Interest Expense' and revising the subtotal caption 'Total Interest Charges' to read 'Net Interest Charges.' As amended, the Chart of Income Accounts reads:

INCOME ACCOUNTS

(Chart of Accounts)

2. Other Income and Deductions

A. Other Income

419.1 Allowance for other funds used during construction.

***619** 3. Interest Charges

432 Allowance for borrowed funds used during construction—Credit.
Net interest charges

(4) The text of the Income Accounts is amended by revising the title and text of account '419.1, Allowance for Funds Used During Construction,' and by adding a new account 432, Allowance for Borrowed Funds Used During Construction—Credit immediately following account '432, Other Interest Expense.' As amended, these portions of the text of the Income Accounts reads:

INCOME ACCOUNTS

2. Other Income and Deductions

****9** 419.1 Allowance for other funds used during construction.

This account shall include concurrent credits for allowance for other funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 2. No allowance for funds used during construction shall be capitalized on plant which is completed and ready for service.

3. Interest Charges

432 Allowance for borrowed funds used during construction—Credit.

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 2. No allowance for funds used during construction shall be capitalized on plant which is completed and ready for service.

(C) Effective January 1, 1977, the Commission's Uniform System of Accounts for Class A and Class B Natural Gas Companies in Part 201, Chapter I, Title 18 of the Code of Federal Regulations is amended as follows:

(1) The General Instructions are amended by revising paragraph 'I' of Instruction '17. *Long-Term Debt: Premium, Discount and Expense, and Gain or Loss on Reacquisition.*' As amended, this portion of General Instruction 17 reads:

*620 GENERAL INSTRUCTIONS

17. *Long-Term Debt: Premium, Discount and Expense, and Gain or Loss on Reacquisition.*

I. Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of account 432, Allowance for Borrowed Funds Used During Construction—Credit.

(2) Subparagraph '(17) Allowance for Funds Used During Construction' of Gas Plant Instruction '3. *Components of Construction Cost.*' is amended by revising the present paragraph, and immediately following the present paragraph, adding two new paragraphs (a) and (b). As amended, subparagraph (17) reads:

GAS PLANT INSTRUCTIONS

3. *Components of Construction Cost.*

(17) 'Allowance for funds used during construction' includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed without prior approval of the Commission allowances computed in accordance with the formula prescribed in paragraph (a) below, except when such other funds are used for exploration and development of leases acquired after October 7, 1969, no allowance on such other funds

shall be included in these accounts. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

(a) The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s(S/W) + d(D/D + P + C) (1 + S/W)$$

$$A_e = [1 - S/W] [p(P/D + P + C) + c(C/D + P + C)]$$

A_i = Gross allowance for borrowed funds used during construction rate

A_e = Allowance for other funds used during construction rate

S = Average short-term debt

*621 s = Short-term debt interest rate

D = Long-term debt

d = Long-term debt interest rate

P = Preferred stock

p = Preferred stock cost rate

C = Common equity

c = Common equity cost rate

W = Average balance in construction work in progress

****10** (b) The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in § 154.63 of the Commission's Regulations under the Natural Gas Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdiction. If such cost rate is not available, the average rate actually earned during the preceding 3 years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress shall be estimated for the current year with appropriate adjustments as actual data becomes available.

NOTE: * * *

(3) The Chart of Income Accounts is amended by revising the title of account '419.1, Allowance for Funds Used During Construction,' to read '419.1, Allowance for Other Funds Used During Construction' and by adding a new account 432, Allowance for Borrowed Funds Used During Construction—Credit, immediately following account '431, Other Interest

Expense' and revising the sub-total caption 'Total Interest Charges' to read 'Net Interest Charges.' As amended, the Chart of Income Accounts reads:

INCOME ACCOUNTS

(Chart of Accounts)

2. Other Income and Deductions

A. Other Income

419.1 Allowance for the funds used during construction.

*622 3. Interest Charges

432 Allowance for borrowed funds used during construction—Credit.
Net interest charges.

(4) The text of the Income Accounts is amended by revising the title and text of account '419.1, Allowance for Funds Used During Construction.' and by adding a new account 432, Allowance for Borrowed Funds Used During Construction—Credit, immediately following account '431, Other Interest Expense.' As amended, these portions of the text of the Income Accounts read:

INCOME ACCOUNTS

2. Other Income and Deductions

419.1 Allowance for other funds used during construction.

This account shall include concurrent credits for allowance for other funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Gas Plant Instruction 3(17).

3. Interest Charges

432 Allowance for borrowed funds used during construction—Credit.

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Gas Plant Instruction 3(17).

(D) Effective January 1, 1977, the Commission's Uniform System of Accounts for Class C and Class D Natural Gas Companies in Part 204, Chapter I, Title 18 of the Code of Federal Regulations is amended as follows:

(1) The General Instructions are amended by revising paragraph 'I' of Instruction '15. *Long-Term Debt: Premium, Discount and Expense, and Gain or Loss on Reacquisition.*' As amended, this portion of General Instruction 15 reads:

***623 GENERAL INSTRUCTIONS**

****11** 15. *Long-Term Debt: Premium, Discount and Expense, and Gain or Loss on Reacquisition.*

I. Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of account 432, Allowance for Borrowed Funds Used During Construction—Credit.

(2) Amend Gas Plant Instruction '2. *Components of Construction Cost.*' by revising the first paragraph and lettering it 'A.' and by adding two new paragraphs B. and C. immediately following the first paragraph. As amended, Instruction 2 reads:

GAS PLANT INSTRUCTIONS

2. *Components of Construction Cost.*

A. The cost of construction of property chargeable to the gas plant accounts shall include, where applicable, fees for construction certificate applications paid after grant of certificate, the cost of labor, materials and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction, privileges and permits, special machine service, allowance for funds used during construction, not to exceed without prior approval of the Commission amounts computed in accordance with the formula prescribed in paragraph B below, training costs and such portion of general engineering, administrative salaries and expenses, insurance, taxes, and other analogous items as may be properly includible in construction costs. (See Operating Expense Instruction 3.) When the utility employs its own funds in exploration and development on leases acquired after October 7, 1969, no allowance for funds used during construction on such funds shall be included in these accounts.

B. The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s(S/W) + d(D/D + P + C) (1 - S/W)$$

$$A_e = [1 - S/W] [p(P/D + P + C) + c(C/D + P + C)]$$

***624** A_i = Gross allowance for borrowed funds used during construction rate

A_e = Allowance for other funds used during construction rate

S = Average short-term debt

s = Short-term debt interest rate

D = Long-term debt

d = Long-term debt interest rate

P = Preferred stock

p = Preferred stock cost rate

C = Common equity

c = Common equity cost rate

W = Average balance in construction work in progress

C. The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in § 154.63 of the Commission's Regulations under the Natural Gas Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdiction. If such cost rate is not available, the average rate actually earned during the preceding 3 years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress shall be estimated for the current year with appropriate adjustments as actual data becomes available.

****12** (3) The Chart of Income Accounts is amended by revising the title of account '419.1, Allowance for Funds Used During Construction,' to read '419.1, Allowance for Other Funds Used During Construction' and by adding a new account 432, Allowance for Borrowed Funds Used During Construction—Credit, immediately following account '431, Other Interest Expense' and revising the sub-total caption 'Total Interest Charges' to read 'Net Interest Charges.' As amended, the Chart of Income Accounts reads:

INCOME ACCOUNTS

(Chart of Accounts)

2. Other Income and Deductions

A. Other Income

419.1 Allowance for other funds used during construction.

***625** 3. Interest Charges

432 Allowance for borrowed funds used during construction—Credit.
Net interest charges.

(4) The text of the Income Accounts is amended by revising the title and text of account ‘419.1, Allowance for Funds Used During Construction,’ and by adding a new account 432, Allowance for Borrowed Funds Used During Construction—Credit, immediately following account ‘431, Other Interest Expense.’ As amended, these portions of the text of the Income Accounts read:

INCOME ACCOUNTS

2. Other Income and Deductions

419.1 Allowance for other funds used during construction.

This account shall include concurrent credits for allowance for other funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Gas Plant Instruction 2. No allowance for funds used during construction shall be capitalized on plant which is completed and ready for service.

3. Interest Charges

432 Allowance for borrowed funds used during construction—Credit.

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Gas Plant Instruction 2. No allowance for funds used during construction shall be capitalized on plant which is completed and ready for service.

(E) Effective for the reporting year 1977, certain schedule pages of FPC Form No. 1, Annual Report for Electric Utilities, Licensees and Others ***626** (Class A and Class B), prescribed by § 141.1, Chapter I, Title 18 of the Code of Federal Regulations are amended, all as set out in Attachments B³ and C⁴ hereto.

(F) Effective for the reporting year 1977, certain schedule pages of FPC Form No. 2, Annual Report for Natural Gas Companies (Class A and Class B), prescribed by § 260.1, Chapter I, Title 18 of the Code of Federal Regulations are amended, all as set out in Attachments B and D⁵ hereto.

(G) Effective for the reporting year 1977, certain schedule pages of FPC Form No. 1–F, Annual Report for Public Utilities and Licensees (Class C and Class D), prescribed by § 141.2, Chapter I, Title 18 of the Code of Federal Regulations are amended, all as set out in Attachment E⁶ hereto.

****13** (H) Effective for the reporting year 1977, certain schedule pages of FPC Form No. 2–A, Annual Report for Natural Gas Companies (Class C and Class D), prescribed by § 260.2, Chapter I, Title 18 of the Code of Federal Regulations are amended, all as set out in Attachment C hereto.

(I) Effective for the reporting year 1977, certain schedule pages of FPC Form No. 5, Monthly Statement of Electric Operating Revenue and Income, prescribed by § 141.25, Chapter I, Title 18 of the Code of Federal Regulations is amended, all as set out in Attachment F⁷ hereto.

(J) Effective for the reporting year 1977, certain schedule pages of FPC Form No. 11, Natural Gas Pipeline Company Monthly Statement, prescribed by § 260.3, Chapter I, Title 18 of the Code of Federal Regulations is amended, all as set out in Attachment G⁸ hereto.

