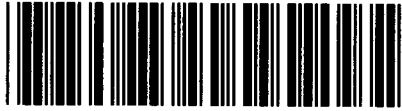




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APPLICATION OF ENTERGY §  
TEXAS, INC. FOR AUTHORITY TO §  
CHANGE RATES AND RECONCILE §  
FUEL COSTS §

BEFORE THE  
STATE OFFICE OF  
ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

OF

JAY A. LEWIS

ON BEHALF OF

ENTERGY TEXAS, INC.

JANUARY 2014

ENTERGY TEXAS, INC.  
REBUTTAL TESTIMONY OF JAY A. LEWIS  
PUC DOCKET NO. 41791

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EXHIBIT

Exhibit JAL-R-1      ETI's Response to Beaumont RFI 4-1 Addendum 1

1 I. INTRODUCTION

2 Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Jay A. Lewis. My business address is 639 Loyola Avenue,  
4 New Orleans, Louisiana 70113.

5

6 Q2. ARE YOU THE JAY A. LEWIS WHO FILED DIRECT TESTIMONY IN  
7 THIS CASE ON SEPTEMBER 25, 2013?

8 A. Yes, I am.

9

10 II. PURPOSE OF REBUTTAL TESTIMONY

11 Q3. WHAT IS THE PURPOSE OF THIS TESTIMONY?

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

- 14 • the Company's calculation of the MISO adjustment (Adj 28) as  
15 commented on by the Office of Public Utility Counsel ("OPUC")  
16 witness Lacy Seybold and Staff witnesses Joe Luna and  
17 Chris Roelse, as well as the position of Staff witness Luna  
18 regarding MISO Transition expense recovery,
- 19 • the Company's proposed Rider TCRF as commented on by OPUC  
20 witness Seybold and ESI payroll and benefits associated with ITC  
21 as commented on by Staff witness Luna, and

- 1 • the Company's inclusion of Competitive Generation Service
- 2 ("CGS") project code costs as commented on by OPUC witness
- 3 Carol Szerszen.

4

5 III. MISO ADJUSTMENT

6 Q4. ON PAGE 7 OF HER TESTIMONY, OPUC WITNESS SEYBOLD

7 STATES THAT ETI'S ATTEMPT TO ENSURE THAT IT SUFFERS NO

8 REGULATORY LAG FOR ITS TRANSITION TO MISO DOES NOT

9 REFLECT THE ANTICIPATED SAVINGS THAT THE TRANSITION MAY

10 ALSO ENTAIL, THUS VIOLATING THE MATCHING PRINCIPLE. DOES

11 THE ADJUSTMENT MADE BY ETI VIOLATE THE MATCHING

12 PRINCIPLE?

13 A. No.

14

15 Q5. DOES OPUC'S PROPOSED ADJUSTMENT VIOLATE THE MATCHING

16 PRINCIPLE?

17 A. Yes.

18

19 Q6. PLEASE EXPLAIN.

20 A. OPUC fails to recognize the anticipated savings due to ETI's participation

21 in MISO that are fuel related, which means that customers began to

22 realize the benefits of these fuel savings on December 19, 2013 when ETI

23 joined MISO. As recognized by the PUC in its Docket No. 40346 MISO

1 Change in Control order,<sup>1</sup> participation in MISO is expected to generate  
2 net production cost savings for customers. The majority of the projected  
3 savings is associated with a more efficient commitment and dispatch of  
4 generating units, and will immediately and fully accrue to customers  
5 through the Company's fuel factor/fuel reconciliation process. However,  
6 these savings will be partially offset by certain costs, including a reduction  
7 in wholesale transmission revenue and a net increase in ICT/RTO  
8 administrative charges, neither of which will be recovered through the fuel  
9 factor/fuel reconciliation process.

10 The Company has proposed to match, as closely as possible, the  
11 timing of recovery from customers of these MISO-related costs to the  
12 timing of the anticipated savings for customers associated with the move  
13 to MISO. On the other hand, OPUC has proposed to delay the recovery  
14 of the MISO-related costs until the conclusion of some future rate  
15 proceeding while allowing for the immediate pass through of fuel and  
16 purchased power savings. Staff witness Mr. Luna makes a similar claim  
17 on pages 16-17 that the Company "has neglected to include any savings  
18 that it will realize from the change" to MISO. As discussed above, those  
19 savings will accrue to customers via the fuel factor/ fuel reconciliation  
20 process on an immediate basis; they will not be retained by the Company.  
21 In short, it is OPUC's and Staff's proposals, rather than ETI's, that do not  
22 follow the matching principle.

