



Control Number: 50302



Item Number: 30

Addendum StartPage: 0

DOCKET NO. 50302



APPLICATION OF RIO GRANDE  
ELECTRIC COOPERATIVE TO  
CHANGE WHOLESALE  
TRANSMISSION SERVICE RATES

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PUBLIC UTILITY COMMISSION  
OF TEXAS

**RIO GRANDE ELECTRIC COOPERATIVE, INC.'S RESPONSES TO STAFF'S  
INFORMAL REQUEST FOR ADDITIONAL INFORMATION**

COMES NOW, Rio Grande Electric Cooperative, Inc. ("RGE"), by and through their attorneys of record, and files this response to Staff's Informal request for Additional Information and in support thereof, shows as follows:

**Issue No. 1: Please provide the depreciation rates used with the dates of approvals.**

**Response:** The depreciation rates used in this Docket 50302 were approved in Docket 15634 on July 7, 1997.<sup>1</sup> RGE used the same depreciation rates in Docket 31250.<sup>2</sup> While Docket 31250 was a settled docket, there was no change made for depreciation expense and therefore it was approved on October 14, 2005.<sup>3</sup> RGE has not changed its depreciation rates and has utilized the same depreciation rates it used in Docket 15634 and Docket 31250. These depreciation rates are attached hereto as Exhibit E.

**Issue No. 2: Please show how these depreciation rates were used to calculate the depreciation expense and accumulated depreciation.**

**Response:** RGE's procedures and depreciation rates are identified in Note 1 on pages 8 and 9 of its audited financial statement. RGE uses the Composite Unit method and Straight-line method for calculating depreciation expense.

<sup>1</sup> See Exhibit A, *Rio Grande Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67*, Docket 15634, Order (July 7, 1997).

<sup>2</sup> See Exhibit B, *Application of Rio Grande Electric Cooperative, Inc. to Change Rates for Wholesale Transmission Service*, Docket 31250 (Response to RFI 1-7)(July 15, 2005).

<sup>3</sup> See Exhibit C, *Application of Rio Grande Electric Cooperative, Inc. to Change Rates for Wholesale Transmission Service*, Docket 31250 Order at Exhibit A (October 14, 2005) and Exhibit D, *Id.* at Schedule A of RGE's Rate Filing Package (Item No. 1, page 109). These documents demonstrate that the depreciation expense requested was the same as the depreciation expense approved.

Composite Unit method (monthly):

The total book value of the asset group is multiplied by  $1/12^{\text{th}}$  of the annual depreciation rate to calculate the depreciation expense for the period.

Straight-line method (monthly):

The individual book value of the asset less any salvage value is multiplied by  $1/12^{\text{th}}$  of the annual depreciation rate to calculate the depreciation expense for the period.

Respectfully submitted,

Shea & Associates, PLLC

By: /s/ Tammy Shea

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**ATTORNEYS FOR RIO GRANDE ELECTRIC  
COOPERATIVE, INC.**

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of this document will be served on all parties of record on May 19, 2020 in accordance with the Commission's Orders regarding electronic service.

/s/ Tammy Shea

Tammy Shea

**PUC DOCKET NO. 15634**

**RIO GRANDE ELECTRIC  
COOPERATIVE, INC. FILING IN  
COMPLIANCE WITH SUBST. R. 23.67**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**ORDER**

Separate proceedings have been initiated by the utilities that own transmission facilities within the Electric Reliability Council of Texas (ERCOT) to develop information relating to the costs of each utility in providing transmission service. The information developed in these proceedings has been used by the Commission in fixing transmission rates in ERCOT. A companion proceeding, Docket No. 15840, *Regional Transmission Proceeding to Establish Postage Stamp Rate and Statewide Loadflow Pursuant to Subst. Rule 23.67*, has been established to develop information and resolve issues that affect a number of transmission-owning utilities and transmission customers and to fix the regional transmission rates required in P.U.C. SUBST. R. 23.67.

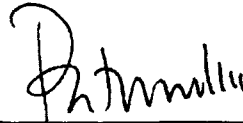
The instant case is the transmission cost-of-service case filed by Rio Grande Electric Cooperative, Inc. (Rio Grande). The issues in this docket were resolved pursuant to a stipulation of the parties, and the resolution was reflected in an interim order adopted by the Commission on December 2, 1996. Accordingly, the Commission adopts by reference the Findings of Fact and Conclusions of Law that are set out in the interim order. A copy of the Interim Order is attached to this Order. The entry of this Order will finally resolve the issues in this proceeding, and, subject to motions for rehearing, the proceeding will be closed. All motions, applications, or requests for relief that are not addressed in the orders issued in this case are denied for want of merit.

