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**SOAH DOCKET NO. 473-21-2424
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APPLICATION OF ENTERGY TEXAS,	§	BEFORE THE STATE OFFICE
INC. TO ADJUST ITS ENERGY	§	
EFFICIENCY COST RECOVERY	§	OF
FACTOR AND REQUEST TO	§	
ESTABLISH REVISED COST CAPS	§	ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY

OF

KARL J. NALEPA

ON BEHALF OF THE

CITIES SERVED BY ENTERGY TEXAS, INC.

JULY 21, 2021

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND ADDRESS.**

3 A. My name is Karl J. Nalepa. I am President of ReSolved Energy Consulting, LLC (“REC”),
4 an independent utility consulting company. My business address is 11044 Research
5 Boulevard, Suite A-420, Austin, Texas 78759.

6
7 **Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS**
8 **PROCEEDING?**

9 A. I am presenting testimony on behalf of Cities Served by Entergy Texas, Inc (“Cities”).

10
11 **Q. PLEASE OUTLINE YOUR PROFESSIONAL EXPERIENCE AND**
12 **EDUCATIONAL BACKGROUND.**

13 A. I am, and have been, a partner in REC since acquiring the firm in July 2011. I joined R.J.
14 Covington Consulting, REC’s predecessor firm, in June 2003. I lead our firm’s regulated
15 market practice, where I represent the interests of clients in utility regulatory proceedings,
16 prepare client cost studies, and develop client regulatory filings. Before joining REC, I
17 served for more than five years as an Assistant Director at the Railroad Commission of
18 Texas (“RRC”). In this position, I was responsible for overseeing the economic regulation
19 of natural gas utilities in Texas, which included supervising staff casework, advising
20 Commissioners on regulatory issues, and serving as a Technical Rate Examiner in
21 regulatory proceedings. Prior to joining the RRC, I worked as an independent consultant
22 advising clients on a broad range of electric and natural gas industry issues, and before that
23 I spent five years as a supervising consultant with Resource Management International,
24 Inc. I also served for four years as a Fuel Analyst at the Public Utility Commission of
25 Texas (“PUC” or “Commission”), where I evaluated fuel issues in electric utility rate
26 filings, participated in electric utility-related rulemaking proceedings, and participated in

1 the review of electric utility resource plans. My professional career began with eight years
2 in the reservoir engineering department of Transco Exploration Company, which was an
3 affiliate of Transco Gas Pipeline Company, a major interstate pipeline company.

4 I hold a Master of Science degree in Petroleum Engineering from the University of
5 Houston, and a Bachelor of Science degree in Mineral Economics from The Pennsylvania
6 State University. I am also a certified mediator. My Statement of Qualifications is
7 included as Attachment A.

8
9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

10 A. Yes, I have testified many times before the Commission as well as the RRC on a variety
11 of regulatory issues. I have also provided testimony before the Louisiana Public Service
12 Commission, Arkansas Public Service Commission, and Colorado Public Utilities
13 Commission. A summary of my previously filed testimony is included as Attachment B.
14 In addition, I have provided analysis and recommendations in numerous city-level
15 regulatory proceedings that resulted in decisions without written testimony.

16
17 **II. PURPOSE OF TESTIMONY**

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. The purpose of my testimony is to present certain recommendations regarding Entergy
20 Texas, Inc.'s ("ETI" or the "Company") proposal to revise its Energy Efficiency Cost
21 Recovery Factor ("EECRF") and to establish revised cost caps.

1 **Q. WHAT PRELIMINARY ORDER ISSUES DO YOU ADDRESS IN YOUR**
2 **TESTIMONY?**

3 A. I address the following issues: 1, 4, 5, 7, and 11 from the Preliminary Order.¹

- 4 1. Does the utility's EECRF application comply with 16 TAC § 25.182(d)?
5 Does the application contain the testimony and schedules in Excel format
6 with formulas intact as required by 16 TAC § 25.182(d)(10) and address the
7 factors required by 16 TAC § 25.182(d)(11)?
8
- 9 4. Do the total 2022 EECRF costs, excluding evaluation, measurement, and
10 verification costs, municipal rate-case expenses, and any interest amounts
11 applied to under- or over-recoveries, exceed the EECRF cost caps
12 prescribed in 16 TAC § 25.182(d)(7)? If so, did the utility request an
13 exception to the EECRF cost caps under 16 TAC § 25.181(e)(2) and, if so,
14 has the utility demonstrated that compliance with the EECRF cost caps is
15 not reasonably possible and that good cause supports the higher EECRF
16 cost caps?
17 a. Is the utility requesting in this application a performance bonus for a prior
18 program year for which it has been granted a higher EECRF cost cap?
19 b. If so, were the factors that led to the utility being granted a higher EECRF
20 cost cap for the prior program year similar to the factors that the utility is
21 relying on to demonstrate that good cause supports a higher EECRF cost
22 cap in this docket? If so, should the Commission consider the utility's prior
23 performance in determining whether to establish a higher EECRF cost cap?
24
- 25 5. What amount of projected costs for the utility's portfolio of energy-
26 efficiency programs should be recovered through the utility's 2022 EECRF?
27 a. Are these costs reasonable estimates of the costs necessary to provide
28 energy-efficiency programs and to meet the utility's goals under 16 TAC §
29 25.181(e)?
30 b. Is the cost to the utility of the utility's portfolio of energy-efficiency
31 programs less than or equal to the benefits of the programs under 16 TAC
32 § 25.181(d)?
33
- 34 7. Were the costs recovered by the utility through its EECRF for program year
35 2020 in compliance with PURA § 39.905 and 16 TAC §§ 25.181 and
36 25.182?
37
- 38 11. What is the performance bonus, if any, calculated under 16 TAC § 25.182(e)
39 for program year 2020?
40 a. Did the utility exceed its demand- and energy-reduction goals for
41 program year 2020? If so, by what amounts?

