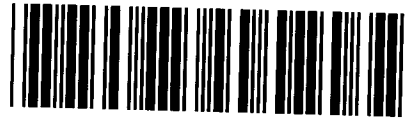


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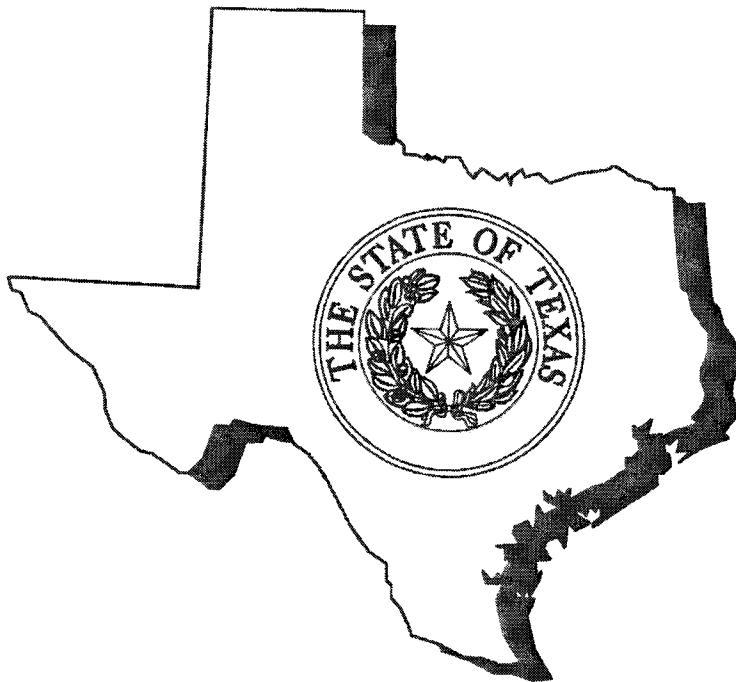
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SOAH DOCKET NO. 473-16-0076
PUC DOCKET NO. 45083

APPLICATION OF ENTERGY TEXAS,
INC. FOR APPROVAL OF A
DISTRIBUTION COST RECOVERY
FACTOR

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS



PUBLIC UTILITY COMMISSION
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DIRECT TESTIMONY AND WORKPAPERS OF
P. GRANT GERVAIS
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
OCTOBER 23, 2015

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ATTACHMENTS:

Attachment PGG-1	Regulatory Resumé of P. Grant Gervais
Attachment PGG-2	Net Revenue Requirement and Proposed Rates

1 **I. PROFESSIONAL QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. P. Grant Gervais, 1701 N. Congress Avenue, Austin, TX 78711-3326.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Public Utility Commission of Texas ("PUC" or "the
6 Commission") as a Rate Analyst in the Tariff and Rate Analysis Section of the Rate
7 Regulation Division.

8 **Q. What are your principal responsibilities as a Rate Analyst for the Public
9 Utility Commission of Texas?**

10 A. My principal responsibility is to analyze utility filings on matters related to cost
11 allocation and rate design. My responsibilities include analyzing electric industry
12 regulatory policy, reviewing tariffs to determine compliance with Commission
13 requirements, and preparing and presenting testimony as an expert witness on cost
14 allocation and rate design in docketed proceedings before the Commission and the
15 State Office of Administrative Hearings ("SOAH").

16 **Q. Have you filed Testimony before the Commission before?**

17 A. Yes, I have provided a summary of my background and experience in Attachment
18 PGG-1.

1 **II. SCOPE OF TESTIMONY**

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. My testimony regarding the application of Entergy Texas, Inc. (“ETI”, “Entergy”
4 or “the Company”) will address the calculation of Entergy’s proposed Distribution
5 Cost Recovery Factor (DCRF) rates. My testimony will address, in whole or in
6 part, the following issues from the Commission’s Preliminary Order:

7 2. If not, what is ETI’s properly calculated DCRF, in accordance with PURA
8 §36.210 and 16 Tex. Admin Code (TAC) §25.243(d)? In making this
9 determination the following questions should be addressed:

10 a. What were the DCRF-related baseline costs established in ETI’s
11 most recent base-rate proceeding, Docket No. 41791?¹ 16 TAC §
12 25.243(d)(1).

