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Received - 2022-11-16 02:53:53 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

DANE A. WATSON

ON BEHALF OF

ENTERGY TEXAS, INC.

NOVEMBER 2022

ENTERGY TEXAS, INC.
REBUTTAL TESTIMONY OF DANE A. WATSON
SOAH DOCKET NO. 473-22-04394
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EXHIBITS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Dane A. Watson. My business address is 101 E. Park Blvd., Suite 220, Plano, Texas 75074.

Q2. ARE YOU THE SAME DANE A. WATSON THAT FILED DIRECT TESTIMONY IN THIS DOCKET?

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

II. PURPOSE

Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to various arguments and assertions made by witnesses for the Office of Public Utility Counsel ("OPUC"), Texas Industrial Energy Consumers ("TIEC"), and Cities.[1]

Q4. DO YOU SPONSOR ANY REBUTTAL EXHIBITS?

A. Yes. I am sponsoring the following rebuttal exhibits:

1. Exhibit DAW-R-1, Lives of Texas Electric Regulated Companies
2. Exhibit DAW-R-2, Retirement Units Transmission and Distribution

[1] Cities include the Cities of Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Groves, Houston, Huntsville, Liberty, Montgomery, Navasota, Nederland, Oak Ridge North, Orange, Pine Forest, Pinehurst, Port Arthur, Port Neches, Roman Forest, Rose City, Shenandoah, Silsbee, Sour Lake, Splendora, Vidor, West Orange, and Willis.

Q5. WERE YOUR REBUTTAL TESTIMONY AND EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes.

Q6. PLEASE SUMMARIZE THE ISSUES RAISED WITH REGARD TO YOUR DIRECT TESTIMONY AND DEPRECIATION STUDY.

A. Intervenors have raised four issues with my depreciation study and direct testimony. The first issue relates to production plant assets that will retire earlier than projected in the Company's last base-rate case (now to retire between 2023 through 2026). This issue is raised by OPUC witness Constance T. Cannady, Cities' witnesses Mark E. Garrett and David J. Garrett, and TIEC witness Jeffry Pollock. The second issue relates to the demolition study, which was raised by Cities' witness David Garrett. The third issue, which relates to life parameters for mass property accounts, is also raised by Mr. David Garrett. Finally, the fourth issue, which relates to net salvage parameters for service mass property accounts, is also raised by Mr. David Garrett.

Q7. DO YOU AGREE WITH THE RECOMMENDATIONS MADE BY OPUC WITNESS CANNADY, CITIES' WITNESSES MARK GARRETT AND DAVID GARRETT AND TIEC WITNESS JEFFRY POLLOCK?

A. No. I disagree with all of their proposals and recommendations, to the extent that they contradict my recommendations. I will discuss the life and net salvage issues

in detail. In addition to responding to those issues, I also will point out issues regarding Mr. David Garrett's proposed depreciation rates, describing his failure to reallocate the accumulated provision for depreciation and omission of certain plant groupings from his rate summaries. Other witnesses will rebut the remaining issues. Company witnesses, Mr. Jess Totten and Anastasia R. Meyer will address the generating unit retirement date issue in their rebuttal testimonies. Company witness, Mr. Sean McHone will rebut the issues of the use of and reasons for contingencies in demolition studies in his rebuttal testimony.

III. RESPONSE TO INTERVENOR AND STAFF TESTIMONY

A. Mass Property Service Lives

Q8. WHAT RECOMMENDATION DOES MR. GARRETT[2] MAKE WITH REGARD TO MASS PROPERTY SERVICE LIVES?

A. Mr. Garrett argues that the proposed service lives for seven transmission and distribution mass property accounts should be extended.[3]

Q9. DO YOU AGREE WITH MR. GARRETT'S RECOMMENDATIONS?

A. No. Mr. Garrett's proposed service lives for these seven transmission and distribution mass property accounts are unreasonably long (both from an engineering perspective of the life expectation of individual assets within the

[2] All references throughout the remainder of my testimony to Mr. Garrett are to Mr. David Garrett.

[3] Direct Testimony of David J. Garrett ("D. Garrett Dir.") at Exhibits DJG-7 through DJG-13.

accounts and from the range of lives seen generally by other Texas utilities) and are not based on sound depreciation practices. Thus, Mr. Garrett's recommendations should be rejected, and my proposed service lives should be adopted.

Q10. WHAT DOES STAFF RECOMMEND WITH REGARD TO YOUR LIFE SELECTIONS?

A. Staff of the Public Utility Commission of Texas ("Staff") does not make any explicit statements in testimony. However, Staff's recommended depreciation expense, as reflected in Attachment ES-3 (Staff Schedule IIIA) to the testimony of Emily Sears, shows Staff's schedule for depreciation expense to be the same as the Company's request. Staff considered the issue of the various service life and net salvage proposals and adopted the Company's proposed service life recommendations.

Q11. HOW DO MR. GARRETT'S PROPOSED LIVES AND SURVIVOR CURVES FOR THE SEVEN ACCOUNTS AT ISSUE COMPARE WITH THOSE CURRENTLY APPROVED FOR ETI AND YOUR PROPOSALS?

A. The table below compares the existing life and survivor curve parameters for the six accounts at issue with my proposals as well as Mr. Garrett's proposals:

Account		Existing Life	Existing Curve	ETI Proposed Life	ETI Proposed Curve	Cities Proposed Life	Cities Proposed Curve
353	Station Equipment	64	R1	64	R1	70	R1
354	Towers and Fixtures	75	R4	75	R4	79	R4
355	Poles and Fixtures	65	R1.5	70	R1.5	77	R1
362	Station Equipment	65	R1	65	R1	70	R0.5
364	Poles, Towers & Fixtures	43	R1	45	R1	47	R1
366	Underground Conduit	60	L0.5	50	R3	60	R2
367	Underground Conductor and Devices	42	R1	40	R2.5	46	R2

Q12. HOW DO MR. GARRETT'S PROPOSED SERVICE LIVES FOR THESE SEVEN ACCOUNTS COMPARE WITH THOSE APPROVED FOR OTHER UTILITIES IN TEXAS?

A. In most cases, Mr. Garrett's life recommendations are longer than the lives approved for any other Texas utility for these accounts. While my life recommendations in this case are based on ETI's specific circumstances, comparing depreciation parameters of other utilities in near proximity provides a range of reasonableness for comparison. With that in mind, I prepared Exhibit DAW-R-1, which provides the information included in the table above along with the approved lives and curves for other Texas utility companies for these accounts.

Q13. SPECIFICALLY, WHY DO YOU DISAGREE WITH MR. GARRETT'S LIFE SELECTIONS?

A. Although some of the graphs included in Mr. Garrett's testimony may appear to demonstrate that his life selections track ETI's historical experience more closely than my life selections, in fact, the difference in the curve matches are not material

or differentiated enough for the dramatic increases in lives that Mr. Garrett recommends for many accounts. He also has no explanation of any operational reasons for the dramatic increase in lives since the Commission last approved the Company's lives. Further, as discussed in detail below, simply using actuarial analysis to analyze only one placement and experience band is insufficient to make a knowledgeable life selection. In sum, Mr. Garrett fails to consider several issues that are widely regarded as significant in performing a life study, including the following:

- Mr. Garrett fails to consider the normal life expectations for the mix of assets in the seven accounts at issue. His recommendations are outside of the generally expected range for the various types of units found in those accounts. This could be understood by, at minimum, reviewing the lives experienced by other Texas regulated electric companies. Mr. Garrett ignores this common reasonableness test.

- Mr. Garrett disregards Company-specific information and opinions from Company subject matter experts ("SMEs"). These SMEs are knowledgeable about the assets being studied and deal with these assets as part of their work assignments. Their input is invaluable to the depreciation study process, as noted by the learned treatises discussed below. If Mr. Garrett had incorporated any of that information in making his selections, I believe that his life recommendations would have been shorter.

- Mr. Garrett relies on only one placement and experience band for each account in making his life recommendations. There is no discussion on why this band was selected or why it is representative of future expectations for the six accounts. A selection of only one placement and experience band without any such explanation is contrary to sound depreciation practices, as discussed below.

- Mr. Garrett improperly ignores relevant Company history by omitting part of the observed life table ("OLT") in order to present mathematical matching results that he presents as support for his contentions. For many

accounts, Mr. Garrett's one percent criteria occurs when exposures are over one million.[4]

Q14. YOU STATED ABOVE THAT MR. GARRETT DID NOT CONSIDER THE LIFE CHARACTERISTICS THAT EXIST FOR SIMILAR ASSETS AT OTHER UTILITIES IN HIS ANALYSIS. WHY IS THIS PROBLEMATIC?

A. The lives Mr. Garrett selected for the seven accounts at issue are beyond what would reasonably be expected for the types of assets within these accounts. Mr. Garrett fails to take into account the shorter life expectations for individual retirement units (assets) within each account as compared to his recommendations. A summary of retirement units by account is presented in Exhibit DAW-R-2. If the majority of the dollars in a particular account are associated with assets that have projected lives between 20 and 40 years, an overall life for the account of 60 years for that account will not be reasonable. This is true even if mathematical curve matching on historical data for that account over the last 80 years mechanically produces a 60 year overall life. Simply recommending the output of a statistical model without validating it against operational realities or reasonable norms is not an accurate way to set asset lives.

Further, my proposals are much more consistent with the approved lives of other Texas utilities than Mr. Garrett's proposals. Those results for each account

[4] The exposures for the one percent cut-off are: 10.2 million for account 353, 6.6 million for 355, 3.8 million for account 362, 4.7 million for account 364, and 1.9 million for 367. See Mr. Garrett's workpapers.

are shown in Exhibit DAW-R-1. I discuss these reasonableness issues in regard to each of the six accounts below.

Q15. YOU STATE ABOVE THAT MR. GARRETT DID NOT INCORPORATE INFORMATION FROM COMPANY SMES IN HIS RECOMMENDATIONS. WHY DO YOU TAKE ISSUE WITH THIS?

A. Mr. Garrett makes no indication in his testimony, exhibits, or workpapers that he reviewed or incorporated any information from Company SMES in his life recommendations. Information provided by SMEs on the specific plant and equipment being studied is of critical importance in the depreciation study process. In its 1996 edition of the publication *Public Utility Depreciation Practices*, NARUC advises against strict reliance on historical data and fitting, stating:

> Depreciation analysts should avoid becoming ensnared in the historical life study and relying solely on mathematical solutions. The reason for making an historic life analysis is to develop a sufficient understanding of history in order to evaluate whether it is a reasonable predictor of the future. The importance of being aware of circumstances having direct bearing on the reason for making an historical life analysis cannot be understated. . . . The analyst should become familiar with the physical plant under study and its operating environment, including **talking with the field people who use the equipment being studied**.[5]

[5] NARUC, Public Utility Depreciation Practices, at 126 (1996) (emphasis added).

Q16. PLEASE EXPLAIN HOW YOU INCORPORATED INFORMATION FROM THE SMES IN YOUR DEPRECIATION STUDY.

A. I met with Company personnel to discuss various operating and maintenance practices; past, present, and future projects; and other account specific information that was relevant to life and net salvage expectations in the future. It is my understanding that Sargent & Lundy ("S&L") personnel, who performed the demolition study upon which I rely for purposes of my depreciation study, conducted site visits and interviews as well.

Q17. WHAT PLACEMENT AND EXPERIENCE BANDS DID MR. GARRETT USE IN HIS ANALYSIS?

A. Mr. Garrett only used one placement and experience band in his testimony and workpapers for each account, as summarized in the below chart:

Account	**Placement Band**[6]	**Experience Band**
353	1931–2021	1954–2021
354	1945-2021	1962-2021
355	1923–2021	1954–2021
362	1928–2021	1954–2021
364	1927–2017	1954–2021
366	1927–2021	1954–2021
367	1933–2021	1954–2021

[6] D. Garret Dir. at Exhibit DJG-12.

Q18. DO YOU AGREE WITH MR. GARRETT'S DECISION TO USE ONLY ONE PLACEMENT AND EXPERIENCE BAND?

A. No. Mr. Garrett's use of one placement and experience band is not sound depreciation practice, and in my expert opinion it does not lead to accurate results in this case. NARUC's *Public Utility Depreciation Practices* advocates the use of multiple bands:

> Banding is compositing a number of years of data in order to merge them into a single data set for further analysis. Often, several bands are analyzed. By making determinations of the life and retirement dispersion in successive bands, the analyst can get a clear indication of whether there is a trend in either the life of the plant or in the dispersion of the retirements.[7]

Another learned treatise, *Depreciation Systems*, offers similar guidance:

> The analyst must use good judgment when determining band widths. Many empirical procedures governing this choice have been developed. These include the selection bands of fixed width, often 3, 5, or 10 years; rolling bands, in which one band overlaps the next; and shrinking bands, in which the width of the band systematically decreases.
>
> A preferred approach is to select the bands based on the history and the activities that occurred during the period defined by the bands. Because placement bands are often used to describe property of a particular technology, a band could be chosen that will be wide enough to include all property of a similar technology. Experience bands may be chosen to include the calendar years during which a single force of retirement was of particular interest.
>
> Bands may be chosen to detect change in the survivor characteristics.[8]

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[7] NARUC, Public Utility Depreciation Practices, at 113 (1996).

[8] F.K. Wolf and W. C. Fitch, Depreciation Systems, at 186 (1994).

Mr. Garrett does not explain why he has decided not to follow this guidance and instead choose only one placement and experience band.

Q19. WHAT PLACEMENT AND EXPERIENCE BANDS DID YOU USE FOR PURPOSES OF YOUR DEPRECIATION STUDY?

A. I used five or six placement experience bands for each account. I ran an overall placement band with three different experience bands: the overall experience band which was 1954-2021, 1971–2021, and 1996–2021 to isolate experience in those transaction years. I also ran the 1971–2021 placement band with the 1971–2021 and 1996–2021 experience bands. If sufficient data existed for life analysis, I also ran an overall band of 1996–2021.

Q20. DO YOU AGREE WITH MR. GARRETT'S PROPOSAL TO REMOVE CERTAIN PORTIONS OF THE OLTS FOR THE PURPOSE OF MAKING MATHEMATICAL COMPARISONS?

A. No. By eliminating certain relevant data, Mr. Garrett seeks to match only the top segment of the curve. In the case of Accounts 355, 366, and 367, Mr. Garrett disregards the tail of the OLT curve completely. While I agree less weight should be given to points at the bottom of the curve compared to other points along the curve, this data should not be completely excluded from the analysis. *Depreciation Systems* provides authoritative guidance as to what part of the curve to match:

> After plotting the observed curve, the analyst should first visually match the plotted data to make an initial judgment about the type

> curve that may be good fits. The analyst also must decide which points or section of the curve should be given the most weight. Points at the end of the curve are often based on fewer exposures and may be given less weight than the points based on larger samples. The weight placed on those points will depend on the size of the exposures. Often the middle section of the curve (that section ranging from approximately 80% to 20% surviving) is given more weight than the first and last sections. This middle section is relatively straight and is the portion of the curve that often best characterizes the survivor curve.[9]

Mr. Garrett has provided no authority in support of his position to disregard entire segments of the observed life table curves.

