
**INFORMAL STAFF REPORT
TO MAYOR AND CITY COUNCIL**

SUBJECT:

2017 DME Transmission Cost of Service (TCOS) Rate Filing

BACKGROUND:

Consistent with past practice, staff is finalizing the 2017 TCOS rate filing for submittal prior to year-end with the Public Utility Commission of Texas. The filing contains supporting information about Denton Municipal Electric's transmission investments made on behalf of the ERCOT over the 12 month period ending June 30, 2017. It enables DME to recover transmission investment costs made during this period (\$13,034,664) plus a nominal rate of return. The filing will be made by the City's outside legal (the Lloyd Gosslink Law Firm) who has handled this annual filing since 2003.

In the upcoming budget process, staff will be providing the City Council with additional information regarding the costs and revenues related to the transmission system for DME, but we wanted to provide the City Council with a copy of the rate filing in advance.

ATTACHMENT(S):

Denton Municipal Electric Application for Interim Update of Wholesale Transmission Rates and Supporting Testimony (Nalepa and Langley)

STAFF CONTACT:

George F. Morrow, General Manager -- DME
940-349-8487
george.morrow@cityofdenton.com

DOCKET NO. _____

APPLICATION OF DENTON	§	BEFORE THE
MUNICIPAL ELECTRIC FOR	§	
INTERIM UPDATE OF	§	
WHOLESALE TRANSMISSION	§	PUBLIC UTILITY COMMISSION
RATES PURSUANT TO	§	
16 TEX. ADMIN. CODE § 25.192(h)	§	OF TEXAS

**DENTON MUNICIPAL ELECTRIC APPLICATION FOR
INTERIM UPDATE OF WHOLESALE TRANSMISSION RATES**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

The City of Denton, operating its municipally-owned utility under the name of Denton Municipal Electric Utility (DME), files its Application for Interim Update of Wholesale Transmission Rates pursuant to 16 Tex. Admin. Code § 25.192(h) (TAC), and in support of this filing would respectfully show the following:

I. BACKGROUND AND AUTHORITY

In this docket, DME seeks an interim revision to its previously approved transmission cost of service (TCOS) and wholesale transmission rate pursuant to, and consistent with, the requirements of the Public Utility Commission of Texas (Commission), 16 TAC § 25.192(h), and the Filing Requirements for Interim Update of Wholesale Transmission Rates (the Interim TCOS Filing Package).

Pursuant to 16 TAC § 25.192(h), each transmission service provider (TSP) in the ERCOT region may on an annual basis update its transmission rates to reflect changes in its invested capital. 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. Under 16 TAC § 25.192(h)(2), an interim update of transmission rates is subject to reconciliation at the next complete review of the TSP's transmission cost of service. The Commission shall review whether the costs of transmission plant additions are reasonable and necessary at that time. Thus, this proceeding to update wholesale transmission rates is not intended to determine the reasonableness of these costs.

II. DME'S FILING

Together with this Application, DME has filed the Direct Testimony of Bryan Langley, the Direct Testimony of Karl Nalepa, and the Interim TCOS Filing Package Schedules and Workpapers. As discussed in Section V. below, DME's notice is attached as Attachment A.

III. COSTS INCLUDED IN DME'S INTERIM TCOS UPDATE

DME's Application compares the actual June 30, 2017 transmission net plant balances, and additional projects completed and energized but not yet classified, with the net plant balances established in Docket No. 46348, *Application of Denton Municipal Electric for Interim Update of Wholesale Transmission Rates Pursuant to P.U.C. Subst. R. 25.192(h)*. The difference between these two balances provides the increase in the rate base for DME in this Application.

IV. REQUESTED RELIEF

The requested increase in invested capital in this filing is \$44,431,406. The corresponding total annual wholesale transmission revenue requirement is \$39,221,665, which represents an increase of \$13,034,664. The proposed interim revenue requirement increase represents a 49.7753% increase in DME's wholesale transmission revenue requirement. DME further requests that by expedited process, the Commission approve an interim wholesale transmission rate of \$579.42895 per megawatt (\$0.579429 per kilowatt). To facilitate this relief, DME undertakes to provide any information pertinent to the processing of this Application by prompt response to formal or informal Commission Staff data requests. For formal and statutory purposes, DME designates the effective date for these proposed rate changes as January XX, 2018, which is 35 days after the filing of this Application.

V. NOTICE AND PROCESSING

Any consideration or determination of whether the costs included in DME's Application are reasonable and necessary is specifically removed from this proceeding by 16 TAC § 25.192(h)(2). Because such determinations are ultimately reserved for a later proceeding, the issues in this docket are very limited and it should be processed expeditiously.

Within a reasonable period of time after the filing of this Application, DME will provide written notice pursuant to 16 TAC § 25.192(4)(A) to all parties in the last interim update of

DME's TCOS (Docket No. 46348¹) and all of the distribution service providers listed in Docket No. 46604, *Commission Staff's Application to Set 2017 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas* in the form attached as Attachment "A." Upon completion of the notice described above, DME will file an affidavit attesting to the provision of such notice within a reasonable time and by such date as may be established by the presiding officer.

Pursuant to 16 TAC § 25.192(h)(4)(A), the intervention deadline is 21 days from the date service of notice is completed.

To the extent the relief requested herein is contested in a manner that would prevent the expedited implementation of DME's request, DME respectfully requests an opportunity for hearing, pursuant to 16 TAC § 22.125(c), to establish that good cause exists for the Commission to grant DME interim relief. In such event, DME further requests expedited treatment of this petition so as to permit the Commission to issue a final order expeditiously.

VI. PRAYER

WHEREFORE, PREMISES CONSIDERED, DME respectfully requests that the Commission approve DME's Application and expeditiously order an interim adjustment to DME's annual revenue requirement to \$39,221,665, and approve an interim wholesale transmission rate of \$0.579429 per kilowatt. Additionally, DME requests all other and further relief, general or special, at law or in equity, to which DME may show itself to be justly entitled.

¹ *Application of Denton Municipal Electric for Interim Update of Wholesale Transmission Rates Pursuant to 16 Tex. Admin. Code § 25.192(h)*, Docket No. 46348, Order (Sept. 16, 2016).

