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APPLICATION OF ONCOR
ELECTRIC DELIVERY COMPANY
LLC FOR APPROVAL TO AMEND
ITS DISTRIBUTION COST
RECOVERY FACTOR

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

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ELECTRIC DELIVERY COMPANY
LLC FOR APPROVAL TO AMEND
ITS DISTRIBUTION COST
RECOVERY FACTOR

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

**APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC FOR
APPROVAL TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR**

Oncor Electric Delivery Company LLC (“Oncor” or “Company”) files this Application for Approval to Amend its Distribution Cost Recovery Factor (“DCRF”) under Section 36.210 of the Public Utility Regulatory Act¹ and 16 Tex. Admin. Code (“TAC”) § 25.243 (“Application”). In support of this Application, Oncor respectfully shows as follows:

I. INTRODUCTION AND REQUEST

Oncor’s most recent comprehensive base-rate proceeding was Docket No. 53601, which was based on a 2021 calendar test year.² This filing uses the DCRF baseline values approved in Docket No. 54817 (the compliance docket associated with Docket No. 53601) and requests an update to Oncor’s current Rider DCRF and Rider Wholesale Distribution Cost Recovery Factor (“WDCRF”) to include additional distribution invested capital placed in service from January 1, 2022 through June 30, 2024. This is the eighth DCRF filing for Oncor and its fourth DCRF filing since Oncor’s most recent base-rate case, Docket No. 53601. This is the second DCRF filing for Oncor in 2024. Oncor’s most recent DCRF filing, Docket No. 56306, reflected the period of January 1, 2022 through December 31, 2023, and resulted in the implementation of Oncor’s current DCRF rates on July 1, 2024, as approved by the Public Utility Commission of Texas’s (“Commission”) order issued on May 16, 2024.³

As detailed below and in Oncor’s testimony, exhibits, and workpapers, Oncor’s net distribution system invested capital increased \$3,176,811,471 during the period January 1, 2022

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (“PURA”).

² *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing (Jun. 30, 2023).

³ *Application of Oncor Electric Delivery Company LLC for Approval to Amend its Distribution Cost Recovery Factor and Update Mobile Generation Riders*, Docket No. 56306, Interim Order (May 16, 2024) (addressing the DCRF component of the application and leaving the docket open for the processing of the mobile generation component of the application).

through June 30, 2024. This increase in net distribution invested capital reflects investment recorded in FERC Accounts 303, 352, 353, 360-374, 391, and 397 less accumulated depreciation and adjusted for any changes in distribution-related accumulated deferred federal income taxes. The Company's total distribution revenue requirement associated with allowed return, depreciation, income and other taxes on its incremental net distribution invested capital during this 30-month period is \$408,745,142. Adjusted for distribution revenue growth of \$31,087,719, the total incremental distribution revenue requirement is \$377,657,423. Compared to the incremental revenue requirement of \$287,369,280 approved in Docket No. 56306, this filing seeks to increase the Company's total distribution revenue requirement by approximately \$90,288,143.

II. FILING OVERVIEW

This filing consists of the Table of Contents, this Application, including the direct testimony of four Company witnesses, proposed tariffs, schedules, and workpapers in three volumes that satisfy the requirements of PURA § 36.210, 16 TAC § 25.243, and the Commission's Distribution Cost Recovery Factor Rate Filing Package ("DCRF-RFP") instructions and forms. Oncor's testimonies, supporting schedules, and workpapers are presented by the following witnesses:

Witness	Principal Subjects Covered
W. Alan Ledbetter Vice President and Controller	Requirements of DCRF Application; calculation of DCRF revenue requirement
Bonnie L. Clutter Assistant Controller	Requirements of DCRF Application; calculation of tax-related components of DCRF revenue requirement
Janice I. Fennell Senior Manager – Rates	Calculation of the DCRFs and WDCRFs; proposed Rider DCRF and Rider WDCRF tariffs; billing unit calculations, as adjusted for weather and year-end premise growth
Coler D. Snelleman Senior Director of Transmission and Distribution Supply Chain	Distribution invested capital

These four witnesses' testimonies and their schedules and workpapers collectively demonstrate Oncor's compliance with the DCRF recovery standards established by PURA, 16 TAC § 25.243, and the Commission's DCRF-RFP instructions and forms. Each piece of testimony also contains an affidavit with a sworn statement demonstrating compliance with PURA § 36.210(a)(6) and 16 TAC § 25.243(e)(1). Oncor has also included as Schedule K to this Application its most recent earnings monitoring report that was filed with the Commission on May 15, 2024 in Project No. 55977.

To assist with expedient processing of this application, Oncor has also included a proposed procedural order as Attachment C hereto and a proposed, final Order granting Oncor's requested relief as Attachment D hereto.

III. DESIGNATED REPRESENTATIVES

Oncor's designated legal and business representatives for purposes of this proceeding are:

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

Matthew A. Troxle
Vice President – Regulatory
Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202
214.486.5743
matthew.troxle@oncor.com

All pleadings, orders, discovery requests, and other matters related to this Application should be served on Oncor by email at regulatory@oncor.com or fax at 214.486.3221 and at the email addresses listed above.

IV. JURISDICTION

Under PURA § 36.210(a), the Commission has exclusive jurisdiction over this DCRF Application.

V. AFFECTED PERSONS

Oncor's Application affects all retail electric providers ("REPs") that take electric delivery service from Oncor and will affect the retail electric customers of those REPs to the extent that the REPs pass along charges to their customers under the Company's approved DCRF tariffs. This Application also affects wholesale customers of Oncor receiving service at distribution voltage. If

the Commission approves the DCRF amendment requested in this Application, then Oncor's distribution revenues will increase by approximately \$90,288,143 on an annual basis as compared to the distribution revenues of \$287,369,280 approved in Docket No. 56306.

VI. PROPOSED RIDERS AND EFFECTIVE DATE

Oncor's proposed Rider DCRF to the Company's Tariff for Retail Delivery Service and proposed Rider WDCRF to the Company's Tariff for Transmission Service are attached to this Application as Attachments A and B, respectively. Under PURA § 36.210(i), Oncor's proposed effective date for rates under Rider DCRF and Rider WDCRF is December 1, 2024.

VII. NOTICE AND INTERVENTION DEADLINE

Oncor is providing notice of this Application, as required by 16 TAC § 25.243(e)(2), by serving a copy of this Application and all accompanying materials to authorized party representatives in Docket No. 53601, Oncor's last comprehensive base-rate proceeding, and in Docket No. 56306, Oncor's most recent DCRF proceeding. Oncor is also providing notice of this Application to each municipality in its service area. Oncor will file proof of notice with the Commission upon completion. Based on the schedule required by PURA § 36.210(i), Oncor is requesting an intervention deadline of 21 days from the date service of notice is completed, which is consistent with the intervention deadline for interim transmission cost of service ("TCOS") proceedings outlined in 16 TAC § 25.192(h)(4)(A).

In addition, based upon 16 TAC § 25.243(c)(1)(A), Oncor is filing this Application with all municipalities that have not ceded their jurisdiction over Oncor's distribution service area to the Commission.

VIII. PROPOSED PROCEDURAL SCHEDULE

In light of the deadline for the Commission to enter a final order on a DCRF request under PURA § 36.210(i), Oncor proposes the following procedural schedule, which reflects the Commission's current open meeting schedule and is generally consistent with the procedural schedule routinely utilized by the Commission for interim TCOS proceedings:

Description	Date/Deadline
Deadline to intervene and for motions to find the application materially deficient	September 6, 2024
Deadline for Oncor's response to a motion to find the application materially deficient; deadline for intervenor recommendations on application, which must be accompanied by any recommended changes to Oncor's proposed order attached to its August 16, 2024 application	September 12, 2024
Deadline for Commission Staff to file a recommendation on final disposition	September 16, 2024
Deadline for Oncor to file responses to intervenor and Staff recommendations on Application, and motion (or if no disputed issues exist, deadline for parties to file joint motion) to admit evidence and updated proposed findings of fact, corresponding conclusions of law, and ordering paragraphs (if any updates to Oncor's proposed order attached to its August 16, 2024 application are necessary)	September 19, 2024
Consideration of Application at open meeting	October 3, 2024
PURA § 36.210(i) 60-day deadline	October 15, 2024
Oncor's requested effective date for rates under Rider DCRF and Rider WDCRF	December 1, 2024

IX. REQUESTED PROTECTIVE ORDER

Attached to this Application as Attachment E is a form of the Commission's standard protective order, under 16 TAC § 22.142(c), for the protection of materials submitted in this proceeding containing privileged, confidential, competitively sensitive, proprietary trade secret data, and commercial and financial information. Oncor requests that the Commission issue a protective order in the form of Attachment E and require all parties to adhere to its terms.

X. CONCLUSION AND PRAYER

Based on the Application and supporting evidence in this proceeding, Oncor respectfully requests that the Commission: (i) issue a protective order in the form of Attachment E; (ii) approve the proposed form and method of notice; (iii) adopt a procedural schedule to comply with PURA § 36.210(i), as proposed herein; (iv) issue a preliminary procedural order in the form of Attachment C; (v) limit the scope of the proceeding as required by 16 TAC § 25.243(e)(5); (vi) issue an order in the form of Attachment D approving the DCRF and WDCRF rates and tariffs as requested herein not later than the 60th day after the filing of this Application (October 15, 2024), with an effective date of December 1, 2024; and (vii) grant the Company such other and further relief to which it may be entitled.

Respectfully submitted,

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

Matthew C. Henry
Senior Vice President, General Counsel,
and Secretary
Oncor Electric Delivery Company LLC
1616 Woodall Rodgers Freeway
Dallas, Texas 75202
matt.henry@oncor.com

**ATTORNEYS FOR ONCOR ELECTRIC
DELIVERY COMPANY LLC**

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of August, 2024, a true and correct copy of the foregoing was provided to Commission Staff, the Office of Public Utility Counsel, and the municipalities and parties described in Section VII of this Application by electronic mail in accordance with the Commission's Second Order Suspending Rules issued on July 16, 2020, in Project No. 50664.

/s/ Stephanie Tenorio

6.1.1 Delivery System Charges
Applicable: Entire Certified Service Area
Effective Date: December 1, 2024

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6.1.1.6.4 Rider Distribution Cost Recovery Factor (DCRF)

APPLICABILITY

Each Retail Customer connected to the Company's transmission or distribution system will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule § 25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

MONTHLY RATE

The Competitive Retailer, on behalf of the Retail Customer, will be assessed this distribution service charge adjustment based on the monthly per unit cost (DCRF) multiplied times the Retail Customer's appropriate monthly billing determinant (kWh or Billing kW).

The DCRF shall be calculated for each rate according to the following formula:

$$\text{DCRF} = \frac{[(\text{DIC}_C - \text{DIC}_{RC}) * \text{ROR}_{AT}) + (\text{DEPR}_C - \text{DEPR}_{RC}) + (\text{FIT}_C - \text{FIT}_{RC}) + (\text{OT}_C - \text{OT}_{RC}) - \sum(\text{DISTREV}_{RC\text{-CLASS}} * \% \text{GROWTH}_{\text{CLASS}})] * \text{ALLOCC}_{\text{CLASS}} / \text{BDC}_{\text{CLASS}}}{\text{BDC}_{\text{CLASS}}}$$

rounded to nearest \$.000001

Where:

- DIC_C = Current Net Distribution Invested Capital
- DIC_{RC} = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.
- ROR_{AT} = After-Tax Rate of Return as defined in Substantive Rule § 25.243(d)(2).
- DEPR_C = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.
- DEPR_{RC} = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.
- FIT_C = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.
- FIT_{RC} = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.
- OT_C = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.
- OT_{RC} = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$\text{DISTREV}_{RC\text{-CLASS}}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the last comprehensive base-rate proceeding) = $(\text{DIC}_{RC\text{-CLASS}} * \text{ROR}_{AT}) + \text{DEPR}_{RC\text{-CLASS}} + \text{FIT}_{RC\text{-CLASS}} + \text{OT}_{RC\text{-CLASS}}$.

**Tariff for Retail Delivery Service
Oncor Electric Delivery Company LLC**

6.1.1 Delivery System Charges
Applicable: Entire Certified Service Area
Effective Date: December 1, 2024

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$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = $(BD_{C-CLASS} - BD_{RC-CLASS}) / BC_{RC-CLASS}$.

$DIC_{RC-CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC-CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC-CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC-CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

Residential Service	55.8203%
Secondary Service Less Than or Equal to 10 kW	2.0953%
Secondary Service Greater Than 10 kW	34.9913%
Primary Service Less Than or Equal to 10 kW	0.0284%
Primary Service Greater Than 10 kW Distribution Line	5.5524%
Primary Service Greater Than 10 kW Substation	0.5328%
Transmission Service	0.1234%
Lighting Service	0.5060%
Wholesale Service	
Substation	0.0638%
Distribution Line	0.2863%

$BD_{C-CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

$BD_{RC-CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

NOTICE

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

Tariff for Retail Delivery Service
Oncor Electric Delivery Company LLC

6.1.1 Delivery System Charges
 Applicable: Entire Certified Service Area
 Effective Date: December 1, 2024

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Distribution Cost Recovery Factor (DCRF)

Effective Date	Residential Service	Secondary Service		Primary Service			Transmission Service	Lighting Service
	(\$/kWh)	≤ 10 kW (\$/kWh)	>10 kW (\$/Billing kW)	≤ 10 kW (\$/kWh)	>10 kW Distribution Line (\$/Billing kW)	Substation (\$/Billing kW)	(\$/Billing kW)	(\$/kWh)
Dec 1, 2024	0.004553	0.004811	0.819305	0.004010	0.452807	0.107665	0.007132	0.005404
July 1, 2024	0.003472	0.003573	0.614487	0.002890	0.352451	0.090527	0.005877	0.004014
Dec 28, 2023	0.002491	0.002411	0.452724	0.002018	0.251334	0.077283	0.004672	0.002845
*	0.001847	0.001744	0.349260	0.001472	0.200969	0.063227	0.003838	0.002337
Sept 1, 2023	0.001851	0.001747	0.349875	0.001475	0.201323	0.063339	0.003845	0.002341
May 1, 2023	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sept 1, 2021	0.002213	0.002481	0.490802	0.001235	0.200042	0.044707	0.004528	0.008533
Sept 1, 2020	0.001287	0.001374	0.266647	0.000620	0.111613	0.029207	0.002994	0.004595
Sept. 1, 2019	0.000474	0.000503	0.099593	0.000221	0.046956	0.012099	0.001175	0.001633
Sept. 1, 2018	0.000183	0.000190	0.037928	0.000092	0.019495	0.005353	0.000486	0.000595

* Per settlement in Docket No. 55525, Docket No. 55190 final rates were never implemented.

3.0 Rate Schedules

Applicable: Wholesale Transmission Service

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3.6 Rider WDCRF – Wholesale Distribution Cost Recovery Factor

Application

Each WDSC will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule § 25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

Monthly Rate

The WDSC receiving service will be assessed this distribution service charge adjustment based on the monthly per unit cost (WDCRF) multiplied times the WDSC's appropriate monthly billing determinant.

The WDCRF shall be calculated for each rate according to the following formula:

$$\text{WDCRF} = \frac{[(\text{DIC}_C - \text{DIC}_{RC}) * \text{ROR}_{AT}) + (\text{DEPR}_C - \text{DEPR}_{RC}) + (\text{FIT}_C - \text{FIT}_{RC}) + (\text{OT}_C - \text{OT}_{RC}) - \sum(\text{DISTREV}_{RC\text{-CLASS}} * \% \text{GROWTH}_{\text{CLASS}})] * \text{ALLOC}_{\text{CLASS}} / \text{BDC}_{\text{CLASS}}}{\text{BDC}_{\text{CLASS}}}$$

rounded to nearest \$.000001

Where:

- DIC_C = Current Net Distribution Invested Capital
- DIC_{RC} = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.
- ROR_{AT} = After-Tax Rate of Return as defined in Substantive Rule § 25.243(d)(2).
- DEPR_C = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.
- DEPR_{RC} = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.
- FIT_C = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.
- FIT_{RC} = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.
- OT_C = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.
- OT_{RC} = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$\text{DISTREV}_{RC\text{-CLASS}}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the

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ONCOR ELECTRIC DELIVERY COMPANY LLC**

3.0 Rate Schedules

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last comprehensive base-rate proceeding) = $(DIC_{RC-CLASS} * ROR_{AT}) + DEPR_{RC-CLASS} + FIT_{RC-CLASS} + OT_{RC-CLASS}$.

