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APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC FOR AUTHORITY TO CHANGE RATES	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

JOINT RESPONSE TO ONCOR ELECTRIC DELIVERY COMPANY LLC'S MOTION FOR APPROVAL OF INTERIM RATES

COMES NOW, the Steering Committee of Cities Served by Oncor (OCSC), the Alliance of Oncor Cities (AOC), Texas Industrial Energy Consumers, the Staff of the Public Utility Commission of Texas (Commission Staff), and Texas Consumer Association (collectively, Parties) and timely file this Joint Response (Joint Response) to Oncor Electric Delivery Company LLC' s (Oncor or Company) Motion for Approval of Interim Rates (Motion).[1] The undersigning signatory has authority to sign for all Parties listed above. For the reasons set forth below, Oncor's Motion should be denied.

I. PROCEDURAL HISTORY

On June 26, 2025, Oncor filed its petition and comprehensive rate filing package (Application), which seeks to increase the Company's present revenues by approximately $834 million.[2] Less than two weeks later—well before the Parties can have an opportunity to sufficiently review the Company's request—Oncor filed its Motion seeking approval of interim rates effective October 6, 2025, which is 102 days after Oncor's Application was filed.[3]

II. DISCUSSION

Oncor relies in part on regulatory lag and the "financial headwinds faced by the Company during the past few years" to demonstrate good cause for interim rates.[4] It argues the requested interim rates are reasonable since, even though they are higher than currently approved rates for some rate classes, the interim rates are "substantially lower" than Oncor's proposed rates in its Application.[5] The Company claims it "cannot afford to wait until the conclusion of this proceeding

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[1] Oncor Electric Delivery Company LLC's (Oncor) Motion for Approval of Interim Rates (Motion) (Jul. 8, 2025).

[2] Application of Oncor for Authority to Change Rates at 2 (Jun. 26, 2025) (Application).

[3] Motion at 2.

[4] *Id.* at 1, Supplemental Direct Testimony of Brian H. Lloyd at 6 (Bates 12) (Lloyd Supplemental).

[5] Motion at 2.

before implementing at least some sort of increase to existing rates."[6] As set forth below, Oncor's conclusory statements fail to support interim rates, and its Motion should be denied for three reasons.

First, the Company failed to demonstrate good cause for interim relief. Oncor's claim that the Company cannot wait for the current proceeding to conclude provides no basis for good cause. If Oncor required a rate increase sooner than the current comprehensive rate case, the Company could have merely filed the Application at an earlier date, or even included its request for interim rates in its Application. Moreover, various interim cost recovery mechanisms—including the recently enacted House Bill (HB) 5247—adequately address the Company's regulatory lag concerns.

Second, Oncor bases much of its Motion, and even calculates the interim rates' revenue requirement, on what the Company purports to be the HB 3157 framework.[7] But HB 3157 did not become law, and thus provides no basis for Oncor's request.[8]

Third, Oncor's Motion is improper given the fact that cities with exclusive original jurisdiction retain that jurisdiction as long as they suspend the effective date of the rate change for up to 90 days after the originally proposed effective date of July 31, 2025.[9] Indeed, members of OCSC and AOC have either taken this jurisdictional step before their respective City Councils, or are scheduled to do so. The Parties address these errors in turn below.

A. Oncor failed to demonstrate good cause for the interim rates.

To determine whether good cause exists for interim rates, 16 Tex. Admin. Code 22.125(c) directs a presiding officer to consider:

> "(1) [t]he utility's ability to anticipate the need for and obtain final approval of relief prior to the time relief is reasonably needed; (2) other remedies available under law; (3) changed circumstances; (4) the effect of granting the request on the parties and the public interest; (5) whether interim relief is necessary to effect uniform system-wide rates; and (6) any other relevant factors as determined by the presiding officer."[10]

As set forth below, these factors undermine good cause for interim rates.

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[6] *Id.*

[7] Motion, Supplemental Direct Testimony of W. Alan Ledbetter at 4 (Bates 23) (Ledbetter Supplemental).

[8] Tex. H.B. 3157, 89th Leg., R.S. (2025).

[9] Public Utility Regulatory Act (PURA) § 36.108.

