Filing Receipt

Received - 2022-09-16 02:35:35 PM
Control Number - 53601
ItemNumber - 608

PUC DOCKET NO. 53601
SOAH DOCKET NO. 473-22-2695

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

CROSS-REBUTTAL TESTIMONY AND EXHIBITS

OF

JAMES W. DANIEL

ON BEHALF OF

EAST TEXAS ELECTRIC COOPERATIVE, INC. AND
RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.

September 16, 2022

Table of Contents

Exhibits

CROSS-REBUTTAL TESTIMONY OF JAMES W. DANIEL

ON BEHALF OF

EAST TEXAS ELECTRIC COOPERATIVE, INC. AND

RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas 78701.

Q. ARE YOU THE SAME JAMES W. DANIEL THAT FILED DIRECT TESTIMONY ON BEHALF OF EAST TEXAS ELECTRIC COOPERATIVE, INC. AND RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC. IN DOCKET NO. 53601?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR CROSS-REBUTTAL TESTIMONY?

A. The primary purpose of my cross-rebuttal testimony is to rebut the direct testimony of Hunt Energy Network, L.L.C. ("HEN") witness Robert R. Stephens. I will also generally comment on the direct testimony of some intervenor and Public Utility Commission ("PUC") Staff testimony.

II. RESPONSE TO HEN WITNESS MR. STEPHENS

Q. WHAT ISSUES REGARDING THE DIRECT TESTIMONY OF HEN WITNESS MR. STEPHENS DO YOU ADDRESS IN YOUR CROSS-REBUTTAL TESTIMONY?

A. My cross-rebuttal testimony addresses the following issues with Mr. Stephens' testimony:

(1) Mr. Stephens' proposed definition of billing demands for wholesale distribution service ("WDS") rate schedules XFMR and DLS; and

(2) Mr. Stephens' use of Oncor's class cost of service study ("COSS"), which allocates average distribution system costs to the WDS customer class.

I will also provide recommendations on how the Commission should address these issues, including the need to create separate rate classes for XFMR and DLS service for Wholesale Energy Storage Facility - Distribution ("WESF-D").

Q. WHAT IS HEN WITNESS MR. STEPHENS' PROPOSED BILLING DEMAND DEFINITION FOR RATES XFMR AND DLS?

A. As stated on page 25, lines 14-15, of his direct testimony, Mr. Stephens is proposing to define the billing demand for the XFMR and DLS rates as the individual customer's contribution to the rate class's non-coincident peak ("NCP") demand for each month.

Q. WHAT IS MR. STEPHENS' REASONING FOR THIS BILLING DEMAND DEFINITION?

A. As I will explain later in my cross-rebuttal testimony, Mr. Stephens incorrectly bases his proposed billing determinant definition on demands similar to the demands Oncor used to allocate costs to customer classes.

Q. WHAT ARE THE PROBLEMS WITH MR. STEPHENS' PROPOSED BILLING DETERMINANT DEFINITION FOR RATES XFMR AND DLS?

A. There are several problems with Mr. Stephens' proposed WDS billing demand definition, including:

(1) Mr. Stephens incorrectly states that billing determinants should match the units or factors used to allocate costs to customer classes;

(2) Mr. Stephens incorrectly testifies that the retail customer classes only include homogeneous customers that all contribute to the allocation factor basis, or class NCP demands;

(3) Mr. Stephens mischaracterizes Oncor's use of class 1NCPs for allocating distribution costs;

(4) Mr. Stephens incorrectly equates allocated class cost responsibility with individual customer's cost causation of distribution facilities; and

(5) Mr. Stephens' proposed WDS billing determinants definition has never been approved by the PUC that I am aware of.