¹ *Application of Entergy Texas, Inc. to Adjust Its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Caps*. Docket No. 52067, Order of Referral and Preliminary Order (May 25, 2021).

- 1 b. Did the utility exceed the EECRF cost caps in 16 TAC § 25.182(d)(7)?
2 c. What are the net benefits of the utility's energy-efficiency programs for
3 program year 2020?
4 d. Is a performance bonus requested for program year 2020? If so, for the
5 purposes of calculating the net benefits, do the program costs deducted from
6 the total avoided cost include the previous performance bonus?
7

8 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

9 A. I make the following findings and recommendations regarding ETI's EECRF filing:

- 10 1. It is not reasonable that ETI calculate its program net benefits using avoided costs
11 that are not representative of the avoided costs in ETI's service area. Using the
12 inflated avoided costs reflective of the ERCOT market, ETI's net benefits and
13 corresponding performance bonus are greatly overstated. I recommend that ETI's
14 bonus be limited to the amount it would have otherwise been calculated under
15 alternative avoided cost values. This amount is \$1,851,385.
16
17

18 **III. PROPOSED 2022 ENERGY EFFICIENCY COST RECOVERY**

19 **Q. WHAT IS AN ENERGY EFFICIENCY COST RECOVERY FACTOR?**

20 A. An EECRF allows a utility the opportunity for timely and reasonable cost recovery for
21 expenditures made to satisfy PURA § 39.905² to provide for a cost-effective portfolio of
22 energy efficiency programs pursuant to 16 Tex. Admin. Code ("TAC") § 25.181.
23

24 **Q. WHAT IS ETI'S PURPOSE FOR FILING THIS CASE?**

25 A. In its filing, ETI seeks recovery of \$12,080,473 in energy efficiency costs through its 2022
26 EECRF. The Company proposes to adjust its current EECRF to: (1) recover \$7,798,726 in
27 forecasted energy efficiency program costs for 2022; (2) procure a \$4,704,294 performance
28 bonus based on the Company's 2020 energy efficiency program performance; (3) refund
29 \$589,306, including interest, for over-recovery of 2020 program costs; (4) collect

² Public Utility Regulatory Act, Tex. Util. Code Ann. § 39.905 (West 2016) ("PURA").

1 evaluation, measurement, and verification (“EM&V”) costs of \$104,092 allocated to ETI;
2 and (5) collect prior year EECRF proceeding expenses of \$62,667.³

3
4 **Q. WHAT DEMAND SAVINGS GOAL IS ETI’S PROPOSED 2022 PROGRAM**
5 **BUDGET INTENDED TO ACHIEVE?**

6 A. ETI has a demand savings goal of 15,697 kW and energy savings goal of 27,500,598 kWh
7 for its 2022 program.⁴

8
9 **Q. WHAT PROGRAMS WILL COMPRISE ETI’S PROPOSED ENERGY**
10 **EFFICIENCY PROGRAM PORTFOLIO IN 2022?**

11 A. The Company is proposing to offer the following programs in 2022:⁵

12 Commercial

- 13 ○ Commercial Solutions MTP⁶
- 14 ○ Load Management SOP⁷
- 15 ○ Residential Marketplace MTP (Pilot)

16 Residential

- 17 ○ Residential SOP
- 18 ○ Residential Solutions MTP

19 Hard-to-Reach

- 20 ○ Hard-to-Reach SOP

³ Application at 3.

⁴ Direct Testimony of John K. Carson at 5.

⁵ Direct Testimony of John K. Carson, Exhibit KJC-1, Table 5.

⁶ 16 TAC §25.181(c)(37) *Market Transformation Program* (“MTP”) -- Strategic programs intended to induce lasting structural or behavioral changes in the market that result in increased adoption of energy efficient technologies, services, and practices.

⁷ 16 TAC §25.181(c)(55) *Standard Offer Program* (“SOP”) -- A program under which a utility administers standard offer contracts between the utility and energy efficiency service providers.