Respectfully submitted,

LLOYD, GOSSELINK,
ROCHELLE & TOWNSEND, P.C.
816 Congress Avenue, Suite 1900
Austin, Texas 78701
Telephone: (512) 322-5830
Facsimile: (512) 472-0532

LAMBETH TOWNSEND
State Bar No. 20167500

WILLIAM A. FAULK, III
State Bar No. 24075674

ATTORNEY FOR THE CITY OF DENTON

CERTIFICATE OF SERVICE

I, Lambeth Townsend, attorney, certify that a copy of the Notice of Rate Change Request was served on all parties in Docket No. 46348 and all distribution service providers listed in Docket No. 46604, as listed on Attachment B hereto, on this the _____ day of December, 2017, the following manner: hand delivered, e-mailed, sent via facsimile, or mailed by U.S. First Class Mail.

LAMBETH TOWNSEND

DOCKET NO. _____

APPLICATION OF DENTON	§	BEFORE THE
MUNICIPAL ELECTRIC FOR INTERIM	§	
UPDATE OF WHOLESALE	§	PUBLIC UTILITY COMMISSION
TRANSMISSION RATES PURSUANT	§	
TO 16 TEX. ADMIN. CODE § 25.192(h)	§	OF TEXAS

DIRECT TESTIMONY

OF

KARL J. NALEPA

ON BEHALF OF

DENTON MUNICIPAL ELECTRIC

DECEMBER _____, 2017

**DIRECT TESTIMONY OF
KARL J. NALEPA**

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ATTACHMENTS:

Attachment A	Statement of Qualifications
Attachment B	Previously Filed Testimony
Attachment C	Wholesale Transmission Service Tariff

SCHEDULES SPONSORED:

Schedule A	Updated Wholesale Transmission Cost of Service
Schedule B	Updated Wholesale Transmission Rate Base
Schedule B-1	Updated Wholesale Transmission Plant
Schedule B-5	Updated Wholesale Transmission Accumulated Depreciation
Schedule E-1	Updated Wholesale Transmission Depreciation Expense

WORKPAPERS SPONSORED:

WP / A-1	Notice of Approval (Docket No. 46348)
WP / A-2	Schedule A: Transmission Cost of Service (Docket No. 46348)
WP / B	Schedule B: Summary of Rate Base Allocation (Docket No. 46348)
WP / B-1	Schedule B-1: Original Cost of Utility Plant (Docket No. 46348)
WP / B-5	Schedule B-5: Accumulated Depreciation (Docket No. 46348)
WP / E-1	Schedule E-1: Depreciation Expense (Docket No. 46348)

DOCKET NO. _____

APPLICATION OF DENTON	§	BEFORE THE
MUNICIPAL ELECTRIC FOR INTERIM	§	
UPDATE OF WHOLESALE	§	PUBLIC UTILITY COMMISSION
TRANSMISSION RATES PURSUANT	§	
TO 16 TEX. ADMIN. CODE § 25.192(h)	§	OF TEXAS

DIRECT TESTIMONY OF
KARL J. NALEPA

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Karl J. Nalepa. I am the President of ReSolved Energy Consulting, LLC, an independent utility consulting company. My business address is 11044 Research Blvd., Suite A-420, Austin, Texas 78759.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am presenting testimony on behalf of the City of Denton operating its municipally-owned utility under the name of Denton Municipal Electric Utility (“DME”).

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Science degree in Mineral Economics and a Master of Science degree in Petroleum Engineering, and am a certified mediator. I have been a partner in ReSolved Energy Consulting since July 2011, but joined R.J. Covington Consulting, its predecessor firm, in June 2003. Before that, I served for more than five years as an Assistant Director with the Texas Railroad Commission (“RRC”). In that position, I was responsible for overseeing the economic regulation of natural gas utilities in Texas. Prior to that, I spent five years with two different consulting firms,

1 providing expert advice regarding a broad range of electric and natural gas industry
2 issues. I also served four years as a Fuels Analyst with the Public Utility Commission
3 of Texas (“Commission”). My professional career began with eight years in the
4 reservoir engineering department of an exploration company affiliated with a major
5 interstate pipeline company. My Statement of Qualifications is included as
6 Attachment A.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

8 A. Yes, I have testified many times before both the Commission and the RRC on a
9 variety of regulatory issues. A summary of my previously filed testimony is provided
10 in Attachment B. In addition, I supervised the RRC staff in proceedings before the
11 RRC and served as a Technical Rate Examiner on behalf of the RRC. I have also
12 provided analysis and recommendations in numerous city-level regulatory
13 proceedings that resulted in settlements without written testimony.

14 **II. PURPOSE AND SCOPE**

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A. The purpose of my testimony is to support the interim update of DME’s wholesale
17 transmission service rate. DME has added transmission plant since its last interim
18 cost of service filing, *Application of Denton Municipal Electric for Interim Update of*
19 *Wholesale Transmission Rates Pursuant to P.U.C. SUBST. R. § 25.192(h)*, Docket No.
20 46348. As set forth in the testimony of Bryan Langley filed with this application, the
21 transmission facilities included in this filing are in service and used and useful for
22 providing transmission service.

23 I adopt and support the schedules and workpapers included in this filing,
24 which are consistent with the Filing Requirements for Interim Update of Wholesale

1 Transmission Rates (“Interim TCOS Rate Filing Package”) and 16 TAC § 25.192(h).
2 Section 25.192(h)(1) states that a transmission service provider “may apply to update
3 its transmission rates on an interim basis not more than once per calendar year to
4 reflect changes in its invested capital.” Under the rule, “the new rates shall reflect the
5 addition and retirement of transmission facilities and include appropriate
6 depreciation, federal income tax and other associated taxes, and the commission-
7 authorized rate of return on such facilities as well as changes in loads.”

8 **Q. WHEN DID DME LAST CHANGE ITS RATES?**

9 A. DME’s last interim rate case filing, Docket No. 46348, was filed on September 16,
10 2016 and was based on fiscal year plant balances as of June 30, 2016. The
11 Commission’s Notice of Approval dated November 10, 2016 established the current
12 Transmission Cost of Service (“TCOS”) rate.