Rio Grande shall file, in a separate compliance docket, compliance tariffs for transmission service, based on (1) the cost of service adopted in Docket No. 15634, (2) the service issues resolved in Docket Nos. 15634 and 15840, and (3) the loads and megawatt-mile impacts shown in the matrices adopted by the Commission in Docket No. 15840. The compliance tariff, any

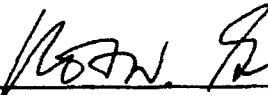
objections to it, and responses to objections shall be filed in accordance with a schedule to be prescribed by the Commission. To facilitate the review of the compliance tariffs, the compliance tariffs shall be accompanied by red-lined versions of the tariff that show any changes that have been made to the interim tariffs approved by the Commission. A red-lined version of a tariff need not be filed if the tariff is identical to the interim tariff approved by the Commission.

SIGNED AT AUSTIN, TEXAS the 7<sup>th</sup> day of July 1997.

PUBLIC UTILITY COMMISSION OF TEXAS



PAT WOOD, III, CHAIRMAN



ROBERT W. GEE, COMMISSIONER



JUDY WALSH, COMMISSIONER

**DOCKET NO. 15634**

<b>RIO GRANDE ELECTRIC</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>COOPERATIVE, INC. FILING IN</b>	<b>§</b>	
<b>COMPLIANCE WITH SUBST. R. 23.67</b>	<b>§</b>	<b>OF TEXAS</b>

**INTERIM ORDER**

The Public Utility Commission of Texas (Commission) finds that this proceeding was processed in accordance with applicable statutes and Commission rules. The parties filed a stipulation as to certain issues in this proceeding. A portion of the cost issues in this transmission cost of service (TCOS) proceeding are approved as modified by the stipulation of the parties. The approval is subject to modification in order to bring the TCOS into compliance with the Commission's existing and future rulings in Docket No. 15840, *Regional Transmission Proceeding to Establish Postage Stamp Rate and Statewide Load Flow Pursuant to P.U.C. SUBST. R. 23.67*.

The Commission adopts the following findings of fact and conclusions of law:

**Findings of Fact**

**Procedural History**

1. Rio Grande Electric Cooperative, Inc. (RGECC or the Applicant) is a nonprofit member-owned corporation and is a public utility as defined in § 2.0011(1) of the Public Utility Regulatory Act of 1995 (PURA), Tex. Rev. Civ. Stat. Ann. art. 1446c-0 (Vernon Supp. 1996).
2. On May 3, 1996, RGECC filed a TCOS rate filing package with a proposed electric transmission service tariff in compliance with P.U.C. SUBST. R. 23.67. RGECC subsequently filed revisions to its application.
3. The parties to the proceeding are the Applicant, the General Counsel, Delhi Energy Service, Inc. (Delhi), Central Power and Light Company (CPL), West Texas Utilities Company (WTU), and

Medina Electric Cooperative, Inc. (Medina). Texas Utilities Electric Company (TU Electric) withdrew as a party.

4. A discovery conference was held on July 16, 1996.
5. All parties except Delhi filed a list of contested issues. A settlement conference was held on August 2, 1996.
6. On October 11, 1996, the parties submitted an Agreement setting forth their proposed resolution of this proceeding.

**Transmission Revenue Requirement**

7. RGEC's reasonable and necessary transmission function revenue requirement is \$129,826.
8. The parties stipulate that \$45,971 is required for return for the transmission function. This amount corresponds to a 5.18 percent rate of return for the transmission function facilities. The return is reasonable and necessary.
9. The parties stipulate that the original cost less depreciation of the used and useful invested capital for the transmission function facilities is \$888,380. The cost of invested capital is reasonable and necessary.
10. RGEC's depreciation for the transmission function is \$41,834. The cost of depreciation is reasonable and necessary.
11. RGEC's reasonable operation and maintenance (O&M) expense for the transmission function is \$37,333. The O&M expense is reasonable and necessary.
12. RGEC's tax expense for the transmission function is \$4,688. The tax expense is reasonable and necessary.

13. The costs for RGEC associated with the provision of transmission service are just and reasonable.

**Informal Disposition**

14. No requests for hearing have been filed. No issues of fact or law are disputed by any party; therefore, no hearing is necessary.

**Conclusions of Law**

1. Rio Grande Electric Cooperative, Inc. (RGEC) is a nonprofit member-owned corporation and is a public utility as defined in § 2.0011(1) of the Public Utility Regulatory Act of 1995 (PURA). Tex. Rev. Civ. Stat. Ann. art. 1446c-0 (Vernon Supp. 1996).

2. The Commission has jurisdiction over this application pursuant to §§ 1.101, 2.056, 2.057, 2.101(e), and 2.216 of PURA.

3. This application was processed in accordance with the requirements of PURA and the Administrative Procedures Act. TEX. GOV'T CODE ANN. § 2001 (Vernon Supp. 1996).

