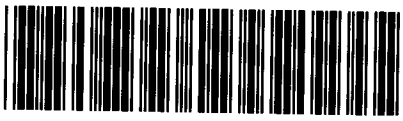

Control Number: 41791

Item Number: 442

Addendum StartPage: 0

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

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

REBUTTAL TESTIMONY

OF

MYRA L. TALKINGTON

ON BEHALF OF

ENTERGY TEXAS, INC.

JANUARY 2014

ENTERGY TEXAS, INC.
REBUTTAL TESTIMONY OF MYRA L. TALKINGTON
PUC DOCKET NO. 41791

TABLE OF CONTENTS

EXHIBIT

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Myra L. Talkington. My business address is 425 W. Capitol Avenue, Little Rock, Arkansas 72201.

Q2. ARE YOU THE MYRA TALKINGTON WHO FILED DIRECT TESTIMONY IN THIS CASE ON SEPTEMBER 25, 2013?

A. Yes, I am.

II. PURPOSE OF REBUTTAL TESTIMONY

Q3. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I provide Rebuttal Testimony on behalf of ETI responding to intervenor and Staff testimony on the subjects set forth below:

- LED Street Lighting
- Allocation Methodologies
- Adjustments to Load Data
- Interruptible Credits
- Rate Design Issues
- Proposed Schedule ERPS
- Revisions to Schedule SIPS
- Rider DTA

III. LED STREET LIGHTING

Q4. WHAT ISSUE DOES CITIES' WITNESS GOINS DISCUSS WITH RESPECT TO THE COMPANY'S PROPOSED LED LIGHTING RATES?

A. Cities' witness Goins takes exception to the Company's method of pricing the LED fixtures it is offering through the proposed Schedule SHL-LED as compared to the rate design of existing streetlights in Schedule SHL.

Q5. HOW WERE THE PROPOSED MONTHLY CHARGES FOR THE LED FIXTURES DEVELOPED?

A. The monthly charges for the proposed LED fixtures were based on a 20-year life cycle cost analysis completed by the Company. Company witness Pierce discusses the assumptions and costs included in the cost analysis.

Q6. HOW WERE THE RATES FOR THE EXISTING LIGHTS OFFERED IN SCHEDULE SHL DESIGNED?

A. As I discussed in my direct testimony, the percent change between the revenue requirement and the present revenue was calculated for the lighting rate class. This percent change was then applied to each of the current lighting rates with the result being the proposed rates.

Q7. DO YOU AGREE WITH DR. GOINS' RECOMMENDATION THAT THE COMMISSION REJECT ETI'S PROPOSED CHARGES IN SCHEDULE SHL-LED AND HIS FURTHER RECOMMENDATION THAT THE COMMISSION SET A MONTHLY FIXTURE CHARGE IN SCHEDULE SHL-LED NO HIGHER THAN 20 PERCENT ABOVE CHARGES FOR COMPARABLE HPS LIGHTS IN SCHEDULE SHL?

A. No, I do not. First, Dr. Goins does not provide any support or evidence as to how he arrived at a 20% cap. Second, Dr. Goins' recommendation to add the 20% adder on top of ETI's current High Pressure Sodium ("HPS") rates to equalize the gross monthly charges is not a cost-based evaluation. This methodology does not take into consideration the actual front-end costs of a LED fixture in today's market. Building an artificial ceiling for LED fixture pricing in Schedule SHL-LED will put the Company at a disadvantage for recovering its actual costs in today's market.

It is interesting to note that Dr. Goins recommended in his direct testimony in ETI's last rate Case, Docket No. 39896 (page 25, lines 19-21) that the Commission should adopt a 25% discount from HPS lights contained in Schedule SHL for LED installation pricing. As with his present testimony, Dr. Goins offered no basis for that recommendation.

Q8. DID ETI PERFORM A DETAILED COST ANALYSIS IN DEVELOPING PROPOSED CHARGES IN SCHEDULE SHL?

A. No, it did not.

Q9. IS THIS CONSISTENT WITH CHANGES TO THE LIGHTING RATE CLASS IN PAST RATE CASES?