[10] 16 Tex. Admin. Code § 22.125(c).

1. Oncor did not sufficiently anticipate the need for interim relief prior to filing this Motion.

Oncor points to the fact that, since 2021, it has "experienced increased interest rates, wage and general inflation, and significant increases in costs for things like excess liability and wildfire insurance premiums, all while the Company has been making significant and historic capital investments in its system to meet the booming growth in Texas."[11] Oncor witness Brian Lloyd testifies that Oncor has engaged in a historic capital buildout to meet the hyper-growth in Texas, resulting in a severe underearning of the Company's authorized return on equity (ROE).[12] In particular, Mr. Lloyd states Oncor reported ROEs of 7.6% and 7.26% in 2023 and 2024, respectively which are both lower than the Company's authorized ROE of 9.7%.[13] Mr. Lloyd claims that Oncor filed its Application "as quickly as was reasonably practicable" to remedy its insufficient return.[14]

The Company ignores that Oncor fully determined the timing of its Application and could have filed it earlier. Oncor has failed to provide any support that it could not file its Application any sooner, and its statement that the Application was filed "as quickly as was reasonably practicable" is conclusory. The fact is that Oncor has been aware of the factors that led it to file this rate case for years, and it is ultimately Oncor's burden to explain why it chose to wait to file until now. The Company's most recent comprehensive base rate case concluded two years ago.[15] Oncor's assertion that interim relief is necessary falls short, given it has full knowledge of its ongoing budget and forecast processes. If the Company needed rate relief sooner (102 days after filing its Application) rather than later (the Commission's traditional 185 days after filing), it should have better anticipated its need for relief and filed this proceeding months ago.

2. HB 5247 and other interim cost recovery mechanisms adequately address Oncor's regulatory lag concerns.

According to Oncor, it has an "immediate need" for at least some increase to existing rates to mitigate the negative financial impacts the Company has experienced since the 2021 test year in its last comprehensive rate case, and it "cannot wait" until the conclusion of this proceeding for

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[11] Motion at 2.

[12] Lloyd Supplemental at 5 (Bates 11).

[13] *Id.*

[14] *Id.*

[15] *Application of Oncor for Authority to Change Rates*, Docket No. 53601 (Jun. 30, 2023).

rate relief.[16] Mr. Lloyd maintains a rate increase implemented on October 6, 2025 would partially mitigate the negative impacts of the regulatory lag Oncor is experiencing.[17] But he simultaneously acknowledges that HB 5247 mitigates regulatory lag, going so far as to withdraw the previously proposed "extraordinary lag adjustment" component that would be applied to post-test year invested capital.[18] Mr. Lloyd still contends the enactment of HB 5247 does not lessen the pressing need for interim rates in this proceeding.[19]

Along with HB 5247, Oncor has many interim cost recovery mechanisms at its disposal. Since 2021, Oncor has received rate increases through more than a dozen other interim filings, including the following: a $106.3 million Distribution Cost Recovery Factor (DCRF) increase this year;[20] a $90.3 million DCRF in 2024;[21] another $81.3 million DCRF in 2024;[22] a $53.5 million DCRF in 2023;[23] and another $152.5 million DCRF in 2023.[24] The Company also has filed interim applications to update its Transmission Cost Recovery Factor[25] and Energy Efficiency Cost Recovery Factor,[26] a System Resiliency Plan,[27] and an application for an accounting order related to increased excess liability and wildfire insurance premiums.[28] Combined, the PUC has

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[16] *Id.* at 2.

[17] Lloyd Supplemental at 6 (Bates 12).

[18] *Id.* at 11 (Bates 17).

[19] *Id.* at 8 (Bates 14).

[20] *Application of Oncor to Amend its Distribution Cost Recovery Factor*, Docket No. 57707, Order at 1 (Apr. 24, 2025).

[21] *Application of Oncor to Amend its Distribution Cost Recovery Factor*, Docket No. 56963, Order at Finding of Fact (FoF) No. 42 (Oct. 24, 2025).

[22] *Application of Oncor to Amend its Distribution Cost Recovery Factor*, Docket No. 56306, Interim Order at FoF No. 47 (May 16, 2024).

