



Control Number: 50733



Item Number: 25

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SOAH DOCKET NO. 473-20-3300
PUC DOCKET NO. 50733



APPLICATION OF AEP TEXAS INC. § BEFORE THE STATE OFFICE
TO AMEND ITS DISTRIBUTION COST § OF
RECOVERY FACTOR § ADMINISTRATIVE HEARING

**AEP TEXAS INC.'S RESPONSE TO CITIES SERVERD BY AEP TEXAS INC.'S
FIRST REQUEST FOR INFORMATION**

MAY 4, 2020

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**AEP TEXAS INC'S RESPONSE TO CITIES SERVED BY AEP TEXAS INC.'S
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Question Cities 1-1:

Refer to the Direct Testimony of Thomas M. Coad at 4. Please explain if the distribution assets acquired from Oncor in 2019 are reflected in both the DCRF baseline and the update period.

Response Cities 1-1:

The distribution assets acquired from Oncor in 2019 are not part of the \$2.4 billion DCRF baseline described in Exhibit VJH-2 (Settlement Agreement and Exhibit H from Docket No. 49494) as Total Rate Base. These assets are included in this DCRF as stated in the testimony of Thomas M. Coad, page 4, line 9 through line 12, and included in Exhibit TNC-2 as an capital addition.

Prepared By: Alejandro Ramirez
Sponsored By: Thomas M. Coad
V. John Hackerott

Title: Regulatory Case Manager
Title: VP, Dist. Region Operations
Regulatory Consultant

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Question Cities 1-2:

Refer to the Direct Testimony of Thomas M. Coad at 8. Please explain if all the distribution capital investment included in AEP Texas' application is in service, as required by §25.243(b)(3). If not, provide the plant not in service by FERC account and dollar amount.

Response Cities 1-2:

All of the distribution capital investment included in AEP Texas' application is in service as required by 16 TAC § 25.243(b)(3).

Prepared By: Charles Brower
Sponsored By: Thomas M. Coad

Title: Director, Dist. Engineering
Title: VP, Dist. Region Operations

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Question Cities 1-3:

Refer to the Direct Testimony of V. John Hackerott at 7. Mr. Hackerott states that distribution-related ADIT, OT and FIT were adjusted using a factor based on the DCRF net plant as a percentage of total distribution plant approved in Docket No. 49494. Is this the same methodology AEP used in previous DCRF filings to adjust ADIT, OT and FIT? If not, please explain why the methodology was changed.

Response Cities 1-3:

Yes, this is the same methodology as used in previous DCRF filings. As per the settlement in Docket No. 49494, the DCRF baseline amounts for ADIT, OT, and FIT were adjusted using a factor based on the DCRF net plant as a percentage of total distribution assets.

Prepared By: V. John Hackerott
Sponsored By: V. John Hackerott

Title: Regulatory Consultant
Title: Regulatory Consultant

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Question Cities 1-4:

Refer to Schedule H. Rate Class Secondary >10 kW shows a decline of 1,873,698 kW due to the change in billing units since Docket No. 49494. Please provide an explanation for this decline in billing units. For example, if due to loss of customers, provide the number of customers lost and why if known. If due to migration to another rate class, provide the rate class and basis for the change.

Response Cities 1-4:

Estimated billing demands used in the DCRF filing were 1,535,462 units less than the billing demands approved in the rate case for the class, before weather adjustments and customer normalization. The application of the weather adjustment removed 91,254 kW and the customer adjustment removed an additional 246,983 kW. The DCRF baseline billing demand for the class from Docket No. 49494, with and without the ratchet, was estimated based on 1,840 more customers than the 2019 test-year ending class levels used for the DCRF; a reduction of 2.5% in customer count. During the DCRF test year period, there was a corresponding increase in the Secondary Less Than or Equal to 10 kW Class customer count of 3,914 customers. Commercial customers served at secondary voltage are assigned a distribution rate class based on demand usage greater or less than 10 kW and can migrate between the Secondary Less Than or Equal to 10 kW Class and the Secondary Greater Than 10 kW Class in a twelve month period creating fluctuations in customer counts between the classes.

