



Filing Receipt

Filing Date - 2024-09-13 02:38:56 PM

Control Number - 56963

Item Number - 23

PUC DOCKET NO. 56963

APPLICATION OF ONCOR ELECTRIC	§	BEFORE THE
DELIVERY COMPANY LLC FOR	§	PUBLIC UTILITY COMMISSION
APPROVAL TO AMEND	§	OF TEXAS
ITS DISTRIBUTION COST RECOVERY	§	
FACTOR	§	

**RESPONSE OF ONCOR ELECTRIC DELIVERY COMPANY LLC
TO TEXAS INDUSTRIAL ENERGY CONSUMERS'
FIRST REQUEST FOR INFORMATION**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

Oncor Electric Delivery Company LLC ("Oncor") files this Response to the
aforementioned requests for information.

**I.
Written Responses**

Attached hereto and incorporated herein by reference are Oncor's written
responses to the aforementioned requests for information. Each such response is set
forth on or attached to a separate page upon which the request has been restated. Such
responses are also made without waiver of Oncor's right to contest the admissibility of
any such matters upon hearing. Oncor hereby stipulates that its responses may be
treated by all parties exactly as if they were filed under oath.

**II.
Inspections**

In those instances where materials are to be made available for inspection by
request or in lieu of a written response, the attached response will so state. For those
materials that a response indicates are voluminous, materials will be provided in
electronic format through an Oncor FTP file sharing site upon request. Requests for
voluminous materials should be directed to Regulatory@oncor.com. To review materials
that a response indicates may be inspected at their usual repository, please call Joni Price
at 214-486-2844. Inspections will be scheduled so as to accommodate all such requests

with as little inconvenience to the requesting party and to company operations as possible.

Respectfully submitted,

ONCOR ELECTRIC DELIVERY COMPANY LLC

By: /s/ Tab R. Urbantke

Tab R. Urbantke
State Bar No. 24034717
Lauren Freeland
State Bar No. 24083023
Hunton Andrews Kurth LLP
1445 Ross Avenue, Suite 3700
Dallas, Texas 75202
214.979.3095
214.880.0011 (fax)
turbantke@HuntonAK.com
lfreeland@HuntonAK.com

**ATTORNEY FOR ONCOR ELECTRIC
DELIVERY COMPANY LLC**

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing has been served by email on all parties of record who have provided an email address, on this the 13th day of September, 2024, in accordance with the Commission's Second Order Suspending Rules issued on July 16, 2020, in Project No. 50664.

/s/ Stephanie Tenorio

Request

Referring to pages 8-9 and 13-14, please provide the following information by year including, and starting with, the test year used in the latest base-rate proceeding and ending with this year (2024 will only cover first 6 months) for distribution transformers, capacitors, and substation transformers, respectively: the number physically connected on the system (total assets regardless of when connected); number held in reserve (total assets regardless of when purchased); number retired from service; number purchased; number installed on (connected to) the system; average book value of assets held in reserve; average age of assets held in reserve; and average remaining life of assets held in reserve.

Response

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

Tables 1-2 provide the requested information for distribution transformers, Tables 3-4 provide the requested information regarding capacitors, and Tables 5-6 provide the requested information for substation transformers.

See Table 1 for the number of distribution transformer units physically connected on the system ("regardless of when connected") and the end of the reported period unit count of distribution transformers held in reserve, excluding units in process of refurbishment. Table 1 also reflects the total number of distribution transformer retirements, purchases, and installations during the period. See Table 2 for the period-ending average original book value per unit of the distribution transformer assets held in reserve, as well as the average age of such assets held in reserve, and the estimated average remaining life of the distribution transformer assets held in reserve (based on the average 50-year life determined in Docket No. 53601).

Table 1.

Year	Units Physically Connected on System	Units Held in Reserve	Units Retired from Service	Units Purchased	Units Installed on System
2021	1,055,729*	17,391	17,920	38,662	35,009
2022	1,123,797	23,127	18,135	43,765	36,458
2023	1,144,535	22,804	17,034	36,301	35,286
2024 (1 st 6 Months)	1,162,651	36,228	7,347	32,128	18,247

* Derived from pre-AEGIS system.

Table 2.