13 **Q. WERE THE SCHEDULES AND WORKPAPERS INCLUDED IN THIS**
14 **FILING PREPARED EITHER BY YOU OR UNDER YOUR DIRECTION?**

15 A. Yes, the schedules and workpapers that I sponsor in this filing were prepared by me
16 or under my supervision.

17 **Q. DOES THIS FILING COMPLY WITH THE REQUIREMENTS OF THE**
18 **COMMISSION’S RULES AND THE INTERIM TRANSMISSION COST OF**
19 **SERVICE RATE FILING PACKAGE INSTRUCTIONS?**

20 A. Yes, where applicable, I have followed the Interim TCOS Rate Filing Package. In
21 cases where the rate filing package instructions did not address a particular cost of
22 service item or where any inconsistency seemed to exist, I relied on the
23 Commission’s rules. The filing package instructions do not track the rule in its

1 entirety. For example, the rate filing package instructions do not mention property
2 taxes or payments in lieu of taxes associated with the new plant. In cases of this
3 nature, I have followed the rule and adjusted my schedules accordingly.

4 **Q. WHAT INTERIM INCREASE IS DME REQUESTING?**

5 A. DME is requesting an annual increase in wholesale transmission revenue of
6 \$13,034,664. This increase includes depreciation expense and return on DME's net
7 investment in transmission assets added since June 30, 2016. The return component
8 is \$12,461,833, as shown on Schedule B of the rate filing package.

9 **III. COST OF SERVICE CALCULATIONS**

10 **Q. WHAT COSTS ARE INCLUDED IN THIS INTERIM UPDATE?**

11 A. Section 25.192(h)(1) states that "the new rates shall reflect the addition and
12 retirement of transmission facilities and include appropriate depreciation, federal
13 income tax and other associated taxes, and the commission-authorized rate of return
14 on such facilities." Pursuant to this rule, DME includes calculations for additions and
15 retirements, and rate of return. As a municipal utility, DME is not subject to federal
16 income taxes.

17 **Q. PLEASE EXPLAIN DME'S ADDITIONAL CAPITAL INVESTMENT**
18 **INCLUDED IN THIS INTERIM UPDATE.**

19 A. This interim update includes the capital investments for in-service transmission
20 facilities added since Docket No. 46348. Bryan Langley's Direct Testimony in this
21 application describes the transmission projects comprising the additional capital
22 investment through test year ending June 30, 2017, and additional projects completed
23 and energized but not yet classified. DME also included all transmission facility
24 retirements and changes in accumulated depreciation for the same time period.

This results in the netting of plant additions and retirements in FERC accounts 350–359 through June 30, 2017, included in this interim update. The transmission net plant value for additions and retirements is summarized on Schedule B-1 by FERC account for the entire period. The transmission plant accumulated depreciation is summarized on Schedule B-5 by FERC account for the entire period. Annual depreciation expense is summarized on Schedule E-1 by FERC account for the entire period. DME’s incremental transmission investment is detailed on Attachments BL-1 and BL-2 to the Direct Testimony of Bryan Langley.

IV. REVENUE REQUIREMENT INCREASE

Q. WHAT IS THE REVENUE REQUIREMENT INCREASE THAT RESULTS FROM DME'S ADDITIONS TO TRANSMISSION PLANT?

A. The total interim TCOS increase that DME is requesting is \$13,034,664. This increase is comprised of:

Depreciation and Amortization	\$ 572,831
Return on Rate Base	<u>12,461,833</u>
	\$ 13,034,664

Q. PLEASE EXPLAIN THE CALCULATION OF DEPRECIATION EXPENSE ASSOCIATED WITH THE TRANSMISSION FACILITIES INCLUDED IN SCHEDULE E OF THIS FILING.

A. Annual depreciation expense is computed on the transmission plant in service on June 30, 2017 using the depreciation rates approved in *Application of Denton Municipal Electric to Change Rates for Wholesale Transmission Service*, Docket No. 30358, Final Order (June 15, 2005), DME's last full transmission cost of service case before this Commission. The resulting depreciation expense represents a \$572.831

1 increase over the amount included in DME's current wholesale transmission rate, as
2 shown on Schedule E-1.

3 **Q. DOES THE DEPRECIATION EXPENSE COMPUTED USING THE**
4 **DEPRECIATION RATES APPROVED IN DOCKET NO. 30358 AGREE**
5 **WITH THE DME'S BOOKS AND RECORDS?**

6 A. Yes, it does.

7 **Q. PLEASE EXPLAIN DME'S RATE OF RETURN USED IN THIS INTERIM**
8 **UPDATE.**

9 A. DME used a derived rate of return of 28.0474%. As determined in Docket No.
10 30358, DME's annual transmission revenue requirement was calculated using the
11 cash flow methodology, an acceptable method recognized in the NON-IOU TCOS
12 Rate Filing Package. In Docket No. 30358, the Commission authorized transmission-
13 related Capital Requirements in the amount of \$2,939,476 which, when divided by
14 the transmission rate base of \$10,480,403, imputes a rate of return on rate base of
15 28.0474%.

16 As shown on Schedule B in this filing, using this rate of return, DME's return
17 on its rate base updated to include net transmission plant additions as of June 30,
18 2017, plus energized construction completed but not yet classified plant through
19 June 30, 2017, is \$12,461,833 higher than the return established in DME's last
20 interim increase in Docket No. 46348.

1 **Q. HAS DME INCLUDED CHANGES TO FEDERAL INCOME TAX AND**
2 **OTHER ASSOCIATED TAXES IN THIS FILING?**

3 A. As a municipal utility, DME does not pay federal income taxes. However, DME is
4 required to make payments in lieu of taxes. This transfer is analogous to what an
5 investor-owned utility would pay in franchise fees and property taxes. In its TCOS
6 filing in Docket No. 30358, DME included payments in lieu of taxes, referred to as
7 Return On Investment by DME, in its cash flow method.¹ The cash flow method
8 determined DME's capital requirements in Docket No. 30358, which, when divided
9 by rate base, provided the return on rate base utilized in this interim TCOS filing.
10 Therefore, the payments in lieu of taxes are included in this interim TCOS filing as a
11 component of DME's capital requirements.

