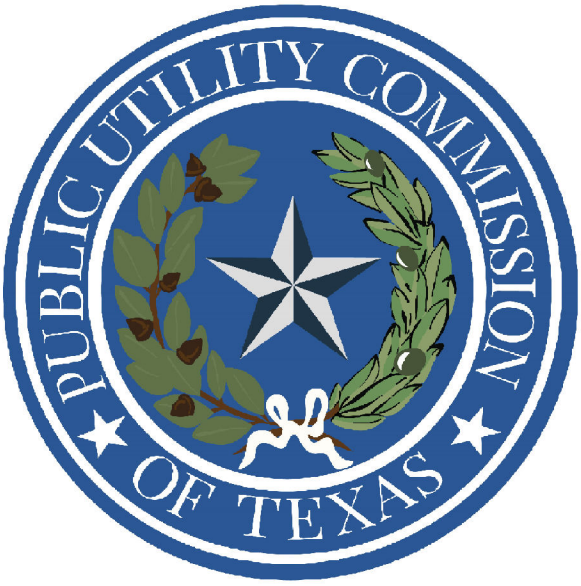

Filing Receipt

Received - 2022-11-16 02:25:53 PM
Control Number - 53719
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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

REBUTTAL TESTIMONY

OF

CRYSTAL K. ELBE

ON BEHALF OF

ENTERGY TEXAS, INC.

NOVEMBER 2022

ENTERGY TEXAS, INC.
REBUTTAL TESTIMONY OF CRYSTAL K. ELBE
SOAH DOCKET NO. 473-22-04394
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EXHIBIT

Exhibit CKE-R-1 Allocation Factor Comparison

I. INTRODUCTION AND PURPOSE

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Crystal K. Elbe. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. ARE YOU THE SAME CRYSTAL K. ELBE WHO FILED DIRECT TESTIMONY IN THIS CASE ON BEHALF OF ENTERGY TEXAS, INC. ("ETI" OR THE "COMPANY")?

A. Yes.

Q3. PLEASE SUMMARIZE THE PURPOSE OF YOUR REBUTTAL TESTIMONY AND RECOMMENDATIONS?

A. The purpose of my rebuttal testimony is to respond to certain Intervenor and Staff ("Staff") of the Public Utility Commission of Texas ("Commission") arguments related to ETI's cost allocation, rate design, and some of ETI's proposed tariff changes. I recommend that the Commission adopt ETI's proposed rate design and external cost allocations, including the use of the average demand loss factor in the calculation of the external cost allocations. In response to certain aspects of Intervenors' and Staff's testimony, I conclude:

- ETI's proposed Residential ("RES") and Small General Service ("SGS") customer charges are appropriate because they are based on the underlying cost to serve those customers (i.e., the Company's Unit Cost Study) and should be

used for setting rates.

- The Company's existing year-end customer, weatherization and annualization adjustments made in the filed case sufficiently adjust the Test Year revenue and sales impacts to reflect the impacts of Winter Storm Uri. ETI's Test Year revenue adjustments reasonably result in an overall representative level of revenues on which the revenue requirement and revenue deficiency are based and require no additional adjustments.
- ETI appropriately used average demand loss factors to calculate the Average and Excess Four Coincident Peak ("AED-4CP") allocation factors used in the Class Cost of Service Study ("CCOS"). The use of the average demand loss factors for this purpose was approved by the Commission in ETI's previous rate cases, including the last two rate case filings.[1] Therefore, the continued use of the average demand loss factors in ETI's calculations is appropriate, provides reasonable and accurate results, and is consistent with the Commission's previous decisions. Unnecessarily modifying the AED-4CP would result in an unwarranted shift of costs between rate classes.
- The distribution demand allocation factors are computed correctly and applied to the CCOS consistent with previous Commission decisions, including the last two rate cases. The Company's application of the distribution demand allocators appropriately considers the summer and winter peaks that occur, as well as weather adjustments. Again, implementing changes to the distribution

[1] ETI 2018 rate case filing, Docket No. 48371 and ETI 2013 rate case filing, Docket No. 41791.

demand allocation factors ignores past Commission precedent and will result in an unwarranted shift of costs between rate classes.

- The Standby and Maintenance ("SMS") Schedule was designed to be a temporary rate, with lower costs than firm service customers. Continuous, extended use of the SMS Schedule for periods longer than the rates were designed results in those customers paying less than the costs that they are causing. Revising the SMS Schedule language as proposed aligns the application and use of the SMS Schedule to its intended purpose.
- The Company does not oppose Walmart's recommended adjustments to the demand and energy charges for the General Service ("GS") and Large General Service ("LGS") rate schedules. However, any adjustments should be made gradually with consideration of impacts to the low load factor customers in these rate classes.
- The Company did not propose a change to the Interruptible Service rate, and there were no arguments made by the other parties to change the rate. The Interruptible Service credit rate should not be reduced or adjusted in this case.

II. RESPONSE TO STAFF

Q4. DOES STAFF AGREE WITH ETI'S PROPOSED ALLOCATION OF REVENUES IN THE CCOS?