1. Account 353 – Station Equipment

Q21. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 353 – TRANSMISSION STATION EQUIPMENT.

A. I recommend retaining the existing service life for Account 353, which is currently 64 R1. Mr. Garrett proposes 70 R1, which is an increase of 6 years over the existing life. At December 31, 2021, the average age of survivors in this account is 12.25 years and the average age of retirements in this account is 21.61 years. This information demonstrates that this is a young account with little retirement experience for the majority of the assets.

[9] F.K. Wolf and W. C. Fitch, Depreciation Systems, at 46–47 (1994) (emphasis added).

Q22. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING AN 70 R1 CURVE?

A. No. There are many reasons I disagree with Mr. Garrett on the life for this account. First, Mr. Garrett does not appear to factor in the life expectations for specific assets in this account as communicated by Company SMEs. My interview notes on this account indicate the following factors that influence the life of this account:

> Existing life is 64 years and Life analysis is showing similar 64 year life. (3 xmsn lines or no distribution load – will be transmission station and will put "common" assets in the function that the substation is classified as). All new breakers are SF6 but still have some of oil breakers (25% oil). 50-70 years would be the MAX life for oil breakers – although still fairly new, they believe there may be a comparable life for SF6 breakers. Transformers and breakers are two of the few devices where preventive maintenance is performed. Moved more to a "condition-based" approach instead of a time-based approach. Have on-going long-term targeted replacement program for OCB replacement. Standard is arrestors protect high and low side. Arrestors – high failure item (20 years a good average). Capacitor banks (10-15 year average life expectancy) – devices switching cap bank have shorter life. Some control systems may be in 397 (possible). Batteries have an average 15 to 20 year life. Control systems – electromechanical has reasonably long life (PTs and CTs that drive them have shorter life). Have a PT/CT replacement program. A portion of the system is still electromechanical with life expectancy is 40+ years. Electronic relays is less due to vendor support and technology advancements (around 10-20 years). SCADA becomes obsolete before failure – average life of RTUs is 20 years. Going to Wide Area network for SCADA. Also have fiber connections between many stations. They are seeing a shorter life on some of the transformers and circuit breakers in the transmission account that in the distribution account. They have done some life extension on transformers. Based on the uncertainty of the life of SF6 breakers, significant addition of short-lived electronics in the substations and technology movement, the average life of transmission station equipment should not increase.

> Now using composite/concrete type building (moved about 20 years).[10]

The primary assets in this account are the small buildings and lighting/fencing that are discussed by the SMEs. With the primary assets having an estimated life of 50–60 years, it is difficult to see how the other components would create a 70-year average. And Mr. Garrett fails to provide an explanation as to why the excessive life would be operationally justified.

Second, Mr. Garrett's 70-year life does not seem reasonable when compared to the **49**-year average life of this account for other Texas utility companies.[11] This is especially true given ETI is a Gulf Coast utility, subject to severe weather events and more corrosive conditions. Given ETI's service territory, one would expect the estimated lives to be less than or equal to the lives used by other utilities across the state.

Third, Mr. Garrett only examines one band for his proposal. In contrast, I used five different placement experience bands as shown in my workpapers. As stated in NARUC's *Public Utility Depreciation Practices*, it is important to look at different placement bands and experience bands: "Placement bands may be used to show the effects and technological and material changes, whereas experience bands

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[10] The public and highly sensitive workpapers with the data supporting my depreciation study, which was attached as Exhibit DAW-2 to my direct testimony, were filed with ETI's application. My public workpapers are included in ETI's "Voluminous Exhibits and Workpapers_Public.zip" file, which is available for download via the Commission's Interchange at the following link: https://interchange.puc.texas.gov/search/documents/?controlNumber=53719&itemNumber=3. The notes of my interviews with ETI's SMEs are set in a workpaper entitled "2022 Interview Notes," which is located in my voluminous workpapers folder entitled "Watson Direct_WP_DAW-2," in a sub-folder entitled "Interview Notes."

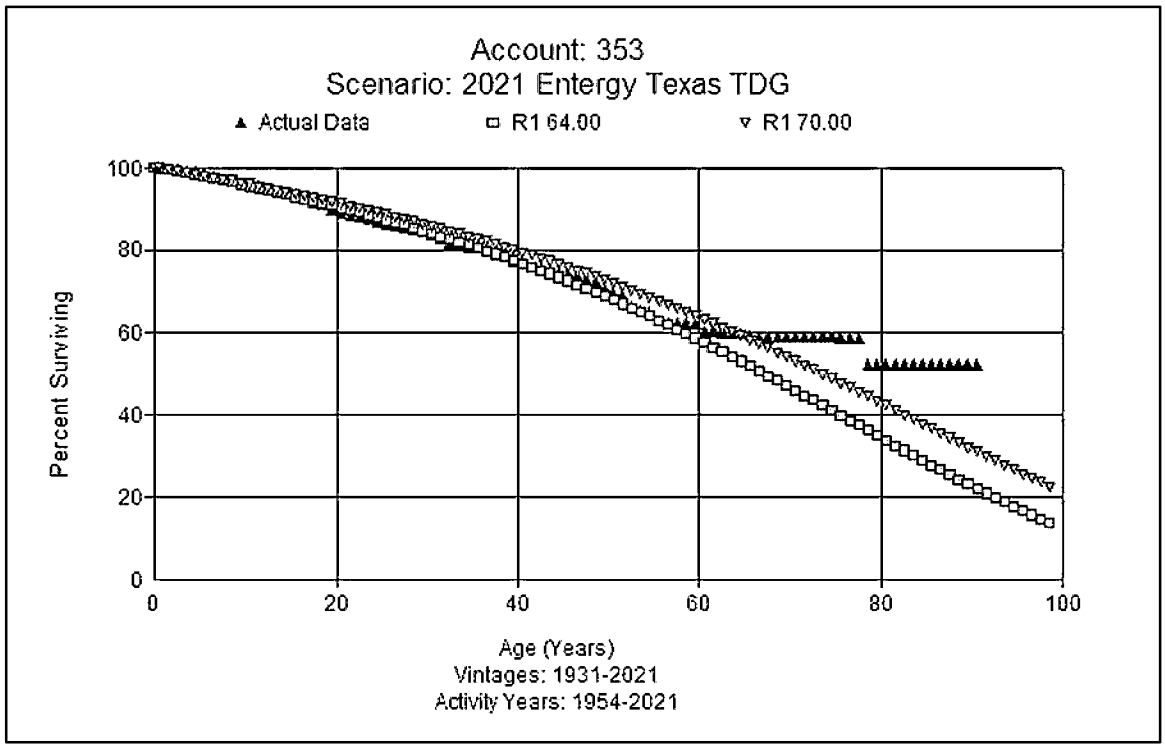
[11] See Exhibit DAW-R-2.

are used to show the effects of business and operational changes. Such banding is necessary because the analyst does not have access to a database wherein each factor (e.g., change in materials/technology or operational environment) is held constant."[12]

Q23. WHAT DOES A VISUAL COMPARISON OVER MULTIPLE BANDS SHOW?

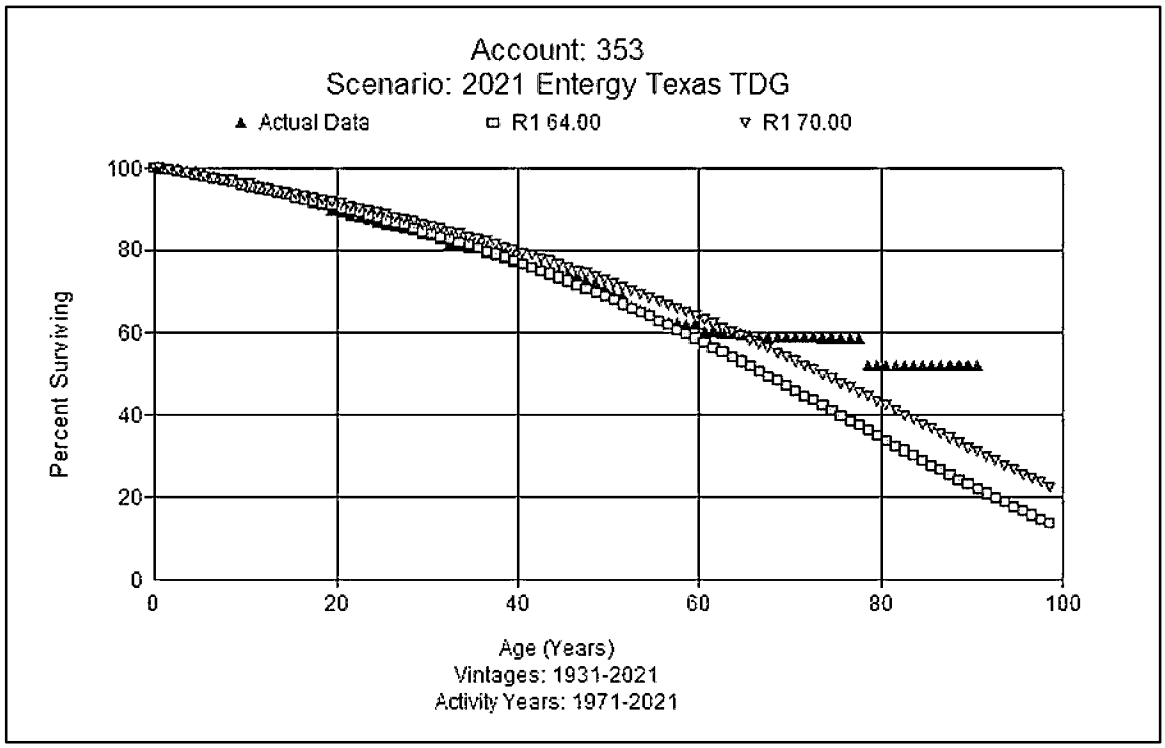
A. Below are graphs over various placement and experience bands. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal. The first graph shows the placement band of 1931–2021 and experience band, in comparison with the 1954–2021 experience.

[12] NARUC, Public Utility Depreciation Practices, at 125 (1996).

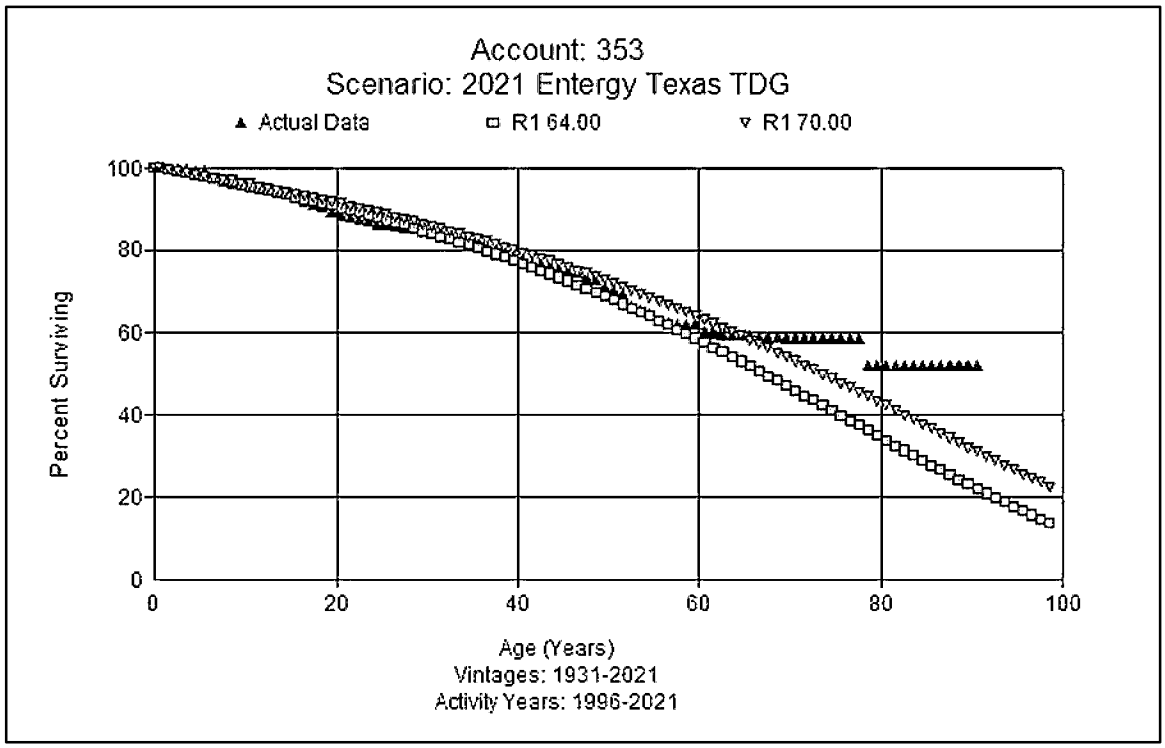


With regard to the 1931–2021 placement and experience band 1954-2021, the two curves are close to each other, but my proposed curve is closer through age 60 and follows the slope of the actual data. Mr. Garrett's proposed additional six year life extension is not justifiable without operational reasons supporting the extension.

