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Peter M. Lake
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Lori Cobos
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Jimmy Glotfelty
Commissioner



Greg Abbott
Governor

Thomas J. Gleeson
Executive Director

Public Utility Commission of Texas

TO: Chairman Peter M. Lake
Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

All Parties of Record

FROM: David Hrcir
Commission Advising

RE: *Application of Entergy Texas, Inc. for Authority to Change Rates*, Docket No. 53719, SOAH Docket No. 473-22-04394, Draft Preliminary Order, August 4, 2022 Open Meeting, Item No. XX.

DATE: July 27, 2022

Please find enclosed the draft preliminary order filed by Commission Advising in the above-referenced docket. The Commission will consider this draft preliminary order at the August 4, 2022 open meeting. Parties shall not file responses or comments addressing this draft preliminary order.

Any modifications to the draft preliminary order that are proposed by one or more Commissioners will be filed simultaneously prior to the consideration of the matter at the August 4, 2022 open meeting.

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PUC DOCKET NO. 53719
SOAH DOCKET NO. 473-22-04394

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS
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DRAFT PRELIMINARY ORDER

Entergy Texas, Inc. filed an application for authority to changes its rates. This preliminary order identifies the issues that must be addressed.

I. Overview

Entergy was required to file a base-rate proceeding by July 1, 2022, which was within eighteen months of when its generation cost recovery rider approved in Docket No. 51381 went into effect on January 1, 2021.¹ On July 1, 2022, Entergy filed its application and statement of intent to change rates based on a test year of calendar year 2021.²

Entergy seeks to increase its annual non-fuel retail base-rate revenue requirement to \$1.2 billion—an increase of approximately \$131.4 million or 11.2% on average across all customer classes compared to current adjusted retail base-rate and rider revenues.³ If fuel is included, the request represents an increase of 6.95%.⁴ Entergy calculated the revenue-requirement increase using an overall proposed rate of return of 7.24% based on an equity ratio of 51.21%, a preferred stock ratio of 0.81%, a long-term debt ratio of 47.97%, a cost of long-term debt of 3.47%, and a return on equity of 10.8%.⁵ The return on equity of 10.8% is based on a 10.5% base plus 30 basis points for high-quality performance.⁶

¹ 16 Texas Administrative Code (TAC) § 25.248(j); *Application of Entergy Texas, Inc. to Establish a Generation Cost Recovery Rider Related to the Montgomery County Power Station*, Docket No. 51381, Order, Ordering Paragraph Nos. 2 and 8 (Jan. 14, 2022).

² Statement of Intent and Application at 2 (July 1, 2022).

³ *Id.* at 1–2

⁴ *Id.* at 2.

⁵ *Id.* at 5.

⁶ *Id.* 4.

Entergy seeks to include in base rates its capital additions closed to plant in service from January 1, 2018 through December 31, 2021.⁷ Those capital additions include ones currently reflected in Entergy's generation cost recovery rider, distribution cost recovery factor, and transmission cost recovery fact—all three of which Entergy seeks to set to zero in this proceeding. Entergy requests that the Commission find the costs incurred for the capital additions, which it estimates at approximately \$2.3 billion,⁸ to be reasonable and prudently incurred.⁹

II. Additional Proposals

A. Advanced Metering System (AMS) Deployment

Entergy's AMS deployment plan was approved in Docket No. 47416.¹⁰ The approved plan was based on meter deployment from 2019 through December 31, 2021,¹¹ but as of March 31, 2021, Entergy had completed the mass deployment of advanced meters by installing 463,395 meters.¹² In this proceeding, Entergy seeks reconciliation of its AMS cost and investment through December 31, 2021.¹³

B. Depreciation Rates

Entergy seeks approval of new depreciation rates for the following generation units: Nelson Unit 6; Big Cajun II, Unit 3; and Sabine 1. Sabine 1 is expected to be retired later than previously assumed, whereas the other two units are expected to be retired sooner.¹⁴ Also, Entergy's Spindletop natural-gas storage facility is expected to have a longer lifespan than previously assumed.¹⁵ Further, Entergy seeks Commission approval of depreciation rates for its new Montgomery County power station and its newly acquired Hardin County peaking facility.¹⁶

⁷ *Id.* at 6.

⁸ *Id.* at 2–3.

⁹ *Id.* at 6.