---

<sup>1</sup> Docket No. 40346, Final Order at FoFs 38, 47, 64 and 68.

1 Q7. HOW MUCH REGULATORY LAG IS CONTEMPLATED BY  
2 MS. SEYBOLD'S APPROACH?

3 A. It appears that Ms. Seybold would require a year of actual experience in  
4 MISO (until the end of 2014) in order for ETI to seek recovery of the costs  
5 in question. Adding to this time the six months typically involved in  
6 preparing a base rate case and another six months to put new rates in  
7 place, ETI will have joined MISO on December 19, 2013, and begun to  
8 pass considerable cost savings from MISO membership since that time to  
9 customers, but would not be permitted to recover the costs associated  
10 with delivering those savings until at least two years later. Similarly, even  
11 the use of a TCRF adjustment would postpone cost recovery well into  
12 2015. Such results would clearly be inequitable.

13

14 Q8. WHAT ARE THE ADJUSTMENTS THAT OPUC WITNESS SEYBOLD  
15 CHALLENGES ON PAGE 7 OF HER TESTIMONY?

16 A. Ms. Seybold challenges the following adjustments: 1) an adjustment to  
17 reflect the fact that wholesale transmission revenues are now collected  
18 pursuant to the terms of the MISO OATT rather than the Entergy OATT  
19 (the MISO "revenue credit"); 2) an adjustment to reflect the fact that,  
20 pursuant to the MISO Tariff, MISO now assesses charges to ETI to allow  
21 for recovery of the costs MISO incurs to administer the RTO; and 3) an  
22 adjustment to reflect the fact that the Independent Coordinator of  
23 Transmission ("ICT") no longer assesses administrative charges to ETI.

1           Company witness Considine addresses a fourth adjustment that reflects  
2           the fact that costs are being incurred by ETI to post a letter of credit  
3           required as a condition of MISO membership.

4

5   Q9.   TURNING TO THE MISO REVENUE CREDIT, WHY IS THE  
6           COMPANY'S PROPOSED ADJUSTMENT APPROPRIATE?

7   A.   First, it is known that, as of December 19, 2013, wholesale transmission  
8           revenues are no longer collected and allocated to ETI pursuant to the  
9           terms of the Entergy OATT; the amount of wholesale transmission  
10          revenue collected under the Entergy OATT during the test year was  
11          \$24.5 million, but will clearly be \$0 in the rate year. Second, it is known  
12          that, during the test year, wholesale transmission revenue collected and  
13          allocated to ETI pursuant to the terms of the MISO OATT was \$0.

14                But rather than simply remove the \$24.5 million in Entergy OATT  
15          revenue currently reflected in the test year and replace it with \$0 in test  
16          year MISO OATT revenues – two adjustments that are indisputably known  
17          and measurable – the Company made an adjustment to reflect the change  
18          in the OATT now applicable in ETI's service area. The Company  
19          calculated the effect of this change to result in \$17.5 million in rate year  
20          MISO OATT revenues, and included this \$17.5 million credit in its rate  
21          request as an offset to overall revenue requirements.

22                The way in which transmission revenue is collected and allocated in  
23          MISO is set forth explicitly in the MISO OATT and Transmission Owners



1 Agreement ("TOA"). Similarly, the way in which transmission revenue was  
2 collected and allocated in the Entergy region is set forth explicitly in the  
3 Entergy OATT. There are important differences between the old approach  
4 specified in the Entergy OATT and the new approach used by MISO. I  
5 described these differences in my Direct Testimony.

6 Witness Seybold does not dispute that there are known differences,  
7 that the effects of these differences can be measured, or that the  
8 differences should be accounted for, as the Company did, in its rate  
9 request. Rather, ETI understands Ms. Seybold to have narrowly taken  
10 issue with the use of information that was not specifically associated with  
11 the test year to calculate the known and measurable changes.

12 As explained in detail in my Direct Testimony, ETI's calculation of  
13 the \$17.5 million MISO OATT revenue amount for rate year OATT  
14 revenues is reasonable, valid, and in compliance with the relevant  
15 regulations, but in response to Ms. Seybold's concern, ETI notes that an  
16 alternative calculation that relies exclusively on 2012 data (which includes  
17 nine months of the test year) confirms the reasonableness of the  
18 \$17.5 million figure reflected in the Company's rate request. That  
19 alternative calculation, detailed below, shows \$16.9 million of revenue and  
20 was included in the Company's addendum response to Beaumont  
21 RFI 4-1, and is attached as Exhibit JAL-R-1 to this testimony. The  
22 Company does not propose to use a \$16.9 million credit in place of the  
23 \$17.5 million credit reflected in the Company's rate request, but offers it to

1 show the reasonableness and conservative nature of the Company's use  
2 of a \$17.5 million credit in its rate request.

