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DOCKET NO. 50732

**APPLICATION OF SAN BERNARD
ELECTRIC COOPERATIVE, INC. FOR
INTERIM UPDATE OF WHOLESALE
TRANSMISSION RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**



COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Recommendation on Final Disposition. Staff recommends that the application be approved. In support thereof, Staff shows the following:

I. BACKGROUND

On April 2, 2020, San Bernard Electric Cooperative, Inc. (San Bernard), filed an application for an interim update of wholesale transmission rates, pursuant to 16 Texas Administrative Code (TAC) § 25.192(h) (Application). San Bernard requested an interim revision to its previously approved transmission cost of service (TCOS) and wholesale transmission rates. In addition to the Application, San Bernard filed the testimony of John Simpsen, and the interim TCOS filing package, schedules, and work papers. On April 24, 2020, San Bernard filed an affidavit attesting to the provision of notice.

San Bernard's Application compares the actual December 31, 2019, transmission net plant balances with the December 31, 2014, net plant balances established in Docket No. 44897. The difference between these two balances signifies the increase in rate base that is included in San Bernard's Application.

The requested increase in total transmission rate base in this filing is \$15,603,628, with an increase in the total transmission revenue requirement of \$1,627,464. San Bernard further requested that the Commission approve an interim update to its wholesale transmission rate to \$0.057070 per kilowatt (kW).

In addition, San Bernard seeks to revise its proposed tariff to insert language that would exempt certain exports of power over DC ties from San Bernard's wholesale transmission rates if those exports qualify for the "Oklaunion Exemption." In order to implement the revised tariff language, San Bernard's requests a good cause exception from 16 TAC § 25.192(a) and (e), which requires transmission service customers be assessed a transmission service charge for the use of the Electric Reliability Council of Texas (ERCOT) system in exporting power from ERCOT. San

Bernard's support for the exception is based on ERCOT protocols, which include an exemption from wholesale transmission service charges for exports associated with the Oklaunion power plant since those exports flow directly from the Oklaunion power plant over the North DC tie.

On April 30, 2020, Order No. 1 was issued by the Commission administrative law judge, requiring Staff to file its recommendation on final disposition by May 20, 2020. Therefore, this pleading is timely filed.

II. FINAL RECOMMENDATION

Staff has reviewed San Bernard's Application, and, as supported by the attached memorandum of Diane Hopingardner and William Abbott of the Commission's Rate Regulation Division and Reginald Tuvilla of the Commission's Infrastructure Division, Staff recommends that San Bernard's Application for an interim revision to its previously approved TCOS and wholesale transmission rates be approved. Staff recommends that the approval be subject to a more comprehensive analysis and reconciliation at the next complete review of San Bernard's cost of service, wherein the Commission will make a final determination of the appropriateness of San Bernard's plant additions, pursuant to 16 TAC § 25.192(h)(2).

In addition, Staff recommends that San Bernard's proposed "Oklaunion Exemption" provision in its tariff, as requested in its Application, be approved. Consistent with the notice of approval issued in Docket No. 48708, Staff further recommends that San Bernard be required to submit a compliance filing to remove the "Oklaunion Exemption" provision from its tariff within a year of the retirement of the Oklaunion power plant.

Finally, Staff recommends that San Bernard be required to file a "clean" copy of its Wholesale Transmission Service Tariff that will be stamped, "Approved," by the Commission's Central Records Division and retained for future reference.

III. CONCLUSION

For the reasons specified above, Staff respectfully recommends that San Bernard's Application be approved, subject to further review pursuant to 16 TAC § 25.192(h)(2).