1 **Q. HOW IS ETI PROPOSING TO COLLECT ITS EECRF EXPENSES FROM**
2 **CUSTOMERS?**

3 A. ETI's proposed EECRF rates by class are included in Table 1:⁸

4
5
6

Table 1
Proposed EECRF Rates (\$/kWh)

Rate Class	Current 2021 EECRF	Proposed 2022 EECRF	Change
residential service	\$0.000914	\$0.001027	\$0.000113
small general service	\$0.000370	\$0.000976	\$0.000606
general service	\$0.000461	\$0.000972	\$0.000511
large general service	\$0.001756	\$0.001702	(\$0.000054)
large industrial power service			
transmission customers	\$0.0	\$0.0	\$0.0
other than transm. customers	(\$0.000251)	(\$0.000017)	\$0.000233
lighting service	\$0.000002	(\$0.000001)	(\$0.000003)

7

8 **Q. WILL ETI EXCEED THE COST CAPS ESTABLISHED IN THE RULE?**

9 A. Yes. ETI claims that in order to operate its energy efficiency programs to accomplish its
10 energy and demand goals in 2022, the rates for commercial customers are projected to
11 exceed the cost caps set in the rule. Accordingly, ETI is requesting that the Commission
12 grant a good cause exception to establish revised cost caps for the commercial class.⁹

13

14 **Q. WHY DOES ETI ASSERT THE RATES FOR COMMERCIAL CUSTOMERS**
15 **WILL EXCEED THE COST CAPS IN 2022?**

16 A. ETI asserts a revised cap is appropriate because it is not reasonably possible under the
17 default commercial cost cap for ETI to recover all its cost-effective 2022 EECRF program
18 costs, which includes the performance bonus (based on program year 2020). Also, ETI

⁸ Application at 3 and *Application of Entergy Texas, Inc. to Adjust its Energy Efficiency Cost Recovery Factor*, Docket No. 50803, EECRF Tariff (October 23, 2020).

⁹ Application at 3.

1 asserts the performance bonus is intended to incentivize utilities to achieve the required
2 energy efficiency goals in a cost-effective manner, which ETI has done. The driving factor
3 behind exceeding the commercial cost cap is the change in the avoided cost of energy,
4 which is a component of the net benefits calculation. ETI asserts it should not be required
5 to reduce or forgo recovery of its reasonable and cost-effective 2022 program costs due to
6 the variation of the avoided cost of energy in a specific year.¹⁰

7
8 **Q. COULD ETI HAVE AVOIDED THE NEED TO REVISE ITS COST CAPS?**

9 A. Yes. As I discuss below, ETI could have petitioned the Commission to use alternative
10 avoided costs in its performance bonus calculation. This would have eliminated the need
11 for ETI to request an increase to its cost caps.

12
13 **IV. PERFORMANCE BONUS ADJUSTMENT**

14 **Q. IS ETI REQUESTING A PERFORMANCE BONUS IN THIS CASE?**

15 A. Yes. ETI claims it has earned a \$4,704,294 performance bonus. The Company asserts that
16 its 2020 energy efficiency programs achieved a 15,500 kW reduction in demand while its
17 demand reduction goal for 2020 was 20,008 kW. ETI claims its achievement represents
18 129% of its demand goal, qualifying it for a performance bonus.¹¹

¹⁰ Direct Testimony of John K. Carson at 28.

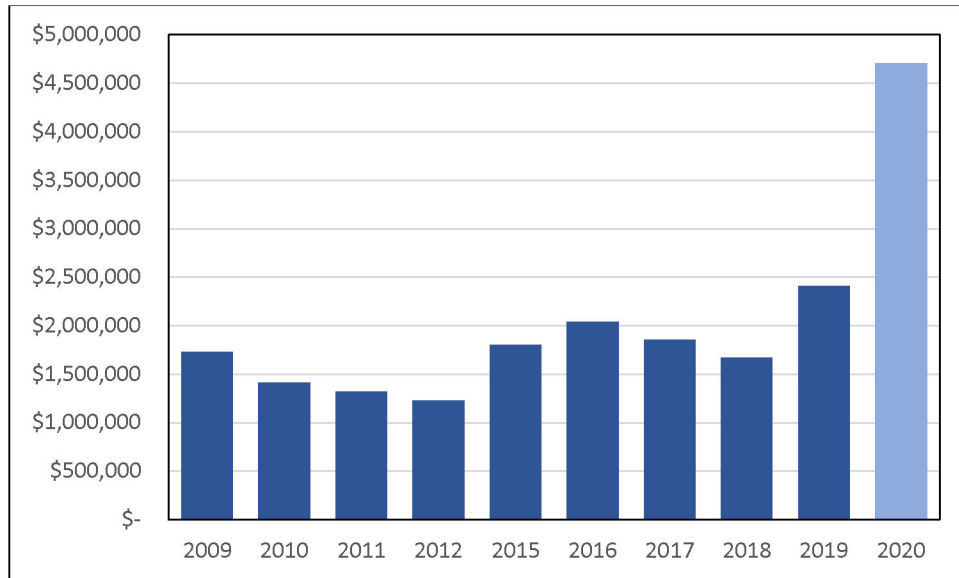
¹¹ Direct Testimony of John K. Carson, Exhibit JKC-8.