4. This request does not constitute a major rate proceeding as defined by P.U.C. PROC. R. 22.2.

5. The requirements for informal disposition pursuant to P.U.C. PROC. R. 22.35 have been met in this proceeding.

In accordance with these findings of fact and conclusions of law, the Commission further issues the following Interim Order:



1. The costs for providing transmission cost of service for RGEC as stated in the findings of fact are approved on an interim basis, subject to modification in order to bring the TCOS into compliance with the Commission's existing and future rulings in Docket No. 15840, *Regional Transmission Proceeding to Establish Postage Stamp Rate and Statewide Load Flow Pursuant to P.U.C. SUBST. R. 23.67*.
2. The entry of an order consistent with the stipulation and full settlement of the parties does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the stipulation and full settlement of the parties. Neither should the entry of an order consistent with the stipulation and full settlement of the parties be regarded as binding, holding, or precedent as to the appropriateness of any principle underlying the stipulation and full settlement of the parties.

PUC DOCKET NO. 15634

RIO GRANDE ELECTRIC  
COOPERATIVE, INC. FILING IN  
COMPLIANCE WITH SUBSTANTIVE  
RULE 23.67

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PUBLIC UTILITY COMMISSION  
OF TEXAS

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**ORDER APPROVING REVISED COMPLIANCE TARIFFS**

Rio Grande Electric Cooperative (Rio Grande) filed a compliance tariff on February 14, 1997, and objections to the tariff were filed on March 7, 1997. By an Order Approving Tariffs dated April 29, 1997, the Commission directed Rio Grande to revise the tariff to reflect the power factor requirement in P.U.C. SUBST. R. 23.70. Rio Grande filed revised tariffs on May 14, 1997, and no party has objected to the terms of the revised tariffs. Rio Grande has complied with the requirements of the Order Approving Tariffs, and the tariffs are approved, as amended.



**ISSUED BY THE PUBLIC UTILITY COMMISSION OF TEXAS  
ON THE 30th DAY OF MAY 1997**

CSW  
DOCKET NO. 15634

RIO GRANDE ELECTRIC  
COOPERATIVE'S FILING IN  
COMPLIANCE WITH SUBST. R.  
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### ORDER APPROVING TARIFFS

On January 28, 1997, the Public Utility Commission issued an order approving interim transmission rates and directing the transmission-owning utilities in the Electric Reliability Council of Texas to file tariffs for transmission and ancillary services. Rio Grande Electric Cooperative (RGEC) filed a compliance tariff on February 14, 1997, and objections to the tariff were filed on March 7, 1997.

This Order addresses the issues raised by the interested parties in the objections to the compliance tariff. In certain respects, the tariff must be revised, in order to fully comply with Substantive Rules 23.67 and 23.70 and the Orders that the Commission has issued in the cases relating to rates for transmission service. The discrepancies are not sufficiently serious that they warrant disapproving the tariffs. For this reason, the tariffs are approved for the purpose of permitting the utility to begin billing for transmission service, and the discrepancies shall be corrected by the filing of amendments to the tariffs. The corrections required in this Order will not result in changes in the rates the utility charges.

#### Tariffs Variations from Substantive Rules 23.67 and 23.70

Central Power & Light Company and West Texas Utilities Company (CPL and WTU) filed an objection concerning language variations among the tariffs filed by different utilities. In its Order Approving Interim Rates, the Commission stated that tariffs must conform with the orders in Docket No. 15840 and the utility's transmission cost of service case, and the tariff must conform with Substantive Rules 23.67 and 23.70. These tariffs are interim tariffs that would apply until any remaining issues concerning the rates and terms of transmission and ancillary service tariffs are resolved and permanent transmission rates are fixed. The

Commission can address later whether uniform transmission tariffs are necessary. For this reason, variations in the tariffs from utility to utility are permissible.

#### **Voltage Support**

CPL and WTU also note that Substantive Rule 23.70(e)(1)(E) defines voltage support with respect to an acceptable threshold power factor, and point out that the RGEC tariff does not refer to the specific power factor prescribed in the Rule. Under this provision, each load must maintain a power factor of 95% or greater at each point of interconnection. This requirement applies to both wholesale transmission service, and wholesale distribution service. In order to apprise customers of this requirement, the transmission tariffs should refer to this requirement.

#### **Access Charges and Impact Fee**

CPL and WTU requested that the Access Charge and Impact Fee to be stated on an annual basis and be billed on a periodic basis. Under Substantive Rule 23.70(j), utilities must bill for service on a monthly basis unless they mutually agree to billing on a different basis. Rio Grande Electric Cooperative does not include provisions that are inconsistent with the billing requirements of the Commission's Substantive Rule 23.70(j). The compliance tariff is adequate for an interim tariff.

