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APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	**§ § §**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

TEXAS INDUSTRIAL ENERGY CONSUMERS' RESPONSE TO ENTERGY TEXAS, INC.'S FIRST REQUEST FOR INFORMATION, ETI-TIEC 1-2(B)

Texas Industrial Energy Consumers ("TIEC") files the following response to the First Request for Information ("RFI") to TIEC filed by Entergy Texas, Inc. ("ETI"). The request was filed at the Commission and received by TIEC on November 1, 2022. Pursuant to an extension granted by counsel for ETI, this response is timely filed. TIEC's response is set forth as follows. Pursuant to 16 T.A.C. § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,

O'MELVENY & MYERS LLP

/s/ Christian E. Rice

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ATTORNEYS FOR TEXAS INDUSTRIAL ENERGY CONSUMERS

CERTIFICATE OF SERVICE

I, Christian E. Rice, Attorney for TIEC, hereby certify that a copy of this document was served on all parties of record in this proceeding on this 14^{th} day of November 2022 by electronic mail, facsimile, and/or First Class, U.S. Mail, Postage Prepaid.

/s/ Christian E. Rice
Christian E. Rice

SOAH DOCKET NO. 473-22-04394
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APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	**§ § §**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

TEXAS INDUSTRIAL ENERGY CONSUMERS' RESPONSE TO ENTERGY TEXAS, INC.'S FIRST REQUEST FOR INFORMATION

ETI-TIEC 1-2

For each testifying expert, please provide:

b. Copies of all prior testimony, articles, speeches, published materials, and peer review materials written by the testifying expert, from 2015 to the present;

Response:

b. Pursuant to an agreement with counsel for ETI, ETI-TIEC 1-2(b) has been amended as follows:

Copies of all prior testimony, articles, speeches, published materials, and peer review materials written by the testifying expert *on issues the testifying expert has testified on in this case*, from *2012* to the present;

Please see: https://www.texaspolicy.com/wp-content/uploads/2019/10/2019-10-PP-LP-Bennett-San-Antonio-Carbon-Neutral-by-2050-TPPF.pdf, Attachment ETI-TIEC 1-2(b) – Pollock, and Attachment ETI-TIEC 1-2(b) – Gorman. Please also see the response to ETI-TIEC 1-2(a). Copies of all prior testimonies are publicly available at regulatory commission websites.

Preparer: Charles S. Griffey, Jeffry Pollock, and Michael P. Gorman

Sponsor: Charles S. Griffey, Jeffry Pollock, and Michael P. Gorman

TIEC Response to ETI 1-2(b)
Index of Publications/Presentations

Jeffry Pollock Publications/Presentations since 2012*

Organization	Title	Date
INDIEC	Energy Workshop	5/21/2013
Georgia Pulp & Power Association	"CPP- Implications for Georgia"	6/23/2015
NARUC	"Arkansas Formula Rate Plan"	9/22/2015
Industrial Energy Consumers of America	"Market Update"	11/8/2017

*Pursuant to an agreement with counsel for ETI, this response is limited to certain materials that pertain to the subject matters that Jeffry Pollock has testified on in Docket Number 53719.

INDIEC Energy Workshop

May 21, 2013

Jeffry Pollock

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Today's Topics

Cost Causation

Rate Design

- Demand Ratchets
- Loss-Adjusted Fuel Factors
- Trackers

Interruptible Power

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Cost Causation

Costs Should Be Allocated to Classes in a Manner that Reflects the Degree in Which Each Class Causes the Utility to Incur the Costs

A Utility Incurs Costs Based on:

- Peak Demand
- Energy Sales
- No. and Size of Customers

Different Drivers for Jurisdictional & Class Cost-of-Service Studies

- Trapped Costs
- Different Regulatory Policies (*e.g.*, RTOs; OATT)

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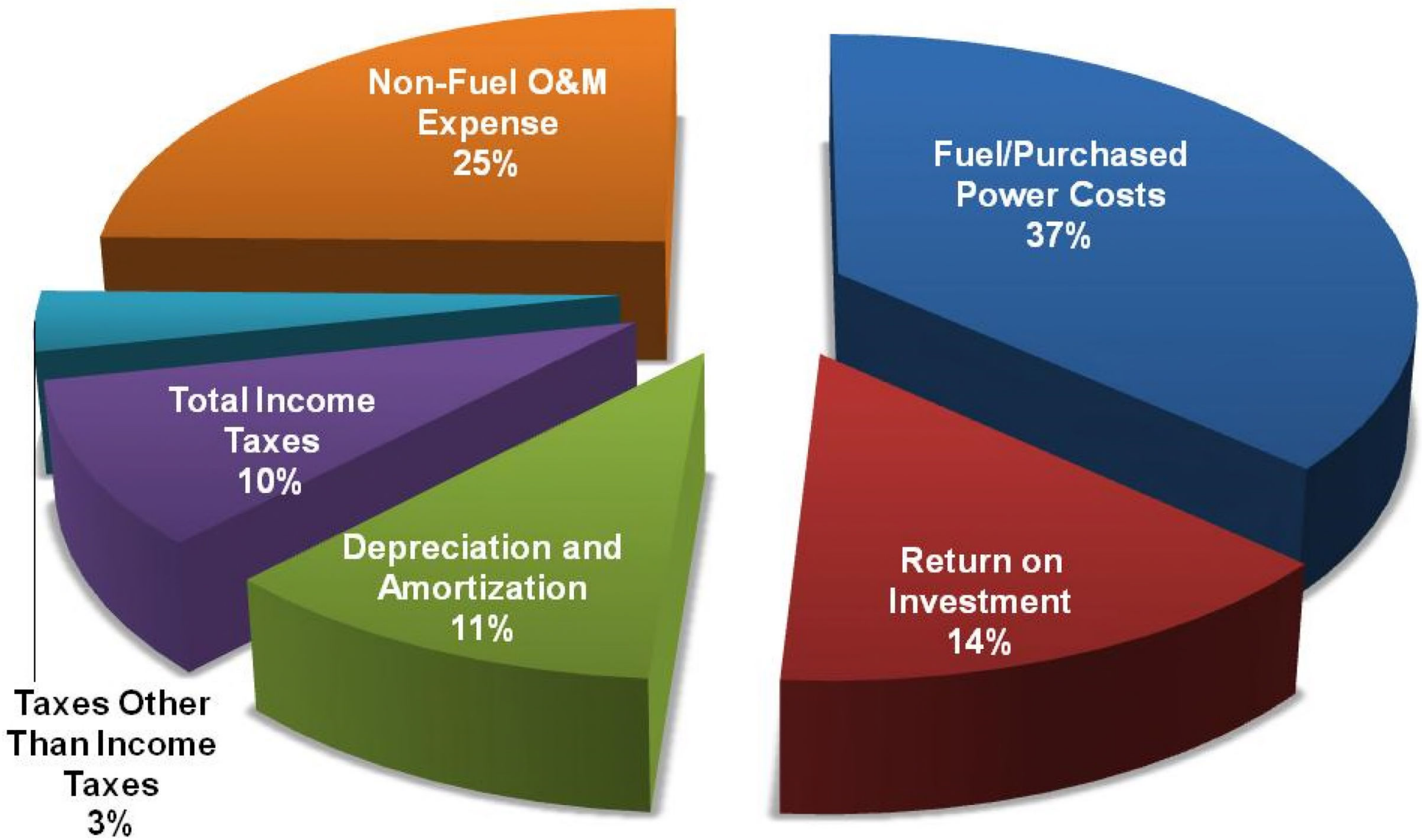
Cost Causation

- There Are Many Different Types of Cost
- Some Customers Do Not Use Parts of the Utility System
- Usage Patterns Affect Cost Incurrence

There Are Many Different Types of Costs

Typical Indiana Investor-Owned Electric Utility



Source: SNL Financial.

Different Types of Costs Are Treated Differently in a Cost-of-Service Study

Functionalize

- Generation
- Transmission
- Distribution
- Overhead

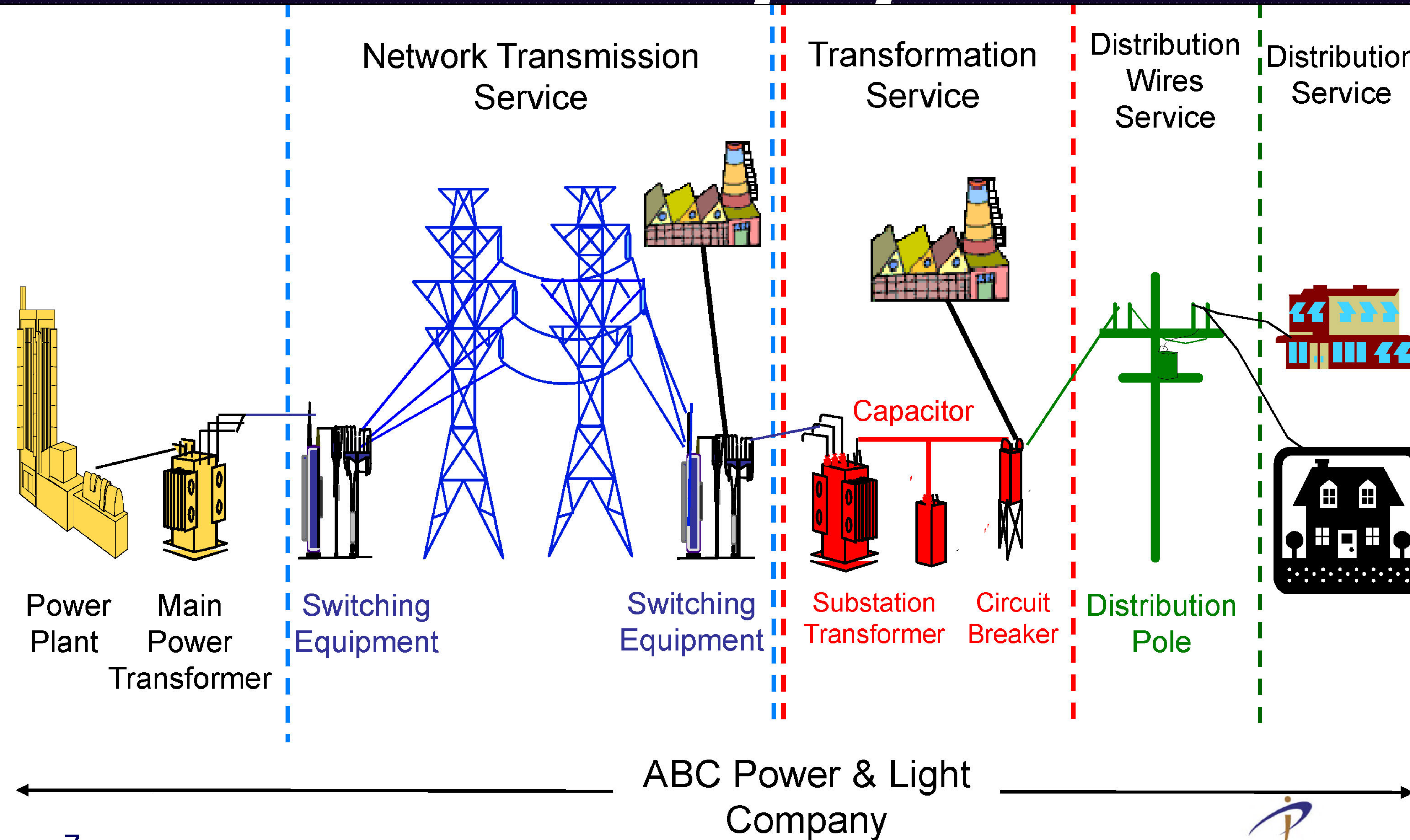
Classify

- Demand
- Energy
- Customer

Allocate

- Peak Demand
- Loss-Adjusted kWh
- Customers/ Weighted Customers
- Labor/Plant

Some Customers Do Not Use Parts of the Utility System



Line Loss Differentials

	Energy (kWh) at:	Energy Losses
Generation	100.00	
Transmission	98.04	100 ÷ 98.04 = 2.00%
Dist. Primary	95.69	100 ÷ 95.69 = 4.50%
Dist. Secondary	93.46	100 ÷ 93.46 = 7.00%

Average Energy Losses = 4.75%

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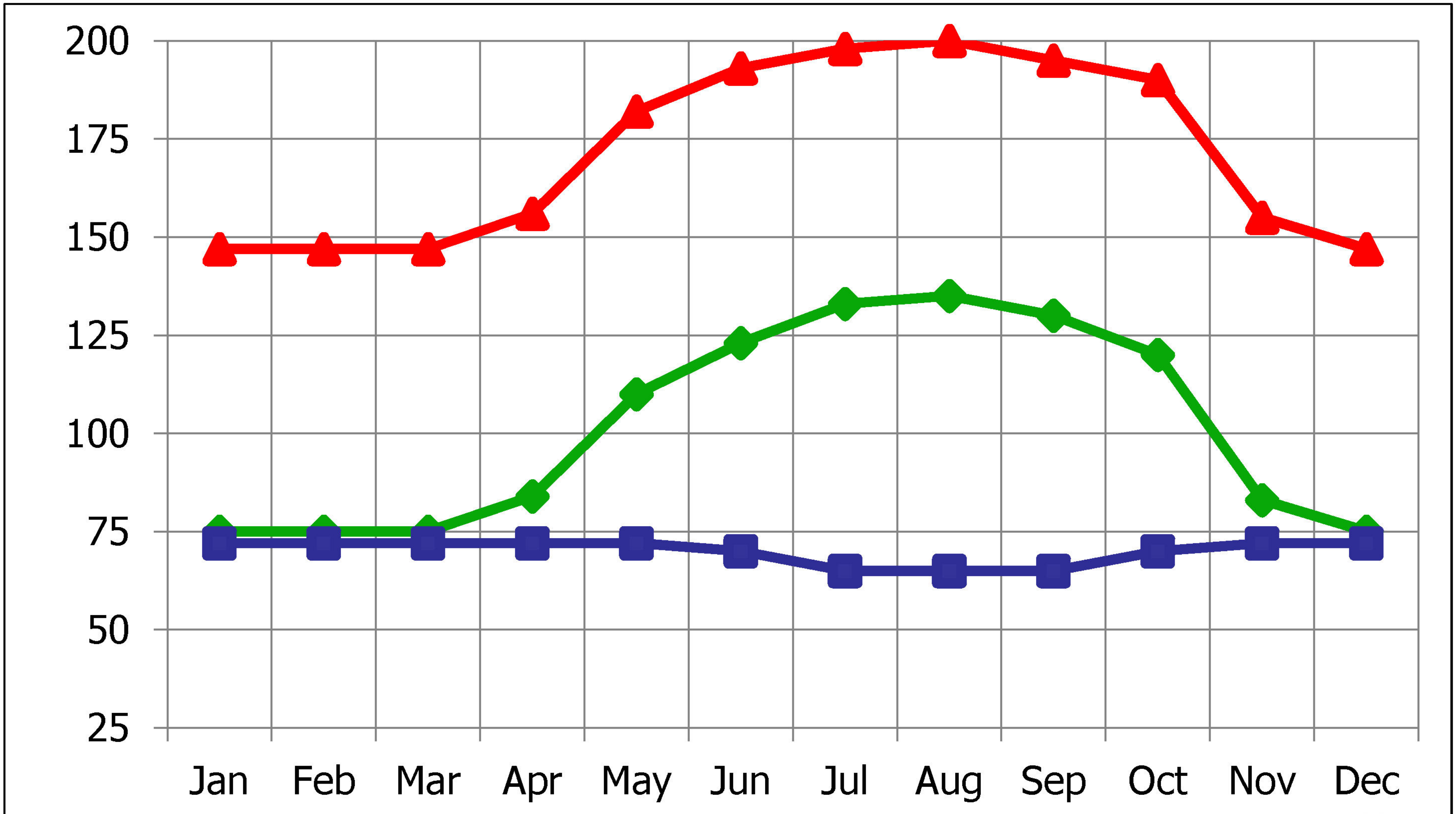
Usage Patterns Affect Cost Incurrence



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Two Types of Peak Demand

Coincident (CP):

Measurement of demand at time of system peak

Non-Coincident (NCP):