1 **Q. HOW DOES ETI'S CLAIMED PERFORMANCE BONUS COMPARE TO PRIOR**
2 **YEARS?**

3 A. Figure 1 compares the performance bonus to prior bonuses approved by the Commission:

4
5
6

Figure 1
Performance Bonus



7
8

9 As can be seen, ETI's proposed performance bonus for 2020 is more than twice any
10 bonus the Company has received in the prior ten years.

11 **Q. WOULD REDUCING THE BONUS HELP ETI AVOID REQUESTING A GOOD**
12 **CAUSE EXCEPTION TO EXCEED ITS COST CAPS IN 2022?**

13 A. Yes. ETI's position is that it cannot recover all its 2022 EECRF program costs, including
14 the 2020 performance bonus, under the allowed cost cap. Reducing the bonus would help
15 ETI meet its demand goal while remaining under the allowed cost caps.

16

17 **Q. DO YOU RECOMMEND ANY ADJUSTMENTS THAT WOULD IMPACT THE**
18 **COMPANY'S REQUESTED PERFORMANCE BONUS?**

19 A. Yes. The avoided costs against which ETI measured its program performance and
20 requested bonus are not reasonable.

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Q. DID ETI APPLY THE LATEST AVOIDED COSTS PUBLISHED BY THE COMMISSION?

A. Yes, it did. ETI applied an avoided capacity cost of \$80 per kW-year and avoided energy cost of \$0.11366 per kWh for 2020 to determine the demand and energy savings of its programs in 2020¹² and from those savings, ETI’s resulting performance bonus.¹³

Q. WHY ARE THESE AVOIDED COSTS NOT REASONABLE?

A. The avoided costs are not reasonable because they are specific to the Texas Reliability Entity (“TRE”) and Electric Reliability Council of Texas (“ERCOT”). ETI does not participate in TRE or ERCOT. Thus, any purported energy savings resulting from ETI’s programs are not realistic based on the published avoided cost values.

Q. WHY IS USING THE PROPER AVOIDED COSTS IMPORTANT?

A. An energy efficiency program is deemed to be cost effective only if the cost of the program is less than the benefits of the program.¹⁴ The benefits of an energy efficiency program are determined by multiplying the capacity or energy saved under a program by the cost of the capacity or energy “avoided”, or not needed, because of the demand or energy reduction. Therefore, the measurement of the avoided cost must represent the relevant area in which the demand or energy savings occurs. Otherwise, the resulting calculated benefits are meaningless. Put another way, any demand and energy saved by ETI will not avoid any costs within ERCOT.

¹² Project No. 38578, Energy Efficiency Implementation Project Under 16 TAC § 25.181.

¹³ Direct Testimony of John K. Carson, Exhibit JKC-8.

¹⁴ 16 TAC §25.181 (d).

1 **Q. DID ETI ADDRESS THE CALCULATION OF AVOIDED COST IN THE**
2 **COMMISSION’S ENERGY EFFICIENCY RULEMAKING?**

3 A. Yes. In Project No. 37623, the Commission adopted an amendment to §25.181 related to
4 Energy Efficiency Goals. The Order in that Docket noted that:¹⁵

5 EPE and Entergy opposed the use of an arbitrary calculation of the avoided cost of
6 energy as it does not reflect the utilities’ actual costs. They noted these utilities are
7 not in the ERCOT region, and there is no correlation between the market clearing
8 price for balancing energy in ERCOT and their avoided cost of energy. Entergy
9 further stated that it is impractical to force one single set of avoided capacity and
10 energy numbers, as they operate in discrete markets that each have distinct avoided
11 energy costs based on different power prices, emission allowance costs, and natural
12 gas costs. Entergy suggested the use of modified formulae for the non-ERCOT
13 utilities, due to these differences in market conditions. Entergy urged the
14 commission to allow non-ERCOT utilities to seek good cause exceptions or permit
15 other methodologies for calculating avoided costs, because of the unique
16 assumptions and market conditions that utilities encounter. Entergy believed that
17 using a pre-defined and transparent avoided capacity and energy cost calculation
18 methodology would be a flexible, accurate, and unambiguous means for estimating
19 avoided costs to evaluate energy efficiency programs. Entergy noted that it is a part
20 of a multi-state system that operates according to the principles of security-
21 constrained economic dispatch, and thus flexibility is needed for them to administer
22 the energy efficiency programs in a cost-effective manner.
23

24 **Q. DOESN’T THE ENERGY EFFICIENCY RULE REQUIRE ETI TO USE THE**
25 **COMMISSION’S PUBLISHED AVOIDED COSTS?**

26 A. No, it does not. Based on the comments of EPE and Entergy, the Commission adopted a
27 mechanism to address EPE’s and Entergy’s concerns.¹⁶ While the default avoided cost of
28 capacity and avoided cost of energy in the rule are the Commission’s published values,¹⁷
29 the rule allows a utility in an area in which customer choice is not offered, such as ETI, to
30 petition the Commission for authorization to use an alternative avoided cost.¹⁸

¹⁵ *Rulemaking Proceeding to Amend Energy Efficiency Rules*, Project No. 37623, Order at 36 (August 9, 2010).