A. Yes. It appears that Ethan Blanchard adopted the Company's position that rates should be set on the results of the CCOS. Mr. Blanchard also appears to accept

ETI's external allocation factors in his CCOS model[2] and used the resulting revenue allocation to the rate classes to set rates. The Company made this determination based on the review of Mr. Blanchard's model and exhibits since he does not specifically address changes to the Company's external allocation factors in his direct testimony.[3] Because ETI witness Richard E. Lain co-sponsors ETI's proposed allocation factors (Schedule P-7.1), he also addresses Mr. Blanchard's model and exhibits in his rebuttal testimony.

Q5. DID STAFF RECOMMEND ANY MODIFICATIONS TO THE COMPANY'S PROPOSED RATE DESIGN?

A. Not directly. To clarify, Mr. Blanchard did not make any specific recommendations in his direct testimony regarding the Company's rate design methodology used to develop the components of each rate class's rates. However, in his testimony he describes that he used ETI's proposed revenues for each component of the rate design (i.e., proposed rates) to allocate the Staff's proposed rate class revenue allocation.[4] This method essentially spreads the rate change as compared to ETI's proposal by an equal percentage to each rate design component and does not set the customer charges at the Unit Cost Study. While the Staff's rate design methodology is different than the Company's methodology of using the results

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[2] For the Distribution Demand – Substations, and Primary Lines Distribution Demand areas of ETI's cost of service, Staff's allocation factors are slightly different than those ETI filed, but the Company's analysis points to differences due to rounding as the reason and not a recommended change by Staff.

[3] Direct Testimony of Ethan Blanchard, page 5, lines 19 through 21.

[4] Direct Testimony of Ethan Blanchard, page 6, lines 13 through 19.

from the CCOS Unit Cost Study to calculate the customer charge component of the rate design, it does appear that he accepted the Company's proposed methodology by setting the basis of the Staff's rate design on the Company's proposed rates.

Q6. DOES THE COMPANY AGREE WITH STAFF'S APPROACH TO DEVELOPING RATES?

A. Overall, the methodology that Staff used in the rate design workpapers appears to be reasonable with two exceptions related to the calculations for Large Industrial Power Service ("LIPS") and LGS rates. In reviewing the rate design work papers, the Company noted that Staff inappropriately included the LIPS Interruptible Credit rate in its rate design adjustment. Also, Staff appears to have a formula error in the calculation of the LGS voltage adjustment, which impacts the rates for the LGS rate schedule. For these reasons, I recommend that the Commission use ETI's methodology for rate design. But if the Commission were to adopt the Staff's rate design methodology, the Company does not object if these issues are addressed and that the Customer Charges are set at the Company's Unit Cost Study.

Q7. HOW DOES STAFF'S RECOMMENDED RESIDENTIAL CUSTOMER CHARGE COMPARE TO THE COMPANY'S PROPOSAL?

A. In my direct testimony, the Company recommended a fully-costed Residential Customer Charge of $16.96. The Staff's rate design approach results in a Residential Customer Charge of $16.19, which is very close to the Company's proposed customer charge level.

Q8. WHY DOES THE COMPANY DISAGREE WITH STAFF'S PROPOSED CHANGE TO THE LIPS INTERRUPTIBLE CREDIT RATE?

A. The Company did not propose a change to the LIPS Interruptible Credit rate, but Staff's approach and recommendation reduces the Interruptible Credit rate. It is not clear to the Company whether Mr. Blanchard intended to reduce the Interruptible Credit rate because he does not specifically address this reduction in his direct testimony. It appears that this may have occurred because he applied the same equal percentage reduction as in the other components of the LIPS rate. If the Commission adopts Staff's approach to modifying the rates, then the Commission should direct Staff to not modify the Interruptible Credit rate and to flow through the effects of this change to the remaining components of the LIPS rate design.

III. RESPONSE TO INTERVENORS

A. Walmart Witness Perry

Q9. WHAT POSITION DOES WALMART WITNESS LISA V. PERRY TAKE ON ETI'S COST OF SERVICE AND ETI'S PROPOSED REVENUE ALLOCATION?

A. Walmart witness Lisa V. Perry does not take a position on cost of service and does not oppose ETI's proposed revenue allocation. However, Walmart recommends that if the Commission approves a revenue requirement lower than ETI's request, the Commission should maintain the revenue allocation from the class cost of

service.[5]

Q10. DO YOU AGREE WITH MS. PERRY'S REVENUE ALLOCATION RECOMMENDATION?

A. The Company does not object to this recommendation. ETI's filed revenue allocation to the rate classes reflects the CCOS and comports with Ms. Perry's recommendation.

Q11. DOES WALMART WITNESS MS. PERRY RECOMMEND ANY CHANGES TO ETI'S PROPOSED RATE DESIGNS?

A. Yes. Ms. Perry states that ETI's proposed GS and LGS rate designs collect an excessive amount of fixed demand-related costs through the energy charge, which creates intra-class subsidies. She further states that Walmart does not generally oppose ETI's GS and LGS rate designs but recommends that any changes to the GS and LGS rates be applied to the demand charge and energy charges in a manner that would move those components of the rates closer to the underlying cost of service.[6]

Q12. DO YOU AGREE WITH MS. PERRY'S CHARACTERIZATION THAT ETI IS RECOVERING AN EXCESSIVE AMOUNT OF DEMAND-RELATED COSTS

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[5] Direct Testimony of Lisa V. Perry page 7, lines 1 through 12.