#### **Commission's Netting Order**

In Order No. 22, the Commission concluded that payments between two utilities should be offset against each other. The Commission also prescribed a schedule that shows the annual net payments utilities should make, after such offsets. The schedule included the effects of both the transmission rates adopted by the Commission and the adjustments necessary to implement the transition mechanism adopted by the Commission. This schedule was superseded by an Order Correcting Order Prescribing Annual Net Payment Amounts, issued February, 18, 1997. RGEC's tariff does not refer to the Commission's orders relating to netting of payments nor to the schedule attached to the February 18 Order.

The tariffs of transmission-owning utilities should refer to the Commission's orders relating to netting of payments or set out the schedule attached to the February 18 Order in

their tariffs. The interim tariffs should make it clear that inter-utility charges are to be based on the net annual payments prescribed in the schedule in the Commission's orders relating to netting of payments. RGEC shall conform its tariff to refer to the Commission's Netting Order.

For the reasons set forth above, it is hereby ordered as follows:

1. The tariffs filed by RGEC are approved for the purpose of permitting the utility to begin billing for transmission service. RGEC shall begin billing transmission customers for service, in accordance with the Commission's orders in this case and Docket No. 15840 and its tariff for transmission service.

2. Consistent with this Order, RGEC shall submit amendments to its Wholesale Transmission and Wholesale Distribution Tariffs to reflect the power factor requirement in Substantive Rule 23.70(e)(1)(E) and to refer to the Commission's orders concerning the netting of payments.

3. Rio Grande Electric Cooperative shall file amendments to its tariffs within fifteen days from the date of this Order. Objections to the tariff may be filed not later than five days after the filing of the amendments and responses to the objections not later than five days after the filing of the objections.

**ISSUED BY THE PUBLIC UTILITY COMMISSION OF TEXAS  
ON THE 29th DAY OF APRIL 1997**



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**CONSOLIDATED  
INTERIM ORDER**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

<b>DOCKET NO. 15608</b>	<i>Texas-New Mexico Power Company Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15628</b>	<i>Southwestern Electric Service Company Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15634</b>	<i>Rio Grande Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15640</b>	<i>Lower Colorado River Authority Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15641</b>	<i>Brazos Electric Power Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15644</b>	<i>South Texas Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15679</b>	<i>Coleman County Electric Cooperative, Inc. Et Al. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15724</b>	<i>Floresville Electric Light and Power System Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15764</b>	<i>Deep East Texas Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15768</b>	<i>Houston County Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15769</b>	<i>Cherokee County Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15812</b>	<i>Greenville Electric Utility System Filing in Compliance with Subst. R. 23.67</i>
<b>DOCKET NO. 15842</b>	<i>Magic Valley Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67</i>

**CONSOLIDATED INTERIM ORDER**  
**PAGE 2**

**DOCKET NO. 15843**     *East Texas Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67*

**DOCKET NO. 15846**     *Grayson-Collin Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67*

**DOCKET NO. 15892**     *Kaufman County Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67*

**DOCKET NO. 15893**     *Medina Electric Cooperative, Inc. Filing in Compliance with Subst. R. 23.67*

**CONSOLIDATED INTERIM ORDER**

The Commission adopts the attached findings of fact and conclusions of law and issues the orders set out therein.

SIGNED AT AUSTIN, TEXAS on the 2nd day of December 1996.


PUBLIC UTILITY COMMISSION OF TEXAS

  
PAT WOOD, III, CHAIRMAN

  
ROBERT W. GEE, COMMISSIONER

  
JUDY WALSH, COMMISSIONER

ATTEST:

  
PAULA MUELLER  
SECRETARY OF THE COMMISSION

**PUC DOCKET NO. 31250**

**RIO GRANDE ELECTRIC COOPERATIVE, INC.'S RESPONSES TO  
STAFF'S FIRST REQUEST FOR INFORMATION**

**1-7: Is Rio Grande using depreciation rates approved in Docket 15634? If not, please provide the depreciation study in which the rates were developed.**

**Response:** The depreciation rates are the same as those established in the Docket 15634. Rio Grande ECI employs the accounting standards set by the Rural Utilities Service.

**Attachment(s):** None  
**Preparer:** Shawn Stanley  
**Sponsor:** Charles E. Loy



**DOCKET NO. 31250**

**APPLICATION OF RIO GRANDE  
ELECTRIC COOPERATIVE, INC. TO  
CHANGE RATES FOR WHOLESALE  
TRANSMISSION SERVICE**

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OF TEXAS**

**ORDER**

This Order approves the application of Rio Grande Electric Cooperative, Inc. (RGEC) to change rates for wholesale transmission service. The docket was processed in accordance with applicable statutes and Public Utility Commission of Texas (Commission) rules. No requests for hearing were filed. RGEC, Medina Electric Cooperative, Inc. (MEC), and Commission Staff (Staff) are the only parties to this proceeding. RGEC and Staff filed an unopposed stipulation (Stipulation) resolving all issues in this proceeding. MEC has indicated that it is not opposed to the Stipulation. The Commission adopts the following findings of fact and conclusions of law.

