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

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

REBUTTAL TESTIMONY

OF

RYAN M. DUMAS

ON BEHALF OF

ENTERGY TEXAS, INC.

NOVEMBER 2022

ENTERGY TEXAS, INC.
REBUTTAL TESTIMONY OF RYAN M. DUMAS
SOAH DOCKET NO. 473-22-04394
PUC DOCKET NO. 53719

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EXHIBIT

Exhibit RMD-R-1	ESL Rate Case Expenses by Class: Internal Payroll and Associated Loaders
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1 **I. INTRODUCTION**

2 Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Ryan M. Dumas. My business address is 639 Loyola Avenue,
4 New Orleans, Louisiana 70113.

5
6 Q2. ARE YOU THE SAME RYAN M. DUMAS THAT FILED DIRECT
7 TESTIMONY IN THIS DOCKET?

8 A. Yes. I submitted Direct Testimony with Entergy Texas, Inc.'s ("ETI" or the
9 "Company") application filed in this docket on July 1, 2022.

10
11 Q3. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

12 A. I am employed by Entergy Services, LLC ("ESL") as Manager of Affiliate
13 Accounting and Allocations.

14
15 Q4. ON WHOSE BEHALF ARE YOU FILING THIS REBUTTAL TESTIMONY?

16 A. I am filing this Rebuttal Testimony on behalf of ETI.

17
18 Q5. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

19 A. The purpose of my Rebuttal Testimony is to address arguments made by Public
20 Utility Commission of Texas Staff ("Staff") witness Ruth Stark regarding ETI's
21 requested internal rate case expenses, specifically her arguments regarding internal

1 payroll and associated loaders for ETI’s 2019 Fuel Reconciliation¹ and the instant
2 proceeding.² For purposes of convenience, I will refer to these expenses herein as
3 “ESL Rate Case Expenses.” ETI witness Richard E. Lain addresses the remainder
4 of Ms. Stark’s testimony regarding internal rate case expenses in his Rebuttal
5 Testimony in this proceeding. ETI witness Meghan E. Griffiths addresses
6 Ms. Stark’s recommendation regarding the Company’s external rate case expenses.

7

8 Q6. WHAT EXHIBITS ARE YOU INCLUDING AS PART OF YOUR REBUTTAL
9 TESTIMONY?

10 A. The exhibits that I am including as part of my Rebuttal Testimony appear in the list
11 following the Table of Contents.

12

13 **II. RESPONSE TO STAFF WITNESS RUTH STARK REGARDING ESL**
14 **RATE CASE EXPENSES**

15 Q7. PLEASE DESCRIBE ETI’S REQUEST TO RECOVER ITS ESL RATE CASE
16 EXPENSES.

17 A. As discussed in Mr. Lain’s Direct Testimony, ESL provided valuable incremental
18 services to ETI in preparing and litigating both this rate case and the Company’s
19 2019 Fuel Reconciliation. There were 23 ESL witnesses who filed Direct
20 Testimony in support of ETI’s application in this case. In addition, those witnesses

¹ *Application of Entergy Texas, Inc. for Approval to Reconcile Fuel and Purchased Power Costs*, Docket No. 49916, Order (Aug. 27, 2020). (“2019 Fuel Reconciliation” or “Docket No. 49916”).

² Direct Testimony of Ruth Stark at Section IV.B.1. (“Stark Direct”).

1 along with other ESL personnel assisted in the preparation of testimony, schedules,
2 and supporting workpapers necessary in filing the application and schedules and in
3 responding to discovery.

4 Similarly, in the 2019 Fuel Reconciliation, ESL witnesses filed Direct
5 Testimony and Rebuttal Testimony in support of ETI's application. Just as with
6 the rate case, those witnesses along with other ESL personnel assisted in the
7 preparation of testimony, schedules, and supporting workpapers necessary in filing
8 the application and schedules and in responding to discovery.

