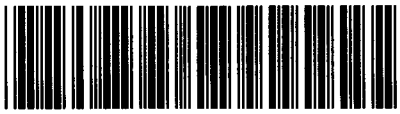

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**SOAH DOCKET NO. 473-13-4068**
**PUC DOCKET NO. 41444**



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|---|---|---|
| **APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO REDETERMINE RATES FOR ENERGY EFFICIENCY COST RECOVERY FACTOR** | § § § § § | **BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS** |

# ENTERGY TEXAS, INC.'S REVISED TESTIMONY AND SUPPLEMENTAL WORKPAPERS

Entergy Texas, Inc. ("ETI" or "the Company") files its Revised Testimony and Supplemental Workpapers and respectfully shows as follows:

## I. Revised Testimony and Rates

ETI has attached the following revised testimony to reflect discussions with Staff and Company responses to discovery requests from Staff:

- Redlined revisions to the Direct Testimony of John K. Carson explain the Company's revised cost allocations and why the Company's administrative costs have increased between 2008 and 2012. Two new exhibits support the revised allocations: JKC-7A and JKC-7B. Also attached is a revised cost effectiveness evaluation, previously included in Exhibit JKC-8, of the Company's 2012 programs that reflects actual Estimated Useful Lives of the various measures under the programs at issue. A corrected Exhibit JKC-5 is attached to reflect the final version of Staff's proposed allocation of statewide EM&V costs by utility.

- Redlined Revisions to the Direct Testimony of Margaret L. McCloskey reflect the new allocations of program costs and EM&V costs described by Mr. Carson and clarify that the Company is excluding the industrial transmission-level customers from the LIPS rate class. Exhibits MLM-2 and MLM-3 are revised to reflect these changes.

Native versions of the revised exhibits are provided on the attached CD. None of these revisions affect the total amount of costs the Company is requesting (but see Section III below). Based on the allocation revisions included in the attached revised testimony, the Company's proposed rates are as follows:



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| Rate Class | EECRF |
|---|---|
| Residential Service | $0.001162 per kWh |
| Small General Service | ($0.000616) per kWh |
| General Service | $0.000541 per kWh |
| Large General Service | $0.000851 per kWh |
| Large Industrial Power Service | |
| Industrial Transmission Customers Only | $0.000000 per kWh |
| Other Than Industrial Transmission Customers | $0.001143 per kWh |
| Lighting | $0.000001 per kWh |

## II. Supplemental Workpapers

The Company is also providing the following Supplemental Workpapers of John K. Carson on the attached CD:

- JKC.WP-R-1: Engagement Letter between ETI and Duggins Wren Mann & Romero, LLP in support of the Company's requested costs for last year's EECRF proceeding. Invoices supporting the requested costs were provided in the workpapers on the CD filed with the Application on May 1, 2013.

- JKC.WP-R-2a-c: Memorandum and spreadsheets from the statewide EM&V Evaluation Team in support of the Company's revised allocation of EM&V costs.

- JKC.WP-R-3a-d: Baseline studies of the Company's EECRF programs from previous years and national program requirements for Energy Star homes.

## III. Supplemental Information

ETI was requested by Staff to identify any financially based incentive compensation costs included in the costs requested in this proceeding. ETI has reviewed the requested costs and identified $5,794 of financially based incentive compensation costs in the requested 2012 program costs. The Company is agreeable to removing these costs from the requested 2012 program costs of $8,067,277.

Respectfully submitted,

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By: _____
Everett Britt
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ATTORNEYS FOR ENTERGY TEXAS, INC.

## CERTIFICATE OF SERVICE

I certify that a true and correct copy of this document was served on all parties of record in Docket No. 41444 on June 7, 2013 by hand-delivery, first class mail, or overnight delivery.

_____
Everett Britt

DOCKET NO. 41444

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|---|---|---|
| APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO REDETERMINE RATES FOR THE ENERGY EFFICIENCY COST RECOVERY FACTOR | § § § § § | PUBLIC UTILITY COMMISSION OF TEXAS |

# DIRECT TESTIMONY

OF

JOHN K. CARSON

ON BEHALF OF

ENTERGY TEXAS, INC.

May 1, 2013

# ENTERGY TEXAS, INC.
# DIRECT TESTIMONY OF JOHN K. CARSON

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## EXHIBITS


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| Exhibit JKC-1 | 2013 Energy Efficiency Plan and Report |
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| Exhibit JKC-4 | 2014 Energy Efficiency Cost Recovery Factor |
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| Exhibit JKC-11 | 2009-2012 Program Results |

## I. WITNESS INTRODUCTION AND QUALIFICATIONS

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

A. My name is John K. Carson. I am employed by Entergy Texas, Inc. ("ETI" or "the Company") as a Lead Account Service Manager. I manage several energy efficiency programs as well as assist with budgeting requirements and energy efficiency program forecasting. My business address is 9425 Pinecroft, The Woodlands, TX, 77380.

Q. FOR WHOM ARE YOU TESTIFYING?

A. I am testifying on behalf of ETI.

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I worked for Gulf States Utilities, Inc., Entergy Gulf States, Inc., and then ETI for over 28 years in Customer Relations, Marketing or in managing ETI's energy efficiency programs. I have a Bachelor's Degree in Accounting from Southwest Texas State University, a Master of Business Administration from LeTourneau University, and a Master of Science in Military History - Civil War from American Military University. In addition, I have passed the Home Energy Rating System test from Southface Energy Institute.

Q. PLEASE DESCRIBE YOUR CURRENT JOB RESPONSIBILITIES AS THEY CONCERN ENERGY EFFICIENCY PROGRAMS.

A. I am responsible for developing and implementing ETI's energy efficiency programs in Texas. As part of my job description, I work closely with the various vendors and participants in ETI's energy efficiency programs. I worked on the rulemaking that resulted in the Public Utility Commission of Texas ("Commission") initial adoption of P.U.C. SUBST. R. 25.181 as well as the adoption of the revisions to the rule that became effective in January 2013. I am a member, and currently Chairman, of the Electric Utility Marketing Managers of Texas ("EUMMOT"), which is an association of electric utilities working to achieve the goal for energy efficiency established under Section 39.905 of the Public Utility Regulatory Act ("PURA"). EUMMOT members include Oncor Electric Delivery Company LLC, CenterPoint Energy Houston Electric, LLC, the American Electric Power Companies, Texas-New Mexico Power Company, Xcel Energy, El Paso Electric Company, Sharyland Electric Company, and ETI.

I currently manage several of ETI's energy efficiency programs, including the Entergy Solutions Premium Homes Market Transformation Program ("MTP"), the SCORE and CitySmart MTPs, and the Commercial Solutions MTP. In addition, I am charged with establishing ETI's energy efficiency savings goals and the budget requirements necessary to achieve those goals.

## II. PURPOSE OF TESTIMONY

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

A. The purpose of my testimony is to support the Company's request to redetermine its Energy Efficiency Cost Recovery Factor ("EECRF") tariff ("Rider EECRF"). In particular, I present the Company's Energy Efficiency Plan and Report as Exhibit JKC-1 and provide testimony in support of the actual and projected costs that form the basis of the requested adjustment in EECRF rates.

Exhibit JKC-1 describes the Company's 2012 energy efficiency programs and the results of those programs. Exhibit JKC-1 also discusses the Company's 2013 program portfolio, projections for 2014, and the circumstances and market conditions that support the reasonableness of the Company's programs and projections. Exhibit JKC-1 includes a projection of the annual growth in demand, an estimate of the energy and peak demand reduction savings to be obtained through each of the Company's energy efficiency programs, a description of the customer classes targeted by the energy efficiency programs, and the proposed annual budget required to implement the programs for each eligible class of customer.

## III. ENERGY EFFICIENCY DEFINED

Q. HOW IS ENERGY EFFICIENCY DEFINED?

A. The term "energy efficiency," as defined by the Commission in P.U.C. SUBST. R. 25.181(c)(12), is as follows:

> Improvements in the use of electricity that are achieved through facility or equipment improvements, devices, or processes that produce reductions in demand or energy consumption with the same or higher level of end-use service and that do not materially degrade existing levels of comfort, convenience, or productivity.

Energy efficiency measures also reduce the need for additional generation in Texas.

Q. HOW IS ENERGY EFFICIENCY MEASURED?

A. P.U.C. SUBST. R. 25.181 states that energy efficiency is to be measured by the energy savings and peak demand reduction. Energy savings is defined in P.U.C. SUBST. R. 25.181(c)(18) as "[a] quantifiable reduction in a customer's consumption of energy that is attributable to energy efficiency measures." Peak demand reduction is defined in P.U.C. SUBST. R. 25.181(c)(45) as "[r]eduction in demand on the utility system throughout the utility system's peak period."