**I. Background**

RGEC owns approximately 143 miles of transmission line rated 60kV or above. RGEC also owns 19 substations with a high-side transmission voltage, all or a portion of which are considered transmission facilities. Approximately 60 miles of transmission line and 14 substations are located in the Electric Reliability Council of Texas (ERCOT). In Docket No. 15634,<sup>1</sup> the Public Utility Commission (Commission) approved a transmission revenue requirement in the amount of \$129,826, which has been used to calculate transmission service charges owed RGEC since 1997.

RGEC's transmission cost of service (TCOS) for the test year ending December 31, 2004, requested in its original application was \$267,876. RGEC increased the amount to \$275,544 to reflect a correction to a mathematical error and to capture post test year adjustment and update rate case expenses. This increase is due to expected changes in

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<sup>1</sup> *Rio Grande Electric Cooperative, Inc. Filing in Compliance with SUBST. R. 23.67, Docket No. 15634 (Jul. 7, 1997).*

investment and operation and maintenance expense, as well as to purchase of three substations from MEC during 2003, the addition of the Rosita Creek substation located in Eagle Pass during 2004 to meet load growth, and the use of the accounting treatment of payroll and property tax expenses as modified by the United States Department of Agriculture Rural Utilities Service in 1997.

## II. Findings of Fact

1. On June 17, 2005, RGEC filed its application, together with supporting schedules and testimony, for approval to change rates for wholesale transmission service.
2. On June 21, 2005, the Commission issued Order No. 1 requiring Staff's comments and/or recommendation on the Applicant's requests and a proposed procedural schedule for processing.
3. On July 1, 2005, Staff filed its response to Order No. 1, recommending that RGEC's notice be deemed sufficient, that the application be considered sufficient, and proposing a procedural schedule.
4. On June 17, 2005, and July 11, 2005, RGEC gave notice of its application by providing direct mail notice to all parties in Docket Nos. 30474<sup>2</sup> and 21096.<sup>3</sup>
5. On July 5, 2005, MEC filed a motion to intervene in this proceeding, and on July 13, 2005, that motion was granted.

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<sup>2</sup> *Commission Staff's Application to Set 2005 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas (ERCOT)*, Docket No. 30474 (Apr. 5, 2005).

<sup>3</sup> *Compliance Filing Pursuant to Final order in Docket No. 20381, Proceeding to Modify ERCOT Transmission Rates for 1999, Pursuant to P.U.C. SUBST. R. 23.67*, Docket No. 21096 (pending).

6. On July 6, 2005, the Commission issued Order No. 2 deeming the notice and application sufficient, and adopting the proposed procedural schedule with one modification.

7. On July 15, 2005, RGEC filed its affidavit of notice evidencing that notice was provided on June 17, 2005 and again on July 11, 2005,<sup>4</sup> via direct mail and/or facsimile, to all parties of record in Docket No. 28937, *Commission Staff's Application to Set 2004 Wholesale Transmission Service charges for the Electric Reliability Council of Texas*, and to all additional parties that filed billing information in Docket No. 21096, *Names and Addresses of All Transmission Providers and Transmission Customers for Billing Purposes, Pursuant to Final Order in Docket No. 20381*.

8. On August 2, 2005, RGEC filed Errata 1 to its application, increasing the TCOS amount from \$267,876.00 to \$269,435.00.

9. On August 4, 2005, RGEC filed supplemental direct testimony of Charles E. Loy, addressing post test year adjustments and the updated rate case expense calculation.

10. On August 24, 2005, RGEC filed Errata 2 to its application, and Errata 1 to supplemental direct testimony of Charles E. Loy, increasing the total TCOS request to \$275,544.00.

11. On August 24, 2005, RGEC provided amended notice of its application to all parties in Docket Nos. 30474 and 21096 to reflect increases to the TCOS request sought in this proceeding. On September 2, 2005, RGEC filed its affidavit of notice regarding the amended notice.

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<sup>4</sup> The July 11, 2005 notice reflected the intervention deadline established in this proceeding.

12. On August 26, 2005, Staff and RGEC filed a joint request for modification of the procedural schedule, and on August 30, 2005, that motion was granted.

13. On August 29, 2005, and August 31, 2005, RGEC filed Errata 2 and Errata 3 to the supplemental direct testimony of Charles E. Loy, which corrected certain mathematical errors but did not change the total amount of TCOS requested.

14. On September 12, 2005, Staff filed its recommendation on final disposition, recommending that the Commission approve a TCOS increase in the amount of \$247,393.00, with a wholesale transmission rate of \$0.004415 per kW, and an effective date as of the date this order is signed.