3

4 Q10. PLEASE DESCRIBE THE ALTERNATIVE CALCULATION OF  
5 \$16.9 MILLION IN WHOLESALE TRANSMISSION REVENUES.

6 A. As a Transmission Owner in MISO, ETI receives an allocation of revenue  
7 collected by MISO from Network Integration Transmission Service  
8 ("NITS") transmission customers with load in the ETI Transmission Pricing  
9 Zone and an allocation of revenue collected by MISO from Point-to-Point  
10 ("PTP") transmission customers throughout MISO based on a 50/50  
11 sharing formula. A detailed summary of the MISO approach to  
12 transmission revenue allocation and a comparison of the MISO approach  
13 with the approach specified under the Entergy OATT are provided in my  
14 Direct Testimony. Also described in my Direct Testimony is the  
15 calculation of the \$17.5 million in NITS and PTP revenue reflected in the  
16 Company's rate request.

17 As noted above, Ms. Seybold took issue with the \$17.5 million  
18 figure because it was calculated using some information from outside of  
19 the test year and because it represents the amount of revenue that would  
20 be collected by ETI in 2014. Like the \$17.5 million figure, the alternative  
21 \$16.9 million figure accounts for the important differences in the way that  
22 transmission revenue is collected and allocated under the MISO OATT,  
23 but, unlike the \$17.5 million figure, it makes exclusive use of 2012 data

1 and represents the amount of revenue that would have been allocated to  
2 ETI if ETI and the other Entergy Operating Companies had been in MISO  
3 during 2012.

4 The calculation of NITS revenues is based on the transmission  
5 revenue requirements reflected in the Attachment O filing made by  
6 Entergy Services, Inc. in FERC Docket No. ER13-948.<sup>2</sup> The Companies  
7 made this filing to gain approval of the formula used to determine the rate  
8 for wholesale transmission service in MISO that is not subject to the  
9 Bundled Load Exemption ("BLE"). The Attachment O filing included actual  
10 2011 ETI transmission revenue requirement and load information, which is  
11 appropriately used under the terms of the MISO tariff to establish  
12 transmission rates for the year 2012. This rate was multiplied by actual  
13 2012 wholesale NITS load in the ETI TPZ to calculate \$15.6 million in  
14 2012 NITS revenues allocated to ETI.

15 PTP revenues are calculated using actual PTP reservations made  
16 for delivery in 2012, adjusted to eliminate certain reservations that are  
17 unneeded and/or would not likely have been made had the Entergy  
18 Operating Companies participated in MISO and been subject to the MISO  
19 Tariff (*e.g.*, short-term reservations that would not likely have been made  
20 because of the opportunity to sell energy into the MISO Day 2 market, and  
21 reservations sourced in the Entergy footprint and sinking in the existing  
22 MISO footprint that would have been internal and thus unnecessary if the

---

<sup>2</sup> Entergy Services Inc., FERC Docket ER13-948, February 15, 2013.

1        Entergy Operating Companies had been subject to the MISO Tariff). PTP  
2        revenue from remaining PTP reservations was adjusted to reflect the  
3        actual MISO 2012 PTP rate that would have been effective had the  
4        Entergy Operating Companies been in MISO in 2012. This rate was  
5        calculated by adjusting the actual 2012 MISO PTP rate to account for the  
6        effect that the load and transmission revenue requirements from the  
7        Entergy footprint would have had on the calculation of the MISO 2012  
8        PTP rate had the Entergy Operating Companies been subject to the MISO  
9        tariff in 2012. Adjustments also reflect the 50/50 revenue sharing  
10       provisions of the MISO OATT. These adjustments result in a calculation  
11       of \$3.7 million in 2012 PTP revenues allocated to ETI.

12       The \$19.4 million of 2012 NITS and PTP revenues (\$15.6 NITS +  
13       \$3.7 PTP) was reduced by \$2.5 million to account for the allocation of  
14       revenues to ETEC as compensation for certain transmission facilities  
15       owned by ETEC.

16       The result of this calculation is \$16.9 million in wholesale  
17       transmission revenues that would have been retained by ETI in 2012 had  
18       the Entergy Operating Companies participated in MISO. This comparison  
19       shows the Company's actual proposed revenue credit (\$17.5 million) to be  
20       a conservative figure, favoring customers, in comparison to an amount  
21       based purely on historical information from the test year period. The  
22       similarity of this \$16.9 million calculation to the calculation of \$17.5 million  
23       included in the Company's rate request, moreover, is not surprising

1       because both account for the way in which transmission revenue is  
2       collected and allocated by MISO – it is primarily the MISO methodology,  
3       and not the year from which data is drawn, that determines the amount of  
4       revenue retained by ETI. This alternative calculation of \$16.9 million  
5       demonstrates the reasonableness and conservative nature of the  
6       Company's use of a \$17.5 million credit in its rate request.