9 In total, ETI requested to recover \$2,523,340 of ESL Rate Case Expenses
10 for Docket Nos. 49916 (the 2019 Fuel Reconciliation) and 53719 (the instant
11 proceeding) through August 31, 2022. Upon further review of Staff witness Stark's
12 Direct Testimony, ETI is requesting to reduce this amount by \$2,018 to \$2,521,322
13 through August 31, 2022.³

14

15 Q8. WERE THE ESL RATE CASE EXPENSES REASONABLE AND
16 NECESSARY?

17 A. Yes. It was necessary to have ESL witnesses testify on a range of topics in both
18 the rate case and the 2019 Fuel Reconciliation. It was also necessary to have ESL
19 witnesses and personnel assist in the preparation of the Direct Testimony,
20 application, rate filing package, and schedules, participate in discovery, in

³ Rebuttal Testimony of Richard E. Lain at 5-6 ("Lain Rebuttal").

1 preparing and filing of Rebuttal Testimony, and in settlement negotiations, among
2 other tasks.

3 As described by Mr. Lain in his Direct Testimony and Supplemental Direct
4 Testimony, all of the ESL Rate Case Expenses associated with the 2019 Fuel
5 Reconciliation and this proceeding were captured in Project Codes F3PPTXFRCT
6 and F3PPTRCT22,⁴ respectively, and were directly billed to ETI through billing
7 method DIRECTTX, a direct billing method. It is my understanding that the
8 Commission prefers direct billing over billing methods that involve the allocation
9 of costs. Billing method DIRECTTX was appropriate because the time spent and
10 costs incurred relating to the 2019 Fuel Reconciliation and the instant docket were
11 exclusively for the benefit of ETI. By billing all costs to Project Codes
12 F3PPTRCT22 and F3PPTXFRCT and not requesting recovery of such costs
13 through base rates, the Company ensured that there is no double recovery⁵ and that
14 no other Entergy Operating Company⁶ was billed for an employee's work on ETI's
15 rate case. The Company's processes and practices regarding billing, budgeting,
16 cost control, compensation, and benefits are described in Mr. Lain's Direct
17 Testimony, Supplemental Direct Testimony, and Rebuttal Testimony and further
18 detailed in my Direct Testimony in this docket.⁷ In her Direct Testimony in this

⁴ Direct Testimony of Richard E. Lain at 26-27 ("Lain Direct"); Supplemental Direct Testimony of Richard E. Lain at 5-7 ("Lain Supplemental Direct").

⁵ Lain Direct at 26.

⁶ The five Entergy Operating Companies are Entergy Arkansas, LLC; Entergy Louisiana, LLC; Entergy Mississippi, LLC, Entergy New Orleans, LLC, and ETI. Each of these affiliates is a separate legal entity.

⁷ Lain Direct at 27-28; *See also* Direct Testimony of Ryan M. Dumas ("Dumas Direct").

1 docket, ETI witness Jennifer Raeder supported the reasonableness and necessity of
2 the compensation and benefits paid to ESL employees as well as the Test Year
3 O&M for the Human Resources affiliate class. In addition to Ms. Raeder and
4 myself, there are 21 witnesses in this proceeding that explained how the budgeting
5 and cost control processes work within their respective business units.

6 These processes and practices ensure that the requested affiliate ESL Rate
7 Case Expenses are reasonable and necessary for each class of items, represent the
8 actual costs of the services, do not include the charges for duplicative services or
9 expenses, and are no higher than the prices charged to other affiliates or non-
10 affiliates for the same or similar services. Also, the Company carefully reviewed
11 the requested rate case expenses to ensure that only appropriate charges were
12 included in its request, removing items historically disallowed by the Commission.

13

14 Q9. WHAT BASIS DO YOU HAVE TO INFORM YOUR UNDERSTANDING
15 THAT THE COMMISSION PREFERS DIRECT BILLING?

16 A. First, in Docket No. 39896, ETI's fully-litigated rate case decided in 2012, the
17 Commission included an express finding in the discussion in the Order that "[t]he
18 Commission has previously expressed its preference for direct assignment of
19 affiliate expenses," and included Finding of Fact No. 163:

20 163. ESI follows a number of processes to ensure that affiliate
21 charges are reasonable and necessary and that ETI and its affiliates
22 are charged the same rate for similar services. These processes
23 include: (a) the use of service agreements⁸ to define the level of

⁸ See Dumas Direct, Exhibit RMD-4A, ETI_SVC Agreement.