(K) The Secretary shall cause prompt publication of this Order to be made in the Federal Register.

ATTACHMENT A

Respondents RM75–27

Respondent

Accounting Firms

Arthur⁹ Anderson & Co.

Orrin⁹ T. Colby, Jr.

Coopers⁹ & Lybrand

Haskins & Sells

Price⁹ Waterhouse & Co.

***627** *Associations*

American Gas Association (AGA)

Edison⁹ Electric Institute (EEI)

Interstate Natural Gas Association of America (INGAA)

Electric Utility Companies

Alabama⁹ Power Co.

American Electric Power Service Corp.

Appalachian Power Co.

Indiana & Michigan Electric Co.

Kentucky Power Co.

Kingsport Power Co.

Michigan Power Co.

Ohio Power Co.

Wheeling Electric Co.

Arkansas⁹ Power & Light Co.

Carolina Power & Light Co.

Cincinnati Gas & Electric Co.

Lawrenceburg Gas Company, The

Union Light, Heat and Power Co., The

West Harrison Gas & Electric Co., The

Cleveland⁹ Electric Illuminating Co., The

Columbus and Southern Ohio Electric Co.

Commonwealth Edison

Consolidated Edison Co. of New York, Inc.

Consumers Power Co.

Dayton⁹ Power and Light Co., The

Detroit⁹ Edison Co., The

Duke Power Co.

Florida Power & Light Co.

Florida⁹ Power Corp.

General Public Utilities Corp.

Jersey Central Power & Light Co.

Metropolitan Edison Co.

Pennsylvania Electric Co.

Georgia Power Co.

Gulf⁹ Power Co.

Gulf⁹ States Utilities Co.

Idaho⁹ Power Co.

Illinois⁹ Power Co.

Iowa-Illinois⁹ Gas and Electric Co.

Iowa⁹ Power and Light Co.

Iowa Public Service Co.

Kansas City Power & Light Co.

Kansas Gas and Electric Co.

Long⁹ Island Lighting Co.

Middle⁹ South Services, Inc.

Arkansas-Missouri Power Co.

Arkansas Power & Light Co.

Louisiana Power & Light Co.

Mississippi Power & Light Co.

New Orleans Public Service, Inc.

Minnesota Power & Light Co.

New⁹ England Electric System

Granite State Electric Co.

Massachusetts Electric Co.

****14** Narragansett Electric Co., The

New England Power Co.

Niagara⁹ Mohawk Power Corp.

Northeast⁹ Utilities

Connecticut Light & Power Co., The

Hartford Electric Light Co., The

Holyoke Power & Electric Co.

Holyoke Water Power Co.

Western Massachusetts Electric Co.

Northern⁹ States Power Co.

Ohio Edison Co.

Pennsylvania Power Co.

Otter⁹ Tail Power Co.

Pacific⁹ Gas and Electric Co.

Pennsylvania⁹ Power & Light Co.

Philadelphia Electric Co.

Portland⁹ General Electric Co.

Public⁹ Service Co. of Indiana, Inc.

Public Service Co. of New Mexico

Public Service Co. of Oklahoma

Public Service Electric and Gas Co.

Puget Sound Power & Light Co.

Rochester Gas and Electric Corp.

San⁹ Diego Gas & Electric Co.

Southern California Edison Co.

South⁹ Carolina Electric & Gas Co.

Tampa Electric Co.

Toledo⁹ Edison Co., The

Tucson Gas & Electric Co.

Union Electric Co.

Utah⁹ Power & Light Co.

Washington Water Power Co., The

West⁹ Texas Utilities Co.

Wisconsin⁹ Power & Light Co.

Natural Gas Companies

Columbia Gas Transmission Corp.

Consolidated Gas Supply Corp.

Consolidated System LNG Co.

El Paso Natural Gas Co.

Natural Gas Pipeline Co. of America

Northern⁹ Natural Gas Co.

Panhandle Eastern Pipe Line Co.

Trunkline Gas Co.

Texas Eastern Transmission Corp.

***628** *State Regulatory Commissions*

Florida⁹ Public Service Commission

Public Service Commission of the State of New York

Rural Electric Cooperative Associations

National Rural Electric Cooperative Association

Public⁹ Systems

Southern Engineering Company

Others

First National City Bank

Dan L. Neidlinger

Stone & Webster Management Consultants, Inc.

FEDERAL POWER COMMISSION

Footnotes

- * Published in the Federal Register on February 15, 1977 (42 F.R. 1961). Order issued April 1, 1977 granting application for rehearing for purpose of further consideration, unreported. Order No. 561-A issued August 1, 1977 denying application for rehearing and clarifying prior order, 59 FPC 1340 [Editor's note: Petition for review filed on September 28, 1977 *sub nom. Jersey Central Power & Light Co., et al. v. F.P.C.*, in CADC No. 77-1883.] Order issued January 20, 1978 clarifying Order Nos. 561 and 561-A, 2 FERC ¶ ____.
- 1 We also recognize that interest coverages for some utilities may be increased if in their coverage computations they use net interest charges since this amount will be reduced upon application of the proposed rule.
- 2 There is one category of accumulated deferred taxes which is not used to reduce rate base. Under our ratemaking practices the balances of Account 281, Accumulated deferred income taxes-Accelerated amortization, are included in the capitalization used for rate of return purposes at zero cost. The balances in these accounts, however, are relatively small and the effect on the AFUDC rate if taken into consideration would be negligible.
- 3 Omitted in printing.
- 4 Omitted in printing.
- 5 Omitted in printing.
- 6 Omitted in printing.
- 7 Omitted in printing.
- 8 Omitted in printing.
- 9 Not filed within the time prescribed.

57 F.P.C. 608, 1977 WL 16195

End of Document

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Request

In relation to AFUDC, FPC Order No. 561 requires public utilities to derive an annual AFUDC rate based on estimated short-term debt and CWIP balances. The order also requires public utilities to monitor actual experience and adjust to actual at year-end if a significant deviation (25 basis points) from the estimate should occur. Please explain how Oncor complies with this AFUDC requirement and provide the calculation performed in 2016 - 2021 to determine if a significant deviation exists.

Response

The following response was prepared by or under the direct supervision of W. Alan Ledbetter, the sponsoring witness for this response.

As described in Oncor's accounting policy regarding the Allowance for Funds Used During Construction ("AFUDC"), Oncor updates the short-term debt balance and average short-term rate on a monthly basis to minimize the likelihood of a significant variation between the actual AFUDC rate and the average rate accrued during the year. As further described in the AFUDC accounting policy (see Oncor's response to OPUC RFI Set No. 2, Question No. 2-01 filed in this docket), near the end of each year, a comparison is made of the actual AFUDC rate projected for the end of the year and the AFUDC rate applied during the year. If this comparison indicates that the AFUDC rate applied during the year will differ by 25 basis points or more from the projected actual rate, a retroactive adjustment back to the beginning of the year is made to adjust the AFUDC accrual.

See Attachments 1 through 6 to this response for the results of the year-end analysis of AFUDC accruals for the years 2016 through 2021.

ATTACHMENTS:

ATTACHMENT 1 – Analysis of AFUDC as of 12-09-16, 3 pages.

ATTACHMENT 2 – Analysis of AFUDC as of 12-16-17, 3 pages.

ATTACHMENT 3 – Analysis of AFUDC as of 12-17-18, 3 pages.

ATTACHMENT 4 – Analysis of AFUDC as of 01-28-20, 3 pages.

ATTACHMENT 5 – Analysis of AFUDC as of 01-26-21, 3 pages.

ATTACHMENT 6 – Analysis of AFUDC as of 12-10-21, 3 pages.

The following files are not convertible:

2-03_Att 1.xlsx
2-03_Att 2.xlsx
2-03_Att 3.xlsx
2-03_Att 4.xlsx
2-03_Att 5.xlsx
2-03_Att 6.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.

Oncor - Docket No. 53601 Attachment 4

To OPUC RFI Set No. 2

Question No. 2-3

Page 1 of 3

Analysis of AFUDC

As of 01-28-20

	Projected	Projected	Projected	Projected	Actual	Actual	Actual	Actual	Monthly	Annual	Monthly	Annual	Monthly	Monthly	
	Debt 891	Debt 891	Equity 892	Equity 892	Monthly	Annual	Monthly	Annual	Debt	Debt	Equity	Equity	Debt	Monthly	
Period	Monthly	Annual	Monthly	Annual	Debt Rate	Debt Rate	Equity	Equity	Difference	Difference	Difference	Difference	Factor	Equity	
	891		892		891	891	Rate 892	Rate 892	891	891	892	892	891	Factor 892	
Jan	0.002207	0.026629	0.001275	0.015348	0.002363	0.028527	0.000000	0.000000	(0.000156)	(0.001898)	0.001275	0.015348	0.933982	Calculate	
Feb	0.002207	0.026629	0.001275	0.015348	0.002372	0.028638	0.000000	0.000000	(0.000165)	(0.002009)	0.001275	0.015348	0.930438	Calculate	
Mar	0.002207	0.026629	0.001275	0.015348	0.002353	0.028403	0.000000	0.000000	(0.000146)	(0.001774)	0.001275	0.015348	0.937952	Calculate	
Apr	0.002207	0.026629	0.001275	0.015348	0.002356	0.028445	0.000000	0.000000	(0.000149)	(0.001816)	0.001275	0.015348	0.936757	Calculate	
May	0.002207	0.026629	0.001275	0.015348	0.002276	0.027462	0.000000	0.000000	(0.000069)	(0.000833)	0.001275	0.015348	0.969684	Calculate	
Jun	0.002207	0.026629	0.001275	0.015348	0.002262	0.027299	0.000031	0.000377	(0.000055)	(0.000670)	0.001244	0.014971	0.975685	41.129032	
Jul	0.002207	0.026629	0.001275	0.015348	0.002235	0.026975	0.000034	0.000411	(0.000028)	(0.000346)	0.001241	0.014937	0.987472	37.500000	
Aug	0.002207	0.026629	0.001275	0.015348	0.002158	0.026031	0.000379	0.004551	0.000049	0.000598	0.000896	0.010797	1.022706	3.364116	
Sep	0.002207	0.026629	0.001275	0.015348	0.002144	0.025861	0.001335	0.016069	0.000063	0.000768	(0.000060)	(0.000721)	1.029384	0.955056	
Oct	0.002207	0.026629	0.001275	0.015348	0.002142	0.025844	0.001330	0.016010	0.000065	0.000785	(0.000055)	(0.000662)	1.030345	0.958647	
Nov	0.002207	0.026629	0.001275	0.015348	0.002041	0.024614	0.001317	0.015853	0.000166	0.002015	(0.000042)	(0.000505)	1.081333	0.968109	
Dec	0.002207	0.026629	0.001275	0.015348	0.002227	0.026875	0.001296	0.015608	(0.000020)	(0.000246)	(0.000021)	(0.000260)	0.991019	0.983796	
	0.002207	0.026629	0.001275	0.015348	0.002244	0.027081	0.000477	0.005740	(0.000037)	(0.000452)	0.000798	0.009608			
	0.041978	Total Annual AFUDC Rate				0.032821	Total Annual AFUDC Rate				0.009157	Total Annual AFUDC Rate			
	0.003482	Total Monthly AFUDC Rate				0.002721	Total Monthly AFUDC Rate				0.000761	Total Monthly AFUDC Rate			

