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DOCKET NO. 56165

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF

AEP TEXAS INC.

FOR AUTHORITY TO CHANGE RATES

REBUTTAL TESTIMONY OF

JENNIFER L. JACKSON

FOR

AEP TEXAS INC.

JUNE 7, 2024

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## **GLOSSARY OF ACRONYMS**

AEP	American Electric Power Company, Inc.
AEP Texas or the Company	AEP Texas Inc.
AEPSC	American Electric Power Service Corporation
ALJ	Administrative Law Judge
ERCOT	Electric Reliability Council of Texas
EV	Electric Vehicle
DCRF	Distribution Cost Recovery Factor
HEN	Hunt Energy Network, LLC
ITR	Income Tax Refund
PFD	Proposal for Decision
Commission	Public Utility Commission of Texas
RCE	Rate Case Expenses
REP	Retail Electric Provider
SMT	SMT TX Management LLC
TAC	Texas Administrative Code
TCRF	Transmission Cost Recovery Factor
TIEC	Texas Industrial Energy Consumers
WDS-BESS	Wholesale Distribution Service Battery Energy Storage System

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Jennifer L. Jackson. I am a Regulated Pricing and Analysis Manager, in  
4 Regulated Pricing and Analysis, part of the American Electric Power Service  
5 Corporation (AEPSC) Regulatory Services Department, 212 East Sixth Street, Tulsa,  
6 Oklahoma 74119-1295.

7 Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?

8 A. Yes, I did.  
9

10 II. PURPOSE OF REBUTTAL TESTIMONY

11 Q. IS YOUR REBUTTAL TESTIMONY LIMITED DUE TO SETTLEMENT  
12 NEGOTIATIONS BEING CONDUCTED IN THIS CASE?

13 A. Yes. As explained by AEP Texas witness Chad Burnett, the parties have reached an  
14 unopposed agreement in principle on the revenue requirement portion of this case.  
15 Accordingly, my rebuttal testimony is limited to discussions regarding rate design  
16 issues raised in this case.

17 Q. WHAT RATE DESIGN ISSUES ARE YOU RESPONDING TO IN YOUR  
18 REBUTTAL TESTIMONY?

19 A. I am responding to recommendations made by various intervenor and Public Utility  
20 Commission of Texas (Commission) Staff witnesses regarding the following issues:

- 21 1) Proposed rate and rider design and recommendations addressed by Staff witness  
22 William B. Abbott, Texas Industrial Energy Consumers (TIEC) witness Jeffry  
23 Pollock (rejection of the proposed Income Tax Refund (ITR) and Rate Case

Expense (RCE) recovery methodology on percentage of base rate revenue for all classes), and Walmart witness Lisa V. Perry (discussions related to the development of an electric vehicle (EV) rate specific for public chargers);

2) The recommendation to add a new Substation Rate Class made by TIEC witness Pollock and Staff witness Abbott.

3) Specific Wholesale Distribution Service – Battery Energy Storage System (WDS-BESS) tariff concerns and recommendations discussed by Hunt Energy Network, L.L.C. (HEN) witness Patrick H. Wood, III and SMT TX Management LLC (SMT) witness David Spotts, and WDS-BESS rate design recommendations by HEN witness Laura T. W. Olive, PhD.

### III. RATE AND RIDER DESIGN RECOMMENDATIONS

Q. DO ANY OF THE PARTIES FILING DIRECT TESTIMONY TAKE ISSUE WITH THE DESIGN OF THE PROPOSED RETAIL DISTRIBUTION SYSTEM, CUSTOMER SERVICE, OR METERING SERVICE RATE DESIGN?

A. No, parties do not oppose the basic structure of the rate design, although the rates are adjusted based on the parties' revenue requirement recommendations. Staff and TIEC recommend splitting the current Primary Voltage Service class into a Primary Line and Primary Substation class that is discussed later in my rebuttal testimony.