¹⁶ *Id.* at 41.

¹⁷ 16 TAC §25.181(d)(2)(A) and (d)(3)(A).

¹⁸ 16 TAC §25.181(d)(2)(B) and (d)(3)(B).

1 **Q. DID ETI PETITION THE COMMISSION TO USE AN ALTERNATIVE AVOIDED**
2 **COST IN THIS CASE?**

3 A. No, it did not.

4
5 **Q. IF IT DID, HOW SHOULD THE ALTERNATIVE AVOIDED COSTS BE**
6 **DETERMINED?**

7 A. The energy efficiency rule specifies what alternative avoided costs should be used. The
8 avoided cost of capacity shall be based on a generating resource or purchase in the utility's
9 resource acquisition plan.¹⁹ For a utility that participates in an energy market operated by
10 a regional transmission organization, such as ETI,²⁰ the avoided cost of energy may be
11 based on peak period energy prices in the energy market.²¹

12
13 **Q. WHAT ARE THE RESULTING AVOIDED COSTS DETERMINED THIS WAY?**

14 A. In response to discovery, ETI provided MISO's calculation of the cost of new entry
15 ("CONE") for Load Resource Zone ("LRZ") 9, in which ETI operates. The LRZ 9 CONE
16 was \$81.64 kW-year for the 2019/2020 planning year (June 1, 2019 – May 31, 2020) and
17 \$86.35 kW-year for the 2020/2021 planning year (June 1, 2020 – May 31, 2021).²² I used
18 the average of these capacity costs, or \$84 kW-year, as a proxy for the avoided cost of
19 capacity for ETI. This is slightly higher than the default avoided cost in the rule.

20 However, the avoided cost of energy would be significantly lower. Again in
21 response to discovery, ETI used the information within its possession, which includes the

¹⁹ 16 TAC §25.181(d)(2)(B).

²⁰ ETI operates in the Midcontinent Independent System Operator ("MISO").

²¹ 16 TAC §25.181(d)(3)(B)

²² Response to Cities RFI 1-3.

1 retail and wholesale loads (where applicable) of ETI, Entergy New Orleans, LLC (“ENO”),
2 and Entergy Louisiana, LLC (“ELL”), to determine the load-weighted average of the ETI,
3 ENO, and ELL load zone settlement point prices (the locational margin prices at which
4 these load zones settled in the day-ahead and real time markets) for the peak periods
5 covering the 2020 winter and summer peaks. For these areas of MISO LRZ 9, ETI
6 calculated an avoided cost of energy of \$39.25 per MWh in 2020.²³ I used this value, or
7 \$0.03925 per kWh, as a proxy for the avoided cost of energy for ETI.

8
9 **Q. HOW WOULD USING THE CORRECTED AVOIDED COST IMPACT ETI’S**
10 **COST BENEFIT ANALYSIS AND RESULTING BONUS?**

11 A. By substituting the corrected avoided costs into ETI’s bonus calculator, the net program
12 benefits are reduced from \$47.0 million to \$18.5 million, and the bonus is reduced from
13 \$4.7 million to \$1.9 million. This can be seen on Exhibit KJN-1.²⁴

14
15 **Q. WHAT HAVE YOU CONCLUDED REGARDING ETI’S PROPOSED ENERGY**
16 **PROGRAMS AND PERFORMANCE BONUS?**

17 A. ETI’s decision to not use avoided costs relevant to its service area would entitle it to a
18 financial windfall with no real improvement in the performance of its programs from the
19 prior year. It is not reasonable that ETI calculate its program net benefits using avoided
20 costs that are not representative of the avoided costs in ETI’s service area. ETI had the
21 opportunity to substitute more accurate avoided cost values but did not. Using the inflated
22 avoided costs reflective of the ERCOT market, ETI’s net benefits and corresponding
23 performance bonus are greatly overstated.

²³ *Id.*

²⁴ *Also see* Bonus Calculator_KN WP.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING ETI'S PERFORMANCE**
2 **BONUS?**

3 A. I recommend that ETI's bonus be limited to the amount that would have otherwise been
4 calculated under alternative avoided cost values. This amount is \$1,851,385,²⁵ or
5 \$2,852,909 less than the Company's requested bonus.

6

7 **V. SUMMARY AND CONCLUSIONS**

8 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

9 A. I make the following findings and recommendations regarding ETI's EECRF filing:

10 1. It is not reasonable that ETI calculate its program net benefits using avoided costs
11 that are not representative of the avoided costs in ETI's service area. Using the
12 inflated avoided costs reflective of the ERCOT market, ETI's net benefits and
13 corresponding performance bonus are greatly overstated. I recommend that ETI's
14 bonus be limited to the amount that would have otherwise been calculated under
15 alternative avoided cost values. This amount is \$1,851,385.

