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**REBUTTAL TESTIMONY
OF COLER D. SNELLEMAN, WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY LLC**

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1 **REBUTTAL TESTIMONY OF COLER D. SNELLEMAN**

2 **I. BACKGROUND AND PURPOSE**

3 Q. PLEASE STATE YOUR NAME, CURRENT EMPLOYMENT POSITION
4 AND BUSINESS ADDRESS.

5 A. My name is Coler D. Snelleman. I am employed by Oncor Electric Delivery
6 Company LLC ("Oncor" or "Company"). I hold the position of Senior Director
7 of Transmission & Distribution Supply Chain. My business address is 777
8 Main Street, Fort Worth, Texas.

9 Q. ARE YOU THE SAME COLER D. SNELLEMAN WHO PREVIOUSLY
10 SUBMITTED DIRECT TESTIMONY IN THIS DOCKET?

11 A. Yes, I am. My direct testimony is included with Oncor's distribution cost
12 recovery factor ("DCRF") application at Bates pages 127-147.

13 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

14 A. The purpose of my rebuttal testimony is to respond to the recommendations
15 raised in the direct testimony of Mr. Karl Nalepa with ReSolved Energy
16 Consulting, LLC on behalf of the Steering Committee of Cities Served by
17 Oncor ("OCSC"). Specifically, I address Mr. Nalepa's recommendations to
18 exclude from this DCRF proceeding certain portions of Oncor's meter,
19 transformer, and capacitor reserves based on his position that Oncor's
20 reserve levels are in excess of the amounts required to provide adequate
21 service.

22 My rebuttal testimony was prepared by me or under my direction,
23 supervision or control, and is true and correct.

24 **II. REBUTTAL OF OCSC WITNESS NALEPA**

25 Q. ON PAGES 4 THROUGH 19 OF MR. NALEPA'S DIRECT TESTIMONY,
26 HE RECOMMENDS THAT A CERTAIN PORTION OF ONCOR'S CAPITAL
27 INVESTMENT IN METER, TRANSFORMER, AND CAPACITOR
28 RESERVES (WHICH HE CLAIMS TO BE "IN EXCESS OF THE AMOUNTS
29 REQUIRED TO PROVIDE ADEQUATE SERVICE") BE REMOVED OR
30 WITHHELD FROM RATES SET IN THIS CASE BECAUSE ONCOR DID

1 NOT PROVIDE AN EXPLANATION FOR THE INCREASE IN ITS
2 RESERVE LEVELS. DO YOU AGREE WITH HIS RECOMMENDATION?
3 A. No, I do not. First and foremost, my direct testimony in this proceeding *does*
4 provide an explanation for and justification of the reserve levels for meters,
5 transformers, and capacitors. As stated in my direct testimony, there are
6 multiple operational reasons why Oncor must acquire and hold a sufficient
7 number of meter, transformer, and capacitor reserves to ensure that the
8 Company is prepared and able to provide service to new customers and
9 maintain its provision of reliable service to existing customers. While the
10 growth rate for Oncor's customer count is an important factor in determining
11 how many units the Company needs to purchase, there are multiple facets
12 to the determination of appropriate reserve levels. Bates pages 130-132 of
13 my direct testimony discuss how the replacement needs for already
14 installed units, variable manufacturing lead times, customer-service dates,
15 and manufacturer plant closes at year end for the holidays influence the
16 determination of work reserves. My direct testimony at Bates 136 also
17 explains how the required number of unique styles of transformers on
18 Oncor's distribution system impacts the requisite reserve levels for
19 transformers.

20 If the Company did not include the level of justification for reserve
21 levels that Mr. Nalepa would like to see, then that is because a more
22 specific, detailed justification would only speak to the reasonableness,
23 necessity, and prudence of the amount of investment Oncor has made in
24 those reserve assets, which is not at issue in this proceeding. While I am
25 not an attorney, it is my understanding that under 16 TAC § 25.243(e)(5),
26 the issues of whether distribution invested capital included in an application
27 for a DCRF adjustment is prudent, reasonable, and necessary shall not be
28 addressed in a DCRF proceeding unless the presiding officer in a DCRF
29 case finds that good cause exists to address these issues.