91.565138 Annual Basis Points Off

Retro - AFUDC for 2019
Run Date: 2019-12-17

Unit	Month	Actual			Revised		
		EC 891	EC 892	Total	Revised EC 891	Revised EC 892	Revised Total
ESD	Jan	489,698.40		489,698.40	457,369.60	264,225.75	721,595.35
ESD	Feb	500,012.25		500,012.25	465,230.62	268,767.12	733,997.74
ESD	Mar	470,608.10		470,608.10	441,407.60	255,004.39	696,411.99
ESD	Apr	506,325.95		506,325.95	474,304.49	274,009.16	748,313.65
ESD	May	513,682.14		513,682.14	498,109.18	287,761.31	785,870.49
ESD	Jun	527,166.11	7,130.86	534,296.97	514,348.19	293,285.37	807,633.56
ESD	Jul	530,496.12	8,070.09	538,566.21	523,850.08	302,628.38	826,478.46
ESD	Aug	544,696.57	95,656.30	640,352.87	557,064.56	321,798.90	878,863.46
ESD	Sep	573,510.54	351,714.24	925,224.78	590,362.76	335,906.86	926,269.62
ESD	Oct	561,623.47	348,617.40	910,240.87	578,666.20	334,200.89	912,867.09
ESD	Nov	548,287.75	353,780.86	902,068.61	592,881.46	342,498.55	935,380.01
ESD	Dec	584,417.26	2,501,874.29	3,086,291.55	579,168.79	2,461,334.66	3,040,503.45
		6,350,524.66	3,666,844.04	10,017,368.70	6,272,763.53	5,741,421.34	12,014,184.87
TRN	Jan	391,266.02		391,266.02	365,435.51	211,114.76	576,550.27
TRN	Feb	425,682.24		425,682.24	396,071.12	228,813.18	624,884.30
TRN	Mar	620,293.30		620,293.30	581,805.06	336,113.03	917,918.09
TRN	Apr	847,106.79		847,106.79	793,533.40	458,430.03	1,251,963.43
TRN	May	977,464.04		977,464.04	947,830.90	547,568.83	1,495,399.73
TRN	Jun	1,017,043.73	13,938.30	1,030,982.03	992,314.55	573,268.79	1,565,583.34
TRN	Jul	738,366.78	11,232.25	749,599.03	729,116.55	421,209.38	1,150,325.93
TRN	Aug	847,588.67	147,125.01	994,713.68	866,834.20	494,945.61	1,361,779.81
TRN	Sep	874,682.02	542,099.94	1,416,781.96	900,383.96	517,735.90	1,418,119.86
TRN	Oct	925,793.37	574,026.52	1,499,819.89	953,887.01	550,288.58	1,504,175.59
TRN	Nov	1,169,526.33	701,493.76	1,871,020.09	1,264,647.04	679,122.66	1,943,769.70
TRN	Dec	1,399,906.07	3,897,880.56	5,297,786.63	1,387,333.95	3,834,720.46	5,222,054.41
		10,234,719.36	5,887,796.34	16,122,515.70	10,179,193.25	8,853,331.21	19,032,524.46
NTUSU	Jan			0.00	0.00	0.00	0.00
NTUSU	Feb			0.00	0.00	0.00	0.00
NTUSU	Mar			0.00	0.00	0.00	0.00
NTUSU	Apr			0.00	0.00	0.00	0.00
NTUSU	May			0.00	0.00	0.00	0.00
NTUSU	Jun	372.46	5.10	377.56	363.40	209.76	573.16
NTUSU	Jul	2,572.29	39.12	2,611.41	2,540.06	1,467.00	4,007.06
NTUSU	Aug	2,489.31	437.18	2,926.49	2,545.83	1,470.72	4,016.55
NTUSU	Sep			0.00	0.00	0.00	0.00
NTUSU	Oct			0.00	0.00	0.00	0.00
NTUSU	Nov			0.00	0.00	0.00	0.00
NTUSU	Dec			0.00	0.00	0.00	0.00
		5,434.06	481.40	5,915.46	5,449.29	3,147.48	8,596.77
		16,590,678.08	9,555,121.78	26,145,799.86	16,457,406.07	14,597,900.03	31,055,306.10
Retro AFUDC Amount					(133,272.01)	5,042,778.25	4,909,506.24

Oncor Electric Deliver Company LLC
Short-Term Debt Actual and Forecast - December 2019

Actual and Forecast

	Actual Jan-19	Actual Feb-19	Actual Mar-19	Actual Apr-19	Actual May-19	Actual Jun-19	Actual Jul-19	Actual Aug-19	Actual Sep-19	Actual Oct-19	Actual Nov-19	Actual Dec-19	Average 2019
Revolving Credit Facility:													
1M LIBOR	2.514%	2.490%	2.495%	2.481%	2.431%	2.398%	2.224%	2.089%	2.016%	1.785%	1.697%	1.763%	2.198%
Plus: Credit Spread	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Total	3.514%	3.490%	3.495%	3.481%	3.431%	3.398%	3.224%	3.089%	3.016%	2.785%	2.697%	2.763%	3.198%

Commercial Paper:

1M LIBOR	2.514%	2.490%	2.495%	2.481%	2.431%	2.398%	2.224%	2.089%	2.016%	1.785%	1.697%	1.763%	2.198%
Plus: Credit Spread #	0.370%	0.342%	0.313%	0.266%	0.297%	0.297%	0.338%	0.277%	0.349%	0.386%	0.350%	0.074%	0.305%
Total	2.884%	2.832%	2.807%	2.746%	2.728%	2.695%	2.562%	2.366%	2.365%	2.170%	2.047%	1.836%	2.503%

Forecast

	Actual Dec-19	Forecast Jan-20	Forecast Feb-20	Forecast Mar-20	Forecast Apr-20	Forecast May-20	Forecast Jun-20	Forecast Jul-20	Forecast Aug-20	Forecast Sep-20	Forecast Oct-20	Forecast Nov-20	Forecast Dec-20	Forecast Jan-21
Revolving Credit Facility:														
1M LIBOR	1.763%	0.000%	1.536%	1.506%	1.569%	1.569%	1.560%	1.523%	1.523%	1.523%	1.523%	1.523%	1.532%	1.561%
Plus: Credit Spread	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Total	2.763%	1.000%	2.536%	2.506%	2.569%	2.569%	2.560%	2.523%	2.523%	2.523%	2.523%	2.523%	2.532%	2.561%

Commercial Paper:

1M LIBOR	1.763%	0.000%	1.536%	1.506%	1.569%	1.569%	1.560%	1.523%	1.523%	1.523%	1.523%	1.523%	1.532%	1.561%
Plus: Credit Spread	0.074%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%
Total	1.836%	0.350%	1.886%	1.856%	1.919%	1.919%	1.910%	1.873%	1.873%	1.873%	1.873%	1.873%	1.882%	1.911%

Bloomberg

- 1) US0001M Index > HP > change dates and inputs (see attached)
- 2) F6 Muni > type in FWCV > press 8) Implied Forwards tab > type in dates and inputs (see attached)

Send to: F. Lewis, K. Synatschk & B. Weir / copy M. Marshall, A. Ledbetter, B. Moorse, S. Corrie, S. Wasilewski & B. Simmons

CP Monthly Actual Spread = delta between 1M LIBOR and actual monthly CP rate (from SC, BM or SW). Actual should match CP rate reported in 10-Qs/Ks.

Request

In reference to Oncor's AFUDC calculations, please provide any Commission orders authorizing a waiver or modification to Oncor's AFUDC computation effective for 2016 - 2021.

Response

The following response was prepared by or under the direct supervision of W. Alan Ledbetter, the sponsoring witness for this response.

There are no Commission orders authorizing a waiver or modification to Oncor's Allowance for Funds Used During Construction computation effective for 2016 – 2021.

Request

Referring to Direct Testimony of Bonnie Clutter, pages 38 – 39, and Schedule II-B-12, regarding excess and deficient ADFIT, please:

- a) Explain any category of non-protected excess or deficient ADFIT included in this rate proceeding that was not specifically approved in Docket No. 48325;
- b) Explain any category of non-protected excess or deficient ADFIT not identified, or approved in Docket No. 48325 that is included in this proceeding;
- c) Explain any item of excess ADFIT that was eliminated as a result of the sale or retirement of the underlying asset and provide the amount written off; and
- d) Explain each modification to Oncor's valuation methodology to excess and deficient ADFIT following Docket No. 48325 that is reflected in this proceeding. For each item identified, please provide the impact of and rationale for the modification.

Response

The following response was prepared by or under the direct supervision of Bonnie L. Clutter, the sponsoring witness for this response.