1 service required and the cost of those services; (b) *direct billing of*
2 *affiliate expenses where possible*; (c) reasonable allocation
3 methodologies for costs that cannot be directly billed; (d) budgeting
4 processes and controls to provide budgeted costs that are reasonable
5 and necessary to ensure appropriate levels of service to its
6 customers; and (e) oversight controls by ETI's Affiliate Accounting
7 and Allocations Department.⁹

8 In Docket No. 14965,¹⁰ a litigated rate case for Central Power and Light
9 Company decided by the Commission in 1997, the Commission noted in detail the
10 reason for its preference for direct billing in Conclusion of Law No. 29:

11 29. When the costs of affiliate services are allocated between a
12 utility and other entities that benefited from those services, the
13 allocated amount must reasonably approximate the actual cost of
14 service to the utility. *However, direct-billed services are preferable*
15 *to allocated expenses for purposes of meeting the PURA §2.208(b)*
16 *burden of proof.*¹¹
17

18 Q10. HAS ETI MET ITS BURDEN UNDER PURA § 36.058 WITH RESPECT TO ITS
19 ESL RATE CASE EXPENSES FOR THE RATE CASE?

20 A. Yes. In his Direct Testimony and Supplemental Direct Testimony in the instant
21 proceeding, Mr. Lain testified that the ESL Rate Case Expenses for Docket
22 Nos. 53719 and 49916 were consistent with the Commission's affiliate rules.
23 Specifically, Mr. Lain testified that the ESL Rate Case Expenses are reasonable and

⁹ *Application of Entergy Texas, Inc. for Authority to Change Rates, Reconcile Fuel Costs, and Obtain Deferred Accounting Treatment*, Docket No. 39896, Order on Rehearing at 8, 28 Finding of Fact No. 163 (Nov. 2, 2012), citing *Application of Central Power and Light Company for Authority to Change Rates*, Docket No. 14965, Second Order on Rehearing at 87, COL 29 (Oct. 16, 1997) (emphasis added).

¹⁰ *Application of Central Power and Light Company for Authority to Change Rates*, Docket No. 14965, Second Order on Rehearing at 87, COL 29 (Oct. 16, 1997).

¹¹ Docket No. 14965, Second Order on Rehearing at 86, Conclusion of Law No. 29 (emphasis added).

1 necessary, represent the actual costs of the services, do not include prohibited
2 expenses, do not include charges for duplicative services or expenses, and (with
3 respect to expenses billed by ESL) are no higher than the prices charged to other
4 affiliates, or to non-affiliates, for the same or similar services.¹² Mr. Lain reviewed
5 the expenses “to ensure that the internal rate case expenses were reasonable,
6 necessary, and in compliance with PURA § 36.058 and the rate case expense
7 rule.”¹³ Mr. Lain also provided testimony about the specific procedure he used for
8 reviewing the actual rate case expenses.¹⁴ As more specifically set out below, I
9 affirm the Direct Testimony and Supplemental Direct Testimony provided by
10 Mr. Lain regarding ETI’s compliance with PURA § 36.058 for ESL Rate Case
11 Expenses for the 2019 Fuel Reconciliation and the instant proceeding.

12

13 Q11. ON PAGE 25 OF HER TESTIMONY, MS. STARK CLAIMS THAT ETI HAS
14 NOT DEMONSTRATED THAT THE INTERNAL PAYROLL AND
15 ASSOCIATED LOADERS REQUESTED AS RATE CASE EXPENSES ARE
16 DIFFERENT FROM THE SAME TYPES OF COSTS FOR OTHER UTILITIES
17 IN TEXAS THAT USE THE SERVICES OF AFFILIATE SERVICE

¹² Lain Direct at 28, 33, 40; Lain Supplemental Direct at 6.

¹³ Lain Direct at 26-27.

¹⁴ Lain Direct at 27-30.