13 3. What are the appropriate class allocations to set the DCRF rates, if any, in
14 accordance with PURA §36.210(a)(3) and 16 TAC §25.243(d)?

15 4. What rates, if any, should the Commission approve in an ETI DCRF rate
16 schedule?

17 **Q. What items did you review to reach your recommendations?**

18 A. In preparing my testimony, I reviewed the application that Entergy submitted in
19 this proceeding, the testimonies of various Company witnesses, responses to
20 requests for information (RFIs) that have been provided during the discovery period

¹ *Application of Entergy Texas, INC. for Authority to Change Rates and Reconcile Fuel Costs*,
Docket No. 41791, Order (May 16, 2014).

1 in this proceeding, the Settlement Stipulation and Final Order from ETI's last rate
2 case,² and 16 TAC §25.243.

3

4 **III. SUMMARY OF RECOMMENDATIONS**

5 **Q. Please summarize your recommendations.**

6 A. I recommend that:

- 7 • ETI has used the appropriate baseline values, as established in its last base rate case.
- 8 • ETI has used the appropriate class allocations in its application to set the DCRF
- 9 rates.
- 10 • Staff's proposed DCRF rates, as provided in Attachment PGG-2, which reflect the
- 11 adjustments of Staff witnesses John Poole and Mark Filarowicz, be approved.

12

13 **IV. REVENUE REQUIREMENT CALCULATION**

14 **Q. Please describe the purpose of a DCRF filing.**

15 A. The DCRF allows a utility to recover certain distribution investment costs incurred

16 by the Company since its last base-rate case proceeding, less certain incremental

17 base rate revenues due to load growth.

18 **Q. What is the formula used to determine the DCRF revenue requirement?**

19 A. The revenue requirement for the DCRF can be thought of as having two parts. The

20 first part measures certain incremental distribution investment costs, while the

21 second part measures growth in distribution related base rate revenues due to an

22 increase in billing determinants since the last rate case. The first portion of the

² *Id.*, Settlement Stipulation (April 4, 2014).

1 DCRF formula, defined in 16 TAC §25.243(d)(1), which determines the
2 incremental distribution investment costs is:

$$3 \quad ((DIC_C - DIC_{RC}) * ROR_{AT}) + (DEPR_C - DEPR_{RC}) + (FIT_C - FIT_{RC}) + (OT_C - OT_{RC})$$

4 This portion of the formula calculates incremental distribution investment costs by
5 subtracting the relevant DCRF baseline costs from Entergy's last base rate case,
6 denoted with the subscript "RC", from the Company's relevant current distribution
7 costs for each cost category, denoted with the subscript "C".

8 **Q. Please describe the second portion of the revenue requirement calculation.**

9 A. The second portion of the DCRF revenue requirement calculation determines the
10 incremental distribution related revenue collections attributable to growth in billing
11 determinants using the following formula:

$$12 \quad -\sum(DISTREV_{RC-CLASS} * GROWTH_{CLASS})$$

13 This portion sums the relevant distribution revenues set in the Company's last base-
14 rate case for each rate class multiplied by the change in billing determinants for that
15 class since the last rate case. Within this section $DISTREV_{RC-CLASS}$ is defined as:

$$16 \quad (DIC_{RC-CLASS} * ROR_{AT}) + DEPR_{RC-CLASS} + FIT_{RC-CLASS} + OT_{RC-CLASS}$$

17 Additionally, $GROWTH_{CLASS}$ is defined as:

$$18 \quad (BD_{C-CLASS} - BD_{RC-CLASS}) / BD_{RC-CLASS}$$

19 **Q. Why is it important to adjust the revenue requirement for load growth?**

20 A. The load growth adjustment portion of the DCRF recognizes that while the
21 Company may have had incremental distribution investment costs since its last
22 base-rate case, there has more than likely been a change in billing determinants as
23 well. Any percentage increase in billing determinants results in the same

