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SOAH DOCKET NO. 473-10-1962
DOCKET NO. 37744

APPLICATION OF ENTERGY
TEXAS, INC. FOR AUTHORITY
TO CHANGE RATES AND
RECONCILE FUEL COSTS

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BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE HEARINGS

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REBUTTAL TESTIMONY

OF

MICHAEL P. CONSIDINE

ON BEHALF OF

ENTERGY TEXAS, INC.

JUNE 30, 2010

1173

ENTERGY TEXAS, INC.
REBUTTAL TESTIMONY OF MICHAEL P. CONSIDINE
PUC DOCKET NO. 37744

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Michael P. Considine. My business address is 425 West
4 Capital Avenue, Little Rock, Arkansas 72201.

5

6 Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY ON BEHALF OF
7 ENTERGY TEXAS, INC. ("ETI" OR "THE COMPANY") IN THIS
8 PROCEEDING?

9 A. Yes, I did.

10

11 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

12 A. I will respond to the Direct Testimony offered by Cities witness Karl J.
13 Nalepa and Texas Industrial Energy Consumers ("TIEC") witness Jeffry
14 Pollock on the issues of (1) the components of base rate revenue for the
15 annual Incremental Purchased Capacity Revenue ("IPCR") cap calculation
16 and (2) the amount of 2007 Rough Production Cost Equalization ("RPCE")
17 payments included in ETI's fuel balance.

18 My silence on any issue raised by these witnesses should not be
19 construed as agreement with or acquiescence in their testimony, opinions,
20 or calculations on those issues.

1 II. BASE REVENUE COMPONENTS FOR 5% CAP

2 Q. WHAT LOGIC DID THE COMPANY USE IN CALCULATING THE
3 ANNUAL BASE REVENUE USED IN THE RIDER IPCR 5% COST
4 RECOVERY CAP CALCULATION?

5 A. The Company examined each rate or rider schedule on an annual basis
6 and characterized the revenue associated with each schedule as either
7 base revenue or non-base revenue.

8

9 Q. TIEC WITNESS JEFFRY POLLOCK DISAGREES WITH CERTAIN RATE
10 OR RIDER SCHEDULES BEING CONSIDERED BASE REVENUE FOR
11 PURPOSES OF THE BASE REVENUE CALCULATION. DO YOU
12 AGREE WITH HIS OPINION?

13 A. No. Mr. Pollock defines base revenues on page 75 of his Direct
14 Testimony as "revenues from the sale of electricity that are recovered in
15 the utility's base tariff rates." Generally, I do not disagree with this
16 statement; Mr. Pollock, however, fails to recognize the importance of
17 considering the purpose of the specific cost recovery tariff when
18 determining whether a stream of revenue should be considered base
19 revenue.

1 Q. BEFORE YOU GET INTO THE DISCUSSION OF EACH SCHEDULE ON
2 WHICH THE COMPANY AND MR. POLLOCK HAVE DIFFERING
3 OPINIONS, DOES MR. POLLOCK MAKE ANY GENERAL STATEMENTS
4 REGARDING SECTION 39.455 OF PURA THAT ARE INCORRECT?

5 A. Yes. Mr. Pollock states on page 75 of his Direct Testimony that,
6 "regardless of how the term base revenue is defined, it would be improper
7 to include the revenues collected under these riders in applying the 5%
8 revenue cap" simply because these cost recovery clauses were
9 implemented after Section 39.455 was enacted.

10

11 Q. DO YOU AGREE THAT SECTION 39.455 OF PURA LIMITS BASE
12 REVENUES TO REVENUES COLLECTED FROM BASE RATE TARIFFS
13 IN EFFECT PRIOR TO SECTION 39.455 BEING ENACTED?

14 A. No. Nothing from Section 39.455 would make me draw that conclusion.

15

16 Q. WHAT DOES SECTION 39.455 OF PURA STATE REGARDING BASE
17 REVENUES AND FUTURE COST RECOVERY CLAUSES?

18 A Section 39.455 of PURA simply states, "In no event may the amount
19 recovered annually under the rider exceed five percent of the utility's
20 annual base rate revenues."

1 Q. PLEASE PROVIDE JUSTIFICATION FOR THE REVENUE FROM EACH
2 RATE OR RIDER SCHEDULE THE COMPANY INCLUDED IN THE
3 CALCULATION OF THE ANNUAL IPCR BASE REVENUE THAT MR.
4 POLLOCK DISPUTES.