- a) Docket No. 48325 was a black-box settlement and no category of non-protected excess ADFIT was specifically approved. There are three categories of non-protected excess ADFIT presented in Oncor's rate filing in this proceeding. Each category is applicable to Oncor and Oncor NTU.
 - 1. Non-protected plant-related excess ADFIT – This category includes all excess ADFIT related to the book and tax basis differences in plant that are not subject to the normalization rules prescribed by the Internal Revenue Code.
 - 2. Non-protected non-plant-related excess ADFIT – This category includes all excess ADFIT related to the book and tax temporary differences that are not related to plant.
 - 3. Non-protected excess ADFIT reserve – This category includes the amount of protected excess ADFIT that has reversed under the ARAM that differs from the level of amortization that was established in setting rates in Docket No. 48325.
- b) None of the non-protected excess ADFIT for Oncor NTU was included in Docket No. 48325. See the response to OPUC RFI Set No. 4, Question 4-04 part (a) above for an explanation of the three categories of non-protected excess ADFIT applicable to Oncor NTU.
- c) Due to the sale of certain assets to AEP Texs Inc. in 2019, \$1,116,261 of non-protected plant-related excess ADFIT was removed from Oncor's books and the amount of amortization was adjusted accordingly.
- d) There have been no changes to the methodologies used to calculate the amount of excess ADFIT since Docket No. 48325.

PUC DOCKET NO. 48325
SOAH DOCKET NO. 473-18-4478

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**APPLICATION OF ONCOR ELECTRIC
DELIVERY COMPANY LLC FOR
AUTHORITY TO DECREASE RATES
BASED ON THE TAX CUTS AND JOBS
ACT OF 2017**

§
§
§
§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

ORDER

This Order addresses the application of Oncor Electric Delivery Company LLC for authority to decrease rates based on the Tax Cuts and Jobs Act of 2017 (TCJA).¹ The parties filed an unopposed settlement agreement. The Commission approves Oncor's decreased rates as modified by the agreement. to the extent provided in this Order.

I. Findings of Fact

The Commission adopts the following findings of fact:

Applicant

1. Oncor provides transmission and distribution electric service in the Electric Reliability Council of Texas region under certificate of convenience and necessity numbers 30152 and 30160.

Application

2. On May 1, 2018, Oncor filed an application with the Commission and each of its municipal regulatory authorities to decrease its transmission and distribution rates.
3. In the application, Oncor proposed new rates and tariffs to reflect the new lower federal income tax rate, the increase in Oncor's excess accumulated deferred federal income taxes (excess ADFIT) created by the new lower tax rate, and amortization of the excess ADFIT.
4. In the application, Oncor requested reduced transmission and distribution rates based on a reduction of \$181,450,105 to annual revenues based on the effects of the TCJA.

¹ Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat 2054 (Dec. 22, 2017).

5. In the application, Oncor requested an effective date of September 1, 2018 for Oncor's proposed changes to its tariffs and requested that its proposed refund riders be approved subject to a subsequent compliance filing by Oncor.
6. In the application, Oncor also requested that the Commission enter an interim order approving Oncor's proposed network transmission service rate effective July 1, 2018, subject to refund or surcharge to the extent that the final approved rate differed from the interim rate.

Notice

7. On May 1, 2018, Oncor provided notice of the application in the following manner:
 - a. by overnight mail or hand delivery to all municipalities in Oncor's service area with original jurisdiction;
 - b. by first-class mail to all retail electric providers serving customers in Oncor's service area;
 - c. by first-class mail to all entities listed in the Commission's transmission matrix in Docket No. 47777;² and
 - d. by hand delivery, overnight mail, or first-class mail to all parties in Oncor's last comprehensive base-rate proceeding, Docket No. 46957.³
8. On May 10, 2018, Oncor filed the affidavit of Teri Smart attesting that Oncor had provided notice of the application as described above in finding of fact 7.

Interventions

9. The Commission administrative law judge (ALJ) granted the motions to intervene of the following:
 - a. the Steering Committee of Cities Served by Oncor (Cities) and the Alliance of Oncor Cities (Order No. 2 issued on May 9, 2018);
 - b. the Office of Public Utility Counsel (OPUC) (Order No. 3 issued on May 14, 2018);
 - c. Texas Industrial Energy Consumers (TIEC) (Order No. 4 issued on May 16, 2018);

² *Commission Staff's Application to Set 2018 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 47777, Order (Mar. 29, 2018).

³ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 46957, Order (Oct. 13, 2017).

- d. the Alliance for Retail Markets (Order No. 5 issued on May 18, 2018);
 - e. the Texas Energy Association for Marketers (Order No. 6 issued on May 23, 2018);
 - f. the City of Mission (Order No. 8 issued on May 24, 2018); and
 - g. Nucor Steel – Texas (Order No. 10 issued on June 21, 2018).
10. East Texas Electric Cooperative, Inc. filed a late motion to intervene on July 27, 2018. No party objected to the motion, and the State Office of Administrative Hearings (SOAH) ALJ granted it in SOAH Order No. 4 issued on September 5, 2018.

Municipal Proceedings

11. On May 1, 2018, Oncor filed an application to decrease rates with each of the municipalities within its service area that had not ceded jurisdiction to the Commission.
12. On June 7, 2018, Oncor filed a petition for review and motion to consolidate the decisions of the municipalities that had not ceded jurisdiction to the Commission.
13. In Order No. 9 issued on June 12, 2018, the Commission ALJ granted Oncor's petition for review and consolidated the appeals into this docket.

Testimony and Statement of Position

14. Oncor filed the direct testimonies and exhibits of J. Michael Sherburne and Bonnie L. Clutter on May 1, 2018 as part of the application.
15. On August 1, 2018, Cities filed the direct testimony and exhibits of Lane Kollen; the Alliance of Oncor Cities filed the direct testimony and exhibits of Constance T. Cannady; the City of Mission filed the direct testimony and exhibits of Mark E. Garrett; and the Alliance for Retail Markets filed the direct testimony and exhibits of Ned Bonskowski.
16. On August 1, 2018, OPUC filed a statement of position.
17. On August 8, 2018, Commission Staff filed the direct testimony and attachments and corrected attachments of Mark Filarowicz.
18. On September 7, 2018, Oncor filed the direct testimony and exhibits of Stephen N. Ragland in support of the agreement.
19. On September 11, 2018, Commission Staff filed the direct testimonies of Mark Filarowicz and Adrian Narvaez in support of the agreement.

20. On September 13, 2018, Commission Staff filed errata to the direct testimonies of Mark Filarowicz and Adrian Narvaez in support of the agreement.

Referral to SOAH

21. On June 15, 2018, Cities and the Alliance of Oncor Cities each requested a hearing in this docket.
22. On June 26, 2018, the Commission referred this docket to SOAH.
23. On July 26, 2018, the Commission approved a preliminary order for this docket, which included a list of issues to be addressed in this case.
24. On August 17, 2018, Oncor filed a letter announcing that the parties had reached a settlement in principle and requested abatement of the procedural schedule to allow the parties to finalize the settlement.
25. In SOAH Order No. 3 issued on August 21, 2018, the SOAH ALJs granted the request to abate the procedural schedule to allow the parties to finalize and submit settlement documents.
26. In SOAH Order No. 5 issued on September 10, 2018, the SOAH ALJs dismissed the case from the SOAH docket and remanded it to the Commission.

Evidentiary Record

27. On September 7, 2018, the following parties filed the agreement with attachments: Oncor, Commission Staff, OPUC, Cities, the Alliance of Oncor Cities, the City of Mission, the Alliance for Retail Markets, and the Texas Energy Association for Marketers. TIEC, Nucor, and East Texas Electric Cooperative, Inc. did not sign the agreement but also do not oppose it.
28. In SOAH Order No. 5 issued on September 10, 2018, the SOAH ALJs admitted the following evidence into the record:
- a. Oncor's application, filed on May 1, 2018;
 - b. the direct testimony and exhibits of Oncor's witnesses J. Michael Sherburne and Bonnie L. Clutter, filed on May 1, 2018;

- c. Oncor's affidavit attesting to the provision of notice of the application, filed on May 10, 2018;
 - d. the direct testimony and exhibits of Cities' witness Lane Kollen.⁴ filed on August 1, 2018;
 - e. the direct testimony and exhibits of the Alliance for Oncor Cities' witness Constance T. Cannady, filed on August 1, 2018;
 - f. the direct testimony and exhibits of the City of Mission's witness Mark E. Garrett, filed on August 1, 2018;
 - g. the direct testimony and exhibits of the Alliance for Retail Markets' witness Ned Bonskowski, filed on August 1, 2018;
 - h. the direct testimony and attachments and the corrected attachments of Commission Staff witness Mark Filarowicz, filed on August 8, 2018;
 - i. the agreement, filed on September 7, 2018;
 - j. the direct testimony and exhibits of Oncor witness Stephen N. Ragland in support of the agreement, filed on September 7, 2018; and
 - k. the direct testimonies of Commission Staff witnesses Mark Filarowicz and Adrian Narvaez in support of the agreement, filed on September 11, 2018, and the errata to those testimonies, filed on September 13, 2018.
29. In Order No. 12 issued on November 7, 2018, the Commission ALJ admitted into the record exhibit A (and its attachments) to Oncor's agreed motion for interim approval of a one-time bill credit, which was filed on October 19, 2018 and corrected on October 22, 2018. Exhibit A to Oncor's agreed motion and its attachments consist of the affidavit of J. Michael Sherburne and attachments 1 through 9.

The Agreement

30. The agreement includes a black-box settlement resulting in a reduction to Oncor's annual revenue requirement based on the effects of the TCJA in the amounts of \$75,042,855 for

⁴ SOAH Order No. 5 mistakenly states that Cities' witness who filed direct testimony was Karl J. Nalepa, but it was Lane Kollen.

excess ADFIT and \$143,789,502 for annual federal income tax expense, for a total reduction of \$218,832,357 to Oncor's annual revenue requirement.