Year	Average Original Book Value per Unit for Assets Held in Reserve	Average Age of Assets Held in Reserve (Years)	Average Remaining Life of Assets Held in Reserve (Years)
2021	\$4,408	6	44
2022	\$3,996	4	46
2023	\$6,849	4	46
2024 (1 st 6 Months)	\$6,690	3	47

See Table 3 for the number of capacitor units physically connected on the system ("regardless of when connected") and the end of the reported period unit count of capacitors held in reserve. Table 3 also reflects the total number of capacitor retirements, purchases, and installations during the period. See Table 4 for the period-ending average original book value per unit of the distribution capacitor assets held in reserve.

Oncor does not serialize capacitors and track them by vintage year while they are held in a reserve status. Alternatively, Oncor assumes a First-In/First-Out ("FIFO") approach to estimate the average age and remaining life of the capacitor assets held in reserve. This FIFO evaluation process indicates that the estimated average age of Oncor's reserve capacitors is 2 years, resulting in an assumed average remaining useful life of 48 years.

Table 3.

Year	Units Physically Connected on System	Units Held in Reserve	Units Retired from Service	Units Purchased	Units Installed on System
2021	88,609	454	1,680	2,806	2,852
2022	90,018	692	1,622	3,269	2,978
2023	90,369	931	2,058	2,648	2,340
2024 (1 st 6 Months)	90,087	2,078	1,083	1,948	768

Table 4.

Year	Average Gross Book Value per unit for Assets Held in Reserve
2021	\$3,599
2022	\$3,444
2023	\$3,331
2024 (1 st 6 Months)	\$4,690

See Table 5 for the number of substation transformers physically connected on the system ("regardless of when connected") and the end of the reported period unit count of substation transformers held in reserve. It should be noted that the substation transformer unit counts in Table 5 include transmission auto-transformers, which are reflected in Transmission Cost of Service rates. Table 5 also reflects the total number of substation transformer retirements, purchases, and installations during the period. See Table 6 for the period-ending average original book value per unit of substation transformer assets held in reserve, as well as the average age per unit of substation transformer assets held in reserve and the estimated average remaining life of the substation transformer assets held in reserve.

Table 5.

Year	Units Physically Connected on System	Units Held in Reserve	Units Retired from Service	Units Purchased	Units Installed on System
2021	2005	93	52	71	70
2022	2027	79	60	74	49
2023	2020	102	78	112	61
2024 (1 st 6 Months)	2036	103	42	52	48

Table 6.

Year	Average Gross Book Value Per Unit for Assets Held in Reserve	Average Age of Assets Held in Reserve (Years)	Average Remaining Life of Assets Held in Reserve (Years)
2021	\$732,279	25.5	31.0
2022	\$685,717	27.8	28.8
2023	\$822,392	24.0	32.6
2024 (1 st 6 Months)	\$911,389	19.3	37.6

Request

Referring to page 11, please explain in more detail the vendor-owned inventory arrangement between Oncor and vendors and the value proposition it brings. For example, describe where the costs are accounted, how this arrangement benefits customers, and if Oncor is seeking to increase the percentages.

Response

The following response was prepared by or under the direct supervision of Coler D. Snelleman, the sponsoring witness for this response.

The following information is provided in accordance with the agreement of the requesting party in lieu of the requested information. The information, as agreed to be provided, consists of detail on the vendor-owned inventory ("VOI") arrangements between Oncor and vendors, a description of where the costs are accounted, and a statement on whether Oncor is seeking to increase the percentages of VOI.

The VOI program, with participating vendors, allows the actual purchase of distribution transformers and capacitors to be delayed up to 60 days if a vendor-owned item is not utilized. Oncor specifies the items and quantity to be included in the vendor-owned consignment stock, and these items can be utilized and purchased by Oncor at any time to serve customer demand. No additional costs are incurred by Oncor for equipment purchased through the VOI program versus equipment purchased directly. Oncor's transformers and capacitors (once purchased that are installed or held in reserve) are included in plant account 368, line transformers (line 13), which is shown on Schedule B-1 (Bates page 150). Because this program provides for reduced Oncor-owned reserves, Oncor continues to negotiate vendor-owned agreements with vendors that are willing to participate and provide competitive product pricing and availability. At this time, Oncor is not actively seeking to increase the percentages of VOI.

Request

Does Oncor have any external or internal studies or analysis that demonstrate Oncor's distribution transformer, capacitor, and substation transformer stocking levels are providing efficient, best-practice inventory management and turnover? If yes, please provide the studies.