$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = $(BD_{C-CLASS} - BD_{RC-CLASS}) / BC_{RC-CLASS}$.

$DIC_{RC-CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC-CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC-CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC-CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

Residential Service	55.8203%
Secondary Service Less Than or Equal to 10 kW	2.0953%
Secondary Service Greater Than 10 kW	34.9913%
Primary Service Less Than or Equal to 10 kW	0.0284%
Primary Service Greater Than 10 kW Distribution Line	5.5524%
Primary Service Greater Than 10 kW Substation	0.5328%
Transmission Service	0.1234%
Lighting Service	0.5060%
Wholesale Service	
Substation	0.0638%
Distribution Line	0.2863%

$BD_{C-CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the WDCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the WDCRF shall be calculated using demand billing determinants.

$BD_{RC-CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

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Monthly Surcharge

The WDCRF surcharge for each of the Company's applicable wholesale rate schedules is as follows:

<u>Rate Schedule</u>	<u>WDCRF Surcharge</u>
Wholesale Substation Service	\$0.134434 per kW, billed at Annual Demand (kW)
Wholesale Distribution Line Service	\$0.560106 per Billing kW

Annual Demand (kW) is the highest 15-minute kW recorded at the Point of Interconnection in the 12-month period ended with the current month.

The Billing kW applicable to the Distribution System Charge shall be the higher of the NCP kW for the current billing month or 80% of the highest monthly NCP kW established in the 11 months preceding the current billing month (80% ratchet).

Notice

This Rate Schedule is subject to the Company's Tariff for Transmission Service and Applicable Legal Authorities.

DOCKET NO. _____

APPLICATION OF ONCOR
ELECTRIC DELIVERY COMPANY
LLC FOR APPROVAL TO AMEND
ITS DISTRIBUTION COST
RECOVERY FACTOR

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PUBLIC UTILITY COMMISSION

OF TEXAS

ORDER NO. 1
ESTABLISHING PROCEDURAL SCHEDULE, ENTERING PROTECTIVE ORDER,
AND ADDRESSING OTHER PROCEDURAL MATTERS

I. Application

This Order addresses the August 16, 2024 application of Oncor Electric Delivery Company LLC (Oncor) to amend its distribution cost recovery factor (DCRF). Oncor requests an update to its current Rider DCRF and Rider Wholesale Distribution Cost Recovery Factor to include additional distribution invested capital placed in service from January 1, 2022 through June 30, 2024.

II. Jurisdiction

The Commission has jurisdiction over this application under PURA¹ § 36.210.

III. Notice

Oncor proposes to provide notice by serving a copy of its application on all parties to its last comprehensive base-rate proceeding, Docket No. 53601,² as well as Oncor’s most recent DCRF proceeding, Docket No. 56306,³ and to each municipality in its service area. Oncor also proposes to provide proof of the above notice upon completion.

IV. Procedural Schedule

The following procedural schedule is adopted:

Description	Date/Deadline
¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016. Deadline for Oncor to file proof of notice	September 3, 2024
² Application of Oncor Electric Delivery Company LLC for Authority to Change Rates, Docket No. 53601, Order on Rehearing (Jun. 30, 2023).	September 6, 2024
³ Application of Oncor Electric Delivery Company LLC for Approval to Amend its Distribution Cost Recovery Factor and Update Mobile Generation Riders, Docket No. 56306, Interim Order (May 16, 2024).	

Deadline for Oncor's response to a motion to find the application materially deficient; deadline for intervenor recommendations on application, which must be accompanied by any recommended changes to Oncor's proposed order attached to its August 16, 2024 application	September 12, 2024
Deadline for Commission Staff to file a recommendation on final disposition	September 16, 2024
Deadline for Oncor to file responses to intervenor and Staff recommendations on Application, and motion (or if no disputed issues exist, deadline for parties to file joint motion) to admit evidence and updated proposed findings of fact, corresponding conclusions of law, and ordering paragraphs (if any updates to Oncor's proposed order attached to its August 16, 2024 application are necessary)	September 19, 2024
Oncor's requested effective date for rates under Rider DCRF and Rider WDCRF	December 1, 2024

V. Issues Not to be Addressed

The Commission identifies the following issues that shall not be addressed in this docket due to these issues being previously decided by the Commission in Oncor's previous interim DCRF proceedings, Docket Nos. 55190, 55525 (settled), and 56306:

1. Are the investments included in Oncor's application prudent, reasonable, and necessary?⁴
2. Has Oncor accurately calculated Allowance for Funds Used During Construction accruals on the investments included in the application?⁵
3. Is Oncor's practice of recording land purchased for future substation sites as plant in service when design and construction activities are expected to begin within 18-24 months of the purchase the appropriate practice for determining eligibility for inclusion under 16 TAC § 25.243(b)(3)?⁶

⁴ See *id.* at Conclusions of Law 19-20 and Ordering Paragraph 9; see also *Application of Oncor Electric Delivery Company LLC to Amend its Distribution Cost Recovery Factor*, Docket No. 55525, Order at Ordering Paragraph 7 (Dec. 14, 2023); see also *Application of Oncor Electric Delivery Company LLC to Amend its Distribution Cost Recovery Factor and Update Mobile Generation Riders*, Docket No. 55190, Interim Order at Ordering Paragraph 9 (Nov. 3, 2023).

⁵ See Docket No. 56306, Interim Order at Findings of Fact 45-46.

⁶ See Docket No. 56306, Interim Order Finding of Fact 43; see also Docket No. 55190, Interim Order at Finding of Fact 56.

4. Should investment that supports Oncor's workforce of distribution and transmission employees and contractors in meeting their respective job requirements or that supports management of human resources be includable in a DCRF update proceeding?⁷
5. Should appropriately-recorded distribution assets that are held in reserve and not yet installed be excluded in a DCRF update proceeding?⁸
6. Is it consistent with 16 TAC § 25.243(d)(1) for Oncor to calculate ad valorem taxes for purposes of this application by applying the ad valorem tax factor from Oncor's last base-rate case to the DCRF net plant amount added during the January 1, 2022 through June 30, 2024 update period?⁹
7. Should Oncor be required to reduce the amount requested in this application to account for future contributions in aid of construction that may be received from customers but that were not received by Oncor during the January 1, 2022 through June 30, 2024 update period?¹⁰

VI. Protective Order

Oncor included a proposed protective order for use in this proceeding. The administrative law judge (ALJ) issues Oncor's proposed protective order for use in this proceeding to remain in effect unless otherwise ordered.

VII. Other Procedural Matters

⁷ See Docket No. 55190, Interim Order at Finding of Fact 70.

⁸ Oncor witnesses have routinely testified on this topic in its DCRF cases (*see, e.g.*, Docket No. 55190, the Direct Testimony of W. Alan Ledbetter at 12 and the Direct Testimony of Coler D. Snelleman at 7-10, included with Oncor's application filed on Jun. 29, 2023), and the Commission has never made a finding or conclusion inconsistent with Oncor's testimony on this issue. Additionally, *see* Docket No. 56306, Interim Order at Finding of Fact 44; *see also* Docket No. 55190, Interim Order at Finding of Fact 57.

⁹ See Docket No. 55190, Interim Order at Finding of Fact 59.

¹⁰ See *id.* at Finding of Fact 60.

Unless otherwise specified, an original and ten copies of documents relating to this proceeding must be filed with the Commission's filing clerk in accordance with 16 Texas Administration Code (TAC) § 22.71. **In light of the Commission's Second Order entered in Project No. 50664 (Commission's Second Order), this requirement will be considered satisfied if pleadings are filed with the Commission through the Interchange on the Commission's website as long as the Commission's Second Order is in effect.**¹¹

Service of pleadings is typically governed by 16 TAC § 22.74. However, as long as the Commission's Second Order remains in effect, all parties must file any pleading or document with the Commission solely through the Interchange on the Commission's website and provide notice, by email, to all other parties that the pleading or document has been filed with the Commission, unless otherwise ordered by the presiding officer. It will be incumbent upon all other parties to obtain a copy of the pleading or document by accessing the Interchange at: <https://interchange.puc.texas.gov>.

All parties are required to provide their current addresses, e-mail addresses, telephone and fax numbers, if available, to all other parties and to the Commission by filing and serving all parties with such information. Each party must provide the Commission and all parties with updated address, e-mail address, telephone, and fax information if such information changes. The e-mail addresses, telephone and fax numbers will be included on the service list for the convenience of the parties. Parties are responsible for updating their own service lists to reflect changed information and the addition of any other parties.

VIII. Ex Parte Communications

Ex parte communications with the ALJ are prohibited under 16 TAC § 22.3(b)(2). Parties must communicate with the ALJ only through written documents filed with the Commission's filing clerk and served on all parties. Questions concerning this Order, or any other order, must be submitted in writing, filed with the Commission, and served on all parties of record.

Signed at Austin, Texas on the ____ day of _____ 2024.

PUBLIC UTILITY COMMISSION OF TEXAS

¹¹ See *Issues Related the State of Disaster for Coronavirus Disease 2019*, Docket No. 50664, Second Order Suspending Rules (Jul. 16, 2020).

ADMINISTRATIVE LAW JUDGE

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DOCKET NO. _____

**APPLICATION OF ONCOR
ELECTRIC DELIVERY COMPANY
LLC FOR APPROVAL TO AMEND
ITS DISTRIBUTION COST
RECOVERY FACTOR**

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**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

PROPOSED ORDER

This Order addresses the application of Oncor Electric Delivery Company LLC for approval to amend its distribution cost recovery factor (DCRF) and wholesale distribution cost recovery factor (WDCRF) tariffs under PURA¹ § 36.210 and 16 Texas Administrative Code (TAC) § 25.243. The ALJ filed a proposal for decision recommending the Commission approve Oncor's request for an annual revenue requirement of \$377,657,423, subject to reconciliation in its next base-rate proceeding, and to update its DCRF and WDCRF tariffs. The ALJ further recommends the Commission authorize Oncor to make its new rates effective on bills rendered on and after Oncor's provision of 45 days' notice of the approved rates to retail electric providers (REPs) that take electric delivery service from Oncor. The Commission adopts the proposal for decision, including findings of fact and conclusions of law, to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Oncor Electric Delivery Company LLC is a Delaware limited liability company registered with the Texas secretary of state under filing number 800880712.
2. Oncor owns and operates for compensation in Texas facilities and equipment to transmit and distribute electricity in the Electric Reliability Council of Texas region.
3. Oncor holds certificate of convenience and necessity number 30043 to provide service to the public.

¹ Public Utility Regulatory Act, Tex. Util. Code. §§ 11.001-66.016.

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Application

4. On August 16, 2024, Oncor filed an application for approval to amend its DCRF and tariffs with the Commission and each of its municipal regulatory authorities that have not ceded their jurisdiction over Oncor's distribution service area to the Commission.
5. This is Oncor's second DCRF application for the 2024 calendar year and its fourth DCRF proceeding since its last base-rate proceeding, Docket No. 53601.²
6. In Docket No. 55190,³ the Commission approved Oncor's initial DCRF after Docket No. 53601 based on the period of January 1 through December 31, 2022, with the approved rates to become effective for bills rendered on and after the first day of the month following Oncor's provision of 45 days' notice of the approved rates to REPs.
7. In Docket No. 55525,⁴ the Commission approved Oncor's second DCRF after Docket No. 53601 based on the period of January 1, 2022, through June 30, 2023, effective for bills rendered on and after December 28, 2023.
8. In Docket No. 56306,⁵ the Commission approved Oncor's third DCRF after Docket No. 53601 based on the period of January 1, 2022, through December 31, 2023, effective for bills rendered on and after July 1, 2024.
9. In its application in this docket, Oncor requested approval of a DCRF based on an annual revenue requirement of \$377,657,423, after adjusting for load growth, which is cumulative of and includes the annual revenue requirement requested in Docket No. 56306.
10. Oncor calculated its annual revenue requirement in this docket using the period January 1, 2022 through June 30, 2024.
11. The request represented an incremental increase of approximately \$90,288,143 to Oncor's DCRF revenue requirement of \$287,369,280 approved in Docket No. 56306, which

² *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing (Jun. 30, 2023).

³ *Application Of Oncor Electric Delivery Company LLC To Amend Its Distribution Cost Recovery Factor And Update Mobile Generation Riders*, Docket No. 55190 (Nov. 3, 2023).

⁴ *Application of Oncor Electric Delivery Company LLC to Amend Its Distribution Cost Recovery Factor*, Docket No. 55525, Order (Dec. 14, 2023).

⁵ *Application Of Oncor Electric Delivery Company LLC To Amend Its Distribution Cost Recovery Factor And Update Mobile Generation Riders*, Docket No. 56306, Interim Order (May 16, 2024).

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- excluded any amounts for mobile generation facilities in issue in Docket No. 56306.
12. In its application, Oncor stated that, from January 1, 2022 through June 30, 2024, it had invested \$3,176,811,471 in net distribution-system invested capital booked in Federal Energy Regulatory Commission accounts 303, 352, 353, 360 through 374, 391, and 397.
13. In its application, Oncor requested the following DCRF rates, which are compared here to the DCRF rates approved by the Commission in Oncor's most recent DCRF proceeding, Docket No. 56306:

Rate Class	DCRF Charge Proposed in Application	DCRF Charge Approved in Docket No. 56306	Billing Units
Residential Service	\$0.004553	\$0.003472	\$/kWh
Secondary Service Less Than or Equal to 10 kW	\$0.004811	\$0.003573	\$/kWh
Secondary Service Greater Than 10 kW	\$0.819305	\$0.614487	\$/Billing kW
Primary Service Less Than or Equal to 10kW	\$0.004010	\$0.002890	\$/kWh
Primary Service Greater than 10 kW – Distribution Line	\$0.452807	\$0.352451	\$/Billing kW
Primary Service Greater Than 10 kW – Substation	\$0.107665	\$0.090527	\$/Billing kW
Transmission Service	\$0.007132	\$0.005877	\$/Billing kW
Lighting Service	\$0.005404	\$0.004014	per kWh
Wholesale Service - Substation	\$0.134434	\$0.116828	\$/kW, billed at Annual Demand (kW)
Wholesale Service - Distribution Line	\$0.560106	\$0.450904	\$/Billing kW

14. Oncor's application affects all REPs that take electric delivery service from Oncor and will affect the retail electric customers of those providers to the extent that the providers pass along charges to their customers under Oncor's approved DCRF tariffs. The application

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- also affects Oncor's wholesale customers receiving service at distribution voltage.
15. In its earnings monitoring report included in its application, Oncor demonstrated that it is not earning more than its authorized rate of return using weather-normalized data.
 16. Oncor does not have a comprehensive base-rate proceeding pending before the Commission.
 17. The Commission set Oncor's DCRF baseline values in Docket No. 54817.⁶
 18. In its application, Oncor used the DCRF baseline values approved in Docket No. 54817.
 19. In its application, Oncor applied the 6.65% rate of return approved by the Commission in Docket No. 53601.
 20. In its application, Oncor proposed two DCRF riders: one for wholesale customers of Oncor receiving service at distribution voltage and one for REPs that take delivery service from Oncor. The Commission approved the use of two riders for these customers in Docket No. 48231.⁷
 21. In its application, Oncor included the direct testimonies of W. Alan Ledbetter, Oncor's vice president and controller; Bonnie L. Clutter, Oncor's assistant controller; Janice I. Fennell, Oncor's senior manager – rates; and Coler D. Snelleman, Oncor's director of strategic sourcing - transmission and distribution supply chain management. Oncor subsequently filed the rebuttal testimonies of _____ and _____. These testimonies collectively demonstrate Oncor's compliance with the DCRF recovery standards.
 22. No party filed a motion to find the application materially deficient within 30 days after service of notice was completed, and the ALJ did not issue an order concluding that material deficiencies exist in the application.
 23. In Order No. ____ filed on _____, 2024, the ALJ found that the application was administratively complete.

