



## Filing Receipt

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<b>APPLICATION OF ONCOR ELECTRIC</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>DELIVERY COMPANY LLC FOR</b>	<b>§</b>	<b>OF</b>
<b>AUTHORITY TO CHANGE RATES</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>

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**BRIEF OF THE KROGER CO.**

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**I. INTRODUCTION**

Pursuant to SOAH Order No. 20; The Kroger Co. (“Kroger”), submits this Brief in support of its recommendation that the Public Utility Commission of Texas (“Commission”) modify the alignment between rates within Oncor Electric Delivery Company LLC’s (“Oncor” or “Company”) Secondary > 10 kW rate schedule and the underlying cost causation by shifting 50% of the revenue recovery for secondary transformers from the Facilities demand \$/kW charge to the customer Point of Delivery (“POD”) charge. As explained in the Rebuttal Testimony of Oncor witness Matthew A. Troxle, the Company has indicated that it does not oppose this recommendation.<sup>1</sup>

**II. ARGUMENT**

**VIII. Revenue Distribution and Rate Design**

**B. Rate Design and Tariff Changes [PO Issues 47, 55, 56]**

**1. Kroger Recommends That The Commission Modify The Rate Design for The Secondary >10 kW Rate Schedule In Order To Better Reflect Secondary Transformer Cost of Service.**

As explained in Kroger witness Justin Bieber’s Direct Testimony, Oncor’s cost-of-service methodology classifies and allocates the cost of distribution plant in FERC Accounts 364-368 exclusively based on class Non-Coincident Peak (“NCP”) demand, without consideration of the fact that these facilities also have a significant customer-related component. This is problematic

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<sup>1</sup> Oncor Exhibit 54, at 12

because secondary transformers are used to step down voltages to directly serve customers and the cost causation for these facilities is primarily driven by the number of customers on the system. Thus, it is particularly inappropriate to classify secondary transformer costs as 100% demand-related.<sup>2</sup>

Mr. Bieber's position, that a portion of distribution plant accounts 364 through 368 should be classified as customer-related, is consistent with the recommended treatment of these costs as presented in the National Association of Regulatory Utility Commissioners Electric Utility Cost Allocation Manual ("NARUC Manual"). Regarding the allocation of distribution costs, the NARUC Manual states: "*Distribution Plant Accounts 364 through 370 involve demand and customer costs. The customer component of distribution facilities is that portion of costs which varies with the number of customers.*"<sup>3</sup>

Mr. Bieber stated that although he disagrees with Oncor's classification of distribution plant in accounts 364 through 368 as 100% demand-related, he does not necessarily recommend any changes to the class cost allocation in this case as a result of this misallocation, because this would require a reallocation of costs between the customers classes that would have a significant impact on all customers.<sup>4</sup> However, Kroger believes that it is important to take the smaller step of acknowledging the customer component of these costs by adjusting Oncor's rate design for the Secondary > 10 kW rate schedule in order to recover a portion of secondary transformer costs through the customer charge. Again, the need for secondary transformers is primarily driven by the number of customers on the system, and therefore, it is appropriate to recover a portion of

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<sup>2</sup> Mr. Bieber testified: "*The need for secondary transformers is primarily driven by the number of customers on the system. These transformers are installed to deliver service to customers. As such, the amount of investment required to provide these facilities is directly related to the number of customers on the utility's system. Since the number of customers is the primary driver of secondary transformer costs, a significant portion of these costs are clearly customer-related and therefore should be recovered through a customer charge.*" (Kroger Exhibit 1, at 7-8)

<sup>3</sup> NARUC Electric Utility Cost Allocation Manual, p. 90 (1992).

<sup>4</sup> Kroger Exhibit 1 at 6-7.

these costs through the POD customer charge. Kroger's recommended modifications to the Secondary > 10 kW rate schedule would be revenue neutral to the Company and would not have any impact on the cost or revenue allocation between rate schedules.

As further explained by Mr. Bieber, aligning rate design with underlying cost causation improves efficiency because it sends proper price signals. Further, aligning rate design with underlying cost causation is important for ensuring equity among customers, because properly aligning charges with costs minimizes cross-subsidies among customers.<sup>5</sup>

Ideally, the Facilities demand charges and POD customer charges would be completely aligned with the respective underlying cost components. However, in some circumstances, full movement towards cost-based rates in a single step should be tempered in order to mitigate potential intra-class rate impacts and take into consideration the well-accepted rate making principle of gradualism.<sup>6</sup> Therefore, Mr. Bieber proposed a moderate change to the Secondary > 10 kW rate design to improve the alignment between rates and the underlying cost causation by shifting 50% of the revenue recovery for secondary transformers from the Facilities demand \$/kW charge to the customer POD charge. Kroger's recommended modification to the Secondary > 10 kW rate design would decrease the Facilities \$/kW charge and make a corresponding revenue neutral increase to the Other Services component of the POD charge.<sup>7</sup> Kroger's proposed revenue neutral rate design for rate Secondary > 10 kW is summarized in Table JB-1 below. The revenue verification for proposed rate design is provided in Exhibit JB-1.