[23] *Application of Oncor to Amend its Distribution Cost Recovery Factor*, Docket No. 55525, Order at Ordering Paragraph Nos. 1-2 (Dec. 14, 2023).

[24] *Application of Oncor to Amend its Distribution Cost Recovery Factor*, Docket No. 55190, Interim Order at 1 (Nov. 3, 2023).

[25] *See Petition of Oncor to Update its Transmission Cost Recovery Factor*, Docket No. 58164, Petition of Oncor to Update its Transmission Cost Recovery Factor (May 28, 2025).

[26] *See Application of Oncor to Adjust its Energy Efficiency Cost Recovery Factor*, Docket No. 58182, Application of Oncor to Adjust its Energy Efficiency Cost Recovery Factor (May 30, 2025).

[27] *Application of Oncor for Approval of a System Resiliency Plan*, Docket No. 56545, Application of Oncor for Approval of a System Resiliency Plan (May 6, 2024).

[28] *Application of Oncor for an Accounting Order Related to Increased Excess Liability and Wildfire Insurance Premiums*, Docket No. 57932, Application of Oncor for an Accounting Order Related to Increased Excess Liability and Wildfire Insurance Premiums (Apr. 7, 2025).

authorized at least $1 billion in rate increases for Oncor over the last five years. The Commission authorized an additional $3 billion in separate Oncor resiliency spending.[29]

Oncor's interim rate filings addressed any perceived regulatory lag concerns and undermine good cause for interim rates here. Even so, Oncor has a duty and incentive to make prudent investments, and regulatory lag should encourage utility efficiency. Such efficiencies disappear if utilities rapidly increase rates every time they spend more. Oncor itself has highlighted it plans to spend more than $36 billion over the next five years on capital projects.[30] Utilities also do not have an absolute right to be compensated for losses due to regulatory lag, and "[a]ny change in the protection for the utility against undue regulatory lag should come from the legislature."[31] It is unreasonable for Oncor to emphasize the negative impacts of regulatory lag given the amounts it has spent and plans to spend.

3. Oncor mischaracterizes the "changed circumstances" that led to its need for interim relief.

Mr. Lloyd states the circumstances that existed during 2021 have changed materially due to increases in interest rates, insurance costs, wages, and other inflationary pressures.[32] He also says the "very rapid pace with which Oncor is investing in its transmission and distribution system means that even the 2024 test-year cost of service upon which proposed rates in the RFP are based will be significantly outdated by the time base rates are adjusted and implemented at the end of this proceeding."[33] Oncor's customer class composition has also materially changed according to Mr. Lloyd.[34] Therefore, Mr. Lloyd maintains Oncor has a pressing need for interim rates in this case due to these changed circumstances despite the opportunities afforded under HB 5247.[35]

Oncor misrepresents the changed circumstances spurring its need for interim relief. Any increases in costs falling out from Oncor's large capital investments are ongoing circumstances in the normal course of business that the Company has a responsibility to manage. In his

[29] Docket No. 56545, Order at FoF No. 69 (Nov. 21, 2024).

[30] Oncor Reports 2024 Results; Announces $36 Billion 2025-2029 Capital Plan, (Feb. 25, 2025) https://www.oncor.com/content/oncorwww/wire/en/home/newsroom/oncor-reports-2024-results--announces--36-billion-2025-2029-capi.html.

[31] *Texas Coast Utilities Coalition v. R.R. Comm'n of Tex.*, S.W.3d 355, 371 (Tex. 2014).

[32] Lloyd Supplemental at 7-8 (Bates 13-14).

[33] *Id.* at 8 (Bates 14).

[34] *Id.*

[35] *Id.*

Supplemental Direct Testimony, Mr. Lloyd quantifies the major cost increases since the last rate case.[36] Yet, he fails to include the increases in revenue since its last base-rate case due to the hyper-growth in its service area. This increase in revenues is a substantial benefit of regulatory lag, as revenues offset any actual harm the Company may incur from regulatory lag. Mr. Lloyd also fails to mention that Oncor obtains approximately $1.1 billion annually in cash flow through base and rider revenues for recovery of depreciation and amortization expense.[37] Oncor's "changed circumstances" are largely self-inflicted. The Company cannot invest and subsequently claim it will suffer further credit rating downgrades without interim rates.[38] Ultimately, Oncor has failed to support its claim that changed circumstances justify its request for interim rates.