In Docket No. 49494, AEP Texas requested and received approval to remove the 80% ratchet applied to the distribution demand billing demands used to bill distribution charges, including DCRF charges, to customers in the Secondary > 10 kW class. Approval for the removal of the ratchet did not occur and was not applicable until after the 2019 DCRF test-year period, but units approved in Docket No. 49494 were used as the baseline for the DCRF billing unit adjustment and reflect the removal of the 80% ratchet.

For the DCRF filing, AEP Texas had to estimate distribution billing demands without the ratchet using 2019 demand data applying the same methodology as was used in the estimation of billing demands for this class in the rate case. The billing demands without a ratchet were estimated based on the metered demands of active customer accounts during the end of the DCRF test year.

Prepared By: V. John Hackerott
Sponsored By: V. John Hackerott

Title: Regulatory Consultant
Title: Regulatory Consultant

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Question Cities 1-5:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding projects A16921021, A16921022, and A16921050, please explain why mobile substations are used to provide distribution service.

Response Cities 1-5:

A mobile substation is a specialized portable trailer that consists of a transformer, cooling equipment, high and low voltage breakers along with metering, protection relay devices, AC and DC auxiliary power supplies. Mobile substations are utilized by the company to provide service during an extended outage of a substation for planned or emergency work such as a storm, equipment failure, maintenance, construction of a new substation, or rebuild of an existing substation.

Prepared By: Tomas Cardenas III
Sponsored By: Thomas M. Coad

Title: Customer Design Manager
Title: VP, Dist. Region Operations

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Question Cities 1-6:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding projects EDN 100063, EDN 100065 and EDN100067, please explain whether these capitalized project costs include both the pole reinforcement / replacement and the associated inspection program. If so, what portion of the project costs is the cost of the inspection program and what is the basis for capitalizing the inspection program.

Response Cities 1-6:

As stated in the testimony of Thomas M. Coad, page 5, line 9 through line 12, the amounts included in Exhibit TMC-2 include only capital additions and do not include operations and maintenance expenses. The costs associated with the groundline inspection program are an operating expense and are not included in this DCRF filing. AEP Texas in many cases uses a single project to capture the costs of an activity and the project description includes references to all phases of the activity. The associated capital addition/replacement, operation or maintenance expense, and retirement costs are all captured in that singular project and booked to the appropriate account. The capital additions shown for projects EDN100065 and EDN10067 in the Thomas Coad Exhibit TMC-2 are all related to the reinforcement and replacement of distribution poles.

Prepared By: Alejandro Ramirez
Sponsored By: Thomas M. Coad

Title: Regulatory Case Manager
Title: VP, Dist. Region Operations

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Question Cities 1-7:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding projects EDN100277, EDN100581, and EDN100583, please explain whether these capitalized project costs include both the routine capital replacement and the associated inspection program. If so, what portion of the project costs is the cost of the inspection program and what is the basis for capitalizing the inspection program.

Response Cities 1-7:

As stated in the testimony of Thomas M. Coad, page 5, line 9 through line 12, the amounts included in TMC-2 include only capital additions and do not include operation and maintenance expenses. The costs associated with the annual inspection program are an operating expense and are not included in this DCRF filing. AEP Texas in many cases uses a single project to capture the costs of an activity and the project description includes references to all phases of the activity. The associated capital addition/replacement, operation or maintenance expense, and retirement costs are all captured in that singular project and booked to the appropriate account. The capital additions shown for projects EDN100277, EDN100581 and EDN100583 in the Thomas Coad Exhibit TMC-2 are all related to the replacement of underground and overhead system assets.

Prepared By: Alejandro Ramirez
Sponsored By: Thomas M. Coad

Title: Regulatory Case Manager
Title: VP, Dist. Region Operations

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**AEP TEXAS INC'S RESPONSE TO CITIES SERVED BY AEP TEXAS INC.'S
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Question Cities 1-8:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding project EDN 100088, please explain the scope of this work and why the third parties should not reimburse AEP Texas for the cost of this work instead of charging the work to ratepayers.