Pursuant to P.U.C. SUBST. R. 25.181(e), the Commission's "energy efficiency goal" is a percentage reduction of the average annual growth in

demand of an electric utility's residential and commercial customers, based on the energy savings achieved from the utility's energy efficiency programs. Under the rule, the energy efficiency goal in 2012 is a 25% reduction of annual growth in demand, and in 2013 it is a 30% reduction of annual growth in demand.

ETI was also subject to the 2012 demand and energy savings goals prescribed by the parties' Stipulation and Settlement Agreement in Docket No. 39366, *Application of Entergy Texas Inc. for Authority to Redetermine Rates for the Energy Efficiency Cost Recovery Factor Tariff.* Further, in accordance with the "ratchet" requirements of P.U.C. SUBST. R. 25.181(e)(1)(E), ETI's 2013 demand goal cannot be lower than its 2012 goal, and ETI's 2014 demand goal cannot be lower than its 2013 goal.

Q. WHAT TYPES OF ENERGY EFFICIENCY MEASURES ARE ALLOWED IN A UTILITY'S ENERGY EFFICIENCY PROGRAM, AND WHAT IS THE ESTIMATED USEFUL LIFE OF EACH MEASURE?

A. The term "energy efficiency measures' is defined in P.U.C. SUBST. R. 25.181(c)(14) as "[e]quipment, materials, and practices, including practices that result in behavioral or operational changes, implemented at a customer's site on the customer's side of the meter that result in a reduction at the customer level and/or on the utility's system in electric energy consumption, measured in kWh, or peak demand, measured in kW, or both." The rule further explains that "[t]hese measures may include

thermal energy storage and removal of an inefficient appliance so long as the customer need satisfied by the appliance is still met."

The types of measures allowed in a utility's energy efficiency programs are listed in Exhibit JKC-2. The Estimated Useful Life ("EUL") is defined in P.U.C. SUBST. R. 25.181(c)(19) as the "number of years until 50% of the installed measures are still operable and providing savings." The EUL determines the period of time over which the benefits of the energy efficiency measure are expected to accrue.

## IV. 2012 PROGRAM YEAR ENERGY EFFICIENCY PROGRAMS

Q. WHAT ENERGY EFFICIENCY PROGRAMS DID ETI OFFER DURING THE 2012 PROGRAM YEAR?

A. ETI implements an array of energy efficiency programs each year that reasonably meets the market conditions, maturity of programs, and regulatory requirements. In 2012, ETI offered seven standard offer programs ("SOP") and MTPs. These programs included the Residential SOP, Hard-to-Reach SOP, Load Management SOP, Entergy Solutions Premium Homes MTP, Commercial Solution MTP, and the SCORE/City Smart MTP.

Q. HOW DID THE ENERGY EFFICIENCY PROGRAMS THAT THE COMPANY IMPLEMENTED IN 2012 ALLOW THE COMPANY TO MEET ITS ENERGY EFFICIENCY GOALS?

A. The energy efficiency programs are diverse so that all eligible customers have an opportunity to participate. Exhibit JKC-1 provides information on ETI's energy efficiency programs for 2012, including a list of all programs, energy and demand savings for each program, and administrative costs associated with the energy efficiency programs. It also describes the benefits of each program.

Q. DURING THE 2012 PROGRAM YEAR, WHAT REDUCTIONS IN PEAK DEMAND AND ENERGY DID ETI ACHIEVE THROUGH ITS ENERGY EFFICIENCY PROGRAMS?

A. ETI achieved a demand reduction of 17.5 MW and energy savings of 33,696 MWH during program year 2012. Table 8 of Exhibit JKC-1 provides a breakdown of the projected and reported peak demand reduction and energy savings in 2012 for each program.

Q. WHAT WERE ETI'S DEMAND REDUCTION AND ENERGY SAVINGS GOALS FOR PROGRAM YEAR 2012?

A. ETI's demand reduction goal for the 2012 program year was 15.5 MW and its energy savings goal was 27,156 MWH, as shown in Table 8 of Exhibit JKC-1.

Q. WHAT WAS ETI'S BUDGET FORECAST TO ACHIEVE ITS ENERGY EFFICIENCY GOAL FOR THE 2012 PROGRAM YEAR?

A. ETI forecasted that it would need to spend $7.977 million in energy efficiency program costs to reach its demand goal, as shown in Table 10, Exhibit JKC-1.

Q. WHAT WERE ETI'S COSTS TO REACH ITS ENERGY EFFICIENCY GOAL IN PROGRAM YEAR 2012?

A. ETI's program costs for 2012 total $8.067 million.

Q. WHY WERE ETI'S ACTUAL COSTS MORE THAN ITS FORECASTED COSTS FOR 2012?

A. There are a couple of buckets of costs that are now included in program costs that were not included in the forecast. But for those costs, the Company's costs would have been less than the forecasted amount for 2012.

First, Commission Rule 25.181 was revised effective January 1, 2013, and the rule allows recovery of the utility and municipal costs of the previous year's EECRF proceeding. Those costs ($22,481) were not included in last year's forecasted costs.

Second, in ETI's most recent base rate case, Docket No. 39896, the PUCT rejected 50% of the affiliate costs billed to ETI under Project Code F3PPE9981S, explaining that these costs should be included in

ETI's EECRF. The final order in the rate case was issued in November 2012, so when the budget for the EECRF costs were initially calculated, ETI had not incorporated these costs in its budget. Fifty percent of the Project Code F3PPE9981S costs billed to ETI in 2012 total $108,467. Company witness Lana B. Lovick provides testimony regarding ETI's costs under Project Code F3PPE9981S.

Q. HOW MANY PROJECT SPONSORS AND PROGRAM IMPLEMENTERS WERE IN ETI'S ENERGY EFFICIENCY PROGRAMS IN 2012 AND WHO WERE THE ONES THAT RECEIVED 5% OR MORE OF THE PROGRAM INCENTIVES?

A. The various Project Sponsors and Program Implementers are listed in the public version of Exhibit JKC-3. The companies receiving 5% or more of program incentives and specific cost data information is presented in the confidential version of Exhibit JKC-3.

## V. EECRF FOR 2014

Q. DOES ETI CURRENTLY HAVE AN EECRF IN PLACE?

A. Yes. ETI's current EECRF was approved on August 28, 2012 in Docket No. 40360[1] to recover approximately $7.918 million. ETI began collecting

[1] *Application of Entergy Texas, Inc. for Authority to Redetermine Rates for the Energy Efficiency Cost Recovery Factor Tariff*, Docket No. 40360, Final Order (Aug.28, 2012).

revenues under the current tariff with the first billing cycle of the January 2013 billing month.

Q. IS ETI ASKING FOR AN ADJUSTMENT TO ITS CURRENT EECRF?

A. Yes. ETI is asking that the EECRF recover $10.245 million for the 2014 program year as compared to approximately $7.918 million approved for the 2013 program year. The calculation for the new EECRF is shown in Exhibit JKC-4.

Q. WHY IS THE REQUESTED AMOUNT TO BE RECOVERED THROUGH THE 2014 EECRF APPROXIMATELY $2.3 MILLION MORE THAN THE AMOUNT TO BE RECOVERED THROUGH THE 2013 EECRF?

A. The increase is primarily driven by the change to an under-recovery of $311,313 from an over-recovery of approximately $1.4 million in the true-up adjustment, which is a change of approximately $1.7 million.

The requested amount for the 2014 EECRF also includes approximately $437 thousand in forecasted costs due to the EM&V costs and Project Code F3PPE9981S costs not previously recovered through the Company's EECRF. The EM&V costs ($328,734) are being requested pursuant to recent revisions in the energy efficiency rule and the amount allocated for recovery by ETI was established by Commission Staff in the spreadsheet I provide as my Exhibit JKC-5. As discussed above, the Project Code F3PPE9981S costs ($108,000) are being requested in this

proceeding as directed by the Commission in the Company's last rate case.

Finally, the Company's request for the 2014 EECRF reflects an increase of approximately $202 thousand in the performance bonus calculated pursuant to the Commission rule.

Q. PLEASE DETAIL THE LEVEL OF COSTS ASSOCIATED WITH ENERGY EFFICIENCY THAT THE COMPANY IS SEEKING TO RECOVER UNDER ITS REDETERMINED EECRF.

A. ETI seeks recovery of approximately $10.245 million in energy efficiency costs through its 2014 EECRF. This amount is comprised of three parts: (1) the Company's forecasted 2014 energy efficiency program budget; (2) a performance bonus associated with the results of ETI's 2012 energy efficiency programs; and (3) an under-recovery of the Company's 2012 costs.