31. Oncor agreed to return the unprotected excess ADFIT based on the effects of the TCJA to ratepayers over a 10-year amortization period.
32. The rates in exhibit A to the agreement were calculated using Oncor's weighted average cost of capital of 7.44% as adopted in finding of fact 32 of the final order in Docket No. 46957.
33. The signatories agreed for Oncor to apply a carrying charge of 3.25% to the amount of federal income tax expense collected by Oncor in excess of the amount that would have been collected based on the effects of the TCJA for the period of January 1, 2018 through the effective dates of the rates shown on exhibit A to the agreement.
34. Oncor agreed to return the amount of federal income tax expense described above in finding of fact 33, including carrying charges, through a one-time credit applied during the December 2018 billing month beginning on November 26, 2018 for retail customers and on December 1, 2018 for wholesale distribution and network transmission service customers.
35. The signatories agreed for Oncor to return the amortization of its protected excess ADFIT based on the effects of the TCJA over a five-year amortization period. The signatories agreed for Oncor to calculate the protected excess ADFIT during the period of January 1, 2018 through September 26, 2018 for retail and wholesale distribution rates and during the period of January 1, 2018 through June 30, 2018 for wholesale network transmission rates.
36. The signatories agreed for Oncor to track all excess ADFIT balances and reconcile them in Oncor's next base-rate case.
37. The signatories agreed to base the projection of Oncor's protected excess ADFIT amortization on the average rate assumption method for the period of July 1, 2018 through June 30, 2019 and to reconcile those amounts in Oncor's next base-rate case.

38. The signatories agreed for the baseline values for Oncor's future interim rate filings, including its next distribution cost recovery factor update and its next interim transmission cost of service update, to be those that result from this Order.
39. The signatories agreed that, in future proceedings, the portion of Oncor's plant-related ADFIT that has become an excess ADFIT regulatory liability based on the effects of the TCJA would be treated as ADFIT and would be updated where ADFIT is required or allowed to be updated. The signatories agreed for Oncor to separately record, and present in applicable future proceedings, its excess ADFIT regulatory liabilities based on the TCJA as between protected and unprotected categories.
40. The agreement's treatment of excess ADFIT and of annual federal income tax expense is appropriate.
41. Oncor agreed to reimburse the participating municipalities for their rate-case expenses incurred in connection with this proceeding within 30 days of the date of a signed final order in this proceeding.
42. The signatories agreed for Oncor to be able to establish a regulatory asset for the participating municipalities' rate-case expenses that Oncor reimburses.
43. It is appropriate for Oncor to reimburse the participating municipalities as described above in finding of fact 41 and to establish a regulatory asset as described above in finding of fact 42.
44. Oncor agreed to provide a market notice to retail electric providers of the proposed interim rates shown on exhibit A to the agreement upon the filing of the agreed motion for interim rates. Oncor also agreed to provide a subsequent market notice to retail electric providers of the approved interim rates upon their approval.
45. It is appropriate for Oncor to provide the market notices described in finding of fact 44.

Interim Rates and Credits

46. In Order No. 7 issued on May 23, 2018, the Commission ALJ granted Oncor's interim network transmission service rate, effective on July 1, 2018, subject to reconciliation and refund or surcharge at the conclusion of this case.

47. On September 7, 2018, Oncor filed an agreed unopposed motion for interim rates.
48. In Order No. 11 issued on September 20, 2018, the Commission ALJ granted the agreed motion and approved, on an interim basis, the retail delivery service and wholesale distribution service rates provided in exhibit A to the agreement (except Rate NTS – Network Transmission Service), effective for bills rendered on or after October 8, 2018, subject to surcharge or refund if the rates ultimately established differed from the interim rates.
49. On October 19, 2018, Oncor filed an agreed unopposed motion for interim approval of a one-time bill credit required under section I.D. of the agreement.
50. In Order No. 13 issued on November 8, 2018, the Commission ALJ granted the agreed motion for interim approval of the one-time bill credit to be applied during the December 2018 billing month, subject to surcharge or refund if the credit amount ultimately established in this case differed from the credit amount approved on an interim basis.
51. On February 4, 2019, Oncor filed an agreed motion requesting to record, by rate class, over- and under-refunded amounts as a result of the one-time bill credit described above in finding of fact 50 as regulatory assets and liabilities.
52. It is appropriate for Oncor to record, by rate class, over- and under-refunded amounts as a result of the one-time bill credit described above in finding of fact 50 as regulatory assets and liabilities.
53. The interim rates and credit described above in findings of fact 46, 48, and 50 are the same as the rates and credit approved in this Order.

Informal Disposition

54. More than 15 days have passed since the completion of the provision of notice in this docket.
55. The proposed resolution of this docket set forth in the agreement is not adverse to any party.
56. No hearing is necessary in this docket.

57. It is appropriate to consider this Order at the earliest open meeting available; therefore, good cause exists to waive the 20-day requirement in 16 Texas Administrative Code (TAC) § 22.35(b)(2).

II. Conclusions of Law

The Commission adopts the following conclusions of law:

1. Oncor is a public utility as defined in PURA⁵ § 11.004(1) and an electric utility as defined in PURA § 31.002(6).
2. The Commission has jurisdiction over this matter under PURA §§ 14.001, 32.001, 33.002, 33.051, and 35.004.
3. Oncor provided notice of the application in compliance with PURA § 36.103 and 16 TAC § 22.51(b).
4. SOAH exercised jurisdiction over this proceeding in accordance with PURA § 14.053 and Texas Government Code § 2003.049.
5. The Commission processed this docket in accordance with the requirements of PURA, the Administrative Procedure Act,⁶ and Commission rules.
6. The rates established by this Order are just and reasonable under PURA § 36.003(a).
7. In accordance with PURA § 36.003(b), the rates established by this Order are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of customer.
8. The rates established by this Order establish the utility's overall revenue at a level that provides the utility a reasonable opportunity to earn a reasonable return as required by PURA § 36.051.
9. Under 16 TAC § 22.5(b), there is good cause to waive the 20-day notice requirement in 16 TAC § 22.35(b)(2).

⁵ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001–66.016.

⁶ Tex Gov't Code ch. 2001.

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10. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves Oncor's application, as modified by the agreement and to the extent provided in this Order, and orders a total reduction of \$218,832,357 to Oncor's annual revenue requirement.
2. The Commission approves the tariff schedules attached to the agreement as exhibit A and the tariff riders admitted into the record on November 7, 2018.
3. Oncor must return unprotected excess ADFIT based on the impacts of the TCJA to ratepayers over a 10-year amortization period.
4. Oncor must apply a carrying charge of 3.25% to the amount of federal income tax expense collected by Oncor in excess of the amount that would have been collected based on the impacts of the TCJA for the period of January 1, 2018 through the effective dates of the rates shown on exhibit A to the agreement.
5. Oncor must return the amortization of its protected excess ADFIT based on the effects of the TCJA over a five-year amortization period.
6. Oncor must calculate the protected excess ADFIT for the period of January 1, 2018 through September 26, 2018 for retail and wholesale distribution rates and for the period of January 1, 2018 through June 30, 2018 for wholesale network transmission rates.
7. Oncor must track all excess ADFIT balances and reconcile them in Oncor's next base-rate case.
8. Oncor must base the projection of its protected excess ADFIT amortization on the average rate assumption method for the period of July 1, 2018 through June 30, 2019 and reconcile those amounts in Oncor's next base-rate case.

9. In future proceedings, Oncor must treat as ADFIT the portion of its plant-related ADFIT that has become an excess ADFIT regulatory liability based on the effects of the TCJA and must update that amount where ADFIT is required or allowed to be updated.
10. Oncor must separately record, and present in applicable future proceedings, its excess ADFIT regulatory liabilities based on the TCJA as between protected and unprotected categories.
11. For its future interim rate filings, including its next distribution cost recovery factor update and its next interim transmission cost of service update, Oncor must use the baseline values that result from this Order.
12. The Commission makes no determinations in this docket regarding the reasonableness of the participating municipalities' and Oncor's rate-case expenses in connection with this proceeding. Those rate-case expenses are subject to a final determination by the Commission regarding the reasonableness and necessity of those expenses. Oncor may request recovery of those rate-case expenses in a future rate proceeding or through a separate surcharge.
13. Oncor may establish a regulatory asset for rate-case expenses in this docket that Oncor incurs and that are incurred by and reimbursed to participating municipalities.
14. Oncor may record, by rate class, over- and under-refunded amounts as a result of the one-time bill credit described above in finding of fact 50 as regulatory assets and liabilities to seek recovery and refund of those amounts in Oncor's next base-rate case.
15. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
16. Within ten days of the date of this Order, Oncor must provide a clean copy of the tariff schedules approved by this Order to central records to be marked *Approved* and filed in the Commission's tariff book.

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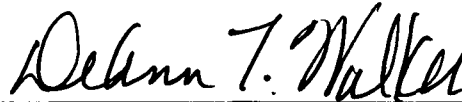
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17. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted in this Order.

Signed at Austin, Texas the 4th day of April 2019.

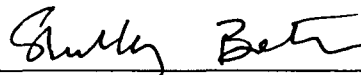
PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

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Request

Refer to Question No. Staff 10-1 regarding mobile generation. For each line item (by FERC account) identified pertaining to mobile generation, please provide:

- a. A narrative explanation of the nature of the costs;
- b. A calculation of the amount requested rates, with an explanation of all inputs and assumptions used in the calculation and a detailed explanation of justification of any inputs and assumptions; and,
- c. An explanation of how much of the cost Oncor expects to recur on an annual basis.

Response

The following response was prepared by or under the direct supervision of Keith Hull and W. Alan Ledbetter, the sponsoring witnesses for this response.

Please see Attachment 1 to Oncor's response to Staff RFI Set No. 10, Question No. 10-01 filed in this docket, for the requested information regarding costs associated with the mobile generation facilities requested in base rates in this proceeding.

Oncor expects the costs in its requested rates to recur on an annual basis for the original seven mobile generation units leased in 2021. Oncor expects to incur incremental costs above the amounts in its requested rates because, to date, Oncor has leased an additional eight mobile generation units (*i.e.*, 15 total units to date). The amounts Oncor included in its request to change rates also do not include costs to deploy and operate the mobile generation units in response to a widespread power outage. As authorized in Public Utility Regulatory Act § 39.918(i), Oncor will defer for recovery in a future ratemaking proceeding the incremental operating costs and the return, not otherwise recovered in a rate proceeding, associated with leasing or procurement, ownership, and operation of the mobile generation facilities.