Q. DO ANY PARTIES TAKE ISSUE WITH ANY RIDER RECOMMENDATIONS PROPOSED BY AEP TEXAS?

A. Yes. Staff witness Abbott states that the baseline Transmission Cost Recovery Factor (TCRF) class allocation factor should be approved for use in updating future TCRFs

1 on the regular TCRF update schedule mandated in 16 Texas Administrative Code  
2 (TAC) § 25.193(b)(1).<sup>1</sup>

3 Q. HOW DO YOU RESPOND?

4 A. AEP Texas agrees that the TCRF will be updated on the regular TCRF update schedule,  
5 and at that time, the allocation factor table included in the TCRF Rider used to allocate  
6 TCRF transmission revenue requirements after the final order in this docket will be  
7 updated based upon the allocation factors approved in this docket.

8 Q. DO ANY OTHER PARTIES TAKE ISSUE WITH ANY RIDER  
9 RECOMMENDATIONS PROPOSED BY AEP TEXAS?

10 A. Yes. TIEC witness Pollock disagrees with the recovery methodology of the proposed  
11 RCE Rider. Mr. Pollock also opposed the proposal to refund certain tax benefits to  
12 customers through the proposed Income Tax Refund (ITR) Rider. Mr. Pollock suggests  
13 that the refund can be reflected in base rates without the need for this separate rider.

14 Q. HOW DO YOU RESPOND TO MR. POLLOCK'S ISSUES WITH THE PROPOSED  
15 RCE RIDER?

16 A. The RCE Rider follows the same methodology used and approved in the last docket for  
17 which rate-case expenses were approved for AEP Texas, Docket Nos. 33309 and  
18 33310, without opposition from TIEC, a party to the proceeding.<sup>2</sup> Rate-case expense  
19 recovery was not an issue in the last AEP Texas base case, Docket No. 49494, based  
20 on the settlement stipulation in that case.

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<sup>1</sup> Direct Testimony of William B. Abbott at 8.

<sup>2</sup> See item number 22, Final Order in Docket No. 34301 *Proceeding to Consider Rate Case Expenses Severed from Docket No. 33310 (Application of AEP Texas North Company For Authority to Change Rates)* and Docket No. 33309 *(Application of AEP Texas Central Company For Authority to Change Rates)*

1 Q. HOW DO YOU RESPOND TO MR. POLLOCK'S ISSUES WITH THE PROPOSED  
2 ITR RIDER?

3 A. AEP Texas is requesting to reinstate the ITR Rider to return tax benefits in the amount  
4 of \$6,593,324. The refund is proposed to be allocated to the classes based on total retail  
5 class distribution base rate revenues and returned on a percent of base rate revenues  
6 over one year. This is the same methodology approved for refunding tax benefits  
7 identified in AEP Texas' prior base rate case, Docket No. 49494. AEP Texas continues  
8 to support the return of identified tax benefits over one year to rate classes through the  
9 proposed ITR Rider.

10 Q. DO OTHER PARTIES MAKE ANY RECOMMENDATIONS REGARDING THE  
11 RATE DESIGN?

12 A. Yes. Walmart witness Perry suggests that the Commission should require the Company  
13 to offer a rate structure specifically for public EV charging and is recommending that  
14 the Commission require the Company to work with interested stakeholders to develop  
15 a new EV rate specific for public charging and seek approval of such rate within six  
16 months following the issuance of a final order in this docket.

17 Q. HOW DO YOU RESPOND?

18 A. While AEP Texas is supportive of Walmart's public EV charging goals, the requested  
19 rate does not lend itself specifically to TDU rate design where generic voltage-level  
20 based rates are determined. A better solution might be to work with AEP Texas and  
21 other market participants including Retail Electric Providers (REPs) through the  
22 rulemaking process.