12 **V. UPDATED WHOLESALE TRANSMISSION RATE**

13 **Q. HOW DID YOU DETERMINE DME'S UPDATED WHOLESALE**
14 **TRANSMISSION SERVICE RATE?**

15 A. As I previously testified, DME's revenue requirement has increased by \$13,034,664
16 to a total interim revenue requirement of \$39,221,665. Per § 25.192(b)(1), this
17 amount is then divided by the most recent average four coincident peak ("4-CP") in
18 the Electric Reliability Council of Texas ("ERCOT") to calculate the new DME
19 wholesale transmission service rate.

¹ Reference Docket No. 30358, Workpaper C-3.6.

1 Q. WHAT MEGAWATT BILLING UNITS DID YOU USE IN THIS FILING'S
2 TRANSMISSION RATE CALCULATIONS?

A. This proposed transmission rate update uses 67,690.2056 MW, which is the 2016 average 4-CP established by the Commission in Docket No. 46604, *Commission Staff's Application to Set 2017 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*. This is the most recent average 4-CP for ERCOT.

8 **Q. WHAT TRANSMISSION RATE WILL DME BILL AND COLLECT UPON**
9 **FINAL APPROVAL OF THIS INTERIM CAPITAL ADDITION FILING?**

10 A. DME will bill and collect an annual rate of \$579.42895 per MW upon approval of a
11 final order in this proceeding.

12 **Q. WHAT IS THE PROPOSED EFFECTIVE DATE FOR THE REQUESTED**
13 **INTERIM WHOLESALE TRANSMISSION RATE?**

14 A. DME proposes that this interim wholesale transmission rate become effective on
15 January XX, 2018.

16

VI. CONCLUSION

17 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

18 A. DME has followed 16 TAC § 25.192 and the Interim TCOS Rate Filing Package
19 instructions in developing its updated wholesale transmission service revenue
20 requirement. The rate base included in DME's interim TCOS update is used and
21 useful in providing electric service. The information contained in the Interim TCOS
22 Rate Filing Package schedules is true and correct. DME has correctly calculated its
23 new interim TCOS revenue requirement. DME's proposed wholesale transmission
24 service rate of \$579.42895 per MW has been calculated correctly. The Commission

1 should approve DME's interim TCOS update as proposed and make it effective no
2 later than January XX, 2018.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes, it does.**

ATTACHMENT A

Statement of Qualifications

KARL J. NALEPA

Mr. Nalepa is an energy economist with more than 35 years of private and public sector experience in the electric and natural gas industries. He has extensive experience analyzing utility rate filings and resource plans with particular focus on fuel and power supply requirements, quality of fuel supply management, and reasonableness of energy costs. Mr. Nalepa developed peak demand and energy forecasts for municipal and electric cooperative utilities and has forecast the price of natural gas in ratemaking and resource plan evaluations. He led a management and performance review of the Texas Public Utility Commission, and has conducted performance reviews and valuation studies of a number of municipal utility systems. Mr. Nalepa previously directed the Railroad Commission of Texas' Regulatory Analysis & Policy Section, with responsibility for preparing timely natural gas industry analysis, managing ratemaking proceedings, mediating informal complaints, and overseeing consumer complaint resolution. He has prepared and defended expert testimony in both administrative and civil proceedings, and has served as a technical examiner in natural gas rate proceedings.

EDUCATION

- 1998 Certificate of Mediation
 Dispute Resolution Center, Austin
- 1989 NARUC Regulatory Studies Program
 Michigan State University
- 1988 M.S. - Petroleum Engineering
 University of Houston
- 1980 B.S. - Mineral Economics
 Pennsylvania State University

PROFESSIONAL HISTORY

- 2003 - ReSolved Energy Consulting, LLC
 President and Managing Director
- 1997 – 2003 Railroad Commission of Texas
 Asst. Director, Regulatory Analysis & Policy
- 1995 – 1997 Karl J. Nalepa Consulting
 Principal
- 1992 – 1995 Resource Management International, Inc.
 Supervising Consultant
- 1988 – 1992 Public Utility Commission of Texas
 Fuels Analyst
- 1980 – 1988 Transco Exploration Company
 Reservoir and Evaluation Engineer

AREAS OF EXPERTISE

Regulatory Analysis

Electric Power: Analyzed electric utility rate, certification, and resource forecast filings. Assessed the quality of fuel supply management, and reasonableness of costs recovered from ratepayers. Projected the cost of fuel and purchased power. Estimated the impact of environmental costs on utility resource selection. Participated in regulatory rulemaking activities. Provided expert staff testimony in a number of proceedings before the Texas Public Utility Commission.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the Public Utility Commission. Also assist municipal utilities in preparing and defending requests to change rates and other regulatory matters before the Public Utility Commission.

Natural Gas: Directed the economic regulation of gas utilities in Texas for the Railroad Commission of Texas. Responsible for monitoring, analyzing and reporting on conditions and events in the natural gas industry. Managed Commission staff representing the public interest in contested rate proceedings before the Railroad Commission, and acted as technical examiner on behalf of the Commission. Mediated informal disputes between industry participants and directed handling of customer billing and service complaints. Oversaw utility compliance filings and staff rulemaking initiatives. Served as a policy advisor to the Commissioners.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the cities and Railroad Commission. Also assist small utilities in preparing and defending requests to change rates and other regulatory matters before the Railroad Commission.

Litigation Support

Retained to support litigation in natural gas contract disputes. Analyzed the results of contract negotiations and competitiveness of gas supply proposals considering gas market conditions contemporaneous with the period reviewed. Supported litigation related to alleged price discrimination related to natural gas sales for regulated customers. Provided analysis of regulatory and accounting issues related to ownership of certain natural gas distribution assets in support of litigation against a natural gas utility. Supported independent power supplier in binding arbitration regarding proper interpretation of a natural gas transportation contract. Provided expert witness testimony in administrative and civil court proceedings.