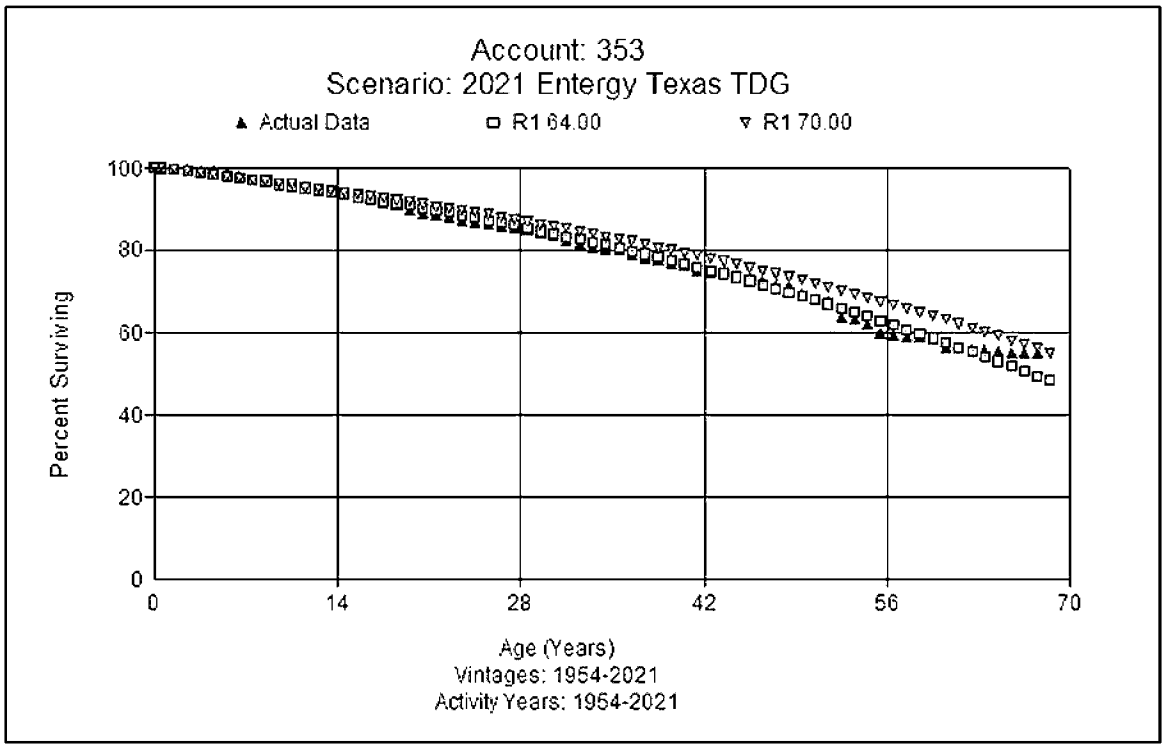
Further, the placement band of 1931-2021 and experience band of 1971-2021 below shows the same trend that my proposed curve is a better match than Mr. Garrett's proposal.



The next graph below shows the placement band 1931–2021 and experience band 1996–2021, which differs from the single band placement 1931–2017 and experience 1954–2017 selected by Mr. Garrett.

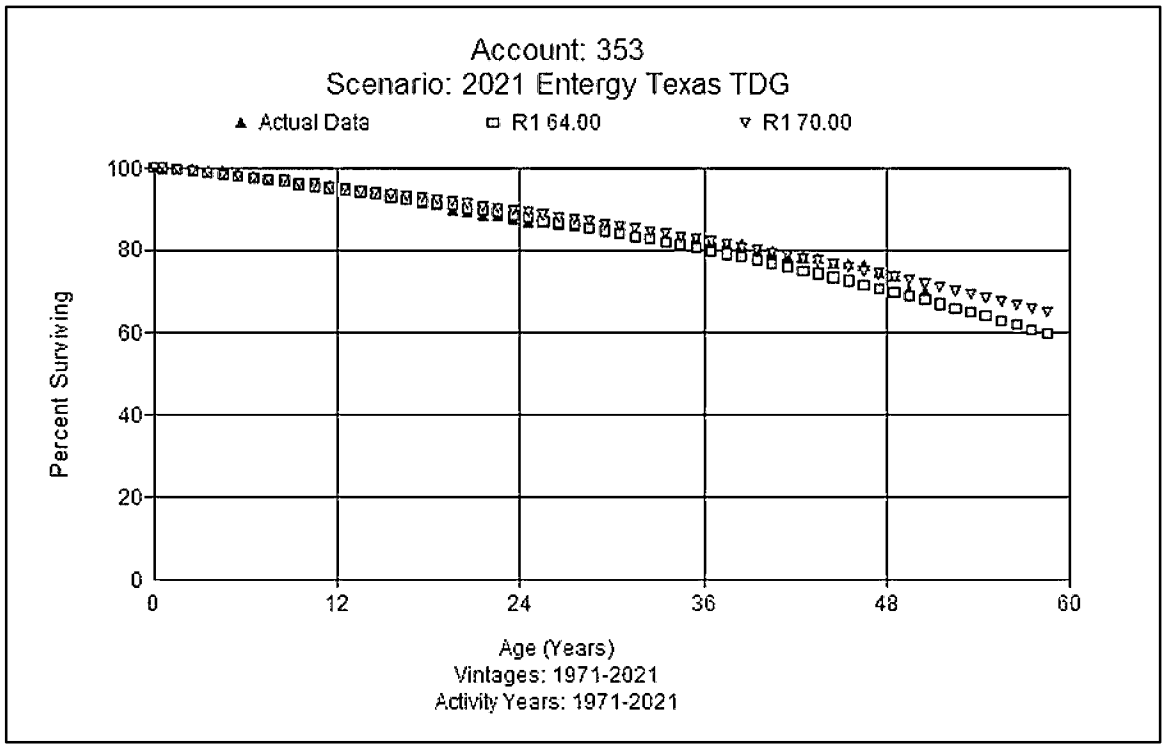


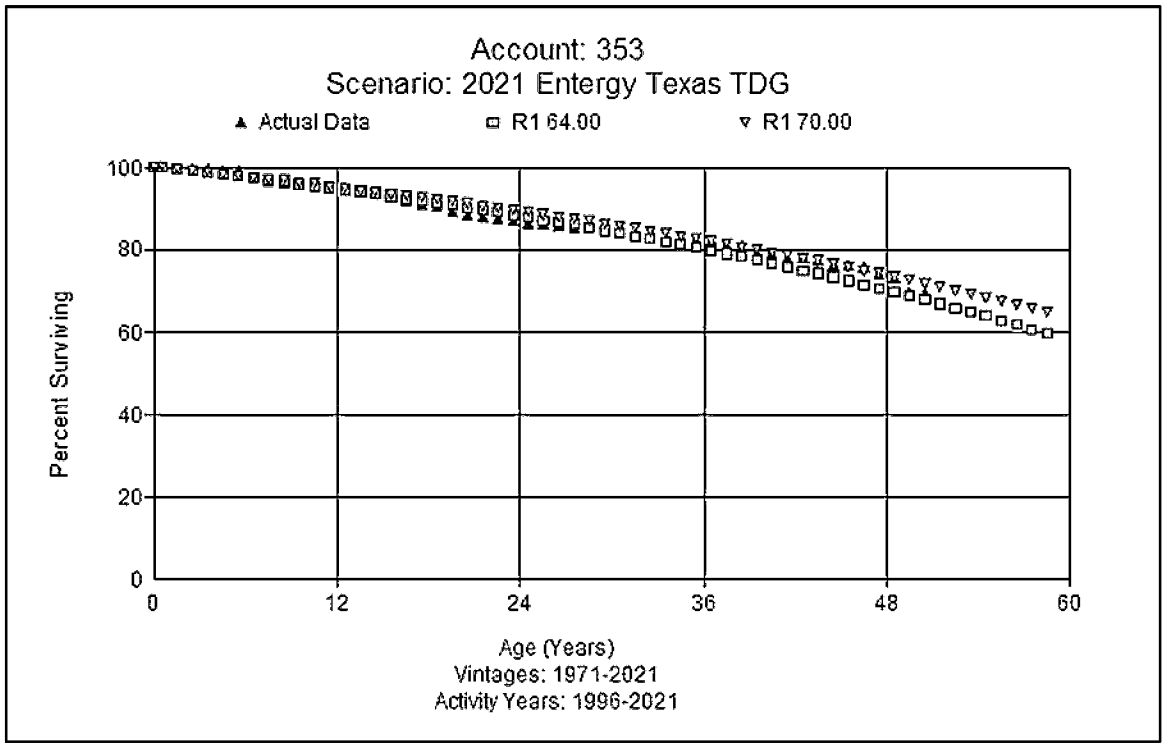
The next graph below shows the placement band 1971–2021 and experience band 1971–2021 and placement band 1971–2021 and experience band 1996-2021.



The remaining graphs for this account show various placement experience bands for various periods where each curve is compared to the Company's data.

The next graph below shows the placement band 1931–2021 and experience band 1996–2021, which differs from the single band placement 1931–2017 and experience 1954–2017 selected by Mr. Garrett.


Account: 353
Scenario: 2021 Entergy Texas TDG
Actual Data
R1 64.00
R1 70.00
Percent Surviving
100
80
60
40
20
0
0
12
24
36
48
60
Age (Years)
Vintages: 1971-2021
Activity Years: 1971-2021


Account: 353
Scenario: 2021 Entergy Texas TDG
Actual Data
R1 64.00
R1 70.00
Percent Surviving
100
80
60
40
20
0
0
12
24
36
48
60
Age (Years)
Vintages: 1971-2021
Activity Years: 1996-2021

Again, the more recent bands demonstrate a shorter life closer to my proposed 64 year life than Mr. Garrett's proposed 70 year life. This is significant because so much of the investment in this account is new plant with an average age of survivors of 15.05 years. This is where the majority of the investment is as well, showing the most recent trends that are likely to recur in future periods. By selecting only one band, Mr. Garrett's analysis misses this important information. I believe that the visual fits shown above contradict Mr. Garrett's contention that his selected curve is a better fit to the observed data.[13]

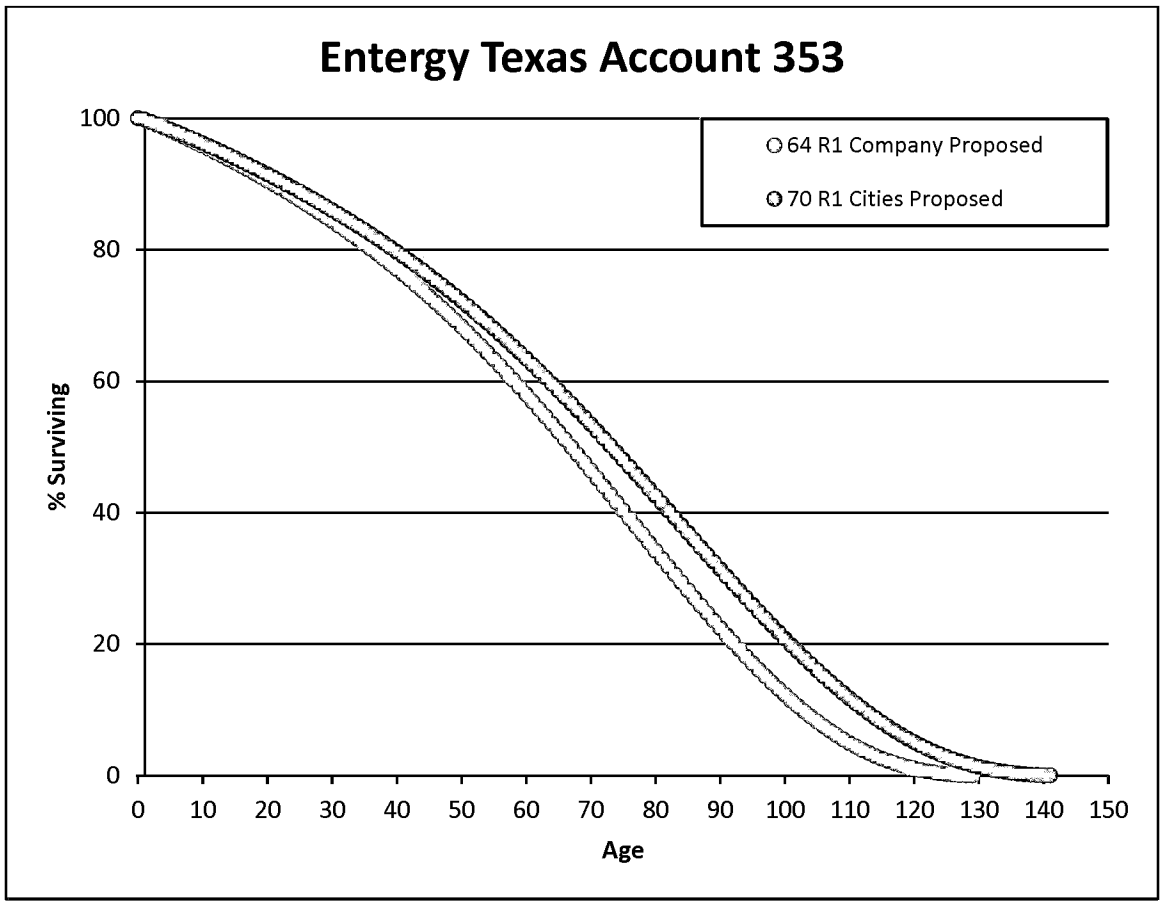
Q24. ARE THERE OTHER ASPECTS THAT YOU CONSIDERED IN YOUR 64 R1 RECOMMENDATION?

A. Yes. The fit I selected was one of 22 different fits across multiple placement and experience bands, which can be found in my workpapers. There are a variety of assets with a mix of lives recorded in this account and my retention of the currently approved 64-year life is reasonable. In contrast, the SMEs did not indicate that *any* assets in this account could be expected to last as long as Mr. Garrett recommends *for an average life*.

[13] *See* D. Garrett Dir. at 24.

Q25. HOW DOES THE DISPERSION YOU RECOMMEND COMPARE WITH MR. GARRETT'S RECOMMENDATION OVER THE TOTAL LIFE OF THE GROUP?

A. The graph below compares each curve for the full life cycle. It is important to note that the longest asset life for a 64 R1 is approximately 125 years, whereas the 70 R1 lasts beyond age 140. It is difficult to support any asset in this account lasting nearly 140 years.



Q26. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE LIFE RECOMMENDATION FOR THIS?

A. Yes. My life recommendation of 64 R1 recognizes both the indications in the life analysis and the Company-specific information from the SMEs. To move the life another six years from my recommendation is excessive. When compared to existing parameters, Mr. Garrett's life represents an increase of 6 years or a 9.4% change. This level of change without operational reasons at one time is unreasonable, is not supported by the evidence, and should be rejected.

2. Account 354 – Transmission Towers and Fixtures

Q27. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 354 – TRANSMISSION TOWER AND FIXTURES.

A. For Account 354, I recommend a service life of 75 R4, which is the same as the service life currently. Mr. Garrett proposes 79 R4, which is an increase four years beyond my recommendation. At December 31, 2021, the average age of survivors in this account is 33.56 years and the average age of retirements in this account is 25.56 years.

Q28. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING A 79 R4 CURVE?

A. No. As with Account 353, Mr. Garrett does not seem to factor in important information from Company SMEs regarding the operational life expectations for

various assets within the account. My interview notes on this account note the following factors that influence the life of this account:

> **354 – Transmission towers** – Existing life is 75 and life analysis is showing similar life with R4. Operations is comfortable with the towers. Majority of plant will last for life of plant like steel and concrete foundations. Would expect a long life. On 345kV and 230kV, some foundations have failed. A catastrophic event can cause failure. Upgrading voltage for line may also cause retirement of towers or poles. Have periodic inspection program to maintain reliability of towers. Towers are expensive to remove. Cranes are necessary and older structures may have lead paint. Also, environmental costs are now more than in the past. Only a couple have been replaced – due to direct impact of Hurricane Rita.[14]

Mr. Garrett's four additional year life extension takes the account's life outside of a reasonable life expectation for this account. This is demonstrated by the average life of other Texas utility companies being **66** years.[15] The longest lives among the surveyed companies are El Paso Electric at 75 years, Southwestern Public Service Company at 75 years, and Southwestern Electric Power Company at 74 years. All these companies operate in different and, in some cases, less demanding operating conditions than ETI.