A. Yes. The Company has implemented rate changes based on a percentage adjustment for the lighting rate class as a result of Docket Nos. 20150, 37744, 34800, and 39896. Docket Nos. 20150, 37744 and 34800 were settled cases, and Docket No. 39896 was a fully litigated case.

Q10. DOES DR. GOINS OFFER ANY RELIABLE SOURCE FOR HIS LED STREET LIGHT PRICING?

A. No. Dr. Goins references Alliant Energy on page 14 as a source of LED street light ownership. Dr. Goins also states that his "recommended method for pricing ETI's LED street lighting service is a variant of Alliant's pricing approach." The Company disagrees with this assessment. What Dr. Goins fails to mention is that Alliant Energy's LED street lights offering in Wisconsin and Minnesota is only a pilot project with a restriction of installation of 2,000 lights. In Iowa, Alliant Energy only plans to change out the 100-watt arm-mounted HPS street lights, and it is still studying the potential best replacement for higher wattage HPS lights and for post top mounted decorative HPS lights. Dr. Goins' reliance on the pilot program is misplaced, especially where Alliant's rates are based upon a different pricing mechanism for LED lights than that which ETI proposes. Alliant's LED light rates include a light and the pole cost; ETI's proposal does not.

Overall, the LED lighting market remains immature and pricing reasonableness still needs more time to develop.

Q11. HOW DO YOU ADDRESS DR. GOINS' CRITICISM OF ETI'S PROPOSED LED LIGHTS WHEN HE COMPARES THE RATES OF EAI'S LED LIGHTING RATES?

A. Dr. Goins criticizes ETI's LED lighting proposal by stating that ETI's pricing for LED lights is higher than what EAI charges (page 12 of Dr. Goins testimony). His criticism and his position should be rejected for several reasons. First, under well-accepted rate design principles, and under the rate setting established by the PUCT, rates are set based upon the cost to serve customers.

Second, under cost of service principles, rates are not established by factoring in the rates charged by other utilities. Rather, as I stated above, rates are based on the cost to serve a utility's customers.

And, third, based upon cost of service principles, it is reasonable for rates charged by different utilities to differ. At least for ETI and EAI, both are subject to cost of service jurisdictions and these rates are not the same: their rates are based upon the cost to provide service to customers as approved by the appropriate regulatory commissions. Dr. Goins' comparison and subsequent criticism of ETI's proposed LED rates vis-a-vis the LED rates proposed by EAI should be rejected.

IV. ALLOCATION METHODOLOGIES

Q12. CITIES' WITNESS NALEPA ADVOCATES THE USE OF THE MAXIMUM DIVERSIFIED DEMAND ("MDD") TO ALLOCATE SECONDARY DISTRIBUTION LINES AND TRANSFORMER PLANT. DO YOU AGREE WITH HIS RECOMMENDATION?

A. No, I do not.

Q13. HOW DID THE COMPANY PROPOSE TO ALLOCATE THESE COSTS?

A. The Company proposed to allocate these costs using an allocation factor that consists of a 50/50 weighting of the MDD and the Non-Coincident Maximum Demand ("NCP") of each rate class. The NCP for each rate class represents the summation of the maximum individual demands of all customers in each rate class. As I stated in my direct testimony, line transformer and secondary line costs are localized. In some cases, line transformers and secondary lines are installed to supply power to a single customer. At most, these facilities serve a very limited number of customers. Constructing the allocation factor in this manner recognizes that each class exhibits some diversity of load among customers, which is captured in the use of NCPs, while at the same time including loads that are somewhat coincident in nature, which is captured in the use of the MDDs.

Q14. HAS THE COMPANY TRADITIONALLY USED THE 50/50 WEIGHTING TO ALLOCATE SECONDARY DISTRIBUTION LINES AND TRANSFORMER PLANT?

A. Yes. The Company has consistently used this methodology in Dockets Nos. 20150, 37744, 34800, and 39896.

Q15. WHAT WOULD BE THE RESULT OF CHANGING THE ALLOCATION METHODOLOGY FOR THESE COSTS?

A. As I stated above, the Company has consistently used this methodology in its last several rate cases. A change in the allocation methodology would cause an unwarranted shift of costs between rate classes and will have customer bill impacts. Stability in allocation of costs helps to support stability in rates and customer bills.