[6] Direct Testimony of Lisa V. Perry pages 8 through 11.

THROUGH THE ENERGY COMPONENTS OF THE GS AND LGS RATE SCHEDULES?

A. No. The Company's rate design proposal was developed using the same structure as previously approved by the Commission in the last rate case, Docket No. 48371, and the Company did not propose to change the structural allocation of cost recovery between the demand and energy components of these rates.

Q13. DO YOU SUPPORT MS. PERRY'S RECOMMENDATION THAT MORE OF THE DEMAND COST COULD BE RECOVERED THROUGH THE DEMAND CHARGE?

A. ETI supports rate design that follows the cost of service. ETI supports a gradual re-alignment of the GS and LGS rates that move the rate design towards cost-based rates as recommended by Ms. Perry. However, any changes that move the demand and energy components towards cost-based rates will most likely increase the bill impacts for low load factor customers, and these impacts should be considered when making changes that increase more of the cost recovery to the demand component and away from the energy component of these rates in an effort to gradually implement more fully-costed rates. The GS rate class, in particular, contains a diverse set of customers, and a significant number of these customers have low load factors, which means that they use a smaller amount of energy compared to their monthly demands. This characteristic makes these customers very sensitive to significant increases to the demand rates because this can result in

significantly higher bills. While ETI is not opposed to Ms. Perry's recommendation, the Company believes that any changes should be made gradually.

B. TIEC[7] Witness Pollock

Q14. DOES TIEC'S WITNESS JEFFRY POLLOCK AGREE WITH ETI'S FILED CLASS COST OF SERVICE AND ALLOCATIONS?

A. Yes, Mr. Pollock states that he agrees that ETI's filed class of cost of service and the external allocation factors comport with accepted industry practices, with two stated exceptions: 1) the Company's allocation of miscellaneous gross receipts taxes; and 2) the demand loss factors that are used by the Company in the development of the AED-4CP allocation factor.[8]

Q15. DOES YOUR REBUTTAL TESTIMONY ADDRESS EACH OF MR. POLLOCK'S EXCEPTIONS TO ETI'S CLASS COST OF SERVICE?

A. No. My testimony addresses only the second issue that Mr. Pollock described related to the demand loss factors used by ETI in the development of the AED-4CP allocation factor. ETI witness Richard E. Lain will address the first issue in his Rebuttal Testimony.

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7 Texas Industrial Energy Consumers ("TIEC").

8 Direct Testimony of Jeffry Pollock, page 5, lines 6 through 23.

Q16. HOW DOES ETI USE DEMAND LOSS FACTORS IN THE DEVELOPMENT OF ITS EXTERNAL ALLOCATION FACTORS?

A. The Company applies demand loss factors to adjust demand, which is metered by rate class at the customer meter level, back to the generation source level. Adjusting the rate class demands to reflect the demands at the generation source level is done to ensure that costs are allocated equitably across all rate classes. This is necessary because ETI's customers take service at different voltage levels (i.e., secondary, primary, and transmission), and each voltage level will incur a different level of loss for delivered kW of demand. For example, the Company incurs more line and transformation losses the further away the customers' service delivery points are from the generation source, which means a secondary customer will incur more losses than a transmission customer. As a result, the Company must generate more kW demand relative to actual delivered kW demand to ensure customers whose loads are at the lower delivery voltages are adequately served. In order to allocate costs equitably, the Company adjusted the various measurements of demand used in the rate case to the generation level by multiplying the demands by the appropriate demand loss factors provided in the direct testimony of ETI witness Khamsune Vongkhamchanh.

Q17. MR. POLLOCK ASSERTS THAT ETI IS USING THE INCORRECT DEMAND LOSS FACTORS IN THE DEVELOPMENT OF THE AED-4CP ALLOCATION FACTOR. HOW DO YOU RESPOND?

A. I disagree. ETI has used the same method for developing the AED-4CP allocation factor in this case as it has done in previous filings, including its last two rate case proceedings. In this case, Mr. Pollock recommends a departure from the method historically used by suggesting ETI should use the demand loss factors only associated with the four summer months as opposed to the annual average demand loss factor that ETI has historically used.[9] His method ignores the precedent approved by the Commission in previous rate case dockets and that these loss factors are calculated in a manner that is consistent with standard industry practices, as described in the direct testimony of Mr. Vongkhamchanh.

Q18. WHAT WOULD BE THE RESULT OF CHANGING THE DEMAND LOSS FACTORS USED IN THE DEVELOPMENT OF THE AED-4CP ALLOCATION FACTORS?

A. It would result in slight changes to the AED-4CP allocation factors shown Table 1 below[10] which would cause an unwarranted shift of costs between rate classes.

Table 1. Increase/(Decrease) in Allocation Factors Proposed by TIEC

[9] Direct Testimony of Jeffry Pollock, page 33, lines 3 through 16.

[10] See also Exhibit CKE-R-1.