**INDEX TO THE DIRECT TESTIMONY
OF ASHLEY THENMADATHIL, WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY LLC**

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1 account. Oncor requests its self-insurance reserve accrual to be set on a
2 consolidated basis, consistent with the consolidated rates proposed in
3 Oncor's RFP.

4 Q. PLEASE DISCUSS HOW ONCOR'S SELF-INSURANCE RESERVE
5 BALANCE HAS BEEN FUNCTIONALIZED.

6 A. The Company maintains separate accounting for the self-insurance reserve
7 transactions for the distribution and transmission functions. Each individual
8 property and liability loss is analyzed to determine the function or functions
9 to which it relates; similar to the accruals allowed through rates, the costs
10 related to these self-insured incidents are recorded directly in the respective
11 function's accounting records. Therefore, the resultant regulatory asset or
12 regulatory liability balance has been directly assigned to the distribution or
13 transmission function.

14 **B. Cost of Service Adjustments**

15 Q. PLEASE SUMMARIZE THE FUNDING ALLOWANCE ADJUSTMENTS TO
16 THE SELF-INSURANCE RESERVE THAT YOU ARE SPONSORING.

17 A. As detailed in the following table, I am proposing that both components of
18 the self-insurance reserve allowance amount be increased above the test
19 year level. First, to more adequately provide self-insurance coverage for
20 subsequent loss incidents, I propose increasing the annual accrual from \$75
21 million to the \$122.2 million level as recommended in the direct testimony
22 of Mr. Wilson. This recommended \$122.2 million is intended to cover
23 annual expected losses only. Second, I propose that the test year-end
24 deficit balance of approximately \$588.55 million (including about \$223.29
25 million of the remaining balance of unamortized losses approved in Docket
26 No. 46957) be amortized over a five-year period.

	Test Year Accrual	Proposed Accrual
Loss Accrual – Distribution	\$73,500,000	\$115,845,600
Loss Accrual – NTU-TRN	-	611,000
Loss Accrual – Transmission	1,500,000	5,743,400
Loss Accrual – Total	\$75,000,000	\$122,200,000
Amortization – Distribution	\$42,501,868	\$112,551,630
Amortization – NTU-TRN	-	730,703
Amortization – Transmission	140,227	4,426,798
Amortization – Total	\$42,642,095	\$117,709,131
Total Reserve Allowance	\$117,642,095	\$239,909,131

1 **1. Accrual for Annual Losses**

2 Q. PLEASE DESCRIBE THE ADJUSTMENT YOU ARE PROPOSING TO
3 INCREASE THE ANNUAL SELF-INSURANCE RESERVE ACCRUAL.

4 A. As described above, the deficit balance in the Company's self-insurance
5 reserve has grown by more than \$365.26 million in the five years between
6 the December 31, 2016 test year-end from Docket No. 46957, and the
7 December 31, 2021 test year-end presented in this case. The significant
8 growth in the unrecovered balance highlights the need to increase the level
9 of funding, so that current ratepayers are paying their share of the costs
10 necessary to providing electric service. Accordingly, I am proposing the
11 annual accrual to cover current losses be set at the \$122.2 million funding
12 level recommended in Mr. Wilson's direct testimony.

13 **2. Amortization of the Self-Insurance Reserve Balance**

14 Q. PLEASE DESCRIBE THE ADJUSTMENT YOU ARE PROPOSING FOR
15 THE AMORTIZATION OF THE SELF-INSURANCE RESERVE DEFICIT
16 BALANCE.

17 A. In Docket No. 46957, the Commission approved a settlement that included
18 recovery of the then-existing regulatory asset deficit balance of
19 \$426,420,946 in self-insurance reserve losses over a 10-year period,
20 resulting in approximately \$42.6 million of annual amortization expense. As
21 shown on line 8 of my Exhibit AT-4, there remains an unrecovered balance
22 of approximately \$223.29 million at the end of the 2021 test year. This
23 balance remains because less than half of the approved ten-year recovery

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1 period has passed since the date on which Docket No. 46957 rates became
2 effective, November 27, 2017. For the remainder of my discussion on this
3 issue, I will refer to this as the “First Tier” balance. As shown on line 16 of
4 Exhibit AT-4, more than \$365.26 million of additional unreimbursed self-
5 insured losses have been realized since the end of the Docket No. 46957
6 test year. For the remainder of my discussion on this issue, I will refer to
7 this as the “Second Tier” balance.

8 In total, as shown on Schedule II-B-12, Oncor’s present unrecovered
9 balance in its self-insurance reserve totals \$588,545,657 at the end of the
10 2021 test year.

11 Q. HOW IS ONCOR PROPOSING TO RECOVER THE TEST YEAR-END
12 BALANCE OF LOSSES IN THE SELF-INSURANCE RESERVE?

13 A. I propose that the First Tier and the Second Tier be combined and
14 recovered over a new five-year amortization period. While this will extend
15 the recovery of the First Tier balance, it serves to lessen the impact on
16 customers by smoothing the amount over the new proposed amortization
17 period. Under this proposed recovery, rates would reflect \$117,709,131
18 annually to recover these historical losses (*i.e.*, \$588,545,657/ five-year
19 recovery).

20 As PURA § 36.064(d)(2) and 16 TAC § 25.231(c)(2)(E) permit, I have
21 provided the existing deficit balance in the self-insurance reserve of
22 \$588,545,657 to Company witness Mr. Ledbetter for inclusion in Oncor’s
23 invested capital balance as a regulatory asset. In addition, I have provided
24 Mr. Ledbetter with the annual loss amortization level of \$117,709,131 to be
25 included in the determination of Oncor’s total Operation and Maintenance
26 expense requirement. I also recommend that the Commission establish a
27 target self-insurance reserve surplus amount of \$267.5 million. This target
28 reserve surplus amount is appropriate to provide an actuarially sound
29 provision for coverage of Oncor’s self-insured losses, as recommended by
30 Mr. Wilson.

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1 Q. WHAT WOULD HAPPEN IF THE BALANCE IN THE SELF-INSURANCE
2 RESERVE-RELATED REGULATORY ASSET ACCOUNT WERE TO
3 REACH ZERO PRIOR TO RATES BEING RESET IN A FUTURE RATE
4 CASE?

5 A. In this case Oncor proposes to redirect any amount of self-insurance
6 reserve-related regulatory asset amortization expense to the self-insurance
7 reserve account once the \$588,545,657 deficit balance is fully recovered
8 and reaches a zero balance. This would enable the self-insurance reserve
9 to continue accruing towards a target reserve surplus balance, which would
10 then begin accumulating in a regulatory liability account as provided for in
11 PURA § 36.064 and 16 TAC § 25.231. Thus, there exists no chance of
12 “over-recovery” relating to the self-insurance reserve-related regulatory
13 asset account balance because any amounts that are collected once this
14 regulatory asset balance reaches zero would serve to offset future self-
15 insurable losses and potentially reduce Oncor’s rate base; thus, they would
16 continue to benefit ratepayers. Mr. Wilson’s direct testimony further
17 discusses the mechanics of the self-insurance reserve.

18 Q. PLEASE EXPLAIN HOW YOU HAVE FUNCTIONALIZED THE
19 REQUESTED LEVEL OF SELF-INSURANCE RESERVE EXPENSE.

20 A. Similar to the direct assignment of the self-insurance reserve balance to the
21 proper business function, the annual provisions provided for in rates, along
22 with the annual amortization of the existing deficit balances, can also be
23 directly assigned to the appropriate distribution and transmission functions.
24 Because Oncor maintains separate accounting for the self-insurance
25 reserve transactions for the distribution and transmission functions,
26 functionalization of these costs are directly assignable.

27 **3. Self Insurance Summary**

28 Q. PLEASE SUMMARIZE YOUR PROPOSED TEST YEAR LEVEL OF
29 EXPENSES RELATED TO ONCOR’S SELF-INSURANCE PLAN.

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1 A. I am proposing that Oncor include in rates the amount of \$122.2 million for
2 the annual self-insurance reserve accrual to cover the costs of expected
3 annual losses; this represents an increase of \$47.2 million over the \$75
4 million annual amount previously approved in Docket No. 46957. I am also
5 proposing an annual amortization of \$117.7 million to recover Oncor's self-
6 insurance reserve deficit balance that existed at the end of the test year.
7 Further, as provided for in PURA § 36.064(d)(2) and 16 TAC §
8 25.231(c)(2)(E), the self-insurance reserve deficit balance in the amount of
9 \$588,545,657 at the 2021 test year end should be included in the
10 Company's total balance of invested capital.

11 Q. WHY IS IT IMPORTANT FOR THE COMPANY TO RECOVER SELF-
12 INSURANCE RESERVE ACCRUALS AS REQUESTED?

13 A. For the reasons explained in Mr. Wilson's testimony, self-insuring Oncor's
14 property and liability losses represents a lower cost alternative to
15 commercial insurance, as prescribed for in PURA § 36.064 and
16 Commission Rule § 25.231(b)(2)(G). Recovering past losses due to storms
17 or other covered events within a reasonable amount of time aligns the cost
18 recovery time period with the customers that benefit from storm restoration
19 expenditures and avoids intergenerational inequities. For the reasons
20 stated above and in Mr. Wilson's testimony, the Commission should
21 approve the Company's requested self-insurance reserve recovery levels.

22 **VI. SUMMARY AND CONCLUSION**

23 Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

24 A. In summary, my conclusions and recommendations are that:

- 25 • the balance of \$152,038,741 of M&S inventories (based on the 13-
26 month average test year balance, as adjusted) is reasonable and
27 should be included in Oncor's calculation of invested capital;
- 28 • the balance of negative \$73,484,424 of CWC (based on the results
29 of Oncor's lead-lag study) is reasonable and should be reflected in
30 Oncor's calculation of invested capital;

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Request

In reference to Schedule II-B, II-B-12, line 36 (Account 186 – Self-Insurance Reserve), please:

- a) Identify any items and associated amounts included in the reserve that are subject to recovery or reimbursement by a third party, affiliate, or insurance provider;

Response

The following response was prepared by or under the direct supervision of W. Alan Ledbetter and Ashley Thenmadathil, the sponsoring witnesses for this response.