Maximum peak regardless of time

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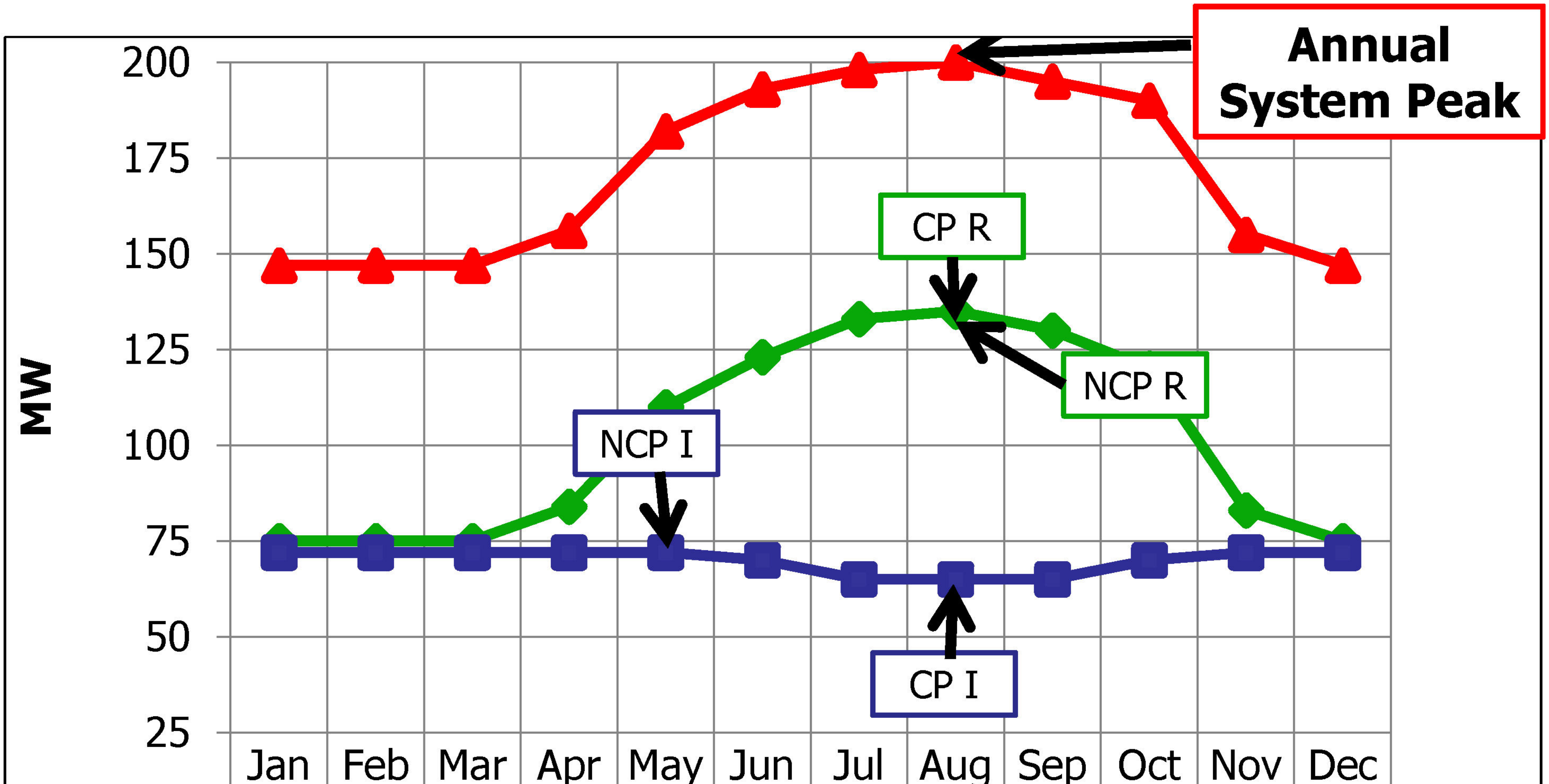
CP and NCP Demands



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Class R	75	75	75	84	110	123	133	135	130	120	83	75
Class I	72	72	72	72	72	70	65	65	65	70	72	72
Total	147	147	147	156	182	193	198	200	195	190	155	147

Summary Statistics

Statistic	Class R	Class I
Coincident Peak (MW)	135	68
Non-Coincident Peak (MW)	135	72
Energy (MWh)	489,900	489,900
Average Demand (MW)*	55.9	55.9
Load Factor**	41%	78%-82%

* Energy ÷ 8,760 Hours.
**Average Demand ÷ Peak Demand.

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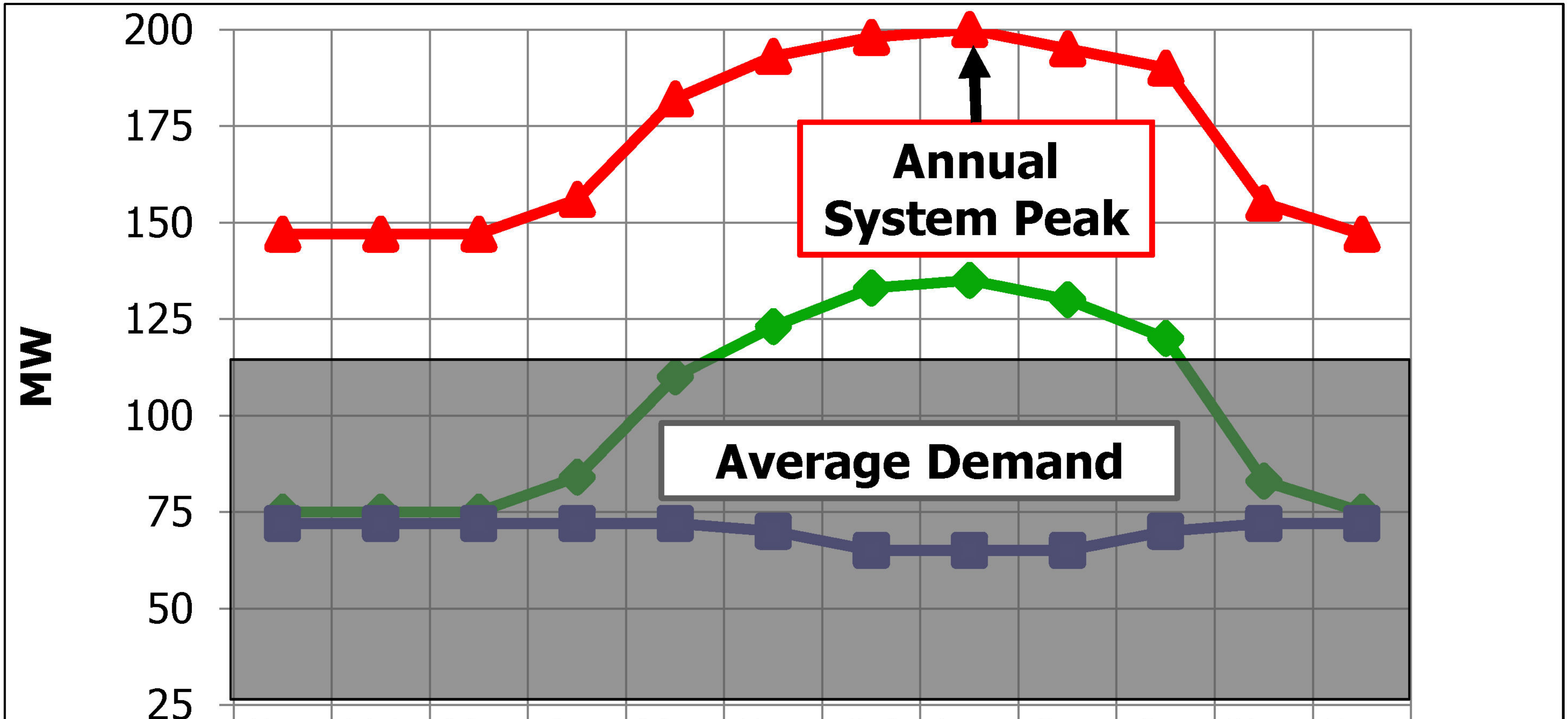
How Much Capacity is Needed to Maintain Reliability?



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Class R	75	75	75	84	110	123	133	135	130	120	83	75
Class I	72	72	72	72	72	70	65	65	65	70	72	72
Total	147	147	147	156	182	193	198	200	195	190	155	147

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Allocation Methods: Plant Costs

Peak Demand	Energy-Weighting Methods
• CP (Single or Multiple) • Probability of Peak • Class NCP • Customer NCP	• Average & Excess • Peak & Average • Equivalent Peaker • Base Intermediate Peak (BIP)

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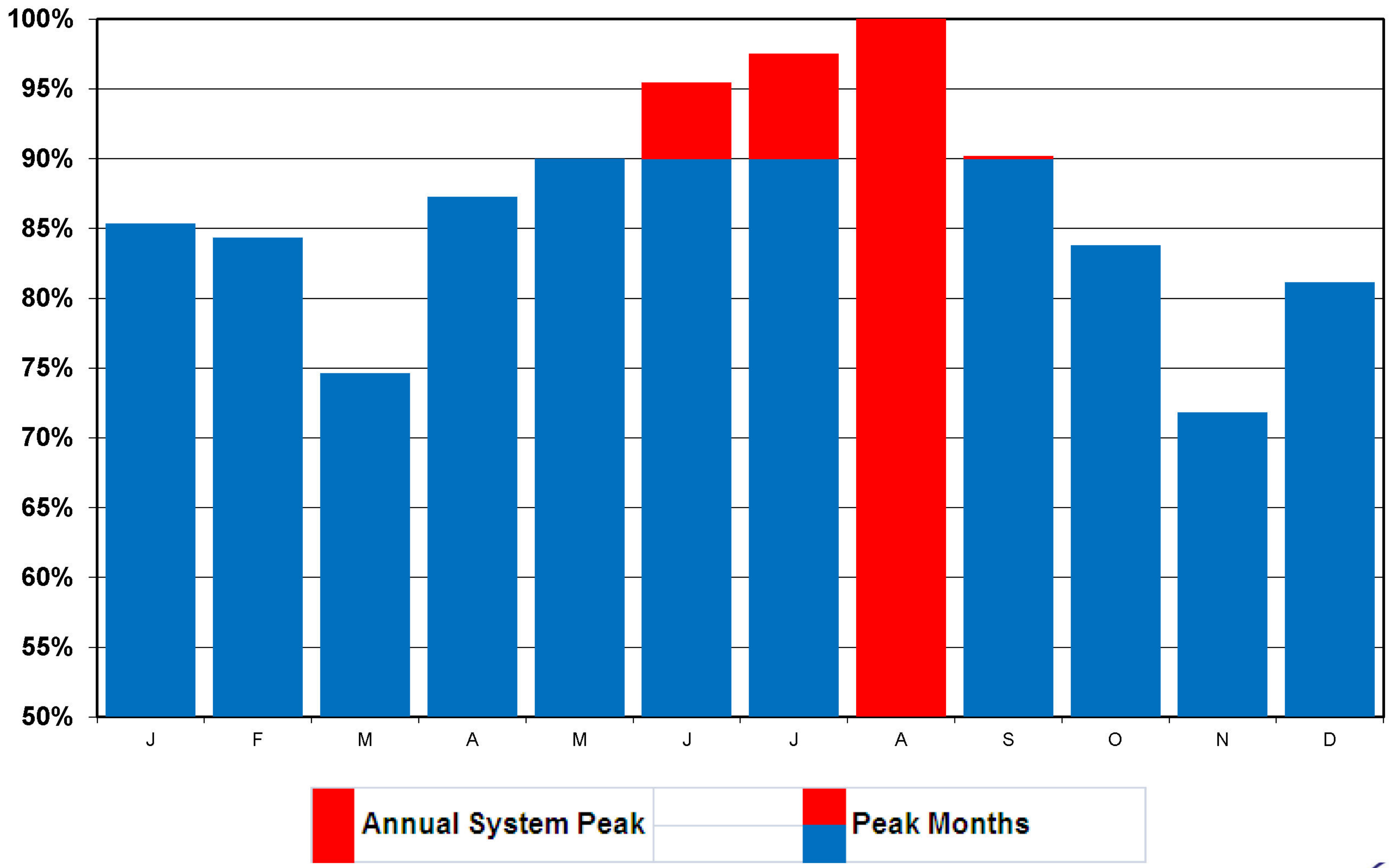
Summer Peaking Utility



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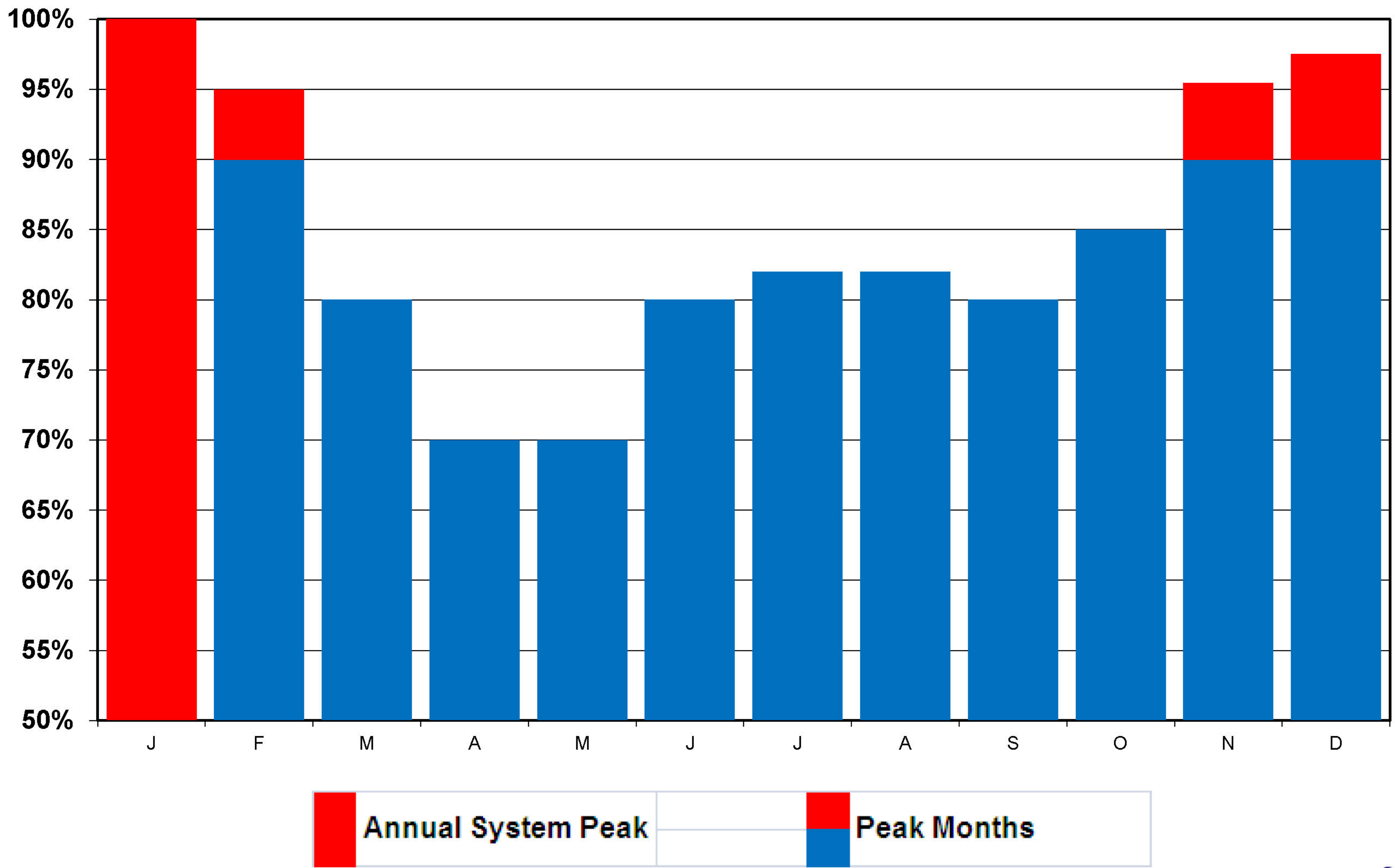
Winter Peaking Utility



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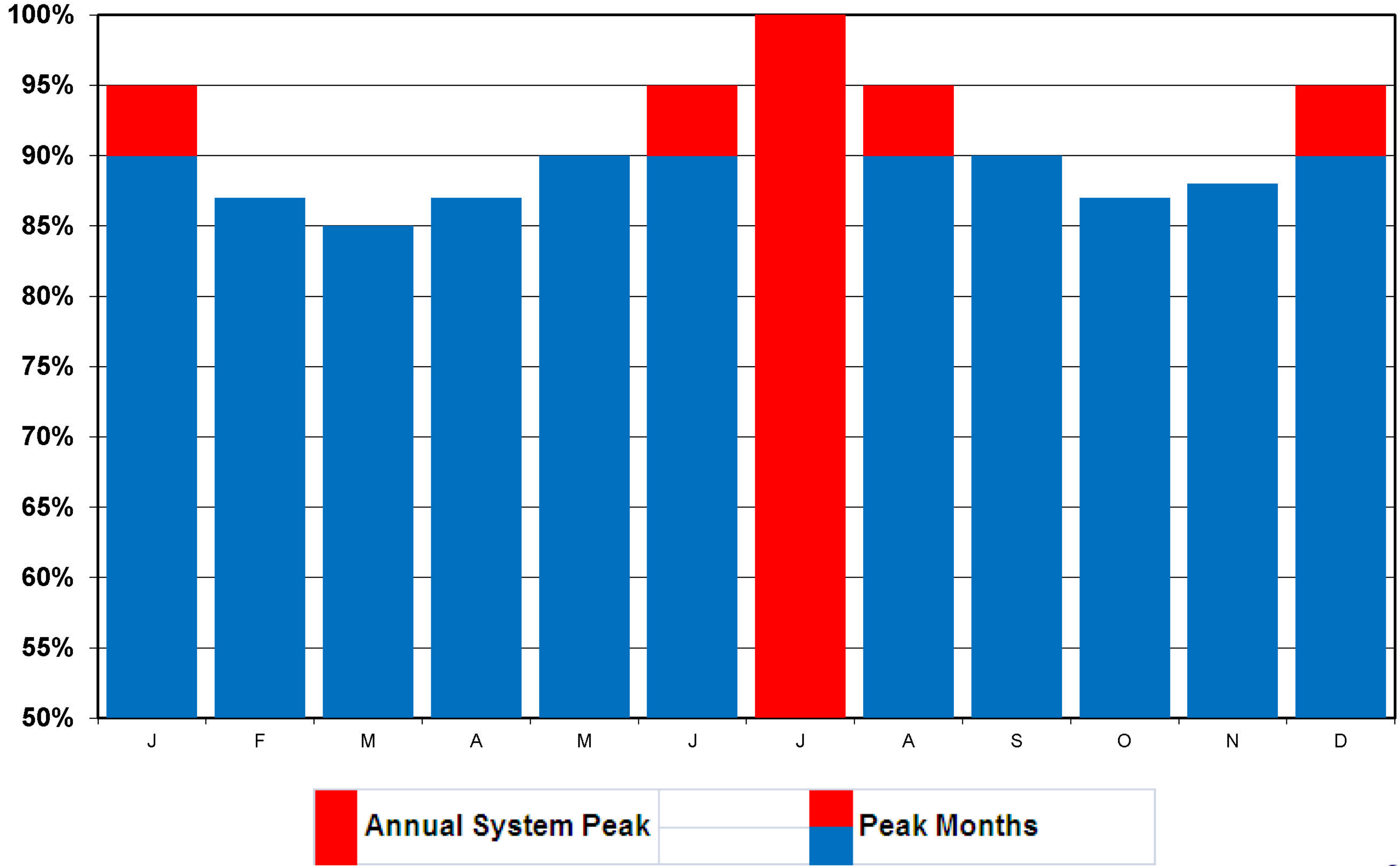
Non-Seasonal Utility