Q. PLEASE DESCRIBE ONCOR'S PROPOSED ALLOCATION METHODOLOGY FOR ALLOCATING DISTRIBUTION DEMAND-RELATED COSTS.

A. Oncor allocates distribution costs using the maximum test year NCP demand of each class. The customer class 1NCPs will likely occur at different times during the test year. For example, the residential customer class 1NCP will likely occur on a summer weekday during the late afternoon or early evening hours while the street lighting customer class 1NCP will occur at night and possibly in the winter. Oncor witness Matt Troxle explains his reason for using the 1NCP allocation methodology as follows:

> The Company must plan and construct its distribution system to serve the maximum load requirement of each individual retail and wholesale customer. As a result, the Company's investment in the distribution plant needed to serve each customer does not depend on the month or the time of day when such loads occur. The Company's distribution plant must be capable of delivering this maximum load whenever it is demanded. (Troxle Direct at 10.)

Q. PLEASE EXPLAIN WHY MR. STEPHENS' PROPOSAL TO MATCH THE DEMAND CHARGE BILLING DEMANDS WITH THE DEMANDS USED TO ALLOCATE COSTS IS NOT APPROPRIATE.

A. As explained by Oncor witness Mr. Troxle, Oncor builds distribution facilities needed to meet each customer's demand requirements. Distribution facilities required to serve customer demand are not constructed based on the day or time when the load occurs. Instead, distribution facilities are built to address maximum customer demand. Similarly, the customer's demand at the time of its customer class's NCP demand does not cause the distribution facilities installed to serve that customer.

Q. IS MR. STEPHENS CONFUSING CUSTOMER CLASS COST ALLOCATION WITH HIS RATE DESIGN PROPOSAL BY DEFINING THE WDS BILLING DEMANDS AS THE CUSTOMER'S DEMAND AT THE TIME OF THE CUSTOMER CLASS NCP DEMAND?

A. Yes. Oncor's 1NCP demand allocation methodology for allocating average system distribution costs to customer classes allocates what Oncor believes is a reasonable amount of costs to the customer class. The 1NCP allocation factor reflects diversity among the demands of the customers in the class. In other words, the 1NCP demand will be less than the sum of the customers' individual demands. It is unlikely that any WDS customer's maximum demand occurs precisely at the time of the class's 1NCP demand.

The rate design step in determining rates should use reasonable billing determinants to "allocate" the class costs to the customers in the class. Determining the appropriate allocation factor for allocating costs to customer classes is different than the billing determinants used to design rates for the intra-class allocation of costs to customers. As explained by Oncor witness Mr. Troxle, every customer connected to Oncor's distribution system causes costs because Oncor designs its distribution facilities to meet each customer's maximum demand regardless of when it occurs. Oncor does not design its distribution system to meet the WESF-D facilities' demand at the time of the class 1NCP. If it did, then based on Mr. Stephens description of how WESF-D facilities operate, Oncor's distribution facilities would not be adequate to serve the WESF-D facilities' maximum demands. This is why it is important that the

intra-class allocation of costs in the rate design phase use maximum customer class demands to design the WDS distribution system demand charge.

Q. WOULD THE USE OF MR. STEPHENS' PROPOSED DEFINITION OF BILLING DEMAND DETERMINANTS FOR RATES XFMR AND DLS RESULT IN A FREE RIDER PROBLEM?

A. Yes, it would. In ratemaking, "free riders" are customers that avoid paying any cost category, such as distribution demand costs, due to the rate design or billing determinant definition. One of the objectives of the rate design should be to limit or eliminate the possibility of free riders, As previously discussed, Mr. Stephens' definition of the billing demands for the WDS customer classes does the opposite, *i.e.*, it encourages customers to become free riders. Accordingly, Mr. Stephens' proposed billing demand definition should be rejected.

Q. HOW WOULD MR. STEPHENS' PROPOSED WDS BILLING DEMAND DEFINITION ALLOW CUSTOMERS TO AVOID PAYING ANYTHING FOR THE DISTRIBUTION FACILITIES CONSTRUCTED TO SERVE THEM?