23



1                   IV.    PRIMARY SUBSTATION CLASS RECOMMENDATIONS

2    Q.    DID AEP TEXAS PROPOSE TO ADD A NEW PRIMARY SUBSTATION CLASS  
3           IN ITS DIRECT CASE?

4    A.    No. As stated in my direct testimony, the stipulation and Final Order in Docket  
5           No. 49494 required that AEP Texas provide information necessary to develop a  
6           primary substation class, and AEP Texas supplied load data, class cost-of-service  
7           information, and billing determinant data to meet that requirement. The proposed class  
8           cost-of-service study segmented the current Primary Voltage Service class into two  
9           distinct classes using load and billing determinant data for a defined class of customers  
10          with a dedicated circuit and one transformation from an AEP Texas-owned substation.  
11          This methodology has identified 67 customers in the test year who are currently billed  
12          under the Primary Voltage Service tariff.

13   Q.    DID THE FINAL ORDER IN DOCKET NO. 49494 REQUIRE AEP TEXAS TO  
14          PROPOSE A NEW SUBSTATION CLASS?

15   A.    No. There was no requirement or commitment to support the adoption of a new primary  
16          substation class. AEP Texas has proposed continuing the use of average cost rate  
17          making and not the location in supporting the proposed Primary Voltage Service rates.

18   Q.    DO ANY PARTIES RECOMMEND SPLITTING THE CURRENT PRIMARY  
19          VOLTAGE CLASS INTO A PRIMARY SUBSTATION AND DISTRIBUTION  
20          PRIMARY LINE CLASS?

21   A.    Yes. Staff witness Abbott and TIEC witness Pollock both recommend that AEP Texas  
22          change its current generic rate design and customer classification approved since  
23          unbundling in 2001 to split the primary class into two segments based on the location

1 to the substation. Mr. Abbott states that establishing a new Primary Substation Service  
2 and Primary Distribution Line rate class would be consistent with Commission  
3 precedent in Oncor Docket No. 35717 in 2009, and establishing separate Primary  
4 Substation and Primary DLS rate classes better reflects cost causation and would  
5 therefore be more equitable than AEP Texas' current single Primary rate class, and lead  
6 to rates that are more reasonable than the status-quo.<sup>3</sup> Mr. Pollock recommends that  
7 the Commission find Primary Substation service to be a separate class for both cost  
8 allocation and rate design.

9 Q. DO EITHER COMMISSION STAFF OR TIEC DETAIL THE CHANGE TO THE  
10 PRIMARY DISTRIBUTION LINE CUSTOMERS AFTER THE CREATION OF A  
11 PRIMARY SUBSTATION RATE?

12 A. Commission Staff and TIEC both recommended a compliance class cost-of-service  
13 study and rate design that shows a difference in pricing for a new Primary Substation  
14 Service class and Primary Distribution Line Service class. As an illustrative example,  
15 Staff rate design summary shows a distribution service rate of \$5.19 per kW for Primary  
16 DLS and \$2.906 per kW for Primary Substation. As another example, TIEC Pollock  
17 Direct Exhibit JP-4 shows the results of a TIEC class cost-of-service study and using  
18 those results and the filed class billing demands for each set of customers indicates a  
19 Primary DLS rate of \$5.44 per kW and Primary Substation rate of \$3.058 per kW.

20 Q. WHAT IS THE PRACTICAL RESULT OF THE RECOMMENDATION TO SPLIT  
21 THE PRIMARY VOLTAGE SERVICE CLASS INTO TWO SEPARATE CLASSES?

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<sup>3</sup> Direct Testimony of William B. Abbott at 13.

1 A. The expected magnitude of the result of the recommendation to split the Primary  
2 Voltage Service class into DLS and Substation is illustrated in Table 1 using the AEP  
3 Texas present distribution system rate that also includes the currently approved  
4 distribution cost recovery factor (DCRF) rate from Docket No. 55820 proposed to be  
5 recovered in the AEP Texas proposed distribution system rates. Table 1 indicates the  
6 expected degree of difference in rates and predicts the new Primary Substation class  
7 would receive a decrease in distribution system rates while Primary DLS would receive  
8 a higher increase than proposed by AEP Texas.