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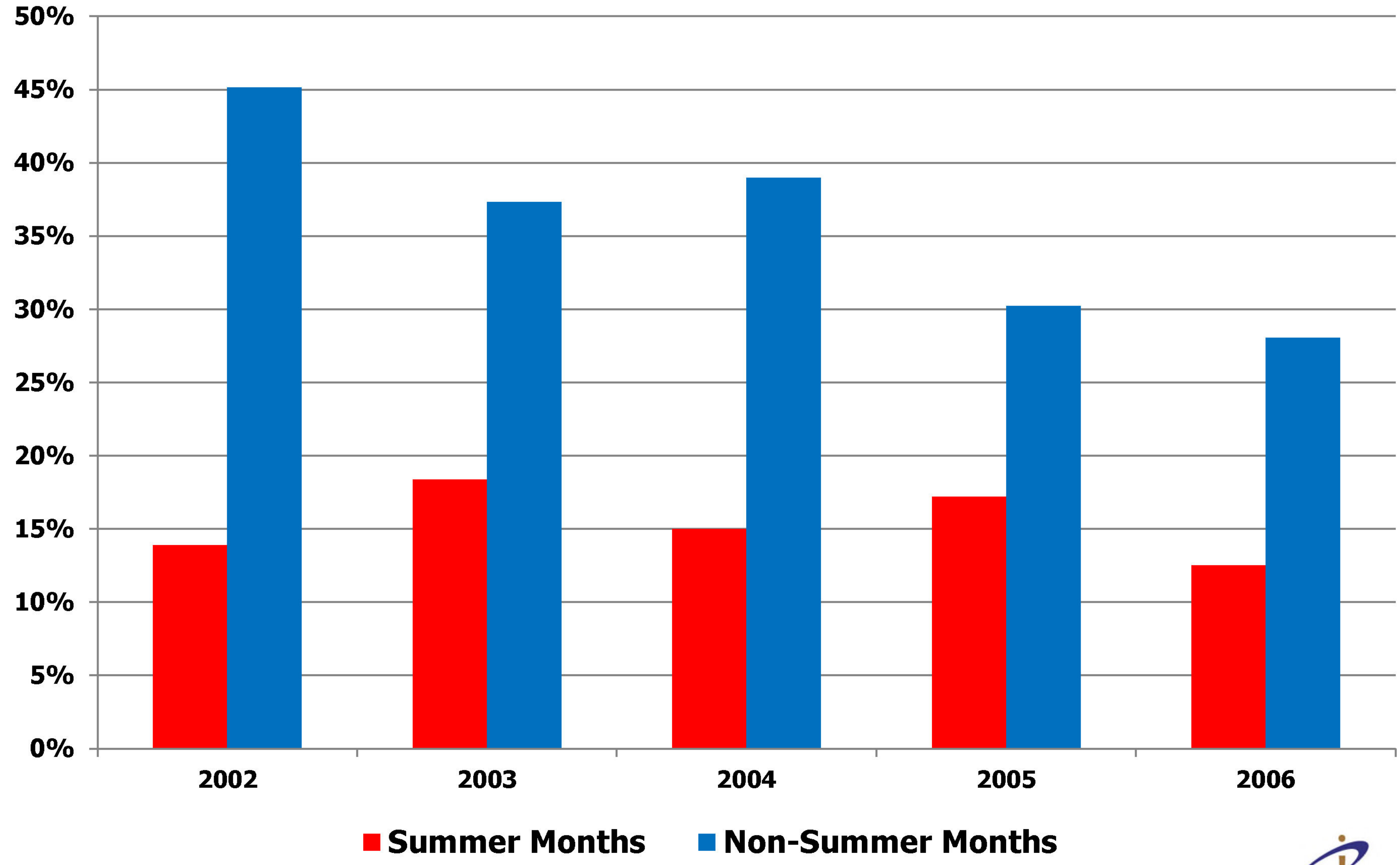
Reserve Margin



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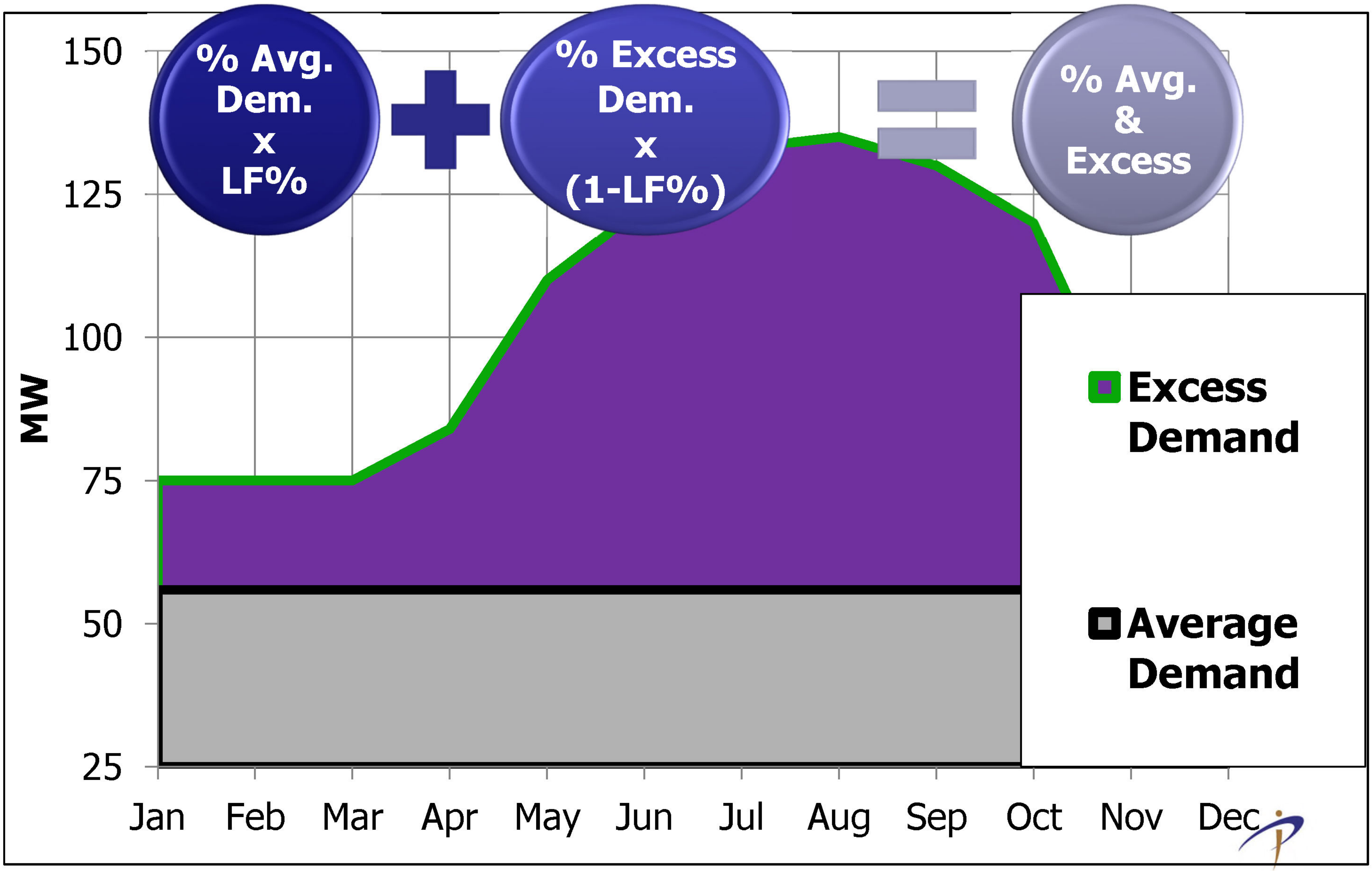
Average & Excess Method



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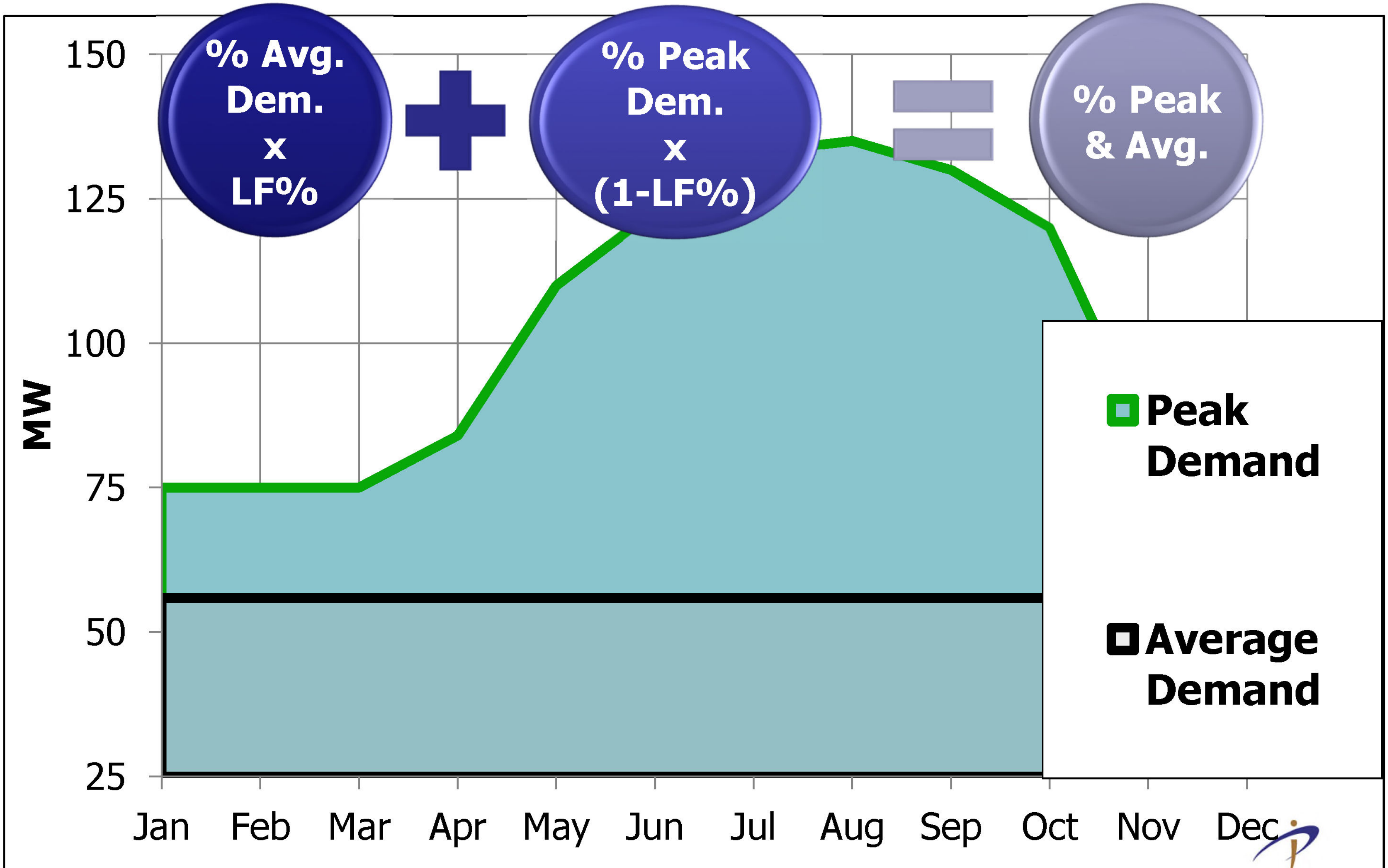
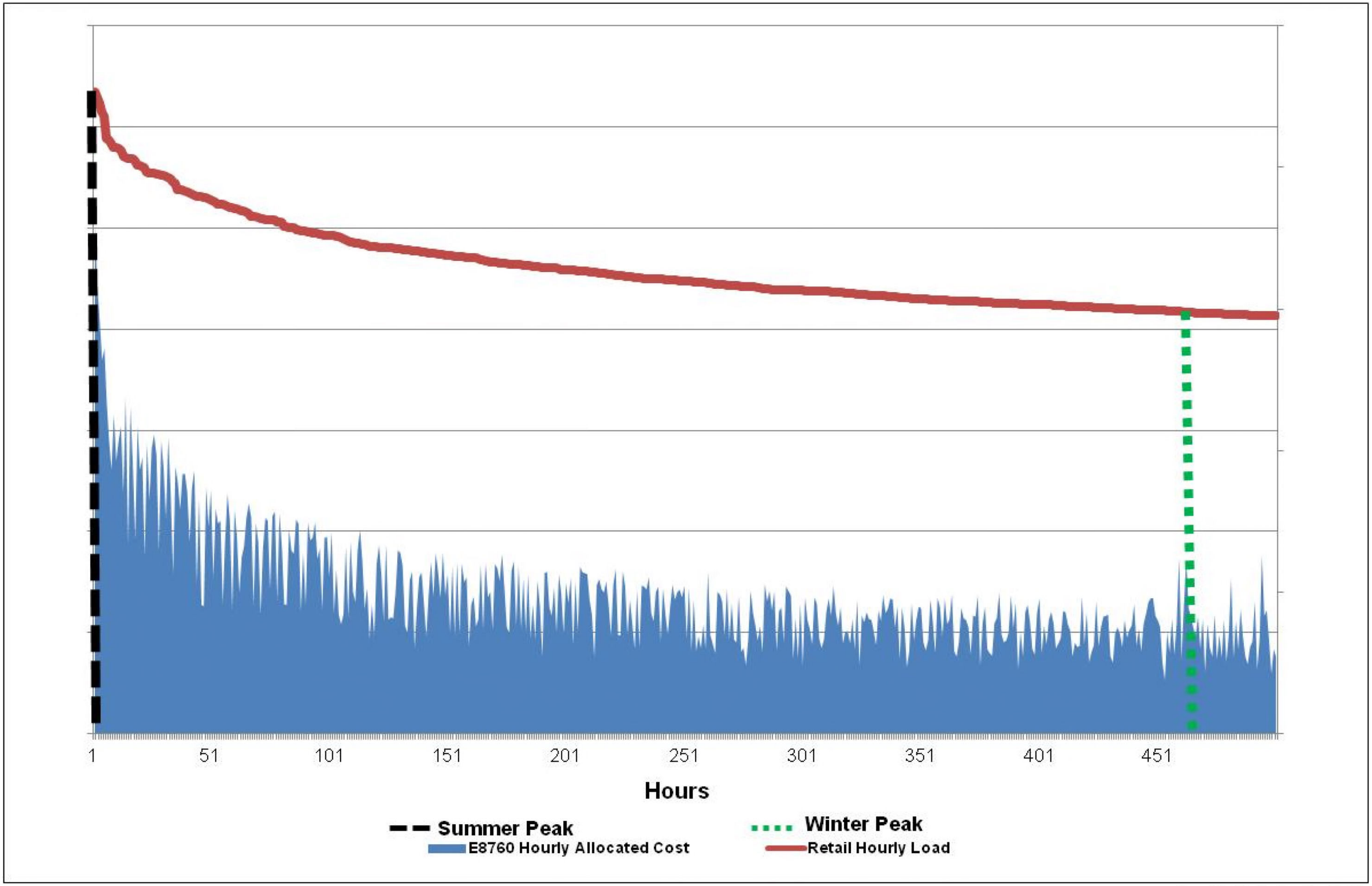
Peak & Average Method



Double-Counting Problem



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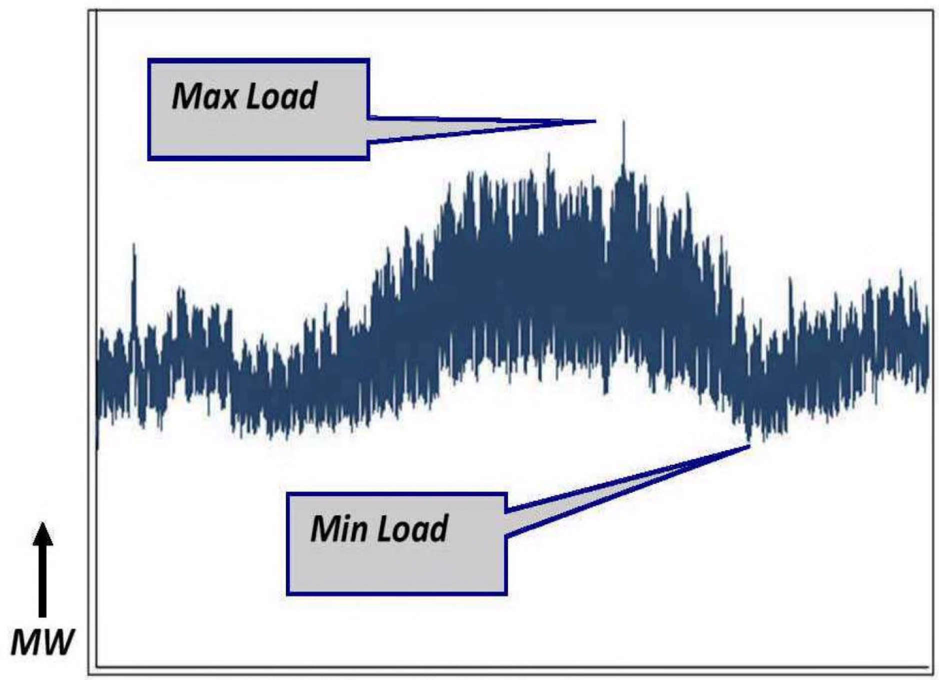
What Type of Generation is Needed?