¹⁰ *Application of Entergy Texas, Inc. for Approval of Advanced Metering System (AMS) Deployment Plan, AMS Surcharge, and Nonstandard Metering Service Fees*, Docket No. 47416, Order (Dec. 14, 2017).

¹¹ Direct Testimony of William Phillips, Jr. at 7.

¹² *Id.* at 13.

¹³ *Id.* at 5.

¹⁴ Statement of Intent and Application at 3.

¹⁵ *Id.*

¹⁶ *Id.* at 4.

C. Hurricane Reconstruction Costs (HRC) Rider

Entergy proposes to amortize the final balance of its HRC rider over three years. As of June 2022, the regulatory liability totaled \$179,561.¹⁷ The rider was last updated in Docket No. 52615.¹⁸

D. COVID-19 Bad-Debt Expenses

The Commission previously ordered electric utilities to record expenses resulting from the effects of COVID-19 as a regulatory asset.¹⁹ In this proceeding, Entergy is seeking to include in rate base its regulatory asset that records COVID-related bad-debt expenses.²⁰ Entergy proposes to amortize the regulatory asset over three years and therefore has included one year of the amortization expense in this proceeding.²¹

E. New Voluntary Riders

Entergy requests that the Commission approve four new voluntary riders. First, Entergy seeks a rider to allow Entergy to partner with interested non-residential customers to plan, construct, own, operate, and maintain infrastructure and equipment related to transportation electrification on customer-owned property.²² The costs incurred by Entergy would be added to participating customers' monthly electric bills as a fixed payment.²³ Second, Entergy seeks a rider to provide targeted demand-charge relief and to reduce uncertainty regarding electric bills for non-residential customers that install infrastructure to charge electric vehicles and take new separately metered electric service under Entergy's rate schedule for general service.²⁴

Third, Entergy seeks a rider for customers or aggregators of retail customers that have firm loads over a minimum amount to participate in the Midcontinent Independent System Operator's

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¹⁸ *Compliance Filing of Entergy Texas, Inc. for Refund of Hurricane Reconstruction Costs Charges Under Schedule HRC*, Docket No. 52615, Order, Ordering Paragraph Nos. 1, 2, and 5 (Mar. 1, 2022).

¹⁹ *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Order Related to Accrual of Regulatory Assets (Mar. 26, 2020).

²⁰ Direct Testimony of Allison P. Lofton at 25.

²¹ *Id.* at 25–26.

²² Statement of Intent and Application at 7.

²³ *Id.*

²⁴ *Id.* at 7–8.

wholesale marketplace as demand-response resources.²⁵ Entergy proposes to act as the sole market participant under a new tariff rider.²⁶ Fourth, Entergy seeks a rider to allow eligible customers to access utility-scale renewable resources to satisfy sustainability objectives.²⁷ Entergy proposes for customers that pay a fixed monthly payment corresponding to a portion of the utility-scale renewable resource's capacity to receive an energy credit and the ability to claim associated renewable-energy credits that Entergy will retire on their behalf.²⁸

To the extent that the Commission does not approve any of the four new riders, Entergy seeks recovery through base rates or another rate mechanism.

III. Procedural Background

Entergy filed its statement of intent and application on July 1, 2022, and the Commission referred the proceeding to the State Office of Administrative Hearings (SOAH) on July 6, 2022. Texas Industrial Energy Consumers and the following cities have filed motions to intervene that have not yet been ruled on: Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Groves, Houston, Huntsville, Liberty, Montgomery, Navasota, Nederland, Oak Ridge North, Orange, Pine Forest, Pinehurst, Port Arthur, Port Neches, Roman Forest, Rose City, Shenandoah, Silsbee, Sour Lake, Splendora, Vidor, West Orange, and Willis.

Entergy was directed, and Commission Staff and other interested persons were allowed, to file a list of issues to be addressed in the docket and also identify any issues not to be addressed and any threshold legal or policy issues that should be addressed by July 15, 2022. Entergy and Commission Staff each timely filed a list of issues.

IV. Issues to be Addressed

The Commission must provide to the administrative law judge (ALJ) a list of issues or areas to be addressed in any proceeding referred to SOAH.²⁹ After reviewing the pleadings

²⁵ *Id.* at 8.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ Tex. Gov't Code § 2003.049(e).

submitted by the parties, the Commission identifies the following issues that must be addressed in this docket:

1. Did Entergy comply with the form and instructions for the Commission's rate-filing package?
2. Is Entergy's application administratively complete?
3. Did Entergy provide notice that was adequate and consistent with the requirements of PURA §§ 36.102 and 36.103?
4. What revenue requirement will give Entergy a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses?
5. What is Entergy's reasonable and necessary cost of providing service calculated in accordance with PURA and Commission rules?
6. What adjustments, if any, should be made to Entergy's proposed test-year?

