

1 For example, ETI received legislative authority to implement a piecemeal
2 purchased power recovery rider to recover capacity costs that were not being
3 recovered in base rates during ETI's base rate freeze. However, the statute permitting
4 the recovery of capacity costs through a rider only allowed the recovery of costs in
5 excess of costs included in ETI's last rate case to the extent they were not offset by
6 load growth.⁷⁸ The statute and the Commission recognized that new capacity
7 contracts or increases in the amount of capacity could be offset by expiring capacity
8 contracts or reductions in the cost of capacity as well as load growth.

9 Determining whether base rate costs have otherwise been recovered
10 necessarily entails a comparison of cost increases and decreases from all costs
11 embedded in base rates. And such an analysis also takes into consideration increased
12 revenues attributable to load growth. Although Mr. Cooper does make an allowance
13 for the two months of the Frontier contract that were part of the test year in Docket
14 No. 39896, Mr. Cooper does not take into account any changes in the quantity or cost
15 of capacity included in rates or in the increase in revenues attributable to load growth.
16 As such, Mr. Cooper's analysis is not grounded in proper ratemaking principles.

⁷⁸ PURA §39.455; *See Application of Entergy Gulf States, Inc. for Approval of Incremental Purchased Capacity Recovery Rider*, Docket No. 31315, Final Order at 3.

1 **Q. ARE YOU AWARE OF ANY CHANGES IN THIRD PARTY OR AFFILIATE**
2 **CAPACITY COSTS BETWEEN THE TEST YEAR IN DOCKET NO. 39896**
3 **AND THE TEST YEAR END IN THIS CASE THAT MAY BE USED TO**
4 **OFFSET ANY CAPACITY COST INCREASES?**

5 A. Yes. The third party capacity costs, affiliate capacity purchases through Service
6 Schedule MSS-4, and affiliate capacity costs incurred pursuant to Service Schedule
7 MSS-1 have all changed since the test year in Docket No. 39896. For Service
8 Schedule MSS-1, the test year capacity costs used to set base rates in Docket No.
9 39896 were \$25,461,353. The Entergy Service Schedule MSS-1 capacity costs
10 incurred during the 12-month test year in this case, Docket No. 41791, total
11 \$1,068,065, a cost reduction of \$24,393,288 in Service Schedule MSS-1 capacity
12 costs. If ETI were to take this cost reduction in isolation, as ETI has done for the
13 addition of the Carville and Frontier PPAs, the reduction in the 12 month test year
14 capacity costs alone would more than offset ETI's requested \$22,942,706 special
15 circumstances request for the entire 21 months of Frontier capacity costs and 10
16 months of Carville capacity costs combined.

17

18 **Q. ARE YOU AWARE OF ANY LOAD GROWTH THAT WOULD GENERATE**
19 **INCREASED REVENUES FOR ETI THAT COULD BE USED TO OFFSET**
20 **ANY POTENTIAL INCREASES IN CAPACITY COSTS?**

21 A. Yes. The billing determinates used in setting the base rates in Docket No. 39896 are
22 not representative of the actual demand and usage of customers in the test year in this
23 case. Table 17 compares unadjusted retail demand from the last three ETI dockets. As

1 can be seen, the NCP in Docket No. 41791 is 14.4% greater than the NCP in Docket
2 No. 37744, and the 4CP is 8.6% greater.

3 Table 17

	Docket No. 37744	Docket No. 39896	Docket No. 41791
Test Year Ending	6/30/2009	6/30/2011	3/31/2013
NCP	4,690,298	5,348,502	5,366,125
4CP	2,834,651	2,953,233	3,077,932

4
5 ETI's increase in revenues attributable to load growth may also be demonstrated by
6 comparing ETI's authorized revenue requirement in each of ETI's past two cases to
7 ETI's stated test year revenues in each of ETI's subsequent rate cases. Table 18
8 compiles the revenue requirements approved for ETI and the subsequent increase in
9 revenues resulting from load growth.