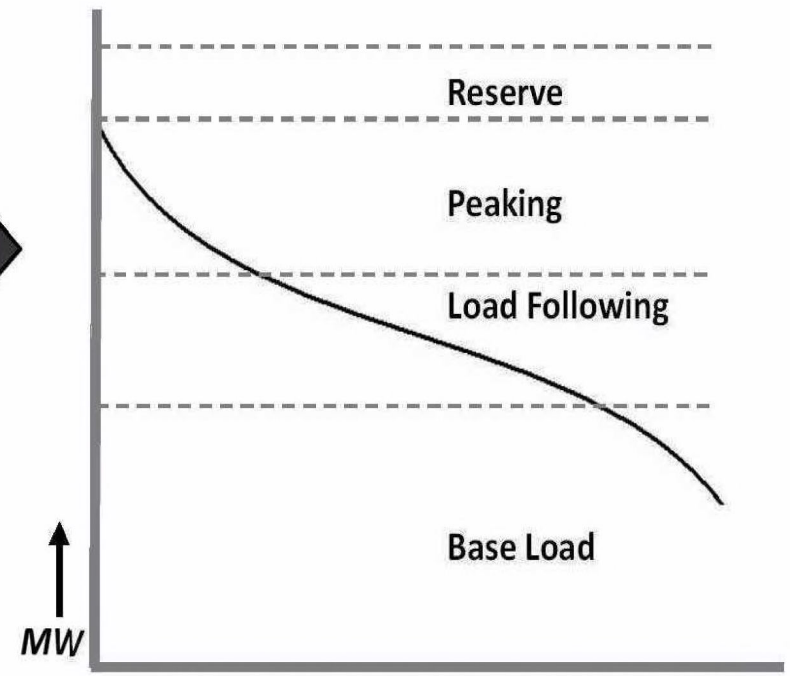
Resource Requirements are determined by customer load shape

ENTERGY SYSTEM HOURLY LOAD



Chronological Hours (One Year)

GENERATION CAPACITY REQUIREMENTS



Load Duration Curve Rearranges Hourly Load

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Conflicting Philosophies?

Slice Of System

- Same Capacity/Energy Mix
- Same Avg. Capacity And Energy Costs

Capital Substitution

- Allocations Vary by Type of Capacity
- Capacity Cost is Related to Load Factor

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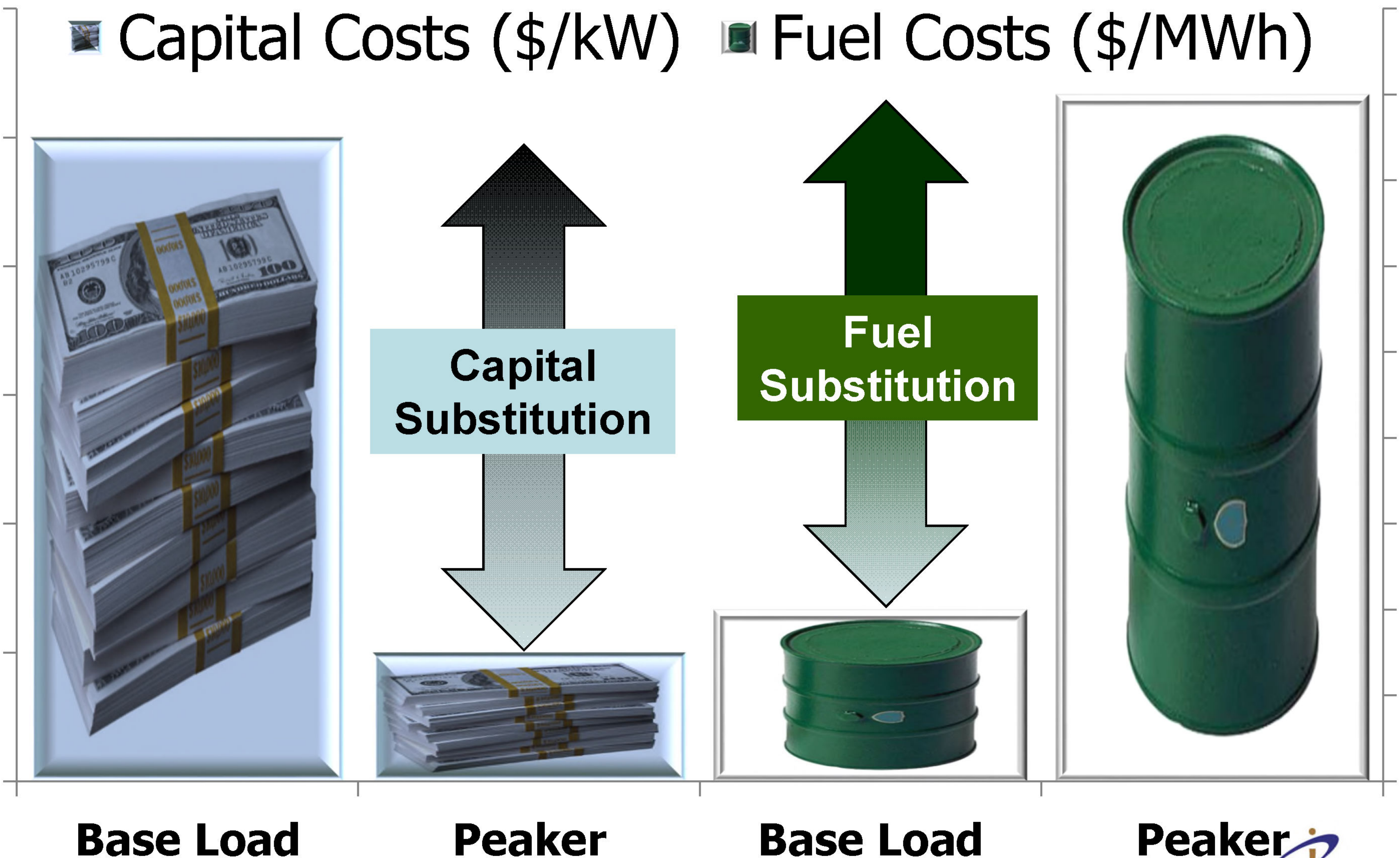
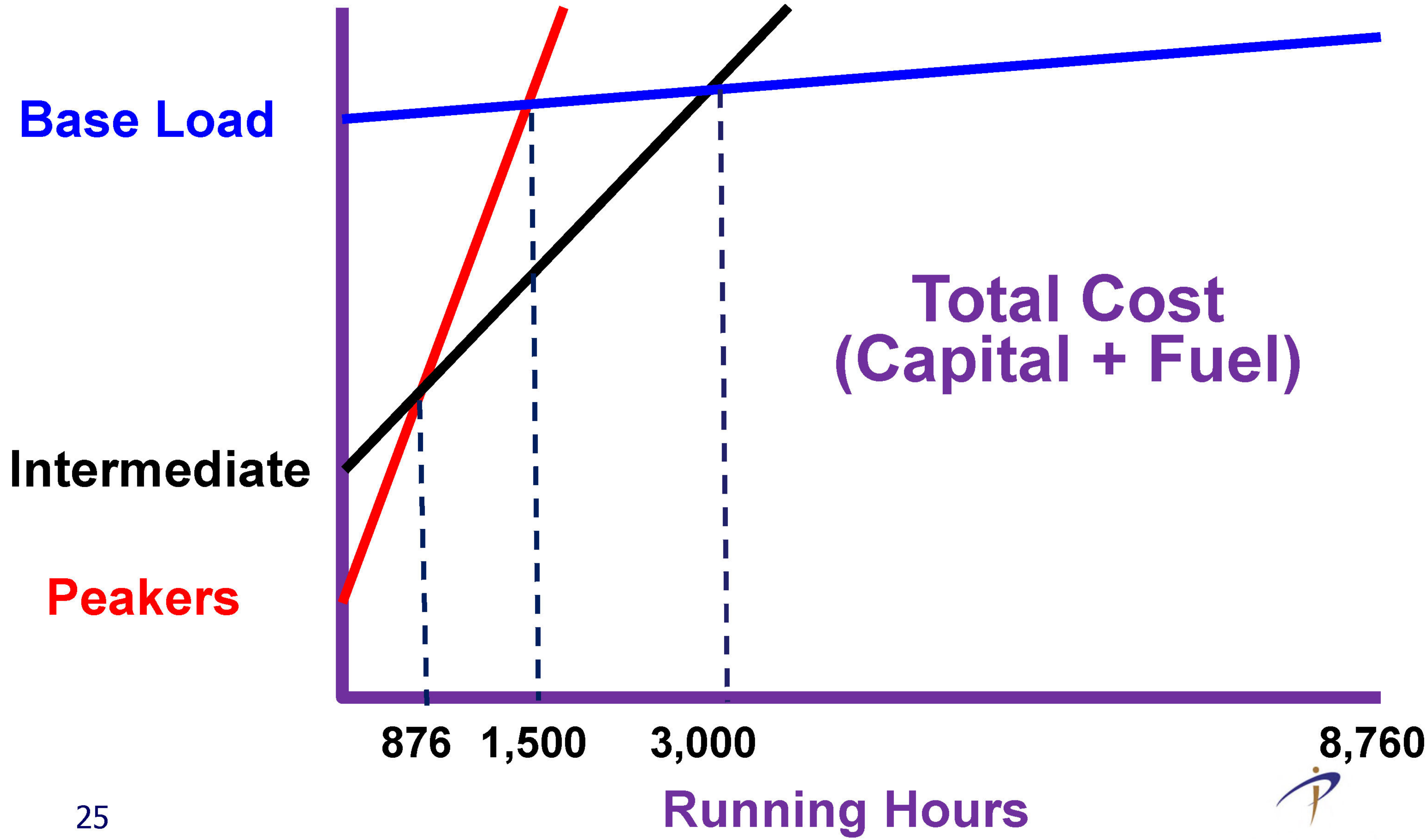
Plant Characteristics



Production Cost Tradeoffs



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What Energy Loads Cause Utilities to Build Base Load Capacity?

	Car P	Car B
Fixed Charge	$200	$800
Mileage Charge	80¢	20¢

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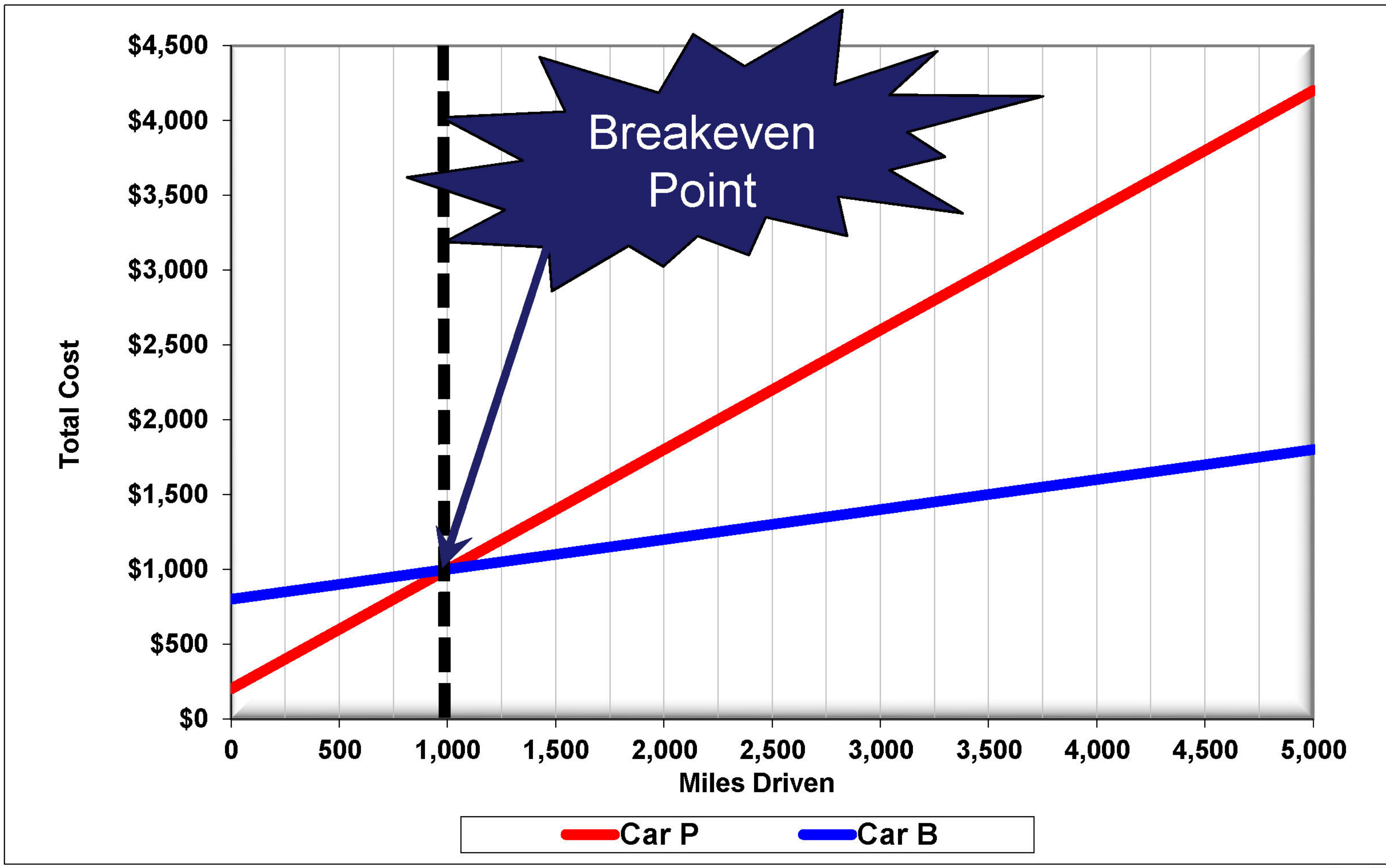
What Energy Loads Cause Utilities to Build Base Load Capacity?

	Car P	Car B
Fixed Charge	$200	$800
Mileage Charge	80¢	20¢



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What Energy Loads Cause Utilities to Build Base Load Capacity?

Miles Driven	Total Cost		Least Cost Choice
	Car P	Car B	
0	$200	$800	P
500	$600	$900	P
1,000	$1,000	$1,000	P or B
1,500	$1,400	$1,100	B
2,000	$1,800	$1,200	B
2,500	$2,200	$1,300	B
3,000	$2,600	$1,400	B
3,500	$3,000	$1,500	B
4,000	$3,400	$1,600	B
4,500	$3,800	$1,700	B

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Applying Capital Substitution to Track Cost Causation

	Peaker	Base Load
		
Capital Costs	System Peak	Hours up to Breakeven Pt.
Fuel Costs	Hours up to Breakeven Pt.	All Hours

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What About Variable Costs?

Are Higher Variable (Fuel) Costs Incurred to Save Capital Costs?

Are Some Variable Costs Incurred to Maintain Reliability?