7  
8       Q11. WHAT WAS THE BASIS FOR THE COMPANY'S CALCULATION OF  
9       MISO ADMINISTRATION COSTS?

10      A.   As described in my Direct Testimony, MISO recovers its administration  
11       costs to provide transmission service and administer the MISO Day 2  
12       Market via MISO Schedules 10, 16, and 17 of the MISO Tariff. For each  
13       of these MISO Schedules, MISO publishes an anticipated rate on its  
14       webpage. Because this was the best information available when I  
15       developed my Direct Testimony, I used these anticipated rates in  
16       developing the proposed adjustment. I also provided testimony showing  
17       that MISO's anticipated rates were historically a good indicator of the  
18       actual rates that would be imposed. The anticipated rates for 2014 from  
19       the MISO webpage, which incorporates the Entergy companies within  
20       MISO, were multiplied by the applicable 2014 billing determinants  
21       developed by ETI, including load and generation. This calculation results

1 in the MISO administration fees from MISO to ETI of \$6.5 million in  
2 expenses, as included in the Company's direct case.<sup>3</sup>

3

4 Q12. WHAT PORTIONS OF THIS MISO ADMINISTRATION COST WERE  
5 BASED ON "ESTIMATES AND PROJECTIONS" AS OPUC WITNESS  
6 SEYBOLD USES THAT PHRASE ON PAGE 7 OF HER TESTIMONY?

7 A. The MISO 2014 published rates were as stated on the MISO webpage at  
8 the time this rate case was being prepared, and the 2014 estimated load  
9 and generation data for 2014 for ETI was utilized.

10

11 Q13. HAS THE COMPANY CALCULATED THE MISO ADMINISTRATION  
12 FEES USING ACTUAL LOAD DATA AND 2014 ADMINISTRATIVE FEE  
13 RATES; IF SO, WHAT WERE THOSE RESULTS?

14 A. Yes. To show the reasonableness of its requested adjustment, the  
15 Company has developed an alternative calculation of MISO administration  
16 fees based on 2012 actual load and generation data and the now-  
17 available actual 2014 MISO administration fee rates currently being billed  
18 by MISO. The table below shows the side-by-side comparison of the  
19 Company's initial calculation compared to the alternative calculation based  
20 on actual load data and actual MISO billable rates for the year 2014. The  
21 total alternative calculation for MISO administration cost is \$263,597

---

<sup>3</sup> Lewis Direct at 47-48.

1 greater than the original calculation included in the Company's direct case.

2 This comparison shows that the original calculations were reasonable.

Table 1  
MISO Administration Costs (\$)

MISO Schedule	Original Calculation	Alternative Calculation	Difference
10	2,904,674	2,940,625	35,951
10-FERC	851,839	1,218,462	366,623
16	344,786	358,880	14,094
17	2,428,205	2,275,134	(153,071)
Total	6,529,504	6,793,101	263,597

3 Q14. IS THE COMPANY PROPOSING TO UTILIZE THE ALTERNATIVE  
4 CALCULATION OF MISO ADMINISTRATION COSTS IN THIS DOCKET  
5 AND EFFECTIVELY INCREASE THE REVENUE REQUIREMENT BY  
6 \$263,597?

7 A. No. The Company is proposing to continue to utilize its original calculation  
8 even though it is lower than current calculations.

9

10 Q15. ON PAGES 13 THROUGH 14, STAFF WITNESS ROELSE STATES  
11 THAT THE MISO ADMINISTRATION FEES INCLUDED BY THE  
12 COMPANY ARE FORECASTS, NOT KNOWN AND MEASURABLE, AND  
13 SHOULD BE DISALLOWED. HE GOES ON TO RECOMMEND  
14 INSTEAD TO UTILIZE THE TEST YEAR ICT COSTS OF \$2,767,538.  
15 WHAT IS YOUR RESPONSE TO STAFF'S RECOMMENDATION?