B. Oncor bases its Motion on proposed legislation that ultimately did not become law.

HB 3157, which was proposed during the Texas Legislature's 89th Legislative Session, would have allowed electric utilities to put into effect interim rates on the 90th day after the date the electric utility filed a statement of intent to change rates.[39] The proposed legislation also included a calculation for the interim rate.[40] Oncor's witness W. Alan Ledbetter acknowledges that HB 3157 did not become law.[41] However, he used the framework of the bill when calculating the adjusted temporary revenue requirement since it passed the House of Representatives and claims it is a helpful tool for calculating a reasonable level of interim rates.[42]

It is inappropriate to base the Company's adjusted temporary revenue requirement on proposed legislation that did not become law. HB 3157 has no binding legal authority, as it failed to complete the legislative process. Additionally, using HB 3157 as a framework diminishes the established legislative process and the consensus of the majority that failed to pass the bill. While something like HB 3157 may someday provide a possible approach to calculate the interim rate, Oncor is essentially using the entirety of the failed legislation and asking that its interim rates go into effect on the 102nd—rather than the 90th—day after the Company filed its Application. While Oncor appears to interpret the failure of the bill as somehow burnishing its value as guidance in

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36 *Id.* at 9 (Bates 15).

37 Ledbetter Supplemental, Schedule II-E-1.

38 Lloyd Supplemental at 12 (Bates 18).

39 Tex. H.B. 3157, 89th Leg., R.S. (2025).

40 *Id.*

41 Ledbetter Supplemental at 4 (Bates 23).

42 *Id.*

this case, it is reasonable for the Commission to take the opposite view. HB 3157 was fully vetted, proceeded through the Legislative process, and ultimately not adopted by the Legislature, signaling its rejection of this concept, at least at this time. Allowing Oncor to implement interim rates with an adjusted temporary revenue requirement as laid out in HB 3157 may set a dangerous precedent for other utilities that will also argue for immediate rate relief, filing a similar Motion.

C. Oncor's Motion is inconsistent with the jurisdictional regime between the Commission and municipalities.

Public Utility Regulatory Act (PURA) § 36.108 grants local regulatory authorities the right to suspend the effective date of proposed rate changes for 90 days after the rate change would otherwise be effective.[43] The Commission may suspend the rate change for not longer than 150 days after the date the rate change would otherwise be effective.[44] Oncor requested an effective date for its proposed rates of July 31, 2025, which is 35 days after the Company filed its Application.[45] With its Motion, Oncor seeks approval of its proposed interim rates effective October 6, 2025—just 102 days after the Company filed its Application.[46]

Oncor's Motion is improper considering municipalities—not the Commission—have jurisdiction over the Company's rates charged within their municipal boundaries until 125 days after the Application was filed.[47] Multiple cities which retained original jurisdiction over the Company's rates have already passed suspension resolutions at their city council meetings. OCSC and AOC expect that most, if not all, of their members will pass a suspension resolution, which will permit adequate time to review the proposed changes and establish reasonable rates. Oncor's effective date for its proposed interim rates of October 6, 2025, is 102 days after the Company filed its Application. Those cities that suspend the effective date will still have exclusive original jurisdiction by October 6, 2025, so Oncor's Motion is inconsistent with the jurisdictional regime between the Commission and municipalities according to PURA § 36.108. Consequently, Oncor's request for the ALJ to grant interim rates without giving municipalities the right to review the Company's Application for the full 125 days following the Application's filing date is inappropriate and unreasonable.

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[43] PURA § 36.108(1).

[44] PURA § 36.108(2).

[45] Application at 5.

[46] Motion at 2.

[47] *See* PURA § 36.108(1).

III. CONCLUSION

For the foregoing reasons, Parties respectfully request that the ALJ deny Oncor's Motion. Parties further request all other relief to which they are entitled.

Respectfully submitted,

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ATTORNEYS FOR THE STEERING COMMITTEE OF CITIES SERVED BY ONCOR

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on July 15, 2025, in accordance with the Order Suspending Rules, issued in Project No. 50664.

JAMIE L. MAULDIN