- Start-Up & Stabilization
- Spinning Reserve
- Revenue Sufficiency Guarantees

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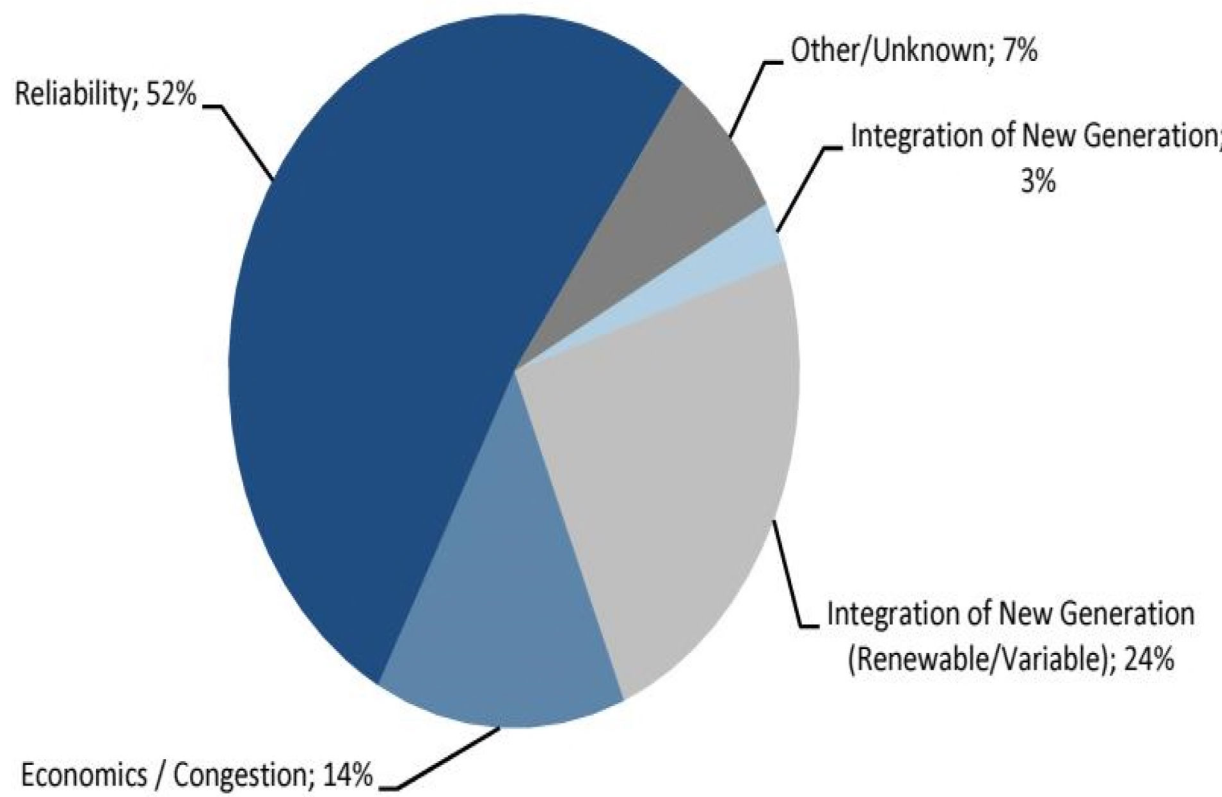
Transmission Cost Drivers

Figure 30: New Transmission Projects (by Circuit Miles) Driven by Reliability and the Integration of Renewable Resources



Source: NERC 2012 Long-Term Reliability Assessment

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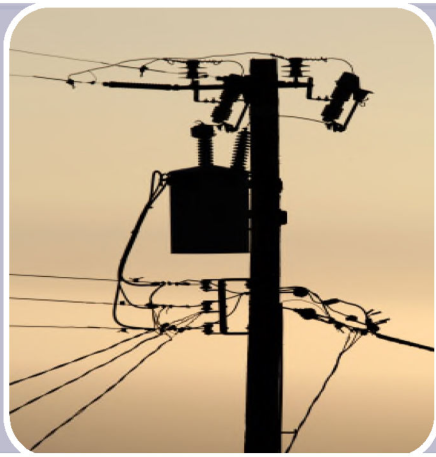
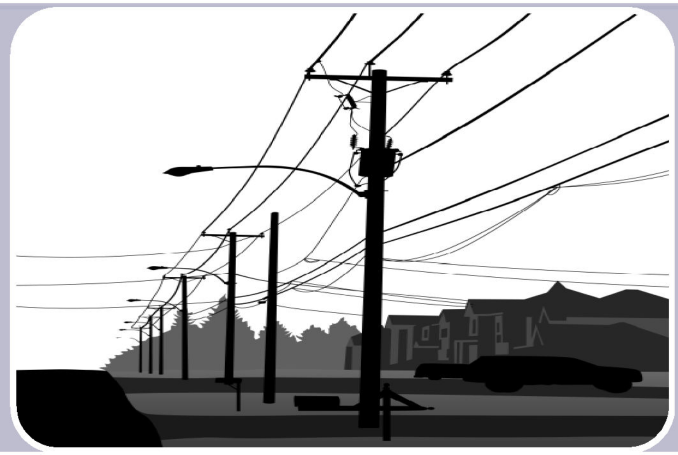
Distribution Cost Drivers





Peak Demand

No. of Customers

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Rate Design

The Continuation of the Cost Allocation Process to Customers Within Each Class

(*i.e.*, Intra-Class Allocation)

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Why Set Rates at Cost?

Equity

Send Proper Price Signals

Encourage Conservation

- Power
- Energy

Stability

Economic Development

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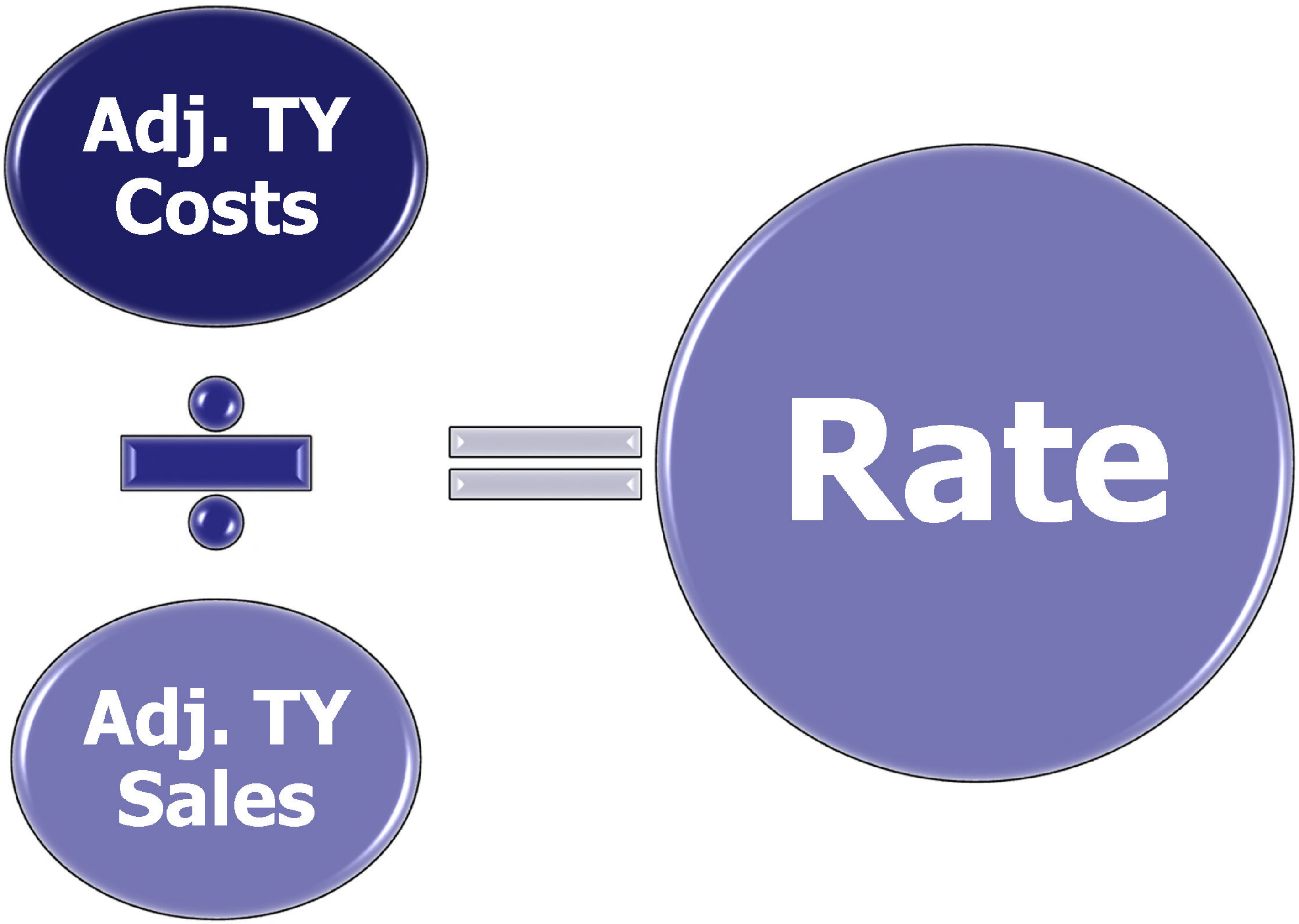
How Are Rates Set?

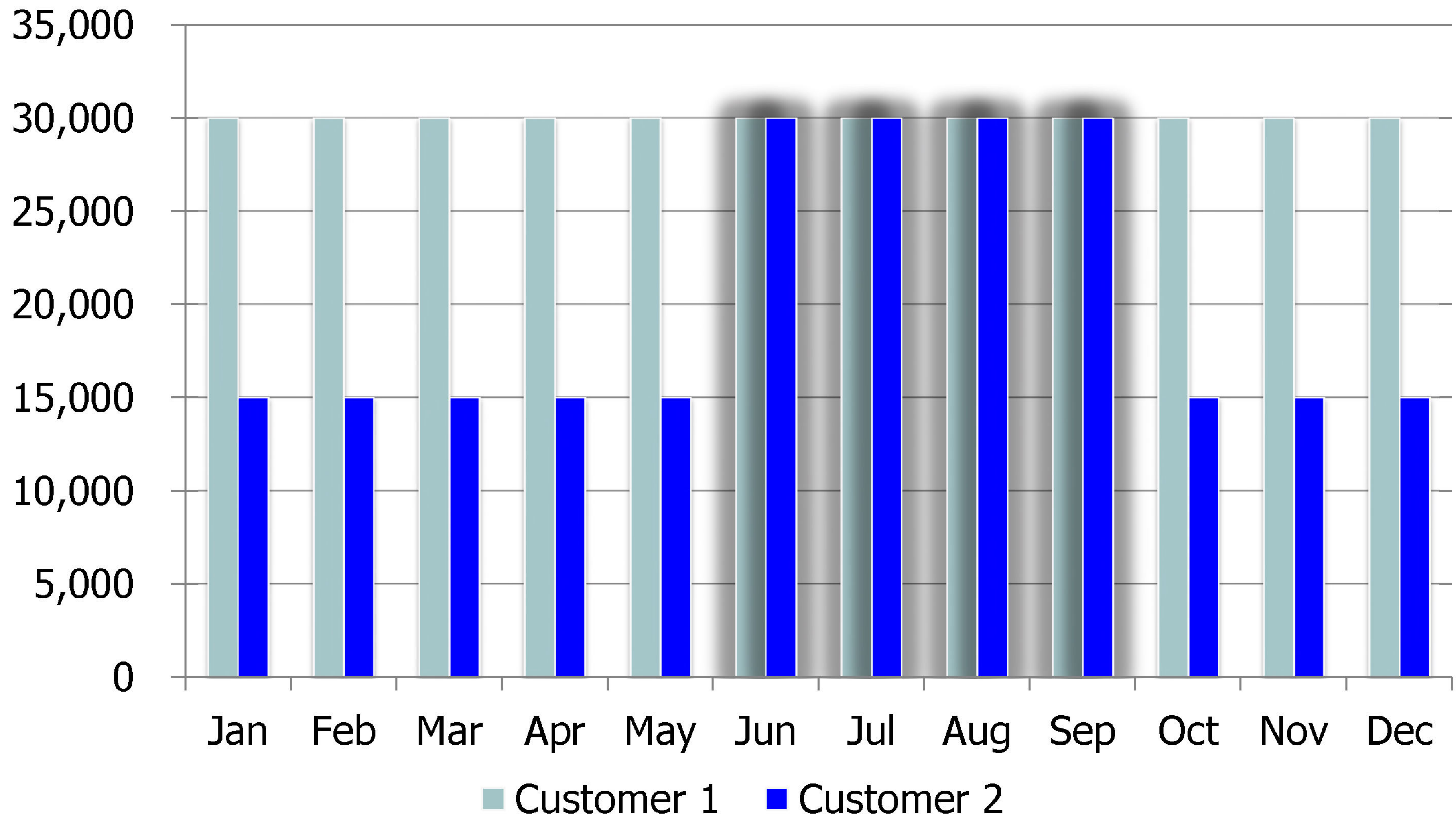


Rate Design Class I

Cost	Allocated Costs* ($000)	Test Year Billing Units	Unit	Rate
Customer	$120	24	Month	$5,000
Non-Fuel Energy	$1,966	491,500	MWh	$4.00
Demand	$4,800	600,000	Actual kW	$8.00

* Source: TY Class Cost-of-Service Study.

Class I Monthly Peak Demand (kW)



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Class I Rate Design No Ratchet Allocated Costs vs. Revenues

Customer	Allocated Demand Cost ($000)	TY Billing Demand (kW)	Demand Charges ($000)	Subsidy ($000)
Customer 1	$2,400	360,000	$2,880	$480
Customer 2	$2,400	240,000	$1,920	$(480)
Total Class I	$4,800	600,000	$4,800	$0

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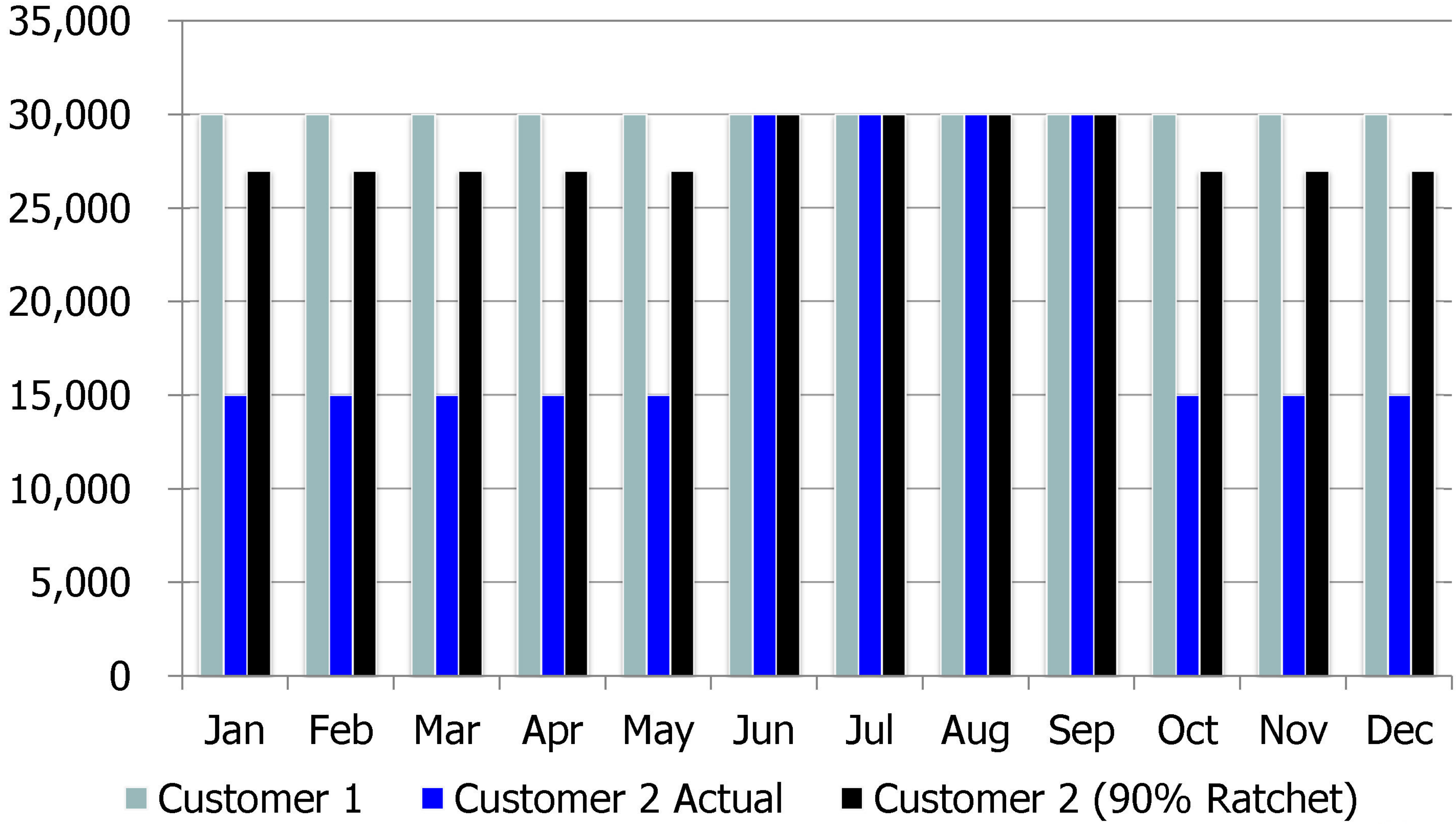
Class I Monthly Peak Demand (kW)



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Class I Rate Design Demand Charge With Ratchet

Cost	Allocated Costs* ($000)	TY Billing Units	Unit	Rate
Customer	$120	24	Month	$5,000
Non-Fuel Energy	$1,966	491,500	MWh	$4.00
Demand With 90% Ratchet	$4,800	696,000	Billing kW	$6.90

* Source: TY Class Cost-of-Service Study.