⁶ *Compliance Filing for Final Order in Docket No. 53601 (Application of Oncor Electric Delivery Company LLC for Authority to Change Rates)*, Docket No. 54817, Order No. 6 (Aug. 8, 2023).

⁷ *Application of Oncor Electric Delivery Company LLC for a Distribution Cost Recovery Factor*, Docket No. 48231, Order (Aug. 30, 2018).

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Notice

24. On August ____, 2024, Oncor filed the affidavit of Joni Price, senior manager of regulatory support and compliance for Oncor, attesting to the following:
- a. that Oncor filed the application with the municipalities having original jurisdiction over Oncor's rates on August 16, 2024;
 - b. that Oncor provided notice of the application to all other municipalities in its service area on August 16, 2024;
 - c. that Oncor provided notice by mail via Federal Express and by emailing a link to the electronic native files to all parties of record to its last comprehensive base-rate proceeding, Docket No. 53601, on August 16, 2024; and
 - d. that Oncor provided notice of the application by mail via Federal Express and by emailing a link to the electronic native files to all authorized representatives for parties participating in Oncor's last DCRF proceeding, Docket No. 56306.
25. Oncor's provision of notice by mail via Federal Express and by emailing a link to the electronic native files was reasonable.
26. In Order No. __ filed on ____, 2024, the ALJ found the method and provision of notice of the application to be sufficient.

Interventions

27. In Order No. __ filed on ____, 2024, the ALJ granted the motions to intervene filed by _____.

Testimony and Recommendations on the Application

28. On August 16, 2024, Oncor filed the direct testimonies and exhibits of Mr. Ledbetter, Ms. Clutter, Ms. Fennell, and Mr. Snelleman.
29. On ____, 2024, _____ filed the direct testimony and exhibits of _____.
30. On ____, 2024, _____ filed the direct testimony and exhibits of _____.
31. On ____, 2024, _____ filed the direct testimony and exhibits of _____.
32. On ____, 2024, Commission Staff filed its recommendation on final disposition that

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included memoranda from Commission Staff experts _____ and _____.
Commission Staff recommended that Oncor's application be approved as filed.

33. On _____, 2024, Oncor filed the rebuttal testimonies and exhibits of _____ and _____.
34. On _____, 2024, the [municipal regulatory authorities] filed the affidavit of _____ related to the [municipal regulatory authorities'] rate-case expenses in this proceeding.

Evidentiary Record

35. In Order No. __ filed on _____, 2024, the ALJ admitted the following evidence into the record:
- a. Oncor's application filed on August 16, 2024;
 - b. the direct testimonies and exhibits of Oncor witnesses W. Alan Ledbetter, Bonnie L. Clutter, Janice I. Fennell, and Coler D. Snelleman filed on August 16, 2024;
 - c. Oncor's affidavit attesting to the provision of notice filed _____, 2024;
 - d. the direct testimony and exhibits of _____ witness _____ filed on _____, 2024;
 - e. the direct testimony and exhibits of _____ witness _____ filed on _____, 2024;
 - f. the direct testimony and exhibits of _____ witness _____ filed on _____, 2024;
 - g. Commission Staff's recommendation on final disposition filed on _____, 2024;
 - h. the rebuttal testimonies and exhibits of Oncor witnesses _____ and _____ filed on _____, 2024; and
 - i. the affidavit of _____ related to the [municipal regulatory authorities'] rate-case expenses filed on _____, 2024.

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Final Rates

36. It is appropriate for the Commission to approve the rates proposed in Oncor's August 16, 2024 application.
37. The DCRF is consistent with the allocation to each rate class of invested-capital costs in Docket No. 53601.
38. The rate-class billing determinants used in calculating the DCRF approved by this Order are weather-normalized and reflect Oncor's number of customers as of June 30, 2024.
39. The DCRF approved by this Order does not include any indirect corporate costs or capitalized operations and maintenance costs.

Rate-Case Expenses

40. On _____, 2024, the [municipal regulatory authorities] filed the affidavit of _____ who attested that the rate-case expenses from _____ through _____, 2024, in the amount of \$_____ for this proceeding are reasonable given the nature of the [municipal regulatory authorities'] participation in this docket, the number of issues involved, the complexity, importance, and scope of this docket.
41. It is appropriate for Oncor to reimburse the participating municipalities for their rate-case expenses within 30 days of the date of a signed final order in this docket.
42. It is appropriate for Oncor to establish a regulatory asset for its rate-case expenses incurred in this proceeding, including the reimbursement of participating municipalities for their rate-case expenses, and for Oncor to be allowed to request recovery of that asset in a future proceeding or a proceeding to collect those expenses through a separate surcharge. Rate-case expenses in connection with this proceeding are subject to a final determination by the Commission as to the reasonableness and necessity of those expenses.

Good-Cause Exception

43. It is appropriate to consider this Order at the earliest open meeting available; therefore, good cause exists to waive the requirement in 16 TAC § 22.35(b)(2) that a proposed order be served on the parties at least 20 days before the Commission is scheduled to consider the proposed order in an open meeting.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Oncor is a public utility as defined in PURA § 11.004(1) and an electric utility as defined in PURA § 31.002(6).
2. The Commission has authority over this matter under PURA §§ 14.001, 32.001, 33.002, and 36.210.
3. The Commission processed this docket in accordance with the requirements of PURA, the Administrative Procedure Act,⁸ and Commission rules.
4. Oncor is eligible to file this application for a DCRF under PURA § 36.210(d).
5. Oncor provided notice of the application using a reasonable method in compliance with 16 TAC § 25.243(e)(2).
6. The application was deemed sufficient under 16 TAC § 25.243(e)(6)(A).
7. The basis for Oncor's application is changes in invested capital under PURA § 36.053 that are categorized or functionalized as distribution plant, distribution-related intangible plant, and distribution-related communication equipment and networks under PURA § 36.210(a) and 16 TAC § 25.243(b)(3).
8. Oncor's classification of distribution investments, distribution revenue requirement, cost allocation, and rate design, as reflected in Oncor's application and modified by this Order, results in rates that are just and reasonable, that comply with the relevant ratemaking provisions in PURA and Commission rules, and that are not unreasonably discriminatory, preferential, or prejudicial.
9. The rates recommended for approval by the proposal for decision are just and reasonable under PURA § 36.003(a).
10. In accordance with PURA § 36.003(b), the rates recommended for approval by the proposal for decision are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of consumer.

⁸ Tex. Gov't Code §§ 2001.001-.903.

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11. The rates recommended for approval by the proposal for decision establish Oncor's overall revenue at a level that will provide the utility a reasonable opportunity to earn a reasonable return as required by PURA § 36.051.
12. The rates recommended for approval by the proposal for decision were calculated in compliance with 16 TAC § 25.243(d).
13. The rate of return used to calculate the DCRF recommended for approval by the proposal for decision complies with 16 TAC § 25.243(d)(2).
14. Oncor's DCRF recommended for approval by the proposal for decision complies with PURA § 36.210 and 16 TAC § 25.243.
15. Oncor's DCRF approved by this Order takes into account changes in the number of Oncor's customers and the effects, on a weather-normalized basis, that energy consumption and energy demand have on the amount of revenue recovered through Oncor's base rates in accordance with PURA § 36.210(a)(2) and 16 TAC § 25.243(d)(1).
16. Oncor is required to provide notice of the approved rates in accordance with PURA § 36.210(b)(2).
17. The [municipal regulatory authorities] met the requirements of 16 TAC § 25.245 with respect to the rate-case expenses incurred and recommended for approval by the proposal for decision.
18. Under PURA § 33.023(b), Oncor is required to reimburse the municipal regulatory authorities that participated in this docket for their reasonable and necessary rate-case expenses to the extent the Commission determines is reasonable.
19. Under PURA § 36.210, a DCRF proceeding is a periodic rate adjustment, not a rate change. The opportunity for a hearing will occur in the applicant's next base-rate proceeding, not in an applicant's DCRF proceeding.
20. Under 16 TAC § 25.243(f), the Commission will reconcile the investments Oncor recovers through its DCRF during its next comprehensive base-rate case.
21. There is good cause under 16 TAC § 22.5(b) to grant an exception to the 20-day notice requirement in 16 TAC § 22.35(b)(2).

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission adopts the proposal for decision, including findings of fact and conclusions of law, to the extent provided in this Order.
2. The Commission amends Oncor's DCRF to the extent provided in this Order.
3. The Commission approves the DCRF tariff schedules filed by Oncor on August 16, 2024, as attachments A and B to its application, effective on and after Oncor's provision of 45 days' notice of the approved rates to REPs.
4. Oncor must reimburse the [municipal regulatory authorities] for their reasonable rate-case expenses within 30 days of the date of this Order.
5. The Commission authorizes Oncor to defer as a regulatory asset and to request recovery of its own and any participating municipality's rate-case expenses incurred in this proceeding either in a future rate case proceeding or through a separate surcharge, subject to a final determination by the Commission as to the reasonableness and necessity of those expenses.
6. The Commission makes no determinations in this proceeding regarding the reasonableness of the [municipal regulatory authorities] and Oncor's rate-case expenses incurred in this proceeding. The Commission will make determinations regarding the reasonableness of those expenses in a future docket.
7. Within ten days of the date of this Order, Oncor must provide the Commission with a clean copy of DCRF tariff schedules approved by this Order to be stamped *Approved* and retained by Central Records and filed in the Commission's tariff books.
8. The Commission is not determining in this Order whether investments recovered through the DCRF comply with PURA or are prudent, reasonable, and necessary. The Commission will make those determinations in Oncor's DCRF reconciliation under 16 TAC § 25.243(f).
9. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted in this Order.

Docket No. ____

Proposed Order

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Signed at Austin, Texas the ____ day of _____ 2024.

PUBLIC UTILITY COMMISSION OF TEXAS

THOMAS GLEESON, CHAIRMAN

LORI COBOS, COMMISSIONER

JIMMY GLOTFELTY, COMMISSIONER

KATHLEEN JACKSON, COMMISSIONER

COURTNEY HJALTMAN, COMMISSIONER

DOCKET NO. _____

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

PROTECTIVE ORDER

This Protective Order governs the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials), including information whose confidentiality is currently under dispute, by a party providing information to the Public Utility Commission of Texas (Commission) or to any other party to this proceeding.

It is ORDERED that:

1. **Designation of Protected Materials.** Upon producing or filing a document, including, but not limited to, records on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face "PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____" (or words to this effect) and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include the documents so designated, as well as the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. **Materials Excluded from Protected Materials Designation.** Protected Materials must not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Public Information Act.¹ Protected Materials

¹ Tex. Gov't Code § 552.001-.353.

also must not include documents or information which at the time of, or prior to disclosure in, a proceeding is or was public knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

3. **Reviewing Party.** For the purposes of this Protective Order, a “Reviewing Party” is any party to this docket.
4. **Procedures for Designation of Protected Materials.** On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party is required to file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (a) any exemptions to the Public Information Act claimed to apply to the alleged Protected Materials; (b) the reasons supporting the producing party’s claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (c) that counsel for the producing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. **Persons Permitted Access to Protected Materials.** Except as otherwise provided in this Protective Order, a Reviewing Party may access Protected Materials only through its “Reviewing Representatives” who have signed the Protective Order Certification Form (see Attachment A). Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in this proceeding. At the request of the PUC Commissioners, copies of Protected Materials may be produced by Commission Staff. The Commissioners and their staff must be informed of the existence and coverage of this Protective Order and will observe the restrictions of the Protective Order.

6. **Highly Sensitive Protected Material Described.** The term “Highly Sensitive Protected Materials” is a subset of Protected Materials and refers to documents or information that a producing party claims is of such a highly sensitive nature that making copies of such documents or information or providing access to such documents to employees of the Reviewing Party (except as specified herein) would expose a producing party to unreasonable risk of harm. Highly Sensitive Protected Materials include but are not limited to: (a) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act;² (b) contractual information pertaining to contracts that specify that their terms are confidential or that are confidential pursuant to an order entered in litigation to which the producing party is a party; (c) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; and (d) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party must bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____” (or words to this effect) and must be consecutively Bates Stamped. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party’s designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.
7. **Restrictions on Copying and Inspection of Highly Sensitive Protected Material.** Except as expressly provided herein, only one copy may be made of any Highly Sensitive Protected Materials except that additional copies may be made to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. The Reviewing Party is required to maintain a record of all copies made of Highly

² Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

Sensitive Protected Material and must send a duplicate of the record to the producing party when the copy or copies are made. The record must specify the location and the person possessing the copy. Highly Sensitive Protected Material must be made available for inspection only at the location or locations provided by the producing party, except as specified by Paragraph 9. Limited notes may be made of Highly Sensitive Protected Materials, and such notes must themselves be treated as Highly Sensitive Protected Materials unless such notes are limited to a description of the document and a general characterization of its subject matter in a manner that does not state any substantive information contained in the document.

8. **Restricting Persons Who May Have Access to Highly Sensitive Protected Material.** With the exception of Commission Staff, the Office of the Attorney General (OAG), and the Office of Public Utility Counsel (OPC), and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are (a) outside counsel for the Reviewing Party, (b) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel, or (c) employees of the Reviewing Party working with and under the direction of Reviewing Party's counsel who have been authorized by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party must limit the number of Reviewing Representatives that review Highly Sensitive Protected Materials to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives whenever possible. Reviewing Representatives for Commission Staff, OAG, and OPC, for the purpose of access to Highly Sensitive Protected Materials, must consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.
9. **Copies Provided of Highly Sensitive Protected Material.** A producing party is required to provide one copy of Highly Sensitive Protected Materials specifically

requested by the Reviewing Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8. Representatives of the Reviewing Party who are authorized to view Highly Sensitive Protected Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected Materials provided to a Reviewing Party may not be copied except as provided in Paragraph 7. The restrictions contained herein do not apply to Commission Staff, OPC, and the OAG when the OAG is representing a party to the proceeding.

10. **Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict.** The procedures in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflict with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs control.
11. **Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC and the OAG.** When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party is required to also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC (if OPC is a party) and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures specified herein.

12. **Delivery of the Copy of Highly Sensitive Protected Material to Commission Staff and Outside Consultants.** The Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification specified by Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification in Attachment A.
13. **Restriction on Copying by Commission Staff, OPC and the OAG.** Except as allowed by Paragraph 7, Commission Staff, OPC and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the presiding officer directs otherwise. Commission Staff, OPC, and the OAG may make limited notes of Highly Sensitive Protected Materials furnished to them, and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.
14. **Public Information Requests.** In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.

15. **Required Certification.** Each person who inspects the Protected Materials must, before such inspection, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials must not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC will be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein must not apply.

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order must, before inspection of such material, agree in writing to the following certification found in Attachment A to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

The Reviewing Party is required to provide a copy of each signed certification to Counsel for the producing party and serve a copy upon all parties of record.

16. **Disclosures between Reviewing Representatives and Continuation of Disclosure Restrictions after a Person is no Longer Engaged in the Proceeding.** Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification must be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such

material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person must be terminated and all notes, memoranda, or other information derived from the protected material must either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification is required to continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.

17. **Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials.** Except for Highly Sensitive Protected Materials, which must be provided to the Reviewing Parties under Paragraph 9, and voluminous Protected Materials, the producing party is required to provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding according to this Protective Order, but a record must be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party is required to provide the party asserting confidentiality with a copy of that record.
18. **Procedures Regarding Voluminous Protected Materials.** 16 Texas Administrative Code (TAC) § 22.144(h) will govern production of voluminous Protected Materials. Voluminous Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.

19. **Reviewing Period Defined.** The Protected Materials may be reviewed only during the Reviewing Period, which will commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period will reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. **Procedures for Making Copies of Voluminous Protected Materials.** Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical or electronic copies of the Protected Materials, subject to the conditions in this Protective Order; provided, however, that before photographic, mechanical or electronic copies may be made, the Reviewing Party seeking photographic, mechanical or electronic copies must provide written confirmation of the receipt of copies listed on Attachment B of this Protective Order identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.
21. **Protected Materials to be Used Solely for the Purposes of These Proceedings.** All Protected Materials must be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (a) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (b) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.
22. **Procedures for Confidential Treatment of Protected Materials and Information Derived from Those Materials.** Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived

from the Protected Materials are to be treated confidentially by the Reviewing Party and must not be disclosed or used by the Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials must be maintained in a secure place and must not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.