V. ADJUSTMENTS TO LOAD DATA

Q16. OPUC WITNESS MARCUS PROPOSES TO USE ONLY THE DISTRIBUTION CUSTOMERS' MDDS IN THE LIPS RATE CLASS TO ALLOCATE DISTRIBUTION COSTS TO THAT CLASS, RATHER THAN INCLUDING BOTH THE DISTRIBUTION AND THE TRANSMISSION CUSTOMERS. DO YOU AGREE WITH HIS PROPOSAL?

A. No, I do not. For the Large Industrial Power Service ("LIPS") rate class, Mr. Marcus proposes to calculate separate MDD times for Transmission level customers and for Distribution level customers. His reasoning

appears to be that, for the LIPS class, the transmission level customers are driving the MDD time, and that distribution level LIPS customers actually peak at a different time than LIPS transmission customers. He points out that MDD is used to allocate distribution costs and not transmission costs and so by using the distribution contribution at the total LIPS class MDD time, the LIPS distribution customers are not being allocated their "fair share" of the costs.

Mr. Marcus points out that Schedules O-1.3 and O-1.4 show the distribution contribution at the LIPS monthly MDD occurrence is lower than the distribution contribution at the monthly ETI coincident peak ("CP") occurrence in eight out of 12 months during the test year. He also states: "Even worse, the MDD that ETI calculated for these distribution voltage customers was less than the coincident peak for these same customers – a physical impossibility." This statement is not correct because it is not a physical impossibility for this scenario to occur. The Company is calculating the LIPS distribution voltage customers' contribution to the total LIPS class monthly peak ("MDD"), and it can definitely be less than their contribution to the monthly LIPS CP. If the Company treated the distribution LIPS customers as a separate class for MDD purposes, as Mr. Marcus suggests, and then calculated their MDD, it would be more than, or at least equal, to their CP values. Their monthly MDD values in a particular month could be equal to their monthly CP values if the

distribution LIPS customers, when taken as a separate class, happened to peak at the CP time.

I disagree with his proposal to treat transmission and distribution LIPS customers as separate classes for MDD calculations. Required filing schedules O-1.3 and O-1.4 ask for rate class (MDD) peak data and make no provision for providing separate peaks and times within a rate class by voltage level.

Q17. MR. MARCUS REJECTS THE COMPANY'S PEAK ADJUSTMENT TO NCP LOADS BECAUSE, PURPORTEDLY, THEY ARE RANDOM AND UNRELATED TO THE CP HOUR. DO YOU AGREE WITH HIS REJECTION OF THIS ADJUSTMENT?

A. No, I do not. Mr. Marcus states that NCP demands calculated from Load Research data should not be adjusted in a manner similar to the adjustments made for the CP and MDD demands. There are a number of ways to arrive at reasonable estimates of NCP demands, and his method is not unreasonable. However, the Company considers that its current method produces a better estimate than his method. The Company has consistently used this methodology in Dockets Nos. 20150, 37744, 34800, and 39896, in multiple jurisdictions across the Entergy system, and it has provided reliable results.

If his proposed method is adopted, there is a technical problem that would need to be addressed. It only arises with certain unmetered

classes as described in Schedule Q-5.3. These classes are treated as steady state loads so that CP=MDD=NCP. If we adjust the CP and MDD for these classes, then we should also adjust the NCP as well. If we do not, it could lead to a situation where we adjust the class CP and MDD upward but are left with a class NCP that is less than the CP and MDD, which is truly a physical impossibility.

I disagree with Mr. Marcus' NCP proposal, but, if it is approved, it should be revised to give the Company the flexibility to handle the technical problem with the unmetered classes. This could be done by allowing the Company to continue to adjust the NCP for these classes or by simply not adjusting the CP, MDD, and NCP for the unmetered classes at all.

Either of Mr. Marcus' proposals would cause an unwarranted shift of costs between rate classes and will have customer bill impacts. As I stated earlier, stability in allocation of costs helps to support stability in rates and customer bills.