Utility System Assessment

Led a management and performance review of the Public Utility Commission. Conducted performance reviews and valuation studies of municipal utility systems. Assessed ability to compete in the marketplace, and recommended specific actions to improve the competitive position of the utilities. Provided comprehensive support in the potential sale of a municipal gas system, including preparation of a valuation study and all activities leading to negotiation of contract for sale and franchise agreements.

Energy Supply Analysis

Reviewed system requirements and prepared requests for proposals (RFPs) to obtain natural gas and power supplies for both utility and non-utility clients. Evaluated submittals under alternative demand and market conditions, and recommended cost-effective supply proposals. Assessed supply strategies to determine optimum mix of available resources.

Econometric Forecasting

Prepared econometric forecasts of peak demand and energy for municipal and electric cooperative utilities in support of system planning activities. Developed forecasts at the rate class and substation levels. Projected price of natural gas by individual supplier for Texas electric and natural gas utilities to support review of utility resource plans.

Reservoir Engineering

Managed certain reserves for a petroleum exploration and production company in Texas. Responsible for field surveillance of producing oil and natural gas properties, including reserve estimation, production forecasting, regulatory reporting, and performance optimization. Performed evaluations of oil and natural gas exploration prospects in Texas and Louisiana.

PROFESSIONAL MEMBERSHIPS

Society of Petroleum Engineers
United States Association for Energy Economics
International Association for Energy Economics

SELECT PUBLICATIONS, PRESENTATIONS, AND TESTIMONY

- “Summary of the USAEE Central Texas Chapter’s Workshop entitled ‘EPA’s Proposed Clean Power Plan Rules: Economic Modeling and Effects on the Electric Reliability of Texas Region,’” with Dr. Jay Zarnikau and Mr. Neil McAndrews, USAEE Dialogue, May 2015
- “Public Utility Ratemaking,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, Sept 2013
- “What City Officials Need to Know About the Process of Ratemaking,” ABCs of Energy Workshop, Texas Municipal League, December 2012
- “What You Should Know About Public Utilities,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, October 2011
- “Natural Gas Markets and the Impact on Electricity Prices in ERCOT,” Texas Coalition of Cities for Fair Utility Issues, Dallas, October 2008
- “Natural Gas Regulatory Policy in Texas,” Hungarian Oil and Gas Policy Business Colloquium, U.S. Trade and Development Agency, Houston, May 2003
- “Railroad Commission Update,” Texas Society of Certified Public Accountants, Austin, April 2003
- “Gas Utility Update,” Railroad Commission Regulatory Expo and Open House, October 2002
- “Deregulation: A Work in Progress,” Interview by Karen Stidger, *Gas Utility Manager*, October 2002
- “Regulatory Overview: An Industry Perspective,” Southern Gas Association’s Ratemaking Process Seminar, Houston, February 2001
- “Natural Gas Prices Could Get Squeezed,” with Comm. Charles R. Matthews, *Natural Gas*, December 2000
- “Railroad Commission Update,” Texas Society of Certified Public Accountants, Austin, April 2000
- “A New Approach to Electronic Tariff Access,” Association of Texas Intrastate Natural Gas Pipeline Annual Meeting, Houston, January 1999
- “A Texas Natural Gas Model,” United States Association for Energy Economics North American Conference, Albuquerque, 1998
- “Texas Railroad Commission Aiding Gas Industry by Updated Systems, Regulations,” *Natural Gas*, July 1998
- “Current Trends in Texas Natural Gas Regulation,” Natural Gas Producers Association, Midland, 1998
- “Overview of the American Petroleum Industry,” Institute of International Education Training Program, Austin, 1993
- Direct testimony in PUC Docket No. 10400 summarized in *Environmental Externality*, Energy Research Group for the Edison Electric Institute, 1992
- “God’s Fuel - Natural Gas Exploration, Production, Transportation and Regulation,” with Danny Bivens, Public Utility Commission of Texas Staff Seminar, 1992
- “A Summary of Utilities’ Positions Regarding the Clean Air Act Amendments of 1990,” Industrial Energy Technology Conference, Houston, 1992
- “The Clean Air Act Amendments of 1990,” Public Utility Commission of Texas Staff Seminar, 1992

ATTACHMENT B

Previously Filed Testimony

**KARL J. NALEPA
TESTIMONY FILED**

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
<u>Before the Public Utility Commission of Texas</u>					
47236	Jul 17	Cities	AEP Texas	EECRF	EECRF Methodology
47235	Jul 17	Cities	Oncor Electric Delivery	EECRF	EECRF Methodology
47217	Jul 17	Cities	Texas-New Mexico Power	EECRF	EECRF Methodology
47032	May 17	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
46936	Oct 17	Cities	Southwestern Public Service	CCN	Public Interest Review
46449	Apr 17	Cities	SWEPCO	Cost of Service	Cost of Service
46238	Jan 17	Office of Public Counsel	Oncor Electric Delivery	STM	Public Interest Review
46076	Dec 16	Cities	Entergy Texas, Inc.	Fuel Reconciliation	Fuel Cost
46050	Aug 16	Cities	AEP Texas	STM	Public Interest Review
46014	Jul 16	Gulf Coast Coalition	CenterPoint Energy Houston	EECRF	EECRF Methodology
45788	May 16	Cities	AEP-TNC	DCRF	DCRF Methodology
45787	May 16	Cities	AEP-TCC	DCRF	DCRF Methodology
45747	May 16	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
45712	Apr 16	Cities	SWEPCO	DCRF	DCRF Methodology
45691	Jun 16	Cities	SWEPCO	TCRF	TCRF Methodology
45414	Feb 17	Office of Public Counsel	Sharyland	Cost of Service	Cost of Service
45248	May 16	City of Fritch	City of Fritch	Cost of Service (water)	Cost of Service
45084	Nov 15	Cities	Entergy Texas, Inc.	TCRF	TCRF Methodology