Response Cities 1-8:

In order to accommodate Third Party facilities on AEP Texas poles, the company may have to replace, relocate or upgrade overhead distribution facilities. These modifications are necessary to allow the third party to connect to the company's facilities and receive service. Examples of reasons why the company would need to modify distribution facilities are the existing facilities may be in the way of a proposed or ongoing construction project such as construction of a building, driveway, road, sidewalk, pool or sign.

The Company sought and received reimbursement for the cost to modify its poles to accommodate third party facilities to the extent it is allowed by tariff, regulation, law or contract. The amount included in the AEP Texas DCRF request is the net of any reimbursement.

Prepared By: Tomas Cardenas III
Sponsored By: Thomas M. Coad

Title: Customer Design Manager
Title: VP, Dist. Region Operations

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Question Cities 1-9:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding projects 000007623 and 000007624, please explain the scope of this work and why the customer should not reimburse AEP Texas for the cost of this work instead of charging the work to ratepayers.

Response Cities 1-9:

In order to accommodate the expansion or modification of customer facilities, the company has to replace or upgrade overhead and underground facilities. These modifications are necessary to allow the customer to complete their expansion or modification in order to connect to the companies facilities and receive service. Examples of reasons why the company would need to modify distribution facilities are the existing facilities may be in the way of a proposed or ongoing construction project such as construction of a building, driveway, road, sidewalk, pool or sign.

The Company sought and received reimbursement for the cost to modify its poles to accommodate customer facilities to the extent it is allowed by tariff. The amount included in the AEP Texas DCRF request is the net of any reimbursement.

Prepared By: Tomas Cardenas III
Sponsored By: Thomas M. Coad

Title: Customer Design Manager
Title: VP, Dist. Region Operations

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Question Cities 1-10:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding projects beginning DMS18____, DMS19____, EDN100206 and EDN100211, please explain how AEP Texas' request to include "capitalized repairs" in its DCRF differs from "capitalized operations & maintenance expense," which are excluded from a DCRF.

Response Cities 1-10:

The capital additions show for Projects beginning DMS18____, DMS19____, EDN100206 and EDN100211 in the Thomas Coad, Exhibit TMC-2 are all related to the replacement of distribution major retirement units. When a major distribution retirement unit is replaced it is a capitalized cost in compliance with the FERC uniform system of accounts. These amounts do not include any "capitalized operations and maintenance expense".

Prepared By: Charles Brower
Sponsored By: Thomas M. Coad

Title: Director, Dist. Engineering
Title: VP, Dist. Region Operations

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**AEP TEXAS INC'S RESPONSE TO CITIES SERVED BY AEP TEXAS INC.'S
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Question Cities 1-11:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding project TXMCHAR1, please identify by FERC account the distribution assets acquired from Oncor. Explain if the acquired assets include any costs not eligible to be included in a DCRF, and if so, have the costs been removed from the filing.

Response Cities 1-11:

Any non-eligible costs have been removed, all remaining costs included are eligible to be included in a DCRF filing. Please see the attached for a listing of FERC accounts for the distribution assets acquired from Oncor.

Prepared By: J. David Spring
Sponsored By: J. David Spring
Thomas M. Coad

Title: Regulatory Accounting Case Manager
Title: Regulatory Accounting Case Manager
VP, Dist. Region Operations