**Table 1**  
**AEP**  
**TX**

Primary Rate Class	Present Rate + DCRF	AEP TX Proposed Rate	Staff Rate	TIEC Rate*
Distribution Line per kW	\$4.122	\$4.978	\$5.190	\$5.440
Substation per kW	\$4.122	\$4.978	\$2.906	\$3.058
% Change in Present Rates				
Distribution Line % Change		20.8%	25.9%	32.0%
Substation % Change		20.8%	-29.5%	-25.8%

\*based on Exhibit JP-4 and filed billing units

9 Q. WHAT TYPES OF CUSTOMERS ARE SERVED UNDER THE PRIMARY  
10 VOLTAGE SERVICE THAT WOULD BE REDESIGNATED PRIMARY DLS  
11 UNDER THE STAFF AND TIEC RECOMMENDATION?

12 A. Some of the customers left with a higher distribution system rate are hospitals, schools,  
13 colleges, universities, municipal accounts, Walmart, HEB, malls, small industrial  
14 accounts, government facilities, the Navy, US Coast Guard, United States Postal  
15 Service, apartments and mobile home parks, and retail seasonal agricultural customers.

1 Q. ARE THERE OTHER COMPLICATIONS FROM PROPOSING A NEW PRIMARY  
2 SUBSTATION AND PRIMARY DLS RATE CLASS?

3 A. Yes. Future DCRF and TCRF rider filings and possible other rider filings are affected  
4 by the addition of a new Primary Substation rate class. Future TCRF rider filings that  
5 include a TCRF adjustment using a prior period revenue and expense reconciliation are  
6 affected by this change, creating an unknown effect on those customers.

7 Q. HAS THERE BEEN AN AEP TEXAS BASE CASE SINCE DOCKET NO. 35717?

8 A. Yes. The Oncor case, Docket No. 35717, was litigated in 2009, and the last litigated  
9 case for AEP Texas was Docket No. 49494, which went to hearing, had a Proposal for  
10 Decision (PFD), and was then settled with a Final Order approving the settlement in  
11 2020.

12 Q. DID THE FINAL ORDER IN DOCKET NO. 49494 ORDER AEP TEXAS TO  
13 PROPOSE A PRIMARY SUBSTATION CLASS?

14 A. No.

15 Q. WHAT DID THE ADMINISTRATIVE LAW JUDGE (ALJ) STATE IN THE PFD IN  
16 DOCKET NO. 49494?

17 A. Even though Docket No. 49494 was ultimately resolved through settlement, it was  
18 litigated through a hearing, briefing, and PFD filed by the ALJs in that case on  
19 November 12, 2019. In the PFD, the ALJs recommended that “the Commission not  
20 adopt TIEC’s proposal to create a new primary substation class. The Commission’s  
21 only clear policy decision regarding the creation of a Primary Substation Class within  
22 the Electric Reliability Council of Texas (ERCOT) is that it represents “a significant  
23 departure from longstanding ratemaking principles with respect to the shared cost of

1 the distribution infrastructure.”<sup>4</sup> In Docket No. 35717, Oncor proposed the creation of  
2 a new rate class. Additionally, CenterPoint Energy Houston Electric, LLC, Texas New  
3 Mexico Power Company, and AEP Texas do not currently have a Primary Substation  
4 or Primary Distribution Line class.

5 Q. WHAT DID ORDER NO. 40 IN DOCKET NO. 22344 STATE?

6 A. In that docket, the Commission ordered that for distribution service, locational rates are  
7 not appropriate. A Primary Substation class was not approved because it would  
8 separate the Primary Voltage class into segments based on location of the substation  
9 under which a customer receives service.

10 Q. DOES AEP TEXAS SUPPORT THE RECOMMENDATION BY STAFF AND TIEC  
11 TO CREATE A NEW PRIMARY SUBSTATION RATE AND SUBSEQUENTLY A  
12 NEW PRIMARY DISTRIBUTION SERVICE LINE RATE?

13 A. No. The issue of splitting the Primary Voltage Service class into two rate classes, a  
14 Substation and Line service, was raised over 20 years ago when the Commission  
15 considered a Primary Substation rate and rejected primary rates based on location. For  
16 customer impact and rate stability reasons, AEP Texas continues to support the generic  
17 classification and rate design for the Primary Voltage Service class as identified under  
18 Order No. 40 in Docket No. 22344.