Invested Capital – Rate Base and Return

7. What is the appropriate debt-to-equity capital structure for Entergy?
 - a. Is it appropriate for Entergy to include preferred stock in its capital structure for ratemaking purposes?
 - b. What is the appropriate overall rate of return, return on equity, and cost of debt for Entergy?
 - i. Should the Commission approve Entergy's requested return-on-equity adder of 30 basis points for high-quality performance?
 - ii. When answering this issue, please address how the factors specified in PURA § 36.052 and 16 TAC § 25.231(c)(1) should affect Entergy's rate of return.
 - iii. In addressing the quality of Entergy's service, please also address its vegetation-management plan and performance.
8. Are any protections, including financial protections, appropriate to protect Entergy's financial integrity and ability to provide reliable service at just and reasonable rates?
9. What are the reasonable and necessary components of Entergy's rate base?

10. What is the original cost of Entergy's property used and useful in providing service to the public at the time the property was dedicated to public use?
 - a. What is the appropriate rate treatment of Nelson Unit 6 and Big Cajun II, Unit 3? Is Entergy's proposed rate treatment for the early retirement of these two plants in the public interest and in accordance with PURA and Commission rules?
 - b. May a retired generating unit be included in a utility's revenue requirement in accordance with PURA §§ 36.051 and 36.053(a)?
11. What is the amount, if any, of accumulated depreciation on that property?
 - a. What is the appropriate adjustment, if any, to accumulated depreciation to reflect the retirement of Nelson Unit 6?
 - b. What is the appropriate adjustment, if any, to accumulated depreciation to reflect the retirement of Big Cajun II, Unit 3?
 - c. What is the appropriate adjustment, if any, to accumulated depreciation to reflect the increased lifespan of the Sabine I steam gas generator?
 - d. What is the appropriate adjustment, if any, to accumulated depreciation to reflect the increased lifespan of the Spindletop natural gas facility?
 - e. What is the appropriate depreciation rate for the Montgomery County power station?
 - f. What is the appropriate depreciation rate for the Hardin County peaking facility?
 - g. What is the appropriate depreciation rate for the two H-E-B backup generators owned by Entergy?
12. Does Entergy's requested invested capital or revenue requirement include any amounts no longer used and useful in the provision of electric service?
13. Did Entergy include a cost-benefit study that supports the inclusion of the Spindletop natural gas storage facility in its requested invested capital as compared to immediate retirement as stipulated in Docket No. 49916?³⁰

³⁰ *Application of Entergy Texas, Inc. for Approval to Reconcile Fuel and Purposed Power Costs*, Docket No. 49916, Order, Findings of Fact Nos. 55 and 56 (Aug. 27, 2020).

14. What is Entergy's transmission cost of service determined in accordance with PURA and Commission rules?
15. What amount, if any, of Entergy's invested capital has not previously been subject to a prudence review by the Commission? If there are any such amounts, what are the amounts; for what facilities, property, or equipment were the investments made; and were the amounts prudently incurred? What amount, if any, of allowance for funds used during construction (AFUDC) is being transferred to invested capital in this proceeding? If AFUDC is being transferred, for what facilities, and at what rate, was the AFUDC accrued?
16. Did any of Entergy's invested capital arise from payments made to an affiliate? If so, for each item or class of items, does the payment conform to the requirements in PURA § 36.058?
17. Is Entergy seeking the inclusion of construction work in progress? If so,
 - a. what is the amount sought, and for what facilities; and
 - b. has Entergy proven that the inclusion is necessary to its financial integrity and that major projects under construction have been efficiently and prudently planned and managed; or
 - c. for transmission investment required by the Commission under PURA § 39.203(e), do conditions warrant the inclusion of construction work in progress for such transmission investment?
18. What is the reasonable and necessary cash working capital allowance for Entergy as calculated in accordance with Commission rules?
 - a. Does Entergy's lead-lag study for its proposed allowance for cash working capital comply with Commission rules?
 - b. If not, should cash working capital be set at negative one-eighth of operations and maintenance expenses?
19. What is the reasonable and necessary amount, if any, of Entergy's accumulated reserve for deferred federal income taxes, excess deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items, if any, should be deducted from Entergy's rate base?

