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APPLICATION OF ENTERGY TEXAS, INC. FOR APPROVAL TO SET A TRANSMISSION COST RECOVERY FACTOR	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

ENTERGY TEXAS, INC.'S REPLY TO TEXAS INDUSTRIAL ENERGY CONSUMERS' MOTION FOR REHEARING

Entergy Texas, Inc. ("ETI" or "the Company") hereby submits this Reply to Texas Industrial Energy Consumers' ("TIEC") Motion for Rehearing ("Motion") of the Public Utility Commission of Texas's ("Commission") Order in this proceeding issued on July 19, 2019. Pursuant to 16 Tex. Admin. Code § 22.264 and Tex. Gov't Code Ann. § 2001.146, this Reply is timely filed.

I. REPLY TO TIEC'S MOTION

TIEC's Motion presents no new arguments or other basis for disturbing the Commission's decision to not impose, for the first time ever, a load growth adjustment to a utility's TCRF revenue requirement. As ETI has explained and Commission's Order notes, the Commission has been clear in both adopting and applying the TCRF Rule that the required calculation already properly accounts for load growth for purposes of the TCRF, and no separate load growth adjustment as part of the TCRF revenue requirement calculation is appropriate or required under PURA.[1] This issue is well-settled, and here, the Commission has reached the same correct result it has reached in all prior instances in which this issue has been raised.

Despite the clear precedent, TIEC continues to allege that, without a load growth adjustment, ETI's TCRF will over-recover costs in violation of PURA § 36.209.[2] Of course, were

1 ETI's Initial Brief at 4-6; ETI's Reply Brief at 5-6; PFD at 22 (Finding of Fact Nos. 34-42); ETI's Exceptions to the PFD at 3; ETI's Reply to Exceptions to the PFD at 1-3; Order at 6-7 (Finding of Fact Nos. 34-42).

2 TIEC's Motion for Rehearing at 1-6. In its Motion, TIEC repeats the following inaccurate assertion regarding the level of load growth ETI has experienced: "The evidence in this case established that ETI is already recovering through its base rates all of the transmission costs it seeks to recover through its TCRF. In fact, as the PFD found, ETI's transmission-related base rate revenues have grown by more than its transmission costs since the baselines were set." *Id* at 2 (citations omitted). In fact, ETI witness Lain provided *unrefuted* rebuttal testimony that TIEC overstated the level of load growth the Company experienced by roughly $900,000 by virtue of an apples-to-

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that the case, all of the Commission's prior TCRF Orders, including its Order adopting the TCRF Rule, which uniformly authorized TCRFs without any load growth adjustment, would have similarly violated PURA. Fortunately, that is not the case. ETI has addressed TIEC's load growth proposal at length in its rebuttal testimony and four rounds of briefing, and incorporates those arguments herein.[3]

In its Motion, TIEC argues, "The Commission's primary rationale for denying the load-growth adjustment proposed to prevent double recovery is that the TCRF is not concerned with a utility's overall revenues."[4] Then, as it has in multiple prior cases, TIEC notes that its proposed load-growth adjustment is based on growth in functionalized "transmission-related revenues" (rather than overall revenues) and suggests that this distinction undermines the basis for the Commission's decision.[5] However, TIEC misconstrues and over-simplifies the Commission's Order and ignores Commission precedent rejecting the very same version of the proposed load growth adjustment.[6]

The portion of the Commission's Order that TIEC cites, in which the Commission noted that the TCRF does not involve an evaluation of the overall revenues of a utility, is an explanation of why the Commission deleted finding of fact 33 as "unnecessary for granting ETI's application." The basis for the Commission's decision not to impose a new load-growth adjustment was broader, however, as described in both Chairman Walker's July 18, 2019 memorandum and the Order itself. In her memorandum, Chairman Walker explained:

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oranges comparison of adjusted and unadjusted billing determinants. ETI Ex. 6 (Lain Rebuttal) at 9-10 and Ex. RL-R-1.

3 ETI Ex. 6 at 2-25; ETI's Initial Brief at 4-13; ETI's Reply Brief at 4-10; ETI's Exceptions to the PFD at 3-8; ETI's Reply to Exceptions to the PFD at 1-9.