16 A. Similar to OPUC, Staff is proposing a "heads I win, tails you lose"  
17 approach with regard to the benefits and costs of MISO membership. This

1 inequitable proposal should be rejected by the Commission, as it suffers  
2 from the same false premises and conclusions included in OPUC's  
3 analysis, as I discuss above. In summary, the fact that ETI is a member of  
4 MISO is incontrovertibly known, and the effects of this membership can be  
5 measured using publicly available data. Regarding the specific  
6 recommendation of Mr. Roelse to reflect the ICT cost in the Company's  
7 revenue requirement, it is known that ETI now operates under MISO  
8 instead of the ICT; the change in costs can be calculated with reasonable  
9 certainty as detailed above and therefore Staff's use of the test year ICT  
10 costs instead of the current MISO costs is inappropriate. In  
11 recommending inclusion of pre-MISO costs and revenues in ETI's revenue  
12 requirement, it is Staff and OPUC whose recommendations are at odds  
13 with the known and measurable principle.



1 Q16. ON PAGES 14 THROUGH 16, STAFF WITNESS LUNA PROPOSES TO  
2 DISALLOW THE AMORTIZATION OF THE MISO TRANSITION COSTS,  
3 THE MISO APPLICATION FEE AND THE ESI PROJECTS ASSOCIATED  
4 WITH MISO TRANSITION COSTS<sup>4</sup> BECAUSE HE CLAIMS, AMONG  
5 OTHER THINGS, THESE COSTS ARE NOT RECURRING. PLEASE  
6 COMMENT.

7 A. Mr. Luna's position is interesting, given that his recommendation for this  
8 very same category of costs in Docket No. 39896 would have had the  
9 effect of limiting cost recovery to only test year costs in ETI's revenue  
10 requirement. This is essentially the opposite of the position he is taking  
11 for these same costs in this docket. If ETI would have adopted Mr. Luna's  
12 position from Docket No. 39896 in this docket, ETI's requested revenue  
13 requirement in this docket for the MISO transition expenses alone would  
14 have been approximately \$1.5 million higher.<sup>5</sup> Instead, ETI has  
15 consistently and simply sought the opportunity to recover its prudently  
16 incurred costs in making the customer-beneficial transition to MISO.  
17 Staff's approach effectively amounts to imposing a disallowance without  
18 presenting any evidence for such disallowance. Company witness  
19 Totten's Rebuttal Testimony addresses the policy bases for recovery of

---

<sup>4</sup> Mr. Luna states that the disallowance of the ESI projects associated with MISO Transition cost is similar to an adjustment made by staff witness Roelse and it is not staff's intention to disallow this cost twice.

<sup>5</sup> \$1.5 million is the difference between the test year MISO transition expenses (\$4,466,008) and the requested amortization amount of MISO transition expenses (\$2,974,667). As explained in the Direct Testimony of Company witness Considine, if the amortization is not accepted by the Commission, then the Company requests recovery of the test year amount.

1       these costs, including the Commission treatment that resulted in the \$1.6  
2       million base rate allowance for the MISO transition expenses approved in  
3       Docket No. 39896. I would point out, in addition, that Mr. Luna's claim -  
4       that ETI has not justified issuance of a deferred accounting order -  
5       overlooks that the Commission has in the past authorized amortizations of  
6       costs appearing in a test year to provide for a reasonable going forward  
7       level in rates. That concept applies here as well.

8               The MISO transition costs included in ETI's proposed revenue  
9       requirement are not currently recovered in base rates, as the amount  
10      sought for recovery is adjusted to exclude amounts recovered since  
11      Docket No. 39896. Mr. Luna's proposal would remove recovery from base  
12      rates as an option and would in effect not ever allow recovery of this cost.  
13      There is no question, or contention from any party, that this cost has in  
14      fact been incurred; no party has presented any evidence claiming that  
15      these costs were imprudently incurred; and the move to MISO was  
16      approved by the PUC as a prudent and customer-beneficial measure.  
17      Therefore, there is no justification for not allowing the Company to recover  
18      this prudently incurred cost, and Mr. Luna's recommendation should be  
19      denied.

1 IV. RIDER TCRF AND ITC COSTS

2 Q17. ON PAGES 8 THROUGH 10, OPUC WITNESS SEYBOLD DISCUSSES  
3 THE COMPANY'S PROPOSED RIDER TCRF IN CONNECTION WITH  
4 THE NOW CANCELED TRANSACTION WITH ITC. WITNESS  
5 SEYBOLD STATES THAT OPUC SUPPORTS ETI'S INTENTION TO NO  
6 LONGER SEEK THE PROPOSED RIDER TCRF. SIMILARLY, ON PAGE  
7 22 STAFF WITNESS ABBOTT STATES RIDER TCRF SHOULD BE  
8 REJECTED IN LIGHT OF THE APPROVAL TO WITHDRAW THE ITC  
9 TRANSACTION. WHAT IS THE COMPANY'S INTENTION?