20. What regulatory assets are appropriately included in Entergy's rate base? If included, what is the appropriate treatment of such regulatory assets?
21. What regulatory liabilities, if any, are appropriately included in Entergy's rate base? If included, what is the appropriate treatment of such regulatory liabilities?
22. What post-test-year adjustments for known and measurable rate-base changes to Entergy's historical test-year data, if any, should be made? Do any such adjustments comply with the requirements of 16 TAC § 25.231(c)(2)(F)?
 - a. Does each addition equal at least 10% of Entergy's requested rate base, exclusive of post-test-year adjustments and construction work in progress?
 - b. Will each plant addition be in service before the rate year begins?
 - c. Have all the attendant impacts on all aspects of Entergy's operations (including but not limited to revenue, expenses, and invested capital) been identified, quantified, and matched?
 - d. For any post-test-year adjustments, what future filings, if any, should Entergy be required to make to verify that the plant was placed in service before the rate year begins?

Expenses

23. What are Entergy's reasonable and necessary operations and maintenance expenses?
24. What are Entergy's reasonable and necessary administrative and general expenses?
25. What are Entergy's reasonable and necessary rate-case expenses in accordance with PURA § 36.061(b)(2) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this proceeding or a prior rate-case proceeding? Is it appropriate to recover expenses associated with appeals of prior Commission orders before the appeals are completed?
 - a. If attorney's fees are included in the rate-case expenses, are they supported by the testimony or affidavit of a licensed attorney qualified to render admissible opinions on the reasonableness of the attorney's fees?
26. What are the intervening cities' reasonable rate-case expenses, in accordance with PURA § 33.023(b) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this proceeding or a prior rate-case proceeding?

- a. If attorney's fees are included in the rate-case expenses, are they supported by the testimony or affidavit of a licensed attorney qualified to render admissible opinions on the reasonableness of the attorney's fees?
27. What is Entergy's reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate rates and methods for depreciation, including service lives and salvage value?
 28. What is the reasonable and necessary amount for assessments and taxes, other than federal income taxes, for Entergy?
 29. What is the reasonable and necessary amount for municipal franchise fees? What is the appropriate amount to be included in Entergy's base rates?
 30. What is the reasonable and necessary amount of Entergy's federal income tax expense?
 31. Is Entergy's proposed treatment of federal income taxes consistent with PURA, the Commission's substantive rules, the Commission's amended order in Docket No. 47945,³¹ and the Commission's final order in Entergy's most recent rate case, Docket No. 48371?³²
 - a. Has Entergy appropriately addressed the impact of the Tax Cuts and Jobs Act of 2017 on its rates?
 - b. Has Entergy returned to customers any excess revenue collected due to the reduction in the corporate federal income tax rate from 35% to 21% from January 25, 2018 through the date final rates are set in this proceeding? If not, should Entergy return the excess revenue to customers, and what interest rate should apply to the over-collected amount?
 32. Will Entergy realize any tax savings derived from liberalized depreciation and amortization, investment tax credits, or similar methods? If so, are they apportioned equitably between consumers and Entergy, and are the interests of present and future customers equitably balanced as required by PURA § 36.059?

³¹ *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order Related to Changes in Federal Income Tax Rates (Feb. 15, 2018).

³² *Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates*, Docket No. 48371, Order (Dec. 20, 2018).

33. What is the reasonable and necessary amount for Entergy's advertising expense, contributions, and donations?
34. What is Entergy's reasonable and necessary amount for nuclear decommissioning expenses, if any, calculated in accordance with Commission rules?
35. Does Entergy currently have a self-insurance plan approved by the Commission? If so, please address the following issues.
 - a. What is the approved target amount for the reserve account? Is it appropriate to change that amount?
 - b. What is the amount, if any, of any shortage or surplus for the reserve account? What actions, if any, should be taken to return the reserve account to the approved target amount?
36. Is Entergy seeking approval of a self-insurance plan or changes to an existing plan? If so, please address the following issues.
 - a. Is the coverage provided by the plan in the public interest?
 - b. What property and liability losses will Entergy charge to the reserve account? Are there losses that cannot be reasonably anticipated and included in operating and maintenance expenses?
 - c. What is the reasonable and necessary target amount for Entergy's self-insurance reserve account?
 - d. What is the reasonable and necessary amount of annual accruals to properly fund the self-insurance reserve account?
 - e. If Entergy's annual accruals for the reserve account meet or exceed the target amount, how will Entergy treat the excess balance of the reserve account?
 - f. How will Entergy allocate the cost of the annual accruals to its retail rate classes?
 - g. Has Entergy filed a cost-benefit analysis performed by a qualified independent insurance consultant? If so, please address the following issues.
 - i. Does the cost-benefit analysis present a detailed analysis of the appropriate limits of self-insurance, an analysis of the appropriate annual accruals to build a reserve account