First, Table 6 of Exhibit JKC-1 shows the projected costs the Company will incur to achieve the savings goals required for 2014. The forecast is for $8.414 million in 2014. This total is comprised of $7,296,900 million for incentive costs, $788,000 for administrative costs, and $328,734 for EM&V costs.

Second, P.U.C. SUBST. R. 25.181 allows ETI to collect a performance bonus for efficiently and effectively managing its energy efficiency programs during 2012. The requirements for collecting a

performance bonus are set forth in P.U.C. SUBST. R. 25.181(h). This bonus is calculated to be $1,520,215, as presented in Table 11 of Exhibit JKC-1.

Third, the Company's costs recoverable through the 2012 EECRF (including the 2012 program costs and the 2010 performance bonus and true-up amounts) were $8,708,061. ETI's revenues totaled $8,396,748. Exhibit JKC-6 shows the Company's monthly revenues recorded under the 2012 EECRF rates. The difference in actual EECRF revenues and actual costs resulted in an under-recovery of $311,313.

Q. DO THE COMMISSION'S RULES LIMIT THE EXPENDITURES A UTILITY MAY RECOVER FOR ENERGY EFFICIENCY PROGRAMS?

A. Yes. Commission Rule 25.181(f)(7) includes the applicable cost caps. The rule also provides that, for 2014, the cost caps can be adjusted according to the most recent Consumer Price Index (CPI).

Q. IS THE COMPANY'S 2014 REQUESTED EECRF DESIGNED TO ACHIEVE THE REQUIRED ENERGY EFFICIENCY GOAL AND COMPLY WITH THE COST CAPS FOR 2014?

A. Yes. Under the Company's request, ETI projects that it can achieve the required energy efficiency goal in 2014 and comply with the prescribed cost caps under the Commission rule.

The cost caps, under P.U.C. SUBST. R. 25.181(f)(7)(E), can be "calculated to be the prior period's cost caps increased by a rate equal to the most recently available calendar year's percentage change in the South urban consumer price index (CPI), as determined by the Federal Bureau of Labor Statistics." The current CPI is 2.12%, as indicated by Exhibit JKC-7, which will increase the cost cap for Residential customers from $0.0012 per kWh to $0.001225 per kWh; it will increase the commercial cost cap from $0.00075 per kWh to $0.000766. The Company's proposed rates are consistent with the cost cap requirements.

Q. DOES THE COMPANY'S CALCULATION OF ITS 2012 ACTUAL COSTS INCLUDE COSTS FOR AN EECRF PROCEEDING CONDUCTED PURSUANT TO COMMISSION RULE 25.181(F)?

A. Yes. The Company's calculation of its 2012 costs include costs for last year's EECRF proceeding, Docket No. 40360.

Q. WHAT COSTS FOR LAST YEAR'S EECRF PROCEEDING ARE INCLUDED IN THE COMPANY'S REQUEST?

A. ETI's external legal costs for last year's EECRF proceeding were $20,272.50. The Cities' legal costs for last year's proceeding were $2,207.50. These are the costs the Company is seeking in its request in this docket. The costs are reasonable in light of the Company's experience with proceeding costs in past EECRF proceeding as well as

the Company's recent rate case (Docket No. 39896) and rate case expense proceeding (Docket No. 40295).

Q. HOW ARE THE EECRF RATES CALCULATED?

A. Ms. Margaret L. McCloskey addresses in her Direct Testimony the calculation of rates included in the Company's requested Rider EECRF for 2014.

Q. HOW DID THE COMPANY TRACK AND ALLOCATE ITS 2012 COSTS AND REVENUES?

A. My Exhibit JKC-7A shows the 2012 costs that were directly assigned to specific rate classes. All costs that were incurred by a particular customer or by a particular rate class were assigned to the rate class or the customer's rate class. In particular, all incentive costs, both cash payments to customers and the costs of services provided to customers, were tracked by ETI and/or its vendors so that the costs of the incentives could be assigned to the rate class of the customer who received the incentive payment or service. In that way, all incentive costs were directly assigned to the rate class that received services under the program.

Administrative costs were directly allocated to programs to the extent reasonably possible and, consistent with Rule 25.181(i), any portion of the administrative costs which was not directly assignable to a specific program was allocated among the programs in proportion to the program

incentive costs. My Table 10 of Exhibit JKC-1 shows total administrative costs per program, my Exhibit JKC-7A shows those costs directly allocated to rate classes, and Page 5 of 8 of Exhibit MLM-2 shows the allocation of the remaining administrative costs to the rate classes.

Legal fees from last year's EECRF proceeding and the Company's affiliate energy efficiency costs were related to all programs and rate classes and so were also allocated across all programs in proportion to the program incentive costs (See Table 10 of Exhibit JKC-1) before being allocated to the rate class or classes that received services under that program (See Page 5 of 8 of Exhibit MLM-2).

Revenues for 2012 were tracked by rate class and are identified in my Exhibit JKC-6 and on page 4 of 8 in Exhibit MLM-2.

Q. HOW WERE EM&V COSTS ALLOCATED TO THE RATE CLASSES?

A. EM&V costs were allocated to the various programs per the methodology recommended by the state EM&V evaluation team to allocate EM&V costs to individual utility programs. The Company then allocated the costs to the rate classes that received services under each program using the rate classes' percentage of program incentive costs where needed. These allocations are shown in my Exhibit JKC-7B.

Q. ARE THE COMPANY'S 2014 PROJECTED ENERGY EFFICIENCY COSTS REASONABLE?

A. Yes. The Company's energy efficiency programs adhere to the cost effectiveness parameters contained in P.U.C. SUBST. R. 25.181(d). Exhibit JKC-8 shows the cost effectiveness of the Company's 2014 and 2013 projected energy efficiency program costs, as well as the 2012 actual program costs.

Q. HOW MUCH DOES THE COMPANY PROJECT TO SPEND ON INCENTIVE PAYMENTS AS PART OF ITS ENERGY EFFICIENCY PROGRAMS?

A. The Company's projected 2014 incentive payments are approximately $7.3 million in its 2014 program budget, which is reflected in Table 6 of Exhibit JKC-1. In addition, a breakdown of the energy efficiency program costs by Rate Class is shown in Exhibit JKC-9.

Q. ARE THESE INCENTIVE PAYMENT COSTS REASONABLE?

A. Yes. The Company only includes in its request for incentive payments those costs that meet the definition of incentive payments under P.U.C. SUBST. R. 25.181(c)(29). The Company regularly checks with what other utilities are paying for various measures to make sure that its costs are in line with incentive payments of other utilities. In addition, several Project Sponsors that work with ETI also work for other utilities and they provide feedback on many of the incentives being paid around the state.

Moreover, the program costs meet the current cost effectiveness standard definition in Rule 25.181(d) that states "an energy efficiency rule is deemed to be costs effective if the cost of the program to the utility is less than or equal to the benefits of the program." Because all of ETI's programs costs are less than or equal to the benefits of the programs and are deemed to be cost effective.

Q. WHAT ARE THE ADMINISTRATIVE COSTS FOR THE COMPANY'S ENERGY EFFICIENCY PROGRAMS FOR THE MOST RECENT YEAR AND FOR THE YEAR IN WHICH THE EECRF IS EXPECTED TO BE IN EFFECT?

A. Table 6 of Exhibit JKC-1 shows the Company's 2014 projected administrative costs. The projected 2014 costs are $788,000 (including the projected Project Code F3PPE9981S costs). Table 9 of Exhibit JKC-1 shows the Company's 2012 administrative costs, which total $842,000 and include the costs of last year's EECRF proceeding and Project Code F3PPE9981S costs. The requested costs in this case include only costs that are recoverable as prescribed under P.U.C. SUBST. R. 25.181(i)(1). The administrative costs are comprised of costs that are necessary and appropriate for successful program implementation. These costs include Company labor costs charged to specific energy efficiency programs or in support of the Company's programs in general, as well as information and outreach programs designed to explain the Company's energy efficiency

programs and improve customer awareness of the programs and measures.

Q. DO THE COMPANY'S 2014 ADMINISTRATIVE COSTS INCLUDE ANY RESEARCH AND DEVELOPMENT COSTS?

A. The Company's Project Code F3PPE9981S costs that are described by Company witness Lana Lovick include costs that are in the nature of research and development costs. Otherwise, the 2014 projected costs do not include research and development costs.