A. Based on Mr. Stephens' description of how WESF-D facilities operate, WESF-D facilities would likely avoid paying any distribution charges under his proposed billing demand definition. WESF-D facilities are incentivized to charge *(i.e.*, draw power as load) during off-peak hours at night when wholesale power costs are low. As discussed on page 27, lines 16 through 20, of Mr. Stephens' direct testimony, WESF-D facilities have "a relatively low probability of coinciding with class NCP", which is what Mr. Stephens proposes as his XFMR and DLS billing demand, *i.e.*, when the WESF-D facility is not likely to have any demand. In my opinion, this is

why the PUC and other regulatory commissions do not approve billing demand definitions like that proposed by Mr. Stephens.

Q. DO OTHER CUSTOMER CLASSES HAVE CUSTOMERS THAT DO NOT HAVE ANY DEMAND AT THE TIME OF THEIR CUSTOMER CLASS'S 1NCP?

A. Yes, that is usually the case. For example, smaller churches that are only open on weekend days or billboards that have lights at night would not have any demand at the time of their customer class NCP demand.

Q. ARE YOU AWARE OF ANY OTHER UTILITIES THAT DEFINE BILLING DEMAND SIMILAR TO MR. STEPHENS' PROPOSED DEFINITION?

A. No. I am not aware of any PUC case, or any other regulatory commission case, in which a billing demand definition similar to Mr. Stephens' proposed definition was approved. This includes cases in which there were customer classes with customers having disparate operations and load patterns. I would also note that in response to ETEC RFI 1-3 to HEN, Mr. Stephens is also not aware of any utility rate case that adopted a billing demand definition similar to his proposal in this case. A copy of this HEN RFI response is provided as my Exhibit JWD-CR2.

Q. DOES MR. STEPHENS USE ONCOR'S CLASS COST OF SERVICE MODEL FOR HIS ANALYSIS OF THE XFMR AND DLS CUSTOMER CLASSES?

A. Yes. Because Oncor's model allocates average distribution system costs to the XFMR and DLS customer classes, Mr. Stephens' analysis over-allocates costs to these two WDS customer classes (*i.e.*, XFMR and DLS). I addressed the problems with

allocating average distribution system costs to wholesale customers in my direct testimony.

Q. SHOULD THERE BE DISTINCT XFMR AND DLS RATES FOR SERVICE TO WESF-D FACILITIES?

A. Yes. As discussed on page 24, line 13, through page 25, line 9, of his direct testimony, Mr. Stephens states the WESF-D facilities "operate completely differently" than the other WDS customers. Accordingly, Oncor should have separate WDS customer classes for service to WESF-D facilities. This is a more appropriate approach for handling WESF-D facilities than Mr. Stephens' proposed billing demand definition. I note that Oncor's tariff has a different definition for WDS customers that are WESF-D facilities, and thus do not combine WESF-D customers with non-WESF-D wholesale customers in a single customer class.

Q. DO OTHER UTILITIES HAVE SEPARATE WDS RATES FOR SERVICE TO WESF-D FACILITIES?

A. Yes. AEP Texas has filed a proposed WDS rate that is only for service to WESF-D facilities. AEP Texas' application is pending in Docket No. 53267. I would also note that the WDS rates of some utilities are only used for service to WESF-D facilities, *i.e.*, they do not have any other WDS customers such as cooperatives.

Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING MR. STEPHENS PROPOSED DEFINITION OF BILLING DEMAND FOR WDS RATES XFMR AND DLS?

A. Yes. In my opinion, Mr. Stephens' proposal conflicts with HEN witness Mr. Pat Wood's recommendations and testimony in two ways. First, Mr. Wood acknowledges WESF-D facilities connected to Oncor's distribution system do cause costs on Oncor's distribution system. Mr. Stephens does not appear to believe WESF-D facilities connected to Oncor's distribution system cause any distribution costs since the way WESF-D facilities operate they would not be contributing the WDS class NCP demands used to allocate costs to the customer class. Second, as I understand Mr. Wood's proposal, the distribution costs incurred by transmission and distribution system providers ("TDSPs") to serve WESF-D facilities at a distribution voltage should be included in the TDSP's transmission cost of service ("TCOS") and uplifted to all load serving entities ("LSEs") in ERCOT, *i.e.*, all retail customers in ERCOT would ultimately pay for costs related to the distribution facilities used for serving WESF-D facilities. Mr. Stephens' proposal would not uplift the distribution costs for serving the WESF-D facilities connected to Oncor's distribution system to the entire ERCOT market but rather effectively "uplifts" those costs to the cooperatives that receive WDS service from Oncor. In other words, the cooperative who cannot shift their load to avoid the class NCP would be responsible for paying 100% of the classes' distribution costs while the BESS facilities would pay 0% under Mr. Stephens' proposal. As a result, this cost responsibility would fall on a small fraction of the ERCOT market and which would include residential customers.