Certain costs related to real property damage incurred during Winter Storm Uri that were originally recorded in the self-insurance reserve as of the December 31, 2021 test-year-end, were subsequently recovered through Oncor's third party insurance coverage, as summarized below:

1. PROJECT JSD21002 (2/10-2/18/21) \$503,626
2. PROJECT JSN21002 (2/10-2/18/21) \$3,440

The total reimbursement shown of \$507,066 was credited to the self-insurance reserve regulatory asset when the proceeds were received in 2022.

Request

In reference to Schedule II-B, II-B-12, line 36 (Account 186 – Self-Insurance Reserve), please:

- b) Identify any items and the associated amounts included in the reserve that represent accounting accruals; and

Response

The following response was prepared by or under the direct supervision of W. Alan Ledbetter and Ashley Thenmadathil, the sponsoring witnesses for this response.

Shown below are the accounting accrual amounts reflected in property losses and liability claims in the self-insurance reserve regulatory asset at the 2021 test-year-end:

<u>Property Loss</u>	<u>Accounting Accruals</u>
STORM PROJECT 9/28-10/1/21 (JSD21015)	\$92,455
STORM PROJECT 10/10/21 (JSD21016)	\$566,572
STORM PROJECT 10/26-10/29/21 (JSD21017)	\$1,857,988
Total property losses	\$2,517,015

The property loss accruals at December 31, 2021 include contractor, materials and supplies, and vegetation management expenses.

<u>Liability Claim</u>	<u>Accounting Accruals</u>
2011CL03	\$138,240
2013CL06	\$500,000
2019CL03	\$44,083
2019CL04	\$2,500,000
2020CL04	\$21,753
2021CL01	\$3,000,000
2021CL02	\$7,500
Total liability claims	\$6,211,575.

The liability claim accruals at December 31, 2021 include certain claims, legal, and other expenses. The actual legal costs incurred related to liability claim 2021CL01 have not been included in the self-insurance regulatory asset at December 31, 2021.

Actuarial Life Analysis**Account: 354****Scenario: Oncor Actuarial @ 2021****Placement Band: 1900 - 2021****Function: Survivorship Annual Rate Method****Weighting: Unweighted****T-Cut: None**

Observation Band	<u>Censoring</u>		Error Sum of Squares	<u>Best Fit</u>	
	Age	Percent		Disp	ASL
1990 -2021	121.5	0.00	0.43353434	R2.5	76.31
1995 -2021	121.5	0.00	0.45034099	R2.5	76.11
2000 -2021	121.5	0.00	0.46018621	R2.5	73.04
2005 -2021	121.5	0.00	0.52050059	R2	72.13
2010 -2021	121.5	0.00	0.68064711	R1.5	66.56
2015 -2021	121.5	0.00	0.55437039	R1.5	63.97
2020 -2021	121.5	0.00	1.41631433	R2	74.07

Simulated Plant Record Analysis

Excerpts from the Workpapers of Dane Watson

Oncor Electric Delivery

Account: 354

Version: Oncor SPR @ 2021

Method: Simulated Balances

No. of Test Points: 30 Interval: 0 Observation Band: 1992 - 2021

Dispersion	Avg Service Life	Sum of Squared Differences	Index of Variation	Conformance Index	Retirement Experience Index
R1.5	116.9	2.41E+14	1.9332	517.28	31.86
R1	151.0	2.43E+14	1.9395	515.60	23.72
R0.5	204.4	2.43E+14	1.9414	515.09	19.63
R2	88.1	2.61E+14	2.0123	496.94	54.81
R2.5	74.6	3.09E+14	2.1870	457.25	80.41
L0.5	135.5	3.37E+14	2.2860	437.45	35.66
L0	171.7	3.53E+14	2.3376	427.79	28.77
L1	105.9	4.10E+14	2.5202	396.79	47.62
L1.5	89.6	4.68E+14	2.6930	371.33	59.88
S0	110.6	4.93E+14	2.7646	361.72	40.54
R3	64.1	4.99E+14	2.7793	359.80	98.25
S0.5	92.7	5.05E+14	2.7972	357.50	52.42
L2	76.3	6.14E+14	3.0844	324.21	73.96
S1.5	70.9	6.71E+14	3.2225	310.32	82.51
S1	78.5	6.83E+14	3.2520	307.50	69.17
L2.5	69.7	7.18E+14	3.3349	299.86	83.00
S2	64.7	9.71E+14	3.8780	257.86	93.49
L3	64.2	1.18E+15	4.2681	234.30	90.49
S2.5	61.2	1.20E+15	4.3087	232.09	97.92
R4	56.3	1.45E+15	4.7420	210.88	100.00
S3	58.5	1.86E+15	5.3730	186.12	99.74
L4	56.9	2.39E+15	6.0792	164.50	99.47
S4	54.5	3.74E+15	7.6093	131.42	100.00
R5	52.4	4.32E+15	8.1803	122.24	100.00
L5	53.2	4.38E+15	8.2404	121.35	100.00
S5	52.1	5.33E+15	9.0888	110.03	100.00
S6	50.8	6.30E+15	9.8815	101.20	100.00
SQ	49.5	7.30E+15	10.6313	94.06	100.00

Actuarial Life Analysis**Account: 356****Scenario: Oncor Actuarial @ 2021****Placement Band: 1912 - 2021****Function: Survivorship Annual Rate Method****Weighting: Unweighted****T-Cut: None**

Observation Band	<u>Censoring</u>		Error Sum of Squares	<u>Best Fit</u>	
	Age	Percent		Disp	ASL
1990 -2021	109.5	0.00	0.21508407	R1	75.34
1995 -2021	109.5	0.00	0.19292640	R1	74.04
2000 -2021	109.5	0.00	0.16841753	R1	72.08
2005 -2021	109.5	0.00	0.15242036	R1	69.45
2010 -2021	109.5	0.00	0.13566796	R1	68.16
2015 -2021	109.5	0.00	0.17591230	L0.5	63.73
2020 -2021	109.5	0.00	0.87089765	R2	75.08

Simulated Plant Record Analysis

Excerpts from the Workpapers of Dane Watson

Oncor Electric Delivery

Account: 356

Version: Oncor SPR @ 2021

Method: Simulated Balances

No. of Test Points: 96 Interval: 0 Observation Band: 1926 - 2021

Dispersion	Avg Service Life	Sum of Squared Differences	Index of Variation	Conformance Index	Retirement Experience Index
S5	49.1	4.50E+15	9.0039	111.06	100.00
R5	49.4	4.81E+15	9.3060	107.46	100.00
S6	48.4	4.88E+15	9.3774	106.64	100.00
L5	50.1	5.05E+15	9.5370	104.85	100.00
R0.5	137.6	5.15E+15	9.6291	103.85	30.87
S4	50.4	5.31E+15	9.7854	102.19	100.00
R1	106.9	5.63E+15	10.0692	99.31	39.48
R1.5	86.1	6.17E+15	10.5421	94.86	56.51
R4	52.2	6.91E+15	11.1587	89.62	100.00
L4	52.8	6.94E+15	11.1838	89.42	99.91
R2	71.4	7.40E+15	11.5484	86.59	81.08
SQ	47.1	7.61E+15	11.7123	85.38	100.00
L0	127.3	7.79E+15	11.8503	84.39	40.72
S3	53.2	7.93E+15	11.9537	83.66	100.00
L0.5	104.5	8.20E+15	12.1509	82.30	49.39
R2.5	63.3	8.24E+15	12.1865	82.06	95.94
L3	57.8	9.01E+15	12.7376	78.51	95.41
R3	57.2	9.03E+15	12.7544	78.40	100.00
S2.5	55.1	9.38E+15	13.0023	76.91	99.76
S0	86.5	9.66E+15	13.1918	75.80	57.19
L1	85.9	9.69E+15	13.2161	75.67	61.58
L2.5	61.5	9.93E+15	13.3767	74.76	90.42
L1.5	75.3	1.02E+16	13.5483	73.81	72.81
S0.5	75.1	1.03E+16	13.6317	73.36	71.01
L2	66.1	1.07E+16	13.8580	72.16	83.89
S2	57.7	1.07E+16	13.8827	72.03	98.74
S1.5	62.0	1.13E+16	14.2404	70.22	93.53
S1	66.6	1.19E+16	14.6170	68.41	85.14

Actuarial Life Analysis

Excerpts from the Workpapers of Dane Watson

Account: 356

Scenario: Oncor Actuarial @ 2021

Placement Band: 1912 - 1994

Function: Survivorship Annual Rate Method

Weighting: Unweighted

T-Cut: None

Observation Band	<u>Censoring</u>		Error Sum <u>of Squares</u>	<u>Best Fit</u>	
	Age	Percent		Disp	ASL
1990 -1994	79.5	92.07	0.00392508	R1	276.17
1991 -1995	80.5	91.36	0.00435746	R1.5	211.99
1992 -1996	81.5	88.72	0.01797168	L1.5	163.86
1993 -1997	82.5	31.47	1.07697993	L4	68.37
1994 -1998	83.5	29.88	1.10307423	L4	67.93
1995 -1999	84.5	88.81	0.02014512	S0.5	168.09
1996 -2000	85.5	89.79	0.00724880	R1.5	188.32
1997 -2001	86.5	80.29	0.03600156	L0	189.05
1998 -2002	87.5	79.98	0.02612409	L0	180.80
1999 -2003	88.5	71.66	0.03047392	L0	146.05
2000 -2004	89.5	47.16	0.08150266	L0	154.23
2001 -2005	90.5	38.27	0.09728076	R0.5	87.37
2002 -2006	91.5	45.66	0.07228130	L0	95.76
2003 -2007	92.5	43.62	0.05422838	L0	92.33
2004 -2008	93.5	41.86	0.06986018	L0	89.28
2005 -2009	94.5	47.10	0.11135053	L0	82.99
2006 -2010	95.5	54.31	0.13646201	L0	94.50
2007 -2011	96.5	45.79	0.08322439	L0	84.85
2008 -2012	97.5	45.11	0.03734107	L0	93.19
2009 -2013	98.5	53.21	0.03681762	L0	114.98
2010 -2014	99.5	54.85	0.03069949	L0	118.39
2011 -2015	100.5	36.62	0.07514437	R2	80.89
2012 -2016	101.5	0.00	0.12830548	R1.5	70.87
2013 -2017	102.5	0.00	0.15613828	S0.5	68.06
2014 -2018	103.5	8.28	0.10026965	L0.5	57.97
2015 -2019	104.5	7.99	0.10983781	L0.5	57.55
2016 -2020	105.5	0.00	0.20410785	L0	59.94
2017 -2021	106.5	0.00	0.27019236	L0	63.67