10 Table 18

Test Year End Weather Adjusted Revenues Attributable to Load Growth Between Test Year End in Docket No. 37744 and Test Year End in Docket No. 39896			
	Approved for TYE 6/30/2009	ETI Adjusted for TYE 6/30/2011	Load Growth Revenues
Docket No. 37744 Rates	\$598,994,098 ⁷⁹	\$628,441,841 ⁸⁰	\$29,447,743
	Approved for TYE 6/30/2011	ETI Adjusted for TYE 3/31/2013	Load Growth Revenues
Docket No. 39896 Rates	\$656,114,869	\$671,102,245	\$14,987,376

11
12 As Table 18 shows, if ETI had charged the base rates approved in Docket No. 37744
13 to the weather adjusted test year end billing determinants in Docket No. 39896, ETI
14 would have received increased revenues of \$29,447,743 as a result of load growth. If

⁷⁹ Docket No. 37744, Settlement Agreement, Schedule Q.

⁸⁰ Docket No. 39896, Schedule Q.

1 ETI had charged the base rates approved in Docket No. 39896 to the weather adjusted
2 test year end billing determinants in the current case, Docket No. 41791, ETI would
3 have received increased revenues of \$14,987,376 as a result of load growth.⁸¹
4

5 **Q. DO YOU HAVE ANOTHER ISSUE WITH THE COMPANY'S REQUEST?**

6 A. Yes. A review of the Company's solicitation and evaluation process for the Frontier
7 and Carville PPAs reveals that these contracts might not have been the lowest cost
8 options available at the time the PPAs were selected, hence the suggested savings
9 may be fundamentally exaggerated.
10

11 **Q. PLEASE EXPLAIN YOUR ANSWER.**

12 A. [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20

⁸¹ This is not to say that ETI actually collected these increased revenues through load growth in the test year. For example, ETI did not charge the rates resulting from Docket No. 39896 for three of the months included in ETI's adjusted test year revenues in this case. However, this analysis is intended to isolate the difference in revenues that would be attributable to load growth from the increase in year-end customers and weather normalized billing determinants between the two proceedings.

⁸² Direct Testimony of Robert Cooper, WP_RRC Testimony_3. (Highly Sensitive)

1 Q. HOW DID THE CARVILLE PPA RANK IN THE EVALUATION OF
2 POTENTIAL RESOURCES?

3 A. [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]

13
14 Q. DID YOU ALSO REVIEW THE FRONTIER PPA SELECTION PROCESS?

15 A. [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

⁸³ *Id.*, WP_RRC Testimony_5. (Highly Sensitive)

1

2

3

4

**Q. HOW DID THE FRONTIER PPA RANK IN THE EVALUATION OF
POTENTIAL RESOURCES?**

5

6

A.

7

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11

Q. HOW HAS ETI PRESENTED ITS REQUEST?

12

A.

13

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20

The Company calculates what it claims are the net benefits associated with both the capacity and energy components of each PPA separately and on a monthly basis. ETI calculates net fixed costs on a monthly basis based on the actual billed amount for each PPA less a calculated MSS-1 Reserve Equalization offset. The Reserve Equalization offset reflects the reduction in MSS-1 charges or increase in MSS-1 revenues associated with the addition of these two PPAs in ETI's resource portfolio.

The Company calculates variable cost savings on a monthly basis based on the actual billed amount for each PPA less a calculated MSS-3 Exchange Energy offset.

Mr. Cooper asserts that ETI would have no other option but to resort to purchasing

⁸⁴ *Id.* at 7-8.