16

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

18 A. Yes, it does.

²⁵ *Id.*

Program Year 2020		
Energy Efficiency Performance Bonus Calculator		
	kW	kWh
Demand and Energy Goals	15,500	27,156,000
Actual Demand and Energy Savings	20,008	44,885,306
<i>Reported/Verified Hard-to-Reach</i>	1,768	
Directions:		
Fill in blue cell and performance bonus will calculate.		
All green cells will auto-populate		
<i>All inputs must be accounted for the in the "Fixed Inputs," "Admin Allocation," and "Results Calculator" tabs in order to correctly calculate bonus.</i>		
Program Costs (excluding bonus)	\$6,732,278	
Program Costs (including bonus)	\$8,405,485	
Performance Bonus	\$1,851,385	

11%	Hard-to-Reach Goal Met?
Bonus Calculation Details	
129%	Percentage of Demand Reduction Goal Met (Reported kW/Goal kW)
165%	Percentage of Energy Reduction Goal Met (Reported kWh/Goal kWh)
TRUE	Met Requirements for Performance Bonus?
\$26,919,330	Total Avoided Costs
\$8,405,485	Total Program Costs (including bonus)
\$18,513,846	Net Benefits
\$2,692,002	Calculated Bonus (((Achieved Demand Reduction/Demand Goal - 100%) / 2) * Net Benefits)
\$1,851,385	Maximum Bonus Allowed (10% of Net Benefits)

ATTACHMENT A
STATEMENT OF QUALIFICATIONS

KARL J. NALEPA

Mr. Nalepa is an energy economist with more than 35 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 public 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 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

- 2011 - ReSolved Energy Consulting
 Partner
- 2003 - 2011 RJ Covington Consulting
 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

Electric Power: Analyzed electric utility rate, certification, and resource forecast filings. Assessed the quality of fuel supply management, and reasonableness of fuel 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.

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.

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, PRESENTATIONS, AND TESTIMONY

- “Summary of the USAEE Central Texas Chapter’s Workshop entitled ‘EPA’s Proposed Clean Power Plan Rules: Economic Modeling and Effects on the Electric Reliability of Texas Region,’” with Dr. Jay Zarnikau and Mr. Neil McAndrews, USAEE Dialogue, May 2015
- “Public Utility Ratemaking,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, September 2013
- “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 Commissioner 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

ATTACHMENT B
SUMMARY OF PREVIOUSLY FILED TESTIMONY

**KARL J. NALEPA
TESTIMONY FILED**

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
<u>Before the Public Utility Commission of Texas</u>					
52178	July 21	Cities	Oncor Electric Delivery	EECRF	EECRF Methodology
52018	July 21	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
51415	Mar 21	CARD	SWEPCO	Cost of Service	Cost Allocation
51381	Dec 20	Entergy Cities	Entergy Texas Inc.	GCRR	GCRR Methodology
51345	Oct 20	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
51215	Mar 21	Office of Public Counsel	Entergy Texas Inc.	CCN	Public Interest Review
51100	Nov 20	Office of Public Counsel	Lubbock Power & Light	TCOS	Wholesale Transmission Rate
50997	Jan 21	CARD	SWEPCO	Fuel Reconciliation	Fuel Cost Recovery
50790	Jul 20	Office of Public Counsel	Entergy Texas, Inc.	Sale, Transfer, Merger	Public Interest Review
50714	May 20	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
50110	Dec 19	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
49831	Feb 20	Xcel Municipalities	Southwestern Public Service	Cost of Service	Cost Allocation
49737	Jan 20	Office of Public Counsel	SWEPCO	CCN	Public Interest Review
49594	Jul 19	Oncor Cities	Oncor Electric Delivery	EECRF	EECRF Methodology
49592	Jul 19	AEP Cities	AEP Texas Inc.	EECRF	EECRF Methodology
49586	Jul 19	TNMP Cities	Texas-New Mexico Power	EECRF	EECRF Methodology
49583	Aug 19	Gulf Coast Coalition	CenterPoint Energy Houston	EECRF	EECRF Methodology
49496	Jun 19	City of El Paso	El Paso Electric	EECRF	EECRF Methodology