Actuarial Life Analysis**Account:** 362**Scenario:** Oncor Actuarial @ 2021**Placement Band:** 1917 - 2021**Function:** Survivorship Annual Rate Method**Weighting:** Unweighted**T-Cut:** None

Observation Band	<u>Censoring</u>		Error Sum of Squares	<u>Best Fit</u>	
	Age	Percent		Disp	ASL
1990 -2021	104.5	18.50	0.04413984	L0.5	67.35
1995 -2021	104.5	18.20	0.04007550	L0.5	66.52
2000 -2021	104.5	17.29	0.03760931	L0.5	64.88
2005 -2021	104.5	16.64	0.03590468	L0.5	63.96
2010 -2021	104.5	15.52	0.04293938	L0.5	63.86
2015 -2021	104.5	13.76	0.03132247	L0.5	60.27
2020 -2021	104.5	0.00	0.22395175	L0	59.93

Simulated Plant Record Analysis
Oncor Electric Delivery

Attachment SDH-24
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Excerpts from the Workpapers of Dane Watson

Account: 362
Version: Oncor SPR @ 2021
Method: Simulated Balances

No. of Test Points: 96 Interval: 0 Observation Band: 1926 - 2021

Dispersion	Avg Service Life	Sum of Squared Differences	Index of Variation	Conformance Index	Retirement Experience Index
R0.5	74.8	2.65E+16	20.7300	48.24	66.20
R1	63.3	2.98E+16	21.9927	45.47	84.97
L0	79.9	3.16E+16	22.6473	44.16	65.32
R1.5	56.6	3.49E+16	23.8129	41.99	96.55
L0.5	69.4	3.55E+16	24.0185	41.63	74.90
S0	60.6	3.83E+16	24.9315	40.11	86.65
L1	61.5	4.28E+16	26.3607	37.94	83.97
R2	51.2	4.39E+16	26.7113	37.44	100.00
S0.5	55.3	4.42E+16	26.7792	37.34	95.58
L1.5	56.1	4.93E+16	28.2786	35.36	90.88
R2.5	48.1	5.37E+16	29.5168	33.88	100.00
S1	51.0	5.37E+16	29.5190	33.88	99.70
L2	52.2	6.00E+16	31.2181	32.03	95.49
S1.5	48.7	6.09E+16	31.4458	31.80	99.99
L2.5	49.1	6.71E+16	33.0045	30.30	98.34
R3	46.0	6.79E+16	33.1911	30.13	100.00
S2	46.6	7.15E+16	34.0677	29.35	100.00
L3	47.0	7.73E+16	35.4275	28.23	99.75
S2.5	45.4	7.89E+16	35.7954	27.94	100.00
S3	44.3	8.83E+16	37.8682	26.41	100.00
R4	43.3	9.11E+16	38.4661	26.00	100.00
L4	43.7	9.42E+16	39.1108	25.57	100.00
S4	42.7	1.04E+17	41.1192	24.32	100.00
L5	42.2	1.08E+17	41.7777	23.94	100.00
R5	42.2	1.10E+17	42.3444	23.62	100.00
S5	41.7	1.13E+17	42.7878	23.37	100.00
S6	41.0	1.18E+17	43.7707	22.85	100.00
SQ	42.1	1.37E+17	47.1853	21.19	100.00

DOCKET NO. 52100

**APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC FOR
GOOD-CAUSE EXCEPTION TO
EXTEND RATE FILING DEADLINE
UNDER 16 TAC § 25.247** § **PUBLIC UTILITY COMMISSION
OF TEXAS**

ORDER

This Order addresses Oncor Electric Delivery Company LLC's application requesting the Commission grant a good-cause exception to the October 2021 deadline to file its comprehensive base-rate review under 16 Texas Administrative Code (TAC) § 25.247 and under the Commission's order in Docket No. 48929.¹ The Commission grants for good cause an exception to Oncor's October 2021 base-rate-case filing deadline to the extent provided in this Order and extends the deadline for Oncor to file its base-rate case under 16 TAC § 25.247 until June 1, 2022.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Oncor is an investor-owned electric utility that operates transmission and distribution facilities within the Electric Reliability Council of Texas region.

Application

2. Oncor's most recent comprehensive base-rate case was addressed by the Commission in Docket No. 46957.²
3. Under 16 TAC § 25.247(c)(2), Oncor is required to file its next comprehensive base-rate case by October 2021.

¹ *Joint Report and Application of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services, L.L.C., Sharyland Utilities, L.P., and Semptra Energy for Regulatory Approvals under PURA §§ 14.101, 37.154, 39.262, and 39.915*, Docket No. 48929, Order at Ordering Paragraph No. 16 (May 9, 2019).

² *Application of Oncor Electric Delivery Company, LLC for Authority to Change Rates*, Docket No. 46957, Order (Oct. 13, 2017).

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Order

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4. On May 9, 2019, in Docket No. 48929, the Commission issued an order requiring, among other things, that Oncor and Oncor Electric Delivery Company NTU LLC make a combined rate filing no later than October 2021.³
5. On May 10, 2021, Oncor filed an application requesting a good-cause extension of Oncor's base-rate-case filing deadline under 16 TAC § 25.247(c)(2) and under the Commission's order in Docket No. 48929.
6. The application requests that Oncor's existing rate-filing deadline be extended to June 1, 2022.
7. Oncor stated in its application that Commission Staff, the Office of Public Utility Counsel, the Steering Committee of Cities Served by Oncor, the Alliance of Oncor Cities, Texas Industrial Energy Consumers, the Texas Energy Association for Marketers, and the Alliance for Retail Markets have indicated that they either support or are unopposed to Oncor's requested extension.
8. On June 4, 2021, Commission Staff filed its recommendation on the application and recommended that the application be found administratively complete and the good cause waiver be approved.
9. In Order No. 2 filed on June 4, 2021, the administrative law judge (ALJ) found the application sufficient.

Notice

10. Notice of the application was provided by electronic mail on May 10, 2021, to authorized party representatives in Docket No. 46957, Oncor's last comprehensive base-rate case; Docket No. 47675,⁴ the Commission's approval of Sempra Energy's acquisition of an approximately 80% indirect ownership interest in Oncor; Docket No. 48929,⁵ the

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, Order at Ordering Paragraph No. 16 (May 9, 2019).

⁴ *Joint Report and Application of Oncor Electric Delivery Company LLC and Sempra Energy for Regulatory Approvals Pursuant to PURA §§ 14.101, 39.262, and 39.195*, Docket No. 47675, Order (Mar. 8, 2018).

⁵ *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, Order (May 9, 2019).

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Commission's approval of a set of transactions that resulted in, among other things, Oncor's acquisition of InfraREIT, Inc. and certain assets previously owned by Sharyland Utilities, L.L.C.; and Docket No. 51996,⁶ Oncor's pending application to amend its distribution cost recovery factor.

11. On June 7, 2021, Oncor filed the affidavit of Teri Smart, director of regulatory support and compliance for Oncor, attesting that notice was provided as set forth above.
12. In Order No. 3 filed on June 10, 2021, the ALJ found the notice sufficient.

Good-Cause Exception

13. Based on the significant impacts caused by the February 2021 winter storm event, resource constraints associated with the extensive investigations and rulemakings resulting from that event, and the continuing logistical issues caused by the COVID-19 pandemic, there is good cause to extend the deadline in 16 TAC § 25.247(c)(2) and under the Commission's order in Docket No. 48929 by which Oncor must file for a comprehensive base-rate review from October 2021 until June 1, 2022.

Informal Disposition

14. More than 15 days have passed since the completion of notice provided in this docket.
15. No person filed a protest or motion to intervene.
16. Oncor and Commission Staff are the only parties to this proceeding.
17. No party requested a hearing, and no hearing is needed.
18. Commission Staff recommended approval of the application.
19. This decision is not adverse to any party.

⁶ *Application of Oncor Electric Delivery Company LLC for Approval to Amend its Distribution Cost Recovery Factor*, Docket No. 51996 (pending).

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Oncor is an electric utility as defined in the PURA⁷ § 31.002(6).
2. The Commission has authority over this matter under PURA §§ 14.051, 32.001, and 36.157.
3. The application was processed in accordance with the requirements of PURA, the Administrative Procedure Act,⁸ and Commission rules.
4. Notice of the application complies with 16 TAC § 22.55.
5. Under PURA § 36.157(d), the Commission may extend the deadline to file an initial comprehensive rate review under 16 TAC § 25.247(c)(2)(A) for good cause shown or because of resource constraints of the Commission.
6. Good cause exists to grant the requested extension of Oncor's base-rate-case filing deadline until June 1, 2022.
7. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission grants for good cause an exception to Oncor's October 2021 base-rate filing deadline to the extent provided in this Order.
2. Oncor must file its initial base-rate case under 16 TAC § 25.247 on or before June 1, 2022.
3. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

⁷ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001–66.016.

⁸ Tex. Gov't Code §§ 2001.001–.903.

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Order

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Signed at Austin, Texas the 29th day of July 2021.

PUBLIC UTILITY COMMISSION OF TEXAS



PETER LAKE, CHAIRMAN



WILL MCADAMS, COMMISSIONER

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