Response

The following response was prepared by or under the direct supervision of Coler D. Snelleman, the sponsoring witness for this response.

No, Oncor does not have any external or internal studies or analysis relating to stocking levels. Reserve levels established throughout the annual supply cycle utilize available manufacturer production allocation to provide required equipment availability for planned and unplanned demand without delaying customer requested service dates.

Additionally, for distribution transformers, as described in my direct testimony (Bates page 136 - 137), Oncor considers the weather seasons, national demand for the major distribution transformer manufacturers, and Oncor's historical demand. For capacitors, as described in my direct testimony (Bates page 138), Oncor utilizes annually planned power factor correction and system improvement project requirements, as well as historically projected quantities. For substation transformers, as described in my direct testimony (Bates page 140), Oncor continuously monitors and actively manages its level of (and availability of) substation transformers, allowing for insight to when additional substation transformers are needed based upon factors including: existing fleet, consumption, life span, manufacturing lead times, and equipment failure rates.

Request

How many units does Oncor target to hold in reserve, by season, for each of the following: distribution transformers, capacitors, and substation transformers?

Response

The following response was prepared by or under the direct supervision of Coler D. Snelleman, the sponsoring witness for this response.

Reserves are based upon several fluctuating factors including customer demand. Therefore, Oncor does not have set targets for hold-in-reserve units. See Oncor's response to TIEC Set No. 1, Question No. 1-03 for Oncor's forecasting methodology.

Request

Does Oncor include all distribution transformers, capacitors, and substation transformers held in reserve in the DCRF? If no, how does Oncor determine which units are included and which are excluded?

Response

The following response was prepared by or under the direct supervision of Coler D. Snelleman, the sponsoring witness for this response.

All held-in-reserve distribution transformers, capacitors, and substation transformers are included in the DCRF unless a unit has been retired.

Request

Referring to page 15-16, regarding mobile substation equipment, please provide the following information by year including, and starting with, the test year used in the latest base-rate proceeding and ending with this year (2024 will only cover first 6 months): the number of assets; number of times deployed; number of time deployed and physically connected for to the distribution system; number of times deployed and physically connected for unplanned work; number retired from service; number purchased, average book value of assets, average ago of assets; and average remaining life of assets.

Response

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

Please see Table 1 for the period-ending number of distribution and distribution-related mobile substation equipment ("MSE") assets, the number of times MSE was deployed during the period, the number of days MSE was deployed and physically connected on the Distribution Network, and the number of times MSE was deployed and physically connected for unplanned work. Note that prior to 2023, Oncor did not track the number of times that MSE was deployed for unplanned work.

As noted in Table 2, there were no MSE retirements during the 2021 comprehensive rate case test-year or in the subsequent 30 months. Table 2 also reflects the number of MSE additions placed into service in the identified periods.

Table 3 reflects the average gross book value per MSE asset at the end of the requested time periods.

Finally, as of June 30, 2024, the average age of the MSE assets is approximately 29.6 years. Thus, the remaining average useful life of the MSE assets is estimated to be 27.4 years, based on the Order on Rehearing (Jun. 30, 2023) from Docket No. 53601, which indicates that the "appropriate service life for Oncor's FERC Account 362, Station Equipment, is 57 years" (see Finding of Fact No. 233).

Table 1.

Period	Number of MSE Assets at End of Period	# of Times Deployed	# of days deployed on Distribution Network	# of times deployed for unplanned work
2021	32	43	2,186	Not Available
2022	34	25	2,352	Not Available
2023	35	41	4,413	8
2024 (1 st 6 Months)	35	21	2,032	3

Table 2.

Period	MSE Retirements	MSE Additions Placed Into Service
2021	0	2
2022	0	2
2023	0	1
2024 (1 st 6 Months)	0	0

Table 3.

2024 (1st 6 Months)	2023	2022	2021
\$1,588,152	\$1,557,739	\$1,494,284	\$1,413,502

Request

Referring to page 13, lines 18-21, state the definition of a "capital spare" for Oncor and the minimum threshold dollar value for same, if any.

Response

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

As described on page 13 of Mr. Ledbetter's direct testimony in this proceeding (Bates page 64), regardless of whether the assets are presently energized or not, regulatory accounting treatment is applied to distribution and distribution-related investment classified as either a "capital spare" or as other allowed assets in service that are "held in reserve" in a Distribution Cost Recovery Factor update proceeding.