- for self-insurance, and the level at which further accruals should be decreased or terminated?
- ii. Does the cost-benefit analysis demonstrate that, in consideration of all costs, self-insurance is a lower-cost alternative than commercial insurance?
 - iii. Does the cost-benefit analysis demonstrate that Entergy's ratepayers will receive the benefits of the self-insurance plan?
37. What are Entergy's reasonable and necessary expenses for pension and other post-retirement benefits, if any, calculated in accordance with PURA § 36.065 and 16 TAC § 25.231(b)(1)(H)? What is the reasonable baseline level of pension and other post-employment benefits for purposes of the expense tracker under PURA § 36.065?
- a. Has Entergy established under PURA § 36.065(b) any reserve accounts for pension and other post-employment benefits?
 - b. If so, has Entergy recorded the proper amounts in each reserve account?
 - c. Are the amounts recorded in each reserve account reasonable expenses in accordance with PURA § 36.065(d)(1)?
 - d. Does any reserve account have a surplus or shortage under PURA § 36.065(c)? If so, how should Entergy's rate base be modified to amortize, over a reasonable time, any surplus or shortage in each affected reserve account under PURA § 36.065(d)(3)?
38. Has Entergy made any payments for expenses to affiliates? If so, for each item or class of items,
- a. are costs appropriately assigned to Entergy and its affiliates, and
 - b. has Entergy met the standard of recovery of affiliate costs under PURA § 36.058 and Commission rules?
39. Does Entergy have any competitive affiliates, as defined in 16 TAC § 25.272(c)(2)? If so, has Entergy conducted any transactions with its competitive affiliates? If so, what are these transactions, have all transactions with any competitive affiliates been conducted at arm's length, and has Entergy met all the requirements of 16 TAC § 25.272 regarding such transactions? If not, what amount of expenses should be disallowed?

40. Are any of Entergy's expenditures unreasonable, unnecessary, or not in the public interest, including, but not limited to, executive salaries, advertising expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines?
41. What post-test-year adjustments for known and measurable changes to historical test-year data for expenses, if any, should be made? For any such adjustments, have all the attendant impacts on all aspects of Entergy's operations (including, but not limited to, revenue, expenses, and invested capital) been identified with reasonable certainty, quantified, and matched?
42. What are the appropriate amounts, if any, for transmission expenses and revenues under FERC-approved tariffs to be recovered?
43. Has Entergy incurred any expenses or received any revenues as a result of Entergy's exit from the Entergy System Agreement or Entergy's efforts to exit the Entergy System Agreement? If so, have these expenses or revenues already been addressed in a prior rate proceeding? If not, how should these expenses or revenues be reflected in Entergy's rates?
44. Should Entergy be allowed to recover costs associated with extending the life of the Spindletop natural gas facility? If so, how should those costs be recovered?
45. Did Entergy provide a cost-benefit analysis as stipulated in Docket No. 49916,³³ including an evaluation of the costs (including carrying costs on stored gas) and the benefits to ratepayers of operating the Spindletop natural gas facility in comparison to operating available alternatives such as acquiring firm or more flexible gas supply and delivery services and other feasible supply options?
46. Is there a reliability benefit to the Spindletop natural gas facility in comparison to available alternatives such as acquiring firm or more flexible gas supply and delivery services or other feasible supply options?

Deferred Costs

47. Is Entergy seeking to include in rates any costs previously deferred by an order of the Commission? If so, in what docket did the Commission approve deferral of the costs? Is

³³ *Application of Entergy Texas, Inc. for Approval to Reconcile Fuel and Purposed Power Costs*, Docket No. 49916, Order, Finding of Fact No. 56 (Aug. 27, 2020).

inclusion of such deferred costs in rates necessary to carry out a provision of PURA? What is the appropriate standard by which to make this determination, and is the proposed assignment and allocation of that recovery appropriate?