1 percentage increase in revenue collections by the Company. In order to avoid
2 setting rates that would result in an over-recovery of costs, it is therefore necessary
3 to offset any incremental distribution investment costs by the incremental
4 distribution related revenues being collected in base rates. Entergy has requested
5 \$15,002,538 in incremental distribution investment costs, as shown in Attachment
6 WP PGG-2. Using this amount as the final revenue requirement would fail to
7 account for any increases to base-rate revenues due to load growth. By not
8 offsetting the incremental costs by the \$4,963,163 that Entergy receives due to
9 increases in billing determinants the Company would over-recover its costs.

10 **Q. Do you have any recommendations regarding the baseline values used by ETI**
11 **in calculating its DCRF revenue requirement?**

12 A. Yes, Entergy has used the baseline values approved in Docket 41791, which is
13 reasonable and complies with 16 TAC §25.243.

14 **Q. Do you have any recommendations regarding the load growth adjustment**
15 **section of the DCRF?**

16 A. Yes, Entergy's calculation of the load growth adjustment is reasonable and
17 complies with 16 TAC §25.243.

18 **Q. What is Staff's recommended net revenue requirement?**

19 A. After accounting for the recommended changes by Staff witnesses John Poole and
20 Mark Filarowicz, I calculated a net revenue requirement of \$8,423,898. This
21 represents a \$1,648,807 decrease to Entergy's proposed net revenue requirement of
22 \$10,072,705. The calculation of Staff's recommended revenue requirement can be
23 found in Attachment PGG-2.

1 **V. CLASS REVENUE REQUIREMENTS & FINAL RATES**

2 **Q. How are final rates calculated from the net revenue requirement?**

3 A. The net revenue requirement is multiplied by class allocation factors established
4 in Entergy's last base rate case³ to calculate the class revenue requirements. The
5 class revenue requirements are then divided by the current billing determinants
6 used in the calculation of the load growth adjustment above, BDC-CLASS.

7 **Q. Do you have any recommendations regarding the class allocation factors**
8 **used to calculate the class revenue requirement?**

9 A. Yes, Entergy has used the class allocation factors approved in Docket 41791,
10 which is reasonable and complies with PURA §36.210(a)(3) and 16 TAC
11 §25.243(d).

12 **Q. What are the rates that Staff is recommending in this proceeding?**

13 A. The final rates recommended by Staff are located in Attachment PGG-2.

14
15 **VI. CONCLUSION**

16 **Q. Do you have any additional recommendations regarding Entergy's**
17 **application?**

18 A. Not at this time.

19 **Q. Are there any additional adjustments to Entergy's case that may be**
20 **reasonable?**

³ *Id.*

- 1 A. Yes, the above recommendations are based on my review of Entergy's application
2 to date, as well as the recommendations of Staff witnesses John Poole and Mark
3 Filarowicz. Additional adjustments to Entergy's proposal may be appropriate.
- 4 **Q. Does this conclude your direct testimony?**
- 5 A. Yes.

P. Grant Gervais

Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78711-3326

REGULATORY EXPERIENCE:

Rate Analyst, Tariff and Rate Analysis Section

Public Utility Commission of Texas, Rate Regulation Division

Employed: August 2013 to present.