LINE NO.	CLASS OF SERVICE	PRODUCTION DEMAND (A&E4CP) KW	PRODUCTION INTERRUPTIBLE (A&E4CP) KW	TRANSMISSION DEMAND (A&E4CP) 230KV AND ABOVE KW	TRANSMISSION DEMAND (A&E4CP) BELOW 230KV KW
(a)	(b)	(d)	(e)	(f)	(g)
15	RESIDENTIAL	0.0592%	0.0582%	0.0592%	0.0485%
16	SMALL GENERAL SERVICE	0.0036%	0.0036%	0.0036%	0.0030%
17	GENERAL SERVICE	0.0216%	0.0211%	0.0216%	0.0179%
18	LARGE GENERAL SERVICE	0.0084%	0.0083%	0.0084%	0.0073%
19	LARGE INDUSTRIAL POWER SERVICE	(0.0916%)	(0.0899%)	(0.0916%)	(0.0752%)
20	LIGHTING	(0.0012%)	(0.0013%)	(0.0012%)	(0.0014%)
21	TOTAL TEXAS RETAIL	100.0000%	100.0000%	100.0000%	100.0000%

Stability in allocation of costs, including how the allocation factors are developed, helps to support stability in rates and in customer bills. As I state above, ETI has consistently used the same methodology in its last two rate cases and does not believe it is necessary to do so now.

Q19. HAS THE TESTIMONY OF MR. POLLOCK PERSUADED THE COMPANY TO CHANGE THE DEMAND LOSS FACTORS USED IN THE DEVELOPMENT OF THE AED-4CP ALLOCATION FACTOR?

A. No. In his Direct Testimony, Mr. Pollock did not provide any compelling reasons to depart from Commission precedent.[11] The Company continues to believe it is appropriate to use the demand loss factors based on the annual average demand loss factors in the development of the AED-4CP allocation factors. The Company's use of a single annual demand loss factor by voltage level provides a reasonable method to estimate line losses for demand factors used in the class cost of service study for all measurements of demands, including the 1CP, 4CP, MDD, and NCP.

[11] For example, see Docket Nos. 48371 and 41791.

Q20. DID MR. POLLOCK DESCRIBE ANY OTHER ISSUES WITH THE COMPANY'S LOSS FACTORS?

A. Yes. He also asserts that the demand loss factors developed by ETI are flawed. ETI witness Vongkhamchanh describes the methodology that he used to create the loss factors in his Direct Testimony and that the loss factors filed by ETI in this case are consistent with industry standards. It is my understanding that the demand and energy loss factors have been developed consistent with, and provide results that are similar to, the previous rate cases, which were approved by the Commission. ETI does not agree that there are issues with the loss factors or that they are flawed.

Q21. ARE THERE ANY OTHER ISSUES THAT MR. POLLOCK RAISES IN HIS TESTIMONY THAT YOU ADDRESS IN REBUTTAL?

A. Yes. Mr. Pollock recommends an additional adjustment to increase ETI's Test Year revenues by $2.3 million and billing determinants by 44,290 megawatt hours for what he describes as the revenues and sales that were lost due to the impacts of Winter Storm Uri. He also disagrees with the Company's proposed changes to the Standby and Maintenance Service Tariff ("SMS"). I respond to the cost elements of the proposed SMS changes, and ETI witness Ryan Magee discusses the remaining SMS issues in his rebuttal testimony.

Q22. DO YOU AGREE WITH THE WINTER STORM URI ADJUSTMENT THAT MR. POLLOCK PROPOSES?

A. No. The adjustment that Mr. Pollock recommends is unnecessary because ETI's Test Year revenues already include adjustments to reflect a representative normal year of kilowatt hour sales and revenues. In particular, the combination of the weather adjustment and year-end customer adjustment that ETI made address the issue that Mr. Pollock raises about the impact of Winter Storm Uri to ETI's revenues included in this case. This is because the combination of these two adjustments modifies the sales to all months in the Test Year based on the number of customers in the last month of the Test Year and removes the impact of weather in each month. Further, in the annualization adjustment for the LGS and LIPS customers, ETI reviewed the usage of these customers to identify and adjust the sales of customers whose sales dropped significantly during the Test Year. The amount of these adjustments can be seen in Schedule O-1.1.

Q23. DO YOU AGREE WITH THE METHODOLOGY USED BY MR. POLLOCK TO DEVELOP HIS PROPOSED $2.3 MILLION INCREASE TO REVENUES?

A. No. First of all, and for the same reason as previously described, Mr. Pollock's adjustment is unnecessary to develop a reasonably representative level of Test Year revenues upon which the revenue requirement and revenue deficiency are based. And, secondly, the calculations that Mr. Pollock developed overstate any potential revenue impact because he includes non-volumetric revenues and rider revenues

that are not relevant to changes to the kWh sales, and he includes an incorrect estimate of the impact to the kWh sales.[12] Again, an additional adjustment is not necessary and would overstate the Test Year revenues in this case.

Q24. WHAT CHANGES DID ETI PROPOSE TO THE SMS SCHEDULE IN ITS APPLICATION?

A. In this rate case filing, ETI proposed changes to the calculation methodology of the SMS rates, as well as language changes to the SMS Schedule that adds limitations to prevent ongoing misuse of the SMS Schedule that is contrary to the original intent of the SMS Schedule. Generally, my testimony covers the cost basis of the SMS rate, and ETI witness Mr. Magee discusses the proposed SMS Schedule language changes in his rebuttal testimony.

