DOCKET NO. 50205

APPLICATION OF FLORESVILLE ELECTRIC LIGHT AND POWER SYSTEM TO CHANGE RATES FOR WHOLESALE TRANSMISSION SERVICE	**§ § § §**	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

APPLICANT'S SECOND SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION QUESTION NO. 2-6

Floresville Electric Light and Power System, Applicant, submits this second supplemental response to Question No. 2-6 in the Second Request for Information ("RFI") of Commission Staff. Attached hereto and incorporated herein by reference is the written supplemental response thereto. It is hereby stipulated that the supplemental response may be treated by all parties as if filed under oath.

Respectfully submitted,

By: /s/ Thomas K. Anson
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CERTIFICATE OF SERVICE

I certify I served the foregoing on all parties of record by email on May 1, 2020.

/s/ Thomas K. Anson
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Question:

Staff 2-6. In response to Staff RFI 1-2, please provide all supporting documents and materials used to conclude that the allocation of 20% of Distribution Plant to the Transmission function was the most reasonable estimate to use for the allocation of Distribution Plant to the Transmission function.

Response:

In Docket No. 15724, the allocation of Distribution Plant to the Transmission function was 17.26%, as reflected in Workpaper I-Rate Base/2/1 Part 6, in that docket. In this docket, the allocation to the Transmission function equals 20% of Distribution Plant. The 20% used in the rate filing was based upon the updated functionalization pursuant to the PUC's amended instructions for Schedule II of the Earnings Report. The first use of the updated functionalization was for the Earnings Report for CY2017. That Earnings Report is available at http://interchange.puc.texas.gov/Search/Documents?controlNumber=48158&itemNumber=50. (As discussed in the Supplemental Response to Staff RFI 1-2, the 20% was used for Accounts 360, 361, and 397, and for a portion of Account 362 instead of all of Account 362 as a result of an inadvertent error, which should have been used for all of Account 362.)

The updated functionalization factor of 20% was developed by the then-General Manager and a Professional Engineer (see response to Staff RFI 2-5), based upon his direct knowledge of the Applicant's system, including the substations. No workpapers were prepared in connection therewith.

Supplemental Response:

The first sentence of the foregoing response was incorrect. That sentence as corrected reads as follows:

"In Docket No. 15724, the allocation of Distribution Plant to the Transmission function was 17.52%, as reflected in Workpaper I-Rate Base/2/4, in that docket."

In addition, the then-General Manager referenced above has been contacted. He has indicated that, for the updated functionalization in the CY2017 Earnings Report pursuant to the PUC's amended instructions for Schedule II of the Earnings Report, he considered in 2018 the various substation components, and made some calculations relating thereto, but did not keep any workpapers. Therefore, there are no supporting documents and materials available to the Applicant for the rate filing's allocation of 20% instead of 17.52% of Distribution Plant to the Transmission function other than the CY2018 Earnings Report.

Second Supplemental Response:

Pursuant to discussions with the Commission Staff, the then-General Manager referenced above (Mr. Dwain Duke) has been further contacted and asked if, after reviewing the detailed accounting information the Applicant has provided to Commission Staff in connection with the response to

Staff's 4th RFI, it refreshed his recollection such that he could provide the calculations or justification involved in reaching or developing the 20% allocation factor discussed in the prior responses to this question.

He has reviewed the accounting information referenced above, and has indicated that based thereon it does refresh his recollection, and that he is able to provide the calculations or justification involved in reaching or developing said 20% allocation factor. The following describes his refreshed recollection and the resulting calculation he has provided as a result thereof.

In early 2018, during his tenure as General Manager of the Applicant, he reviewed and adjusted the allocation percentage used for the Transmission Cost of Service (TCOS) process. This was pursuant to the directive to develop, for the Commission's Earnings Report for calendar year 2017, an updated cost functionalization. That same updated functionalization was used in the Commission's Earnings Report for calendar year 2018, which was then used in the rate filing since it was based upon a 2018 test year.

As previously discussed in prior RFI responses, the Applicant has not always used the FERC accounting format and has tried to assign costs to them. He and the Applicant's staff examined in early 2018 the FERC 360, 361, and 362 accounts and subaccounts to evaluate the allocation percentage. It was determined as a result of that examination that the allocation factor should be 20%.

Using the account information previously provided to Staff with regard to Staff's 4th RFI, he identified items in FERC accounts 361 and 362 that were clearly transmission plant or common plant to both transmission and distribution in the Applicant's substations. Many of the entries in the general ledger for the substations could be transmission plant, common plant, or distribution plant, and were therefore categorized based on known upgrades and work going on around the time the entry was booked. All other general ledger plant information was categorized as distribution.