15. On September 14, 2005, Staff filed a supplemental recommendation that the Commission approve a TCOS increase in the amount of \$248,265.00, and a wholesale transmission rate of \$.004430 per KW, based on the 2005 ERCOT 4CP of 56,040,201 kW.

16. On September 19, 2005, RGEC and Staff filed a Stipulation resolving all issues in this proceeding. MEC indicated that it is not opposed to the Stipulation.

17. RGEC's reasonable and necessary net revenue requirement for wholesale transmission is \$248,265.00. This amount is based on the calculations set forth in Exhibit "A" attached to this Order.

18. RGEC's just and reasonable wholesale transmission rate is \$0.004430 per kW, based on the 2005 ERCOT 4CP of 56,040,201 kW.

19. RGEC's just and reasonable rate of return is 7.1162 percent.

20. RGEC's reasonable and necessary actual rate case expenses, as of July 31, 2005, total \$52,086.59, which will be amortized over a three year period. The yearly amortized amount will be included in base rates, rather than in a separate rate case expense surcharge, which may result in over-recovery of rate case expenses. If RGEC does not recover the reasonable and necessary rate case expenses incurred following July 31, 2005 in the course of collecting base rates beyond the three-year amortized recovery period, RGEC may recover such reasonable and necessary rate case expenses in a future TCOS proceeding.

21. The parties agree that entering into the Stipulation does not represent the establishment of precedent or consensus on any underlying legal, policy, methodology, or factual underpinning of the agreed result of this docket.

22. The requirements for informal disposition under P.U.C. PROC. R. 22.35 have been met in this proceeding, except for the requirement of subsection (b) that the proposed order be served on all parties no less than 20 days before the Commission is scheduled to consider the application in open meeting. However, the above-referenced open meeting is the first available open meeting after the parties provided notice of full settlement of this docket based on the Stipulation and proposed final order.

### **III. Conclusions of Law**

1. RGEC is an electric utility as defined in § 35.001 of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. (Vernon 1998 & Supp. 2005) (PURA).
2. The Commission has jurisdiction over this matter pursuant to Chapter 35 of PURA.
3. The proceeding is not a major change in rates as defined in § 36.101 of PURA or a major rate proceeding as defined in P.U.C. PROC. R. 22.2.
4. Sufficient notice of the application was provided in compliance with P.U.C. PROC. R. 22.55.

5. RGEC's wholesale transmission net revenue requirement as shown in the Stipulation is reasonable and necessary.
6. RGEC's wholesale transmission rate is just and reasonable and properly calculated pursuant to P.U.C. SUBST. R. 25.192.
7. Pursuant to P.U.C. PROC. R. 22.5(b), there is good cause to waive the 20-day requirement of P.U.C. PROC. R. 22.35(b).

#### IV. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. RGEC's application to establish a TCOS is approved consistent with the Stipulation. RGEC's TCOS of \$248,265.00 and a wholesale transmission rate of \$.004430 per kW are approved with an effective date as of the date this Order is signed.
2. Within 10 days of the filing of this Order, RGEC shall file a compliance tariff for wholesale transmission service based on the cost of service adopted in this docket, and the ERCOT 4CP as established in the Final Order of Docket No. 30474.
3. The entry of an order consistent with the agreement of the parties does not indicate the Commission's endorsement of any principle or method that may underlie the agreement. Furthermore, entry of this order consistent with the agreement of the parties does not constitute precedent as to the appropriateness of any principle or method underlying the agreement of the parties.

4. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are hereby denied.

SIGNED AT AUSTIN, TEXAS the 14th day of October 2005.

PUBLIC UTILITY COMMISSION OF TEXAS

  
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PAUL HUDSON, CHAIRMAN

  
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JULIE PARSLEY, COMMISSIONER

  
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BARRY T. SMITHERMAN, COMMISSIONER

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**EXHIBIT A**  
**SUMMARY OF RIO GRANDE TCOS REVENUE REQUIREMENT AND RATES**

	ERCOT <u>TOTAL</u>	TRANS <u>AMOUNT</u>	<u>SUB TOTAL</u>	<u>TOTAL</u>
<u>Operating Expenses</u>				
O&M Expenses	\$15,491,428	\$73,317		
Pro -Forma Adjustments		\$4,700 (1)		
Rate Case Expense Amortization		\$17,362 (2)		
Depreciation	\$1,610,362	\$65,269		
Other	\$4,052	\$166		
Total Operating Expenses			\$160,814	
<u>Return On Investment -Times Interest Earned (TIER)</u>				
LTD Interest Expense	\$1,238,276 (3)			
Times	2			
TIER Amount	\$2,476,552			
Less: Non Operation Margin	(\$133,096)			
Plus: Other Interest	\$70,478			
Plus: Other Deductions	\$12,677			
Total Return	\$2,692,803			
Rate Base Allocator	3.2476% (4)			
Total Return -			\$87,451 (5)	
Total Cost of Service				\$248,265
ERCOT 4-CP MW				56,040
Wholesale Transmission Rate \$/MW				\$4.4301 (6)