Q25. MR. POLLOCK CONTENDS THAT THERE IS NO COST JUSTIFICATION FOR ETI'S PROPOSED LIMITATIONS BECAUSE THE SMS SCHEDULE ASSUMES ABOUT 8% OF STANDBY SERVICE OCCURS COINCIDENT WITH ETI'S PEAK, AND, THEREFORE, THE SMS DEMAND CHARGES ALREADY ACCOUNT FOR SOME LEVEL OF BACK-UP AND/OR MAINTENANCE SERVICE. HOW DO YOU RESPOND?

A. ETI does have some level of Standby and Maintenance Service built into the cost of service as a revenue offset to the overall revenue requirement. However, ETI

[12] See the Winter Storm Uri workpapers to my Rebuttal Testimony.

intended this assumption to reflect the SMS Schedule's proper use – as a temporary rate. ETI developed the SMS Schedule based on the assumption that SMS customers are not firm service customers. Since they are not firm service customers, the SMS Schedule rates are designed to be less than the standard LIPS Schedule demand and energy rates. The logic supporting this design is that a SMS customer should only need power from ETI a few times a year for short periods of time, so they should not have to pay the same demand and energy charges as a firm service customer.

Q26. WHAT ARE THE COST IMPLICATIONS OF THE ONGOING MISUSE OF THE SMS SCHEDULE?

A. As previously explained, ETI intended the SMS Schedule to be used by customers on a temporary basis (i.e., on an infrequent basis and for short periods of time). However, as explained by Mr. Magee, some customers have used the SMS Rate Schedule to take service for a continuous, extended time period. The continuous and extended use of the SMS Rate leads to those customers paying less than the costs that they are causing, because they are in effect incurring a discounted demand and energy rate for a longer term than the rate was designed to be used. ETI's position is that if a SMS customer is having to take extended Standby or Maintenance Service beyond the temporary time period that this rate was intended to cover, then this customer should be required to take service under a firm contract. Doing so would result in the customer contributing more revenue not only to the

recovery of the revenue requirement for that rate class, but also to the recovery of the revenue requirement for ETI as a whole, both of which would help to avoid interclass and intraclass subsidies.

C. OPUC Witness Evans

Q27. WHAT ISSUES DOES OPUC WITNESS EVAN D. EVANS RAISE REGARDING THE ALLOCATION OF DISTRIBUTION COSTS?

A. Mr. Evans raises two issues regarding the allocation of distribution costs. His first issue is related to the weather-normalization process the Company uses for the distribution peak demand allocators, and he suggests a change that would apply to this proceeding only. His second issue is that the Company treats summer peak demands and winter peak demands equally in the development of the distribution demand allocators, and he suggests a more permanent structural change to the way the Company has historically applied distribution demand allocation factors.

1. Weather Normalization in the Distribution Allocation Factors

Q28. PLEASE DESCRIBE HOW THE COMPANY ALLOCATES DISTRIBUTION-RELATED COSTS.

A. I will start by stating that the Company has used the same processes and methods to develop the distribution allocation factors in this case as it has done in previous filings, including its last two base rate case proceedings. As I described in my direct testimony, the Company uses two peak demand allocation factors to allocate its

distribution demand-related costs. The first allocation factor is referred to as the Maximum Diversified Demand ("MDD"), which represents the simultaneous peak load of each rate class. In other words, this is the peak load of the class regardless of when the system as a whole peaks or when other rate classes may peak. The second allocator is referred to as the non-coincident maximum demand ("NCP"), which represents the summation of the maximum individual demand of all customers in the rate class.

First, distribution costs are functionalized into primary and secondary voltage levels. The primary costs are typically driven by the diversified demands of the class as a whole rather than customer-individual demand costs, and they are allocated on the MDD. Secondary costs and transformers costs are more localized and are typically driven by the power demands of individual homes or small groups and are allocated on a 50/50 weighting of the MDD and NCP. Constructing the secondary and transformer cost allocator this way recognizes that each class exhibits some diversity at the secondary level reflected by the MDD and, at the same time, recognizes that distribution services located closer to the customer are driven by the individual customer demands reflected by the NCP (e.g., transformers and secondary service drops).

Q29. MR. EVANS POINTS OUT THAT THE COMPANY WEATHER NORMALIZED THE MDD BUT NOT NCP. HOW DO YOUR RESPOND?

A. His observation is correct, but the process of weather-normalizing the MDD but not

the NCP demands is consistent with how the Company has developed these two allocators with previous filings, including its last two base rate case proceedings. While it is appropriate to weather normalize the MDD, it is not appropriate, nor is it practical, to weather normalize the NCP. The MDD represents the single hour in the month in which the class as whole set its highest peak. The usage at the MDD peak hour is sensitive to weather, and as such the Company normalized this single hour to remove the impacts of weather and bring the class to a normal level. In contrast, the NCP represents the sum of each individual customer in the class's highest hourly peak regardless of when it occurred. In other words, one customer may set its peak in the month at 2:00 pm on the 12th while another customer may set its peak at 3:00 am on the 20th of the month. This allocator does not lend itself to weather-normalization for each individual customer and is not needed because it reflects the distribution demand for each individual customer. The NCP, without a weather adjustment, provides a just and reasonable allocation of secondary and transformer costs between the classes.