23. **Procedures for Submission of Protected Materials.** If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission must be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents must be marked "PROTECTED MATERIAL" and must be filed under seal with the presiding officer and served under seal to the counsel of record for the Reviewing Parties. The presiding officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (a) must notify the party which provided the information within sufficient time so that the producing party may seek a temporary sealing order; and (b) must otherwise follow the procedures in Rule 76a, Texas Rules of Civil Procedure.
24. **Maintenance of Protected Status of Materials during Pendency of Appeal of Order Holding Materials are not Protected Materials.** In the event that the

presiding officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials will nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the presiding officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a presiding officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials must be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.

25. **Notice of Intent to Use Protected Materials or Change Materials Designation.** Parties intending to use Protected Materials must notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. _____ at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such information or material has entered the public domain, such Reviewing Party must first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party will at any time be able to file a written motion to challenge the designation of information as Protected Materials.
26. **Procedures to Contest Disclosure or Change in Designation.** In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality must file with

the appropriate presiding officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period will be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response must include a statement by counsel for the party challenging such confidentiality that he or she has reviewed all portions of the materials in dispute and, without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it must do so no later than five (5) working days after the party challenging confidentiality has made its written filing.

27. **Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation.** If the party asserting confidentiality files an objection, the appropriate presiding officer will determine whether the proposed disclosure or change in designation is appropriate. Upon the request of either the producing or Reviewing Party or upon the presiding officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the presiding officer determines that such proposed disclosure or change in designation should be made, disclosure must not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such presiding officer's ruling.
28. **Maintenance of Protected Status during Periods Specified for Challenging Various Orders.** Any party electing to challenge, in the courts of this state, a

Commission or presiding officer determination allowing disclosure or a change in designation will have a period of ten (10) days from: (a) the date of an unfavorable Commission order; or (b) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation will have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation will have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials must be afforded the confidential treatment and status provided for in this Protective Order during the periods for challenging the various orders referenced in this paragraph. For purposes of this paragraph, a favorable ruling of a state district court, state appeals court, Supreme Court or other appellate court includes any order extending the deadlines in this paragraph.

29. **Other Grounds for Objection to Use of Protected Materials Remain Applicable.** Nothing in this Protective Order precludes any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless the Commission or a court orders such additional disclosure, all parties will abide by the restrictions imposed by the Protective Order.
30. **Protection of Materials from Unauthorized Disclosure.** All notices, applications, responses or other correspondence must be made in a manner which protects Protected Materials from unauthorized disclosure.
31. **Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials.** Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following

receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, "conclusion of these proceedings" refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the "conclusion of these proceedings" is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph prohibits counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit or other pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel will remain subject to the provisions of this Protective Order.

32. **Applicability of Other Law.** This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act,³ the Texas Securities Act⁴ and any other applicable law, provided that parties subject to those acts will notify the party asserting confidentiality, if possible under those acts, prior to

³ Tex. Gov't Code § 551.001-.146.

⁴ Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43.

disclosure pursuant to those acts. Such notice is not required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

33. **Procedures for Release of Information under Order.** If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (a) the Reviewing Party must notify the producing party of the order requiring the release of such information within five (5) calendar days of the date the Reviewing Party has notice of the order; (b) the Reviewing Party must notify the producing party at least five (5) calendar days in advance of the release of the information to allow the producing party to contest any release of the confidential information; and (c) the Reviewing Party must use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein. The notice specified in this section is not required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
34. **Best Efforts Defined.** The term “best efforts” as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body, the written opinion of the Texas Attorney General sought in compliance with the Public Information Act, or the request of governmental officials authorized to conduct a criminal or civil investigation that

relates to or involves the Protected Materials. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order. Provided, however, that no notice is required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

35. **Notify Defined.** "Notify" for purposes of Paragraphs 32, 33 and 34 means written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission, OAG, or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. **Requests for Non-Disclosure.** If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Protective Order, the producing party must tender the information for in camera review to the presiding officer within ten (10) calendar days of the request. At the same time, the producing party is required to file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party must serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party's argument for non-disclosure must do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer will stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the Commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to 16 TAC § 22.161.
38. **Modification of Protective Order.** Each party will have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, will be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party will not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party will be entitled to pursue any other form of relief to which it is entitled.

ATTACHMENT A

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket and that I have received a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials must not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC will be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated here will not apply.

Signature

Party Represented

Printed Name

Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature

Party Represented

Printed Name

Date

ATTACHMENT B

I request to view/copy the following documents:

Document Requested	# of Copies	Non-Confidential	Protected Materials and/or Highly Sensitive Protected Materials

Signature

Party Represented

Printed Name

Date

**INDEX TO THE DIRECT TESTIMONY
OF BONNIE L. CLUTTER, WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY LLC**

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1 **DIRECT TESTIMONY OF BONNIE L. CLUTTER**

2 **I. POSITION AND QUALIFICATIONS**

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

5 A. My name is Bonnie L. Clutter. My business address is 1616 Woodall
6 Rodgers Freeway, Dallas, Texas 75202. I am the Assistant Controller at
7 Oncor Electric Delivery Company LLC ("Oncor" or "Company").

8 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
9 PROFESSIONAL QUALIFICATIONS.

10 A. I graduated from Baylor University in August 1997 with a Bachelor of
11 Business Administration degree in Accounting and a Masters degree in
12 Business Administration. In 1997, I began my career at Texas Utilities
13 Services, Inc. where I worked in various accounting departments, including
14 corporate accounting and tax accounting. In 2002, I became an Accounting
15 Specialist for Oncor, supporting transactional accounting functions, monthly
16 financial analysis, internal reporting, and external reporting. In 2012, I
17 became the Tax Accounting Manager where I was responsible for
18 managing the federal, state, and local tax accounting and compliance
19 functions for Oncor. I started in my current role as Assistant Controller in
20 September 2021.

21 Q. DO YOU HOLD ANY PROFESSIONAL CERTIFICATIONS?

22 A. Yes. I am licensed as a Certified Public Accountant in the State of Texas.

23 Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?

24 A. Yes. I am a member of the Texas Society of Certified Public Accountants.

25 Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION?

26 A. As Assistant Controller, I manage Oncor's Corporate Accounting
27 organization which includes general accounting, property accounting,
28 accounts receivables and payables, revenue accounting, and tax
29 accounting. These organizations are responsible for ensuring that financial
30 information is recorded and reported in accordance with generally accepted

1 accounting principles ("GAAP"). Additionally, the Corporate Accounting
2 organization is responsible for seeing that the books and records of Oncor
3 are maintained in a manner consistent with sound regulatory policies and
4 procedures reflecting compliance with rules established, and regulatory
5 orders issued, by the Public Utility Commission of Texas ("Commission")
6 and other regulatory bodies.

7 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

8 A. Yes, I have pre-filed testimony in Docket Nos. 38929, 39552, 41814, 46957,
9 48231, 48325, 49427, 49721, 50734, 51996, 53601, 55190, 55525, 56306
10 and 56545.

11 **II. PURPOSE OF DIRECT TESTIMONY**

12 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

13 A. The purpose of my direct testimony is to support the Company's application
14 to amend its Distribution Cost Recovery Factor ("DCRF") pursuant to Public
15 Utility Regulatory Act § 36.210 and 16 Tex. Admin. Code ("TAC") § 25.243,
16 for the update period of January 1, 2022 through June 30, 2024. My
17 testimony presents the tax-related components of the Company's DCRF
18 revenue requirement and, along with the testimony of Company witness W.
19 Alan Ledbetter, all supporting schedules and calculations, with the
20 exception of Schedules H and J (which are sponsored by Company witness
21 Janice I. Fennell), required by the Commission's DCRF Rate Filing Package
22 ("DCRF-RFP") instructions. My direct testimony establishes, in conjunction
23 with the direct testimony provided by Company witnesses Mr. Ledbetter,
24 Ms. Fennell, and Mr. Coler D. Snelleman, that this filing complies with 16
25 TAC § 25.243, the Commission's DCRF-RFP instructions, and the Order on
26 Rehearing in Docket No. 53601, the Company's most recent
27 comprehensive base-rate case.¹

¹ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*,
Docket No. 53601, Order on Rehearing (Jun. 30, 2023).

1 My direct testimony, schedules, and workpapers were prepared by
2 me or under my direction, supervision, or control, and are true and correct.

3 Q. WHAT DCRF-RFP SCHEDULES ARE YOU SPONSORING?

4 A. I am sponsoring or co-sponsoring the following DCRF-RFP schedules and
5 the associated workpapers:

6 Schedule B-7 DIC-Related Accumulated Deferred Federal Income
7 Taxes (ADFIT);

8 Schedule E-2 Distribution Taxes Other than Federal Income Taxes;

9 Schedule E-3 Distribution Federal Income Taxes;

10 Schedule E-3.7 Summary of Accumulated Deferred Federal Income
11 Tax (ADFIT) Balances; and

12 Schedule E-3.10 Distribution Plant Accumulated Deferred Federal
13 Income Tax (ADFIT) Changes.

14 **III. REQUIREMENTS OF DCRF APPLICATION**

15 Q. AS PRESCRIBED IN GENERAL INSTRUCTION NO. 1 OF THE DCRF-
16 RFP, IS THE INFORMATION PROVIDED TAKEN FROM THE
17 COMPANY'S ACCOUNTS AND RECORDS PRESCRIBED IN THE
18 FEDERAL ENERGY REGULATORY COMMISSION ("FERC") UNIFORM
19 SYSTEM OF ACCOUNTS?

20 A. Yes. The information provided in this filing is taken from the Company's
21 books and records that are maintained according to the FERC Uniform
22 System of Accounts.

23 Q. AS PRESCRIBED IN GENERAL INSTRUCTION NO. 2, DOES YOUR
24 TESTIMONY SUPPORT THE REQUIRED SCHEDULES AND
25 WORKPAPERS?

26 A. Yes. My testimony adopts and supports the required DCRF-RFP schedules
27 and workpapers that I sponsor or co-sponsor.

28 Q. AS PRESCRIBED IN GENERAL INSTRUCTION NO. 2, ARE YOUR
29 SCHEDULES AND WORKPAPERS PROVIDED IN NATIVE ELECTRONIC
30 FORMAT INCLUDING ACTIVE EXCEL WORKBOOKS AND ALL LINKED

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1 WORKBOOKS, WITH ALL FORMULAS, CELL REFERENCES, LINKS,
2 ETC. INTACT, FUNCTIONING, AND COMPLETE?

3 A. Yes, except where Excel data was derived from a non-Excel source and
4 was directly entered into the Excel spreadsheet. Otherwise, all workbooks
5 are "active" as described in General Instruction No. 2.

6 Q. AS PRESCRIBED IN GENERAL INSTRUCTION NO. 5, HAVE THE
7 SCHEDULES BEEN PREPARED AS EXEMPLIFIED IN THE DCRF-RFP
8 SAMPLE FORMS?

9 A. Yes, the schedules are consistent with the DCRF-RFP instructions with the
10 exception that some schedules have been modified for Company specifics
11 and, in some instances, columns were added. As previously stated, all
12 schedules and workpapers are provided in native electronic format
13 including active Excel workbooks and all linked workbooks, with all
14 formulas, cell references, links, etc., intact, functioning, and complete.

15 Q. AS PRESCRIBED IN GENERAL INSTRUCTION NO. 6, DO THE
16 AMOUNTS APPROVED IN THE COMPANY'S LAST COMPREHENSIVE
17 BASE-RATE PROCEEDING CORRESPOND TO THE AMOUNTS IN THE
18 FIRST COLUMN IN YOUR SPONSORED SCHEDULES OF THE DCRF-
19 RFP?

20 A. Yes. Where applicable, the amounts in the first columns in my sponsored
21 DCRF schedules are consistent with WP/Schedule A-1, which includes the
22 DCRF baseline data approved in Docket No. 54817, the compliance docket
23 associated with the Company's most recent comprehensive base-rate
24 case.²

² See *Compliance Filing for Final Order in Docket No. 53601 (Application of Oncor Electric Delivery Company LLC for Authority to Change Rates)*, Docket No. 54817, Order No. 6 Approving Tariffs, Riders, and Baselines; and Denying Pending Motions by Rayburn Country and ETEC (Aug. 8, 2023).

1 plant experienced during the January 1, 2022 to June 30, 2024 update
2 period.

3 Q. PLEASE DISCUSS THE STATE GROSS MARGIN TAXES IN ONCOR'S
4 DCRF FILING.

5 A. The Texas Legislature enacted reforms of the Texas franchise tax system
6 and replaced it with the Texas gross margin tax ("margin tax") in 2007. The
7 amount of margin tax applicable to the DCRF revenue requirement is shown
8 in Schedule E-2 in this filing.

9 Q. PLEASE EXPLAIN HOW THE MARGIN TAX IS CALCULATED.

10 A. The margin tax is based on total taxable revenues less an elected deduction
11 of: (a) cost of goods sold ("COGS"); (b) employee compensation; or (c) 30%
12 of total revenues. Texas law defines the transmission and delivery of
13 electricity as a service, making the COGS election unavailable for Oncor.
14 Therefore, because 30% of Oncor's total taxable revenue amounts to a
15 greater deduction than employee compensation, the method that most
16 beneficially applies to Oncor and its customers is the deduction of 30% of
17 total taxable revenues. In 2015, as part of the Franchise Tax Reduction Act
18 of 2015, the Texas Legislature permanently set the margin tax rate at
19 0.75%. Thus, Oncor accrued its margin tax liability at the 0.75% rate. The
20 methodology and margin tax rate used to calculate the incremental margin
21 tax requested in this DCRF are consistent with Oncor's most recent base-
22 rate case, Docket No. 53601. The incremental DCRF-related margin tax is
23 \$2,414,156 and is shown in column (4) of Schedule E-2.

24 Q. PLEASE DISCUSS THE INCREASE IN FEDERAL INCOME TAX ("FIT")
25 RESULTING FROM THE DISTRIBUTION INVESTMENT ADDITIONS
26 INCLUDED IN THE COMPANY'S DCRF-RFP.

27 A. FIT expense was increased due to the increase in the return on rate base
28 resulting from the net addition of distribution facilities between January 1,

taxes requested in its application in accordance with 16 TAC § 25.243(d)(1) and the Commission's
DCRF rate filing package instructions.")

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2022 and June 30, 2024. The synchronized interest deduction is related to the increased return and was increased proportionally. The incremental income tax expense was quantified using the 21% FIT rate pursuant to the Tax Cuts and Jobs Act of 2017. The workpaper WP/Schedule E-3 contains the calculation of the change in synchronized interest. As shown on Schedule E-3, all other components of the FIT calculation are left unchanged from Docket No. 53601.

Q. PLEASE DISCUSS THE DCRF-RELATED TREATMENT OF ADFIT AND EXCESS ADFIT BALANCES.

A. Consistent with the DCRF-RFP instructions, Oncor's June 30, 2024 ADFIT balance, adjusted for the tax impact of applicable book adjustments, was functionalized by applying updated functionalization factors in a manner consistent with Docket No. 53601. Oncor's Excess ADFIT balance at June 30, 2024 was directly assigned to the Distribution function consistent with Docket No. 53601. Plant-related ADFIT and Excess ADFIT for DCRF purposes are shown in Schedules B-7, E-3.7, E-3.10, and my related workpapers.

V. SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. My direct testimony supports the DCRF-RFP schedules and related workpapers that I sponsor or co-sponsor. My sponsored and co-sponsored DCRF-RFP schedules have been prepared and calculated according to 16 TAC § 25.243, the DCRF-RFP instructions, and the Order on Rehearing in Docket No. 53601. For these reasons, I recommend that the Commission approve the tax-related components of the Company's revenue requirement as shown on Schedule A: Summary of Distribution Cost of Service.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

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

My name is Bonnie L. Clutter. I am of legal age and a resident of the State of Texas. The Application in this proceeding complies with 16 TAC § 25.243. The Application and the foregoing direct 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.