**(1) Detail of Pro Forma Expenses:**

Payroll	\$3,915
Employee Benefits	\$107
Insurance	\$56
Property Tax	\$75
Depreciation (CWIP)	\$547
Total Pro Forma	\$4,700

**(2) Total actual rate case expenses of \$52,087 through July 2005 amortized ove years**

**(3) Reflects pro forma variable interest at 5.00%.**

**(4) Rate Base Allocator**

Transmission Rate Base	\$1,228,915 *
Total ERCOT Rate Base	\$37,840,688
Rate Base Allocator	3.2476%

\* Includes Net Plant of \$1,186,641

**(5) Total Return = \$87,451/\$1,228,915 = 7.116%**

**(6) Wholesale Transmission Rate \$ per KW**

Annual	\$0.004430
Monthly On-Peak	\$0.001108
Monthly Off-Peak	\$0.000369
Monthly	\$0.000369
Weekly	\$0.000082
Daily	\$0.000012
Hourly	\$0.000001



**Schedule A: Summary of Total Cost of Service by Function**  
**Rio Grande Electric Cooperative, Inc.**  
**Test Year Ending 12/31/2004**

Description	Reference Schedule	ERCOTT Total	Generation	Transmission	Distribution
Eligible Fuel	NIA	\$0	\$0	\$0	\$0
Non Eligible Fuel	NIA	\$0	\$0	\$0	\$0
Eligible Purchased Power	WP/A	\$9,761,524	\$9,761,524	\$0	\$0
Non Eligible Purchased Power	NIA	\$0	\$0	\$0	\$0
Operation & Maintenance	WP/A	\$4,434,725	\$0	\$73,316	\$4,361,409
Decommissioning Expense	NIA	\$0	\$0	\$0	\$0
Depreciation and Amortization	Schedule E-1	\$1,610,362	\$0	\$65,269	\$1,545,093
Federal Income Tax	Schedule E-3	\$0	\$0	\$0	\$0
Taxes Other Than Income Taxes	Schedule E-2	\$0	\$0	\$0	\$0
Other Expenses	WP/A	\$4,052	\$0	\$167	\$3,886
<b>Total Operating Expenses</b>		<b>\$15,810,664</b>	<b>\$9,761,524</b>	<b>\$138,751</b>	<b>\$5,910,388</b>
Proforma Adjustments	WP/ProFonna-1	\$32,161	\$0	\$32,161	\$0
Return on Investment Capital at Proposed Rates	Schedule B	\$3,054,752	\$0	\$99,206	\$2,955,546
<b>Total Unbundled Cost Of Service</b>		<b>\$18,897,577</b>	<b>\$9,761,524</b>	<b>\$270,119</b>	<b>\$8,865,934</b>
ERCOT AVERAGE 4-CP MW PER PUCT DOCKET 30474				56,040	
WHOLESALE TRANSMISSION RATE \$/MW				\$4.8201	
WHOLESALE TRANSMISSION RATE \$/kW				\$0.0048200853	