1 Q. DOES MR. NALEPA PROVIDE ANY BASIS OR RATIONALE THAT
2 WOULD SUPPORT A DECISION TO DISALLOW OR EXCLUDE
3 RESERVE ASSETS IN THIS CASE?

4 A. No, he does not provide any basis as to why Oncor did not need its level of
5 reserves to provide adequate and reliable service. He only opines that
6 Oncor provided no reason for the increasing reserve levels (see pages 8,
7 13, 18), suggesting that costs for certain portions of the reserve levels be
8 withheld from rates until the costs are “reconciled” in a future base-rate
9 case. In fact, Mr. Nalepa admits on pages 7, 12,¹ and 16 that it is
10 *appropriate* for Oncor to maintain a reserve of meters, transformers, and
11 capacitors.

12 Mr. Nalepa also attempts to oversimplify the issue by suggesting on
13 pages 8, 13, and 17 of his testimony that simply because Oncor’s customer
14 five-year compound annual *growth rate* was 1.9%, it was unnecessary for
15 Oncor to increase its *reserve levels* by larger percentages during the DCRF
16 update period.² Contrary to his position, it has been Oncor’s experience
17 that the Company’s reserve level needs do *not* increase at the same rate
18 as its customer count grows. Rather, other factors discussed above and in
19 my direct testimony heavily influence the determination of the appropriate
20 reserve levels. And as the Public Utility Commission of Texas has
21 previously recognized, the need for capacitors is not just limited to serving
22 new customers; rather, the installation of capacitors benefits all customers
23 — including existing customers — by providing voltage support, improving

¹ It appears that the question on page 12, line 3 of Mr. Nalepa’s testimony inadvertently asks whether it is appropriate to maintain a “meter reserve,” rather than “transformer reserve,” given that the discussion above and below that question in section VI of his testimony pertains to distribution transformer reserve levels.

² It should be noted that Mr. Nalepa appears to cherry pick which portions of the DCRF update period to focus on when calculating percentage increases for meter, transformer, and capacitor reserves. For meter reserves, he focuses on the increase during the twelve months ending June 2023 and also the twelve months ending June 2024. For transformer reserves, he focuses on the increase during the six months ending June 2024. For capacitor reserves, he focuses on the increase from 2022 to 2023 and then from 2023 to 2024.

1 power factor, reducing losses, and compensating for reactive power.³ Thus,
2 Mr. Nalepa's analysis and calculation is unfounded and should be rejected
3 as a basis for excluding or disallowing reserve amounts based on how they
4 compare to the 1.9% customer five-year compound annual growth rate.

5 Q. DID ONCOR DETERMINE THERE WAS A NEED TO INCREASE ITS
6 LEVEL OF METER, TRANSFORMER, AND CAPACITOR RESERVES
7 OVER THE COURSE OF THE DCRF UPDATE PERIOD?

8 A. Yes. Over the course of the DCRF update period and even before the start
9 of the update period, Oncor determined there was a need to increase its
10 reserve levels of meters, transformers, and capacitors. If Oncor does not
11 have sufficient levels of these important pieces of equipment, it simply
12 cannot provide reliable service to its customers. It is not prudent to keep an
13 overly narrow margin of reserves given the possibility of events that occur
14 in the Company's service territory from time to time that result in damage to
15 Oncor's system and necessitate a high volume of repairs and replacements,
16 while at the same time needing to be prepared to serve new customers as
17 the customer count continues to increase.

18 Looking at the past few years, one of the reasons that Oncor's
19 reserve levels have increased is the general supply chain uncertainty and
20 disruption that began in 2020 and that has continued into 2024. During this
21 time, lead times have increased significantly, and domestic supply levels
22 have been limited.⁴ Accordingly, Oncor based its purchasing decisions
23 around its need for, and ability to, secure a sufficient level of supply in an

³ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing at Findings of Fact 276, 277, and 281 (Jun. 30, 2023).

⁴ See "US should create 'virtual' electric transformer reserve amid shortage concerns: NIAC" (published Sept. 13, 2024), available at [utilitydive.com/news/us-strategic-virtual-reserve-electric-transformers-niac/726934/](https://www.utilitydive.com/news/us-strategic-virtual-reserve-electric-transformers-niac/726934/) (last accessed Sept. 17, 2024) ("The lead times for utilities to procure new transformers has more than doubled to 120 weeks or more in recent years, depending on the size and complexity of the equipment, according to the report. Growing energy demand, workforce shortages and a dearth of domestic production capacity are all contributing factors, say experts.")