Q. DO THE COMPANY'S 2014 ADMINISTRATIVE COSTS INCLUDE ALL COSTS FOR THE DISSEMINATION OF INFORMATION AND OUTREACH?

A. Yes.

Q. ARE THE COMPANY'S 2014 ADMINISTRATIVE COSTS REASONABLE?

A. Yes. ETI's 2014 administrative cost projections total 9.4% of total projected 2014 program year costs identified in Table 6 of Exhibit JKC-1. The projections are consistent with the Commission cap on administrative costs as well as the historic levels of costs the Company has incurred to manage its energy efficiency programs. Under P.U.C. SUBST. R. 25.181(i), a utility may recover its administrative costs to the extent

these costs do not exceed 15% of the utility's total program costs. ETI's 2011 administrative costs equaled 7.6% of total program costs in 2011. The Company's 2012 administrative costs, including the costs of last year's EECRF proceeding, equaled 10.4% of total program costs. With the Company being under the 15% of energy efficiency program costs that is allowable under the rule, its EECRF costs present a reasonable level of administrative costs.

Q. WHY HAVE THE COMPANY'S ADMINISTRATIVE COSTS INCREASED IN THE YEARS BETWEEN 2008 AND 2012?

A. Increases in administration costs have been due to several factors. First, beginning in 2010, the Company took over administration of its Residential and Hard-to-Reach Standard Offer Programs. Accordingly, as shown on Table 9 of my Exhibit JKC-1, the Company's administration costs increased that year by over $400,000 as compared to 2009, but the incentive costs decreased by over a $1,200,000 as compared to 2009. An additional increase in administration costs is seen on Table 9 of my Exhibit JKC-1 for 2012 because the costs shown for 2012 include the EM&V costs allocated to the Company ($328,734) as well as the costs of the previous years' proceedings ($22,481). Neither of these groups of costs had previously been included in the administrative costs. Further, the demand and energy savings goals have increased between 2008 and 2012 from 4.5 MW and 7,936 mWh to 15.5 mW and 27,156 mWh, and

the energy efficiency requirements in Texas became more challenging to meet with the adoption of the International Energy Conservation Code of 2009. As the goals and related requirements have increased, more promotional activities are required for outreach to attract more participation, and more promotional spending increases the administrative costs because promotional costs are included in administrative costs.

## VI. BONUS CALCULATION FOR 2012 PROGRAM YEAR

Q. DOES THE COMPANY'S PROPOSED EECRF INCLUDE ANY AMOUNTS FOR A PERFORMANCE BONUS FOR THE PREVIOUS YEAR? IF SO, PLEASE EXPLAIN.

A. Yes. Pursuant to P.U.C. SUBST. R. 25.181(h), ETI is allowed to receive a performance bonus of $1,520,215 in 2014 based on its 2012 energy efficiency program performance. The bonus calculation is shown as Exhibit JKC-10 and is consistent with the Commission's rule. The cost effectiveness of the 2012 programs is in Exhibit JKC-8.

## VII. REASONABLENESS OF PREVIOUS YEARS COSTS

Q. WHAT WERE THE COSTS RECOVERED BY ETI THROUGH ITS EECRF PRIOR TO 2013?

A. My Exhibit JKC-11 shows the costs incurred and recovered by ETI through its EECRF in years 2009-2012 by cost category.

Q. WERE THE COSTS IDENTIFIED IN EXHIBIT JKC-11 REASONABLE AND NECESSARY TO ACHIEVE THE COMPANY'S GOALS TO REDUCE DEMAND AND ENERGY GROWTH?

A. Yes, the costs incurred were reasonable and necessary to achieve the prescribed goals to reduce demand and energy growth. The reduction goals and projected costs were approved by the Commission annually. The Company's processes and procedures helped to ensure that the costs to achieve the goals were reasonable and necessary. The Company's annual EECRF filings were also provided in the dockets listed in my Exhibit JKC-11. The EECRF filings provide details about the Company's programs and costs since 2009 and include a copy of the Company's annual Energy Efficiency Plan and Report for each filing year as well.

Q. DID THE COSTS INCURRED THROUGH THE EECRF IN YEARS 2009-2012 COMPLY WITH SECTION (F) OF COMMISSION RULE 25.181?

A. Yes, the costs recovered by the Company through its 2009-2012 EECRFs were reasonable costs of providing a portfolio of cost-effective energy efficiency programs that comply with section (f) of the Rule 25.181, including the cost caps of Rule 25.181(f)(7).

Q. WHAT PROCESSES DID ETI HAVE IN PLACE TO ENSURE THE REASONABLENESS OF COSTS?

A. ETI regularly monitored market conditions to ensure the reasonableness of its program offerings and costs. The Company also regularly participates in base-line studies. These studies look for trends in specific market sectors and show where there are weaknesses in adapting to the new International Energy Conservation Code or lagging behind as compared to other regions of Texas. Programs can then be developed to address the lack of adaptation. In particular, base-line studies were conducted in 2010 to determine equipment installation habits in the K-12 educational sector of the market; in 2011, a Commercial sector base-line study was conducted; and a new baseline study is being planned for residential new construction habits in 2014.

In addition, ETI frequently solicits Requests for Proposals ("RFPs") on its existing programs to make sure it is getting the best program delivery and a reasonable price for Program Implementers. RFPs were recently solicited for program implementation in the SCORE/City Smart Market Transformation Program in 2009 and again in 2012. RFPs were also solicited for the Energy Solutions High Performance Homes Market Transformation Program as well.

In 2010, ETI determined it could reduce its costs by implementing its Residential and Hard-to-Reach SOPs in house. Because of this change, ETI did not need to ask to increase its program budget for 2010,

even though the savings goal increased from 20% to 25% of growth in demand. In addition, ETI reduced its number of Project Sponsors in both the Residential and Hard-to-Reach SOP from over 40 to 8 in 2012. This has reduced the administration costs by over 5% and allowed for a major reduction in paperwork, database usage, and customer calls to the Company's phone center.

Q. WHAT PROCESSES DID ETI HAVE IN PLACE TO MONITOR THE COSTS?

A. ETI regularly monitored costs through monthly Program Implementer invoices and reports. Internally, ETI monitors its internal costs through an internal budgeting system. Monthly meetings are held with the Energy Efficiency team and a departmental analyst to discuss current expenditures as well as planned expenditures for the current year such as special promotions or trade show participation.

Q. DID ETI APPROPRIATELY CONTINUE TO IMPROVE ITS PROCESSES OVER THE YEARS BASED ON ITS EXPERIENCE WITH PROCURING ENERGY EFFICIENCY SERVICES?

A. Yes, ETI has continued to adjust and modify its budgeting and accounting processes to meet the needs of the Energy Efficiency team and the requests raised in EECRF proceedings. The most recent request was to be able to track costs by Rate Class rather than Customer Class. Another

is the development of the communications plan and calendar to help track cost of its promotional activities. In particular, a communications plan was developed for promotions and trade show participation by energy efficiency team members. This effort put in place a calendar of events in which the energy efficiency team would participate and its associated costs where one did exist previously, making the communications plan more effective.

Q. HAS THE COMPANY'S EXPERIENCE ALSO HELPED TO ENSURE THAT COSTS RECOVERED THROUGH THE EECRF HAVE BEEN REASONABLE?

A. Yes. ETI sets its program costs based on over 10 years of knowledge and experience within the Texas market and the surrounding service territories. The program costs and incentives offered for these program years were consistent with the offering of similar programs of other utilities and were necessary to encourage participation levels high enough to achieve the energy and demand goals set up the PUCT at reasonable costs.

## VIII. CONCLUSION

Q. DO YOU BELIEVE THE COSTS TO BE RECOVERED THROUGH ETI'S EECRF INCLUDE REASONABLE ACTUAL AND ESTIMATED COSTS

NECESSARY TO PROVIDE ENERGY EFFICIENCY PROGRAMS AND TO MEET THE UTILITY'S GOALS UNDER THIS SECTION?

A. Yes. The program costs associated with providing a quality energy efficiency program under ETI's request are reasonable and meet the cost effectiveness provisions found in the energy efficiency rule.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, at this time.