10 A. Due to the cancelation of the ITC transaction, the Company is withdrawing  
11 its proposed Rider TCRF as structured in this rate case. However, the  
12 Company will need transmission baseline values established in this rate  
13 case so that these baseline values may in turn be utilized in a future Rider  
14 TCRF filing should the Company decide to make a Rider TCRF filing  
15 pursuant to the PUC's TCRF rule.

1 Q18. ON PAGES 12 THROUGH 16, OPUC WITNESS SEYBOLD DISCUSSES  
2 TWO DEFERRED ACCOUNTING TREATMENT REQUESTS MADE BY  
3 THE COMPANY IN ASSOCIATION WITH THE ITC TRANSACTION.  
4 GIVEN THE CANCELLATION OF THE ITC TRANSACTION, DOES THE  
5 COMPANY CONTINUE TO REQUEST THIS DEFERRED ACCOUNTING  
6 TREATMENT?

7 A. No. As stated by Ms. Seybold, the first deferral request was associated  
8 with differences in cost that would occur between the closing of the ITC  
9 transaction and the effective date of rates from this case. Given that the  
10 ITC transaction is not going forward, there will be no closing date and no  
11 differences in cost. Accordingly, this deferral request is moot. Also, as  
12 stated by Ms. Seybold, the second deferral request was associated with  
13 an alternative recovery of the ITC costs should the Commission decide to  
14 not approve Rider TCRF. This second request was also tied to the ITC  
15 transaction. Given that the ITC transaction is not moving forward, this  
16 deferral request is also moot.

17

18 Q19. ON HIS PAGES 19-20, STAFF WITNESS LUNA PROPOSES A  
19 \$2.1 MILLION DISALLOWANCE OF ESI PAYROLL AND BENEFITS  
20 RELATED TO THE ITC TRANSACTION PROJECT CODES. DO YOU  
21 AGREE WITH THE RECOMMENDED DISALLOWANCE?

22 A. No. Staff witness Luna argues that the Commission should disallow these  
23 ITC-related costs because the projects were not reasonable and

1        necessary, benefits would have been to shareholders, and the costs are  
2        not recurring. To the contrary, the Company and its predecessor Entergy  
3        Gulf States, Inc. ("EGSI") have been involved with evaluating and pursuing  
4        approval of structural initiatives involving transmission operations and  
5        service on an ongoing basis for many years, and such efforts will continue  
6        into the foreseeable future. These efforts have not been solely at the  
7        behest, and for the benefit, of shareholders. Rather, since the 1990's,  
8        EGSI and the Company have been encouraged and required by  
9        legislators and regulators to address issues regarding the structure of its  
10       transmission business.

11       Past activities have included the SB7-mandated business  
12       separation plans that would have created a new unbundled distribution  
13       and transmission utility in 2001 (*e.g.*, Docket No. 22356); efforts to join or  
14       certify an independent transmission organization (*e.g.*, Docket Nos. 24309  
15       and 28818); efforts to interconnect with and join ERCOT (*e.g.*, Project  
16       No. 32217 and Docket No. 33687); and efforts to join MISO commencing  
17       in 2010 (*e.g.*, Docket No. 40346). Although the ITC transaction was not  
18       completed, neither were a number of the Company's other past efforts,  
19       and costs related to such past efforts have not been singled out and  
20       disallowed as non-recurring and for potentially benefitting shareholders.

21       In any event, taking the position that the ITC transaction itself will  
22       not recur is too narrow a standard to apply with regard to whether the cost  
23       is recurring. Rather, the Company has pursued these types of activities to

1 sustain the quality and improve the independence of its transmission  
2 service in the past, these efforts include analysis and efforts related to the  
3 structure of the transmission business, and such efforts will continue.  
4 Such future activities, for example, will certainly involve ETI's proposed  
5 exit from the Entergy System Agreement.

6 Finally, I will note that the Company already removed a significant  
7 part of the ITC transaction costs from its requested cost of service. The  
8 costs of external consultants and attorneys related to the ITC transaction  
9 are not being requested. It is only the test year level of internal costs,  
10 such as payroll, benefits, related taxes, and other employee-related costs,  
11 that have been included for recovery in base rates in this rate case. This  
12 reduction in ETI's rate request more than adequately addresses any  
13 argument that the transaction would have benefited shareholders.