In general, as described in Oncor's Capital Maintenance Guidelines, a "capital spare" typically reflects non-standard equipment, assets not readily available for reorder from vendors, or assets being operationally stored for quick emergency replacement to facilitate rapid utilization on the equipment they complement.

Investment designated as a "capital spare" will generally reflect one or more of the following characteristics: (1) being utilized as an emergency equipment replacement during instances of major breakdowns; (2) is not a manufacturer open stock item; (3) is not used in normal periodic maintenance activities; (4) is not classified as inventory investment; and/or (5) reflects a high unit cost (in excess of \$5,000). Designation of an asset as a "capital spare" involves judgment by Engineering and Operations Management based on component criticality and acquisition lead time.

Further, as addressed in Mr. Ledbetter's direct testimony in this proceeding, assets characterized as being "held in reserve" generally refer to (1) transformers, regulators, and capacitors, or (2) metering devices (recorded in account numbers 368 and 370, respectively, of the Federal Energy Regulatory Commission Uniform System of Accounts, which dictates that such investment is classified as electric plant in service "whether actually in service or held in reserve").

For additional information responsive to this request, please see Attachments 1 and 2 to this response.

ATTACHMENTS:

ATTACHMENT 1 – Excerpt from direct testimony of Wesley R. Speed in Docket No. 53601, (*Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Bates page 186), 1 page.

ATTACHMENT 2 – Excerpt from direct testimony of Ellen E. Buck in Docket No. 53601, (*Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Bates pages 527-528), 2 pages.

1 outages and other transmission issues by delaying necessary repairs and
2 replacements while Oncor acquires the required components. Allowing
3 recovery of costs for Oncor's materials and supplies inventory will encourage
4 prudent investments in a sufficient level of reserve materials to ensure that
5 procurement of commonly used or long-lead-time components does not
6 create a shortage that hampers the reliability of the ERCOT grid.

7 Q. WHY DOES ONCOR MAINTAIN CAPITAL SPARE SUBSTATION
8 TRANSFORMERS AND MOBILE SUBSTATION EQUIPMENT?

9 A. Because substation power transformers are large, high-cost assets with long-
10 lead purchase times, Oncor maintains capital spare substation transformers
11 and mobile substation equipment, which allow for timely replacements and
12 restoration of service. Maintaining a fleet of capital spare substation
13 transformers allows Oncor to provide continuous operations during times of
14 equipment failure or the loss of a use of the substation transformer on the
15 Oncor system. Likewise, mobile substation transformers and associated
16 equipment must be maintained and available at all times to respond to
17 emergency needs of the system. Mobile transformers are not permanent
18 parts of the system, but they play a vital role in system reliability. The
19 availability of mobile transformers and related equipment enables Oncor to
20 quickly restore service when there is equipment failure, forced outages for
21 repairs, or in emergency situations due to natural disasters or storm
22 response. When mobile transformers and equipment are used to restore
23 electrical service, they function as part of the grid and allow Oncor's system
24 to be reliably served during emergency events or critical outage situations.

25 **VII. ELECTRIC PLANT HELD FOR FUTURE USE**

26 Q. PLEASE DESCRIBE THE COMPANY'S INVESTMENT IN EPHFU.

27 A. The Company has purchased certain properties for future use that would be
28 difficult if not impossible to obtain, especially in an economical manner, if the

PUC Docket No. _____

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

1 A. Oncor uses strategic, operational, and tactical tools to ensure that it is
2 maintaining a reasonable inventory level. Additionally, an annual Sarbanes
3 Oxley review process identifies any inactive, excess, or obsolete inventory.
4 Also, as I mentioned above, Oncor utilizes its supplier relationship
5 management and stakeholder collaboration efforts to provide additional
6 insight into our overall inventory management strategy.

7 Q. WHAT ARE SOME SPECIFIC EXAMPLES OF HOW ONCOR MANAGES
8 ITS INVENTORY LEVELS?

9 A. As in other contexts that I mentioned above, Oncor utilizes MSAs and other
10 supplier contracts to ensure optimal results to the Company and, in turn,
11 our customers. For example, the Company has negotiated consignment
12 agreements and vendor-owned inventory agreements with several
13 suppliers to reduce our inventory while also ensuring that we have material
14 readily available. In addition, Oncor shares forecasts with its suppliers in
15 order to reserve capacity and secure delivery. Several of our agreements
16 also contain lead-time provisions that contractually obligate suppliers to
17 deliver on time. The Company also utilizes an additional layer of delivery
18 protection by assessing delay credits for late deliveries.