BONNIE L. CLUTTER

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bonnie L. Clutter this _____ day of August, 2024.

Notary Public, State of Texas

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X.	EXHIBITS:	
	EXHIBIT JIF-1	Summary of Educational and Professional Background
	EXHIBIT JIF-2	Rate Class Billing Determinants Approved in Docket No. 53601
	EXHIBIT JIF-3	History of Distribution Cost Recovery Factor (DCRF) Charges
	EXHIBIT JIF-4	Proposed Rider Distribution Cost Recovery Factor (DCRF)
	EXHIBIT JIF-5	Proposed Rider WDCRF – Wholesale Distribution Cost Recovery Factor

DIRECT TESTIMONY OF JANICE I. FENNEL

I. POSITION AND QUALIFICATIONS

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

A. My name is Janice I. Fennell. My business address is 1616 Woodall Rodgers, Dallas, Texas. I am the Senior Manager – Rates, for Oncor Electric Delivery Company LLC (“Oncor” or “Company”).

Q. PLEASE DISCUSS YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from Texas A&M University in 2007 with a Bachelor of Science degree in Accounting and a Master of Science degree in Management Information Systems. I began my career with the public accounting firm KPMG, and served in advisory and audit roles within the Austin, Dallas, and Dublin, Ireland offices. In 2014, I began employment with Oncor and served in specialist and management roles in internal audit and technology. In 2020 I joined the Regulatory department as Rates Manager responsible for preparation of the semiannual TCRF filings, and in January 2024 I was promoted to my current position, where I am responsible for the management of: cost of service, cost allocation, rate design, and tariff administration issues. A summary of my background and relevant experience can be found at Exhibit JIF-1.

Q. DO YOU HOLD ANY PROFESSIONAL CERTIFICATIONS OR MEMBERSHIPS?

A. Yes. I am licensed as a Certified Public Accountant in the State of Texas.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE COMMISSION?

A. No.

II. PURPOSE OF DIRECT TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

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1 A. The purpose of my direct testimony is to: (1) support Oncor's application to
2 amend its Distribution Cost Recovery Factor ("DCRF"); (2) sponsor the
3 calculation of Rider DCRF and Rider Wholesale Distribution Cost Recovery
4 Factor ("WDCRF"); and (3) sponsor the proposed tariff revisions (6.1.1.6.4
5 Rider DCRF and 3.6 Rider WDCRF) accompanying this filing.

6 My direct testimony, exhibits, sponsored schedules and workpapers
7 were prepared by me or under my direction, supervision, or control, and are
8 true and correct.

9 Q. WHAT SCHEDULES FROM ONCOR'S FILING DO YOU SPONSOR?

10 A. I am sponsoring Schedule H (Summary of Historic Year Billing
11 Determinants) and Schedule J (Summary of DCRF), which include the rate
12 design calculations for the proposed DCRFs by rate class. In addition, I am
13 sponsoring the following workpapers that support Schedules H and J:

14 WP/Schedule H Summary of Billing Units as of June 30, 2024;
15 WP/Schedule H/1 Customer and Weather Adjustments to Billing
16 Determinants as of June 30, 2024;
17 WP/Schedule H/2 Monthly Sales Data as of June 30, 2024;
18 WP/Schedule H/3 Adjustments to Billing Demands as of June 30, 2024;
19 WP/Schedule H/4 Weather Adjustments as of June 30, 2024; and
20 WP/Schedule H/5 Power Factor Adjustments to Billing Demands.

21 **III. DCRF RULE AND REQUIREMENTS**

22 Q. PLEASE DESCRIBE 16 TEX. ADMIN. CODE § 25.243 ("TAC") (THE
23 "DCRF RULE").

24 A. The DCRF Rule implements Public Utility Regulatory Act ("PURA")
25 § 36.210. The DCRF Rule authorizes the Commission, upon the application
26 of an electric utility, to approve a tariff or rate schedule in which a rate may
27 be periodically adjusted for changes in distribution plant, distribution-related
28 intangible plant, and distribution-related communications equipment and

- 1 networks. The DCRF for each rate class of customers is determined in
2 accordance with the DCRF Rule.
- 3 Q. IN WHAT DOCKET WAS ONCOR'S LAST COMPREHENSIVE BASE-
4 RATE PROCEEDING?
- 5 A. Oncor's last comprehensive base-rate proceeding was Docket No. 53601,
6 *Application of Oncor Electric Delivery Company LLC for Authority to Change*
7 *Rates*. The Order on Rehearing in Docket No. 53601 was signed on June
8 30, 2023.
- 9 Q. HAVE ONCOR'S DCRF RATES BEEN MODIFIED SINCE DOCKET NO.
10 53601?
- 11 A. Yes. Since Docket No. 53601, Oncor's DCRF and WDCRF rates have been
12 updated in Docket Nos. 55190,¹ 55525,² and 56306.³ Please refer to Exhibit
13 JIF-3 for a complete history of Oncor's DCRF charges.
- 14 Q. WAS A DCRF BASELINE ORDERED IN DOCKET NO. 53601?
- 15 A. Yes, it was. Accordingly, Oncor filed its DCRF baseline on July 10, 2023,
16 in Docket No. 54817, *Compliance Filing For Final Order In Docket No.*
17 *53601 (Application of Oncor Electric Delivery Company LLC for Authority to*
18 *Change Rates)*. Order No. 6 issued in Docket No. 54817 on August 8, 2023,
19 approved the DCRF baseline filed by Oncor.
- 20 Q. ARE YOU PROPOSING TO USE THE SAME COST-OF-SERVICE
21 MODEL IN THIS PROCEEDING THAT WAS USED TO CALCULATE THE
22 DCRF BASELINE ESTABLISHED IN DOCKET NO. 53601?
- 23 A. Yes. The baseline is the starting point for the DCRF, so to remain
24 consistent, the same cost-of-service model methodology used to establish

¹ *Application Of Oncor Electric Delivery Company LLC To Amend Its Distribution Cost Recovery Factor And Update Mobile Generation Riders*, Docket No. 55190 (Nov. 3, 2023).

² *Application Of Oncor Electric Delivery Company LLC To Amend Its Distribution Cost Recovery Factor*, Docket No. 55525 (Dec. 14, 2023).

³ *Application Of Oncor Electric Delivery Company LLC To Amend Its Distribution Cost Recovery Factor And Update Mobile Generation Riders*, Docket No. 56306, Interim Order (May 16, 2024).

1 the DCRF baseline in Docket No. 53601 (as approved in Docket No. 54817)
2 was used in this proceeding to appropriately assign costs to the various rate
3 classes as approved in Docket No. 53601.

4 Q. DOES YOUR TESTIMONY SUPPORT THE SCHEDULES AND
5 WORKPAPERS REQUIRED BY GENERAL INSTRUCTION NO. 2 IN THE
6 COMMISSION'S DCRF RATE FILING PACKAGE ("DCRF-RFP")
7 INSTRUCTIONS?

8 A. Yes, it does. Specifically, my testimony supports required Schedules H and
9 J.

10 Q. IN REFERENCE TO THE DCRF-RFP GENERAL INSTRUCTION NO. 5,
11 HAVE SCHEDULES H AND J BEEN PREPARED BASED ON THE
12 SAMPLE FORMS ATTACHED TO THE COMMISSION'S DCRF
13 APPLICATION?

14 A. Yes. The Company's schedules are based upon the sample forms attached
15 to the Commission's DCRF Filing Package Schedules. The Company has
16 also made some enhancements to the sample forms as permitted by the
17 DCRF-RFP General Instruction No. 5 to provide further granularity to the
18 calculation of the DCRFs.

19 Q. IN REFERENCE TO THE DCRF-RFP GENERAL INSTRUCTION NO. 5,
20 HAVE SCHEDULES H AND J AND THE SUPPORTING WORKPAPERS
21 BEEN PROVIDED IN ELECTRONIC NATIVE FORMAT WITH ALL
22 FORMULAS, CELL REFERENCES, AND LINKS INTACT, FUNCTIONING,
23 AND COMPLETE?

24 A. Yes.

25 Q. HAS ONCOR PREVIOUSLY FILED A DCRF APPLICATION?

26 A. Yes. Oncor has previously filed seven DCRF applications. This is the
27 fourth DCRF filing after the most recent base-rate case, Docket No. 53601,
28 where the DCRF was re-set to zero. This is the second DCRF filing made
29 in calendar year 2024.

1 Q. IN REFERENCE TO THE DCRF-RFP GENERAL INSTRUCTION NO. 7,
2 WOULD YOU PLEASE PROVIDE THE COMPANY'S HISTORY OF DCRF
3 CHARGES?

4 A. The historical information requested by General Instruction No. 7 is included
5 on Exhibit JIF-3. It shows the approved rates from Oncor's previously
6 approved DCRF applications, Docket Nos. 48231, 49427, 50734, 51996,
7 55190, 55525, and 56306.

8 **IV. DESCRIPTION OF SCHEDULE H**

9 Q. WHAT IS THE PURPOSE OF SCHEDULE H?

10 A. Schedule H produces the final adjusted billing units for the twelve months
11 ended June 30, 2024. These adjusted billing units are used in the
12 calculation of the DCRFs for each of the Company's retail and wholesale
13 rate classes shown in Schedule J. Schedule H also includes a calculation
14 of the load growth experienced by each rate class during the DCRF update
15 period.

16 Q. DOES SCHEDULE H FOLLOW ALL INSTRUCTIONS PROVIDED IN THE
17 DCRF APPLICATION FORM?

18 A. Yes. The Rate Class Cost-of-Service Study, modified in accordance with
19 the Commission's Order in Docket No. 53601, is the source of the data
20 reflected in Schedule H.

21 Q. HOW MANY YEARS DID ONCOR USE IN CALCULATIONS FOR THE
22 NORMAL WEATHER HISTORICAL PERIOD?

23 A. Consistent with the Commission's DCRF Filing Package Instructions, the
24 historical period used in this proceeding for normal weather is 10 years.
25 Various industry-standard statistical tests and evaluation criteria were used
26 in the weather normalization model and are reflected in WP/Schedule H/4.1
27 and WP/Schedule H/4.2.

28 Q. PLEASE DESCRIBE THE INFORMATION SUMMARIZED ON SCHEDULE
29 H.

1 A. Schedule H is the Summary of Historic Year Billing Determinants. It
2 summarizes: (1) rate class billing determinants approved in Oncor's most
3 recent comprehensive base-rate proceeding; (2) the unadjusted rate class
4 billing determinants for the DCRF update period ending June 30, 2024; and
5 (3) the adjustments to billing determinants associated with weather-
6 normalization and the number of customers at the end of the update period.

7 For item (1) above, the rate class billing determinants approved in
8 Docket No. 53601 are shown in my Exhibit JIF-2. They also appear in
9 column (2) of Schedule H.

10 Regarding item (2) above, Oncor's unadjusted rate class billing
11 determinants for the twelve months ending June 30, 2024 are extracted
12 from the books and records of the Company.

13 For item (3) above, the adjustments to billing determinants
14 associated with weather-normalization appear in column (4) of Schedule H
15 and are combined with the unadjusted values in column (3), to show the
16 adjusted billing units at the meter at the end of the update period in column
17 (5). Then, the adjustments to the number of customers at the end of the
18 update period, shown in column (6), are added to column (5) to determine
19 the total adjusted billing units at the end of the update period in column (7)
20 of Schedule H. Finally, the difference in billing units between the adjusted
21 billing units (column (7)) and the baseline billing units (column (2)) are
22 shown in column (8) of Schedule H.

23 Q. WERE THE BILLING UNITS FOR THE RATE CLASSES WITH DEMAND-
24 BASED BILLING "WEATHER NORMALIZED" CONSISTENT WITH 16
25 TAC §§ 25.243(b)(5) AND 25.243(d) FOR THE MOST RECENT TEN
26 CALENDAR YEARS?

27 A. Yes. The weather adjustments for each rate class shown in WP/Schedule
28 H/4 are based on kilowatt-hours variation arising from the difference in
29 actual temperatures experienced during the DCRF update period in this
30 application compared to average temperatures realized in the ten-year

1 period of 2013-2022. For rate classes that use demand-based billing units,
2 the kWh-based adjustments are converted to a corresponding demand-
3 based adjustment in WP/Schedule H/3. The results of these calculations
4 are shown in columns (d) – (i) of WP/Schedule H/1. The weather
5 normalization adjustments, by rate class, are shown in column (4) of
6 Schedule H.

7 Q. DOES SCHEDULE H INCLUDE A CALCULATION OF THE LOAD
8 GROWTH ADJUSTMENT CONTAINED IN THE DCRF FORMULA?

9 A. Yes. The DCRF formula requires that the Distribution Revenue
10 Requirement by rate class from the last comprehensive base-rate case
11 (“DISTREVR_{RC-CLASS}”) be adjusted for load growth. The load growth
12 adjustment for each rate class is determined by calculating the ratio of the
13 adjusted billing determinants shown in column (8) to the billing units
14 approved in Docket No. 53601 shown in column (2), and is expressed as a
15 percentage change. The resulting rate class growth adjustments are shown
16 in column (9) of Schedule H.

17 **V. DESCRIPTION OF SCHEDULE J**

18 Q. WHAT IS THE PURPOSE OF SCHEDULE J?

19 A. Schedule J shows the compilation of all of the cost components required by
20 the DCRF Rule (see 16 TAC § 25.243(d)(1)) to calculate a DCRF for each
21 rate class. It also shows the calculation of the DCRF Revenue Requirement
22 by rate class and the final calculation of the DCRFs.

23 Q. PLEASE DESCRIBE THE SOURCE OF THE DCRF BASELINE VALUES
24 USED IN SCHEDULE J, COLUMNS (1) – (7).

25 A. The DCRF baseline values shown in Columns (1) – (7) of Schedule J were
26 developed from Oncor’s Docket No. 53601 functionalized rate class cost-
27 of-service study. As noted above, the DCRF baseline values were
28 approved by Order No. 6 in Docket No. 54817.

29 Q. DOES YOUR SCHEDULE J UTILIZE THE LOAD GROWTH
30 ADJUSTMENTS DEVELOPED ON SCHEDULE H, COLUMN (9)?

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August 2024 DCRF Application

- 1 A. Yes, the load growth adjustments, by rate class, from column (9) of
2 Schedule H are restated in column (8) of Schedule J.
- 3 Q. HOW ARE THESE LOAD GROWTH FACTORS USED IN SCHEDULE J?
- 4 A. These percentages are multiplied by the $DISTREV_{RC-CLASS}$ values from
5 column (7) to arrive at a rate class load growth adjustment. The resulting
6 load growth amount for each rate class is shown in column (9) of Schedule
7 J and, in accordance with 16 TAC § 25.243(d)(1), the sum of this column
8 \$31,087,719 was deducted from the annual change in the distribution cost
9 of service for the DCRF update period of \$408,745,142 (as determined by
10 Company witness W. Alan Ledbetter and shown in Schedule A, column (4))
11 to achieve the DCRF Revenue Requirement of \$377,657,423. This
12 calculation is shown in columns (12) – (14) of Schedule J.
- 13 Q. HOW WAS THE ADJUSTED DCRF REVENUE REQUIREMENT OF
14 \$377,657,423 ALLOCATED TO THE DCRF CLASSES?
- 15 A. The total DCRF Revenue Requirement was allocated to the individual
16 classes based on allocation factors specified by 16 TAC § 25.243(d)(1).
17 This provision states in relevant part that, “[the] Rate Class Allocation Factor
18 [is as] approved in the last comprehensive base-rate proceeding calculated
19 as: total net distribution plant allocated to the rate class, divided by total net
20 distribution plant” (as shown in column (10) of Schedule J). These
21 allocation factors are shown in column (11) of Schedule J.
- 22 Q. HOW ARE THESE RATE CLASS ALLOCATION FACTORS USED TO
23 CALCULATE THE DCRF REVENUE REQUIREMENT FOR EACH RATE
24 CLASS?
- 25 A. The rate class allocation factors in Column (11) of Schedule J are multiplied
26 by the DCRF Revenue Requirement of \$377,657,423 derived in column
27 (14) to determine the DCRF Revenue Requirement for each class, as
28 shown in column (15).
- 29 Q. PLEASE DESCRIBE THE PROCESS FOR DETERMINING THE
30 PROPOSED RATE CLASS DCRFs.