## Option B: Projected 2012 and 2013 Costs Only

| | | | | | $ 4,287,696 | $ 1,400,721 | $ 5,688,417 |
|---|---|---|---|---|---|---|---|
| | 2012 Projected Costs | 2013 Projected Costs | Two Year Total | Cost Allocation Factor | 2013 Estimated EM&V Costs per Utility | 2014 Estimated EM&V Costs per Utility | Total Estimated EM&V Costs per Utility |
| AEP_SWEPCO | $ 4,565,026 | $ 5,200,026 | $ 9,765,052 | 3.54% | $ 151,666 | $ 49,547 | $ 201,213 |
| AEP_TCC | $ 13,453,745 | $ 14,082,454 | $ 27,536,199 | 9.97% | $ 427,679 | $ 139,716 | $ 567,394 |
| AEP_TNC | $ 2,063,023 | $ 2,794,901 | $ 4,857,924 | 1.76% | $ 75,451 | $ 24,649 | $ 100,099 |
| Center Point | $ 39,858,700 | $ 42,857,000 | $ 82,715,700 | 29.96% | $ 1,284,700 | $ 419,691 | $ 1,704,390 |
| El Paso Electric | $ 4,384,650 | $ 4,384,650 | $ 8,769,300 | 3.18% | $ 136,200 | $ 44,494 | $ 180,695 |
| Entergy | $ 7,976,900 | $ 7,976,900 | $ 15,953,800 | 5.78% | $ 247,787 | $ 80,948 | $ 328,734 |
| Oncor | $ 48,973,208 | $ 62,095,245 | $ 111,068,453 | 40.23% | $ 1,725,061 | $ 563,549 | $ 2,288,610 |
| TNMP | $ 3,405,293 | $ 5,357,855 | $ 8,763,148 | 3.17% | $ 136,105 | $ 44,463 | $ 180,568 |
| Xcel | $ 2,231,000 | $ 3,005,000 | $ 5,236,000 | 1.90% | $ 81,323 | $ 26,567 | $ 107,890 |
| Sharyland | $ 200,000 | $ 1,198,800 | $ 1,398,800 | 0.51% | $ 21,725 | $ 7,097 | $ 28,823 |
| **Total** | **$ 127,111,545** | **$ 148,952,831** | **$ 276,064,376** | **100.00%** | **$ 4,287,696** | **$ 1,400,721** | **$ 5,688,417** |

| | | |
|---|---|---|
| 2013 Budget | $ | 4,287,696 |
| 2014 Budget | $ | 1,400,721 |
| **Total** | **$** | **5,688,417** |

** Budgets provided by Katie Rich, 2/20/13*

Exhibit JKC-5 (revised)
Page 1 of 1

## Exhibit JKC-7A: Directly Assigned 2012 Costs

**Direct Costs by Rate Class**

| | Direct Incentive | Direct Admin |
|---|---|---|
| Residential | $ 4,603,521 | $ 183,095 |
| Small General Service | $ 50,931 | $ - |
| General Service | $ 1,275,756 | |
| Large General Service | $ 999,407 | $ 13,485 |
| Large Industrial Power Service (non transmission) | $ 294,370 | |
| Lighting | $ - | $ - |
| Total | **$ 7,223,985** | **$ 196,580** |

Exhibit JKC-7b

ENTERGY TEXAS, INC.
2012 and 2013 Allocation of Evaluation, Measurement, and Verification Costs

| | Rate Class | % of Directly Assigned Incentive Costs (2) | Directly Assigned Incentive Costs (3) | Residential & Hard-to-Reach (1) | | Commercial Solutions MTP (1) | | | Load Management MTP (1) | | | Score MTP (1) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Allocation of 2012 EM&V Cost | Allocation of 2013 EM&V Cost | Allocation (2) | Allocation of 2012 EM&V Cost | Allocation of 2013 EM&V Cost | Allocation (2) | Allocation of 2012 EM&V Cost | Allocation of 2013 EM&V Cost | Allocation (2) | Allocation of 2012 EM&V Cost | Allocation of 2013 EM&V Cost | Allocation of 2012 EM&V Cost | Allocation of 2013 EM&V Cost | Total EM&V Costs |
| RES | Residential | 63.726% | $ 4,603,521 | $ 74,580 | $ 97,835 | | | | | | | | | | $ 74,580 | $ 97,835 | $ 172,415 |
| SGS | Small Gen Service | 0.705% | 50,931 | | | 0 705% | $ 524 | $ 923 | | | | 0.705% | $ 586 | $ 1,014 | 1,109 | 1,937 | 3,046 |
| GS | General Service | 17 660% | 1,275,756 | | | 17.660% | $ 13,121 | $ 23,117 | | | | 17 660% | $ 14,669 | 25,403 | 27,790 | 48,520 | 76,311 |
| LGS | Large General Service | 13.835% | 999,407 | | | 13.835% | $ 10,279 | $ 18,110 | 13.835% | $ 2,859 | $ 5,076 | 13 835% | $ 11,492 | 19,900 | 24,629 | 43,086 | 67,716 |
| LIPS | LIPS - Non-Transmission | 4 075% | 294,370 | | | | | | | | | 4 075% | $ 3,385 | 5,862 | 3,385 | 5,862 | 9,246 |
| LGT | Lighting | 0 000% | | | | | | | | | | | | | | | - |
| Total Company | | 100.000% | $ 7,223,985 | $ 74,580 | $ 97,835 | 32.200% | $ 23,924 | $ 42,150 | 13.835% | $ 2,859 | $ 5,076 | 36.274% | $ 30,131 | $ 52,179 | $ 131,494 | $ 197,240 | $ 328,734 |

Notes:

(1) Program Allocations provided by PUCT Staff from method presented by EM&V Evaluation Team.
(2) % of directly assigned incentive costs
(3) Per Exhibit JKC-7A

Exhibit JKC-7B (new)
Page 1 of 1

Exhibit JKC-8a

| 2012 Residential SOP | Savings | | | Costs | | | | | | | | | Benefits | | | | Benefit-Cost Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Measures | kW | kWh | EUL | Incentives | Incentive Ratio | Admin. | Affiliate Costs | Utility Legal Fees | EM&V | Prorated Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total | Net Benefits | |
| **Program Total** | **4,779** | **11,042,536** | | **$ 2,191,933** | | **$ 164,742** | **$ 23,125** | **$ 4,322** | **$ 35,840** | **$ 324,110** | **$ 471** | **$ 2,744,543** | **$ 3,973,187** | **$ 7,437,863** | **$ 11,411,050** | **$ 8,666,507** | **4.16** |
| Ceiling Insulation (CI) | 327 | 1,286,528 | 25 | $ 188,897 | 0 0862 | $ 14,197 | $ 1,993 | $ 372 | $ 3,089 | $ 27,931 | $ 41 | $ 236,519 | $ 329,568 | $ 1,038,100 | $ 1,367,669 | $ 1,131,149 | 5 78 |
| Duct Efficiency (DT) | 3,630 | 7,926,819 | 18 | $ 1,555,180 | 0 7095 | $ 116,885 | $ 16,407 | $ 3,066 | $ 25,429 | $ 229,957 | $ 334 | $ 1,947,258 | $ 3,110,149 | $ 5,433,268 | $ 8,543,417 | $ 6,596,159 | 4 39 |
| Infiltration (IN) | 691 | 1,392,749 | 11 | $ 295,492 | 0 1348 | $ 22,209 | $ 3,117 | $ 583 | $ 4,832 | $ 43,693 | $ 63 | $ 369,989 | $ 432,572 | $ 697,781 | $ 1,130,354 | $ 760,365 | 3.06 |
| Air Conditioning (AC) | 107 | 341,401 | 15 | $ 115,706 | 0 0528 | $ 8,696 | $ 1,221 | $ 228 | $ 1,892 | $ 17,109 | $ 25 | $ 144,877 | $ 82,418 | $ 210,199 | $ 292,617 | $ 147,740 | 2.02 |
| Heat Pump (HP) | 24 | 95,039 | 15 | $ 36,659 | 0 0167 | $ 2,755 | $ 387 | $ 72 | $ 599 | $ 5,421 | $ 8 | $ 45,901 | $ 18,479 | $ 58,515 | $ 76,993 | $ 31,092 | 1 68 |