VI. INTERRUPTIBLE CREDITS

Q18. OPUC WITNESS MARCUS ASSERTS THAT THE PUCT SHOULD BE CONSISTENT IN ITS TREATMENT OF INTERRUPTIBLE COSTS THROUGH THE ENERGY EFFICIENCY COST RECOVERY FACTOR ("EECRF"). DO YOU AGREE WITH MR. MARCUS' ASSERTION?

A. In its cost-of-service, ETI treats interruptible credits given to LIPS customers who take service under the Rider for Interruptible Service ("Schedule IS") as the equivalent of a purchased power expense and reallocates the cost to all customers (excluding interruptible customers). Mr. Marcus does not take issue with this treatment; however, he asserts that the Commission should treat all interruptible credits, both those offered to industrial and residential customers, equally. As ETI does not have any interruptible tariffs that apply to residential customers, and it believes the current Commission-approved treatment of the LIPS credits is appropriate, ETI does not take a position on Mr. Marcus' assertion concerning the residential interruptible costs. The Company does believe, however, that the appropriate forum for this discussion would be an EECRF proceeding.

VII. RATE DESIGN ISSUES

Q19. OPUC WITNESS MARCUS RECOMMENDS CHANGES TO THE COMPANY'S PROPOSED RESIDENTIAL RATE DESIGN. DO YOU AGREE WITH HIS CHANGES?

A. No. Mr. Marcus recommends that the current residential customer charge of $6.00 should not be changed and any increase to the residential class should be applied to the winter tailblock energy cost. Mr. Marcus did not provide support based on cost causation for his recommendation to change the residential rate design. Instead, he proposes changes to the residential rate design based on public policy considerations of increasing the cost effectiveness of energy efficiency, encouraging conservation, reducing electrical consumption, and increasing the use of natural gas for certain purposes.

The Company proposed to increase the customer charge to move toward the appropriate cost level, as I explained in my direct testimony. Using cost causation and gradualism as guiding rate design principles allows consumers to make economic choices while managing rate changes. This approach can be tempered with public policy to a slight or to a great degree where the economic choice becomes skewed toward prescribed outcomes. It is within the Commission's informed discretion how little or how much public policy should affect residential rate design, so long as the result is just and reasonable.

The Company believes that its proposed residential rate design, which is based on cost causation while recognizing the concern of customer impacts through gradual rate changes, is reasonable.

Q20. STAFF WITNESS ABBOTT PROPOSES SLIGHT ADJUSTMENTS TO THE COMPANY'S PROPOSED RATE DESIGN IN TERMS OF THE INTRA-CLASS RELATIONSHIPS EMBEDDED IN THE DESIGN. DO YOU AGREE WITH MR. ABBOTT'S PROPOSALS?

A. While, as I have just stated, the Company believes that its proposed rate design (not just for the Residential class) is reasonable because it is based on cost causation tempered with the concern of customer impacts, the Company would not object to Mr. Abbott's slight adjustments if the Commission so ordered.

Q21. TIEC WITNESS POLLOCK RECOMMENDS CHANGES TO THE COMPANY'S PROPOSED LIPS RATE DESIGN. DO YOU AGREE WITH HIS CHANGES?

A. No. Mr. Pollock proposes to change the rate design for the LIPS class to be more closely aligned with cost causation principles. He is suggesting a customer charge increase of over 300%, which could cause a degree of rate shock for low demand LIPS customers. If the Commission rejects the Company's proposed rate design for the LIPS class, the Company

submits that Staff witness Abbott's recommendation is a more reasonable approach.

Q22. WHAT IS THE COMPANY'S POSITION REGARDING TIEC WITNESS POLLOCK'S RECOMMENDATIONS REGARDING THE PRICING OF THE SMS RATE?

A. If the Commission determines to adopt these recommendations, ETI would not object to them.

VIII. PROPOSED SCHEDULE ERPS AND REVISIONS TO SCHEDULE SIPS

Q23. DOES ETI TAKE A POSITION WITH REGARD TO DOE'S PROPOSED NEW SCHEDULE ERPS AND PROPOSED REVISIONS TO EXISTING SCHEDULE SIPS?