5 A. ETI included the revenue from the following rate or rider schedules as
6 base revenue and included them in the calculation of the annual IPCR
7 revenue cap: Transition to Competition ("TTC"), Energy Efficiency Cost
8 Recovery Factor ("EECRF"), Storm Cost Offset ("SCO"), Rate Case
9 Expense ("RCE") and Rider for Distribution of Public Benefit Funds
10 ("DPBF").

11 The TTC rider is designed to recover the costs the Company
12 incurred resulting from the transition to retail open access. Rider TTC is
13 subject to the Institutions of Higher Education Rider, which according to
14 PURA Section 36.351, *Discounted Rates for Certain Institutions of Higher*
15 *Education*, states "(b) The discount is a 20-percent reduction of the utility's
16 base rates that would otherwise be paid under the applicable tariffed rate."

17 The EECRF rider recovers energy efficiency costs traditionally
18 recovered in base rates. But for recent legislative authorization for rider
19 recovery, this treatment would have continued. Accordingly, these are
20 properly considered base revenues.

21 The SCO rider is designed to credit an Accumulated Deferred
22 Income Taxes ("ADIT") benefit to customers from the securitization of
23 expenditures related to Hurricane Ike and Hurricane Gustav. ADIT is a

1 reduction to rate base to which Return on Rate Base is applied, which
2 means it would normally be handled in base rates.

3 The RCE rider is designed to recover the costs incurred by the
4 Company from the rate case filing in PUCT Docket No. 34800. These
5 types of costs have historically been included in the cost of service study
6 as operation and maintenance expense and would be considered costs
7 that are eligible for recovery in a base rate tariff.

8 The DPBF rider is available to current customers of record on Low-
9 Income Low-Use ("LILU") and Senior Citizen ("SC") rates. LILU and SC
10 revenues have historically been considered base revenue and the
11 Company treated DPBF in the same manner. The DPBF rider is a credit
12 to qualifying customers that is generated from an amount collected in base
13 rates.

14 In each instance, the riders collect base rate revenue, albeit select
15 portions. However, the use of a rider does not alter the character of the
16 revenue.

17

18 III. 2007 RPCE PAYMENTS RECEIVED BY ETI

19 Q. HAS ETI INCLUDED THE 2007 RPCE PAYMENTS RECEIVED BY ETI
20 RETAIL IN THIS FILING?

21 A. As shown in Schedule I-22, Page 1 of 2, Column 4, Line Nos. 4-10, ETI
22 has included the allocated portion of the 2007 ETI Retail RPCE payments
23 that are due to the fixed fuel factor customers in the fuel balance.

1 Q. WHAT ARE MR. NALEPA AND MR. POLLOCK SUGGESTING WITH
2 REGARD TO ETI'S 2007 RPCE PAYMENTS INCLUDED IN THE FUEL
3 BALANCE?

4 A. Mr. Nalepa and Mr. Pollock suggest that the 2007 ETI Retail RPCE
5 payments should be increased by \$18,578,000. In his originally filed
6 Direct Testimony, Mr. Nalepa suggested an additional payment of
7 \$17,460,268.

8
9 Q. WHY WERE THESE WITNESSES PROPOSING DIFFERENT
10 ADJUSTMENT AMOUNTS?

11 A. The \$17,460,268, originally filed in Mr. Nalepa's Direct Testimony, is an
12 allocated amount attributable to the fixed fuel factor customers and is the
13 correct dollar amount applicable to this fuel reconciliation if the
14 Commission determines additional payments are due from ETI. The
15 \$18,578,000 Mr. Pollock and Mr. Nalepa¹ recommend is for ETI Retail and
16 is misapplied. A portion of the proposed \$18,578,000 belongs to
17 customers not served under the Fixed Fuel Factor tariff. Company
18 witness Phillip May will discuss ETI's position on the suggested addition to
19 the RPCE credit and why the recommendation of Messrs. Nalepa and
20 Pollock should be rejected.

¹ Mr. Nalepa indicated in deposition that he would file an errata changing his original amount of \$17,460,268 to \$18,578,000.

1 Q. WHAT POINT DO YOU WISH TO MAKE REGARDING THE 2007 ETI
2 RETAIL RPCE PAYMENTS?

3 A. I agree with Mr. Nalepa's originally filed calculation of \$17,460,268 if the
4 Commission were to order that ETI return an additional amount of 2007
5 RPCE payments to customers, since that is the amount properly
6 attributable to customers that pay Fixed Fuel Factor rates. Additionally,
7 this amount represents the principal allocable to such customers and will
8 need to have interest applied.

9

10 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

11 A. Yes.