Dated: May 20, 2020

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

/s/ Richard Nemer

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DOCKET NO. 50732

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 May 20, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Richard Nemer

Richard Nemer

Public Utility Commission of Texas

Memorandum

To: Richard Nemer, Legal Division

From: William Abbott, Director, Tariff & Rate Analysis, Rate Regulation Division

Date: May 20, 2020

Re: **Docket No. 50732** – *Application of San Bernard Electric Cooperative, Inc. for Interim Update of Wholesale Transmission Rates*

On April 2, 2020, San Bernard Electric Cooperative, Inc. (San Bernard), filed for an interim update of its wholesale transmission rate under the provisions of 16 Tex. Admin. Code (TAC) § 25.192(h)(1). In its application, San Bernard requested an increase to its interim annual wholesale transmission rate from \$0.038056/kW to \$0.057070/kW. The requested rate increase is based on a \$1,627,464 increase to San Bernard's previously approved wholesale transmission service revenue requirement to a total of \$4,050,872. San Bernard also requested certain changes to its wholesale transmission service tariff to exempt exports of power associated with the "Oklaunion Exemption" under the ERCOT Nodal Protocols, as well as other minor changes to its tariff.

Pursuant to 16 TAC § 25.192(h)(1), San Bernard may apply to update its transmission rates on an interim basis not more than twice per calendar year to reflect changes in its invested capital. If it elects to update its transmission rates, the new rates shall reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, the Commission-authorized rate of return, and changes in loads. Additionally, 16 TAC § 25.192(h)(2) stipulates that an interim update of transmission rates shall be subject to reconciliation during the next complete review of San Bernard's transmission cost of service (TCOS), at which time the Commission will determine if the transmission plant additions were reasonable and necessary.

This memo represents Staff's rate and tariff analysis in response to San Bernard's request. Subsequent to my review, I concluded that San Bernard's updated wholesale transmission rates were appropriately calculated in accordance with 16 TAC § 25.192(b)(1) and 16 TAC § 25.192(e)(2).

Derived by dividing the updated total revenue requirement of \$4,050,872 by the 2019 ERCOT Average 4-CP load of 70,980,872.4 kW,¹ I confirmed that the requested interim annual wholesale transmission rate of \$0.057070/kW and the associated rates for the use of the transmission system in exporting power, as displayed in the proposed tariff, were correctly calculated. Therefore, I recommend that the interim updates be approved, subject to subsequent review in accordance with 16 TAC § 25.192(h)(2). I also recommend that San Bernard's proposed tariff changes, including the "Oklaunion Exemption" provision, be approved. I further recommend that, consistent with the approval issued in Docket No. 48708,² San Bernard be required to submit a compliance filing to remove the "Oklaunion Exemption" provision from its tariff within a year of the retirement of the Oklaunion power plant.

I further recommend that San Bernard be required to file a "clean" copy of its Wholesale Transmission Service Tariff consistent with the Commission's Final Order in this docket, and that this Wholesale Transmission Service Tariff be stamped "Approved" by the Commission's Central Records Division and retained for future reference.

¹ *Commission Staff's Application to Set 2020 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas Inc.*, Docket No. 50333.

² *Application of CenterPoint Energy Houston Electric, LLC for Interim Update of Wholesale Transmission Rates*, Docket No. 48708, Notice of Approval at Ordering Paragraph 6 (Nov. 26, 2018).

Public Utility Commission of Texas

Memorandum

TO: Richard Nemer, Legal Division

FROM: Diane Hopingardner, Rate Regulation Division

DATE: May 20, 2020

RE: Docket No. 50732 – Application of San Bernard Electric Cooperative, Inc. for Interim Update of Wholesale Transmission Rates

SUMMARY AND RECOMMENDATION

This memo presents the accounting and financial analysis recommendations regarding San Bernard Electric Cooperative, Inc.'s (San Bernard), request on April 2, 2020, for an interim update to its previously approved transmission cost of service and wholesale transmission rates under 16 Texas Administrative Code (TAC) § 25.192(h).

Under 16 TAC § 25.192(h)(1), each transmission service provider (TSP) in the ERCOT region may apply to update its transmission rates on an interim basis not more than twice per calendar year to reflect changes in its invested capital. The new rates should reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, and the Commission-allowed rate of return on such facilities, as well as changes in load. Under 16 TAC § 25.192(h)(2), the Commission shall review whether the cost of transmission plant additions are reasonable and necessary at the next complete review of the TSP's transmission cost of service.

Additionally, 16 TAC § 25.192(c) states that transmission cost of service shall be based on the expenses in Federal Energy Regulatory Commission (FERC) expense accounts 560-573 plus the depreciation, federal income tax, and other associated taxes, and the Commission-allowed rate of return based on FERC plant accounts 350-359, less accumulated depreciation and accumulated deferred federal income taxes, as applicable.