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<sup>4</sup> Docket No. 22344, Order No. 40 at 10 (Nov. 22, 2000).

1 V. WDS-BESS

2 Q. DO THE PARTIES ADDRESS THE PROPOSED WDS-BESS RATE SCHEDULE?

3 A. Yes. Staff, OPUC, Cities, and TIEC witnesses indicate support for a WDS-BESS rate  
4 through filed testimony, or class cost-of-service and rate design. HEN and SMT do not  
5 support the inclusion of a WDS-BESS rate schedule.

6 Q. GIVEN THE COMMENTS BY SMT AND HEN WITNESSES IN TESTIMONY, IS  
7 THERE SOME SUPPORT FOR A TARIFF FOR SERVICE TO BATTERY ENERGY  
8 STORAGE CUSTOMERS?

9 A. Yes, there is some stated support for a rate that allows the BESS to pay for their use of  
10 the distribution system when charging the battery facility.

11 Q. WHAT DO HEN AND SMT RECOMMEND REGARDING THE PROPOSED WDS  
12 BESS RATE SCHEDULE?

13 A. SMT witness David Spotts recommends that the proposed WDS tariff for BESS  
14 resources be rejected because it will cause immediate harm to BESS owners. However,  
15 SMT recommends that in no instance should the monthly charge exceed \$2,500 per  
16 month. HEN witness Pat Wood III recommends that the Rate WDS be rejected  
17 completely but also gives some tariff recommendations if the Commission determines  
18 that some monthly rate is appropriate. HEN witness Laura T. W. Olive, recommends  
19 that if the Commission concludes that the process of charging a battery represents  
20 consumption, customers should pay for the cost they impose on the system.<sup>5</sup>

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<sup>5</sup> Direct Testimony and Exhibits of Laura T.W. Olive at 23.

1 Q. WHAT SPECIFIC CRITICISM OF THE PROPOSED WDS BESS RATE  
2 SCHEDULE DO SMT AND BESS HAVE?

3 A. SMT and HEN criticize AEP Texas for:

- 4 1. proposing a WDS BESS rate schedule in this docket despite the abatement of  
5 Docket No. 53267;
- 6 2. BESS should not be subject to a ratchet and should not be penalized during the  
7 ERCOT ancillary services testing period when determining demand charges;
- 8 3. The BESS rate should be incorporated into the Interconnection Agreement (IA)  
9 and cannot change over time; and the monthly BESS Charge should not exceed  
10 \$2,500 per month; and
- 11 4. The BESS rate should be reduced to only the DESR's use of the AEP Texas  
12 substation, and costs from the downstream distribution infrastructure should not  
13 be borne by the battery customers.

14 Q. HOW DO YOU RESPOND TO THE CRITICISMS RAISED BY HEN AND SMT  
15 REGARDING DOCKET NO. 53267?

16 A. In my testimony filed in Docket No. 53267 at page 7, I stated that AEP Texas will  
17 gather load information for WDS DG customers and will propose a class cost-of-  
18 service study that includes information on WDS DG customer cost in its next base rate  
19 case (currently expected to be filed in early 2024). AEP Texas intended to update the  
20 WDS DG (BESS) rate schedule in its next base rate case (i.e., this case, Docket No.  
21 56165) based on updated class cost of service data and made those intentions known in  
22 Docket No. 53267. A base case review requires the Company to reflect updates to the  
23 class billing determinants including customer counts, class energy usage (kWh) and  
24 demand (kW), class load data characteristics, revenues, and costs. AEP Texas has  
25 provided the relevant costing and pricing information this base case. Also, the instant  
26 case allows AEP Texas to provide service to customers who have requested WDS

1 service and to recover the cost of providing that service based upon the most up-to-date  
2 test year adjusted information.