1 A. Once the rate class DCRF revenue requirements (see column (15) of
2 Schedule J) and the adjusted DCRF rate class billing units have been
3 determined (see column (7) of Schedule H, as restated in column (16) of
4 Schedule J), the DCRF rates are calculated by dividing the adjusted DCRF
5 Revenue Requirement for each rate class by the adjusted billing units. The
6 results of these calculations are shown in column (17) of Schedule J.

7 **VI. PROPOSED RIDER DCRF**

8 Q. HAVE YOU PREPARED A PROPOSED RIDER FOR THE RECOVERY OF
9 THE DCRF CHARGES DEVELOPED IN COLUMN (17) OF SCHEDULE J
10 FOR THE COMPANY'S RETAIL RATE CLASSES?

11 A. Yes. I have prepared a proposed revision to rider "6.1.1.6.4 Rider
12 Distribution Cost Recovery Factor (DCRF)." This proposed rider revision is
13 included as my Exhibit JIF-4.

14 Q. WHAT RATE CLASSES ARE INCLUDED IN THE COMPANY'S
15 PROPOSED RIDER DCRF?

16 A. As shown on page 3 of my Exhibit JIF-4, the proposed Rider DCRF contains
17 the unit charges developed in Schedule J for the following rate classes:

18 Residential Service;
19 Secondary Service Less Than or Equal to 10 kW;
20 Secondary Service Greater Than 10 kW;
21 Primary Service Less Than or Equal to 10 kW;
22 Primary Service Greater Than 10 kW – Distribution Line;
23 Primary Service Greater Than 10 kW – Substation;
24 Transmission Service; and
25 Lighting Service.

26 Q. PLEASE DESCRIBE THE DCRF BILLING UNITS FOR EACH CLASS.

27 A. Rider DCRF is billed on the same billing unit basis as the Distribution
28 System Charge for each of the rate classes listed above. Therefore, the
29 Residential, Secondary Service Less Than or Equal to 10 kW, Primary
30 Service Less Than or Equal to 10 kW, and Lighting rate classes are billed

on kWh usage. For all of the other rate classes listed above, the DCRF charges are based on kW Billing Demands, as defined for each rate class in Oncor's Tariff For Retail Delivery Service.

Q. WHAT IS THE PROPOSED EFFECTIVE DATE FOR RIDER DCRF?

A. Oncor requests an effective date for Rider DCRF and the associated revisions to the Company's Tariff for Retail Delivery Service of December 1, 2024, consistent with PURA § 36.210(i). This means that the new DCRF rates approved in this docket will be reflected on bills rendered on and after December 1, 2024, until replaced with a new rate by Commission order.

VII. PROPOSED RIDER WDCRF

Q. HAVE YOU PREPARED A PROPOSED RIDER FOR THE RECOVERY OF THE DCRF CHARGES DEVELOPED IN COLUMN (17) OF SCHEDULE J FOR THE COMPANY'S WHOLESALE DISTRIBUTION RATE CLASSES?

A. Yes. I have prepared a proposed revision to rider "3.6 Rider WDCRF – Wholesale Distribution Cost Recovery Factor" for inclusion in the Company's Tariff for Transmission Service. This proposed rider revision is included as my Exhibit JIF-5.

Q. WHAT RATE CLASSES ARE INCLUDED IN THE COMPANY'S PROPOSED RIDER WDCRF?

A. As shown on page 3 of my Exhibit JIF-5, the Proposed Rider WDCRF contains the unit charges developed in Schedule J for the Wholesale Substation Service and Wholesale Distribution Line Service rate classes.

Q. PLEASE DESCRIBE THE BILLING UNITS FOR THESE RATE CLASSES.

A. Rider WDCRF is billed on the Distribution System Charge Billing Demand.

Q. WHAT IS THE PROPOSED EFFECTIVE DATE FOR RIDER WDCRF?

A. Oncor requests an effective date for Rider WDCRF and the associated revisions to the Company's Tariff for Transmission Service of December 1, 2024, consistent with PURA § 36.210(i). This means that the new DCRF rates approved in this docket will be reflected on bills rendered on and after December 1, 2024, until replaced with a new rate by Commission order.

PUC Docket No. _____

**Fennell – Direct
Oncor Electric Delivery
August 2024 DCRF Application**

VIII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. I prepared the proposed revisions to Rider DCRF to the Company's Tariff for Retail Delivery Service and the proposed revisions to Rider WDCRF to the Company's Tariff for Transmission Service to implement the DCRFs for each applicable rate class as calculated in Schedule J.

I also prepared Schedule H to calculate the adjusted billing units and the class load growth factor for each rate class. I then prepared Schedule J, which compiled all of the cost components required by the DCRF Rule, to calculate the DCRF revenue requirement and, subsequently, to calculate the DCRFs for each rate class.

Q. WHAT RELIEF IS ONCOR REQUESTING IN THIS PROCEEDING?

A. Oncor is requesting that the proposed Rider DCRF and the proposed Rider WDCRF be approved, with an effective date of December 1, 2024, meaning that the new rates will be applicable to bills rendered on and after that date.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF DALLAS §

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

My name is Janice I. Fennell. I am of legal age and a resident of the State of Texas. The Application in this proceeding complies with 16 TAC § 25.243, PURA § 36.210 and Oncor's tariffs. The Application and the foregoing direct testimony and the attached exhibits offered by me are, to the best of my knowledge, information, and belief, accurate, true, and correct.

Janice I. Fennell

SUBSCRIBED AND SWORN TO BEFORE ME by the said Janice I. Fennell this _____ day of August, 2024.

Notary Public, State of Texas

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Fennell – Direct
Oncor Electric Delivery
August 2024 DCRF Application

Oncor Work Experience

Internal Audit (June 2014 – September 2019)

Technology – Cyber Security (September 2019 – August 2020)

Regulatory & Rates (August 2020 – Present)

- Duties: Responsible for the preparation and filing of semi-annual Transmission Cost Recovery Factor (TCRF) Updates. Promoted to Senior Manager of Rates in January 2024; responsible for the preparation and filing of Distribution Cost Recovery Factor (DCRF) updates, Energy Efficiency Cost Recovery Factor (EECRF), tariff administration, and class cost of service studies.

Oncor Rate Design and Cost Allocation Experience:

Transmission Cost Recovery Factor (TCRF)

PUCT Docket No. 51560 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – November 2020*

PUCT Docket No. 52175 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – May 2021*

PUCT Docket No. 52898 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – November 2021*

PUCT Docket No. 53675 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – May 2022*

PUCT Docket No. 54388 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – November 2022*

PUCT Docket No. 55075 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – May 2023*

PUCT Docket No. 55928 – *Petition of Oncor Electric Delivery LLC to Update Its Transmission Cost Recovery Factor – November 2023*

Energy Efficiency Cost Recovery Factor (EECRF)

PUCT Docket No. 52178 – *Application of Oncor Electric Delivery Company LLC to Adjust Its Energy Efficiency Cost Recovery Factor – May 2021*

PUCT Docket No. 53671 – *Application of Oncor Electric Delivery Company LLC to Adjust Its Energy Efficiency Cost Recovery Factor – May 2022*

PUCT Docket No. 55074 – *Application of Oncor Electric Delivery Company LLC to Adjust Its Energy Efficiency Cost Recovery Factor – May 2023*

PUCT Docket No. 56682 – *Application of Oncor Electric Delivery Company LLC to Adjust Its Energy Efficiency Cost Recovery Factor – May 2024*

Distribution Cost Recovery Factor (DCRF)

PUCT Docket No. 55190 – *Application of Oncor Electric Delivery Company LLC to Amend Its Distribution Cost Recovery Factor and Update Mobile Generation Riders – June 2023*

PUCT Docket No. 55525 – *Application of Oncor Electric Delivery Company LLC to Amend Its Distribution Cost Recovery Factor – September 2023*

PUCT Docket No. 56306 – *Application of Oncor Electric Delivery Company LLC to Amend Its Distribution Cost Recovery Factor and Update Mobile Generation Riders – March 2024*

Base Rates Cases

PUCT Docket No. 53601 – *Application of Oncor Electric Delivery Company LLC For Authority to Change Rates – May 2022*

Education

Texas A&M University - College Station, Texas (May 2007)

Bachelor Business Administration (BBA) – Accounting, *Cum Laude*

Master of Science (MS) - Management Information Systems

Certifications

Certified Public Accountant (CPA)

State of Texas License # 091947

The following files are not convertible:

Exhibit JIF-2.xlsx

Exhibit JIF-3.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.

6.1.1 Delivery System Charges
Applicable: Entire Certified Service Area
Effective Date: December 1, 2024

Sheet: 6.4
Page 1 of 3
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6.1.1.6.4 Rider Distribution Cost Recovery Factor (DCRF)

APPLICABILITY

Each Retail Customer connected to the Company's transmission or distribution system will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule § 25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

MONTHLY RATE

The Competitive Retailer, on behalf of the Retail Customer, will be assessed this distribution service charge adjustment based on the monthly per unit cost (DCRF) multiplied times the Retail Customer's appropriate monthly billing determinant (kWh or Billing kW).

The DCRF shall be calculated for each rate according to the following formula:

$$\text{DCRF} = \frac{[(\text{DIC}_C - \text{DIC}_{RC}) * \text{ROR}_{AT}) + (\text{DEPR}_C - \text{DEPR}_{RC}) + (\text{FIT}_C - \text{FIT}_{RC}) + (\text{OT}_C - \text{OT}_{RC}) - \sum(\text{DISTREV}_{RC\text{-CLASS}} * \% \text{GROWTH}_{\text{CLASS}})] * \text{ALLOC}_{\text{CLASS}}}{\text{BDC}_{\text{CLASS}}}$$

rounded to nearest \$.000001

Where:

- DIC_C = Current Net Distribution Invested Capital
- DIC_{RC} = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.
- ROR_{AT} = After-Tax Rate of Return as defined in Substantive Rule § 25.243(d)(2).
- DEPR_C = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.
- DEPR_{RC} = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.
- FIT_C = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.
- FIT_{RC} = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.
- OT_C = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.
- OT_{RC} = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$\text{DISTREV}_{RC\text{-CLASS}}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the last comprehensive base-rate proceeding) = $(\text{DIC}_{RC\text{-CLASS}} * \text{ROR}_{AT}) + \text{DEPR}_{RC\text{-CLASS}} + \text{FIT}_{RC\text{-CLASS}} + \text{OT}_{RC\text{-CLASS}}$.

6.1.1 Delivery System Charges

Applicable: Entire Certified Service Area

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$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = $(BD_{C-CLASS} - BD_{RC-CLASS}) / BC_{RC-CLASS}$.

$DIC_{RC-CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC-CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC-CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC-CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

Residential Service	55.8203%
Secondary Service Less Than or Equal to 10 kW	2.0953%
Secondary Service Greater Than 10 kW	34.9913%
Primary Service Less Than or Equal to 10 kW	0.0284%
Primary Service Greater Than 10 kW Distribution Line	5.5524%
Primary Service Greater Than 10 kW Substation	0.5328%
Transmission Service	0.1234%
Lighting Service	0.5060%
Wholesale Service	
Substation	0.0638%
Distribution Line	0.2863%

$BD_{C-CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

$BD_{RC-CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

NOTICE

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

**Tariff for Retail Delivery Service
Oncor Electric Delivery Company LLC**

Exhibit JIF 4
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6.1.1 Delivery System Charges

Applicable: Entire Certified Service Area

Effective Date: December 1, 2024

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Distribution Cost Recovery Factor (DCRF)

Effective Date	Residential Service	Secondary Service		Primary Service			Transmission Service	Lighting Service
	(\$/kWh)	≤ 10 kW (\$/kWh)	>10 kW (\$/Billing kW)	≤ 10 kW (\$/kWh)	>10 kW Distribution Line (\$/Billing kW)	Substation (\$/Billing kW)	(\$/Billing kW)	(\$/kWh)
Dec 1, 2024	0.004553	0.004811	0.819305	0.004010	0.452807	0.107665	0.007132	0.005404
July 1, 2024	0.003472	0.003573	0.614487	0.002890	0.352451	0.090527	0.005877	0.004014
Dec 28, 2023	0.002491	0.002411	0.452724	0.002018	0.251334	0.077283	0.004672	0.002845
*	0.001847	0.001744	0.349260	0.001472	0.200969	0.063227	0.003838	0.002337
Sept 1, 2023	0.001851	0.001747	0.349875	0.001475	0.201323	0.063339	0.003845	0.002341
May 1, 2023	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sept 1, 2021	0.002213	0.002481	0.490802	0.001235	0.200042	0.044707	0.004528	0.008533
Sept 1, 2020	0.001287	0.001374	0.266647	0.000620	0.111613	0.029207	0.002994	0.004595
Sept. 1, 2019	0.000474	0.000503	0.099593	0.000221	0.046956	0.012099	0.001175	0.001633
Sept. 1, 2018	0.000183	0.000190	0.037928	0.000092	0.019495	0.005353	0.000486	0.000595

* Per settlement in Docket No. 55525, Docket No. 55190 final rates were never implemented.

3.0 Rate Schedules

Applicable: Wholesale Transmission Service

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3.6 Rider WDCRF – Wholesale Distribution Cost Recovery Factor

Application

Each WDSC will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule § 25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

Monthly Rate

The WDSC receiving service will be assessed this distribution service charge adjustment based on the monthly per unit cost (WDCRF) multiplied times the WDSC's appropriate monthly billing determinant.

The WDCRF shall be calculated for each rate according to the following formula:

$$\text{WDCRF} = \frac{[(\text{DIC}_C - \text{DIC}_{RC}) * \text{ROR}_{AT}) + (\text{DEPR}_C - \text{DEPR}_{RC}) + (\text{FIT}_C - \text{FIT}_{RC}) + (\text{OT}_C - \text{OT}_{RC}) - \sum(\text{DISTREV}_{RC\text{-CLASS}} * \% \text{GROWTH}_{\text{CLASS}})] * \text{ALLOC}_{\text{CLASS}}}{\text{BDC}_{\text{CLASS}}}$$

rounded to nearest \$.000001

Where:

DIC_C = Current Net Distribution Invested Capital

DIC_{RC} = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

ROR_{AT} = After-Tax Rate of Return as defined in Substantive Rule § 25.243(d)(2).

DEPR_C = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.

DEPR_{RC} = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.

FIT_C = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.

FIT_{RC} = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

OT_C = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

OT_{RC} = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$\text{DISTREV}_{RC\text{-CLASS}}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the

3.0 Rate Schedules

Applicable: Wholesale Transmission Service

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last comprehensive base-rate proceeding) = $(DIC_{RC-CLASS} * ROR_{AT}) + DEPR_{RC-CLASS} + FIT_{RC-CLASS} + OT_{RC-CLASS}$.

$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = $(BD_{C-CLASS} - BD_{RC-CLASS}) / BC_{RC-CLASS}$.

$DIC_{RC-CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC-CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC-CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC-CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

Residential Service	55.8203%
Secondary Service Less Than or Equal to 10 kW	2.0953%
Secondary Service Greater Than 10 kW	34.9913%
Primary Service Less Than or Equal to 10 kW	0.0284%
Primary Service Greater Than 10 kW Distribution Line	5.5524%
Primary Service Greater Than 10 kW Substation	0.5328%
Transmission Service	0.1234%
Lighting Service	0.5060%
Wholesale Service	
Substation	0.0638%
Distribution Line	0.2863%

$BD_{C-CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the WDCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the WDCRF shall be calculated using demand billing determinants.

$BD_{RC-CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

**TARIFF FOR TRANSMISSION SERVICE
ONCOR ELECTRIC DELIVERY COMPANY LLC**

Exhibit JIF 5 Page 3 of 3

3.0 Rate Schedules

Applicable: Wholesale Transmission Service

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Monthly Surcharge

The WDCRF surcharge for each of the Company's applicable wholesale rate schedules is as follows:

<u>Rate Schedule</u>	<u>WDCRF Surcharge</u>
Wholesale Substation Service	\$0.134434 per kW, billed at Annual Demand (kW)
Wholesale Distribution Line Service	\$0.560106 per Billing kW

Annual Demand (kW) is the highest 15-minute kW recorded at the Point of Interconnection in the 12-month period ended with the current month.