Q29. HOW MUCH DATA EXISTS TO PERFORM ACTUARIAL ANALYSIS FOR THIS ACCOUNT?

A. The data to perform actuarial analysis is very sparse for this account. In performing life analysis for Entergy's data, I excluded storm related retirements. Over the available history, only $428 thousand for normal retirements have retired out of

[14] *See* Watson Direct Workpapers, 2022 Interview Notes.

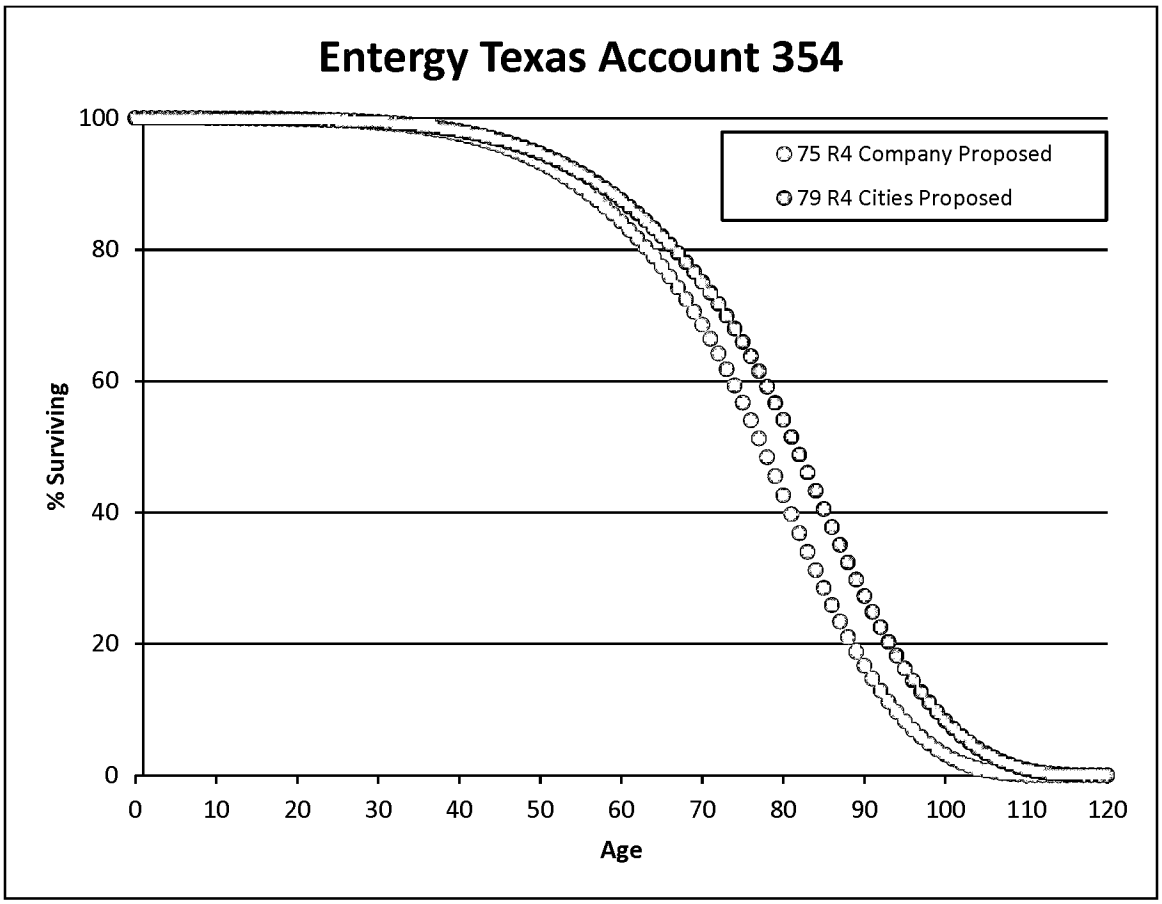
[15] See Exhibit DAW-R-2.

$31.7 million in plant has been retired.[16] Thus the retirements are only 1.4% of the total plant. This is insufficient for statistically valid actuarial analysis. I did not include $3.6 million of storm related retirements which have produced a statistically valid sample, and sufficient historical data. Historical analysis cannot be relied upon for a meaningful conclusion. At this point, the judgment and input from Company SMEs become a vital input to determine life estimates for this account.

Q30. HOW DO THE TWO DISPERSIONS COMPARE OVER THE TOTAL LIFE OF THE GROUP?

A. Shown below is a graph for the full life cycle comparing each curve. It important to note that the longest asset life for a 75 R4 is approximately 110 years, whereas the 79 R4 lasts to age 120.

[16] Watson Direct Workpapers, TDG Actuarial Data.



Q31. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE LIFE RECOMMENDATION FOR THIS ACCOUNT?

A. Yes. My life recommendation of 75 R4 recognizes the environment that Energy Texas operates in and the Company-specific information from the SMEs. Mr. Garrett's recommendation for this account would give Entergy Texas the longest life for any regulated utility in Texas. That recommendation does not make sense given Entergy's service area.

3. Account 355 – Poles & Fixtures

Q32. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 355 – TRANSMISSION POLES AND FIXTURES.

A. The existing service life is 65 R1.5. My recommendation is 70 R1.5, which is an increase of 5 years. Mr. Garrett proposes 77 R1, which is an increase of 12 years over existing and seven years beyond my recommendation. At December 31, 2021, the average age of survivors in this account is 8.84 years and the average age of retirements in this account is 19.94 years.

Q33. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING AN 70 R1.5 CURVE?

A. No. There are a number of reasons I disagree with Mr. Garrett on the life for this account. Similar to his analysis regarding the other accounts, Mr. Garrett discounts (or discards) important operational life expectations and information from Company SMEs. My interview notes on this account note the following factors that influence the life of this account:

> **355 – Transmission pole account** – Existing life is 65 years, life analysis is showing increase to 70 years old. This feels reasonable with the majority of infrastructure moving to steel and concrete. Wood in TX averages about 50 years old. Newest wood is around 20 years old. Treated wood poles in TX are surviving 55 years before needing to be replaced - bare pole RU, down to pole-top pin. In most areas, direct bury most transmission poles. Was dressed pole RU until around 1998 – moved to more granular RUs then. Use polymer insulators now – moved close to 20 years ago from porcelain. Polymers self-clean better than porcelain and are easier to handle. Earlier generations of polymer had a short life – would not expect as short a life for newer generations. Don't have the

> experience to project that polymer will last as long as porcelain yet. Polymer insulators would fail before the conductor. Cross arms – have H-frame structures with wood arms. When replaced, will go back with steel tubular (engineered arm). In some cases, will replace cross arms prior to end of life of pole (e.g. tree falling on line will break cross arms). Anodes are also capital items and only have a life of 15-20 years. Recently accelerated the replacement of poles – more recent activity would be more representative of the future for looking at NS. With the increasing levels of engineered structures (steel and concrete poles), they would expect the life to increase. Life is currently at 65 years – seeing some statistics for a slightly longer life – maybe 70 years. As more poles moving to steel and concrete (and with treatment, the wood would be expected to last 55 years or more), seeing an increase in life is reasonable.[17]

In addition, Mr. Garrett's recommendation is well outside the normal life expectations for this account as evidenced by the **53**-year average life of Texas other utility companies.[18] It is hard to understand setting a 77-year life for a Gulf Coast utility compared to other utilities across the state without operational input that the life should be dramatically different than normal expectations. As discussed above, Mr. Garrett also only examines one band for his proposal. In contrast, I used eight different placement experience bands as provided in the workpapers to my direct testimony. Finally, I disagree with his proposal to ignore the observed life table from age 55.5 on for his recommendation.

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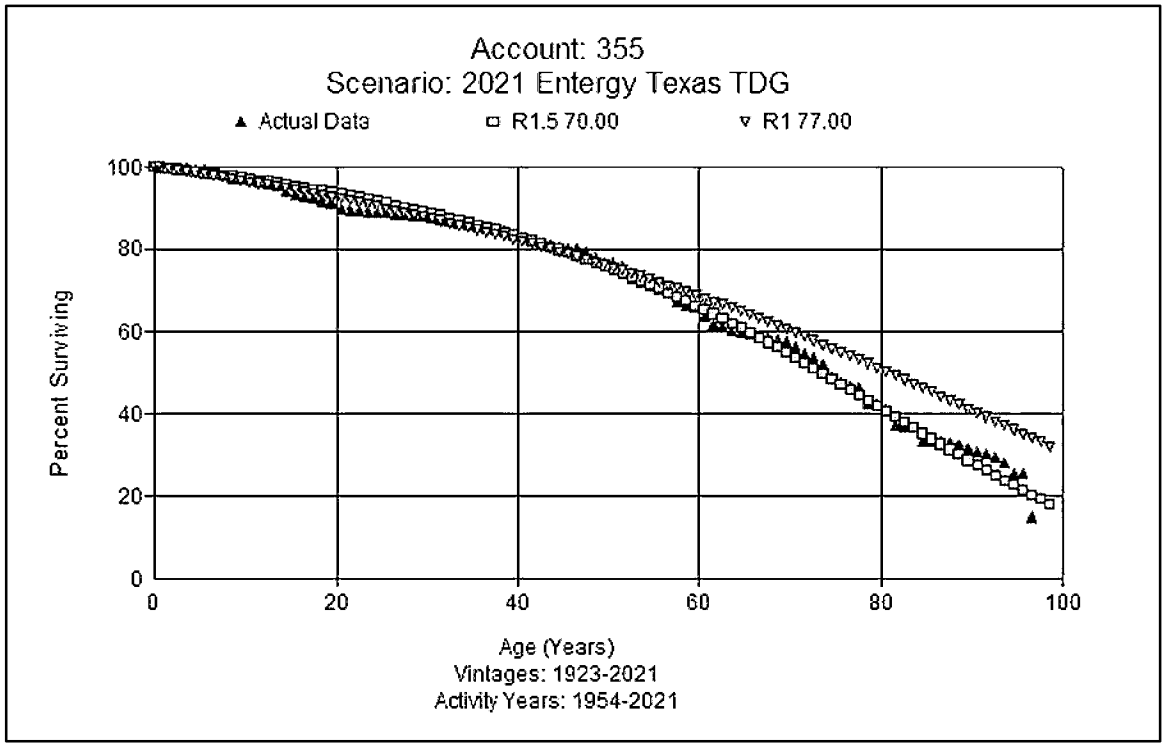
[17] Watson Direct Workpapers, 2022 Interview Notes.

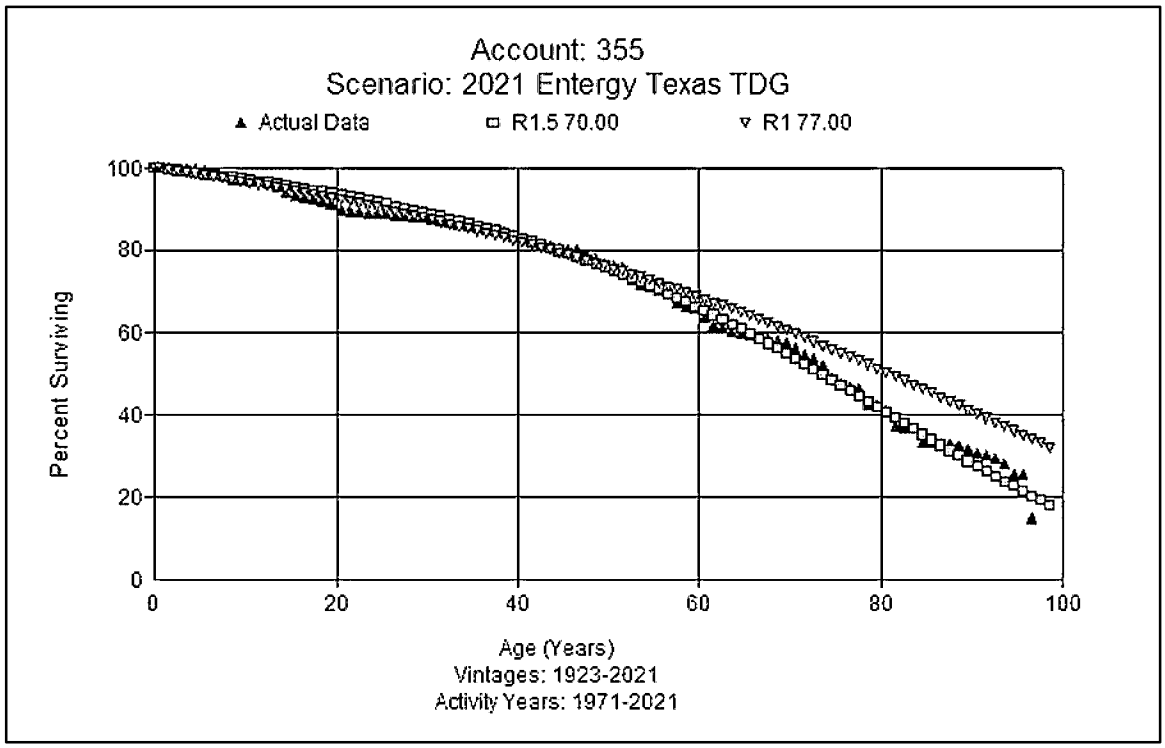
[18] Exhibit DAW-R-2.

Q34. WHAT DOES A VISUAL COMPARISON OVER MULTIPLE BANDS SHOW?