4 TIEC's Motion at 1.

5 *Id.*

6 Commission Staff Exceptions to the PFD at 1 ("The Commission has denied the same request in ETI's last TCRF, Docket No. 45084, and SWEPCO's TCRF, Docket No. 42448."); *Id.* at 5 ("Staff acknowledges that this issue also arose in Docket Nos. 45084 (ETI TCRF) and 42448 (SWEPCO TCRF), and that the Commission rejected the proposed adjustment.") TIEC's Initial Brief at 6-7 ("TIEC acknowledges that the Commission has declined to make its proposed load-growth adjustment in two prior TCRF cases.... The Commission should therefore revisit its prior decisions on this issue."). TIEC and Commission Staff then make a hollow attempt to distinguish this precedent by noting that the level of load growth in those cases was smaller relative to the TCRF revenue requirement proposed. However, the requirements of PURA § 36.209 and the TCRF Rule do not change based on the absolute or relative magnitudes of the requested revenue requirement or alleged load growth.

- "The TCRF mechanism prohibits over recovery of the *new* transmission costs through the TCRF by providing a review process in the next base-rate or TCRF proceeding to capture any over recovery";
- The statutory prohibition against over-recovery applies "to the *incremental* transmission costs approved in the TCRF";
- "The Commission also stated that the growth in base-rate revenues should not reduce the amount of *new* transmission costs eligible for recovery through the TCRF because it would undermine the purpose of the TCRF"; and
- "In a TCRF proceeding under the rule and statute as they are currently written, the Commission addresses any *new transmission costs that were not included in the utility's last base-rate or prior TCRF proceeding.* The Commission does not look to the increase in the amount of revenues the utility is receiving due to load growth."[7]

Thus, consistent with ETI's position,[8] the Chairman explained that the "over-recovery" prohibited by the TCRF statute and Rule is the TCRF's over-recovery of the *new* transmission costs that comprise its revenue requirement, and not an alleged over-recovery of baseline costs due to an increase in base-rate revenues, whether overall or transmission-related.

In addition, in its Order, the Commission found, as it has in the past:

- "The Commission stated in the order adopting the TCRF Rule that the TCRF calculation as adopted properly accounts for load growth for the purpose of the TCRF."
- "The Commission has found that load growth and revenue increases should be addressed through a base-rate case and not in a TCRF proceeding."
- "In the SWEPCO TCRF case, the Commission did not take up motions for rehearing, which were based on the contention that the lack of a load-growth adjustment rendered the TCRF approved for SWEPCO in violation of PURA."[9]

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7 Chairman Walker Memorandum at 1-2 (July 18, 2019) (emphasis added).

8 ETI's Reply to Exceptions to the PFD at 5 ("ETI's proposed TCRF will not recover those costs that have "otherwise been recovered" because the TCRF revenue requirement includes only costs incurred since the TCRF baseline was set. And the true-up mechanism provided for in the TCRF Rule will ensure ETI's TCRF does not over-recover its intended requirement. In sum, as the Commission has determined, the TCRF Rule is not intended or designed to rectify the inherent imprecision in base rate recovery. That is to be addressed through review of utilities' Earnings Monitoring Reports and a general base rate case as warranted.").

9 Order at 6 (Finding of Fact Nos. 35, 36, and 39). Notably, the load-growth adjustment rejected in the SWEPCO docket as unnecessary to comply with PURA was the exact same load-growth adjustment proposed in this case, based on an increase in functionalized transmission-related revenues.

Thus, it is clear that the Commission has determined time and again that *all* load growth and associated increases in revenues (not just overall load growth or revenue increases) are to be addressed in base rate proceedings and not in TCRF proceedings. For these reasons, the Commission should reject TIEC's load growth argument on rehearing.

II. CONCLUSION

TIEC's motion for rehearing offers no new basis for imposing, for the first time ever, a load-growth adjustment that would be inconsistent with the plain language of the TCRF statute and Rule and well-settled Commission precedent. ETI appreciates the Commission's thoughtful consideration of its TCRF application and supports the Commission's Order.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of this document was served by facsimile, hand delivery, overnight delivery, or first-class U.S. Mail on all parties of record in this proceeding on this 27th day of August, 2019.

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George G. Hoyt