The Billing kW applicable to the Distribution System Charge shall be the higher of the NCP kW for the current billing month or 80% of the highest monthly NCP kW established in the 11 months preceding the current billing month (80% ratchet).

Notice

This Rate Schedule is subject to the Company's Tariff for Transmission Service and Applicable Legal Authorities.

The following files are not convertible:

Workpapers Ledbetter.xlsx	August 2024 DCRF Direct Testimony
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Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.

**INDEX TO THE DIRECT TESTIMONY
OF W. ALAN LEDBETTER, WITNESS FOR
ONCOR ELECTRIC DELIVERY COMPANY LLC**

II. OVERVIEW AND PURPOSE OF DIRECT TESTIMONY3

VIII. EXHIBITS:

Exhibit WAL-1	DCRF Update Comparison
Exhibit WAL-2	DCRF Plant Accounts Shared with Transmission
Exhibit WAL-3	Distribution Plant – Computer Equipment
Exhibit WAL-4	Distribution Plant – Intangible
Exhibit WAL-5	Communication Equipment

PUC Docket No. _____

**Ledbetter - Direct
Oncor Electric Delivery
August 2024 DCRF Application**

1 **DIRECT TESTIMONY OF W. ALAN LEDBETTER**

2 **I. POSITION AND QUALIFICATIONS**

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

5 A. My name is W. Alan Ledbetter. My business address is 1616 Woodall
6 Rodgers Freeway, Dallas, Texas 75202. I am Vice President and Controller
7 of Oncor Electric Delivery Company LLC ("Oncor" or "the Company").

8 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
9 RECENT PROFESSIONAL EXPERIENCE.

10 A. I hold a Bachelor's degree in Business Administration – Accounting from the
11 University of Texas at Arlington and Master of Business Administration
12 degree, with a minor in Finance, from Texas A&M University-Commerce. I
13 have been employed in a variety of accounting, finance, and regulatory roles
14 at Oncor and formerly affiliated companies for more than 43 years. During
15 the past decade, I have served as Oncor's Director, Planning and Economic
16 Analysis and the Company's Assistant Controller. In July 2021, I was elected
17 to my current role as Oncor's Controller, effective September 1, 2021.

18 Q. DO YOU HOLD ANY PROFESSIONAL CERTIFICATIONS OR
19 MEMBERSHIPS?

20 A. Yes. I am licensed as a Certified Public Accountant in the State of Texas
21 and also hold the Chartered Global Management Accountant designation
22 through my membership in the American Institute of Certified Public
23 Accountants.

24 Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE PUBLIC
25 UTILITY COMMISSION OF TEXAS ("COMMISSION")?

26 A. Yes. I testified before the Commission in Docket Nos. 35717 and 53601. I
27 also pre-filed direct testimony in Docket Nos. 35717, 38929, 46957, 48231,
28 49402, 50734, 51996, 53601, 55190, 55525, and 56306, as well as rebuttal
29 testimony in Docket Nos. 55190, 55525, and 56306. In general, my prior
30 testimony before the Commission addressed issues related to Oncor's
31 financial reporting and accounting practices, electric plant in service

(including interim investment updates reflected in Distribution Cost Recovery Factor (“DCRF”) filings), regulatory assets and liabilities, working capital, utility operation and maintenance (“O&M”) expenses, and miscellaneous revenues.

II. OVERVIEW AND PURPOSE OF DIRECT TESTIMONY

Q. PLEASE PROVIDE A SUMMARY OF THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS UPDATE APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC FOR APPROVAL TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR (“APPLICATION”)?

A. In general, my direct testimony addresses certain requirements of a DCRF application and the calculation of Oncor’s updated DCRF revenue requirement. Pursuant to Public Utility Regulatory Act (“PURA”) § 36.210, the Commission issued 16 Tex. Admin. Code (“TAC”) § 25.243 (the “DCRF Rule”) which applies to electric utilities, including transmission and distribution utilities, that provide wholesale or retail distribution service. Together with the DCRF Rule, the Commission has also provided instructive guidance relating to periodic rate adjustments requested pursuant to PURA § 36.210, through the prescribed *Application Form for Distribution Cost Recovery Factor (DCRF) or DCRF Update*, which includes general instructions and a listing of required schedules for the Commission’s DCRF Rate Filing Package (“DCRF-RFP”).

This Application reflects Oncor’s fourth update of its Rider DCRF, as well as the Rider Wholesale Distribution Cost Recovery Factor (“WDCRF”), tariffs following the Company’s most recent comprehensive base-rate proceeding in Commission Docket No. 53601,¹ which included invested capital placed in service through the test year period ending December 31, 2021. Coincident with the implementation of new base rates resulting from the order in Docket No. 53601, Oncor’s previously existing Rider DCRF tariff

¹ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing (Jun. 30, 2023).

1 rates were reset to zero, effective May 1, 2023. Subsequently, in June 2023,
2 Oncor filed an application for approval to amend its Rider DCRF and
3 WDCRF to include additional distribution invested capital ("DIC") placed in
4 service from January 1, 2022 through December 31, 2022.² Then, in
5 September 2023, Oncor filed its second post-Docket No. 53601
6 DCRF/WDCRF update application to include the net incremental DIC placed
7 in service from January 1, 2023 through June 30, 2023.³ Thereafter, in
8 March 2024, Oncor filed the third post-Docket No. 53601 DCRF/WDCRF
9 update application that carried the net incremental DIC placed in service
10 through December 31, 2023.⁴ It should be noted that, because of the
11 cumulative nature of DCRF updates, the present application encompasses
12 the DIC from each of these three previous applications, as well as the
13 incremental DIC invested capital from the six-month period ending June 30,
14 2024. Thus, Oncor seeks to update its DCRF and WDCRF tariffs to reflect
15 net incremental investment placed into service during the 30-month period
16 ending June 30, 2024, that is "categorized or functionalized as distribution
17 plant, distribution-related intangible plant, and distribution-related
18 communication equipment and networks" [PURA § 36.210(a)].

19 My direct testimony in this Application supports the determination of
20 the updated DIC revenue requirement calculation reflected in the Company's
21 schedules and workpapers included in the accompanying DCRF-RFP. As
22 shown on my Exhibit WAL-1, this DCRF Application reflects an annual
23 revenue requirement increase of \$90.3⁵ million over the distribution and
24 distribution-related costs reflected in Docket No. 56306. After reflecting the

² *Application of Oncor Electric Delivery Company LLC for Approval to Amend its Distribution Cost Recovery Factor and Update Mobile Generation Riders*, Docket No. 55190, Application (Jun. 29, 2023).

³ *Application of Oncor Electric Delivery Company LLC for Approval to Amend its Distribution Cost Recovery Factor*, Docket No. 55525, Application (Sept. 15, 2023).

⁴ *Application of Oncor Electric Delivery Company LLC for Approval to Amend its Distribution Cost Recovery Factor and Update Mobile Generation Riders*, Docket No. 56306, Application (Mar. 1, 2024).

⁵ To simplify the discussion in my direct testimony, monetary amounts frequently are rounded to the nearest tenth of one million dollars.

1 net effects of the \$31.1 million customer and weather-normalized growth and
2 usage adjustment related to the 30 months ending June 30, 2024, Oncor's
3 application supports a cumulative distribution-related annual revenue
4 requirement increase of \$377.7 million over the Docket No. 53601 baseline
5 values. In addition, columns (d)-(h) of my Exhibit WAL-1 provide a
6 summarized history of the four previous DCRF update proceedings that were
7 completed prior to Docket No. 53601.

8 My direct testimony, exhibits, sponsored schedules and workpapers
9 were prepared by me or under my direction, supervision, or control, and are
10 true and correct.

11 Q. WHICH DCRF-RFP SCHEDULES DO YOU SPONSOR IN THIS
12 PROCEEDING?

13 A. I sponsor or co-sponsor the following DCRF-RFP schedules:

14 Schedule A Summary of Distribution Cost of Service (DCOS);

15 Schedule B Summary of Distribution Rate Base;

16 Schedule B-1 Distribution Plant - Gross;

17 Schedule B-5 Distribution Accumulated Depreciation;

18 Schedule B-7 DIC-Related Accumulated Deferred Federal Income
19 Taxes (ADFIT);

20 Schedule E-1 Distribution Depreciation Expense; and

21 Schedule K Earnings Report of Oncor Electric Delivery Company
22 LLC (including Oncor NTU) to the Public Utility
23 Commission of Texas for the 12 Months Ending
24 December 31, 2023 ("2023 EMR").

25 The remaining DCRF-RFP schedules are sponsored (or co-sponsored) by
26 Company witnesses Mses. Bonnie L. Clutter or Janice I. Fennell.

27 Q. PLEASE PROVIDE AN OVERVIEW OF THE UPDATED DISTRIBUTION
28 COST OF SERVICE ("DCOS") REFLECTED IN THIS DCRF APPLICATION.

29 A. As shown on column (5) of DCRF-RFP Schedule A in this DCRF update
30 application, Oncor's DCOS presently nets to a total of \$4,589.5 million, after
31 reflecting other revenues. At June 30, 2024, Oncor's annual DCOS reflects

1 a cumulative increase of about \$408.7 million over the 2021 base line values
2 developed in Docket No. 53601 (see column (4) of DCRF-RFP Schedule A).
3 This increase reflects both the effects of operating expenses that are subject
4 to update in a DCRF update proceeding (depreciation and amortization,
5 taxes other than income taxes, Texas gross margin taxes, and federal
6 income taxes) and the additional capital costs resulting from the significant
7 growth in distribution electric plant in service during the 30 months ending
8 June 30, 2024. As shown on column (4) of DCRF-RFP Schedule B in this
9 DCRF update application, Oncor's June 30, 2024 net distribution rate base
10 subject to update totals more than \$12.82 billion. Company witness Mr.
11 Coler D. Snelleman provides additional direct testimony concerning Oncor's
12 investments in distribution and distribution-related plant.

13 **III. DCRF APPLICATION FILING REQUIREMENTS**

14 **A. General Instructions**

15 Q. PLEASE SUMMARIZE THE GENERAL INSTRUCTIONS REFLECTED IN
16 THE DCRF-RFP AND THEIR APPLICABILITY TO ONCOR.

17 A. Pursuant to 16 TAC § 25.72, Oncor – as a major electric utility – maintains
18 its accounting books and financial records according to the instructional
19 guidance and methodologies prescribed in the Uniform System of Accounts
20 of the Federal Energy Regulatory Commission, hereafter referred to as the
21 “FERC USOA.” As directed in General Instruction 1 of the DCRF-RFP, the
22 information provided in this DCRF Application is taken from Oncor's
23 accounting books and financial records and, therefore, is consistent with the
24 prescribed FERC USOA.

25 Moreover, as directed in General Instruction 2 of the DCRF-RFP, my
26 direct testimony supports the required schedules and workpapers that I
27 sponsor or co-sponsor, including listings of completed distribution and
28 distribution-related projects that have been placed into service and added to
29 Oncor's rate base, applicable in-service dates, and descriptions of all
30 projects with individual total capitalized costs exceeding \$100,000 of gross
31 incremental investment. Oncor has provided these schedules and

1 workpapers in a complete functional electronic format consistent with
2 General Instruction 2 of the DCRF-RFP, except where data from a non-
3 financial source was directly entered into a functioning Excel workbook.

4 Further, consistent with General Instruction 3 of the DCRF-RFP,
5 Oncor's DCRF Application only reflects incremental costs and return
6 calculated in compliance with the DCRF Rule for invested capital that is
7 categorized or functionalized as distribution plant, distribution-related
8 intangible plant, and distribution-related communication equipment and
9 networks properly recorded in FERC USOA 303, 352, 353, 360 through 374,
10 391, and 397, as described in PURA § 36.053. It is noteworthy that the
11 wording "or functionalized" was specifically added to PURA § 36.210 through
12 S.B. 1015,⁶ thereby providing enhanced clarification of the investment costs
13 eligible for inclusion in a DCRF update application.

14 In addition, as directed by General Instructions 5 and 9, the schedules
15 that I sponsor or co-sponsor in this DCRF Application have been prepared
16 in a manner consistent with the sample forms reflected in the DCRF-RFP.
17 As allowed, Oncor has added appropriate columns to certain schedules to
18 better communicate summaries of adjustments and reconciling amounts
19 included in the costs presented in this Application.

20 As further directed by General Instruction 5 of the DCRF-RFP, Oncor
21 has provided applicable workpapers in electronic native format for each
22 schedule. Included in my testimony workpapers are summaries of plant
23 additions, retirements, and other adjustments as required by DCRF-RFP
24 General Instructions 2 and 5 (see "Note 1" and "Note 2"). Together with
25 Company witness Mr. Snelleman, I co-sponsor WP/Schedule B-1/1/6_ME_
26 06302024 which lists distribution project additions exceeding \$100,000 that
27 were transferred to electric plant in service during the first six months of
28 2024, as well as WP/Schedule B-5/1/6_ME_06302024 which details
29 individual distribution project retirements over \$100,000 occurring during the

⁶ Senate Bill 1015 (Texas 88th Leg. R.S.).

1 six-month period ending June 30, 2024. Separate workpapers identifying
2 distribution and distribution-related project additions and retirements
3 exceeding \$100,000 are provided in a similar format for the calendar year of
4 2022, the first six months of 2023, and the second half of 2023, as addressed
5 in Oncor's DCRF/WDCRF Applications filed in Docket Nos. 55190, 55525,
6 and 56306, respectively.

7 Q. HAS ONCOR INCLUDED COSTS OR RETURN COMPONENTS IN ITS
8 APPLICATION THAT ARE NOT APPROPRIATELY ELIGIBLE FOR
9 RECOVERY IN A DCRF UPDATE?

10 A. No. Utilizing methodologies consistent with Oncor's prior functionalization
11 practices (including those used in Docket No. 53601) involving substation
12 project additions that contain both transmission and distribution costs, I have
13 determined that costs assigned or allocated in this DCRF Application are
14 exclusive of costs assigned to the Company's transmission business
15 operations. My Exhibit WAL-2 provides a summary of the allocation of the
16 June 30, 2024 account balances of station-related costs between Oncor's
17 investment in transmission ("TRAN") assets and those reflected in this DCRF
18 update application.

19 Q. HAS ONCOR INCLUDED ANY INDIRECT CORPORATE COSTS OR
20 CAPITALIZED O&M COSTS IN THIS DCRF APPLICATION?

21 A. No. The Company has not included or otherwise reflected any "indirect
22 corporate costs or capitalized O&M expenses" (e.g., expenses that have
23 been deferred or amortized as a regulatory asset or liability) in this DCRF
24 filing. Accordingly, the workpapers do not address any explanations or
25 criteria used to identify any excluded costs, as directed in General Instruction
26 5 of the DCRF-RFP (see "Note 1").

27 Q. HAS THE COMMISSION PROVIDED GUIDANCE ON WHAT
28 CONSTITUTES AN INDIRECT CORPORATE COST?

29 A. Yes. In Project No. 39465, the Commission noted that the "proposed rule's
30 definition of 'indirect corporate costs' confused rather than clarified the issue
31 of what costs are properly includable as distribution invested capital. The

1 definition of distribution invested capital in the adopted rule excludes indirect
2 corporate costs without the need to define that term. Therefore, the adopted
3 rule does not contain a definition of indirect corporate costs.”⁷ Thus, rather
4 than specifying assets or projects that are arguably indirectly necessary to
5 provide distribution service (e.g., “corporate aircraft and artwork”), the
6 Commission opted to identify qualifying invested capital that is “categorized
7 as distribution plant, distribution-related intangible plant, and distribution-
8 related communication equipment and networks” as investment recorded in
9 specific FERC accounts. Specifically, the order in Project No. 39465
10 explains that the benchmark for investment inclusion in a DCRF update is
11 “the FERC uniform system of accounts (USOA)” and that PURA §36.210
12 circumscribes “the Commission’s discretion in expanding the definition of
13 distribution invested capital beyond the well-established standards in the
14 FERC USOA.”⁸ Thus, consistent with the Commission’s treatment of similar
15 intangible and communication equipment and networks in Oncor’s base-rate
16 proceedings and, as reflected in the Commission-approved DCRF baseline,
17 amounts appropriately recorded to the FERC USOA accounts prescribed in
18 16 TAC § 25.243(b)(3) are presumed to be eligible for inclusion in a DCRF
19 update proceeding.⁹

20 Q. ARE ANY OF THE COSTS BEING SOUGHT FOR INCLUSION IN THIS
21 DCRF APPLICATION REFLECTED IN ANY OTHER REGULATORY
22 RECOVERY MECHANISM OR SURCHARGE?