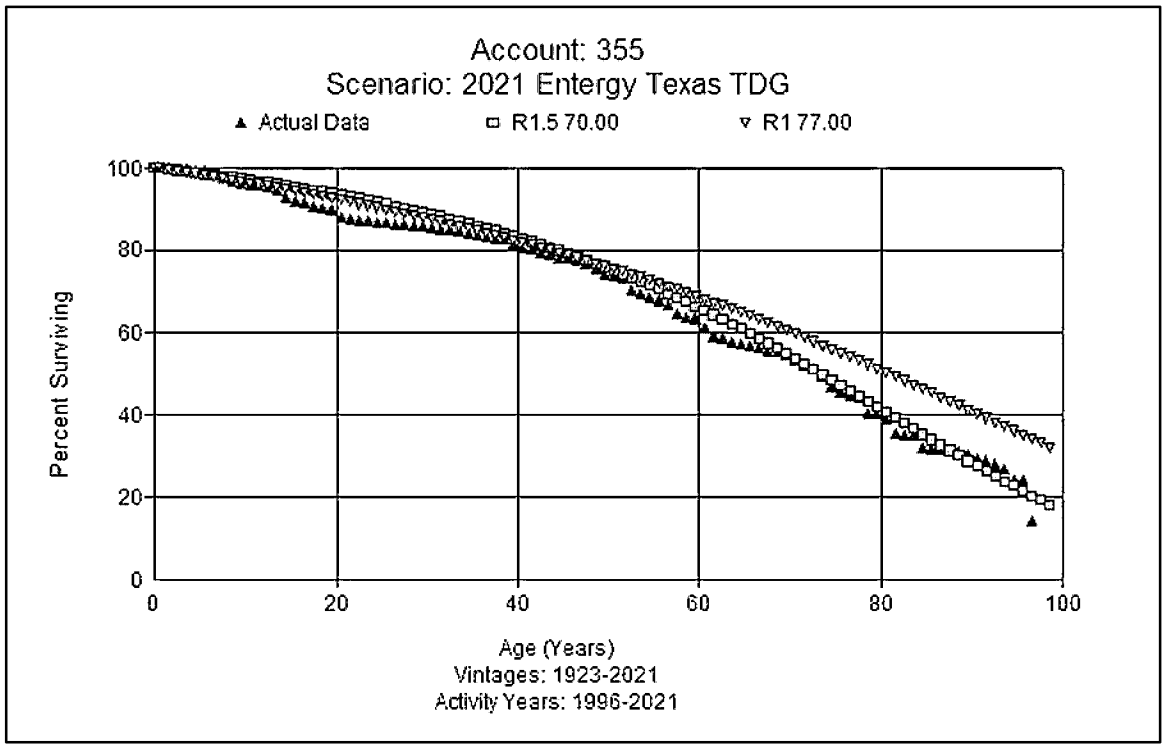
A. Below are graphs over various placement and experience bands. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal.



As the experience band narrows, my proposed curve is again a better visual match. This curve shows the placement band 1923-2021 and 1971-2021 experience band.



In the 1923-2021 placement band and 1996-2021 experience band, the same pattern occurs.



Again, the life experienced by the Company's assets is below both curve proposal, which means the life is shortening in more current experience. This is significant because so much of the investment in this account is new plant, with an average age of survivors of 8.84 years.

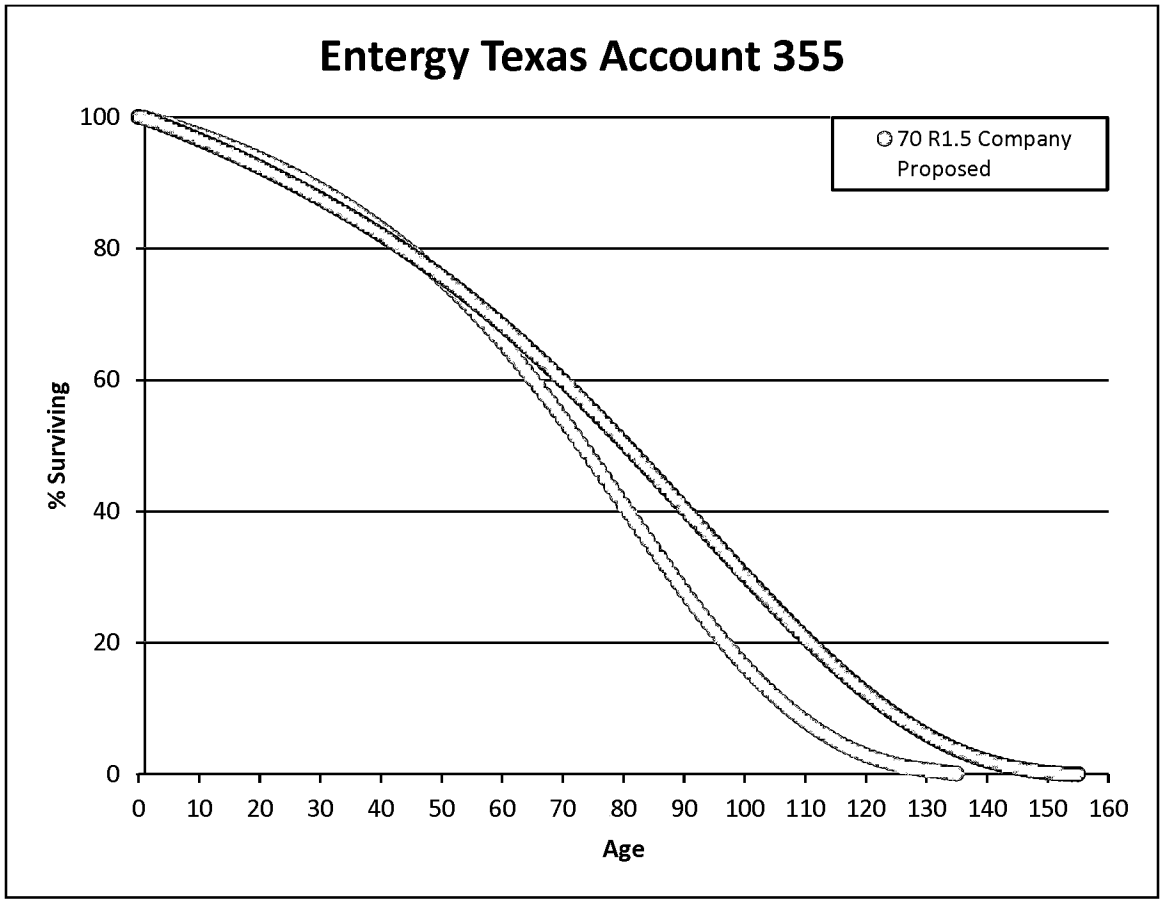
Q35. DO YOU HAVE ANY ADDITIONAL INFORMATION TO SUPPORT THE LOWER LIFE BASED ON THE ASSET TYPES AND MIX IN THE ACCOUNT?

A. Yes. The fit I selected was one of 19 different fits across multiple placement and experience bands, which can be found in my direct testimony workpapers. There are a variety of assets with a mix of lives recorded in this account, and my recommendation to move to a 70-year life is reasonable. In contrast, the SMEs did

not indicate that *any* assets (other than perhaps concrete or steel poles) could last as long as Mr. Garrett recommends *for an average life*.

Q36. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE LIFE RECOMMENDATION FOR THIS ACCOUNT?

A. Yes. My life recommendation of 70 R1.5 recognizes both the indications in the life analysis and the Company-specific information from the SMEs. To further illustrate the difference in proposed lives, it is important to see what the maximum age is for the two different type curves. Below is a graph comparing a full life cycle for each competing proposal.



It important to note that the longest asset life for a 70 R1.5 is approximately 130 years, whereas the 77 R1 lasts beyond age 150. Based on the input from the SMEs as well as my analysis, I find it difficult to believe that any asset in this account would last 150 years. Further, the fact that my analysis is in the same range (longer in many cases) as that of other Texas utility companies shows my recommendation's reasonableness. Mr. Garrett's recommendation for this account, on the other hand, is not reasonable, is not supported by the evidence, and should be rejected.

4. Account 362 – Distribution Station Equipment

Q37. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 362 – DISTRIBUTION STATION EQUIPMENT.

A. The existing service life is 65 R1, which I am recommending for this account. Mr. Garrett proposes 70 R0.5, which is an increase of 5 years over existing and my recommendation. At December 31, 2021, the average age of survivors in this account is 15.05 years and the average age of retirements in this account is 21.09 years.

Q38. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING AN 70 R0.5 CURVE?

A. No. There are a number of reasons I disagree with Mr. Garrett on the life for this account. Similar to his analysis regarding the other accounts, Mr. Garrett discounts

(or discards) important operational life expectations and information from Company SMEs. My interview notes on this account note the following factors that influence the life of this account:

> **362 – Distribution Station Equipment** - There are a lot more power transformers in the distribution account (with the ability to do life extension), removing oil breakers and replacing with longer-lived vacuum breakers (primarily). Percentage of oil breakers at distribution voltages will be less than in transmission (replaced with gas or vacuum). In last 20-25 years, added emphasis on upgrading facilities and are continuing. Would expect to see around the same life for this account as for 353. The lower cost of the distribution level assets with little difference in removal cost level would cause a higher negative net salvage amount for distribution. There were 6 stations that were flooded with Harvey. Since, they have changed their design standards related to flood criteria and elevation of control houses. Life is currently 65 years – holding that life as seen in the statistics is reasonable.[19]

In addition, Mr. Garrett's recommendation is well outside the normal life expectations for this account as evidenced by the **52**-year average life of Texas other utility companies.[20] It is hard to understand setting a 70-year life for a Gulf Coast utility compared to other utilities across the state without operational input that the life should be dramatically different than normal expectations. As discussed above, Mr. Garrett also only examines one band for his proposal. In contrast, I used five different placement experience bands as provided in my workpapers. Finally, I disagree with his proposal to ignore the observed life table from age 69.5 on for his recommendation.

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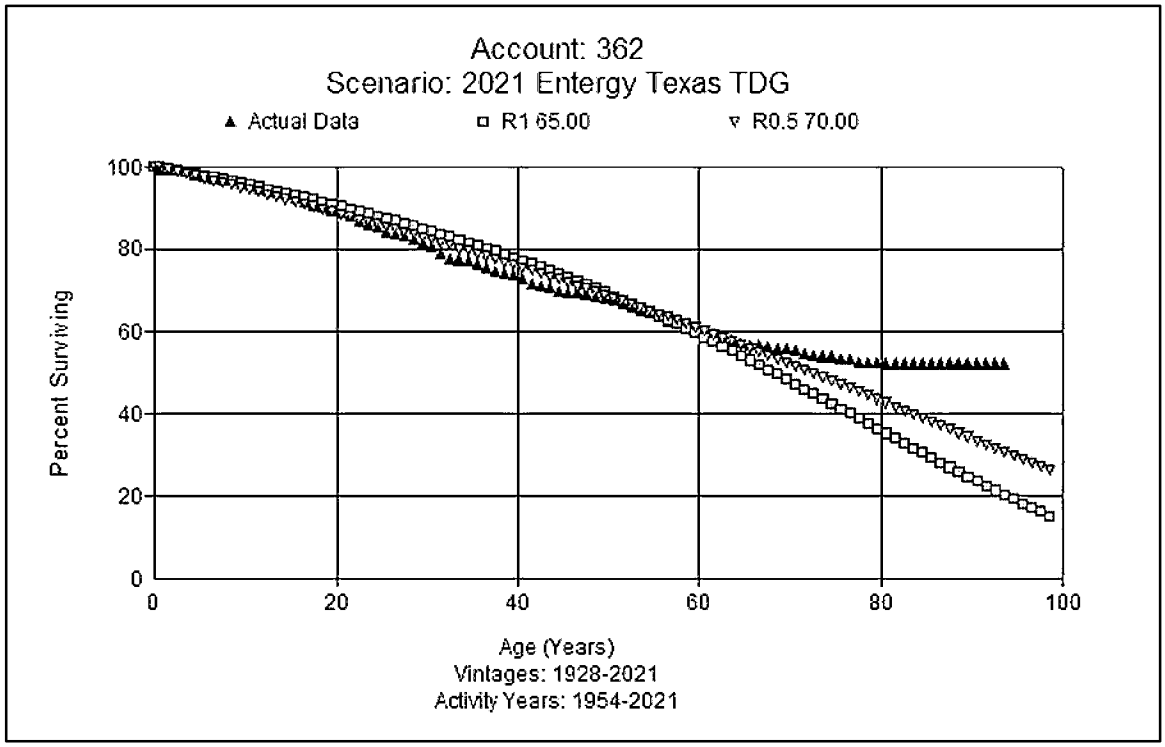
[19] Watson Direct Workpapers, 2022 Interview Notes.

[20] Exhibit DAW-R-2.

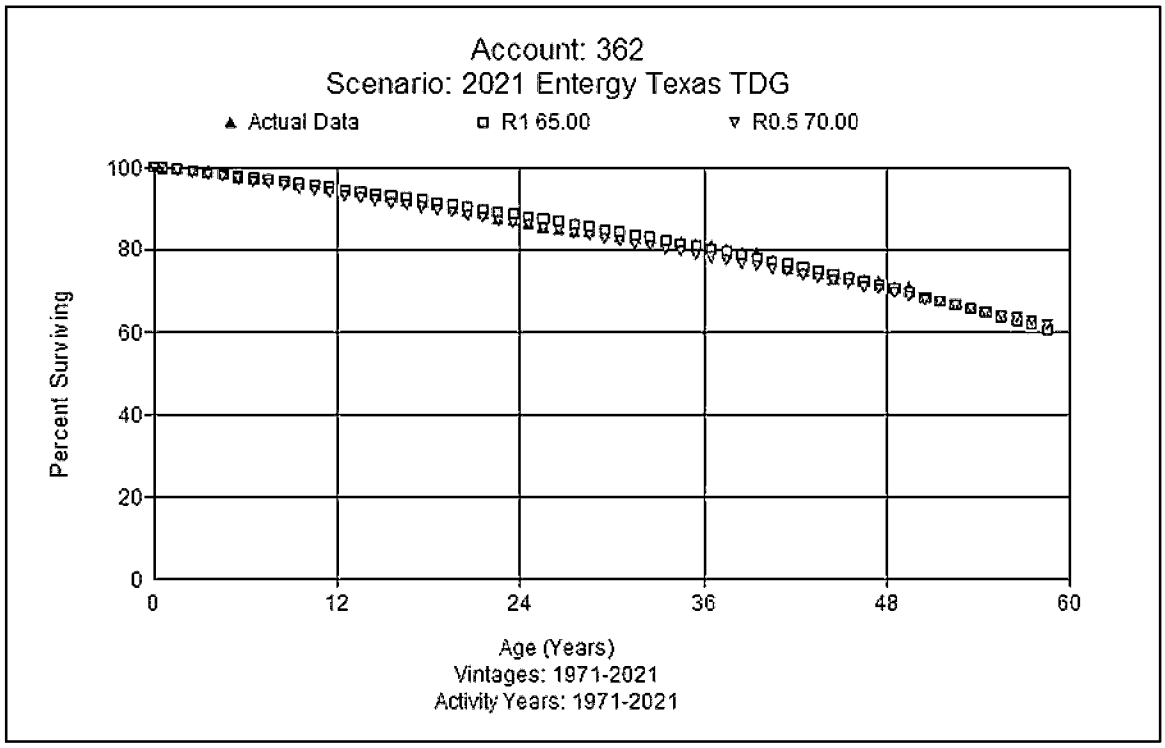
Q39. WHAT DOES A VISUAL COMPARISON OVER MULTIPLE BANDS SHOW?

A. Below are graphs over various placement and experience bands. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal.



As with the accounts discussed above, the curves selected by Mr. Garrett and me for this band are so close to each other that an additional five-year life extension is not justifiable without operational reasons that the life should increase further.