For the period ending December 31, 2019, San Bernard requests a total annual revenue requirement of \$4,050,872 based upon an increase of \$15,603,628 in net transmission invested capital. San Bernard's request includes additions to and retirements of transmission investment subsequent to December 31, 2014. The amounts included in the total annual revenue requirement are as follows:

Description	Interim Revenue Requirement
Operation and Maintenance	\$ 353,833
Depreciation and Amortization	\$ 1,268,472
Taxes Other Than Income Taxes	\$ 21,328
Federal Income Tax	\$ 0
Return on Rate Base	\$ 3,295,757
Other Revenues	\$ (888,519)
Total Interim Revenue Requirement	\$ 4,050,872

Under 16 TAC § 25.192(h)(2), my review of San Bernard's application is only a conditional review and not the final determination as to the appropriateness of the new transmission facilities and resulting wholesale transmission rate. I completed my review of the application and recommend the inclusion of San Bernard's operations and maintenance expense, depreciation expense, and return on rate base to its updated transmission invested capital balance. In addition, I also recommend the inclusion of the increase in property taxes of \$21,328.¹ There are no federal income taxes included in this application as San Bernard is exempt from such taxes.

The net increase to rate base brings San Bernard's rate base up to a new total value of \$45,072,650. Multiplying this new rate base by 7.3121%, the rate of return that San Bernard was authorized in Docket No. 44897,² yields an authorized return of \$3,295,757. This is \$1,140,953 higher than San Bernard's previously authorized return of \$2,154,804.³

San Bernard's resulting interim revenue requirement is \$4,050,872 which is an increase of \$1,627,464 to the revenue requirement approved in Docket No. 44897.⁴

I recommend that San Bernard's application be approved as filed on April 2, 2020, with the final determination of the recoverable amounts of any new transmission facilities additions being made at the next complete review of San Bernard's cost of service.

¹ Application at Workpaper E-2 Property Tax Adjustment (Apr. 2, 2020).

² *Application of San Bernard Electric Cooperative for Approval of Transmission Cost of Service and Wholesale Transmission Rates*, Docket No. 44897, Final Order (Nov. 6, 2015).

³ Application at Schedule B (Apr. 2, 2020).

⁴ *Id.*

Public Utility Commission of Texas

Memorandum

To: Richard Nemer, Legal Division

From: Reginald J. Tuvilla, Infrastructure Division

Date: May 20, 2020

Re: **Docket No. 50732** – *Application of San Bernard Electric Cooperative, Inc. for Interim Update of Wholesale Transmission Rates*

On April 2, 2020, San Bernard Electric Cooperative, Inc. (San Bernard), filed for approval of an update of wholesale transmission rates based on interim revision to its previously-approved transmission cost of service (TCOS) rates, pursuant to 16 Texas Administrative Code (TAC) § 25.192(h)(1). Under 16 TAC § 25.192(h)(1), each transmission service provider (TSP) in the ERCOT region may apply to update its transmission rates on an interim basis not more than twice per calendar year to reflect changes in its invested capital. Further, if the TSP elects to update its transmission rates, the new rates shall reflect the addition and retirement of transmission facilities and include appropriate depreciation, federal income tax and other associated taxes, and the commission-allowed rate of return on such facilities, as well as changes in loads.

Staff concludes that the total annual transmission depreciation expense of \$1,268,472¹ and the total electric accumulated depreciation of \$5,075,360² are reasonable. Commission Staff's review of depreciation is only a conditional review and is not the final determination of its appropriateness. As 16 TAC § 25.192(h)(2) states, an update of transmission rates shall be subject to reconciliation at the next complete review of the TSPs' transmission cost of service.

Staff, therefore, recommends that San Bernard's application be approved, subject to a more comprehensive analysis and reconciliation at the next complete review of San Bernard's cost of service pursuant to 16 TAC § 25.192(h)(2).

¹ Application at Schedule E-1 (Apr. 2, 2020).

² Application at Schedule B-5 (Apr. 2, 2020).