23 A. No. The costs and investments sought for inclusion in this DCRF Application
24 are not included in any other cost recovery mechanism.

25 Q. DOES THIS DCRF APPLICATION INCLUDE THE MOST RECENT
26 EARNINGS MONITORING REPORT (“EMR”) FILED BY ONCOR WITH
27 THE COMMISSION PURSUANT TO 16 TAC § 25.73(b)?

⁷ *Rulemaking Related to Periodic Rate Adjustments*, Project No. 39465, Order Adopting New §25.243 As Approved at the September 15, 2011 Open Meeting at 33 (Sept. 22, 2011).

⁸ *Id.*

⁹ Docket No. 53601, Order on Rehearing, Finding of Fact No. 369 (Jun. 30, 2023).

1 A. Yes. Consistent with DCRF-RFP General Instruction 5 (see "Note 4"), the
2 Company has included a copy of its EMR for the most recently concluded
3 calendar year (its 2023 EMR) as Schedule K of this Application. Similar to
4 the other schedules filed in this current Application, Oncor has provided
5 Schedule K in Microsoft Excel format with all workbooks and all linked
6 workbooks having all formulas, cell references, links, etc., intact, functioning,
7 and complete. In addition, Oncor filed its 2023 EMR in Commission Project
8 No. 55977 (*Year-End 2023 Electric Utility Earnings Reports in Accordance*
9 *With 16 TAC § 25.73*) on May 15, 2024 (see Interchange Item No. 14).

10 B. Rate of Return

11 Q. DOES THE ONCOR 2023 EMR INDICATE THAT ONCOR IS EARNING
12 MORE THAN ITS AUTHORIZED RATE OF RETURN?

13 A. No. As reflected on Schedule III of the 2023 EMR (see page 7 of DCRF-
14 RFP Schedule K in this Application), Oncor's weather-adjusted rate of return
15 on its 2023 year-end total of invested capital was 5.82%, with an earned
16 return on ending equity of 7.60%. The rate of return is significantly below
17 (*i.e.*, -83 basis points) the 6.65% weighted average cost of capital authorized
18 in the Order on Rehearing in Docket No. 53601,¹⁰ as well as Oncor's actual
19 6.71% weighted average cost of capital at December 31, 2023, as reflected
20 in Schedule V of Oncor's 2023 EMR (see page 9 of DCRF-RFP Schedule K
21 in this Application, which reflects the 9.7% return on equity in effect at year-
22 end 2023, as authorized in Commission Docket No. 53601).

23 Q. DOES THE COMPANY'S 2023 EMR REFLECT THE CAPITALIZED PLANT
24 DISALLOWANCES ORDERED BY THE COMMISSION IN DOCKET NO.
25 53601?

26 A. Yes. The year-end 2023 electric plant in service balances reflected in
27 Schedule III of the 2023 EMR are net of the disallowed plant amounts
28 ordered in Docket No. 53601.

¹⁰ *Id.* at Finding of Fact No. 190 (Jun. 30, 2023).

1 Q. DOES ONCOR'S 2023 EMR PROVIDED IN SCHEDULE K OF THIS
2 APPLICATION REFLECT THE EFFECT OF EXCLUDING THE WRITE-OFF
3 OF THE DISALLOWED INVESTMENT FROM THE 2023 RETURN
4 AMOUNT?

5 A. Yes. As shown on the Company Adjustments reflected in Schedule XI of the
6 EMR (Schedule K in this Application), the \$54.7 million effect (\$43.1 million
7 after-tax) of the disallowed investment write-off that was recorded in O&M
8 expense has been removed from the return calculation. Absent this
9 adjustment, the reported rate of return values on Schedule III of the EMR
10 would have been reduced by 19 basis points.

11 **IV. DISTRIBUTION INVESTED CAPITAL SUMMARY**

12 Q. PLEASE PROVIDE A SUMMARY OF ONCOR'S NET DISTRIBUTION
13 INVESTED CAPITAL.

14 A. As shown on Schedule B of the DCRF-RFP in this Application, Oncor's Net
15 Distribution Invested Capital (i.e., Distribution rate base) at June 30, 2024,
16 as reflected in this DCRF update application, is approximately \$12,820.6
17 million. This represents net growth of approximately \$3,176.8 million during
18 the 30-month period ending June 30, 2024, when compared to the DCRF
19 year-end 2021 baseline of \$9,643.8 million approved in the compliance
20 docket associated with Docket No. 53601.¹¹ As shown on DCRF-RFP
21 Schedule B-1, this growth in Distribution rate base includes \$4,337.2 million
22 of plant additions during the cumulative update period less \$675.7 million of
23 retirements and net plant adjustments recorded during this 30-month period.
24 As shown on DCRF-RFP Schedule B-5, during the cumulative DCRF update
25 period, the net credit provision of accumulated depreciation costs reflected
26 in the Distribution rate base increased by \$388.8 million. In addition, as
27 shown on DCRF-RFP Schedule E-3.10, Oncor's net credit of accumulated

¹¹ See *Compliance Filing for Final Order in Docket No. 53601 (Application of Oncor Electric Delivery Company LLC for Authority to Change Rates)*, Docket No. 54817, Order No. 6 Approving Tariffs, Riders, and Baselines; and Denying Pending Motions by Rayburn Country and ETEC (Aug. 8, 2023).

1 deferred federal income taxes (“ADFIT”) included in the Distribution rate
2 base increased \$95.9 million over the year-end 2021 DCRF baseline values
3 determined in Oncor’s most recent base-rate proceeding (Docket No.
4 53601).

5 A. Components of Distribution Rate Base

6 Q. PLEASE DESCRIBE THE COMPONENTS OF DISTRIBUTION RATE
7 BASE REFLECTED ON SCHEDULE B OF THE DCRF-RFP.

8 A. Pursuant to 16 TAC § 25.243(b)(3), the “parts of the electric utility’s invested
9 capital, as described in PURA §36.053, that are categorized as distribution
10 plant, distribution-related intangible plant, and distribution-related
11 communication equipment and networks properly recorded in (FERC USOA)
12 Accounts 303, 352, 353, 360 through 374, 391, and 397” are recognized as
13 components of DIC subject to update in a DCRF proceeding. Further, 16
14 TAC § 25.243(b)(4) defines “Net distribution invested capital” as DIC less
15 accumulated depreciation and adjusted for any changes in distribution-
16 related accumulated deferred federal income taxes and excluding any
17 impact associated with Financial Accounting Standards Board Interpretation
18 No. 48 (FIN 48).” In addition to the guidance in the DCRF-RFP instructions,
19 Finding of Fact No. 370 of the Order on Rehearing in Docket No. 53601
20 provides that the “portion of plant-related ADFIT that has become an excess
21 ADFIT regulatory liability based on the effects of the Tax Cuts and Jobs Act
22 should be included in the DCRF baseline.” Accordingly, the Net DIC (*i.e.*,
23 Distribution rate base) reflected in this DCRF update application includes
24 changes in the excess ADFIT regulatory liability balance that is presently
25 being returned to ratepayers.

26 Q. WHAT GUIDANCE IS AVAILABLE TO ENSURE THAT CAPITAL COSTS
27 ARE PROPERLY RECORDED IN THE UPDATABLE DISTRIBUTION
28 INVESTED CAPITAL ACCOUNTS?

29 A. In general, the FERC USOA defines the various components of electric plant
30 as the “installed” cost of the asset [*e.g.*, FERC USOA no. 362 (*Station*
31 *equipment*)] provides that this “account shall include the cost installed of

1 station equipment, including transformer banks, etc., which are used for the
2 purpose of changing the characteristics of electricity in connection with its
3 distribution,” and FERC USOA no. 364 (*Poles, towers and fixtures*) provides
4 that this “account shall include the cost installed of poles, towers, and
5 appurtenant fixtures used for supporting overhead distribution conductors
6 and service wires.”] The FERC USOA descriptions for account numbers 368
7 (*Line transformers*) and 370 (*Meters*) include the phrase “whether actually in
8 service or held in reserve,” recognizing the necessity to maintain sufficient
9 capital spares in readiness to facilitate electric delivery service reliability.
10 The FERC USOA also provides specific direction on recording the costs of
11 land and land rights used in connection with distribution operations (*e.g.*, see
12 FERC USOA no. 360 and Electric Plant Instruction No. 7).

13 Q. HAS ONCOR INCLUDED THE COSTS OF RESERVE TRANSFORMERS
14 AND METER UNITS, AS REFLECTED IN ELECTRIC PLANT IN SERVICE,
15 AS PART OF THIS DCRF UPDATE APPLICATION?

16 A. Yes. Consistent with the FERC USOA guidance for the accounting of such
17 costs and the Company’s long-standing accounting practice for reserve
18 units, Oncor’s DCRF update application reflects these costs in the
19 calculation of DIC. Company witness Mr. Snelleman provides additional
20 information about Oncor’s investment in transformers, capacitors, voltage
21 regulators, and metering equipment in his direct testimony, including details
22 on reserve assets held in a ready for service condition.

23 Q. IS IT NECESSARY FOR ELECTRIC PLANT ASSETS TO BE “ENERGIZED”
24 TO BE CONSIDERED IN SERVICE?

25 A. No. FERC USOA Electric Plant Instruction No. 17 defines such reserve
26 investment as *Electric Plant in Service*, noting that “(w)hen a part only of a
27 plant or project is placed in operation or is completed and ready for service
28 but the construction work as a whole is incomplete, that part of the cost of
29 the property placed in operation or ready for service, shall be treated as
30 *Electric Plant in Service* and allowance for funds used during construction
31 thereon as a charge to construction shall cease” (emphasis added). Thus,

1 assets such as spare transformers, capacitors, and meters, are defined as
2 Electric Plant in Service because they are ready for service, even though
3 additional installation costs related to their energization will subsequently be
4 necessary. It should be noted that such assets that are ready for service,
5 whether currently energized or not, are subject to depreciation charges,
6 property tax expense, insurance and other operating costs, as well as capital
7 carrying costs (*i.e.*, return requirement).

8 Q. ARE THE COSTS OF DISTRIBUTION-RELATED ELECTRIC PLANT
9 PROPERLY RECORDED IN ONCOR'S FINANCIAL AND ACCOUNTING
10 SYSTEMS?

11 A. Yes. The components of Oncor's distribution plant in service as of the end
12 of the June 30, 2024 DCRF update period are recorded at cost in accordance
13 with FERC USOA guidelines and US GAAP. Furthermore, the amounts are
14 recorded in a manner that is consistent with Oncor's accounting practices
15 and policies that existed during the Company's last base-rate proceeding,
16 Docket No. 53601.

17 Q. ARE THERE ADDITIONAL DISTRIBUTION ASSETS THAT ARE NOT
18 PERMANENTLY INSTALLED REFLECTED IN THIS DCRF UPDATE
19 APPLICATION?

20 A. Yes. As addressed in the direct testimony of Mr. Snelleman, Oncor also
21 maintains a number of spare distribution substation power transformers and
22 mobile substation equipment to further enhance the Company's ability to
23 maintain the reliability of Oncor's distribution system. Similar to distribution
24 plant reserve investment in transformers and meters, these critical capital
25 spares are appropriately recorded in capital accounts as directed by the
26 FERC USOA. Further, such reserve assets are used and useful because
27 they are "ready for service" in meeting the Company's obligation to provide
28 safe and reliable delivery of electricity to Oncor's electric distribution
29 customers. As previously mentioned, such assets currently are subject to
30 depreciation charges, property taxes, insurance and other operating
31 expenses, as well as capital carrying costs.

1 Q. ARE THERE OTHER UNIQUE COMPONENTS OF DISTRIBUTION PLANT
2 THAT ARE CONSIDERED READY FOR SERVICE WHEN ACQUIRED?

3 A. Yes. Notably, land owned in fee requires no construction activity to be
4 capable of meeting its intended distribution plant purpose. The FERC USOA
5 is clear in directing that a Land and land rights account (e.g., Account no.
6 360 for distribution plant)¹² shall include the cost of the land owned in fee or
7 rights, but any construction activity on the land shall be recorded in the
8 appropriate plant accounts directly benefited (e.g., Account no. 361
9 Structures and improvements). Thus, land is considered to be ready for
10 providing service when it is acquired.

11 As addressed in Mr. Snelleman's direct testimony, there are
12 operational and economic reasons why Oncor must purchase land for
13 substations in advance of construction. In general, with regard to land for
14 such future substation sites, Oncor's accounting practice involves recording
15 the land in electric plant in service if design and construction activities are
16 expected to begin within 18-24 months. Typically, for land where
17 construction activities are not expected to commence within 24 months, the
18 investment is recorded in electric plant held for future use (FERC USOA no.
19 105). This long-employed accounting practice encompasses an element of
20 flexibility to accommodate revisions to construction commencement
21 estimates arising from capital reprioritization, contractor availability, or other
22 factors affecting electric plant development. Only land additions that are
23 presently recorded in electric plant in service have been included in this
24 DCRF update application.

25 Q. HAS THE COMMISSION RULED ON THE INCLUSION OF LAND
26 PURCHASES FOR FUTURE SUBSTATION SITES IN ONCOR'S
27 PREVIOUS DCRF UPDATE PROCEEDINGS?

28 A. Yes. In the Interim Orders in Docket No. 55190 (Findings of Fact No. 56)
29 and Docket No. 56306 (Findings of Fact No. 43), the Commission found that

¹² Oncor also uses FERC USOA no. 374 to identify non-depreciable land owned in fee.

1 "Oncor appropriately recorded land purchased for future substation sites as
2 plant in service because design and construction activities were expected to
3 begin with 18-24 months of the purchase and are eligible for inclusion under
4 16 TAC § 25.243(b)(3). None of the substation land projects included in
5 Oncor's application should be excluded."

6 Q. SINCE THE 2021 TEST-YEAR IN THE COMPANY'S MOST RECENT
7 COMPREHENSIVE BASE-RATE PROCEEDING, HAS ONCOR
8 IMPLEMENTED ANY CHANGE IN ACCOUNTING RULES OR PRACTICES
9 THAT AFFECT DISTRIBUTION INVESTED CAPITAL?

10 A. Yes. Presently, construction overhead costs allocated to distribution and
11 distribution-related projects exclude amounts associated with certain
12 compensation and benefit-related costs of Company officers, as well as the
13 costs of the Oncor Supplemental Retirement Plan, consistent with the
14 findings in Oncor's recent base-rate proceeding.¹³

15 B. Distribution Investment at Transmission Substations

16 Q. HAVE ANY AMOUNTS RECORDED TO TRANSMISSION ACCOUNTS
17 BEEN REFLECTED IN ONCOR'S DCRF UPDATE APPLICATION?

18 A. Yes. As is common in the electricity delivery industry, the definition of
19 "Distribution invested capital" prescribed in 16 TAC § 25.243(b)(3) includes
20 utility plant recorded in FERC USOA Transmission Plant account numbers
21 352 (*Structures and improvements*) and 353 (*Station equipment*). Oncor has
22 not recorded any distribution-related plant investment in FERC USOA no.
23 352. However, even though the vast majority of Oncor's station equipment
24 recorded in FERC USOA no. 353 is transmission-related, there are certain
25 elements of these station equipment costs that function as distribution-
26 related plant and are therefore included in the Company's DCRF update
27 applications. Further, as is also common in the electricity delivery industry,
28 certain costs appropriately recorded by Oncor in FERC USOA Distribution

¹³ Docket No. 53601, Order on Rehearing, (e.g., Findings of Fact Nos. 136, 177, and 183), (Jun. 30, 2023).