1 COMPANIES IN THE PREPARATION AND FILING OF RATE CASES. DO
2 YOU AGREE THAT IS REQUIRED?

3 A. No, I do not. First, there is not a requirement that ETI request recovery of its ESL
4 Rate Case Expenses in the same manner as other utilities in Texas. As such,
5 Ms. Stark does not establish that these costs are not recoverable under the
6 Commission's standards. Second, because ETI identifies and tracks all of the time
7 and expenses associated with the rate case and has not included those costs in the
8 Test Year, ETI's Test Year is more reflective and representative of a typical non-
9 rate case year. ETI is arguably more precise in its identification and presentation of
10 rate case expenses. Accordingly, ETI should not be penalized for presenting its
11 rate case expenses differently than other utilities.

12

13 Q12. HAS THE COMMISSION EVER PERMITTED ETI TO RECOVER AS RATE
14 CASE EXPENSES ESL'S RATE CASE EXPENSES?

15 A. Yes. As admitted by Ms. Stark,¹⁵ the Commission approved ETI's rate case
16 expenses that included those expenses in Docket No. 41791.¹⁶ Even though the
17 Commission adopted a settlement in that proceeding, the Commission does not
18 adopt settlements that are in contravention of PURA. In Docket No. 40295,¹⁷ the

¹⁵ Stark Direct at 25-26.

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

¹⁷ *Application of Entergy Texas, Inc. for Rate Case Expenses Pertaining to PUC Docket No. 39896*, Docket No. 40295, Order (May 21, 2013).

1 Commission allowed recovery of ETI's ESL Rate Case Expenses in a fully
2 contested proceeding, except for depreciation, which I will discuss next, and other
3 adjustments for reasons that are not relevant to Ms. Stark's arguments on this
4 issue.¹⁸

5
6 Q13. DO YOU AGREE WITH MS. STARK'S ASSESSMENT OF THE PRECEDENT
7 REGARDING ALLOWANCE OF DEPRECIATION EXPENSE AS A RATE
8 CASE EXPENSE SET OUT ON PAGES 26-27 OF HER TESTIMONY?

9 A. No. While I am not a lawyer, Ms. Stark appears to conflate a case that concerned
10 whether ETI met its evidentiary burden of proof with a precedent establishing a rule
11 regarding recovery of depreciation expense. Contrary to Ms. Stark's contention
12 that "the Court has already addressed why affiliate depreciation expense should be
13 excluded from recovery as a rate-case expense . . .," the decision of the Third Court
14 of Appeals states that it was only reviewing whether the Commission's
15 determination on the issue of depreciation expense that ETI did not meet its burden
16 of proof was valid.¹⁹ Ms. Stark quotes from the case at length regarding what "the
17 Commission *could have found*" lacking in ETI's proof in that case, but the court

¹⁸ Docket No. 40295, Order at 5-6.

¹⁹ See Stark Direct at 27 (arguing that the court's decision explained the evidence necessary for inclusion and has addressed why such expense should be excluded from recovery); but see *Entergy Texas, Inc. v. Pub. Util. Comm'n of Tex.*, No. 03-14-00706-CV, 2016 WL1179085, *8 (Tex. App.—Austin Mar. 24, 2016) (concluding on the record, the decision was whether there was a valid legal basis on the ground of legal insufficiency for Commission to disallow depreciation-expense).

1 also expressly states that “the Commission did not state exactly how Entergy did
2 not meet its burden.”²⁰

3 Importantly, here, ETI has met its burden supporting the reasonableness and
4 necessity of its depreciation expense included in its request. The depreciation
5 expense associated with ESL employees is a necessary cost of supporting any
6 project. ESL employees utilize office equipment and space in order to complete
7 their tasks. The depreciation expense loaded on each Project Code is based on
8 where ESL employees have charged their time. That method ensures the expense
9 that ESL incurs is appropriately billed to the companies where support was
10 provided and prevents subsidization of other Entergy companies.

11

12 Q14. IS ETI REQUIRED TO INCLUDE AN ENTIRE AFFILIATE CASE TO
13 SUPPORT AFFILIATE EXPENSES THAT ARE SEVERED FROM A RATE
14 CASE?