Q30. MR. EVANS CLAIMS THAT WEATHER NORMALIZATION IS A FUNDAMENTAL PRINCIPLE OF UTILITY RATEMAKING AND CASE PRECEDENT, AND HE CLAIMS THAT THE COMMISSION EXPECTS WEATHER-NORMALIZED DATA TO BE USED IN RATEMAKING FOR

DISTRIBUTION RATES AND CITES CERTAIN COMMISSION RULES THAT REQUIRE IT. HOW DO YOU RESPOND?

A. I agree that weather normalization should be incorporated in utility ratemaking, and the Company has done exactly that, consistent with its historical filings. And, in his references to certain Commission rules, Mr. Evans seems to conflate billing determinants and demand allocation factors. Mr. Evans points to the Commission's Distribution Cost Recovery Factor ("DCRF") rule, 16 Texas Administrative Code ("TAC") § 25.243 section 25.243(b)(5) and 25.243(d)(1).

Section (b)(5) defines normal weather as the most recent 10 years. Section (d)(1) defines rate class billing determinants as:

$BD_{C\text{-}CLASS}$= Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

This defined section of the Commission rule only addresses the weatherization of ***billing determinants***, which in this case can be either demand or energy and does not address ***demand allocation factors***. The demands that are used in the demand billing determinants are not the same as the demands used to develop

demand allocation factors in a CCOS study. The Commission defines the distribution demand allocation factors in TAC section 25.243(d)(1), and the definition does not include any direction regarding weatherization:

> $ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

Q31. DO THE COMMISSION'S RULES REGARDING THE DCRF REQUIRE WEATHER NORMALIZATION OF THE DISTRIBUTION ALLOCATION FACTORS, AS MR. EVANS CITES IN HIS TESTIMONY?

A. No. Mr. Evans has erred in his conclusion that the Commission's DCRF rules require weatherization of demand allocation factors. In my experience, the Commission generally addresses demand allocation factors in base rate proceedings, and, as I have stated above, the MDD and NCP proposed in this case were developed and applied in the same manner as it has been for at least the last

two ETI base rate cases. To be clear, the Company agrees that weather-normalization is not only required but reasonable, and the Company has applied weather-normalization in a just and reasonable manner consistent with the precedent set by the Commission in previous proceedings.

Q32. MR. EVANS STATES THAT HE BELIEVES THAT THE CUSTOMERS MOST IMPACTED BY THE NCP DEMANDS WERE THOSE THAT HAD AN ANNUAL NCP DEMAND THAT OCCURRED IN FEBRUARY DUE TO WINTER STORM URI, WHICH HE STATED INCLUDE RESIDENTIAL, GENERAL SERVICE – SECONDARY, AND ROADWAY LIGHTING. HOW DO YOU RESPOND?

A. I disagree with Mr. Evans's conclusion. First, roadway lighting is not impacted by weather, and, as such, the Company does not weather normalize lighting for any allocation factor. Therefore, the fact that the lighting classes NCP occurred in February was not related to temperature in any way.

For Residential and Small General Service, Mr. Evans seems to focus on the fact that both of the NCPs occurred in February for this Test Year. His concern is that Winter Storm Uri, which occurred in February 2021, impacted the calculations of the allocation factors in a material way. He further concludes that the peak demands for a Texas electric utility should not occur in the winter. Neither of these conclusions are reasonable. For ETI, it is not unusual for the Residential NCP to occur in a winter month. For example, in the last three rate cases the

Residential NCP occurred in January. In fact, the two highest NCPs in the 2018 rate case were January and December, the two highest NCPs in the 2015[13] rate case were January and February, and the two highest NCPs in the 2013 rate case were January and March. In this rate case, the two highest NCPs were February and January. Looking at ETI's last four prepared rate cases, including 2022 the NCP of the Residential class has occurred in a winter month.

Q33. MR. EVANS STATES THAT ETI DOES NOT EXPECT THE NCP TO OCCUR IN FEBRUARY. IN FACT, HE CLAIMS THE NCP WILL OCCUR IN AUGUST ACCORDING TO ETI'S OWN DATA. DO YOU AGREE?

A. I disagree with Mr. Evans's conclusion here as well. Mr. Evans relies on Schedule O-7.1, which contains ETI's forecasted NCP demands for the next three calendar years to draw the conclusion that the NCP will occur in the summer and not the winter. However, the NCP data provided in this schedule is the peak of the class, which in the CCOS is referred to as the MDD. Using this data to draw any conclusion regarding the NCP as defined in the CCOS is not valid. The data in Schedule O-7.1 would need to be compared to the MDD, and those are consistent. As I have stated above, the last four ETI rate cases, including this filing, show that the Residential NCP has occurred in a winter month.

[13] ETI prepared and filed a base rate case in 2015 but withdrew the case. The information from the 2015 filing is included here for comparison purposes.

Q34. HOW COULD THE COMMISSION EVALUATE THE REASONABLENESS OF THE 50/50 MDD-NCP ALLOCATOR PROPOSED BY THE COMPANY IN THIS PROCEEDING?