The same close match for the 1971–2021 placement experience band, shown below, demonstrates the same close fit between my curve proposal and Mr. Garrett's curve proposal.

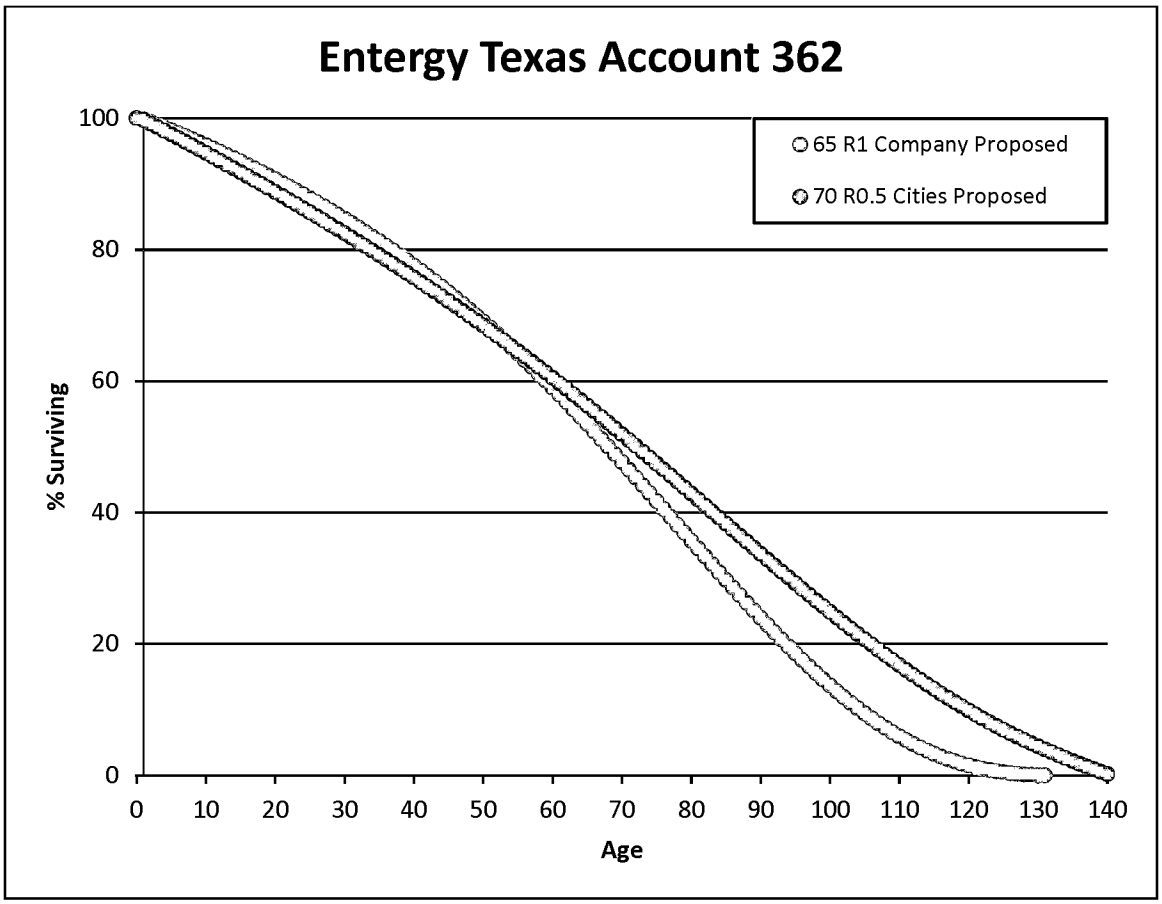


Q40. DO YOU HAVE ANY ADDITIONAL INFORMATION TO SUPPORT THE LOWER LIFE BASED ON THE ASSET TYPES AND MIX IN THE ACCOUNT?

A. Yes. The fit I selected was one of 13 different fits across multiple placement and experience bands, which can be found in my direct testimony workpapers. There are a variety of assets with a mix of lives recorded in this account, and my recommendation to move to a 70-year life is reasonable. In contrast, the SMEs did not indicate that *any* assets could last as long as Mr. Garrett recommends *for an average life*.

Q41. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE LIFE RECOMMENDATION FOR THIS ACCOUNT?

A. Yes. My life recommendation of 65 R1 recognizes both the indications in the life analysis and the Company-specific information from the SMEs. While Mr. Garrett moved the life of distribution substation equipment 7 years longer than the life he recommends for transmission substation equipment, he does not explain an operational reason to have the life seven years longer. In fact, operationally, it is expected that the lives for the two accounts to be close (as my recommendations for both accounts have done). To further illustrate the difference in proposed lives, it is important to see what the maximum age is for the two different type curves. Below is a graph comparing a full life cycle for each competing proposal.



It important to note that the longest asset life for a 65 R1 is approximately 125 years, whereas the 70 R0.5 lasts until age 140. Based on the input from the SMEs as well as my analysis, I find it difficult to believe that any asset in this account would last 140 years. Further, the fact that my analysis is in the same range as that of other Texas utility companies shows its reasonableness. Mr. Garrett's recommendation for this account, on the other hand, is not reasonable, is not supported by the evidence, and should be rejected.

5. Account 364 – Poles & Fixtures

Q42. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 364 – POLES, TOWERS, AND FIXTURES.

A. The existing service life is 43 R1. My recommendation is 45 R1, which is an increase of 2 years. Mr. Garrett proposes 47 R1.5, which is an increase of four years over existing and two years beyond my recommendation. At December 31, 2021, the average age of survivors in this account is 15.43 years and the average age of retirements in this account is 19.64 years.

Q43. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING AN 47 R1 CURVE?

A. No. There are a number of reasons I disagree with Mr. Garrett on the life for this account. Similar to his analysis regarding the other accounts, Mr. Garrett discounts (or discards) important operational life expectations and information from Company SMEs. My interview notes on this account note the following factors that influence the life of this account:

> **364 – Distribution Poles, Towers, Fixtures** – direct bury nearly all poles. Insulators – all suspensions are polymer; pin type is still porcelain (Vast majority are pin or post). Population of polymer is smaller. Cross arms – have structures with wood arms. When replaced, will go back with timber. In many cases, will replace cross arms prior to end of life of pole (e.g. tree falling on line will break cross arms). Have very small amount of fiberglass cross arms for certain dead-ends. Changed type of distribution poles – moved from creosote to Penta poles (went toward CCA for a while but now moving to Penta) – Penta poles are less prone to catch fire. CCA/Penta is more a rural versus urban consideration (CCA in urban areas where fires are less likely). Maybe 80%-90% still

> creosote – farm raised starting impacting system 15 years ago). South of I-10, they were putting in a more "hardened" pole for past 6-7 years or more. Two years ago, started hardening all poles when replaced. Steel on evacuation routes and hardened designs for higher wind loading. This will make the pole more likely to survive a medium and smaller type of storm. Relocations will also affect the life of poles. Would expect 40-45 for older (old growth) poles and closer to 35 years for the newer poles being installed. Texas is also one of the shortest pole life regions (environment) in the country. The company would not be surprised if the life of poles starts to increase as more hardened poles are placed on the system. They started a more in-depth inspection program 2 years ago (will look at a smaller population per year as compared to the past – 10% of the annual inspections compared to the past – but much more in-depth). Will dig down around the poles to check and treat. They will probably see a little higher replacement amount during the first cycle but then will probably see a little extension in life after that. CCA poles have to go to a separate (very expensive) landfill. Penta and Creosote can't go to a normal landfill but not as costly as CCA (if it can be separated). Generally, the Company will end up sending all poles to the more restrictive landfill. They will start deploying steel and reinforced poles in some areas as old poles are replaced or with new construction.[21]

With the use of "farm raised" (i.e., shorter life poles) and the more in-depth inspection program, the life would be expected to decrease. The hardening of the system in some places would possibly moderate that decrease. Given the operational facts, holding the life at the existing or a very small movement upwards might be warranted (as I did) based on the observed data. As discussed above, Mr. Garrett also only examines one band for his proposal. In contrast, I used six different placement experience bands as provided in my workpapers. Finally, I disagree with his proposal to ignore the observed life table from age 56.5 on for his recommendation.

[21] Watson Direct Workpapers, 2022 Interview Notes.

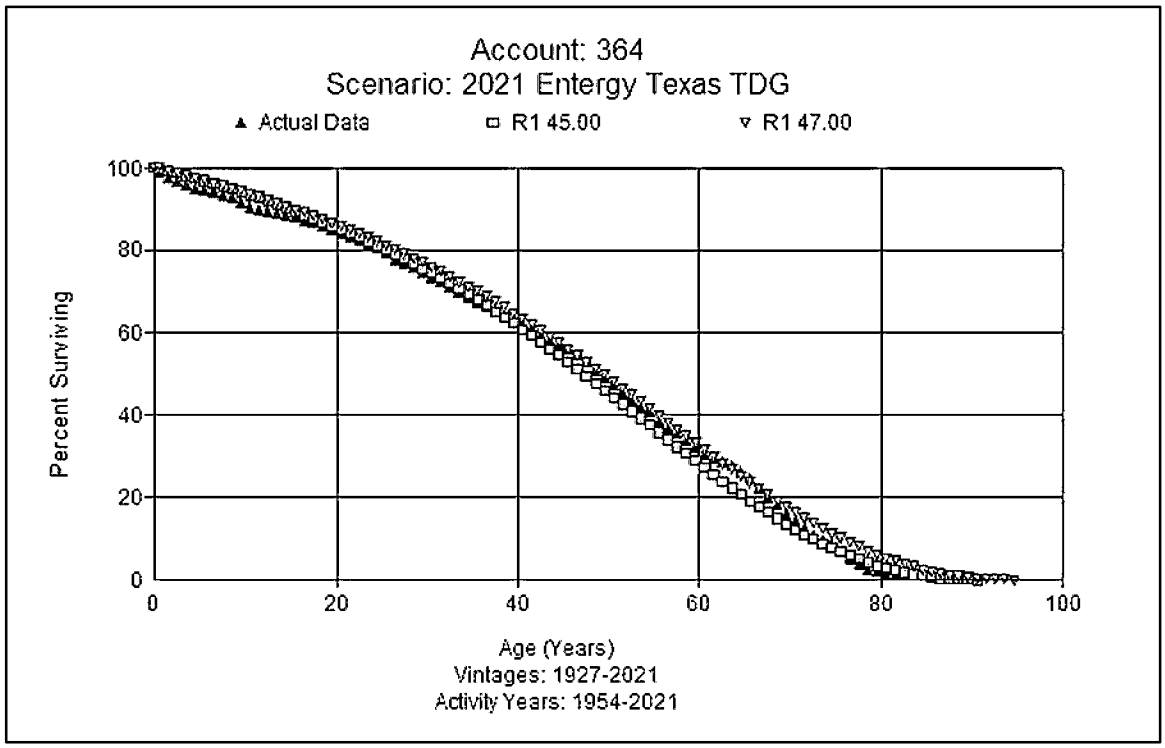
Q44. WERE SOME RETIREMENTS EXCLUDED FROM THE LIFE ANALYSIS FOR THIS ACCOUNT?

A. Yes. There was $85.5 million in normal retirements included in the life analysis. Storm retirement of $17.7 million were excluded from the life analysis. If those retirements had been included, the life would be shorter than the data shown in my depreciation study.[22]

Q45. WHAT DOES A VISUAL COMPARISON OVER MULTIPLE BANDS SHOW?

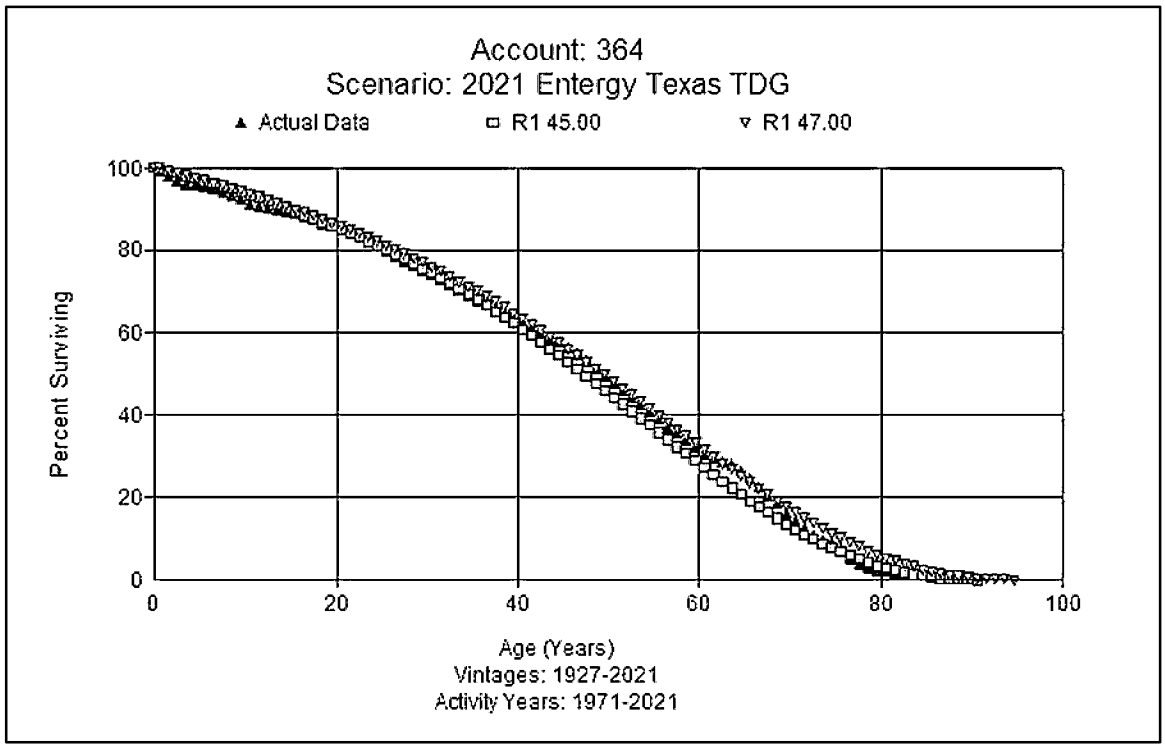
A. Below are graphs over various placement and experience bands. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal.

[22] *See* workpaper entitled "TDG Actuarial Data," which was provided with my voluminous workpapers supporting the depreciation study in a sub-folder to "Watson Direct_WP_DAW-2" entitled "Actuarial Data Sets."