2020 AEP Texas DCRF
Oncor Adj

Account	Project ID	Amount
36400 - Poles, Towers and Fixtures	TXMCSHAR1	360
37000 - Meters	TXMCSHAR1	866,433
36400 - Poles, Towers and Fixtures	TXMCSHAR1	7,235
36400 - Poles, Towers and Fixtures	TXMCSHAR1	152,002
36700 - Undergrnd Conductors,Device	TXMCSHAR1	12,208,919
36800 - Line Transformers	TXMCSHAR1	244,831
37000 - Meters	TXMCSHAR1	39,920
37100 - Installs Customer Premises	TXMCSHAR1	2,291
36600 - Underground Conduit	TXMCSHAR1	3,721,403
39716 - GridSmart Communic Equip	TXMCSHAR1	6,217
39716 - GridSmart Communic Equip	TXMCSHAR1	310
36600 - Underground Conduit	TXMCSHAR1	185,389
36600 - Underground Conduit	TXMCSHAR1	4,198
36900 - Services	TXMCSHAR1	680,424
36400 - Poles, Towers and Fixtures	TXMCSHAR1	7,572
37100 - Installs Customer Premises	TXMCSHAR1	45,997
37300 - Street Lghtng & Signal Sys	TXMCSHAR1	1,238,800
36400 - Poles, Towers and Fixtures	TXMCSHAR1	113
36800 - Line Transformers	TXMCSHAR1	4,914,598
37300 - Street Lghtng & Signal Sys	TXMCSHAR1	2,152,202
36400 - Poles, Towers and Fixtures	TXMCSHAR1	2,267
36500 - Overhead Conductors, Device	TXMCSHAR1	59,052
36700 - Undergrnd Conductors,Device	TXMCSHAR1	608,212
36900 - Services	TXMCSHAR1	33,897
37300 - Street Lghtng & Signal Sys	TXMCSHAR1	168,930
36500 - Overhead Conductors, Device	TXMCSHAR1	2,942
36600 - Underground Conduit	TXMCSHAR1	209
37000 - Meters	TXMCSHAR1	3,243
	TXMCSHAR1 Total	27,357,967
	Grand Total	27,357,967
Remove Overheads loaded incorrectly		(1,298,219)
March 2020 adjustment entry		(8)
		<u><u>26,059,740</u></u>

SOAH Docket No. 473-20-300
 PUC Docket No. 50733
 Cities' 1st, Q. # 1-11
 Attachment

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Question Cities 1-12:

Please reconcile the \$440,536,911 total plant additions on Exhibit TMC-2 with the \$447,086,277 total plant additions on workpaper *AEP Texas 2019 PIS Additions_20200221*.

Response Cities 1-12:

Please see WP Schedule B-1-1 Line 30, Columns F, G, and H that list the \$447,086,277 and the adjustments made to reconcile to the \$440,536,911.

Prepared By: J. David Spring
Sponsored By: J. David Spring
Thomas M. Coad

Title: Regulatory Accounting Case Manager
Title: Regulatory Accounting Case Manager
VP, Dist. Region Operations

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APPLICATION OF AEP TEXAS INC. TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR	§ § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARING
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V. John Hackerott

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Regulatory Consultant

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Title: Regulatory Consultant
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Prepared By: Tomas Cardenas III
Sponsored By: Thomas M. Coad

Title: Customer Design Manager
Title: VP, Dist. Region Operations

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Prepared By: Tomas Cardenas III
Sponsored By: Thomas M. Coad

Title: Customer Design Manager
Title: VP, Dist. Region Operations

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Sponsored By: Thomas M. Coad

Title: Customer Design Manager
Title: VP, Dist. Region Operations

**SOAH DOCKET NO. 473-20-3300
PUC DOCKET NO. 50733**

**AEP TEXAS INC'S RESPONSE TO CITIES SERVED BY AEP TEXAS INC.'S
FIRST REQUEST FOR INFORMATION**

Question Cities 1-10:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding projects beginning DMS18____, DMS19____, EDN100206 and EDN100211, please explain how AEP Texas' request to include "capitalized repairs" in its DCRF differs from "capitalized operations & maintenance expense," which are excluded from a DCRF.

Response Cities 1-10:

The capital additions show for Projects beginning DMS18____, DMS19____, EDN100206 and EDN100211 in the Thomas Coad, Exhibit TMC-2 are all related to the replacement of distribution major retirement units. When a major distribution retirement unit is replaced it is a capitalized cost in compliance with the FERC uniform system of accounts. These amounts do not include any "capitalized operations and maintenance expense".

Prepared By: Charles Brower
Sponsored By: Thomas M. Coad

Title: Director, Dist. Engineering
Title: VP, Dist. Region Operations

**SOAH DOCKET NO. 473-20-3300
PUC DOCKET NO. 50733**

**AEP TEXAS INC'S RESPONSE TO CITIES SERVED BY AEP TEXAS INC.'S
FIRST REQUEST FOR INFORMATION**

Question Cities 1-11:

Refer to the Direct Testimony of Thomas Coad, Exhibit TMC-2. Regarding project TXMCHAR1, please identify by FERC account the distribution assets acquired from Oncor. Explain if the acquired assets include any costs not eligible to be included in a DCRF, and if so, have the costs been removed from the filing.