3 Q. HOW DO YOU RESPOND TO THE CRITICISMS REGARDING THE PROPOSED  
4 DEMAND RATCHET?

5 A. I agree that WDS-BESS customers should not be subject to the proposed demand  
6 ratchet during the ancillary services testing period if the testing period is not  
7 excessively long. I do not agree, however, that WDS BESS customers should not be  
8 subject to a ratchet altogether. When charging the battery facilities, WDS-BESS  
9 customers take service at primary voltage and receive distribution service in the same  
10 way as other customers receiving service under a Primary Voltage rate schedule.  
11 Ratchets are used to recover fixed distribution infrastructure costs and provides rate  
12 stability for the customer and revenue stability for the Company. An 80% ratchet has  
13 been approved for distribution system billing for all demand-billed customers classes,  
14 including Primary Voltage Service. There are exceptions for seasonal agriculture  
15 customers, and customers with low load factors being served at secondary voltage.

16 Q. HOW DO YOU RESPOND TO THE SUGGESTION THAT DISTRIBUTION  
17 SERVICE RATES WILL CAUSE IMMEDIATE HARM AND SHOULD NOT  
18 CHANGE OVER TIME OR SHOULD BE LIMITED?

19 A AEP Texas witness Chad Burnett discusses Mr. Spotts's concerns for immediate harm  
20 in his rebuttal. AEP Texas provides pricing information based on the cost to service  
21 each class based on the distribution service they receive and does not reverse engineer  
22 customer charges for the service provided. AEP Texas cannot guarantee that the rate



1 will not exceed \$2,500 per month if they are based on cost any more than SMT can  
2 guarantee its charges to the ERCOT system are finite over time.

3 Q. HEN WITNESS OLIVE PROPOSES A RATE SCHEDULE FOR BESS. HOW DO  
4 YOU RESPOND TO THE RATE PROPOSED BY HEN?

5 A. I find the fact that HEN is proposing a rate for recovery of distribution system costs  
6 very positive. The rates proposed by HEN and AEP Texas incorporate some of the  
7 same principles.

8 Q. WHAT ARE THE SIMILARITIES IN THE WDS RATE HEN WITNESS OLIVE  
9 HAS PROPOSED AND THE RATE AEP TEXAS HAS PROPOSED?

10 A. Witness Olive and AEP Texas agree that customers that are consumers of electric  
11 energy should pay for the cost they impose on the system based on the principles of  
12 cost causation.<sup>6</sup> Witness Olive accepts the recovery of the use of some of the  
13 distribution system (substation costs) including General, Intangible, and Overheads<sup>7</sup>  
14 and accepts the proposed metering and customer service charge included in the WDS  
15 BESS rate schedule.<sup>8</sup> Witness Olive also states that AEP correctly recognizes and  
16 incorporates the distinction in costs between voltage levels of service but fails to  
17 recognize the difference in primary substation and primary voltage distribution assets.<sup>9</sup>

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<sup>6</sup> Olive Direct at 23.

<sup>7</sup> Olive Direct at 24.

<sup>8</sup> Olive Direct at 25.

<sup>9</sup> Olive Direct at 15.

1 Q. WHAT ARE THE DIFFERENCES IN THE HEN PROPOSED WDS BESS RATE  
2 SCHEDULE?

3 A. The differences stem from the removal of what HEN describes as “downstream” costs  
4 and the recovery of substation costs on a coincident peak billing determinant versus the  
5 allocation of primary service costs and recovery of those costs using a ratcheted  
6 demand (kW) billing determinant. Witness Olive also recommends allocating  
7 substation costs to the BESS class using a coincident peak demand methodology.

8 Q. HAS AEP TEXAS INCORPORATED THE COST CAUSATION AND RATE  
9 DESIGN PRINCIPLES SET OUT BY WITNESS OLIVE IN ITS PROPOSED WDS  
10 BESS RATE SCHEDULE?

11 A. Yes. Witness Olive describes in testimony the differences in the cost between  
12 distribution services by voltage level and the fact that AEP Texas does not employ  
13 locational pricing (i.e., rural versus urban pricing) and I would agree that the rate  
14 proposed does accommodate voltage level differences and does not employ locational  
15 pricing based on location of the substation under which a customer receives service.