A. One way to assess the reasonableness of ETI's filed allocation factors would be to evaluate the 50/50 MDD-NCP allocator in the current proceeding compared to the same allocation factors that were filed as part of the cost of service in previous rate cases. Table 2 below provides the current proposed 2022 50/50 MDD-NCP allocation factor, which includes the month of February 2021, to the same allocation factor from the last three filed rate cases.[14]

Table 2. Comparison of ETI's 50/50 MDD-NCP Factors

Rate Class	**2013**	**2015**[15]	**2018**	**2022**
Residential	67.2%	69.6%	68.6%	70.7%
Small General Service	3.0%	3.1%	3.8%	4.2%
General Service	24.2%	22.0%	22.2%	20.2%
Large General Service	5.0%	4.8%	4.8%	4.3%
Large Industrial Power Service	0.0%	0.0%	0.0%	0.0%
Lighting	0.6%	0.6%	0.6%	0.6%
Total	**100%**	**100%**	**100%**	**100%**

As shown in the Table 2 above, the 2022 Residential allocation is slightly above the percentage allocated to Residential from the previous three rate cases. Additionally, the General Service allocation is slightly below the previous filings. Mr. Evans's contention that February has negatively impacted both General Service and Residential and should be removed from the calculated demands is not a

[14] ETI has included the 2015 data that was filed but later withdrawn for comparison purposes.

[15] Docket No. 44704 Schedule P-7.2. ETI performed a Class Cost of Service Study on the 2015 Test Year but withdrew the filing. The information from that 2015 study is included here for comparative purposes.

reasonable recommendation given that one class is slightly above the historical allocation and the other is slightly below its historical allocation. In fact, the Small General Service, which is also weather-sensitive, has an allocation that is slightly above the last three rate cases, and it should be noted that its NCP occurred in December 2021, not February 2021. Based on the review of the data in Table 2, ETI does not believe that the resulting allocation factor is an unreasonable result, even with the potential impact of February 2021.

2. Winter and Summer Peaks in Distribution Demand

Q35. MR. EVANS RECOMMENDS THAT IT WOULD BE REASONABLE FOR THE COMPANY TO INCORPORATE SEASONAL IMPACTS IN THE DEVELOPMENT OF THE MDD AND NCP ALLOCATION FACTORS. DO YOU AGREE?

A. No. I do not think a method that weights the summer and winter demand is necessary. The Company's current method that includes the 50/50 weighting of the MDD and NCP provides a reasonable approach to allocating secondary and transformer costs. This method recognizes that distribution costs are impacted by both the diversity of customers (reflected in the MDD) but also by the impact the individual customer has on the localized distribution system (reflected in the NCP). Based on this rate case and the three previously filed rate cases, this method tends to capture the MDD in summer months and the NCP from the winter months for

the Residential class of customers.[16] In other words, the method used by the Company tends to capture both summer and winter factors for the Residential class.

Q36. HAS THE TESTIMONY OF MR. EVANS PERSUADED THE COMPANY TO CHANGE THE MDD OR NCP THAT IT HAS PROPOSED IN THIS CASE?

A. No, the Company does not support Mr. Evans's proposal to only use the summer months when developing the MDDs and NCPs for the reasons I discussed above. The Company also does not support Mr. Evans's recommendation to eliminate February from the MDD/NCP allocation factor development. Including February in the calculation of the rate class NCPs results in a just and reasonable allocation of costs and is consistent with the allocation factors in ETI's previous filed rate cases as shown in Table 2 above. The table below shows the 50/50 MDD-NCP allocation factor proposed by ETI and the two versions of the allocator proposed by Mr. Evans that only include summer months or excludes February.

Table 3. Comparison of ETI and OPUC NCP Calculations

Rate Class	**ETI Proposed**	**OPUC Summer Only**	**OPUC Exclude February**
Residential	70.7%	67.1%	68.3%
Small General Service	4.2%	4.4%	4.6%
General Service	20.2%	22.9%	21.7%
Large General Service	4.3%	4.9%	4.7%
Large Industrial Power Service	0.0%	0.0%	0.0%
Lighting	0.6%	0.7%	0.6%
Total	**100%**	**100%**	**100%**

[16] 2013: MDD was July and NCP was January; 2015: MDD was March and NCP was January; 2018: MDD was September and NCP was January; 2022: MDD is July and NCP is February.

Should the Commission decide Winter Storm URI had an unreasonable impact on the Residential and General Service classes and choose to adjust the demand calculations, then eliminating February 2021 from the calculations produces a reasonable allocation because, similar to ETI's proposal, it still recognizes the peak demands on the distribution system that can occur in both the summer and winter months. ETI opposes Mr. Evans proposal to use only the summer months for developing the distribution demand allocation factor because it ignores the fact that the NCP peaks have typically occurred in the winter months. Also, Mr. Evans NCP using only summer months results in the highest percentage allocation to SGS, GS and the Lighting classes and the lowest Residential NCP allocator compared to the three historical filed allocations shown in Table 2.

Q37. MR. EVANS RECOMMENDS THAT THE COMMISSION DIRECT ETI TO ALLOCATE THE REVENUE REQUIREMENT BASED ON HIS RECOMMENDED APPROACH.[17] DO YOU AGREE WITH HIS RECOMMENDATIONS?