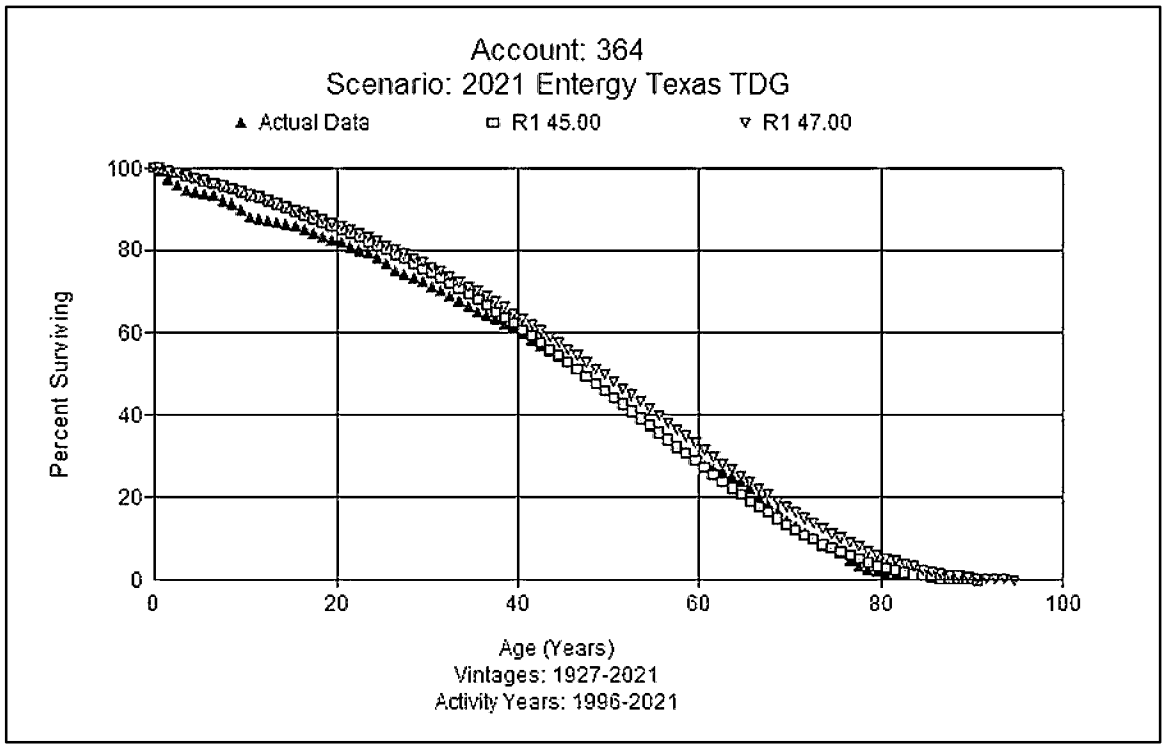


As with the accounts discussed above, the curves selected by Mr. Garrett and me for the one band Mr. Garrett considered are so close to each other that an additional life extension is not justifiable without operational reasons (which as shown above, there are not) that the life should increase further.

The 1927–2021 placement experience band with a 1971-2021 experience band, shown below, demonstrates that more recent actual experience is below both my curve proposal and Mr. Garrett's curve proposal. This shows that the lives in this account are shortening in more current experience.



The same trend is present in the 1927–2021 placement and 1996-2021 experience band, shown below. Again, the life experienced by the Company's assets is below both curve proposals (consistent with the interview notes), which means the life is shortening in more current experience. This is significant because so much of the investment in this account is new plant, with an average age of survivors of 15.43 years.



The 1996-2021 placement experience band, shown below, demonstrates that more recent actual experience is below both my curve proposal and Mr. Garrett's curve proposal. This shows that the lives in this account are shortening in more current experience.

Q46. DO YOU HAVE ANY ADDITIONAL INFORMATION TO SUPPORT THE LOWER LIFE BASED ON THE ASSET TYPES AND MIX IN THE ACCOUNT?

A. Yes. The fit I selected was one of 17 different fits across multiple placement and experience bands, which can be found in my workpapers. There are a variety of assets with a mix of lives recorded in this account, and my recommendation to move to a 45-year life is reasonable.

6. Account 366- Underground Conduit

Q47. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 366 – UNDERGROUND CONDUIT.

A. The existing service life is 60 L0.5. My recommendation is 50 R3, which is a decrease of 10 years. Mr. Garrett proposes 60 R25. I believe that the L0.5 curve is a poor choice for this account for the reasons provided below. At December 31, 2021, the average age of survivors in this account is 13.86 years and the average age of retirements in this account is 24.16 years.

Q48. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING A 60 R2 CURVE?

A. No. There are a number of reasons I disagree with Mr. Garrett on the life for this account. As with the other accounts, Mr. Garrett does not appear to consider important operational opinions and information from Company SMEs. My interview notes on this account indicate the following factors that influence the life of this account:

> **366 – UG Conduit/367 UG Conductor** – most underground is west (e.g. The Woodlands is predominantly underground, Conroe and Port Arthur second and third largest). Used to use XLP ("Cross-Linked Polyethylene")– now use EPR ("cable (still XLP on 15kV). XLP would have a shorter life since it has known treeing issues while EPR does not. However, some larger segments of XLP had cablecure injections in the past. They have seen many improvements over the years. Have seen a lot of retirements since the mid to late 1970s. Especially in Woodlands, most direct buried and rear lots with no rear alley. Other than Woodlands, scattered – planned subdivisions across systems. Conduit standard has gone backwards and forwards – all new subdivisions will be in conduit.

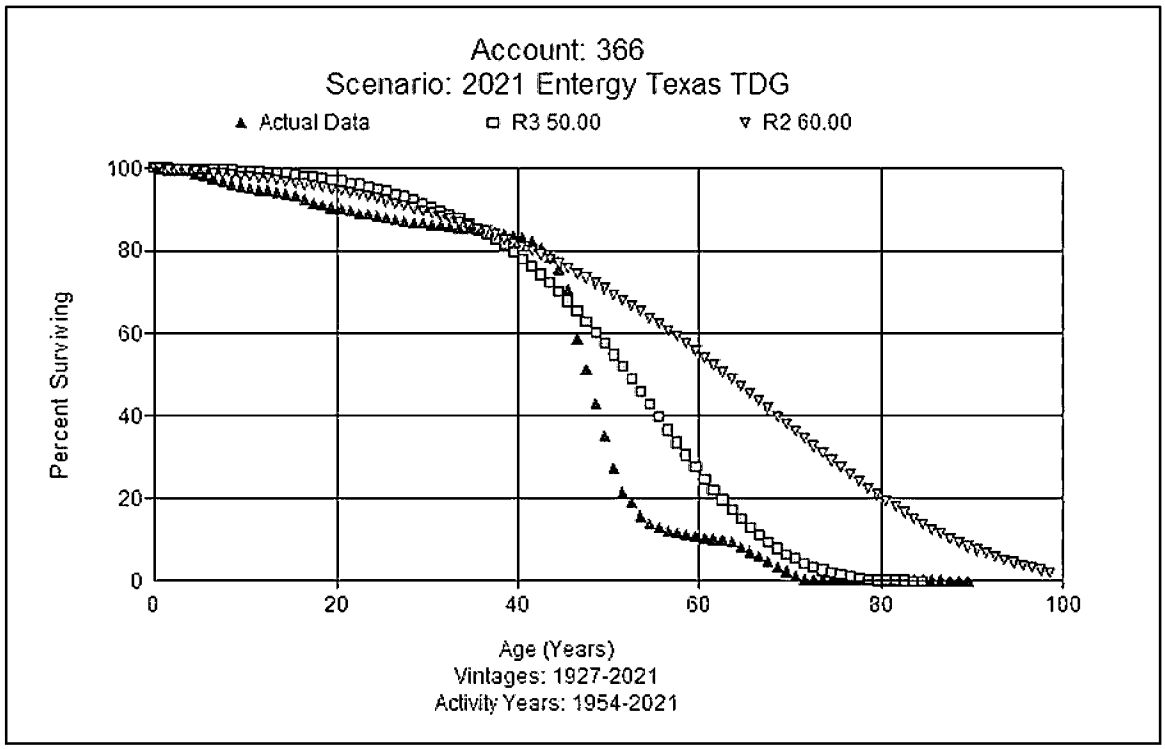
> Generally, the preference is to install in conduit when possible. Developer will install conduit in the future. UG cable life (Cable manf will say it lasts 35-40 years) is in the range of 30-40 years for 15kV (XLP) (25%-30% of feet – maybe 10% of cost), EPR (20 kV) perhaps 40-50 years. Forces of retirement primarily treeing, dig-ins, relocations and previous faults. If 3 faults in a section, will replace section (between two termination points). No program of replacement of OH with UG. Would agree that the conductor life of 40 is reasonable. Lower levels of dig-ins than in the past. Any UG work will have storm-water, road permits, mitigation issues that are increasing costs. Filling manholes will create a negative NS for conduit. In mid-2017, they began a proactive cable replacement program – targeting direct buried conductor (from $700K to $3M per year in cable replacement). They would expect the life to start increasing over time as more EPR is on the system and the old XLP direct buried is replaced.[23]

Again, Mr. Garrett also only examines one band for his proposal, while I used six different placement experience bands, as provided in my direct testimony workpapers. Finally, I disagree with his proposal to ignore the observed life table from age 48.5 on for his recommendation.

Q49. WHAT DOES A VISUAL COMPARISON OVER MULTIPLE BANDS SHOW?

A. Below are graphs over the placement 1927-2021 and experience band from 1954-2021. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal.

[23] Watson Direct Workpapers, 2022 Interview Notes.



As with the other accounts discussed above, Mr. Garrett improperly uses only one placement/experience in his analysis. In addition, Mr. Garrett states that points "are becoming erratic near the 45-year age interval." In Figure 8 of his testimony, Mr. Garrett recommends a truncation of the curve at the 1% cutoff point, thus implying that points after age 46.5 should be excluded in the analysis[24] with 58.47% of the assets of the account surviving. By cutting the curve off at age 46.45, Mr. Garrett ignores the portion of the graph that represents approximately 58.47% to 0% of the assets in the account still surviving in the single placement/experience band he presents. I disagree with this decision to exclude a vital portion of the

[24] D. Garrett Dir. at 33.

curve. The authoritative treatise *Depreciation Systems* provides support for my position and directly contradicts Mr. Garrett's decision to truncate the graph:

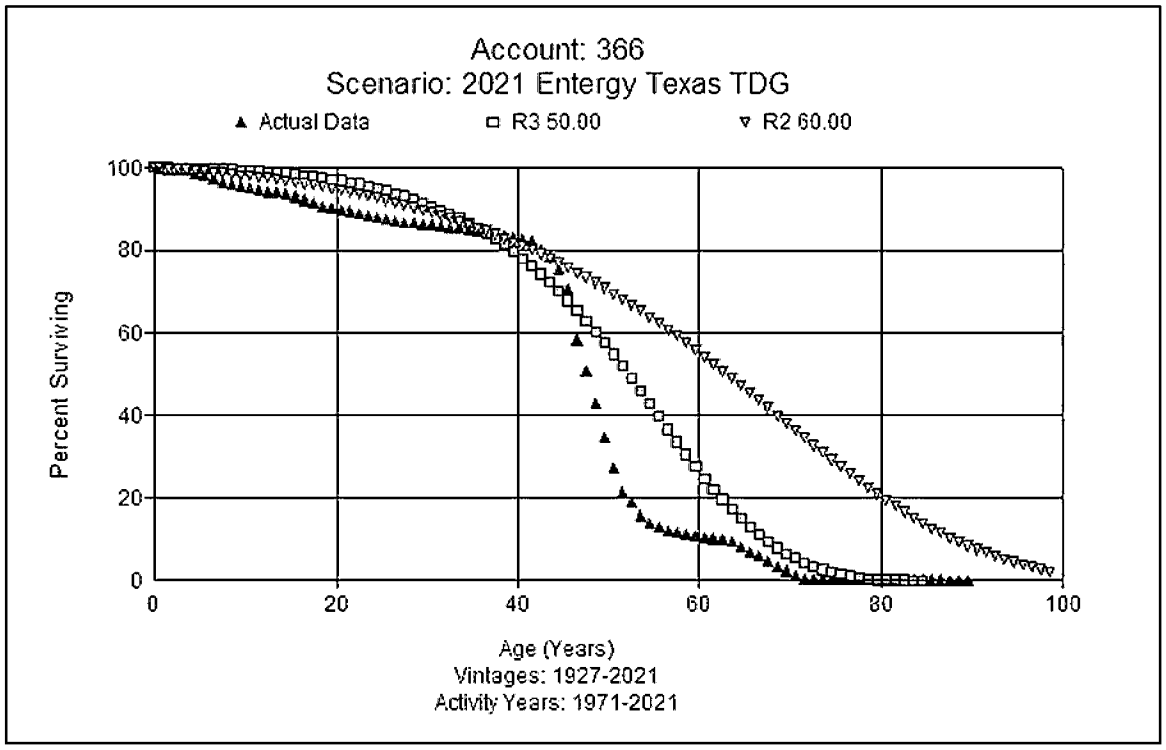
> After plotting the observed curve, the analyst should first visually match the plotted data to make an initial judgment about the type curve that may be good fits. The analyst also must decide which points or section of the curve should be given the most weight. Points at the end of the curve are often based on fewer exposures and may be given less weight than the points based on larger samples. The weight placed on those points will depend on the size of the exposures. Often the middle section of the curve (that section ranging from approximately 80% to 20% surviving) is given more weight than the first and last sections. This middle section is relatively straight and is the portion of the curve that often best characterizes the survivor curve.[25]

Mr. Garrett has provided no authority in support of his position to disregard entire segments of the observed life table curves. By removing the points from age 46.5 till the end of the curve, Mr. Garrett ignores the guidance from authoritative sources to consider the 80% to 20% portion of the curve for matching. Removing those points from the analysis eliminates important data that a depreciation analyst should consider and gives an incorrect view of the curve shape that is radically different from what is actually being experienced by the Company. In addition, Mr. Garrett's selection only matches the 100%-80% section of the graph well, not the 80%-20% section that is standard.