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Class I Rate Design: 90% Ratchet Allocated Costs vs. Revenues

Customer	Allocated Demand Costs ($000)	TY Billing Demand (kW)	Demand Charges ($000)	Subsidy ($000)
Customer 1	$2,400	360,000	$2,483	$83
Customer 2	$2,400	336,000	$2,317	$(83)
Total Class I	$4,800	696,000	$4,800	$0

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Coincident Billing

Billing Demand = Coincident Demand

Perfect Alignment Between Cost Allocation & Rate Design

Examples:

- PJM Transmission
- ERCOT: 4CP
- ISO New England
- Alberta Electric System Operator
- Hydro One Ontario
- FERC OATT

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Incorporating Line Loss Differentials in the Fuel Clause

Reflect Cost-Causation Because:

- Higher Losses Are Incurred To Serve Customers At Lower Delivery Voltages

Recognized In Fuel Cost Recovery Tariffs

- Applicable To Both Firm And Non-Firm Service

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Line Loss Differentials

	Energy (kWh) at:	Energy Losses	Line Loss Differential:
Generation	100.00		
Transmission	98.04	100 ÷ 98.04 = 2.00%	1.02÷1.0475 = 0.974
Dist. Primary	95.69	100 ÷ 95.69 = 4.50%	1.045÷1.0475 = 0.998
Dist. Secondary	93.46	100 ÷ 93.46 = 7.00%	1.07÷1.0475= 1.0215

Average Energy Losses = 4.75%

Fuel Cost (¢/kWh)

System Average Fuel Cost = 3.0¢	**Secondary** *(Residential, Commercial, Lighting)*	**Primary** *(Commercial & Small Industrial)*	**Transmission** *(Lg. Commercial & Industrial: Firm & Non-Firm)*
Loss-Factor Differential	1.0215	0.998	0.974
Fuel Charge (¢/kWh)	3.065¢	2.994¢	2.922¢

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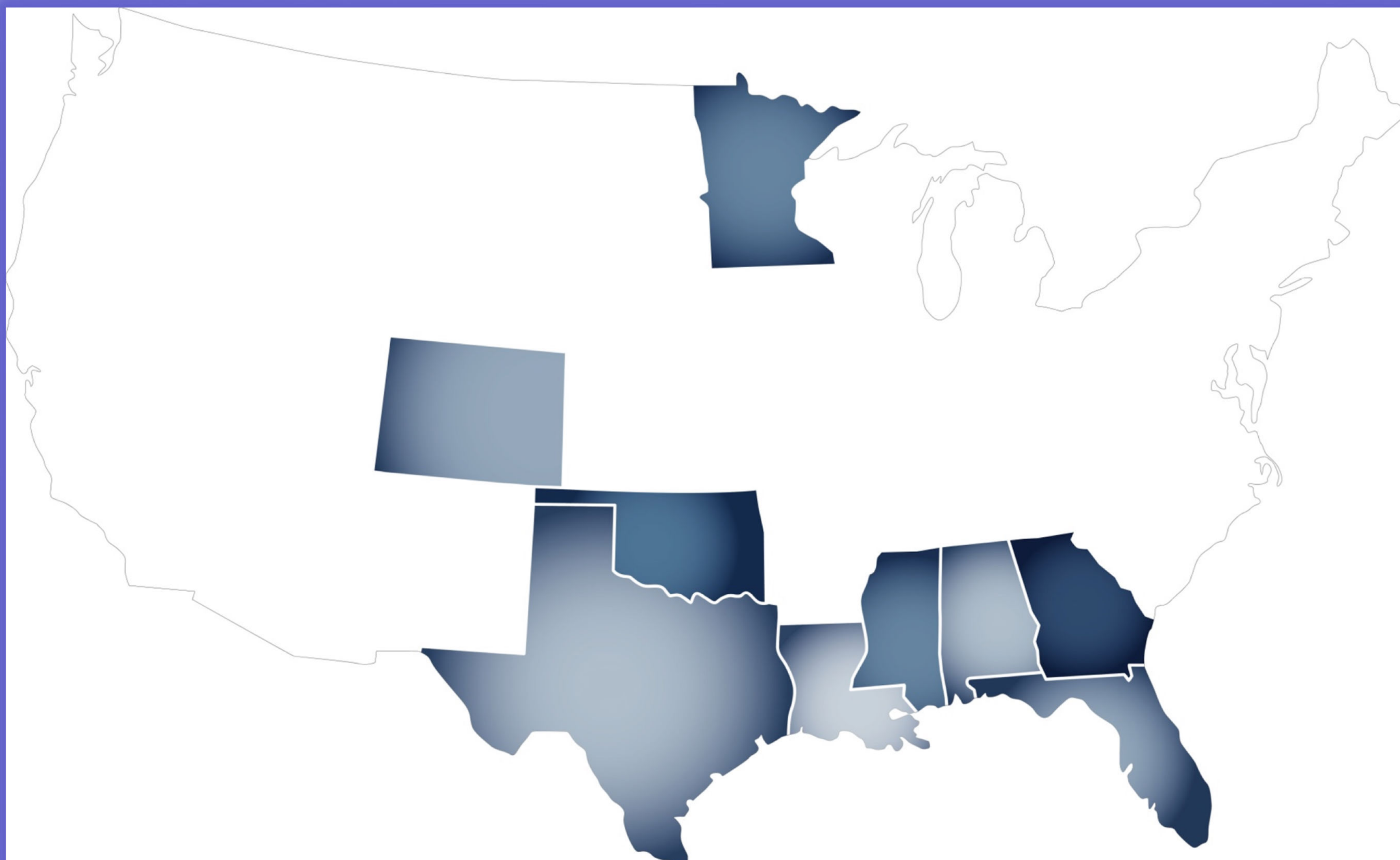
Fuel Cost Recovery Mechanisms With Line Loss Differentials



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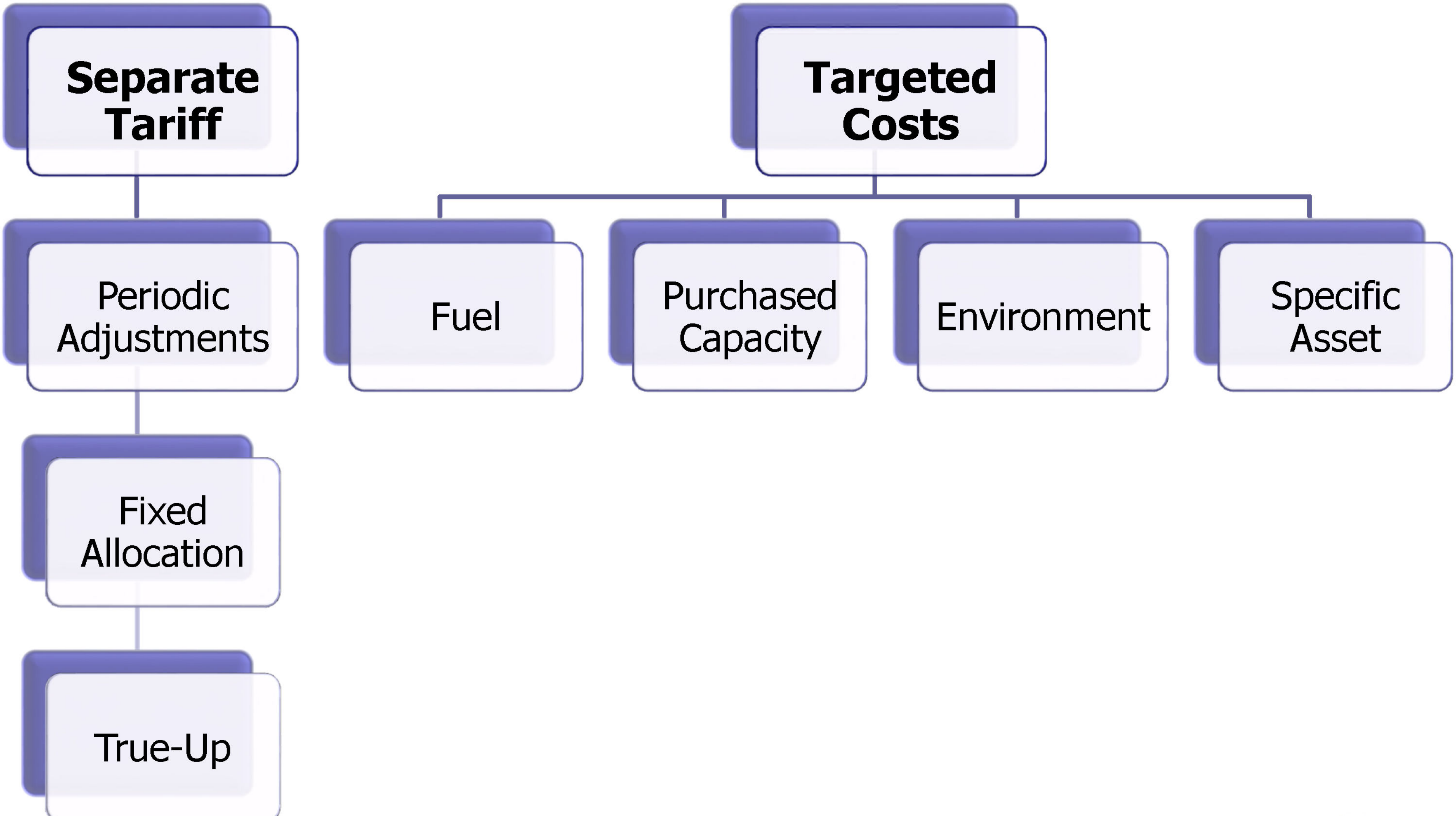
Tracker


Separate Tariff
Periodic Adjustments
Fixed Allocation
True-Up
Targeted Costs
Fuel
Purchased Capacity
Environment
Specific Asset

Tracker

Pro's	Con's
• Reduce Regulatory Lag • Fewer Rate Cases • Exact Cost Recovery	• Improper Ratemaking Practices • Decouples Recovery & Prudence Review • Risk Shift • Wrong Incentives

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Improper Ratemaking Practices

Higher Costs ≠ Higher Rates

- Load Growth: Additional Revenues Offset Higher Costs
- Rate = Unit Cost
- Are Unit Costs Increasing?

Different Cost Allocation Method

- Demand-Related Costs Allocated on kWh

Different Rate Design

- Demand Costs Recovered in a kWh Charge

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Tracker Cost Recovery Examples

Tariff	I&M Environmental Cost Rider	Vectren DSM Rider
Recoverable Costs	Costs>Levels Included in Base Rates	As Incurred Costs > $817K
Test Year	TME 3/11	TME 6/09

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Impact of Load Growth in Designing Trackers

Purchased Power Capacity Cost Tracker	When Base Rates Were Set	Growth Capacity Prices Constant	Growth Higher Capacity Prices
Quantity of Capacity (MW)	20	40	40
Price of Capacity	$10	$10	$15
Total Cost of Capacity	$200	$400	$600
Billing Units (MW)	20	40	40
Portion of Base Rate Related to Capacity (per MW)	$10	$10	$10
Total Capacity Cost	$200	$400	$600
Capacity Cost Recovered Through Base Rates	$200	$400	$400
Capacity Cost Rider Recovery	$0	$0	$200

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Tracker Cost Allocation & Rate Design Examples

Tariff	DEI Riders 62 & 68	NIPSCO Rider 674
Allocation	Demand Allocators (2002TY)	Demand Allocators (2009TY)
Recovery	kWh (HLF: kW)	kWh

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Impact of Load Growth in Designing Trackers

Class	TY Allocation Factor	Sales Growth	Current Allocation Factor
Residential	40%	10%	41.3%
Commercial	20%	15%	21.6%
Industrial	30%	-5%	26.8%
Lighting	10%	10%	10.3%

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What is Interruptible Power?

Lower Quality of Service

Production Capacity is Planned to Serve Firm Loads

No Production Capacity Costs

Lower Rate Than Firm Service

Value is Independent of the Frequency & Duration of Curtailments

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Types of Interruptible Power

Capacity (Mandatory)

- Planning
- Reliability

Economic (Voluntary)

- Avoid High Energy Prices

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Interruptible Power is Beneficial for a Utility & Its Customers Because:

No Generation Capacity is Needed to Provide Interruptible Service

Interruptible Power Provides Additional Reserve Capacity

- **Planning**
- **Operating**
- **Spinning**

Interruptible Customers Pay a Contribution to Fixed Costs

- **Lower Cost to Provide Firm Service**

Reference: FERC Opinion No. 468

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Value of Interruptible Power

Capacity Interruptions

Planning Reserves

- *Capacity deferral*

Operating Reserves

- Quick-Start capacity

Spinning Reserves

- Reliability/Fuel Savings

Economic Interruptions

- **Energy Cost Savings**

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More Questions?

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Contact Us

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St. Louis, MO 63141
☎: 314-878-5814
💻: 314-878-7339
✆: 314-960-3901
✉jcp@jpollockinc.com

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Clean Power Plan

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Implications For Georgia

Jeffry Pollock

June 23, 2015

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CPP Overview

Establishes Specific CO_2 Emission Rates by State

- Best System of Emission Reduction (BSER)
- Interim Goals: 2020-2029 Average
- Final Goal: 2030

Each State's Goal Is Different

- Unique Mix Of Emissions And Power Sources

Broad Flexibility To Meet Lower The CO_2 Emission Rate Goal By 2030

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Four Building Blocks

6% Improvement in Coal Plant Heat Rates

Dispatch CCGTs up to a 70% Capacity Factor

Increase Renewable Energy/Retain "At Risk" Nuclear Plants

Increase Energy Efficiency

If a specific BB goal is not met, the other BB goals must be increased to achieve the CO_2 rate target

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State Goal Formula[1]

$$\frac{\text{(Coal gen. x coal emission rate) + (OG gen. x OG emission rate) + (NGCC gen. x NGCC emission rate) + “Other” emissions}^{2}}{\text{(Coal gen. + OG gen. + NGCC gen. + “Other” gen.}^{2}\text{)}}$$

[1] ***Units of Measure:*** All generation numbers are MWh, unless otherwise noted; emission rates are lbs/MWh; and "Other Emissions" are in lbs

[2] "Other" includes fossil sources that are likely subject to 111(d) rulemaking, but not subject to building block abatement measures (e.g., IGCC, high utilization CTs, useful thermal output at cogeneration units)

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Effects of CPP

30% Reduction In GHG Emissions From US Electric Sector

- 1.5% Reduction In Global GHG Emissions

Delivered Natural Gas Prices

- By 2020: 9% - 12% Increase
- 2020-2029: Negligible Increase

Avg. Retail Electricity Price Increase

- By 2020: 6% - 7% (Double-digit Increase In Some States)
- By 2030: 3% Increase

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CPP Proposed Timeline

2015	• EPA releases finalized CPP
2016	• States submit implementation plans
2017	• EPA approves plans
2020	• States must begin implementing plans
2020-2029	• States must meet interim CO_2 goals
2030	• States must achieve CO_2 limits