A. Other than using the CCOS to allocate the revenue requirement, I do not agree with his recommendations. Mr. Evans's proposed Commission directives for revenue distribution are unnecessary because ETI's revenue allocation follows the CCOS

[17] Direct Testimony of Evan Evans, page 26, lines 10 through 17, "1) Revenue increases should be assigned such that the proposed revenues for all classes will produce as close to system average Rate Of Return ("ROR") as possible, without violating other directives; 2) The proposed revenue for all classes should produce at least 0.95 times the system average ROR, with no class producing greater than 1.05; and 3) If possible, consistent with ETI's proposed revenue increase distribution, the increase for all classes should be less than 1.5 times the system average and greater than 0.5 times the system average increase."

with no adjustments to the results. Mr. Evans's recommendations are only relevant if ETI had made adjustments to shift revenue requirements from one rate class to another. ETI did not make any changes to the total rate class revenue requirements results from the CCOS when developing the proposed rate design for each rate class. Since the starting point for each rate classes rate design is the CCOS, then each rate class's ROR within the revenue requirement is consistently equal across all of the rate classes.

Q38. WHAT IS MR. EVANS'S POSITION REGARDING ETI'S PROPOSED CUSTOMER CHARGE FOR RESIDENTIAL AND SMALL GENERAL SERVICE RATES?

A. Mr. Evans states that he agrees that customer charges should move toward the fully-costed rate that is indicated in the CCOS. However, he states that he is concerned that the increase from the current customer charges to the fully-costed rates that ETI proposed is too large of a percentage increase in the customer charge component of the rates. He recommends an increase to the customer charge, but he recommends it be limited to the 1.5 times the increase in energy rate component of the Residential and Small General Service rates, respectively.[18]

Q39. DO YOU AGREE WITH MR. EVANS' PROPOSED METHODOLOGY TO GRADUALLY INCREASE THE CUSTOMER CHARGES TO THE

[18] Direct Testimony of Evan Evans at page 10, lines 16-19 and page 38, lines 13-16.

UNDERLYING COST OF SERVICE FOR RESIDENTIAL AND SMALL GENERAL SERVICE RATES?

A. The Company supports a rate design that reflects the fully-costed rate for customer charges and does not disagree with Mr. Evans's proposal for a customer charge that is slightly lower than the fully-costed rate. However, the Company does not support Mr. Evans's use of a formulaic metric that is based on the resulting energy rates. As I understand it, Mr. Evans's current proposal would result in customer charges that are 90% of the Company's request. The Company would agree that using a metric, like setting the customer charges at 90% of the fully-costed rate, is a reasonable method to continue to gradually move the customer charges toward the fully-costed rates from the CCOS. Additionally, setting the customer charge below the fully-costed customer charge, as proposed by Mr. Evans, requires that the energy rates be increased to recover the portion of customer costs that are being excluded by the reduced charge. This is necessary because the rate design for Residential and Small General Service customers are composed of only two parts, the customer charge, which is designed to recover all of the customer relate costs for the class, and the energy charge, which recovers all of the remaining demand, energy, and customer-related costs for the class in order to ensure that the rates are designed to recover the class revenue requirements. A reduction in one component, like the customer charge, will result in an increase in the other component, in this case the energy charge.

Q40. HAS THE COMPANY CALCULATED THE CUSTOMER CHARGES USING A GRADUAL INCREASE TO 90% OF THE FULLY-COSTED RATE?

A. Yes. The Company calculated revised customer charges for Residential and Small General Service.[19] However, as noted above, should the Commission decide to set the customer charges at a rate lower than the fully-costed rate, a resulting change to energy charges would also need to be included in the final rate design, and that is not shown here. The customer charges calculated below are based on ETI's proposed rates:

- For the Residential rates, 90% of the customer related cost of service results in a customer charge of $15.26.[20]
- For the Small General Service rates, 90% of the customer related cost of service results in a customer charge of $22.07.[21]

IV. CONCLUSION

Q41. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

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[19] Calculations supporting these amounts can be found in the customer charge workpapers to my Rebuttal Testimony.

[20] Staff witness Blanchard is the only other witness to have made a specific recommendation for rate design and recommended a Residential Customer Charge of $16.19 found in Attachment EB-6.

[21] Staff witness Blanchard is the only other witness to have made a specific recommendation for rate design and recommended a Small General Service Customer Charge of $23.69 found in Attachment EB-6.

AFFIDAVIT OF CRYSTAL K. ELBE

THE STATE OF LOUISIANA)
)
PARISH OF Orleans)

This day, Crystal K. Elbe 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 Crystal K. Elbe. 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.

Crystal K Elbe
Crystal K. Elbe

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

Notary Public, State of Louisiana

My Commission expires:
@death

OFFICIAL SEAL
LACRESHA D. WILKERSON
BAR ROLL # 36084
STATE OF LOUISIANA
PARISH OF CATAHOULA
My Commission is for Life

See Native Excel file Elbe Rebuttal_Exhibit CKE-R-1.

The following files are not convertible:

Elbe Rebuttal_Exhibit CKE-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.