15 A. No. The Commission has previously allowed ETI to recover its affiliate rate case
16 expenses without requiring ETI to relitigate its entire affiliate case. Requiring ETI
17 to duplicate efforts and relitigate its affiliate case would be a labor-intensive process
18 and has been specifically cited by Commission Staff as something that is not
19 necessary. In Docket No. 42370,²¹ Commission Staff argued:

20 [When Southwestern Electric Power Company (“SWEPCO”)] filed
21 its base rate case in Docket No. 40443, SWEPCO requested rate case

²⁰ *Id.*

²¹ *Application of Southwestern Electric Power Company for Rate Case Expenses Severed from PUC Docket No. 40443, Docket No. 42370, Order (June 24, 2015).*

1 expenses and provided the direct testimony of two expert witnesses.
2 The request for rate case expenses included all of the expenses
3 requested in this docket that had been incurred at that time. The
4 parties agreed to sever the rate case expenses to be considered in a
5 separate proceeding. . . . Furthermore, it is unprecedented to need
6 the testimony of four . . . witnesses to support a simple rate case
7 expense docket. Staff is not familiar with any other rate case expense
8 dockets that required such extensive direct testimony. While the
9 voluminous supporting documentation is certainly appropriate to
10 validate and justify expenses, there is very little in the way of
11 testimony necessary to support lists of expenses.”²²
12

13 In that same motion to support its argument captured above, Commission
14 Staff cited to the fact that ETI had filed the testimony of “two witnesses, Michael
15 P. Considine and Stephen F. Morris, to support \$8,752,545 of rate case
16 expenses . . .”.²³ Finally, requiring a utility to relitigate its entire affiliate case
17 whether within the rate case or in a severed case would increase expenses borne by
18 ETI and ultimately ETI’s customers.

19 In this proceeding, Mr. Lain provided detailed testimony stating that the
20 costs billed by ESL in connection with this proceeding comply with the affiliate
21 transactions standard. Specifically, Mr. Lain testified that he had:

22 [R]eviewed the expenses billed by ESL, and they are both
23 reasonable and necessary to this rate case. In addition, ESL’s billing
24 methodology ensures that it does not charge a higher unit cost to ETI
25 than to other affiliates for the same or similar items and services.
26 Specifically, ESL bills its services to regulated companies at cost

²² *Application of Southwestern Electric Power Company for Rate Case Expenses Severed from PUC Docket No. 40443, Docket No. 42370, Commission Staff’s Motion to Strike the Direct Testimonies of SWEPCO Witnesses Broad, Hamlett, Bennett, and Jackson at 3-4 (Nov. 13, 2014) (internal citations omitted).*

²³ *Application of Southwestern Electric Power Company for Rate Case Expenses Severed from PUC Docket No. 40443, Docket No. 42370, Commission Staff’s Motion to Strike the Direct Testimonies of SWEPCO Witnesses Broad, Hamlett, Bennett, and Jackson at 4, footnote 14 (Nov. 13, 2014).*

1 with no profit added. Since ESL directly billed ETI for costs related
2 to this case and ESL charges no more than actual costs for services
3 provided to regulated companies, the price charged to ETI
4 represented the actual cost. For a more detailed explanation of
5 ESL's billing process, including the controls associated with
6 affiliate billings, please refer to Mr. Dumas's Direct Testimony.
7 Out-of-pocket expenses that ESL incurred while working on the rate
8 case are charged at actual cost.²⁴
9

10 Q15. BASED ON THE ABOVE, IS IT REASONABLE TO EXPECT A UTILITY TO
11 INCLUDE AN ENTIRE AFFILIATE CASE TO SUPPORT A RATE CASE
12 EXPENSE REQUEST WITHIN A RATE CASE?

13 A. No.

14

15 Q16. HAS ETI MADE AN "IMPERMISSIBLE LEAP" REGARDING MEETING ITS
16 AFFILIATE CASE REQUIREMENTS FOR ITS ESL RATE CASE EXPENSES
17 AS CLAIMED BY MS. STARK ON PAGE 28 OF HER DIRECT TESTIMONY?

18 A. No. The impermissible leap that Ms. Stark is referencing is a situation where a
19 utility attempts to argue that simply because it may recover an expense as a payment
20 to an affiliate as an expense or cost of service in a ratemaking proceeding that the
21 utility is automatically entitled to recover that same type of expense as a rate case
22 expense.²⁵ ETI has not made such an assumption here. What is clear from the
23 context of the point Ms. Stark references is that the Commission reviews the

²⁴ Lain Direct at 32-33.