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
45083	Oct 15	Cities	Entergy Texas, Inc.	DCRF	DCRF Methodology
45071	Aug 15	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
44941	Dec 15	City of El Paso	El Paso Electric	Cost of Service	CEP Adjustments
44677	Jul 15	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
44572	May 15	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
44060	May 15	City of Frisco	Brazos Electric Coop	CCN	Transmission Cost Recovery
43695	May 15	Pioneer Natural Resources	Southwestern Public Service	Cost of Service	Cost Allocation
43111	Oct 14	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
42770	Aug 14	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
42485	Jul 14	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
42449	Jul 14	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
42448	Jul 14	Cities	SWEPCO	TCRF	Transmission Cost Recovery Factor
42370	Dec 14	Cities	SWEPCO	Rate Case Expenses	Rate Case Expenses
41791	Jan 14	Cities	Entergy Texas, Inc.	Cost of Service	Cost of Service/Fuel
41539	Jul 13	Cities	AEP Texas North	EECRF	EECRF Methodology
41538	Jul 13	Cities	AEP Texas Central	EECRF	EECRF Methodology
41444	Jul 13	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
41223	Apr 13	Cities	Entergy Texas, Inc.	ITC Transfer	Public Interest Review
40627	Nov 12	Austin Energy	Austin Energy	Cost of Service	General Fund Transfers
40443	Dec 12	Office of Public Counsel	SWEPCO	Cost of Service	Cost of Service/Fuel

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
40346	Jul 12	Cities	Entergy Texas, Inc.	Join MISO	Public Interest Review
39896	Mar 12	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power
39366	Jul 11	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
38951	Feb 12	Cities	Entergy Texas, Inc.	CGS Tariff	CGS Costs
38815	Sep 10	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
38480	Nov 10	Cities	Texas-New Mexico Power	Cost of Service	Cost of Service/Rate Design
37744	Jun 10	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power/ Gen
37580	Dec 09	Cities	Entergy Texas, Inc.	Fuel Refund	Fuel Refund Methodology
36956	Jul 09	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
36392	Nov 08	Texas Municipal Power	Texas Municipal Power	Interim TCOS	Wholesale Transmission Rate
35717	Nov 08	Cities Steering Committee	Oncor Electric Delivery	Cost of Service	Cost of Service/Rate Design
34800	Apr 08	Cities	Entergy Gulf States	Fuel Reconciliation	Natural Gas/Coal/Nuclear
16705	May 97	North Star Steel	Entergy Texas	Fuel Reconciliation	Natural Gas/Fuel Oil
10694	Jan 92	PUC Staff	Midwest Electric Coop	Revenue Requirements	Depreciation/ Quality of Service
10473	Sep 91	PUC Staff	HL&P	Notice of Intent	Environmental Costs
10400	Aug 91	PUC Staff	TU Electric	Notice of Intent	Environmental Costs
10092	Mar 91	PUC Staff	HL&P	Fuel Reconciliation	Natural Gas/Fuel Oil
10035	Jun 91	PUC Staff	West Texas Utilities	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas/Fuel Oil/Coal

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
9850	Feb 91	PUC Staff	HL&P	Revenue Req. Fuel Factor	Natural Gas/Fuel Oil/ETSI Natural Gas/Coal/Lignite
9561	Aug 90	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
9427	Jul 90	PUC Staff	LCRA	Fuel Factor	Natural Gas
9165	Feb 90	PUC Staff	El Paso Electric	Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas
8900	Jan 90	PUC Staff	SWEPCO	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas
8702	Sep 89 Jul 89	PUC Staff	Gulf States Utilities	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas/Fuel Oil Natural Gas/Fuel Oil
8646	May 89 Jun 89	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
8588	Aug 89	PUC Staff	El Paso Electric	Fuel Reconciliation	Natural Gas

Before the Railroad Commission of Texas

10622	Apr 17	LDC, LLC	LDC, LLC	Cost of Service	Cost of Service/Rate Design
10617	Mar 17	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10580	Mar 17	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
10567	Feb 17	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10506	Jun 16	City of El Paso	Texas Gas Service	Cost of Service	Cost of Service/Energy Efficiency
10498	Feb 16	NatGas, Inc.	NatGas, Inc.	Cost of Service	Cost of Service/Rate Design

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
10359	Jul 14	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10295	Oct 13	Cities Steering Committee	Atmos Pipeline Texas	Revenue Rider	Rider Renewal
10242	Jan 13	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10196	Jul 12	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
10190	Jan 13	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10174	Aug 12	Steering Committee of Cities	Atmos Energy West Texas	Cost of Service	Cost of Service/Rate Design
10170	Aug 12	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10106	Oct 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10083	Aug 11	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10038	Feb 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10021	Oct 10	AgriTex Gas, Inc.	AgriTex Gas, Inc.	Cost of Service	Cost of Service/Rate Design
10000	Dec 10	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
9902	Oct 09	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
9810	Jul 08	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
9797	Apr 08	Universal Natural Gas	Universal Natural Gas	Cost of Service	Cost of Service/Rate Design
9732	Jul 08	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9670	Oct 06	Cities Steering Committee	Atmos Energy Corp.	Cost of Service	Affiliate Transactions/ O&M Expenses/GRIP
9667	Nov 06	Oneok Westex Transmission	Oneok Westex Transmission	Abandonment	Abandonment
9598	Sep 05	Cities Steering Committee	Atmos Energy Corp.	GRIP Appeal	GRIP Calculation
9530	Apr 05	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
9400	Dec 03	Cities Steering Committee	TXU Gas Company	Cost of Service O&M Expenses/Capital Costs	Affiliate Transactions/
<u>Before the Louisiana Public Service Commission</u>					
U-33633	Nov 15	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Prudence
U-33033	Jul 14	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Revenue Requirement
U-31971	Nov 11	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Certification/Cost Recovery
<u>Before the Arkansas Public Service Commission</u>					
O7-105-U	Mar 08	Arkansas Customers	CenterPoint Energy, Inc. & pipelines serving CenterPoint	Gas Cost Complaint	Prudence / Cost Recovery

ATTACHMENT C

Wholesale Transmission Service Tariff

DOCKET NO. _____

APPLICATION OF DENTON	§	BEFORE THE
MUNICIPAL ELECTRIC FOR INTERIM	§	
UPDATE OF WHOLESALE	§	PUBLIC UTILITY COMMISSION
TRANSMISSION RATES PURSUANT	§	
TO 16 TEX. ADMIN. CODE § 25.192(h)	§	OF TEXAS