Q. HOW DID YOU TREAT WESF-D FACILITIES IN THE DIRECT ASSIGNMENT STUDY YOU PRESENTED IN YOUR DIRECT TESTIMONY?

A. The direct assignment study presented in my direct testimony identified the distribution facilities that provide service to each WDS point of delivery ("POD"), including the PODs for the WESF-D WDS customers. I also included direct assignment study workpapers ("WPs") with my direct testimony. The WPs provide subtotals for the WESF-D PODs and subtotals for the other WDS PODs so the information to determine separate WDS customer classes and rates for WESF-D facilities is available should the Commission decide that it is appropriate to have a standalone WDS customer class for WESF-D facilities. I am also submitting the confidential WPs as cross-rebuttal Exhibit JWD-CR1 (confidential).

III. RESPONSE REGARDING CONTRIBUTIONS IN AID OF CONSTRUCTION

Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING HEN'S DIRECT TESTIMONY?

A. Yes. HEN witness Mr. Pat Wood raises an issue that should be considered by the Commission. HEN paid a contribution in aid of construction ("CIAC") for the cost of the facilities needed to connect a HEN POD to the closest Oncor substation. Apparently, Oncor has not reflected that CIAC on its books or considered the CIAC in how it is treating HEN's WDS POD. If Oncor has treated other WDS PODs

similarly, then that should be determined and reflected in the development of the approved WDS rates in this proceeding.[1]

IV. RESPONSES TO OTHER WITNESSES REGARDING COST ALLOCATION AND RATE DESIGN

Q. DO YOU HAVE ANY COMMENTS REGARDING THE COST ALLOCATION AND RATE DESIGN DIRECT TESTIMONY OF CERTAIN OTHER INTERVENOR AND STAFF WITNESSES?

A. Yes. Other witnesses have filed cost allocation and rate design testimony regarding retail customer issues that does not discuss WDS customer classes. However, their testimony and analyses use Oncor's class cost of service study model which allocates average system distribution costs to the WDS customer classes. The problems with this allocation are addressed in my direct testimony. Some of these witnesses also propose revenue distributions with and without gradualism. My direct testimony also addresses the need for gradualism in this proceeding for the DLS and XFMR rate classes.

V. CONCLUSION

Q. DOES THIS CONCLUDE YOUR CROSS-REBUTTAL TESTIMONY?

A. Yes.

[1] The HEN POD in question may not have been in service for the adjusted test year. If it was not, then an adjustment would not be needed for that POD. Regardless, the CIAC issue raised by HEN still needs to be resolved in this case as it could affect other WDS PODs.

Exhibit JWD-CR1

Confidential

Exhibit JWD-CR2

ETEC 1-3:

Please provide a copy of all regulatory commission orders that HEN witness Stephens is aware of that approves or disapprove a rate design that is based on and is applied to each individual customer's monthly demand coincident with the class's monthly NCP demand. If Mr. Stephens does not have copies of the orders, please provide the utility name, the name of the regulatory agency and the docket number for the case.

Response:

Mr. Stephens is not aware of any regulatory commission orders that approve or disapprove of a rate design that is based on and is applied to each individual customer's monthly demand coincident with the class's monthly NCP demand. Mr. Stephens has not undertaken such research.

Preparer: Robert R. Stephens
Sponsor: Robert R. Stephens