**Inputs**

**Avoided Costs**

$80.00 per kW
$0.0640 per kWh

**Escalation/Discount Rate**

2 00% escalation rate
**8.269%** Weighted Average Cost of Capital

Exhibit JKC-8a

| 2012 HTR SOP | Savings | | | Costs | | | | | | | | | Benefits | | | | Benefit-Cost Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Measures | kW | kWh | EUL | Incentives | Incentive Ratio | Admin. | Affiliate Costs | Utility Legal Fees | EM&V | Prorated Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total | Net Benefits | |
| **Program Total** | **1,759** | **4,095,008** | | **$ 1,384,238** | | **$ 119,787** | **$ 15,955** | **$ 2,982** | **$ 16,566** | **$ 223,624** | **$ 325** | **$ 1,763,477** | **$ 1,476,457** | **$ 2,707,244** | **$ 4,183,702** | **$ 2,420,224** | **2.37** |
| Ceiling Insulation (CI) | 229 | 706,990 | 25 | $ 207,942 | 0 1502 | $ 17,995 | $ 2,397 | $ 448 | $ 2,489 | $ 33,593 | $ 49 | $ 264,912 | $ 231,278 | $ 570,471 | $ 801,749 | $ 536,836 | 3 03 |
| CFL Measures (CF) | 30 | 281,004 | 5 3 | $ 42,381 | 0.0306 | $ 3,667 | $ 488 | $ 91 | $ 507 | $ 6,847 | $ 10 | $ 53,992 | $ 10,442 | $ 79,307 | $ 89,750 | $ 35,758 | 1 66 |
| Duct Efficiency (DT) | 1,280 | 2,714,734 | 18 | $ 976,077 | 0 7051 | $ 84,466 | $ 11,250 | $ 2,103 | $ 11,681 | $ 157,685 | $ 229 | $ 1,243,493 | $ 1,096,651 | $ 1,860,756 | $ 2,957,408 | $ 1,713,914 | 2.38 |
| Infiltration (IN) | 220 | 389,420 | 11 | $ 157,260 | 0.1136 | $ 13,609 | $ 1,813 | $ 339 | $ 1,882 | $ 25,405 | $ 37 | $ 200,345 | $ 137,847 | $ 195,103 | $ 332,950 | $ 132,605 | 1 66 |
| Water Heater Measures (DH) | 0 | 2,860 | 13 | $ 578 | 0 0004 | $ 50 | $ 7 | $ 1 | $ 7 | $ 93 | $ 0 | $ 736 | $ 239 | $ 1,607 | $ 1,845 | $ 1,109 | 2.51 |

**Inputs**

**Avoided Costs**

$80.00 per kW
$0.0640 per kWh

**Escalation/Discount Rate**

2.00% escalation rate
8.269% Weighted Average Cost of Capital

Exhibit JKC-8a

| 2012 | Savings | | | Costs (000) | | | | | | | | Benefits | | | | Benefit-Cost Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Class and Program | kW | kWh | EUL | Incentives | Admin. | Affiliate Costs | Utility Legal Fees | EM&V Costs | Prorated Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total Avoided Costs | Net Benefits | |
| **Program Total** | 5,504 | 0 | 1 | $248,211 | $29,835 | $ 4,783 | $ 894 | $ 2,859 | $ 67,042 | $ 97 | $ 359,226 | $ 414,706 | $ - | $ 414,706 | $ 414,609 | 1.15 |

Load Management SOP

80 per kW

**Avoided Costs**

80 per kW

0 per kWh

**Escalation/Discount Rate**

0 escalation rate

0 discount rate

**Measure Life**

**1** LM Measure life

Exhibit JKC-8a

| 2012 | Savings | | Costs (000) | | | | | | | | Benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Customer Class and Program | kW | kWh | Incentives | Admin. | Affiliate Costs | Utility Legal Fees | EM&V Costs | Prorated Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total Avoided Costs | Net Benefits | Benefit-Cost Ratio |
| **Program Total** | 655 | 1,783,236 | $696,029 | $88,769 | $ 11,725 | $ 2,192 | $ 12,055 | $ 157,190 | $ 228 | $ 967,960 | $ 634,614 | $ 1,382,188 | $ 2,016,802 | $ 2,016,574 | 2.08 |

Energy Star New Homes MTP

80 per kW

80 per kW
0.064 per kWh

**Escalation/Discount Rate**

0.02 escalation rate
0.083 discount rate

**Measure Life**

23 Measure Life

Exhibit JKC-8a

| 2012 Home Performance with Energy Star MTP | Savings | | | Costs | | | | | | | | | Benefits | | | | Benefit-Cost Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Measures | kW | kWh | EUL | Incentives | Incentive Ratio | Admin. | Affiliate Costs | Utility Legal Costs | EM&V Costs | Projected Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total | Net Benefits | |
| **Program Total** | **321** | **792,124** | | **$ 331,321** | | **$ 59,131** | **$ 5,022** | **$ 939** | **$ 10,121** | **$ 77,531** | **$ 113** | **$ 484,178** | **$ 248,370** | **$ 483,644** | **$ 732,014** | **$ 247,836** | **1.51** |
| Ceiling Insulation | 11 | 13,810 | 25 | $ 3,840 | 0.0116 | $ 685 | $ 58 | $ 11 | $ 117 | $ 899 | $ 1 | $ 5,612 | $ 10,994 | $ 11,143 | $ 22,137 | $ 16,526 | 3.94 |
| Duct Efficiency | 218 | 598,346 | 18 | $ 55,648 | 0.1680 | $ 9,932 | $ 843 | $ 158 | $ 1,700 | $ 13,022 | $ 19 | $ 81,322 | $ 186,916 | $ 410,123 | $ 597,040 | $ 515,718 | 7.34 |
| Infiltration | 65 | 118,758 | 11 | $ 66,261 | 0.2000 | $ 11,826 | $ 1,004 | $ 188 | $ 2,024 | $ 15,505 | $ 23 | $ 96,831 | $ 40,801 | $ 59,499 | $ 100,300 | $ 3,469 | 1.04 |
| Air Conditioning | 10 | 3,837 | 15 | $ 5,200 | 0.0157 | $ 928 | $ 79 | $ 15 | $ 159 | $ 1,217 | $ 2 | $ 7,599 | $ 7,873 | $ 2,362 | $ 10,236 | $ 2,637 | 1.35 |
| Kneewall Insulation | 2 | 639 | 25 | $ 263 | 0.0008 | $ 47 | $ 4 | $ 1 | $ 8 | $ 62 | $ 0 | $ 384 | $ 1,785 | $ 516 | $ 2,301 | $ 1,917 | 5.99 |
| Wall Insulation | 4 | 1,756 | 25 | $ 557 | 0.0017 | $ 99 | $ 8 | $ 2 | $ 17 | $ 130 | $ 0 | $ 814 | $ 3,782 | $ 1,417 | $ 5,199 | $ 4,385 | 6.39 |
| Water Heater Jacket | 0 | 100 | 7 | $ 10 | 0.0000 | $ 2 | $ 0 | $ 0 | $ 0 | $ 2 | $ 0 | $ 15 | $ 89 | $ 36 | $ 124 | $ 110 | 8.51 |
| Water Pipe Insulation | 0 | 40 | 13 | $ 5 | 0.0000 | $ 1 | $ 0 | $ 0 | $ 0 | $ 1 | $ 0 | $ 7 | $ 3 | $ 22 | $ 25 | $ 18 | 3.46 |
| Compact Fluorescent Lights | 8 | 49,680 | 5 | $ 1,920 | 0.0058 | $ 343 | $ 29 | $ 5 | $ 59 | $ 449 | $ 1 | $ 2,806 | $ 2,855 | $ 14,021 | $ 16,877 | $ 14,071 | 6.01 |
| Window Replacement | 3 | 4,912 | 25 | $ 126 | 0.0004 | $ 23 | $ 2 | $ 0 | $ 4 | $ 30 | $ 0 | $ 185 | $ 3,056 | $ 3,963 | $ 7,020 | $ 6,835 | 38.03 |
| Solar Screen | 0 | 246 | 10 | $ 65 | 0.0002 | $ 12 | $ 1 | $ 0 | $ 2 | $ 15 | $ 0 | $ 95 | $ 60 | $ 115 | $ 176 | $ 81 | 1.85 |
| Other Program Costs | 0 | 0 | 1 | $ 197,426 | 0.5959 | $ 35,235 | $ 2,992 | $ 560 | $ 6,031 | $ 46,199 | $ 67 | $ 288,510 | 0 | 0 | 0 | $ (288,510) | 0.00 |