⁸⁵ *Id.*, Direct Testimony, WP_RRC Testimony_6. (Highly Sensitive)

1 energy sourced from the Entergy Service Schedule MSS-3 if the Frontier and
2 Carrville contracts were not a part of ETI's resource portfolio.⁸⁶
3

4 **Q. WHAT IS THE RESULT OF THE COMPANY'S CALCULATIONS?**

5 A. The Company asserts net savings to customers as a result of the Frontier PPA of
6 \$21,364,201 during the reconciliation period, and requests recovery of \$17,519,110
7 of net capacity costs. The Company asserts net savings to customers as a result of the
8 Carville PPA of \$16,583,455 during the reconciliation period, and requests recovery
9 of \$5,423,596 of net capacity costs.⁸⁷
10

11 **Q. IF THE COMMISSION WERE TO CONSIDER THE COMPANY'S**
12 **REQUEST, ARE THERE REVISIONS NEEDED TO ITS SAVINGS**
13 **CALCULATIONS?**

14 A. I do not recommend that ETI's request for a special circumstances exception be
15 granted. However, if the exception was considered, it should not be granted as
16 proposed. The Company's calculations reflect a biased look at the cost savings
17 resulting from the PPAs. For example, the Company seeks to offset its capacity costs
18 with MSS-1 reserve equalization savings.⁸⁸ While this is conceptually sensible, the
19 capacity charge for the Carville PPA varies per month, so during certain months the
20 MSS-1 offset is greater than the capacity charge. In those months, the Company set
21 the net capacity charge to zero, thereby overstating the savings. In these months, the

⁸⁶ Direct Testimony of Robert Cooper at 32-34.

⁸⁷ *Id.* at 27-28.

⁸⁸ *Id.* at 32.

1 full offset should be recognized, which reduces the Company's calculated savings.
2 This is not an issue for the Frontier PPA, as it has a fixed monthly capacity payment.

3 In addition, the Company compares its contract energy cost to an equivalent
4 amount of energy sourced from the MSS-3 Entergy System Exchange to calculate the
5 net energy cost or benefit.⁸⁹ Company Witness Cooper explains that the MSS-3
6 Exchange rate was used because, to the extent a participating EOC's generating
7 resources produce more or less energy than needed, Service Schedule MSS-3
8 allocates the energy costs of the participating companies to the System Exchange.

9 Since the offset assumes that the Frontier and Carville PPAs do not exist, then there is
10 no energy under the agreements to be allocated. The more appropriate estimate of the
11 cost of replacement energy would be ETI's own fuel cost during the reconciliation
12 period, net of the PPAs. This cost represents the bulk of the system resources used to
13 serve ETI's load, so would more likely represent the costs that ETI would experience
14 absent the PPAs. This adjustment reduces the estimated energy cost savings
15 compared to the savings calculated by ETI.

16
17 **Q. HAVE YOU CALCULATED THE PPA SAVINGS AFTER MAKING THE**
18 **ADJUSTMENTS YOU PROPOSE?**

19 **A.** Yes. Attachment KJN-2 recreates Mr. Coopers Exhibit RRC-1 with the adjustments I
20 just described. The results reduce the Company's requested net capacity included in
21 fuel from its requested \$22,942,706 to \$6,197,014.

22

⁸⁹ *Id.* at 33.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S**
2 **SPECIAL CIRCUMSTANCES REQUEST?**

3 A. My recommendation is to reject the Company's request. The Company has twice
4 before attempted to recover these costs in other proceedings and was denied. The
5 Company failed to pursue other options that are within the Commission's rules, such
6 as requesting a PCRf to recover these costs. The Company failed to consider
7 offsetting reductions in other purchased capacity costs or increased revenues due to
8 load growth. The Company has failed to show that the PPAs exhibit any characteristic
9 that should qualify for a special circumstance exception, and specifically have not
10 shown that the PPAs represent the least cost alternative source of capacity and
11 energy, or serve to increase reliability above ETI's minimum reliability requirements.
12 Finally, the formula used to demonstrate and quantify costs eligible for special
13 circumstance recovery is self-serving in that under the formula, virtually any capacity
14 contract acquired by ETI would qualify for such recovery.

15 However, in the event that the Commission approves the Company's request,
16 then I would recommend that at a minimum, the adjustments I described earlier
17 should be made to the Company's purported savings calculations.