1 uncertain market. When the disruption to the domestic supply chain for
2 meters, transformers, capacitors, and other specialized equipment began
3 in 2020, Oncor began experiencing delays in receiving its orders. In fact,
4 the Company placed several orders that were only recently received after
5 years of waiting for delivery, partially contributing to what Mr. Nalepa
6 portrays as a recent increase in reserve levels.

7 Additionally, in 2022, a significant distribution transformer supplier
8 chose to no longer supply to Oncor. Engaging with a new supplier
9 candidate typically involves a comprehensive evaluation process that
10 requires substantial time and resources to assess the supplier's
11 capabilities, negotiate an agreement, conduct thorough testing and
12 validation of equipment or supplies provided by the new supplier, and
13 ultimately incorporate them into operations as a replacement for a former
14 supplier. Thus, during this process of searching for new suppliers, Oncor
15 needed to place incremental orders in order to test new suppliers'
16 capabilities and to scale up the levels of equipment procured from those
17 suppliers.

18 Moreover, there is a seasonal component to Oncor's procurement
19 needs and decisions. To provide for the possibility of a significant increase
20 in demand due to weather, working reserve target levels are increased for
21 the summer and winter seasons and reduced during the spring and fall. For
22 transformers in particular, in addition to taking the unpredictable Texas
23 weather into constant consideration, Oncor must also consider national
24 demand and account for limited additional production capacity at the four
25 major distribution transformer manufacturers in North America during
26 periods of response to national weather events.

27 Based on data and expertise, Oncor anticipated that the weather and
28 the demands on the system during summer 2024 could potentially have
29 been similar to those experienced in summer 2023, when a higher level of
30 reserve units were needed due to the record heat experienced in Oncor's

1 service territory and a large number of transformer failures.⁵ Oncor
2 prepared for summer 2024 accordingly by increasing its reserve levels.
3 Because summer 2024 ultimately was not as extreme as summer 2023,
4 Oncor anticipates making adjustments this coming fall to take advantage of
5 any short-lived reserve imbalance that might exist.

6 Overall, the 2024 market for specialized electric utility equipment is
7 still bouncing back from recent challenges that caused a limited supply and
8 tight conditions, and is gradually adjusting to a market in which we are
9 starting to see more available capacity and orders being fulfilled more
10 timely. The Company's reserve levels will continue to fluctuate up or down
11 based on seasonal demands, market trends, our experience, and our
12 system needs. The customer growth rate will continue to be merely one
13 component – not the deciding factor – in the decision-making process
14 around appropriate reserve levels.

15 **III. CONCLUSION**

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

17 A. Yes, it does.

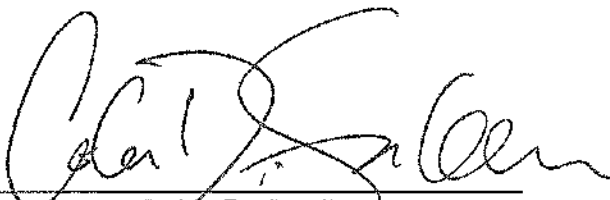
⁵ To illustrate the impact of summer 2023, there were 43 days over 100 degrees Fahrenheit during that season. From June through September 2023, Oncor experienced transformer failures resulting in over 5,500 unplanned transformer replacements.

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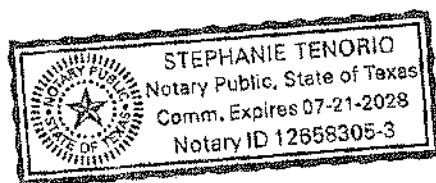
STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Coler D. Snelleman, who, having been placed under oath by me, did depose as follows:

My name is Coler D. Snelleman. I am of legal age and a resident of the State of Texas. The foregoing rebuttal testimony offered by me is true and correct, and the opinions stated therein are, to the best of my knowledge, information, and belief, accurate, true and correct.


Coler D. Snelleman

SUBSCRIBED AND SWORN TO BEFORE ME by the said Coler D. Snelleman this 19th day of September, 2024.




Notary Public, State of Texas