48. Is Entergy seeking to defer any costs, including any rate-case expenses, in this proceeding for recovery in a future proceeding? If so, what is the amount of such costs, and why were those costs incurred (or why will they be incurred)? Is deferral of those costs necessary to carry out a provision of PURA? If not, why is it necessary to defer these costs? What are the appropriate standards by which to make these determinations?

AMS Reconciliation

49. Were the costs incurred and the investments made by Entergy for the deployment of AMS during the reconciliation period ending December 31, 2021 in accordance with Entergy's AMS deployment plan approved in Docket No. 47416?³⁴
50. Did Entergy incur AMS costs that were not part of its deployment plan? If so, were the costs reasonably incurred?
51. Did Entergy include in its AMS deployment plan surcharge costs arising out of Docket No. 48745,³⁵ the compliance docket for Docket No. 47416? If so, what is the amount of those costs, if any?
52. Are any AMS deployment plan costs arising out of Docket No. 48745 to be included in base rates? If so, what is the amount of those costs, if any?
53. Were AMS costs and surcharge revenues appropriately accounted for during the reconciliation period?
54. Were any AMS costs recovered through the surcharge improperly incurred or allocated? If so, what refunds or surcharges are due to Entergy's customers?

³⁴ *Application of Entergy Texas, Inc. for Approval of Advanced Metering System (AMS) Deployment Plan, AMS Surcharge, and Nonstandard Metering Service Fees, Docket No. 47416, Order (Dec. 14, 2017).*

³⁵ *Compliance Filing of Entergy Texas, Inc. Relating to Participation in Smart Meter Texas and Changes to its Advanced Metering System, Docket No. 48745 (pending).*

55. Did Entergy demonstrate that any differences between its estimated costs or investments and its actual expenditures were appropriately incurred and were reasonable and necessary?
56. Did Entergy track and record its AMS revenues and related costs and savings in accordance with the Commission's Order in Docket No. 47416?
57. Has Entergy demonstrated the customer savings achieved to date?
58. What are the reasonable and necessary costs of installed AMS equipment to be included in base rates?
59. Has Entergy reasonably demonstrated that costs which it seeks to include in its AMS reconciliation have not also been recovered through Entergy's base rates?

Rate Design and Tariffs

60. What are the just and reasonable rates calculated in accordance with PURA and Commission rules? Do the rates comport with the requirements in PURA § 36.003?
61. What are the appropriate rate classes for which rates should be determined? Is Entergy proposing any new rate classes? If so, why are these new rate classes needed?
62. What are the appropriate billing and usage data for Entergy's test year?
 - a. What known and measurable changes, if any, should be used to adjust the test-year data?
 - b. What changes, if any, are necessary to reflect abnormal weather conditions or other aberrant conditions?
63. What are the appropriate allocations of Entergy's revenue requirement to jurisdictions, functions, and rate classes?
 - a. What is the appropriate allocation of Entergy's expenses, invested capital, and revenues to Texas retail customers?
 - b. Does Entergy have any customer-specific contracts for the provision of transmission or distribution service? If so, identify each customer and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has Entergy appropriately allocated revenues and related costs associated with such contracts? Do all allocation factors properly reflect the types of costs allocated?

- c. What are the appropriate allocations of Entergy's transmission investment, expenses, and revenues, including transmission expenses and revenues under FERC-approved tariffs, among jurisdictions?
 - d. Does Entergy have any FERC-approved tariffs? If so, identify each tariff and the FERC docket in which the tariff was approved. What are the appropriate allocations of Entergy's transmission investment, expenses, and revenues, including transmission expenses and revenues under those tariffs? Has Entergy made appropriate allocations for imports to and exports from the Electric Reliability Council of Texas (ERCOT) region?
64. What is the appropriate amount of municipal franchise fees to include in Entergy's base rates?
65. Does Entergy provide wholesale transmission service at distribution voltage to any customers? If so, has Entergy properly allocated costs to and designed rates for those customers as required under PURA § 35.004(c)?
66. Are all rate classes at unity? If not, what is the magnitude of the division, and what, if anything, should be done to address the lack of unity?
67. Has Entergy proposed any rate riders? If so, should any of the proposed riders be adopted? If so, what are the appropriate costs to be recovered through the riders, and what are the appropriate terms and conditions of the riders?
68. Does Entergy have any existing rate riders that should be modified or terminated? What regulatory assets or other items are currently being recovered through rate riders?
69. What tariff revisions, if any, are appropriate as a result of this proceeding?
70. Are Entergy's proposed changes to its rules and rate tariffs reasonable?