A. No. The Company does not take a position on DOE's proposals in testimony, but may address them on brief depending on the positions other parties take, if any. The Company does note, however, that the Commission's approval of either or both of DOE's proposals would result in shifting costs to other customers.

IX. RIDER DTA

Q24. ON PAGE 22 OF STAFF WITNESS ABBOTT'S TESTIMONY, HE RECOMMENDS THAT THE TEXT OF SECTION IV OF THE COMPANY'S PROPOSED RIDER DTA BE DELETED. HE ASSERTS THAT IT IS INAPPROPRIATE TO PREJUDGE THE APPROPRIATENESS OF AN EXPEDITED FILING AND REVIEW SCHEDULE BECAUSE THIS IS A NEW RIDER AND NOVEL ISSUES MAY ARISE. DOES THE COMPANY AGREE WITH THIS CHANGE?

A. No. The language in Section IV of the Company's proposed Rider DTA is the same as is found in Section 4 of the Rider DTA approved by the Commission for CenterPoint Energy Houston Electric LLP in Compliance Tariff Control No. 39591. That rider is attached as my Exhibit MRT-R-1. Moreover, the text found in the proposed rider and CenterPoint's existing rider provides the Commission with flexibility because the 45-day schedule is not mandatory; that target deadline can be extended if, for example, novel issues arise.

Q25. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

6.1.1.6.11 RIDER DTA – DEFERRED TAX ACCOUNTING TRACKER

SECTION 1: PURPOSE

The Deferred Tax Accounting Tracker is established to recover on a prospective basis an after-tax return of 8.21% on the non-transmission function amounts paid to the IRS that result from an unfavorable FIN-48 Uncertain Tax Position (UTP) audit. Rider DTA will track unfavorable IRS FIN-48 rulings and the return will be applied prospectively to FIN-48 amounts paid to the IRS after such amounts are actually paid. If the Company prevails in an appeal of an unfavorable FIN-48 UTP decision, then any amounts collected under Rider DTA related to that overturned decision shall be credited back to Retail Electric Providers.

SECTION 2: APPLICABILITY

The Deferred Tax Accounting Tracker is applicable to electric service furnished under all rate schedules to the Customer Classes listed below.

SECTION 3: RATE ADJUSTMENTS BY CLASS

Rate Adjustments. The Rate Adjustment shall be allocated to customer classes based on the weighted Net Plant allocation factor for the Distribution, Metering, and Customer Service functions from the Company's most recent general rate case. Upon the proposed rate going into effect on an interim basis pursuant to Section 4, or upon final approval by the Commission, the Rate Adjustment for each customer class will be a rate that is determined by dividing the annual dollar amount reflected in the tracker by the annual usage most recently approved by the Commission, or the most recent historic or forecasted annual usage calculated by the Company in a filing before the Commission, or approved by the Commission for usage in this rider.

The current Rate Adjustments are as follows:

Customer Classes	Allocation Percentage	Rate Adjustment
Residential	53.0719%	$0.000000 per kWh
Secondary Service ≤10 kVA	2.1104%	$0.000000 per kWh
Secondary Service >10 kVA	35.1154%	$0.000000 per Billing kVA
Primary Service	1.6447%	$0.000000 per Billing kVA
Transmission Service	0.1383%	$0.000000 per Billing kVA
Lighting Services	7.9193%	$0.000000 per kWh

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

SECTION 4: FILING AND REVIEW

The filing under this Rider shall be filed with the Commission, along with notice and a copy of the filing being served on all parties in Commission Docket No. 38339, no later than 90 days before the date that the Rate Adjustments will be implemented. The Commission will attempt to review and finalize the filing in 45 days, thereby giving Retail Electric Providers an additional 45 days to prepare for the changing rate. If the Commission cannot finalize the filing in 45 days, the proposed rate will go into effect at the end of the 90-day period on an interim basis and be subject to refund or surcharge based upon the Commission's final approval.

The Company's filing shall consist of a calculation of the Rate Adjustments and supporting documentation. The Company shall work with Commission Staff to provide other requested materials (if any) that are in existence.

SECTION 5: NOTICE

This Rate Schedule is subject to the Company's Tariff and Applicable Legal Authorities.