Response Cities 1-11:

Any non-eligible costs have been removed, all remaining costs included are eligible to be included in a DCRF filing. Please see the attached for a listing of FERC accounts for the distribution assets acquired from Oncor.

Prepared By: J. David Spring
Sponsored By: J. David Spring
Thomas M. Coad

Title: Regulatory Accounting Case Manager
Title: Regulatory Accounting Case Manager
VP, Dist. Region Operations

2020 AEP Texas DCRF
Oncor Adj

Account	Project ID	Amount
36400 - Poles, Towers and Fixtures	TXMCSHAR1	360
37000 - Meters	TXMCSHAR1	866,433
36400 - Poles, Towers and Fixtures	TXMCSHAR1	7,235
36400 - Poles, Towers and Fixtures	TXMCSHAR1	152,002
36700 - Undergrnd Conductors,Device	TXMCSHAR1	12,208,919
36800 - Line Transformers	TXMCSHAR1	244,831
37000 - Meters	TXMCSHAR1	39,920
37100 - Installs Customer Premises	TXMCSHAR1	2,291
36600 - Underground Conduit	TXMCSHAR1	3,721,403
39716 - GridSmart Communic Equip	TXMCSHAR1	6,217
39716 - GridSmart Communic Equip	TXMCSHAR1	310
36600 - Underground Conduit	TXMCSHAR1	185,389
36600 - Underground Conduit	TXMCSHAR1	4,198
36900 - Services	TXMCSHAR1	680,424
36400 - Poles, Towers and Fixtures	TXMCSHAR1	7,572
37100 - Installs Customer Premises	TXMCSHAR1	45,997
37300 - Street Lghtng & Signal Sys	TXMCSHAR1	1,238,800
36400 - Poles, Towers and Fixtures	TXMCSHAR1	113
36800 - Line Transformers	TXMCSHAR1	4,914,598
37300 - Street Lghtng & Signal Sys	TXMCSHAR1	2,152,202
36400 - Poles, Towers and Fixtures	TXMCSHAR1	2,267
36500 - Overhead Conductors, Device	TXMCSHAR1	59,052
36700 - Undergrnd Conductors,Device	TXMCSHAR1	608,212
36900 - Services	TXMCSHAR1	33,897
37300 - Street Lghtng & Signal Sys	TXMCSHAR1	168,930
36500 - Overhead Conductors, Device	TXMCSHAR1	2,942
36600 - Underground Conduit	TXMCSHAR1	209
37000 - Meters	TXMCSHAR1	3,243
	TXMCSHAR1 Total	27,357,967
	Grand Total	27,357,967
Remove Overheads loaded incorrectly		(1,298,219)
March 2020 adjustment entry		(8)
		<u><u>26,059,740</u></u>

SOAH Docket No. 473-20-300
PUC Docket No. 50733
Cities' 1st, Q. # 1-11
Attachment

**SOAH DOCKET NO. 473-20-3300
PUC DOCKET NO. 50733**

**AEP TEXAS INC'S RESPONSE TO CITIES SERVED BY AEP TEXAS INC.'S
FIRST REQUEST FOR INFORMATION**

Question Cities 1-12:

Please reconcile the \$440,536,911 total plant additions on Exhibit TMC-2 with the \$447,086,277 total plant additions on workpaper *AEP Texas 2019 PIS Additions_20200221*.

Response Cities 1-12:

Please see WP Schedule B-1-1 Line 30, Columns F, G, and H that list the \$447,086,277 and the adjustments made to reconcile to the \$440,536,911.

Prepared By: J. David Spring
Sponsored By: J. David Spring
Thomas M. Coad

Title: Regulatory Accounting Case Manager
Title: Regulatory Accounting Case Manager
VP, Dist. Region Operations