DIRECT TESTIMONY

OF

BRYAN LANGLEY

ON BEHALF OF

DENTON MUNICIPAL ELECTRIC

DECEMBER _____, 2017

**DIRECT TESTIMONY OF
BRYAN LANGLEY**

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ATTACHMENTS:

- Attachment BL-1 Summary of Docket No. 46348 Transmission Plant in Service
- Attachment BL-2 Construction Completed not Classified at June 30, 2017

WORKPAPERS SPONSORED:

- WP/B-1.2 Listing of Transmission Projects Closed to EPIs July 1, 2016 through
June 30, 2017
- WP/E-2 Electric Plant in Service & Accumulated Depreciation Balance at
June 30, 2017

DOCKET NO. _____

APPLICATION OF DENTON	§	BEFORE THE
MUNICIPAL ELECTRIC FOR INTERIM	§	
UPDATE OF WHOLESALE	§	PUBLIC UTILITY COMMISSION
TRANSMISSION RATES PURSUANT	§	
TO 16 TEX. ADMIN. CODE § 25.192(h)	§	OF TEXAS

**DIRECT TESTIMONY OF
BRYAN LANGLEY**

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Bryan Langley. I am the Interim General Manager of the Denton Municipal Electric Utility (“DME”). My business address is 1659 Spencer Road, Denton, Texas 76205.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am presenting testimony on behalf of the City of Denton, operating its municipally-owned utility under the name of DME. DME is a municipal electric utility serving customers within the DME certificated service area.

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I am the Deputy City Manager/Chief Operating Officer for the City of Denton. Additionally, I served as the Interim General Manager for DME during the preparation of the application. Previously, I served as Director of Finance, Chief Financial Officer, and Assistant City Manager for the City of Denton. Prior to joining Denton, I worked as Assistant Finance Director for the Town of Addison, and for the City of Dallas in a variety of capacities in the Office of Financial Services.

1 I earned a Bachelor of Business Administration and Master of Business
2 Administration degrees from the University of North Texas. In addition, I hold a
3 Master of Science in Accounting and Information Management from the University
4 of Texas at Dallas. I am a Certified Government Finance Officer, and a member of
5 the Government Finance Officers Association, the Government Finance Officers
6 Association of Texas.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

8 A. No, I have not previously testified before this Commission.

9 **II. DESCRIPTION OF DENTON MUNICIPAL ELECTRIC**

10 **Q. PLEASE DESCRIBE THE DENTON MUNICIPAL ELECTRIC UTILITY.**

11 A. DME is a municipal electric utility serving approximately 51,000 customers within
12 the DME certificated service area. The highest system peak load for DME was 353
13 megawatts ("MWs") recorded in the summer of 2016. Total sales for Fiscal Year
14 ("FY") 2016 were 1,433,317 MWh. DME's total revenues for FY 2016 were
15 \$166,290,498.

16 During 2001, DME divested its production assets through the sale of these
17 assets to PG&E National Energy Group. DME currently obtains all of its power
18 supply through wholesale power contracts.

19 To serve our retail customers, DME owns and operates transmission and
20 distribution facilities within its certificated service area. The transmission system
21 includes approximately 30 miles of transmission line. DME owns, operates, and
22 maintains fifteen substations, one interchange, and one switch station. DME also
23 operated two interchanges and one substation for the Texas Municipal Power Agency.

1 The electric distribution system includes approximately 470 miles of underground
2 distribution lines and 352 miles of overhead distribution lines.

3 **III. PURPOSE OF TESTIMONY**

4 **Q. DOES DME HOLD A CERTIFICATE OF CONVENIENCE AND NECESSITY**
5 **(“CCN”) TO CONSTRUCT TRANSMISSION FACILITIES IN TEXAS?**

6 A. No. The Public Utility Regulatory Act (“PURA”)¹ § 31.002(6)(A) exempts
7 municipally-owned utilities from the definition of “electric utilities.” Therefore, until
8 recently, DME was not required to obtain a CCN for the construction of transmission
9 lines under Chapter 37 of PURA. However, PURA § 37.051 was amended in 2015 to
10 require municipally-owned utilities to obtain a CCN for transmission facilities in
11 certain circumstances.²

12 **IV. DESCRIPTION OF PROPERTY**

13 **Q. ARE ANY OF DME’S ACTIVITIES SUBJECT TO REGULATION BY THE**
14 **COMMISSION?**

15 A. Yes. As a transmission service provider in ERCOT, DME is subject to the
16 Commission’s regulation under Chapter 35 of PURA.

17 **V. PURPOSE AND SCOPE**

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. My testimony supports DME’s application to update its wholesale transmission rate
20 pursuant to 16 TAC § 25.192(h)(1) and (2). Section 25.192(h)(1) states that
21 transmission service providers “may apply to update its transmission rates on an

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.017 (Vernon 2007 & Supp. 2008) (“PURA”).

² See PURA § 37.051(g) and (h).

interim basis not more than once per calendar year to reflect changes in its invested capital.” The rule further states, “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-authorized rate of return on such facilities as well as changes in loads.” Section 25.192(h)(2) states that, “An update of transmission rates under paragraph (1) of this subsection shall be subject to reconciliation at the next complete review of the TSP’s transmission cost of service, at which time the commission shall review the costs of the interim transmission plant additions to determine if they were reasonable and necessary.” DME has added a significant amount of transmission assets since its last interim rate case, Docket No. 46348. DME is requesting an interim update to its wholesale transmission rate to recover increased costs associated with these additional assets.

Q. WHAT PORTIONS OF THE APPLICATION IN THIS DOCKET DO YOU SPONSOR?

A. In addition to this testimony, I sponsor Attachments BL-1 and BL-2, and workpapers WP/B-1.2 and WP/E-2. Attachment BL-1 summarizes the booked transmission plant in service by FERC account and describes the completed transmission projects installed since Docket No. 46348 through the test year ending June 30, 2017. Attachment BL-2 provides details of additional facilities that have been placed in service and energized that have been included as Construction Completed Not Classified. I describe each of these projects later in this testimony. WP/B-1.2 identifies each of the transmission projects closed to electric plant in service. WP/E-2 provides a complete listing of all installed facilities and the calculation of

1 depreciation expense and accumulated depreciation for the test year ending June 30,
2 2017.