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
49494	Jul 19	AEP Cities	AEP Texas Inc.	Cost of Service	Plant Additions
49421	Jun 19	Office of Public Counsel	CenterPoint Energy Houston	Cost of Service	Cost of Service
49395	May 19	City of El Paso	El Paso Electric	DCRF	DCRF Methodology
49148	Apr 19	City of El Paso	El Paso Electric	TCRF	TCRF Methodology
49042	Mar 19	SWEPCO Cities	SWEPCO	TCRF	TCRF Methodology
49041	Feb 19	SWEPCO Cities	SWEPCO	DCRF	DCRF Methodology
48973	May 19	Xcel Municipalities	Southwestern Public Service	Fuel Reconciliation	Fuel / Purch Power Costs
48963	Dec 18	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
48420	Aug 18	Gulf Coast Coalition	CenterPoint Energy Houston	EECRF	EECRF Methodology
48404	Jul 18	Cities	Texas-New Mexico Power	EECRF	EECRF Methodology
48371	Aug 18	Cities	Entergy Texas Inc.	Cost of Service	Cost of Service
48231	May 18	Cities	Oncor Electric Delivery	DCRF	DCRF Methodology
48226	May 18	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
48222	Apr 18	Cities	AEP Texas Inc.	DCRF	DCRF Methodology
47900	Dec 17	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
47527	Apr 18	Xcel Municipalities	Southwestern Public Service	Cost of Service	Cost of Service
47461	Dec 17	Office of Public Counsel	SWEPCO	CCN	Public Interest Review
47236	Jul 17	Cities	AEP Texas	EECRF	EECRF Methodology
47235	Jul 17	Cities	Oncor Electric Delivery	EECRF	EECRF Methodology
47217	Jul 17	Cities	Texas-New Mexico Power	EECRF	EECRF Methodology
47032	May 17	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
46936	Oct 17	Xcel Municipalities	Southwestern Public Service	CCN	Public Interest Review
46449	Apr 17	Cities	SWEPCO	Cost of Service	Cost of Service
46348	Sep 16	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
46238	Jan 17	Office of Public Counsel	Oncor Electric Delivery	STM	Public Interest Review
46076	Dec 16	Cities	Entergy Texas Inc.	Fuel Reconciliation	Fuel Cost
46050	Aug 16	Cities	AEP Texas	STM	Public Interest Review
46014	Jul 16	Gulf Coast Coalition	CenterPoint Energy Houston	EECRF	EECRF Methodology
45788	May 16	Cities	AEP-TNC	DCRF	DCRF Methodology
45787	May 16	Cities	AEP-TCC	DCRF	DCRF Methodology
45747	May 16	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
45712	Apr 16	Cities	SWEPCO	DCRF	DCRF Methodology
45691	Jun 16	Cities	SWEPCO	TCRF	TCRF Methodology
45414	Feb 17	Office of Public Counsel	Sharyland	Cost of Service	Cost of Service
45248	May 16	City of Fritch	City of Fritch	Cost of Service (water)	Cost of Service
45084	Nov 15	Cities	Entergy Texas Inc.	TCRF	TCRF Methodology
45083	Oct 15	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
45071	Aug 15	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
44941	Dec 15	City of El Paso	El Paso Electric	Cost of Service	CEP Adjustments
44677	Jul 15	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
44572	May 15	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
44060	May 15	City of Frisco	Brazos Electric Coop	CCN	Transmission Cost Recovery

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
43695	May 15	Pioneer Natural Resources	Southwestern Public Service	Cost of Service	Cost Allocation
43111	Oct 14	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
42770	Aug 14	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
42485	Jul 14	Cities	Entergy Texas Inc.	EECRF	EECRF Methodology
42449	Jul 14	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
42448	Jul 14	Cities	SWEPCO	TCRF	Transmission Cost Recovery Factor
42370	Dec 14	Cities	SWEPCO	Rate Case Expenses	Rate Case Expenses
41791	Jan 14	Cities	Entergy Texas Inc.	Cost of Service	Cost of Service/Fuel
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	SWEPCO	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

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

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
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
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>					
05509	Dec 20	LDC, LLC	LDC, LLC	Cost of Service	Cost of Service/Rate Design
10928	Mar 20	TGS Cities	Texas Gas Service	Cost of Service	Cost of Service/Rate Design
10920	Feb 20	East Texas Cities Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10900	Nov 19	Cities Steering Committee	Atmos Energy Triangle	Cost of Service	Cost of Service
10899	Sep 19	NatGas, Inc.	NatGas, Inc.	Cost of Service	Cost of Service/Rate Design
10737	Jun 18	T&L Gas Co.	T&L Gas Co.	Cost of Service	Cost of Service/Rate Design
10622	Apr 17	LDC, LLC	LDC, LLC	Cost of Service	Cost of Service/Rate Design
10617	Mar 17	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10580	Mar 17	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
10567	Feb 17	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10506	Jun 16	City of El Paso	Texas Gas Service	Cost of Service	Cost of Service/Energy Efficiency
10498	Feb 16	NatGas, Inc.	NatGas, Inc.	Cost of Service	Cost of Service/Rate Design
10359	Jul 14	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
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

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
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	Cities Steering Committee	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	Gulf Coast Coalition	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
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 O&M Expenses/Capital Costs	Affiliate Transactions/