²⁵ Stark Direct at 28-29 (citing *Entergy Texas, Inc.*, 2016 WL1179085, at *8; *Port Neches v. Railroad Comm'n of Tex.*, 212 S.W.3d 565, 581 (Tex. App.—Austin 20016, no pet.)).

1 supporting evidence offered by the utility in support of its affiliate case and the rate
2 case expense.²⁶

3 As noted above, Mr. Lain provided the necessary testimony regarding
4 proving up ETI's affiliate case for its requested rate case expenses, including
5 testifying to how ETI has met the requirements of PURA § 36.058. Mr. Lain
6 merely referenced my Direct Testimony in order to explain how the affiliate billing
7 process works. As noted above, this is sufficient as ETI is not required to relitigate
8 its entire affiliate case for purposes of proving up its ESL Rate Case Expenses.
9 However, in an abundance of caution, I provide this testimony a second time for
10 the Company here:

11 The ESL Rate Case Expenses for which recovery is requested for the instant
12 proceeding are in compliance with PURA § 36.058. Specifically, they are:
13 necessary and reasonable, represent the actual costs of the services, do not include
14 prohibited expenses, do not include charges for duplicative services or expenses,
15 and (with respect to expenses billed by ESL) are no higher than the prices charged
16 to other affiliates, or to non-affiliates, for the same or similar services.

²⁶ *Id.* (citing *Port Neches*, 212 S.W.3d at 581-52).

1 Q17. HOW DOES ETI ENSURE THAT THE PRICE CHARGED BY ESL IS NO
2 HIGHER THAN THE SAME ITEM OR CLASS OF ITEMS TO OTHER
3 AFFILIATES?

4 A. As Mr. Lain testified, ESL bills its services to regulated companies, including ETI,
5 at cost, with no profit added.²⁷ Because ESL directly billed ETI for costs related to
6 the 2019 Fuel Reconciliation and the instant proceeding and ESL charges no more
7 than actual costs for services to regulated companies, the price charged to ETI
8 represented the actual costs and was no higher than the price charged to other
9 affiliates.

10

11 Q18. HAS ANY PARTY CONTESTED ETI'S AFFILIATE PROCESSES OR
12 CONTROLS IN THIS PROCEEDING, INCLUDING COMMISSION STAFF?

13 A. No. It is my understanding that no party contested ETI's testimony regarding its
14 affiliate processes or controls.

15

16 Q19. IN THE 2019 FUEL RECONCILIATION, DID THE COMMISSION RULE
17 THAT ETI MET ITS BURDEN UNDER PURA § 36.058 WITH RESPECT TO
18 ITS AFFILIATE PAYMENTS?

19 A. Yes. The final order in Docket No. 49916 contained the following Conclusion of
20 Law No. 10: "Entergy Texas's payments to its affiliates were made in accordance

²⁷ Lain Direct at 33, 40.

1 with 16 TAC § 25.236(a)(1) and complied with the requirements of PURA
2 § 36.058.” It also included the following Findings of Fact:

3 52. The affiliate costs include in the costs reconciled by this
4 Order are reasonable and necessary.

5
6 53. To the extent that affiliate costs are included in the costs
7 reconciled by this Order, the price charged to Entergy Texas is not
8 higher than the prices charged by the supplying affiliate for the same
9 item or class of items to its other affiliates or divisions or to a non-
10 affiliated person within the same market area or having the same
11 market conditions.²⁸

12
13 Furthermore, Mr. Lain provided the necessary testimony regarding proving
14 up ETI’s affiliate case for its requested rate case expenses for the 2019 Fuel
15 Reconciliation, including testifying to how ETI has met the requirements of PURA
16 § 36.058. Mr. Lain merely referenced my Direct Testimony in order to explain how
17 the affiliate billing process works. As noted above, this is sufficient as ETI is not
18 required to relitigate its entire affiliate case for purposes of proving up its ESL Rate
19 Case Expenses. However, in an abundance of caution, I provide this testimony a
20 second time for the Company here:

21 The ESL Rate Case Expenses for which recovery is requested for the 2019
22 Fuel Reconciliation are in compliance with PURA § 36.058. Specifically, they are:
23 necessary and reasonable, represent the actual costs of the services, do not include
24 prohibited expenses, do not include charges for duplicative services or expenses,
25 and (with respect to expenses billed by ESL) are no higher than the prices charged
26 to other affiliates, or to non-affiliates, for the same or similar services.