3 **Q. WHEN DID DME LAST CHANGE ITS RATES?**

4 A. DME's last interim rate case filing in Docket No. 46348 was filed on September 16,
5 2016, and was based on fiscal year plant balances as of June 30, 2016. The
6 Commission's Notice of Approval dated November 10, 2016, established the current
7 Transmission Cost of Service ("TCOS") rate.

8 **Q. WERE THE SCHEDULES AND WORKPAPERS INCLUDED IN THIS**
9 **FILING PREPARED EITHER BY YOU OR UNDER YOUR DIRECTION?**

10 A. Yes, the attachments and workpapers in the filing previously identified were prepared
11 by me or under my supervision.

12 **VI. TRANSMISSION FACILITIES, ADDITIONS, AND RETIREMENTS**

13 **Q. WHAT TRANSMISSION FACILITY ADDITIONS ARE INCLUDED IN THIS**
14 **RATE FILING?**

15 A. Attachment BL-1 provides a complete list and description of the facility additions
16 through the test year ending June 30, 2017, included in this interim update of DME's
17 wholesale transmission rate. The listed facilities are in service and used and useful,
18 and the costs of the facility additions shown on Attachment BL-1 were not included
19 in the transmission plant in service in DME's last interim rate case, Docket No.
20 46348.

1 **Q. PLEASE PROVIDE A DESCRIPTION OF EACH OF THE PROJECTS**
2 **INCLUDED IN THIS INTERIM TCOS FILING THAT ARE ENERGIZED**
3 **AND SHOWN AS CONSTRUCTION COMPLETED NOT CLASSIFIED.**

4 A. Attachment BL-2 identifies those facilities that are used and useful and fully
5 energized and currently shown as “Completed Construction Not Classified”. These
6 projects are:

7 WOODROW-KING’S ROW TM—Reconstruct approximately 4.17 miles of
8 existing 69kV transmission line as 138kV along a new route to replace aging facilities
9 and provide capacity needed to meet contingency planning criteria.

10 DENTON NORTH-KINGS ROW—Reroute and reconstruct approximately
11 2.5 miles of existing 69kV transmission line to replace aging facilities and to provide
12 the capacity needed to meet contingency planning requirements. New route length
13 will be approximately 3.1 miles and reconstructed as 138kV.

14 US 380 TO NORTH LAKES TM LINE—Reconstruction of approximately
15 1.2 miles of existing 69kV transmission line to provide capacity needed to meet
16 contingency planning criteria and future conversion to 138kV.

17 NORTH LAKES-DENTON NORTH TM LINE—Reconductor
18 approximately 1.25 miles and reconstruct approximately 1 mile of existing 69kV line
19 to provide the capacity to meet the requirements of contingency planning criteria.

20 KINGS ROW SUBSTATION CONSTRUCTION—Construct new 69kV–
21 13.2kV substation to replace existing Kings Row Substation which is 50 years old.

22 ARCO SUBSTATION—Reconstruct the Arco Substation on an adjacent site
23 to provide terminals to serve at least two additional transmission lines.

1 NORTH LAKES SUBSTATION RECONSTRUCTION—Construct a new
2 69kV–13.2kV substation to replace the existing substation for future conversion to
3 138kV. The existing station does not have the capacity for contingency planning
4 criteria.

5 TEASLEY TO POCKRUS TML REBUILD—Reconstruct the 138kV
6 transmission line to provide the capacity required by contingency planning criteria.

7 DENTON NORTH INTERCHANGE—Terminate the existing TM line from
8 the 69kV portion of the station to the 138kV TML station in conjunction with
9 conversion of the 69kV loop to 138kV.

10 WOODROW–MCKINNEY TM LINE—Reconstruct approximately .9 miles
11 of aging existing 69kV transmission line and convert to 138kV.

12 MCKINNEY–COOPER CREEK TM LINE—Reconstruct approximately 1.5
13 miles of aging existing 69kV transmission line and convert to 138kV.

14 COOPER CREEK–KINGS ROW TM LINE—Reconstruct approximately 2.1
15 miles of aging existing 69kV transmission line and convert to 138kV.

16 WOODROW–SPI-N SPENCER TML—Construct approximately 1,735' of
17 new 138kV transmission line to connect Woodrow Substation to the Spencer
18 Interchange.

19 ARCO TML TIE IN—Construct transmission facilities to connect the new
20 Arco Substation.

21 NORTH LAKES AUTO XFMR—Relocate existing decommissioned
22 autotransformer to allow 69kV transmission service to be maintained until conversion
23 to 138kV can be completed.

1 **Q. DID DME OBTAIN A CCN FOR THE PROJECTS INCLUDED IN THIS**
2 **APPLICATION?**

3 A. No. As a municipal utility, DME was not required to obtain a CCN because the
4 facilities were either installed or extended inside the municipal boundaries; were
5 exempted because the facility upgrades did not require any additional land, right-of-
6 way, easement, or other property not owned by DME; or the construction,
7 installation, or extension of the facilities were entirely located not more than 10 miles
8 outside of DME's certificated service area.

9 **Q. HAVE ANY OF THE PROJECTS BEEN REVIEWED OR APPROVED BY**
10 **ERCOT?**

11 A. No, all of the transmission facility additions are "local" under Commission rules and
12 only local projects that have regional impacts require review, endorsement, or
13 approval by ERCOT. However, all of these local transmission projects address
14 ERCOT reliability requirements, and DME's own planning criteria addressing
15 reliability and load growth, as well as safety and environmental requirements.

16 All projects requiring improvements to existing transmission facilities have
17 been included in the ERCOT informal review process through the annual filing of
18 load flow cases, data filings, and/or where applicable, worked through the ERCOT
19 Regional Planning Group.

20 **Q. ARE ALL THE TRANSMISSION FACILITIES INCLUDED IN**
21 **ATTACHMENTS BL-1 AND BL-2 USED AND USEFUL?**

22 A. Yes, they are.

1 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

2 A. The transmission facilities included in this filing are in service and used and useful,
3 and the interim TCOS rates should be approved as filed.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes, it does.