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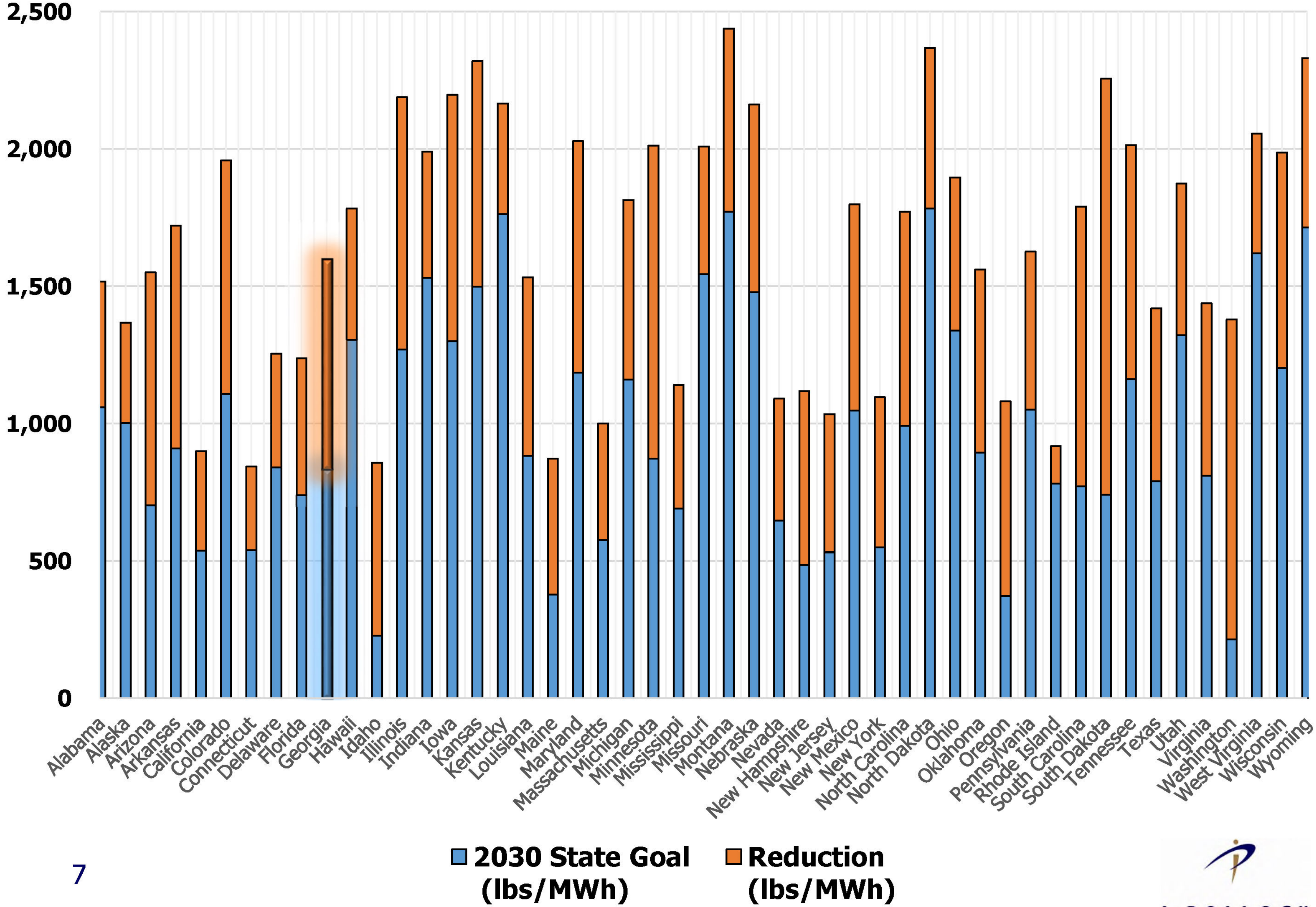
Clean Power Plan CO2 Goals By State



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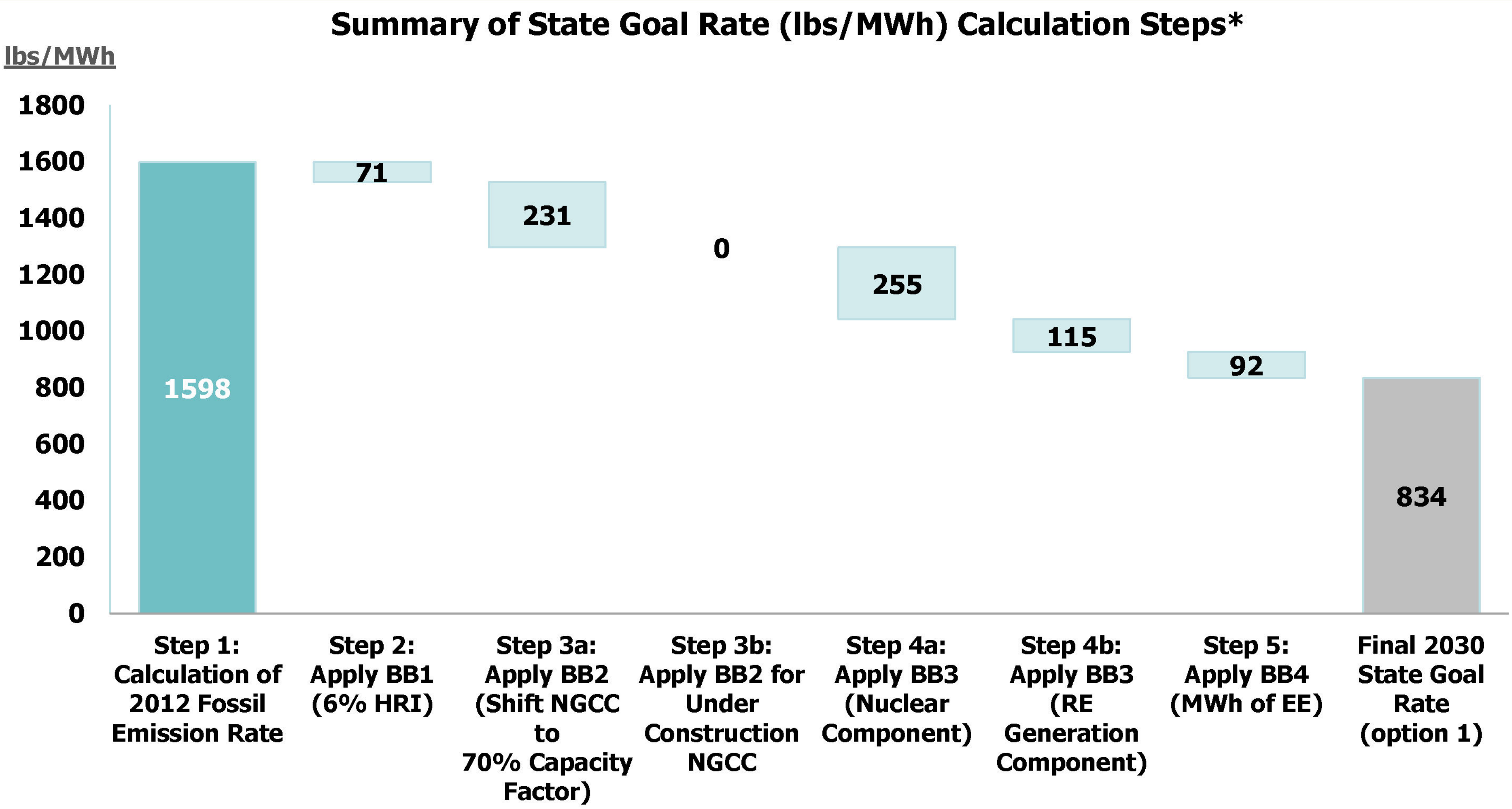
Georgia-Specific Goals



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Georgia BB1:
6% Heat Rate Improvement

- Assumes Technology Improvements
- Environmental Risk
- EPA Consultant: 6% is Not Achievable
- Result: Higher BB 3 and 4 Goals

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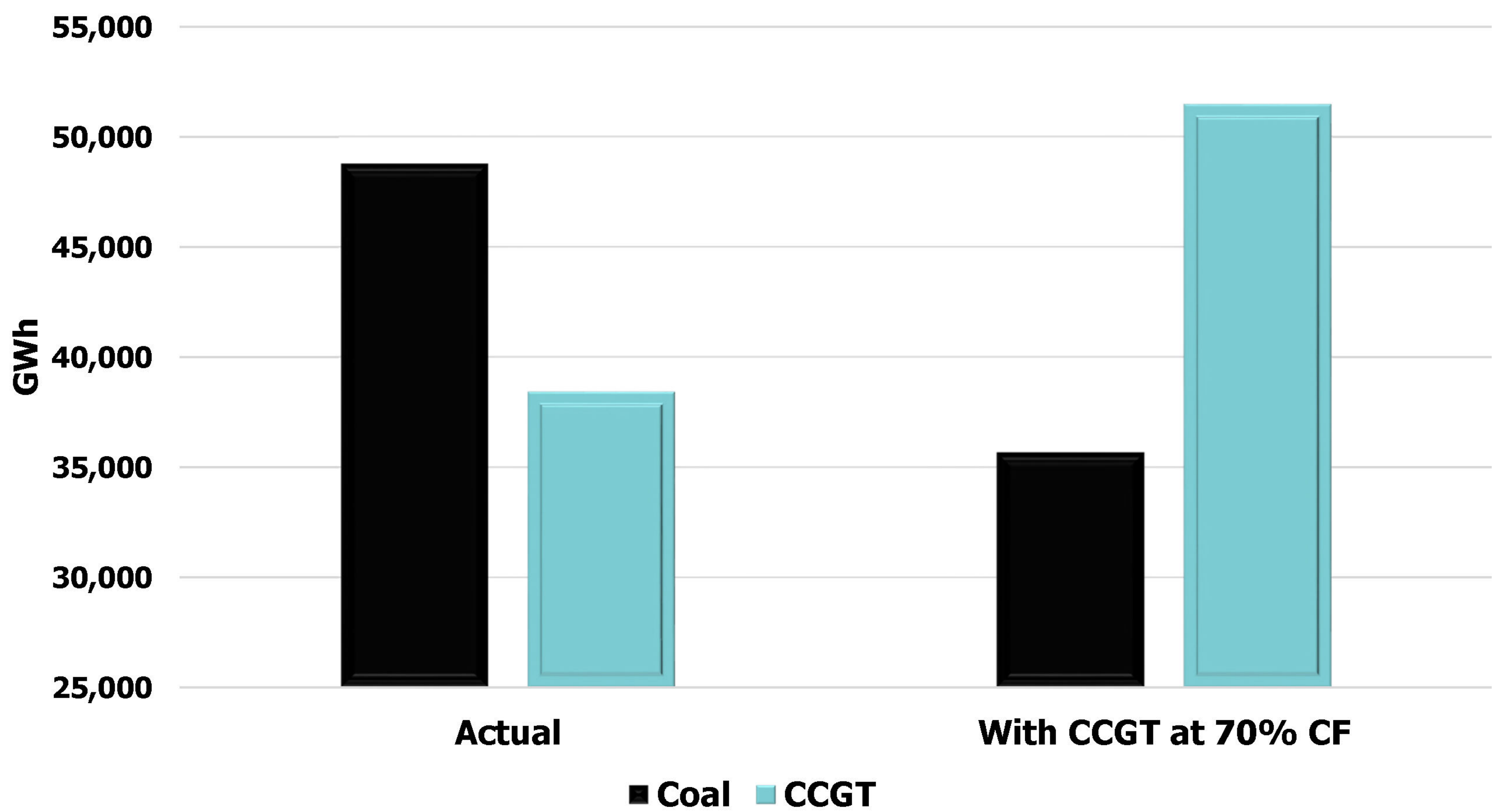
Georgia BB2: CCGT at 70% CF



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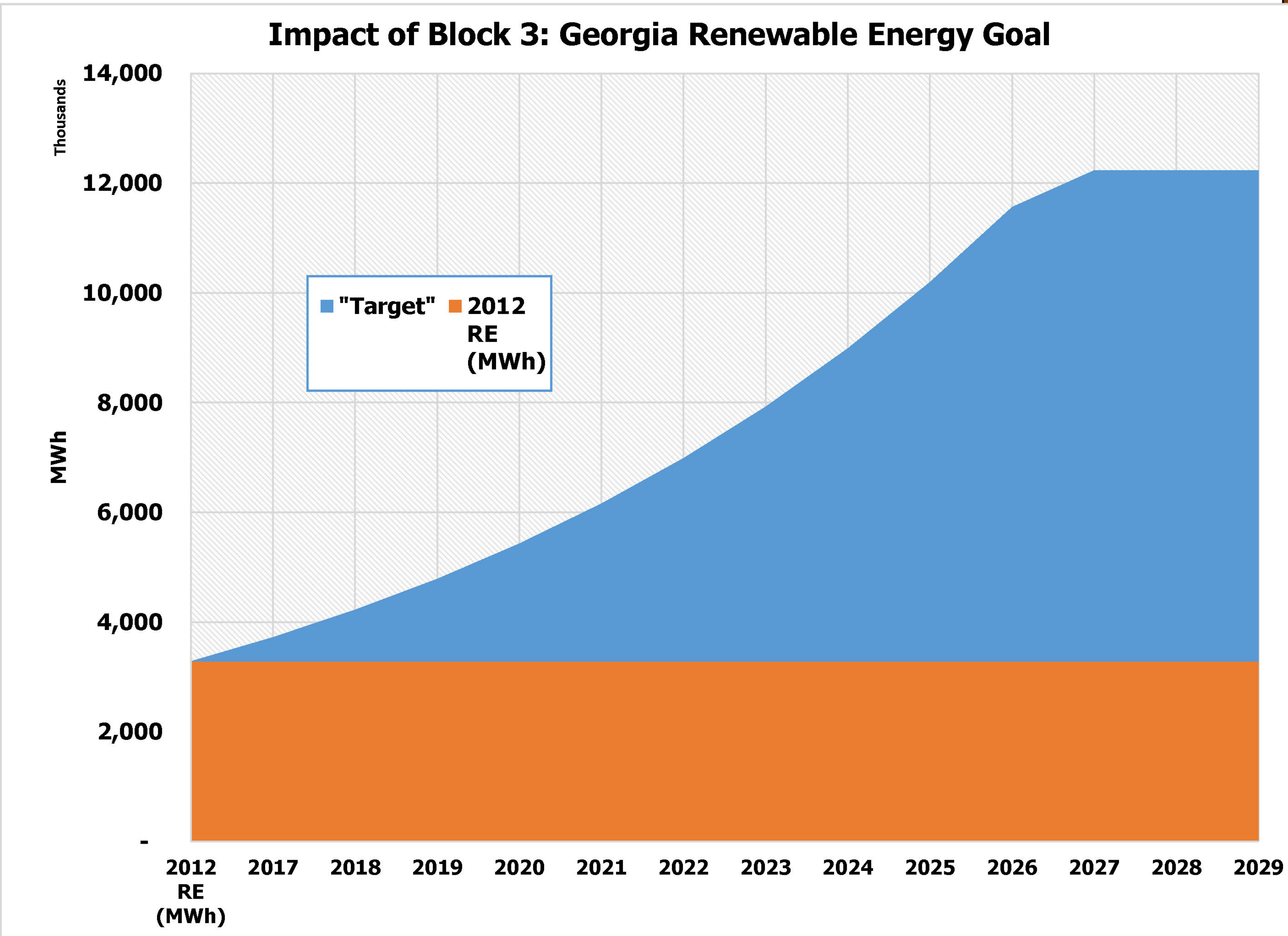
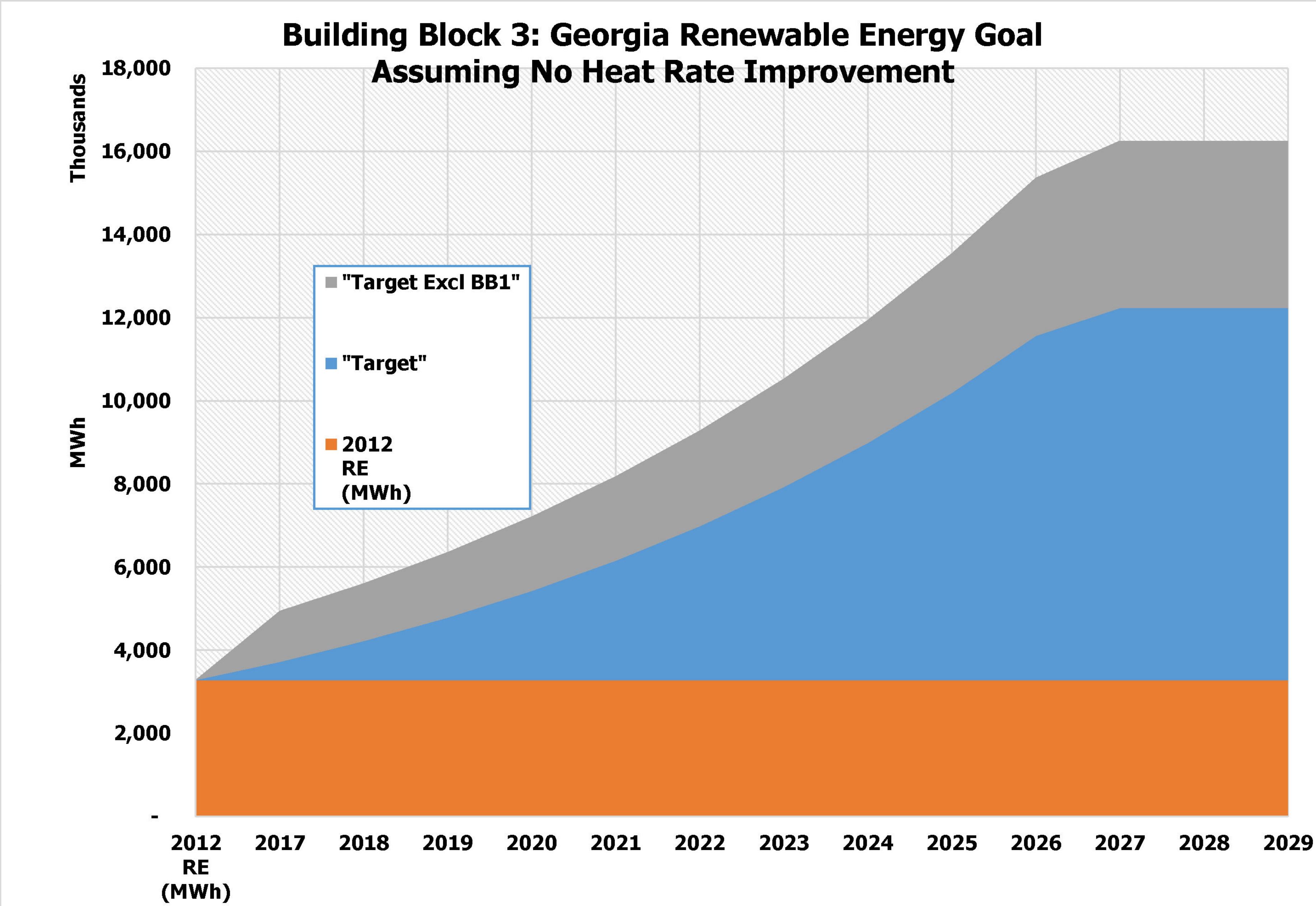