The distribution plant entries were summed for each substation's FERC 361 & 362 subaccount and this value was subtracted from the 2017 subaccount total to produce a non-distribution value. Once each subaccount was completed, he added all non-distribution values and divided this by the account total to produce a percentage for non-distribution. This was done for both the FERC 361 and 362 accounts. FERC account 360 was allocated at 100% to non-distribution.

He added the totals for the substation subaccounts for FERC 360, 361, and 362 as well as the amounts for distribution and non-distribution associated with each. The allocation factor was determined by dividing the non-distribution by the total. Through 2017, he determined this to be 19.72% (i.e., $2,000,585.35/$10,145,739.81), which became 20% based on standard rounding practices. This rounding was done since the allocation percentage based on this methodology can vary from year to year. See Table 1 below for details.

Using the accounting information through 2018 that was provided to Staff with regard to Staff's 4th RFI, he repeated the exercise and produced an allocation factor of 20.73% (i.e., $2,120,555.25/$10,230,409.25). See Table 2 below for details. Doing this demonstrated the variability from year to year, confirmed the accuracy of the refreshed recollection, and affirms that 20% is a reasonable allocation factor.

TABLE 1

Through 2017

360	Total	Distribution	Non-Distr	
FV	$ 11,285.00	$ -	$ 11,285.00	100.00%
SS	$ 114,573.65	$ -	$ 114,573.65	100.00%
EC	$ 25,481.31	$ -	$ 25,481.31	100.00%
FC	$ 27,208.12	$ -	$ 27,208.12	100.00%
Subtotals	$ 178,548.08	$ -	$ 178,548.08	100.00%
361				
FV	$ 161,524.52	$ 91,195.77	$ 70,328.75	43.54%
SS	$ 23,928.75	$ (2,300.21)	$ 26,228.96	109.61%
EC	$ 447,633.63	$ 209,963.13	$ 237,670.50	53.09%
FC	$ 261,952.17	$ 183,587.82	$ 78,364.35	29.92%
Subtotals	$ 895,039.07	$ 482,446.51	$ 412,592.56	46.10%
362				
FV	$ 2,597,785.52	$ 2,081,427.26	$ 516,358.26	19.88%
SS	$ 2,420,083.66	$ 2,134,815.05	$ 285,268.61	11.79%
EC	$ 2,433,492.13	$ 2,129,118.74	$ 304,373.39	12.51%
FC	$ 1,620,791.35	$ 1,317,346.91	$ 303,444.44	18.72%
Subtotals	$ 9,072,152.66	$ 7,662,707.96	$ 1,409,444.70	15.54%
Totals	**$ 10,145,739.81**	**$ 8,145,154.47**	**$ 2,000,585.34**	**19.72%**

TABLE 2

Through 2018

360	**Total**	**Distribution**	**Non-Distr**	
FV	$ 11,285.00	$ -	$ 11,285.00	100.00%
SS	$ 169,964.34	$ -	$ 169,964.34	100.00%
EC	$ 25,481.31	$ -	$ 25,481.31	100.00%
FC	$ 27,208.12	$ -	$ 27,208.12	100.00%
Subtotals	$ 233,938.77	$ -	$ 233,938.77	100.00%
361				
FV	$ 162,010.52	$ 91,681.77	$ 70,328.75	43.41%
SS	$ 23,928.75	$ (2,300.21)	$ 26,228.96	109.61%
EC	$ 447,633.63	$ 209,963.13	$ 237,670.50	53.09%
FC	$ 261,952.17	$ 183,587.82	$ 78,364.35	29.92%
Subtotals	$ 895,525.07	$ 482,932.51	$ 412,592.56	46.07%
362				
FV	$ 2,574,863.52	$ 2,045,660.79	$ 529,202.73	20.55%
SS	$ 2,443,841.14	$ 2,134,815.05	$ 309,026.09	12.65%
EC	$ 2,447,043.42	$ 2,129,118.74	$ 317,924.68	12.99%
FC	$ 1,635,197.33	$ 1,317,326.91	$ 317,870.42	19.44%
Subtotals	$ 9,100,945.41	$ 7,626,921.49	$ 1,474,023.92	16.20%
System	**$ 10,230,409.25**	**$ 8,109,854.00**	**$ 2,120,555.25**	**20.73%**

Separately provided to Staff are the workpapers by which the foregoing tables were developed.

Prepared By: Ramsey Cripe and Dwain Duke
Sponsoring Witness: Ramsey Cripe and Dwain Duke