14  
15 V. CGS PROJECT CODE

16 Q20. ON PAGES 49 THROUGH 51, OPUC WITNESS SZERSZEN  
17 DISCUSSES THE COMPANY'S INCLUSION OF COSTS ASSOCIATED  
18 WITH THE COMPETITIVE GENERATION SERVICE ("CGS") TARIFF.  
19 HOW DO YOU INTERPRET OPUC'S RECOMMENDATION  
20 REGARDING THE CGS COSTS INCLUDED IN THE RATE CASE?

21 A. On page 51 of her testimony, Dr. Szerszen states that the \$310,746  
22 currently embedded in ETI's rates should be more than sufficient to cover  
23 post-test year CGS-related legal costs prior to the implementation of the

1 CGS tariff in July 19, 2013.<sup>6</sup> She goes on to say that the \$310,746  
2 currently in base rates, or the \$224,730 reflected in the Company's test  
3 year costs, should be directly assigned to the LIPS and LIPS-TOD class. I  
4 can only interpret this to mean that OPUC does not contest the inclusion  
5 of either amount in the Company's revenue requirement, but proposes  
6 that amount be assigned to the LIPS and LIPS-TOD class. However, on  
7 page 50, she states that no further costs should be included in rates.  
8 Thus, it is unclear as to whether OPUC agrees that some level of CGS  
9 costs, not related to CGS implementation, should be included in rates or  
10 not.

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<sup>6</sup> For purposes of this testimony, based on the Commission's rulings in the CGS Docket No. 38951 (now on appeal by the Company), the "implementation" date of the CGS tariff is the date that the Commission issued its order in Docket No. 38951 approving the current Rider CGS; that is, July 19, 2013.

1 Q21. ON PAGES 20 THROUGH 21 OF STAFF WITNESS LUNA'S  
2 TESTIMONY, HE REFERS TO A CGS PROJECT NUMBER  
3 F3PPTCGS11. HE CLAIMS THIS PROJECT CONTAINS CGS  
4 IMPLEMENTATION COSTS, REFERS TO THE PUC DECISIONS ON  
5 IMPLEMENTATION COSTS, AND BASED ON THIS, HE RECOMMENDS  
6 THE REMOVAL OF THIS CGS COSTS. IS THIS PROJECT NUMBER  
7 ASSOCIATED WITH CGS IMPLEMENTATION?

8 A. No. OPUC raises a similar concern that the Company has included CGS  
9 implementation cost in this rate case. That assumption is not accurate  
10 and I address that further below.

11

12 Q22. ON PAGE 50, OPUC WITNESS SZERSZEN STATES THAT THE LEGAL  
13 ISSUES RELATED TO CGS HAVE LARGELY BEEN RESOLVED AND,  
14 THEREFORE, THE ONLY ONGOING COSTS TO BE RECOVERED ARE  
15 THE CGS IMPLEMENTATION COSTS. HAS THE COMPANY FULLY  
16 RECOVERED THE LEGAL AND REGULATORY COST IT INCURRED  
17 ASSOCIATED WITH CGS?

18 A. No. For example, the legal costs associated with the CGS project are not  
19 yet fully incurred or recovered because ETI has appealed the  
20 Commission's order that adopted the current Rider CGS; that appeal, and  
21 the cost to pursue that appeal, are ongoing. Accordingly, similar to the  
22 PUC decision in the Company's prior rate case, Docket No. 39896, the



1           Company appropriately included the test year level of CGS cost in its rate  
2           request in this docket.

3

4   Q23. IS ANY OF THE TEST YEAR COST ASSOCIATED WITH THE  
5       IMPLEMENTATION OF THE CGS PROGRAM INCLUDED IN THE  
6       COMPANY'S RATE CASE REVENUE REQUIREMENT?

7   A.   No. Shortly after the PUC's July 19, 2013 order adopting the CGS  
8       program in Docket No. 38951, the Company created a new project code to  
9       track implementation costs associated with the CGS program from that  
10      date forward. This was necessary so that such costs could be recorded  
11      for future recovery in a CGS Cost Recovery Rider ("Rider CGSC") once  
12      the full implementation cost of CGS are known (or at least better known).  
13      No costs associated with CGS implementation (that is, post July 19, 2013  
14      costs) have been included in this rate case. Also, no costs related to the  
15      appeal of the Commission's July 2013 order are in this case because  
16      those costs were incurred after the close of the close of test year.

17

18   Q24. DOES THE COMPANY AGREE TO ASSIGN THE POST JULY 19, 2013  
19       IMPLEMENTATION COSTS DIRECTLY TO THE LIPS AND LIPS-TOD  
20       CLASS?

21   A.   Yes.

- 1 Q25. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?
- 2 A. Yes.