16 Q. DO YOU AGREE THAT SUBSTATION COSTS SHOULD BE ALLOCATED TO  
17 THE BESS CLASS BASED ON COINCIDENT PEAK (CP) DEMAND?

18 A. No. AEP Texas witness Earlyne Reynolds supports the class cost-of-service study.  
19 The criteria supporting the appropriate allocation of costs to the classes is detailed in  
20 Ms. Reynolds direct testimony. Ms. Reynolds also discusses the allocation of  
21 substation costs in her rebuttal testimony.

1 Q. DO YOU AGREE THAT DOWNSTREAM COSTS ASSOCIATED WITH  
2 PRIMARY VOLTAGE SERVICE AS DESCRIBED BY WITNESS OLIVE  
3 SHOULD BE REMOVED FROM THE COSTS ALLOCATED TO THE BESS  
4 CLASS?

5 A. No. AEP Texas has relied on the generic customer classifications and rate design from  
6 Order No. 40 in Docket No. 22344 where the Commission (when HEN witness Pat  
7 Wood was a Commissioner) declined to institute a separate rate for customers who  
8 happen to be either closer to, or farther away from, a particular substation. AEP Texas  
9 witness Reynolds provides additional rebuttal of this issue in her testimony.

10 Q. WITNESS OLIVE PROPOSES TO CHARGE SUBSTATION COSTS ON THE  
11 BASIS OF EACH UNIT'S CHARGING DEMAND DURING THE ANNUAL AEP  
12 TEXAS SYSTEM PEAK OR CP TO CORRESPOND TO USAGE PATTERNS AND  
13 HOW THEY DRIVE SUBSTATION COSTS. DO YOU AGREE?

14 A. No. AEP Texas allocates substation costs using class peaks (MDDs) and does not agree  
15 with allocating substation costs on a system CP for the BESS class while all other  
16 classes are allocated on MDDs. AEP Texas witness Reynolds discusses this in her  
17 rebuttal testimony. Similarly, AEP Texas opposes using a CP billing unit for recovery  
18 of substation costs. The non-coincident peak (NCP) billing demand based on a 15-  
19 minute demand interval is the billing demand approved for use in billing distribution  
20 system charges and reflects how customers use the distribution system and is the  
21 appropriate billing determinant for the distribution service the customers receive.

22 Q. DOES STAFF WITNESS ABBOTT ADDRESS THE PROPOSED WDS BESS RATE  
23 SCHEDULE?

1 A. Yes. Witness Abbott suggests that AEP Texas' proposal to limit WDS service to  
2 battery energy storage customers is inappropriate.

3 Q. DO YOU AGREE WITH STAFF'S ASSERTION?

4 A. No. AEP Texas' proposal for WDS-BESS is designed around battery energy storage  
5 that relies upon the AEP Texas distribution system to charge its facility. AEP Texas  
6 also provides distribution service to other wholesale distribution customers through its  
7 FERC OATT tariff.

8

9 VI. CONCLUSION

10 Q. PLEASE SUMMARIZE ANY MODIFICATIONS YOU HAVE MADE TO YOUR  
11 INITIAL RECOMMENDATIONS BASED ON THE PROPOSALS MADE BY  
12 STAFF AND THE INTERVENORS.

13 A. AEP Texas continues its support for the filed format of the RCE and ITR Riders. For  
14 customer impact and rate stability reasons, AEP Texas continues to support the generic  
15 classification and rate design for the Primary Voltage Service class as identified under  
16 Order No. 40 in Docket No. 22344 and rejects the recommendation to split the Primary  
17 Voltage Service class into a Primary Substation and Primary Line Service class. And,  
18 AEP Texas continues its support of a WDS BESS rate schedule in this case allowing  
19 AEP Texas to recover the cost of providing distribution service to the battery storage  
20 customers who use the distribution system for charging their battery facilities but who  
21 are not currently being billed for that service.

22 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

23 A. Yes, it does.