Duties: Perform analysis of tariff filings, cost allocation, and rate design. Review tariffs of regulated utilities to determine compliance with Commission requirements. Analyze cost allocation studies and rate design issues for regulated electric utilities. Analyze policy issues associated with the regulation of the electric industry. Work on or lead teams in contested cases, reports, the development of market rules, and research concerning pricing and related issues. Prepare and present testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

EDUCATION:

2013 Sam Houston State University, Huntsville, TX
Bachelor of Business Administration in Economics

List of Testimony Filed at the Public Utility Commission of Texas:

Docket No. 44612—*Application of Southwestern Electric Power Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief*—June 11, 2015

Docket No. 44572—*Application of CenterPoint Energy Houston Electric, LLC for Approval of a Distribution Cost Recovery Factor Pursuant to P.U.C. Subst. R. 25.243* June 03, 2015

Docket No. 44361 *Sharyland Utilities, LP's Request for Approval of an Advanced Metering System (AMS) Deployment, AMS Surcharge, and Non-Standard Metering Service Fees* - May 1, 2015.

Docket No. 41890 -*Compliance Tariff of Oncor Electric Delivery Company, LLC Related to Non-Standard Metering Service Pursuant to PUC SUBST. R. §25.133*—March 11, 2014.

List of Memoranda in Lieu of Testimony Filed at the Public Utility Commission of Texas:

Docket No. 43881—*Commission Staff's Application to Set 2015 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas* December 3, 2014.

Direct Testimony of P. Grant Gervais

October 23, 2015

- Docket No. 43858**—*Petition of Oncor Electric Delivery Company LLC for Administrative Approval of Transmission Cost Recovery Factor Update Pursuant to SUBST. R. 25.193* December 1, 2014.
- Docket No. 42716**—*Non-Standard True-Up Filing of Entergy Texas, INC. Pursuant to the Financing Order in Docket No. 37427 Concerning Schedule SRC* – July 31, 2014.
- Docket No. 42581**—*Application of GEUS to Change Rates for Wholesale Transmission Service* –June 3, 2014.
- Docket No. 42565**—*Petition of CenterPoint Energy Houston, LLC for Administrative Approval of Transmission Cost Recovery Factor Update Pursuant to P.U.C. Subst. R. 25.193*—May 30, 2014.
- Docket No. 42508**—*Application of AEP Texas Central Company to Adjust Energy Efficiency Cost Recovery Factor and Related Relief* May 13, 2014.
- Docket No. 42469**—*Application of LCRA Transmission Services Corporation for Interim Update of Wholesale Transmission Rate* –April 29, 2014.
- Docket No. 42341**—*Non-Standard True-Up Filing of Entergy Texas, INC. Pursuant to the Financing Order in Docket No. 33586* March 31, 2014.
- Docket No. 42326**—*Application of Lyntegar Electric Cooperative, Inc. for Approval of Transmission Cost of Service and Initial Wholesale Transmission Rates* –March 21, 2014.
- Docket No. 42113**—*Remand of Docket No. 36530 (Application of Oncor Electric Delivery Company LLC for Rate Case Expenses Related to PUC Docket No. 35717)* –December 23, 2013.
- Docket No. 42048**—*Petition of Texas-New Mexico Power Company for Approval of Transmission Cost Recovery Factor Update* –January 9, 2014.
- Docket No. 41982**—*Non-Standard True-Up filing of AEP Texas Central Company Pursuant to the Financing Order in Docket No. 21528*—October 31, 2013.
- Docket No. 41834**—*Compliance Filing of CenterPoint Energy Houston Electric, LLC for a Standard True-Up of ADFIT Credit Charges Under Schedule ADFITC* - September 13, 2013.
- Docket No. 41764**—*Annual True-Up Compliance Filing of Oncor Electric Delivery Company LLC Concerning Rider TC1 – Transition Charge* –August 15, 2013.