Baselines for Cost-Recovery Factors

71. Should baseline amounts be determined in this proceeding for future Entergy filings related to transmission cost recovery factor, distribution cost recovery factor, generation cost recovery rider, or interim transmission cost of service? If so, what are the investment and expense components and amounts?

Schedule HRC

72. What amount should Entergy include in this proceeding to account for any difference between the amount refunded under the approved schedule HRC rates at the end of the refund period and the amount required to be refunded, as approved in Docket No. 52615?³⁶

COVID-19 Bad-Debt Expenses

73. Are Entergy's bad-debt expenses incurred as a result of the COVID-19 pandemic reasonable and necessary?

74. Does Entergy's request for recovery of expenses resulting from the effects of COVID-19 comply with the Commission's order in Project No. 50664?³⁷

75. Is it appropriate for Entergy to recover these bad-debt expenses over a three-year amortization period?

Other Issues

76. Has Entergy requested in this docket any exceptions to any requirements in any Commission rules? If so, what are those rule requirements, and has Entergy demonstrated good cause for the exception? Should the Commission grant the exception?

77. Has Entergy requested waivers of requirements in the Commission's rate-filing package? If so, are they appropriate, and should they be approved?

78. Does Entergy's test year include any capacity costs associated with purchased-power agreements not previously reviewed by the Commission? Should the Commission approve any purchased-power-agreement extensions?

³⁶ *Compliance Filing of Entergy Texas, Inc. for Refund of Hurricane Reconstruction Costs Charges Under Schedule HRC*, Docket No. 52615, Order (Mar. 1, 2022).

³⁷ *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Project No. 50664, Order Related to Accrual of Regulatory Assets (Mar. 26, 2020).

79. Has Entergy complied with all requirements of the Commission's final orders in Docket Nos. 48371, 50790,³⁸ 51997,³⁹ 51381, 50540,⁴⁰ 50714,⁴¹ 52624,⁴² and 47416?

This list of issues is not intended to be exhaustive. The parties and the ALJ are free to raise and address any issues relevant in this docket that they deem necessary, subject to any limitations imposed by the ALJ or by the Commission in future orders issued in this docket. The Commission may identify and provide to the ALJ in the future any additional issues or areas that must be addressed, as permitted under Texas Government Code § 2003.049(e).

V. Effect of Preliminary Order

This Order is preliminary in nature and is entered without prejudice to any party expressing views contrary to this Order before the SOAH ALJ at hearing. The SOAH ALJ, upon his or her own motion or upon the motion of any party, may deviate from this Order when circumstances dictate that it is reasonable to do so. Any ruling by the SOAH ALJ that deviates from this Order may be appealed to the Commission. The Commission will not address whether this Order should be modified except upon its own motion or the appeal of a SOAH ALJ's order. Furthermore, this Order is not subject to motions for rehearing or reconsideration.

³⁸ *Joint Report and Application of Entergy Texas, Inc. and East Texas Electric Cooperative, Inc. for Regulatory Approvals Related to Transfers of the Hardin County Peaking Facility and a Partial Interest in Montgomery County Power Station*, Docket No. 50790, Order (Apr. 7, 2021).

³⁹ *Application of Entergy Texas, Inc. for Determination of System Restoration Costs*, Docket No. 51997, Order (Dec. 2, 2021).

⁴⁰ *Application of Entergy Texas, Inc. for an Accounting Order Related to a Tax Accounting Method Change*, Docket No. 50540, Order (Mar. 26, 2020).

⁴¹ *Application of Entergy Texas, Inc. to Amend its Distribution Cost Recovery Factor*, Docket No. 50714, Order (Oct. 16, 2020).

⁴² *Application of Entergy Texas, Inc. to Amend its Transmission Cost Recovery Factor*, Docket No. 52624, Order (June 30, 2022).

Signed at Austin, Texas the _____ day of _____ 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

PETER M. LAKE, CHAIRMAN

WILL MCADAMS, COMMISSIONER

LORI COBOS, COMMISSIONER

JIMMY GLOTFELTY, COMMISSIONER