²⁸ Docket No. 49916, Order at 8-9, 11.

1 Q20. WERE THE ESL RATE CASE EXPENSES CHARGED TO ETI FOR DOCKET
2 THE 2019 FUEL RECONCILIATION BILLED USING THE SAME METHODS
3 AS USED FOR THE AFFILIATE COSTS INCLUDED AS PART OF THE FUEL
4 RECONCILIATION IN THAT CASE?

5 A. Yes.

6

7 Q21. ON PAGES 28-29 OF HER TESTIMONY, MS. STARK TAKES ISSUE WITH
8 THE PAYROLL LOADERS RELATIVE TO THE TEST YEAR LEVEL
9 LOADERS. HOW DO YOU RESPOND?

10 A. The payroll loaders (at the level requested) reflect ESL's cost of providing services
11 to ETI and its other regulated affiliates. There is no reasonable basis for a
12 disallowance. As noted in Ms. Stark's Exhibit RS-9, which is ETI's response to
13 Staff RFI 7-13, the methodologies used to calculate the factors were the same as
14 were applied during the 2021 Test Year. The allocation factors will differ as a
15 result of changes in components used in the calculations over time. Ms. Stark
16 argues that ETI has not shown the reasonableness of those changed components
17 and that what is considered a reasonable method of calculating the allocation factors
18 during the Test Year might not be considered reasonable for a subsequent time
19 period. ETI provided detailed calculations for each Service Company Recipient
20 Loader and each Payroll loader (including payroll taxes, employee benefits, post-
21 employment benefits, stock options, incentive compensation, and paid time-off),

1 the costs of which generally vary from time period to time period by month for the
2 ESL Rate Case Expenses requested.²⁹

3 Nonetheless, in the event the Commission is persuaded by Ms. Stark's
4 remark regarding the increase in the level of the loaders in 2022 as compared to the
5 Test Year, then PURA § 36.058(f) dictates that the Commission determine the
6 reasonable level of the expense and include it in the utility's cost of service. If the
7 Commission finds that the 2022 loaders are not reasonable, then, to establish the
8 reasonable level, the test year loader level could be applied to the Company's
9 internal payroll costs for purposes of this proceeding. However, given that these
10 payroll loaders (at the level requested) reflect ESL's cost of providing services to
11 ETI and its other regulated affiliates, there is no reasonable basis for a disallowance.

12

13 Q22. HAS ETI MET ITS BURDEN TO SHOW THAT ITS ESL RATE CASE
14 EXPENSES MEET THE REQUIREMENTS OF 16 TEX. ADMIN. CODE
15 ("TAC") 25.245?

16 A. Yes. As stated by Mr. Lain in his Direct Testimony and Supplemental Direct
17 Testimony in this proceeding, he considered all of the factors listed in the
18 Commission's rate case expense rule, 16 TAC § 25.245.³⁰

²⁹ Lain Supplemental Direct, Exhibit REL-SD1-5, as of August 31, 2022.

³⁰ Lain Direct at 28-42.

1 Q23. ON PAGES 30-33 OF HER DIRECT TESTIMONY, MS. STARK ATTEMPTS
2 TO ARGUE THAT IT WOULD BE UNREASONABLE TO ALLOW ETI TO
3 RECOVER THE EXPENSES CHARGED TO A SPECIFIC PROJECT CODE AS
4 RATE CASE EXPENSES. DO YOU AGREE?