Impact of Block 3: Georgia Renewable Energy Goal
Thousands
MWh
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
"Target"
2012 RE (MWh)
2012 RE (MWh)
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029



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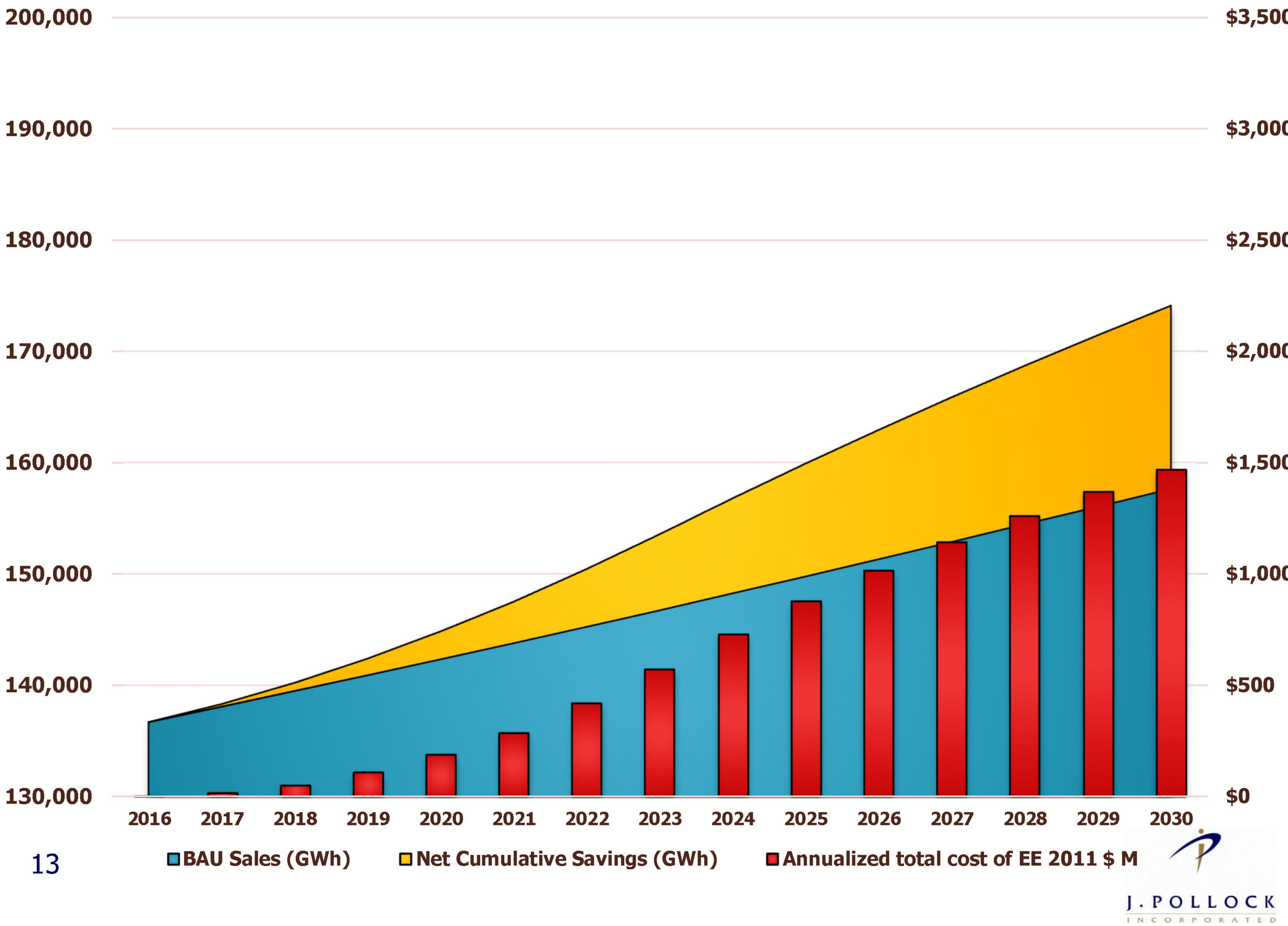
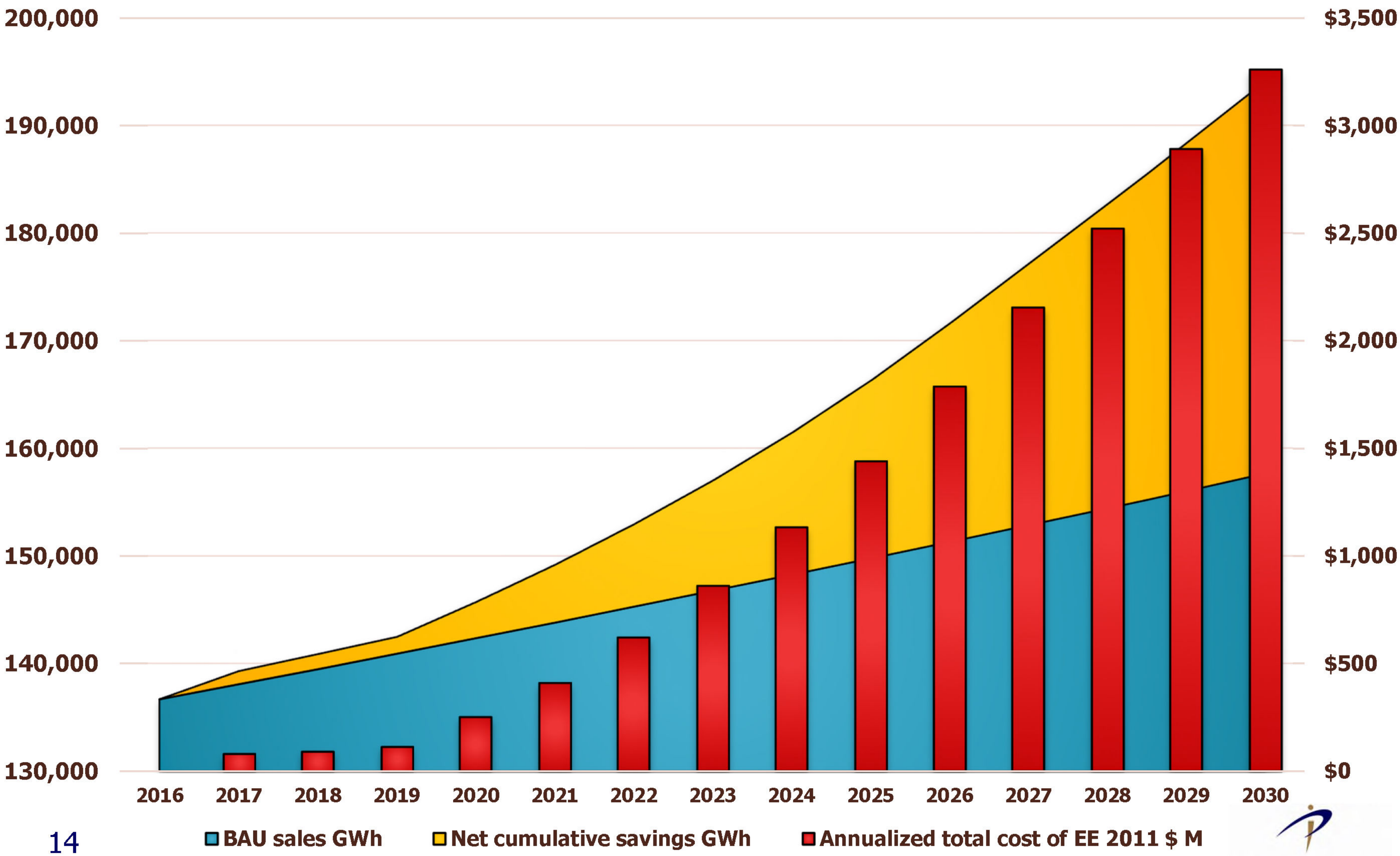
Impact of Block 4: Georgia Energy Efficiency Goal



Impact of Block 4: Energy Efficiency on Georgia Assuming No Heat Rate Improvement or Additional Renewable Energy



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Responses to the CPP

- Coal Plant Retirements
- Renewable Resource Announcements
- Technology

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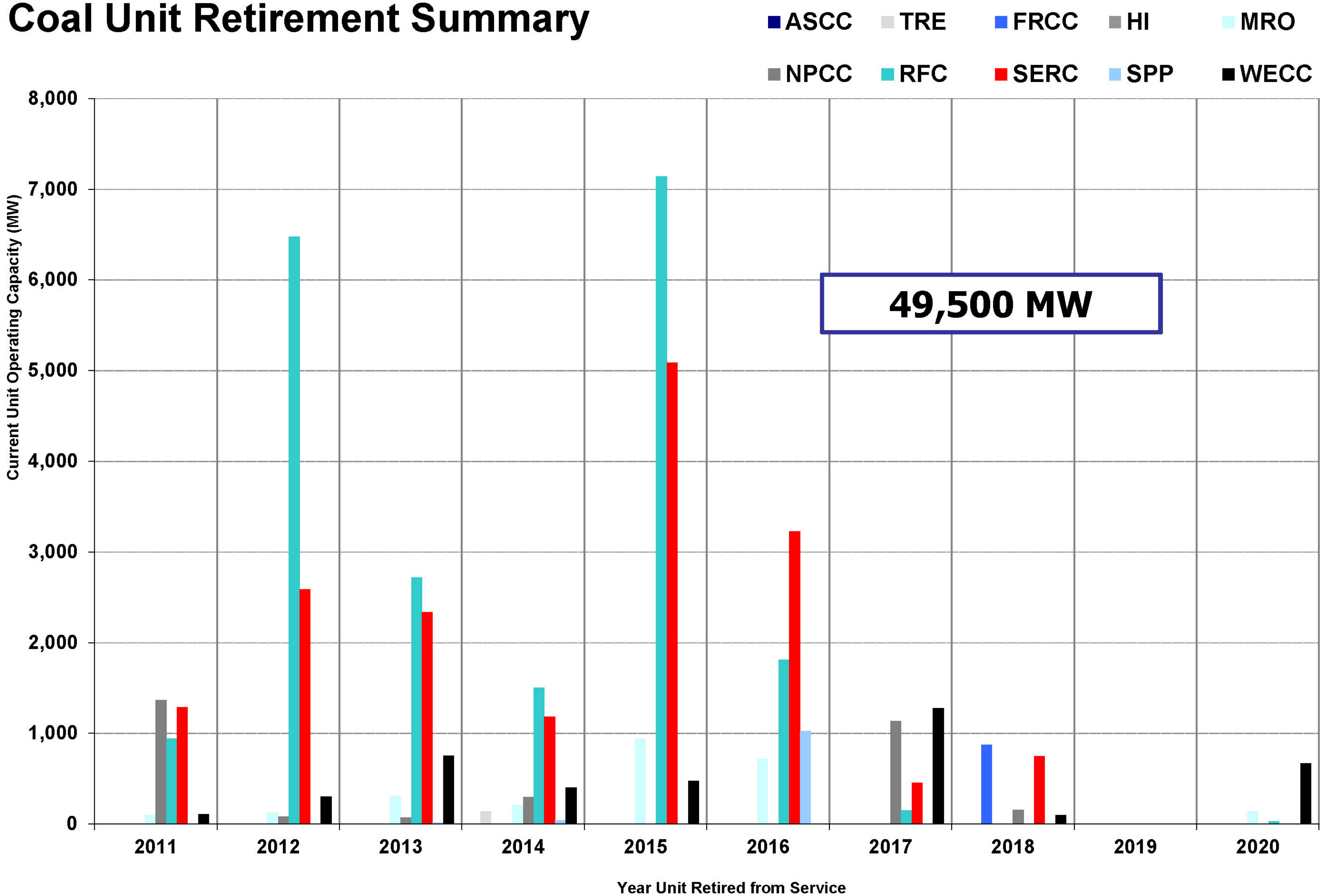
Coal Unit Retirement Summary



Source: SNL Financial.

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Renewable Project Announcements
National (MW)

56,068

155,543

2,060

 Source: SNL Financial.

Renewable Project Announcements
Southern Company (MW)

1,164

785

498

Source: SNL Financial (Includes New PPAs).

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Southern Company
Operating Renewable Resources

Type	MW
Biomass	1,570
Solar	94
Wind	250
Wind PPAs	400

Source: SNL Financial.

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Extra

Friday, May 29, 2015 7:55 AM CT Extra

Technology, not politics, to solve climate change, says former Obama official

By Sean Sullivan

The world needs more natural gas even with the climate change complications, said a former official of the Clinton and Obama administrations.

Countries around the world are stepping up to fight climate change, said David Goldwyn, president of consulting firm Goldwyn Global Strategies LLC. But even with these agreements, he said, the world will be nowhere near the 2-degrees-Celsius warming limit scientists agree should not be exceeded. He noted that experts think the limit could not be met without a global economic shock.

"In the end, technology is going to solve this problem, not politics," Goldwyn said at a May 27 British-American Business Association presentation on the global energy landscape at the Washington, D.C., offices of Sutherland Asbill & Brennan LLP.

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Next Step: EPA to Publish Revised Rule In August 2015

- Extended Compliance Timelines
- Reliability Triggers?
- Nuclear Under Construction?
- Out-of-State RECs?

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Arkansas Formula Rate Plan

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Arkansas Formula Rate Plan

- Act 725 FRP Requirements
- Why was FRP legislation enacted
- How does it work?
- Filing procedures
- Entergy Arkansas's proposal

Act 725 FRP Legislation

A Formula Rate Plan (FRP) Rider reviews a company's actual and forecast earnings to determine whether a surplus or deficit exists based on a bandwidth around its allowed ROE and if so whether rates should be adjusted.

In addition, it allows for a true up between historical and projected earnings for the same year.

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Why Was Act 725 Enacted?

Per the Arkansas Legislature in Act 725:

“[To] establish a regulatory framework that implements rate reforms to provide just and reasonable rates to consumers in the state and enables public utilities in the state to provide reliable service while maintaining stable rates.”

How Does it Work?

- Use a forward or test year period;
- Commission will determine what information is needed when utility files Rider FRP proposal.
- Term of up to 5 years;
- Total revenue increase/decrease cannot exceed +/-4% of current rates.
- Target rate of return (TRR) – established in utility's latest base rate case, used throughout term of FRP;
- Earnings bandwidth of +/- 50 basis points around TRR; if earned rate of return (ERR) is above or below TRR bandwidth then adjusted to equal TRR.

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How Does it Work?

- Annual true up between projected and historical earnings (netting of revenues) if using projected test year;
- Sum of ROE band rate adjustment (if any) and net of historical and actual revenues determines total rate adjustment;
- May be in effect for 5 years – after term ends, Commission may extend for an additional 5 years.

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Procedures

First filing at least 150 days after order on base rate case and not more than 180 days before the FRP mechanism goes into effect;

Intervenors have up to 90 days before mechanism goes into effect to review filing, submit RFI's and submit recommendations or objections to Commission.

The utility must submit to the Commission any corrections or objections no less than 75 days prior to the effective date of the FRP mechanism;

The Commission shall conduct a hearing (unless waived by the parties and the utility) at least 50 days before the effective date of the FRP mechanism;

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Procedures

The Commission shall issue a final order at least 20 days before the effective date of the mechanism. If the final order is not issued at least 20 days prior to the effective date then the utility may put the proposed FRP mechanism changes into effect subject to refund;

Subsequent filings at least 365 days after prior FRP filing.

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Entergy's Proposal

- Requesting a 10.2% ROE in current base rate case – used as TRR for FRP;
- Uses a forward test year period;
- Will file on July 2016 for January 2017 FRP;
- Staff and Intervenors have 60 days to respond;
- 15 day response time to RFI's; and
- Does not specify prudence review.

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Issues

- Minimum filing requirements (to be determined by Commission).
- Prudency reviews;
- Riders-EAI receives about 40% of its revenues through rate riders; some riders fall within or outside of FRP;
- Effect of FRP mechanism on utility's risk;
- Deferrals-is the utility allowed to defer costs to a regulatory asset that fall outside of the revenue bandwidth (+/- 4%) and collect over time?
- RFI response time.

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Recommendations

- Exclude certain riders-rate increase/decrease for riders not included in +/- 4% bandwidth; doesn't affect revenues so total rates can increase by more than 4% per year;
- EAI could implement new rates in February 2017 thereby giving parties adequate time to review proposal (up to 90 days as stated in Act) EAI proposes 60 days;
- Length of RFI time – Entergy proposes 15 days, limits parties ability to thoroughly review proposal, shorten response time to 5 days;
- Minimum filing requirements – suggest workshop with parties and utilities to determine minimum filing requirements
- Include provision for prudency review in language in tariff; and
- Disallow deferral mechanisms.

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Industrial Energy Consumers of America (IECA)

The Voice of the Industrial Energy Consumers

Market Update

Jeffry Pollock

NOVEMBER 8, 2017

As Proposed by the Project Sponsors