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
<u>Before the Louisiana Public Service Commission</u>					
U-35359	Feb 20 Nov 20	PSC Staff	Dixie Electric Membership Corporation	Cost of Service	Cost of Service / FRP Renewal / AMS Certification Stipulation
U-34344/ U-34717	Apr 18	PSC Staff	Dixie Electric Member Corporation	Formula Rate Plan	Stipulation
U-34344	Jan 18	PSC Staff	Dixie Electric Member Corporation	Formula Rate Plan	Adjusted Revenues
U-33633	Nov 15	PSC Staff Entergy Gulf States Louisiana	Entergy Louisiana, LLC/	Resource Certification	Prudence
U-33033	Jul 14	PSC Staff Entergy Gulf States Louisiana	Entergy Louisiana, LLC/	Resource Certification	Revenue Requirement
U-31971	Nov 11	PSC Staff Entergy Gulf States Louisiana	Entergy Louisiana, LLC/	Resource Certification	Certification/Cost Recovery
<u>Before the Arkansas Public Service Commission</u>					
O7-105-U	Mar 08	Arkansas Customers & pipelines serving CenterPoint	CenterPoint Energy, Inc.	Gas Cost Complaint	Prudence / Cost Recovery
<u>Before the Colorado Public Utilities Commission</u>					
18A-0791E	Mar 19	Pueblo County	Black Hills Colorado Electric	Economic Development Rate	Tariff Issues

ATTACHMENT C
RELIED UPON

**SOAH DOCKET NO. 473-21-2424
PUC DOCKET NO. 52067**

APPLICATION OF ENTERGY TEXAS, INC. TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR AND REQUEST TO ESTABLISH REVISED COST CAPS	§ § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**RESPONSE OF ENTERGY TEXAS, INC.
TO CITIES FIRST REQUEST FOR INFORMATION:
CITIES 1: 1 THROUGH 3 – ADDENDUM 1**

Entergy Texas, Inc. (“Entergy Texas” or “the Company”) files its Response to Cities First Request for Information. The response to such request is attached and is numbered as in the request. An additional copy is available for inspection at the Company’s office in Austin, Texas.

Entergy Texas believes the foregoing response is correct and complete as of the time of the response, but the Company will supplement, correct or complete the response if it becomes aware that the response is no longer true and complete, and the circumstance is such that failure to amend the answer is in substance misleading. The parties may treat this response as if it were filed under oath.

Respectfully submitted,

Erika N. Garcia
Erika N. Garcia
ENERGY SERVICES, LLC
919 Congress Avenue, Suite 701
Austin, Texas 78701
Office: (512) 487-3962
Facsimile: (512) 487-3958

Attachments: **CITIES 1:1 THROUGH 3 ADDENDUM 1**

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Response of Entergy Texas, Inc. to Cities First Request for Information has been sent by either hand delivery, electronic delivery, facsimile, overnight delivery, or U.S. Mail to the party that initiated this request in this docket on this the 12th day of July 2021.

Erika N. Garcia
Erika N. Garcia

ENTERGY TEXAS, INC.
PUBLIC UTILITY COMMISSION OF TEXAS
DOCKET NO. 52067

Response of: Entergy Texas, Inc.

Prepared By: Phong Nguyen/Andrew Dornier

to the First Set of Data Requests
of Requesting Party: CITIES

Sponsoring Witness: N/A

Beginning Sequence No. TH47

Ending Sequence No. TH47

Question No.: CITIES 1-3

Part No.:

Addendum: 1

Question:

Please provide the avoided cost of capacity and avoided cost of energy in Midcontinent Independent System Operator (MISO) Zone 9 (Entergy) in 2020.

Response:

ETI has filed an objection to this request.

Addendum 1:

The avoided cost of capacity in Midcontinent Independent System Operator, Inc. (“MISO”) can be measured by MISO’s calculation of the cost of new entry (“CONE”), which for Load Resource Zone (“LRZ”) 9 was \$81.64 kW-year for the 2019/2020 planning year (June 1, 2019 – May 31, 2020) and \$86.35 kW-year for the 2020/2021 planning year (June 1, 2020 – May 31, 2021). These values are provided on page 8 of the “Cost of New Entry PY 2020/21, Resource Adequacy Subcommittee, 11 September 2019,” which is publicly available on MISO’s website at: [20190911 RASC Item 04a CONE 2020-2021380208.pdf \(misoenergy.org\)](https://www.misoenergy.org/20190911_RASC_Item_04a_CONE_2020-2021380208.pdf)

ETI is not in possession of the avoided cost of energy for MISO LRZ 9. For purposes of this response, ETI used the information within its possession, which includes the retail and wholesale loads (where applicable) of ETI, Entergy New Orleans, LLC (“ENO”), and Entergy Louisiana, LLC (“ELL”), to determine the load-weighted average of the ETI, ENO, and ELL load zone settlement point prices (the locational margin prices at which these load zones settled in the day-ahead and real time markets) for the peak periods (as defined in 16 Tex. Admin. Code § 25.181(c)(46)) covering the 2020 winter and summer peaks. For these areas of MISO LRZ 9, ETI calculated an avoided cost of energy of \$39.25/MWh in 2020.