5 A. No, not at all. In fact, the best way to ensure that a utility is recovering its rate case
6 expenses properly is via using the single Project Code method and direct billing
7 method, which is preferred by the Commission for internal rate case expenses as I
8 noted above. Ms. Stark uses a claim that the decrease in overall affiliate costs to
9 ETI from ESL from 2017 to 2018 was driven by the 2018 rate case. She points to
10 the Annual Report of Affiliate Activities as support for her claim. That report does
11 not factor in costs that are removed from affiliate expenses for purposes of rate
12 recovery, such as aircraft and capital expenditures. The Annual Report referred to
13 by Ms. Stark includes *all* ESL costs billed to ETI for the calendar year, including
14 both non-payroll related costs and capital related expenditures. The \$1.9 million
15 increase in labor charges from 2017 to 2018 cited by Ms. Stark in her Direct
16 Testimony were related to specific capital initiatives for which ESL provided
17 support to ETI, such as the Enterprise Asset Management project which began work
18 in 2018. The increase of \$1.9 million in labor does not include the rate-case
19 expense Project Codes. Therefore, Ms. Stark's example is not applicable and does
20 not support her claim.

1 Q24. ON PAGES 34-35, MS. STARK ASSERTS THAT ETI COULD BE DOUBLE-
2 RECOVERING THE POST-TEST YEAR PAYROLL EXPENSES. WHAT IS
3 YOUR RESPONSE?

4 A. First of all, Ms. Stark makes this qualified argument with no evidence to support it.
5 Second, ETI is not double recovering its post-Test Year payroll expenses. The
6 purpose of the specific Project Codes for the rate case and the 2019 Fuel
7 Reconciliation is to ensure that all rate case expenses, including any payroll
8 expenses, are captured in the Project Code that is designated for those proceedings.
9 Any increase to payroll costs would also be captured when tasks are charged to the
10 Project Code after the payroll increases go into effect. By capturing the costs
11 associated with the rate case and the 2019 Fuel Reconciliation via a specific Project
12 Code for each proceeding, the company can easily identify and remove those costs
13 from the base rate calculation.

14

15 Q25. SHOULD THE COMMISSION ADOPT MS. STARK'S RECOMMENDATIONS
16 REGARDING ETI'S ESL RATE CASE EXPENSES SET OUT IN SECTION
17 IV.B.1 OF HER DIRECT TESTIMONY?

18 A. No. Despite Ms. Stark's contention, PURA § 36.058 does not prescribe a specific
19 way in which the evidence must be presented. ETI provided sufficient evidence
20 through its testimony, exhibits, and workpapers to show the ESL Rate Case
21 Expenses for the 2019 Fuel Reconciliation and the instant proceeding for payroll
22 and associated loaders expense are reasonable and necessary and meet the affiliate

1 standard under PURA § 36.058. ETI provided sufficient evidence in support of its
2 affiliate billing processes and practices in this docket and in the 2019 Fuel
3 Reconciliation. Furthermore, ETI has provided sufficient evidence to show that the
4 ESL Rate Case Expenses meet the requirements of the rate case expense rule,
5 16 TAC § 25.245.

6 The Commission has previously deemed ETI's presentation of affiliate
7 costs (including affiliate rate case expenses) to have met the requirements of PURA,
8 and I see no basis for a different conclusion in this instance.

9

10 **III. CONCLUSION**

11 Q26. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

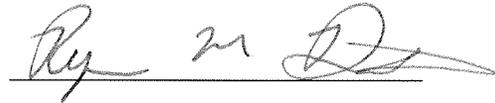
12 A. Yes, at this time.

AFFIDAVIT OF RYAN M. DUMAS

THE STATE OF LOUISIANA)
)
ORLEANS PARISH)

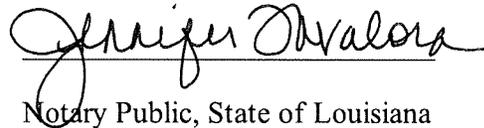
This day, November 15, 2022, the affiant, appeared in person before me, a notary public, who knows the affiant to be the person whose signature appears below. The affiant stated under oath:

My name is Ryan M. Dumas. I am of legal age and a resident of the State of Louisiana. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.



Ryan M. Dumas

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 15th day of November 2022.


Notary Public, State of Louisiana

My Commission expires:
Upon my death

JENNIFER B. FAVALORA
Notary Public (ID# 57639)
Orleans Parish, Louisiana
Commission Issued For Life

See Native Excel file Dumas Rebuttal_ Exhibit RMD-R-1.

The following files are not convertible:

Dumas Rebuttal_Exhibit RMD-R-1.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.