18

VIII. RATE CASE EXPENSES

1

2

3 **Q. HAVE YOU INCLUDED AN AFFIDAVIT SUPPORTING YOUR ACTUAL**
4 **RATE CASE EXPENSES IN THIS PROCEEDING?**

5 A. Yes, included as Attachment KJN-3 is an affidavit supporting my firm's actual rate
6 case expenses through December 31, 2013. It is my understanding that actual
7 expenses will be updated at the time of the hearing in this proceeding.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A. Yes, it does.

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KARL J. NALEPA

Mr. Nalepa is an energy economist with more than 30 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

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.

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.

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
International Association for Energy Economics
United States Association for Energy Economics

SELECT PUBLICATIONS AND PRESENTATIONS

- "Public Utility Ratemaking," EBF 401: Strategic Corporate Finance, The Pennsylvania State University, September 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
- "An 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

**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>					
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	SWEPSCO	Cost of Service	Cost of Service/Fuel
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

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
36392	Nov 08	Texas Municipal Power Agency	Texas Municipal Power Agency	Interim TCOS	Wholesale Transmission Rate
35717	Nov 08	Cities Steering Committee	Oncor	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
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

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
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
<u>Before the Railroad Commission of Texas</u>					
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	Cities Steering Committee	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

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
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
9400	Dec 03	Cities Steering Committee	TXU Gas Company	Cost of Service	Affiliate Transactions/ O&M Expenses/Capital Costs
<u>Before the Louisiana Public Service Commission</u>					
U-31971	Nov 11	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Prudence / 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

SUMMARY OF CITIES ADJUSTMENTS

	<u>Amount</u>	<u>Sponsor</u>
ETI Base Rate Revenue Deficiency/<Excess>	\$38,603,077	
Cities ROR Adjustment	(13,626,382)	David Parcell
Cities Expiring Capacity Cost Adjustment	(9,580,240)	Karl Nalepa
Cities Carville Capacity Cost Adjustment	1,847,205	Karl Nalepa
		Karl Nalepa
Cities ETEC Capacity Cost Adjustment	(1,397,866)	Karl Nalepa
Cities Distribution Allocation Adjustment	(8,820)	Karl Nalepa
Cities Injuries and Damages Adjustment	(3,449,979)	Mark Garrett
Cities Payroll Adjustment	(1,169,145)	Mark Garrett
Cities HCM Adjustment	(6,349,510)	Mark Garrett
Cities Decommissioning Adjustment	(2,301,770)	Jack Pous
Total Cities Base Rate Adjustment	<u>(\$36,462,818)</u>	_1/
Cities Base Rate Revenue Deficiency/<Excess>	<u>\$2,140,259</u>	
ETI Total Revenue Deficiency/<Excess>	\$53,133,797	_2/
Cities RPCE Adjustment	(7,602,862)	Karl Nalepa
Cities Base Rate Adjustment	<u>(36,462,818)</u>	
Cities Total Revenue Deficiency/<Excess>	<u>\$9,068,117</u>	

_1/ Individual adjustments reflect stand-alone impact. Totals reflect
composit impact of all adjustments.

_2/ Includes Base Rate Deficiency Plus Riders RPCE (\$11,404,602) and RCE (\$3,126,322).

CLASS IMPACT OF CITIES ADJUSTMENTS

	Base Rate		Total (Incl. Riders)	
	Revenue Deficiency		Revenue Deficiency	
	ETI	Cities	ETI	Cities
Residential	\$2,045,977	(\$19,596,725)	\$7,775,632	(\$16,586,364)
Small General Service	170,843	(1,077,343)	474,667	(\$916,602)
General Service	23,547,773	17,614,725	26,646,473	\$19,099,791
Large General Service	3,759,022	2,061,268	5,102,579	\$2,656,503
Large Industrial Power Service	9,254,604	3,720,841	13,211,270	\$5,337,942
Lighting	(175,142)	(582,507)	(76,824)	(\$523,155)
Total	<u>\$38,603,077</u>	<u>\$2,140,259</u>	<u>\$53,133,797</u>	<u>\$9,068,115</u>