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<sup>5</sup> Kroger Exhibit 1 at 9.

<sup>6</sup> Kroger Exhibit 1 at 9.

<sup>7</sup> Kroger Exhibit 1 at 9-10.

**Table JB-1<sup>8</sup>**  
**Kroger Recommended Secondary > 10 kW Rate Design**  
**At Oncor's Proposed Revenue Requirement**

<u>Charge</u>	<u>Unit</u>	<u>Rate</u>	<u>Classification</u>
Point of Delivery (POD) Charge	S/Bill/Month	72.45	Customer
Facilities Demand Charge	S/kW	5.253233	Demand

In the interest of gradualism, Kroger is only proposing to recover 50% of those secondary transformer costs through the customer POD charge for the Secondary > 10 kW rate schedule.

Oncor addressed Mr. Bieber's proposed modification to the Secondary > 10 kW rate design through the Rebuttal Testimony of Mr. Troxle. While Mr. Troxle did not agree with Mr. Bieber's or the NARUC Manual, Mr. Troxle stated that he does not oppose Kroger's modification to the Secondary > 10 kW rate design and concluded that such a rate design may be appropriate for a weather sensitive system, like Oncor's.<sup>9</sup> Mr. Troxle stated on page 12 of his Rebuttal Testimony:

**“Q. DO YOU OPPOSE MR. BIEBER'S RECOMMENDATION TO RECOVER 50% OF SECONDARY TRANSFORMER COSTS THROUGH THE CUSTOMER CHARGE?”**

A. No, I do not oppose his recommendation. While I disagree with his rationale, if the Commission sees value in functionalizing these costs to the Transmission and Distribution Utility Customer Service ("TDCS") Function (where they would be recovered through the fixed Customer Charge) as opposed to the Distribution Function (where they are recovered through the variable Distribution Charge), it has the ability to make this decision. In fact, I would recommend that if the Commission were to adopt this recommendation, it should be expanded to cover 100% of all of FERC Accounts 364 to 368, not just 50% of FERC Account 368, for all rate classes. The main reason that the Commission may see value in Mr. Bieber's proposal, regardless of the rationale, is that the fixed customer charge is not weather sensitive. Recently, many areas have experienced extreme weather and temperatures. If more of the Company's revenue requirement is collected through a fixed Customer Charge as opposed to a variable Distribution Charge, it would help to mitigate weather-related impacts to end-use customers and help them to

<sup>8</sup> Kroger Exhibit 1 at 10. To the extent that the Commission approves a revenue target for the Secondary > 10 kW rate schedule that is different than Oncor is seeking, Kroger recommends that each rate element in my proposed Secondary > 10 kW rate design be reduced by an equal percentage in order to recover the target revenue requirement.

<sup>9</sup> Oncor Exhibit 54, p. 14.

budget monthly costs. While the Company's charges are only a portion of the total bill that a REP sends to an end-use customer, and the REP portion of the bill is most likely variable (energy or demand related), the Commission may see value in the recommendation of Mr. Bieber. While weather sensitivity may not be of as great a concern for the larger customer rate classes, it is an appropriate consideration for why the recommendation should be adopted for all rate classes and not be a special carve out for one rate class."

Kroger does not take a position on Mr. Troxle's suggestion that Mr. Bieber's proposed modification "*should be expanded to cover 100% of all of FERC Accounts 364 to 368, not just 50% of FERC Account 368, for all rate classes.*" But at the very least, this modification should apply to 50% of secondary transformer costs for the Secondary > 10 kW rate schedule.

### **III. CONCLUSION**

For the reasons stated above, Kroger respectfully requests that the Commission improve the alignment between rates with in the Secondary > 10 kW rate schedule and the underlying cost causation by shifting 50% of the revenue recovery for secondary transformers from the Facilities demand \$/kW charge to the customer POD charge.

/s/Kurt J. Boehm

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October 14, 2022

## **CERTIFICATE OF SERVICE**

I hereby certify that true copy of the foregoing was served on all parties of record in this proceeding on this 14th day of October, 2022 by electronic mail to the parties of record in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/Kurt J. Boehm

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**BOEHM, KURTZ & LOWRY**