**Inputs**

**Avoided Costs**

$80.00 per kW
$0.0640 per kWh

**Escalation/Discount Rate**

2.00% escalation rate
8.269% Weighted Average Cost of Capital

Exhibit JKC-8a

| 2012 Commercial Solutions MTP | Savings | | | Costs | | | | | | | | | Benefits | | | | Benefit-Cost Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Measures | kW | kWh | EUL | Incentives | Incentive Ratio | Admin. | Affiliate Costs | Utility Legal Fees | EM&V Costs | Projected Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total | Net Benefits | |
| **Program Total** | **1,683** | **7,866,417** | | **$1,038,410** | | **$ 133,264** | **$ 23,928** | **$ 4,472** | **$ 23,924** | **$ 335,360** | **$ 487** | **$ 1,559,845** | **$ 1,219,202** | **$ 4,503,045** | **$ 5,722,247** | **$ 4,162,402** | **3.67** |
| Anti Sweat Heater Controls | 7.69 | 106,124 | 12 | $3,468 | 0.0033 | $ 445 | $ 80 | $ 15 | $ 80 | $ 1,120 | $ 2 | **$ 5,210** | $ 5,117 | $ 56,489 | $ 61,606 | $ 56,396 | 11.83 |
| Compact Fluorescent Lights | 68.24 | 351,260 | 3 | $18,967 | 0.0183 | $ 2,434 | $ 437 | $ 82 | $ 437 | $ 6,126 | $ 9 | **$ 28,492** | $ 12,305 | $ 50,670 | $ 62,975 | $ 34,484 | 2.21 |
| Chiller - Water Cooled | 87.85 | 279,899 | 25 | $20,972 | 0.0202 | $ 2,691 | $ 483 | $ 90 | $ 483 | $ 6,773 | $ 10 | **$ 31,503** | $ 88,608 | $ 225,851 | $ 314,458 | $ 282,956 | 9.98 |
| Energy Star Roofing | 4.27 | 2,682 | 15 | $801 | 0.0008 | $ 103 | $ 18 | $ 3 | $ 18 | $ 259 | $ 0 | **$ 1,203** | $ 3,286 | $ 1,651 | $ 4,938 | $ 3,735 | 4.10 |
| Energy Star Roofing + Insulation | 30.14 | 13,761 | 15 | $5,550 | 0.0053 | $ 712 | $ 128 | $ 24 | $ 128 | $ 1,792 | $ 3 | **$ 8,336** | 23,196 | 8,473 | 31,669 | $ 23,332 | 3.80 |
| Heat Pump - Ground Source | 25.90 | 21,497 | 15 | $4,962 | 0.0048 | $ 637 | $ 114 | $ 21 | $ 114 | $ 1,603 | $ 2 | **$ 7,454** | 19,933 | 13,236 | 33,169 | $ 25,714 | 4.45 |
| HVAC- DX | 99.26 | 274,202 | 15 | $22,855 | 0.0220 | $ 2,933 | $ 527 | $ 98 | $ 527 | $ 7,381 | $ 11 | **$ 34,331** | 76,392 | 168,824 | 245,217 | $ 210,886 | 7.14 |
| LED Lighting | 313.29 | 1,528,501 | 15 | $85,395 | 0.0822 | $ 10,959 | $ 1,968 | $ 368 | $ 1,967 | $ 27,579 | $ 40 | **$ 128,277** | 241,113 | 941,089 | 1,182,202 | $ 1,053,926 | 9.22 |
| LED Lighting | 0.41 | 1,495 | 2.5 | $102 | 0.0001 | $ 13 | $ 2 | $ 0 | $ 2 | $ 33 | $ 0 | **$ 153** | 74 | 216 | 290 | $ 137 | 1.90 |
| Lighting | 776.96 | 3,964,853 | 15.5 | $215,265 | 0.2073 | $ 27,626 | $ 4,960 | $ 927 | $ 4,960 | $ 69,521 | $ 101 | **$ 323,360** | 610,108 | 2,490,720 | 3,100,827 | $ 2,777,467 | 9.59 |
| Lighting - Halo | 1.50 | 1 | 1.5 | $254 | 0.0002 | $ 33 | $ 6 | $ 1 | $ 6 | $ 82 | $ 0 | **$ 381** | 167 | 0 | 167 | $ (214) | 0.44 |
| Lighting T-12 | 268.33 | 1,318,021 | 8.5 | $73,318 | 0.0706 | $ 9,409 | $ 1,689 | $ 316 | $ 1,689 | $ 23,678 | $ 34 | **$ 110,135** | 138,903 | 545,826 | 684,729 | $ 574,595 | 6.22 |
| Other Program Costs | 0 | 0 | 1 | $586,501 | 0.5648 | $ 75,268 | $ 13,515 | $ 2,526 | $ 13,512 | $ 189,414 | $ 275 | **$ 881,011** | 0 | 0 | 0 | $ (881,011) | 0.00 |

**Inputs**

**Avoided Costs**

$80.00 per kW
$0.0640 per kWh

**Escalation/Discount Rate**

2.00% escalation rate
**8.269%** Weighted Average Cost of Capital

Exhibit JKC-8a

| 2012 SCORE/City Smart MTP | Savings | | | Costs | | | | | | | | | Benefits | | | | Benefit-Cost Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Measures | kW | kWh | EUL | Incentives | Incentive Ratio | Admin. | Affiliate Costs | Utility Legal Fees | EM&V Costs | Projected Bonus Allocation | Cities Legal Fees | Total | Avoided Capacity Costs | Avoided Energy Costs | Total | Net Benefits | |
| **Program Total** | **2,802** | **8,116,863** | | **$ 1,333,843** | | **$ 116,816** | **$ 23,928** | **$ 4,472** | **$ 30,131** | **$ 335,360** | **$ 487** | **$ 1,845,037** | **$ 2,252,065** | **$ 4,922,127** | **$ 7,174,191** | **$ 5,329,154** | **3.89** |
| Cold Cathode Fluorescent Lamp (CCFL) | 7.3 | 36,312 | 4.5 | $ 36,312 | 0.0272 | $ 3,180 | $ 651 | $ 122 | $ 820 | $ 9,130 | $ 13 | **$ 50,229** | $ 2,249 | $ 8,901 | $ 11,150 | $ (39,078) | 0.22 |
| Compact Fluorescent Lights | 10.8 | 53,642 | 2.5 | $ 2,443 | 0.0018 | $ 214 | $ 44 | $ 8 | $ 55 | $ 614 | $ 1 | **$ 3,379** | $ 1,955 | $ 7,738 | $ 9,693 | $ 6,313 | 2.87 |
| Compact Fluorescent Lights - Modular | 0 8 | 3,876 | 16.0 | $ 214 | 0.0002 | $ 19 | $ 4 | $ 1 | $ 5 | $ 54 | $ 0 | **$ 296** | $ 624 | $ 2,482 | $ 3,106 | $ 2,810 | 10.49 |
| Chiller - Air Cooled | 866.2 | 1,627,601 | 20 0 | $ 173,238 | 0 1299 | $ 15,172 | $ 3,108 | $ 581 | $ 3,913 | $ 43,556 | $ 63 | **$ 239,631** | $ 785,470 | $ 1,180,741 | $ 1,966,211 | $ 1,726,580 | 8 21 |
| Chiller - Water Cooled | 209 8 | 466,588 | 25.0 | $ 41,962 | 0 0315 | $ 3,675 | $ 753 | $ 141 | $ 948 | $ 10,550 | $ 15 | **$ 58,044** | $ 211,620 | $ 376,490 | $ 588,110 | $ 530,066 | 10.13 |
| Energy Star Roof Coating | 23.1 | 12,501 | 15.0 | $ 4,610 | 0 0035 | $ 404 | $ 83 | $ 15 | $ 104 | $ 1,159 | $ 2 | **$ 6,377** | $ 17,740 | $ 7,697 | $ 25,436 | $ 19,060 | 3.99 |
| ES Roof Coating plus Insulation | 75.4 | 48,114 | 15.0 | $ 15,080 | 0.0113 | $ 1,321 | $ 271 | $ 51 | $ 341 | $ 3,791 | $ 6 | **$ 20,859** | $ 58,029 | $ 29,623 | $ 87,653 | $ 66,793 | 4.20 |
| HVAC-DX | 270 0 | 583,134 | 15.0 | $ 53,998 | 0.0405 | $ 4,729 | $ 969 | $ 181 | $ 1,220 | $ 13,576 | $ 20 | **$ 74,693** | $ 207,789 | $ 359,032 | $ 566,821 | $ 492,128 | 7.59 |
| Lighting | 937.7 | 3,406,998 | 15.5 | $ 183,566 | 0.1376 | $ 16,076 | $ 3,293 | $ 615 | $ 4,147 | $ 46,153 | $ 67 | **$ 253,918** | $ 736,297 | $ 2,140,275 | $ 2,876,573 | $ 2,622,655 | 11 33 |
| Lighting- HALO | 3.9 | 19,474 | 1.5 | $ 1,079 | 0 0008 | $ 94 | $ 19 | $ 4 | $ 24 | $ 271 | $ 0 | **$ 1,492** | $ 439 | $ 1,736 | $ 2,174 | $ 682 | 1.46 |
| Lighting T-12 | 353.6 | 1,775,423 | 8.5 | $ 73,525 | 0.0551 | $ 6,439 | $ 1,319 | $ 247 | $ 1,661 | $ 18,486 | $ 27 | **$ 101,703** | $ 183,059 | $ 735,248 | $ 918,307 | $ 816,604 | 9.03 |
| Soalr Photovoltaic | 43.2 | 83,200 | 30.0 | $ 8,632 | 0 0065 | $ 756 | $ 155 | $ 29 | $ 195 | $ 2,170 | $ 3 | **$ 11,940** | $ 46,793 | $ 72,163 | $ 118,957 | $ 107,017 | 9.96 |
| Other Program Costs | 0.0 | 0 | 1.0 | $ 793,182 | 0.5947 | $ 69,466 | $ 14,229 | $ 2,659 | $ 17,918 | $ 199,425 | $ 290 | **$ 1,097,168** | $ - | $ - | $ - | $ (1,097,168) | 0.00 |

**Inputs**

**Avoided Costs**

$80 00 per kW
$0.0640 per kWh

**Escalation/Discount Rate**

2 00% escalation rate
**8.269%** Weighted Average Cost of Capital

DOCKET NO. 41444

| | | |
|---|---|---|
| APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO REDETERMINE RATES FOR THE ENERGY EFFICIENCY COST RECOVERY FACTOR TARIFF | §<br>§<br>§<br>§<br>§<br>§<br>§<br>§ | PUBLIC UTILITY COMMISSION<br><br>OF TEXAS |

# DIRECT TESTIMONY

OF

MARGARET L. MCCLOSKEY

ON BEHALF OF

ENTERGY TEXAS, INC.