Staff's Recommended Final Rates									
Class	(1) ETI's Distribution Revenue Requirement	(2) Bad Debt Expense	(3) ETI's Requested Revenue Requirement	(4) Staff's Adjustments	(5)=(3)+(4) Staff's Recommended Revenue Requirement	(6) Allocation Factors	(7) Billing Determinants	(8)=(5)/(7) Rate	Per
Residential	\$ 6,407,180	\$ 28,732	\$ 6,435,912	\$ (1,059,738)	\$ 5,376,174.52	63.82%	5,894,495.543	0.000912	kWh
Small General	\$ 345,136	\$ 607	\$ 345,743	\$ (56,144)	\$ 289,599.06	3.44%	335,594.653	0.000863	kWh
General Service	\$ 2,399,825	\$ 1,593	\$ 2,401,418	\$ (387,759)	\$ 2,013,659.28	23.96%	11,712,559	0.1719	kW
Large General	\$ 627,348	\$ 99	\$ 627,447	\$ (101,048)	\$ 526,399.12	6.25%	3,233,329	0.1628	kW
Lighting Service	\$ 64,976	\$ -	\$ 64,976	\$ (10,456)	\$ 54,520.81	0.65%	12,738,266	0.0043	kW
	\$ 194,909	\$ 2,298	\$ 197,207	\$ (33,662)	\$ 163,545.26	1.94%	86,762,727	0.001885	kWh
Total	\$ 10,039,374	\$ 33,330	\$ 10,072,705	\$ (1,648,807)	\$ 8,423,898	100.00%			

Incremental Distribution Capital Investment Costs			
DCRF Parameter	Energy Requested	Staff's Adjustments	Staff Recommended
DICC	\$ 966,082,413	\$ (6,543,519)	\$ 959,538,894
DICRC	\$ 886,765,638		\$ 886,765,638
RORAT	8.22%		8.22%
DEPRC	\$ 47,265,871	\$ (178,403)	\$ 47,087,468
DEPRC	\$ 42,626,793		\$ 42,626,793
FITC	\$ 27,280,395	\$ (167,780)	\$ 27,112,615
FITRC	\$ 24,929,627		\$ 24,929,627
OTC	\$ 16,767,460	\$ (731,304)	\$ 16,036,156
OTRC	\$ 15,275,966		\$ 15,275,966
Total	\$ 15,002,338	\$ (1,615,476)	\$ 13,387,061

Energy Requested	Staff's Adjustments	Staff Recommended
Revenue Requirement \$	10,039,374 \$	(1,615,476) \$
		8,423,898

DCRF Parameter	Energy Requested Baseline Load Growth Values					
	Residential	Small General	General Service	Large General	Large Industrial	Lighting
DICRC-CLASS	\$ 565,938,334	\$ 30,485,470	\$ 211,973,583	\$ 55,412,903	\$ 5,739,289	\$ 17,216,058
DEPRC-CLASS	\$ 27,194,234	\$ 1,729,320	\$ 9,854,258	\$ 2,462,982	\$ 437,715	\$ 948,284
FITRC-CLASS	\$ 15,941,979	\$ 853,351	\$ 5,966,276	\$ 1,561,480	\$ 147,470	\$ 459,072
OTRC-CLASS	\$ 9,342,979	\$ 520,387	\$ 3,527,213	\$ 963,154	\$ 555,907	\$ 366,326
DISTREVR-CLASS	\$ 99,009,018	\$ 5,609,486	\$ 36,775,607	\$ 9,543,506	\$ 1,612,960	\$ 3,189,137
BDRC-CLASS	5,894,495,543	335,594,653	11,712,559	3,233,329	12,738,266	86,762,727
BDRC-CLASS	5,737,662,913	300,448,148	11,257,025	3,357,084	11,055,224	81,193,923
%GROWTHCLASS	2.73%	11.70%	4.05%	-3.69%	15.22%	6.86%
(DISTREVR-CLASS,%GROWTHCLASS)	\$ 2,706,301	\$ 656,199	\$ 1,488,185	\$ (351,810)	\$ 245,556	\$ 218,732
ALLOCCCLASS	63.82%	3.44%	23.90%	6.25%	0.65%	1.94%
						100.00%
						4,963,163