GL Acct	GL Account Description	Depreciation Method	Annual Depr %	Useful Life Yrs.
350	Land & Land Rights Trans Plant	No Depreciation	-	
353	Station Equip-Trans Plant	Composite Unit	2.75%	36.4
355	Poles & Fixtures Trans Plant	Composite Unit	2.75%	36.4
356	OH Conductors & Devices - Trans	Composite Unit	2.75%	36.4
360	Land Rights-Distribution Plant	No Depreciation	-	
362	Station Equipment	Composite Unit	2.90%	34.5
364	Poles, Towers & Fixtures	Composite Unit	2.90%	34.5
364.88	LAFB Pls, Towers, Fix	Composite Unit	2.86%	35.0
365	OH Conductors and Devices	Composite Unit	2.90%	34.5
365.88	LAFB OH Cond & Dev	Composite Unit	2.86%	35.0
366.88	LAFB Underground Conduit	Composite Unit	1.00%	100.0
366.882	LAFB Underground Underground	Composite Unit	2.00%	50.0
366.887	LAFB Underground URD Vault	Composite Unit	3.33%	30.0
367	UG Conductors & Devices	Composite Unit	2.90%	34.5
367.88	LAFB UG Conduct-Dev	Composite Unit	5.00%	20.0
367.881	LAFB UG Conduct-Junction	Composite Unit	1.00%	100.0
367.887	LAFB UG Conduct-Switchgear	Composite Unit	3.33%	30.0
368	Line Transformers	Composite Unit	2.90%	34.5
368.88	LAFB Line Transformer	Composite Unit	2.86%	35.0
369	Services	Composite Unit	2.90%	34.5
370	Meters	Composite Unit	2.90%	34.5
370.1	Meters - TWACS	Straight Line	5.56% - 5.00%	18 - 20
370.13	FB ION Meters(RGEC\$)	Straight Line	10%	10
370.88	LAFB Meters	Composite Unit	5.00%	20.0
370.881	LAFB ION Meters(RGEC\$)	Straight Line	33.33% - 10.00%	3-10
371	Install Consumers Premises	Composite Unit	2.90%	34.5
373	St Light & Signal Sys Dist Plant	Composite Unit	2.90%	34.5
373.88	LAFB St Lights	Composite Unit	5.00%	20.0
373.881	LAFB St Light Poles	Composite Unit	2.86%	35.0
389	Land & Land Rights	No Depreciation	-	
389.1	Land & Land Rights - Brackett	No Depreciation	-	
389.136	Land & Land Rights-El Paso Prop	No Depreciation	-	
389.2	Land & Land Rights Carrizo Prop	No Depreciation	-	
389.3	Land & Land Rights-Alpine Prop.	No Depreciation	-	
389.5	Land & Rights - Ft. Stk. Pole YD	No Depreciation	-	
389.71	Land & Rights - Dell City	No Depreciation	-	
389.8	Land & Rights-Ft Stk Hdqtrs	No Depreciation	-	
390.12	Struct&Improv - Brackett Pole Yd	No Depreciation	-	
390.136	Struct & Improv - El Paso Bldg	Composite Unit	4.00%	25.0
390.21	Struct & Improv - Alpine Bldg	Composite Unit	4.00%	25.0
390.3	Struct & Improv - Brackett Hdqtr	Composite Unit	2.52%	39.7
390.5	Struct & Improv Carrizo Spring	Composite Unit	3.00%	33.3
390.6	Struct & Improv - Dell City Prop	Composite Unit	4.00%	25.0
390.7	Struct&Improve Dell City House	Composite Unit	4.00%	25.0
390.71	Struct&Improve Dell City Duplex	Composite Unit	4.00%	25.0
390.8	Structures & Impr. CEO House	Composite Unit	4.00%	25.0
390.88	Struct & Improv - LAFB	Composite Unit	4.00%	25.0
390.9	Struct&Improv Ft Stk Pole Yard	No Depreciation	-	
390.91	Struct&Improv - Ft Stk Hdqtr	Composite Unit	2.52%	39.7
390.92	Struct&Improv - Manuf. homes	Straight Line	4.17% - 3.57%	24-28
391.2	Office Furn & Fixtures (new)	Straight Line	33.33% - 10.00%	3-10
391.2136	FB Furniture/Fixtures	Straight Line	33.33%	3
391.288	LAFB Furniture/Fixtures	Straight Line	20.00%	5
391.99	Rental Furn & Fixtures	Straight Line	33.33% - 20.00%	3-5
392	Transportation Equipment	Composite Unit	INACTIVE	
392.2	Trans Equipment - New	Straight Line	33.33% - 10.00%	3-10
392.213	FB Transportation Equip.	Straight Line	33.33% - 10.00%	3-10
392.3	Trans Equipment - Large	Straight Line	33.33% - 10.00%	3-10
393.1	Stores Equipment - New	Straight Line	33.33% - 10.00%	3-10
393.88	LAFB - Stores Equipment	Straight Line	5.00%	20
394.1	Gargage Tools and Equipment	Straight Line	33.33% - 20.00%	3-5

<b>GL Acct</b>	<b>GL Account Description</b>	<b>Depreciation Method</b>	<b>Annual Depr %</b>	<b>Useful Life Yrs.</b>
394.136	FB Misc. Tools	Straight Line	33.33%	3
394.2	Tools Shop and Crew Equip (New)	Straight Line	33.33% - 10.00%	3-10
394.288	LAFB Tools and Crew Equip	Straight Line	33.33%	3
395.1	Laboratory Equipment (New)	Straight Line	33.33% - 20.00%	3-5
395.13	FB Laboratory Equipment	Straight Line	33.33% - 10.00%	3-10
395.2	Electrician Equipment	Straight Line	33.33%	3
396.2	Power Operated Equipment-Large	Composite Unit	6.00%	16.7
396.4	Power Operated Equipment-Ig New	Straight Line	33.33%	3
397	Communication Equipment	Composite Unit	INACTIVE	
397.1	Communications Equipment (New)	Straight Line	33.33% - 10.00%	3-10
397.13	FB Communication Equipment	Straight Line	33.33% - 20.00%	3-5
398.1	Miscellaneous Equipment (New)	Straight Line	33.33% - 10 00%	3-10
398.136	FB Miscellaneous Equipment	Straight Line	33.33% - 20 00%	3-5
399.88	LAFB - Acquisition Costs in Excess BV	Straight Line	5.63%	17.8