MAY 1, 2013

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF MARGARET L. MCCLOSKEY
2013 EECRF APPLICATION

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EXHIBITS


| | |
|---|---|
| Exhibit MLM-1 | Education and Professional Background |
| Exhibit MLM-2 | EECRF Redetermination Calculations |
| Exhibit MLM-3 | Revised Rider Schedule EECRF |

## I. NAME AND QUALIFICATIONS

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

A. My name is Margaret L. McCloskey. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113. I am employed by Entergy Services, Inc., ("ESI"), the service company affiliate of Entergy Texas, Inc. ("ETI" or the "Company") as Manager in the Fuel & Special Riders Department.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting this Direct Testimony to the Public Utility Commission of Texas ("Commission") on behalf of ETI.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. A summary of my education and work experience is included as Exhibit MLM-1.

## II. INTRODUCTION

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

A. My Direct Testimony in this proceeding explains the calculation of the rates the Company is filing in the 2013 update to its Energy Efficiency Cost Recovery Factor ("EECRF") tariff ("Rider EECRF"). Attached as ETI Exhibit MLM-2 is the calculation of the proposed redetermined Rider Schedule EECRF rates which serves as the basis for the Company's EECRF request.

ETI Exhibit MLM-3 is the revised Rider EECRF tariff rate schedule, which reflects the proposed Rider EECRF rates for the billing period January 2014 through December 2014.

## III. RIDER EECRF CALCULATION

Q. WHAT IS THE PURPOSE OF RIDER EECRF AND WHEN WILL IT TAKE EFFECT?

A. The purpose of Rider EECRF is to recover the costs associated with energy efficiency programs from the customer classes that receive services under these programs. The revised rates are recommended to be effective on and after the first billing cycle of January 2014 through December 2014. The January 2014 billing cycle begins on December 31, 2013.

Q. PLEASE DESCRIBE THE CALCULATION OF THE REDETERMINED RIDER EECRF RATES.

A. Rider EECRF is an exact recovery rider. ETI Exhibit MLM-2 contains the calculation of the new rates for Rider EECRF. The new rates are based on the following:

- the projected energy efficiency costs by rate class that the Company expects to incur during the twelve-month period beginning January 1, 2014 through December 31, 2014;

- the Company's 2012 Energy Efficiency Performance Bonus ("Performance Bonus") by rate class recoverable under P.U.C. SUBST. R. 25.181;
- a true-up adjustment by rate class for over/under recovery of energy efficiency costs for 2012; and
- the forecasted billing determinants for each rate class excluding Large Industrial Power Service ("LIPS") industrial transmission level customers for the twelve-month period beginning January 2014 through December 2014.

Company witnesses John K. Carson and Lana B. Lovick explain in their Direct Testimony the derivation of the cost components of the new rates.

Q. PLEASE EXPLAIN HOW THE COMPANY'S 2014 PROJECTED ENERGY EFFICIENCY COSTS ARE ALLOCATED TO THE RATE CLASSES.

A. Mr. Carson provided the 2014 projected energy efficiency costs including costs for the Evaluation, Measurement, and Verification ("EM&V") contractor by rate class, i.e., Residential, Small General Service, General Service, Large General Service, and LIPS ~~non-transmission~~excluding Industrial Transmission customers as shown in ETI Exhibit MLM-2, page 2 of 8. Ms. Lovick provided the 2014 projected affiliate costs which are being requested in this proceeding as directed by the Commission in the Company's last rate case, Docket No. 39896.

Q. HOW WAS THE COMPANY'S 2012 PERFORMANCE BONUS ALLOCATED TO THE RATE CLASSES?

A. ~~The~~ In light of P.U.C. SUBST. R. 25.181(h)(6), the Performance Bonus amount provided by Mr. Carson was allocated to each rate class ~~based on the Production Demand Allocation Factors ("PDAF") approved~~ in ~~ETI's last base~~proportion to the program costs directly assigned to each rate ~~case, Docket No. 39896, modified to remove~~class which excludes the LIPS industrial transmission level and Lighting rate classes. Please refer to ETI Exhibit MLM-2, page 3 for this allocation.

Q. WHAT METHODOLOGY WAS USED TO ALLOCATE THE TRUE-UP ADJUSTMENT TO THE RATE CLASSES?

A. The actual 2012 energy efficiency costs were allocated to the appropriate rate class based on Exhibit JKC-1, the 2013 Energy Efficiency Plan and Report, Table 10~~,~~ and Exhibit JKC-7A. Those costs that could not be directly assigned ~~by~~to Commercial rate classes were allocated ~~based on~~in proportion to the ~~PDAF approved in ETI's last base~~ program costs directly assigned to the rate ~~case, Docket No. 39896, modified to remove~~classes receiving services from the programs, which excludes the LIPS industrial transmission level and Lighting rate classes. The 2010 performance bonus included in the 2012 billed EECRF revenues was allocated by the PDAF approved in Docket No. 37744 to be consistent with the allocation used in the calculation of the 2012 EECRF rates. The 2010 performance bonus along with the 2010 true-up

adjustment was then removed from the 2012 EECRF revenues. The actual 2012 program costs by rate class were then compared to the adjusted revenues recovered from each rate class through the Company's 2012 Rider EECRF in order to calculate the over/under recovery of the 2012 program costs. ETI Exhibit MLM-2, page 4 shows the calculation of the true-up adjustment.

Q. HOW WERE THE REDETERMINED RIDER EECRF RATES CALCULATED?

A. ETI Exhibit MLM-2, page 1 shows the calculation of the redetermined Rider EECRF rates. The 2014 projected energy efficiency costs, the 2012 performance bonus and the true-up adjustment previously discussed were added together to obtain the total energy efficiency costs by rate class to be collected in 2014. The costs by rate class were then divided by the forecasted billing determinants for each rate class excluding LIPS industrial transmission level customers for the twelve-month period beginning January 2014 through December 2014 to determine the EECRF by rate class.

Q. HOW DID THE REDETERMINED RIDER EECRF CALCULATE THE COST CAP?

A. The total energy efficiency costs by rate class were adjusted to exclude the EM&V costs and the municipal EECRF proceeding costs to determine the EECRF costs subject to the caps defined in P.U.C. SUBST. R. 25.181(f)(7). ETI Exhibit MLM-2, page 1 shows the EECRF costs subject to the caps.

Q. HAS THE REDETERMINED RIDER EECRF RATES MET THE COST CAP REQUIREMENTS PER THE COMMISSION?

A. Yes, the Company's proposed rates are under the established cost cap requirements as reflected in Exhibit MLM-2, page 1.

Q. HOW WERE THE COMPANY'S FORECASTED BILLING DETERMINANTS DEVELOPED FOR 2014?

A. The forecasted billing determinants projected by the Company's forecast model are produced by revenue class rather than by rate class. In order to develop the billing determinants by rate class, actual historical billed kWh by rate class for the year ended December 31, 2012 were used. Each rate class' sales as a percentage of the total revenue class sales for the historical period were multiplied by the appropriate forecasted revenue class sales to determine the forecasted billing determinants by rate class. The forecasted billing determinants exclude Large Industrial Power Service ("LIPS") industrial transmission level customers. ETI Exhibit MLM-2, pages 6 through 8, provides the calculation of the forecasted billing determinants.

Q. WERE ANY CALCULATIONS OR ESTIMATES OF SYSTEM LOSSES AND LINE LOSSES USED TO CALCULATE THE EECRF?