ENTERGY TEXAS, INC.  
PUBLIC UTILITY COMMISSION OF TEXAS  
PUC DOCKET NO. 41791

Response of: Entergy Texas, Inc.  
to the Fourth Set of Data Requests  
of Requesting Party: City of Beaumont

Prepared By: Dennis Roach  
Sponsoring Witness: Jay A. Lewis  
Beginning Sequence No.  
Ending Sequence No.

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Question No.: BEAUMONT 4-1

Part No.:

Addendum: 1

Question:

Refer to the Direct Testimony of Jay Lewis, page 45, lines 2-4. Please explain why Entergy used 2011 data to estimate the MISO tariff revenues, and provide a revised estimate using test year data.

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Response:

2011 data was utilized for this MISO analysis to be consistent with the data utilized in the ITC analysis provided in Docket No. 41223 and incorporated into Docket No. 41850 (that is, ETI's application to sell its transmission assets to ITC). 2011 data was utilized in Docket No. 41223 because it was the latest historical data at that time. No update to this estimate has been performed.

**Addendum 1:**

The Company objects to this request on grounds that the responsive materials are protected ("confidential") materials. Specifically, the responsive materials are protected pursuant to Texas Government Code Sections 552.101, 552.104 and/or 552.110. Confidential materials will be provided pursuant to the terms of the Protective Order in this docket.

The attached confidential and public CDs contain an estimate of MISO revenue credits (including summary results and backup workpapers), prepared since the initial response to this RFI was provided, that addresses the level of wholesale Network Integration Transmission Service ("NITS") and Point to Point ("PTP") revenue that would have been retained by ETI in 2012 if the Entergy Operating Companies ("the Companies") had participated in MISO and been subject to the MISO Tariff in 2012. 2012 includes nine months of the test year in this proceeding. The first two tabs of the spreadsheet on the confidential CD may be treated as public, but the third tab is confidential.

PTP revenues are estimated using actual PTP reservations made for delivery in 2012, adjusted to eliminate certain reservations that are unneeded and/or would not likely have been made had the Companies participated in MISO and been subject to the MISO Tariff (e.g., short-term reservations that would not likely have been made because of the opportunity to sell energy into the MISO Day 2 market, and reservations sourced in the

BEAUMONT 4-1 ADD 1 SS3373

Entergy footprint and sinking in the existing MISO footprint that would have been internal and thus unnecessary if the Entergy Operating Companies had been subject to the MISO Tariff). PTP revenue from remaining PTP reservations was adjusted to reflect the actual MISO 2012 PTP rate adjusted to account for the effect that the load and transmission revenue requirements from the Entergy footprint would have had on the calculation of the MISO 2012 PTP rate had the Companies been subject to the MISO tariff in 2012. Adjustments also reflect the revenue sharing provisions of the MISO OATT.

The calculation of network transmission service revenues is based on the transmission revenue requirements reflected in the Companies' MISO Attachment O filing, made in FERC Docket No. ER13-948. The Companies made this filing to gain approval of the formula used to determine the rate for wholesale transmission service in MISO that is not subject to the Bundled Load Exemption ("BLE"). The Attachment O filing included actual 2011 ETI transmission revenue requirement and load information, which is appropriately used under the terms of the MISO tariff to establish transmission rates for the year 2012.

The calculation of revenues retained by ETI reflects an allocation of revenues to ETEC as compensation for certain transmission facilities owned by ETEC.

The result of this calculation is total transmission revenues for ETI, viewed from the perspective of the Companies joining MISO during the test year. The total amount of transmission revenue is \$16.9 million. Viewed in light of this information, ETI's proposal to provide a higher revenue credit of \$17.5 million to reduce retail rates in this case is shown to be conservative and reasonable.

**DESIGNATION OF PROTECTED MATERIALS PURSUANT TO PARAGRAPH  
4 OF DOCKET NO. 41791 PROTECTIVE ORDER**

The Response to this Request for Information includes Protected Materials within the meaning of the Protective Order in force in this Docket. Public Information Act exemptions applicable to this information include Tex. Gov't Code Sections 552.101, 552.104 and/or 552.110. ETI asserts that this information is exempt from public disclosure under the Public Information Act and subject to treatment as Protected Materials because it concerns competitively sensitive commercial and/or financial information and/or information designated confidential by law.

Counsel for ETI has reviewed this information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials Designation.

Steve Neinast  
Entergy Services, Inc.

This workpaper will be provided in native format on a separate CD accompanying this filing.

This workpaper contains information that is confidential and will be provided on a separate CD accompanying this filing under the terms of the Protective Order (Confidentiality Disclosure Agreement) entered in this case.