19 From a process standpoint, Oncor continuously identifies items that
20 either could be removed from inventory or for which inventory levels could
21 be reduced, thereby allowing our distribution centers to focus on only
22 carrying items that are critical to construction. These efforts allow the
23 Company to better manage its inventory while increasing material
24 availability to better support T&D operations.

25 **C. Working Reserves**

26 Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY ON
27 WORKING RESERVES.

28 A. In this section of my testimony, I first discuss Oncor's investments in
29 working reserves of distribution transformers, regulators, and capacitors. I
30 describe the details regarding Oncor's utilization of these assets, the

1 operational reasons why Oncor must periodically replace them and, for
2 those reasons, why it is critical for the Company to maintain a working
3 reserve in order to provide adequate and uninterrupted service to its
4 customers. I also explain that the associated investment is used and useful
5 and ensures the reliability and overall service quality of Oncor's distribution
6 system.

7 Please see the direct testimony of Company witness Mr. Speed for
8 details regarding Oncor's investments in mobile substation equipment,
9 capital spare substation transformers, and investments in land for
10 substations pending construction. Please see the direct testimony of
11 Company witness Mr. Daniel E. Hall for Oncor's investments in meters and
12 meter-related hardware.

13 Q. DOES ONCOR INCLUDE AS PART OF ITS NET DISTRIBUTION
14 INVESTED CAPITAL CERTAIN COSTS SPENT ON ACQUIRING
15 DISTRIBUTION ASSETS THAT ARE NOT YET ENERGIZED, BUT HELD
16 IN RESERVE? PLEASE EXPLAIN.

17 A. Yes. As I detail further below, from a customer service and reliability
18 perspective, Oncor must purchase in advance certain long-lead-time
19 distribution assets (such as transformers, including regulators or regulating
20 transformers, and capacitors), some of which must be held in reserve. For
21 example, the lead times for distribution transformers vary from six to 28
22 weeks from the time that Oncor orders a transformer until the transformer
23 is received from the manufacturer. The lead time in any particular case will
24 be dependent upon manufacturing capacity and availability of raw materials
25 and specific components required to build the transformer at the specified
26 voltage, rating, and configuration requested.

27 Having transformers available for installation is imperative to Oncor's
28 ability to provide reliable service with minimal interruption to electric
29 customers. Given the cost and the lead time for this type of distribution
30 asset, as well as the large variability in types of transformers on Oncor's

Request

Is each distribution transformer, capacitor, and substation transformer being held in reserve, for which Oncor is seeking to count as distribution invested capital, considered a capital spare?

Response

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

No. Please see Oncor's response to TIEC RFI Set No. 1, Question No. 1-07 describing the Company's general distinction between substation transformer equipment considered to be a capital spare and distribution transformers and capacitors that are recorded in Federal Energy Regulatory Commission Uniform System of Accounts number 368-Line transformers, which dictates inclusion of such investment in electric plant in service "whether actually in service or held in reserve."

Request

Has Oncor included in the DCRF filing any distribution transformers, capacitors, or substation transformers which are being held in reserve, but which are not considered capital spares? If yes, please identify the FERC Account, quantity, and cost.

Response

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

Yes. As described in Oncor's response to TIEC RFI Set No. 1, Question No. 1-07, transformers and capacitors recorded in Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") number 368 are included in distribution and distribution-related electric plant in service "whether actually in service or held in reserve."

Please see Attachment 1 for additional information responsive to this request.

ATTACHMENT:

ATTACHMENT 1 – Document titled "Oncor Electric Delivery Company LLC, Transformer and Capacitor Investment, Being Held in Reserve as of June 30, 2024," 1 page.

Oncor Electric Delivery Company LLC
Transformer and Capacitor Investment
Being Held in Reserve as of June 30, 2024

<u>FERC Account</u>	<u>Description</u>	<u>Held in Reserve Unit Count as of 06-30-2024</u>	<u>Held in Reserve Investment as of 06-30-2024</u>
368	Transformers	36,228	\$ 242,355,855
368	Capacitors	2,078	\$ 9,746,165

Request

Referring to page 15, line 4-15, is any of the mobile substation equipment leased by Oncor?
If yes, are the leases considered operating or capital leases?

Response

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

No. Oncor does not lease mobile substation equipment.