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KJN-2 Highly Sensitive
Provided Separately

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**SOAH DOCKET NO. 473-14-0366
PUCT DOCKET NO. 41791**

APPLICATION OF ENTERGY	§	
TEXAS, INC. FOR AUTHORITY TO	§	BEFORE THE STATE
CHANGE RATES AND RECONCILE	§	OFFICE OF ADMINISTRATIVE
FUEL COSTS	§	HEARINGS

**RATE CASE EXPENSE AFFIDAVIT OF KARL J. NALEPA
PROVIDING ACTUAL EXPENSES THROUGH DECEMBER 31, 2013**

I, Karl J. Nalepa, state the following facts upon my oath.

1. My name is Karl J. Nalepa. I am over eighteen years of age and am not disqualified from making this affidavit.
2. I am the President of ReSolved Energy Consulting, LLC, ("REC") and independent utility consulting company. I have been retained by the Cities' Steering Committee to represent certain Cities served by Entergy Texas, Inc. ("ETI") in the instant case at the Public Utility Commission of Texas. My business address is 11044 Research Blvd., Suite D-230, Austin, Texas 78759.
3. I am giving this affidavit to address the necessity for and reasonableness of REC's actual fee related charges through December 31, 2013.
4. REC's actual fees through December 31, 2013, correspond to time for reviewing the application testimony, schedules and work papers, developing and reviewing discovery, reviewing previous orders pertaining to ETI's request, and preparing pre-filed written testimony. The hours charged are set forth in the following table.

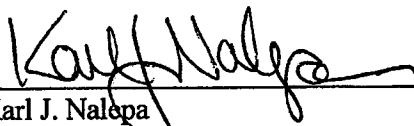
**RESOLVED ENERGY CONSULTING'S EXPENSES
SEPTEMBER 2013 THROUGH DECEMBER 31, 2013**

<u>CONSULTANTS</u>	<u>HOURLY RATE</u>	<u>HOURS</u>	<u>ACTUAL TOTAL</u>
Karl Nalepa	\$250	152.1	\$38,025.00
Bob Stemper	\$225	151.1	\$33,997.50
Total Actual	\$238	303.2	<u>\$72,022.50</u>

5. My billing rate is \$250 per hour. This is my normal billing rate that I charge for services provided to both regulated and non-regulated entities. This rate is reasonable for a consultant providing these types of services before utility regulatory agencies in Texas. The hourly rate is especially reasonable given I have more than 30 years of utility rate regulatory experience. Part of the basis for my opinion is a review of the hourly rates charged by other consultants to perform similar services. Assisting me on this proceeding is Bob Stemper. Mr. Stemper is a Senior Management Consultant with REC and has over 35 years of regulatory experience. His billing rate is \$225 per hour. Mr.

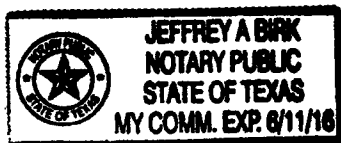
Stemper works under my direction and supervision.

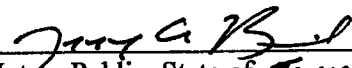
6. No REC personnel billed in excess of 12 hours on any given day to this case. No REC personnel incurred any airline, lodging, or meal expenses. No REC personnel charged for any luxury items. There are no instances of double billing for REC's services.
7. Based on my extensive experience relating to analysis of rate proceeding matters and the reasonableness of rate case expenses before the Public Utility Commission of Texas, I conclude that: (1) REC's hourly rates are reasonable; and (2) the 303.2 actual hours in this case are both reasonable and necessary.
8. The statements made in this affidavit are true and correct.


Karl J. Nalepa

STATE OF Texas §
COUNTY OF Travis §

SUBSCRIBED AND SWORN to before me, the undersigned authority, on the 8th day of January, 2014, by Karl J. Nalepa.




Notary Public, State of Texas
My Commission Expires: 06/11/2016