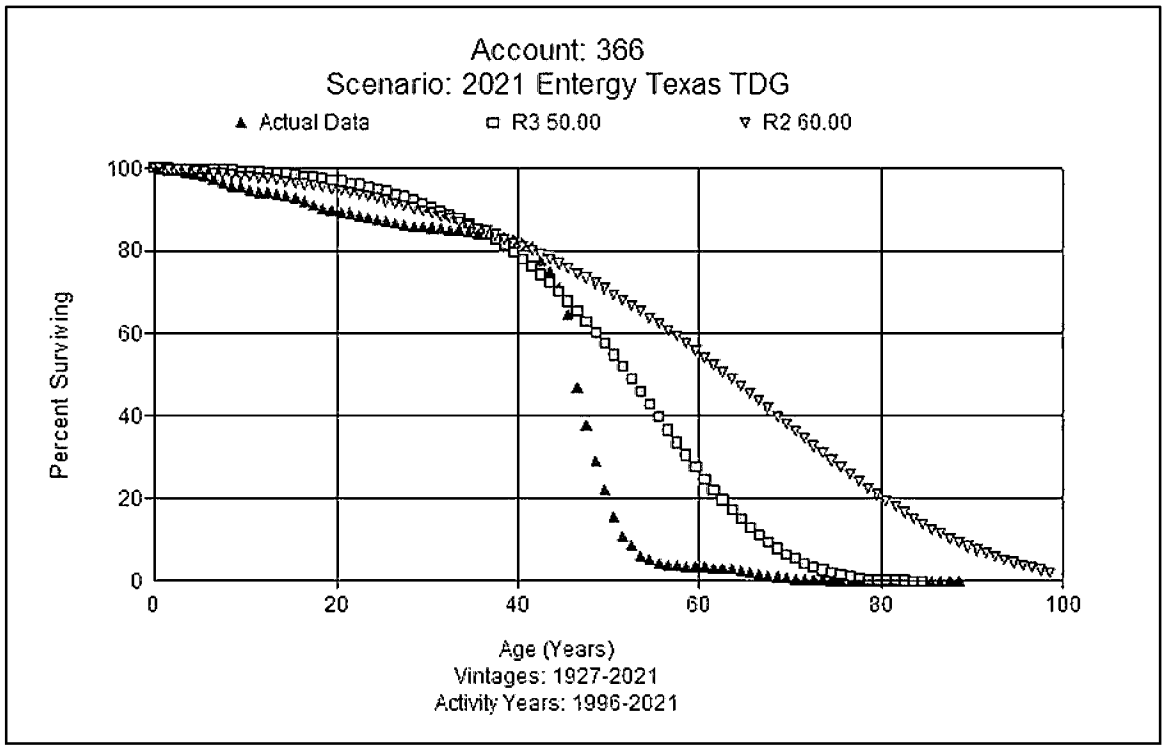
[25] F.K. Wolf and W. C. Fitch, Depreciation Systems, at 46–47 (1994) (emphasis added).

Q50. DID YOU REVIEW OTHER PLACEMENT AND EXPERIENCE BANDS FOR COMPARISON BETWEEN THE TWO PROPOSALS?

A. Yes. The fit shown in the 1927-2021 placement band and 1971–2021 placement experience band, shown below, demonstrates that more recent actual experience is below both my curve proposal and Mr. Garrett's curve proposal. This shows that the lives in this account are shortening in more current experience.



The same trend is present in the 1927-2021 placement band and 1996-2021 experience band, shown below. Again, the life experienced by the Company's assets is below both curve proposals, which means the life is shortening in more current experience. This is significant because so much of the investment in this account is new plant, with an average age of survivors of 15.51 years.



Q51. ARE THERE OTHER ASPECTS THAT YOU CONSIDERED IN YOUR 50 R3 RECOMMENDATION?

A. Yes. The fit presented was one of 15 different fits across multiple placement and experience bands, which can be found in my direct testimony workpapers. There are a variety of assets with a mix of lives recorded in this account and my recommendation to move to a 50-year life is reasonable.

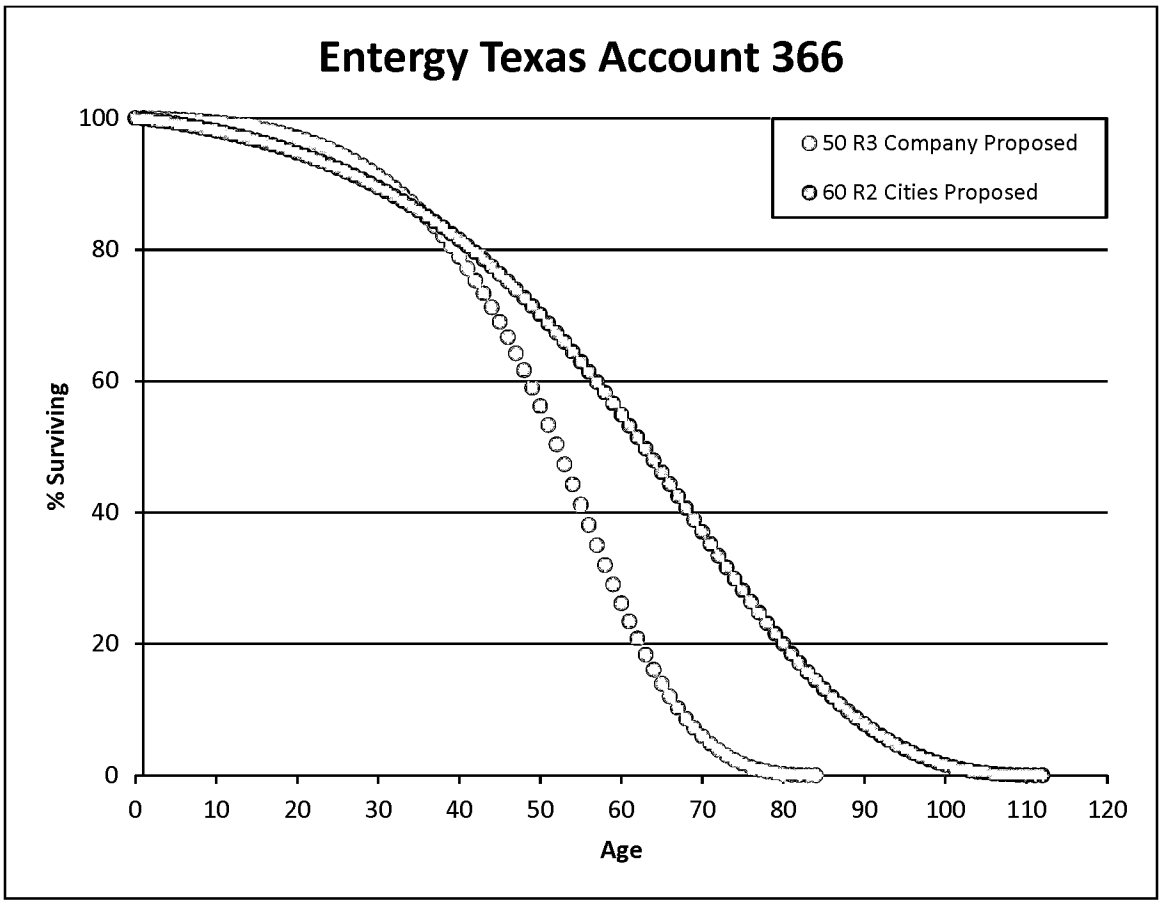
Q52. DO YOU HAVE ANY ADDITIONAL INFORMATION TO SUPPORT THE LOWER LIFE BASED ON THE ASSET TYPES AND MIX IN THE ACCOUNT?

A. Yes. When viewing all the points on the observed life table, my proposal is a better visual fit than Mr. Garrett's. In addition, Mr. Garrett's contention to disregard the

portion of the curve between 80% and 20% surviving as directed by authoritative literature is inaccurate.

Q53. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE LIFE RECOMMENDATION FOR THIS ACCOUNT?

A. Yes. My life recommendation of 50 R3 recognizes both the indications in the life analysis and the Company-specific information from the SMEs. To further illustrate the difference in proposed lives, it is important to see what the maximum age is for the two different type curves. Below is a graph comparing a full life cycle for the competing proposals.



7. Account 367 – Underground Conductors and Devices

Q54. PLEASE DESCRIBE YOUR AND MR. GARRETT'S RECOMMENDATIONS FOR ACCOUNT 367 – UNDERGROUND CONDUCTORS AND DEVICES.

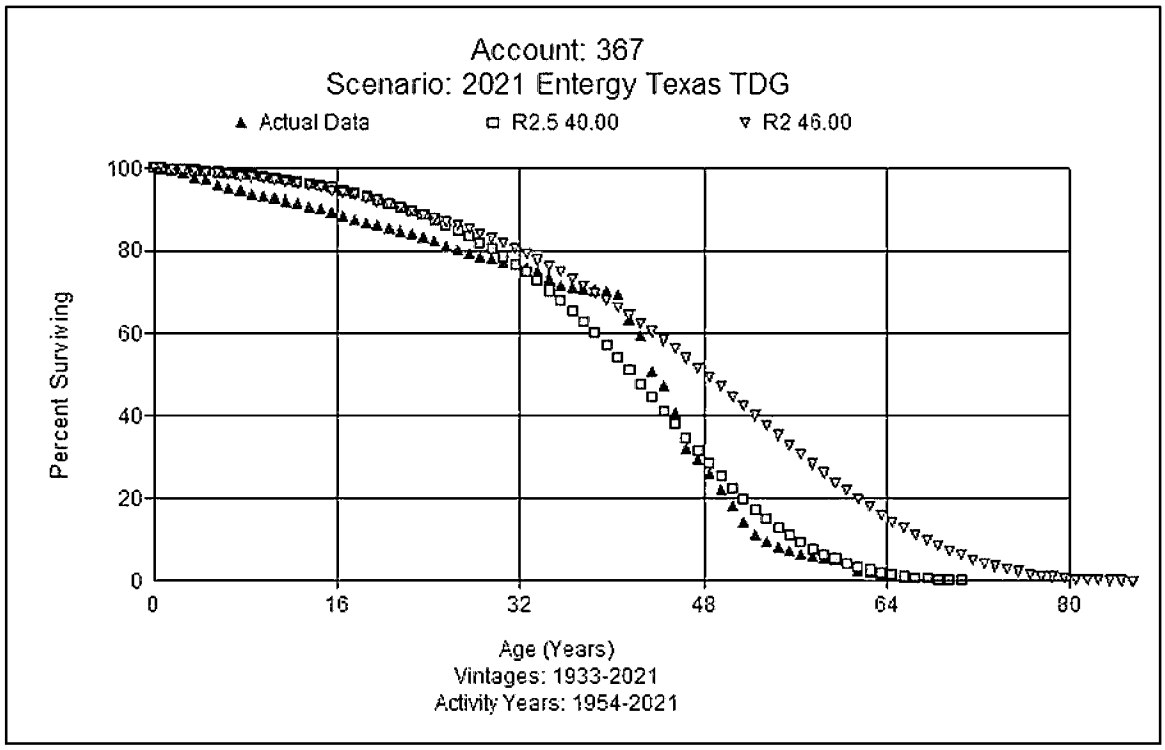
A. The existing service life is 42 R1. My recommendation is 40 R2.5, which is a decrease of one year. Mr. Garrett proposes 46 R2, which is an increase of four years over existing and six years beyond my recommendation. At December 31, 2017, the average age of survivors in this account is 15.51 years and the average age of retirements in this account is 19.45 years.

Q55. DO YOU AGREE WITH MR. GARRETT'S BASIS FOR PROPOSING A 42 R1 CURVE?

A. No. There are a number of reasons I disagree with Mr. Garrett on the life for this account. Again, he seemingly fails to factor in important operational opinions and information from Company SMEs, including the changes in cable technology. Further, Mr. Garrett also only examines one band for his proposal. In contrast, I used five different placement experience bands provided in my direct testimony workpapers. Finally, I disagree with his proposal to ignore the observed life table from age 46.5 on for his recommendation.

Q56. WHAT DOES A VISUAL COMPARISON OVER THE OVERALL BAND SHOW?

A. Below are graphs for the overall placement and experience band. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal. The overall placement band (1933-2021) and experience band (1954-2021) that Mr. Garrett uses for his comparison is shown below.



As with the other accounts discussed above, Mr. Garrett improperly uses only one placement/experience in his analysis. In addition, Mr. Garrett states "Mr. Watson's curve does not provide an ideal fit through the most relevant portions of the OLT curve, and instead gives undue statistical weight to the most irrelevant, tail-end portion of the OLT curve."[26] Figure 9 of his direct testimony indicates that he only considered points up to age 46.5, with 58.47% of the assets in the account still surviving.[27] In cutting off the curve at age 40.5, Mr. Garrett ignores a portion of the graph that represents approximately 58.47 to 0% of the assets in the account surviving in the single placement/experience band he presents.

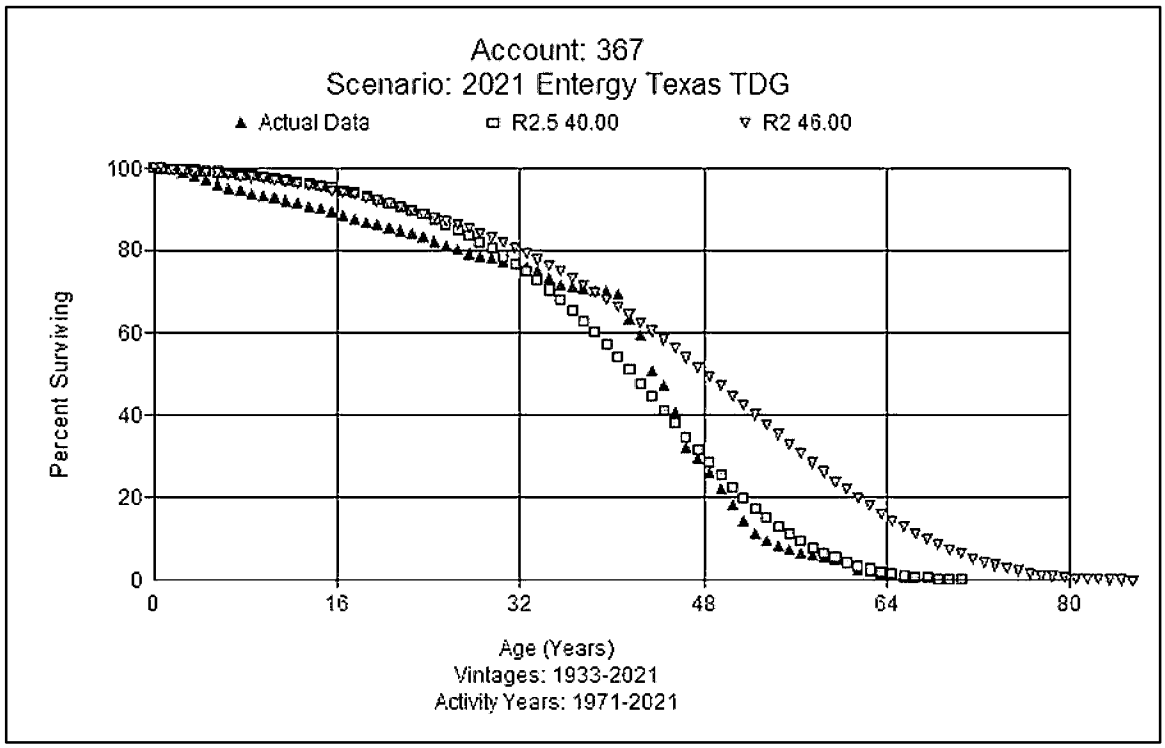
[26] D. Garrett Dir. at 35.

[27] *Id.*

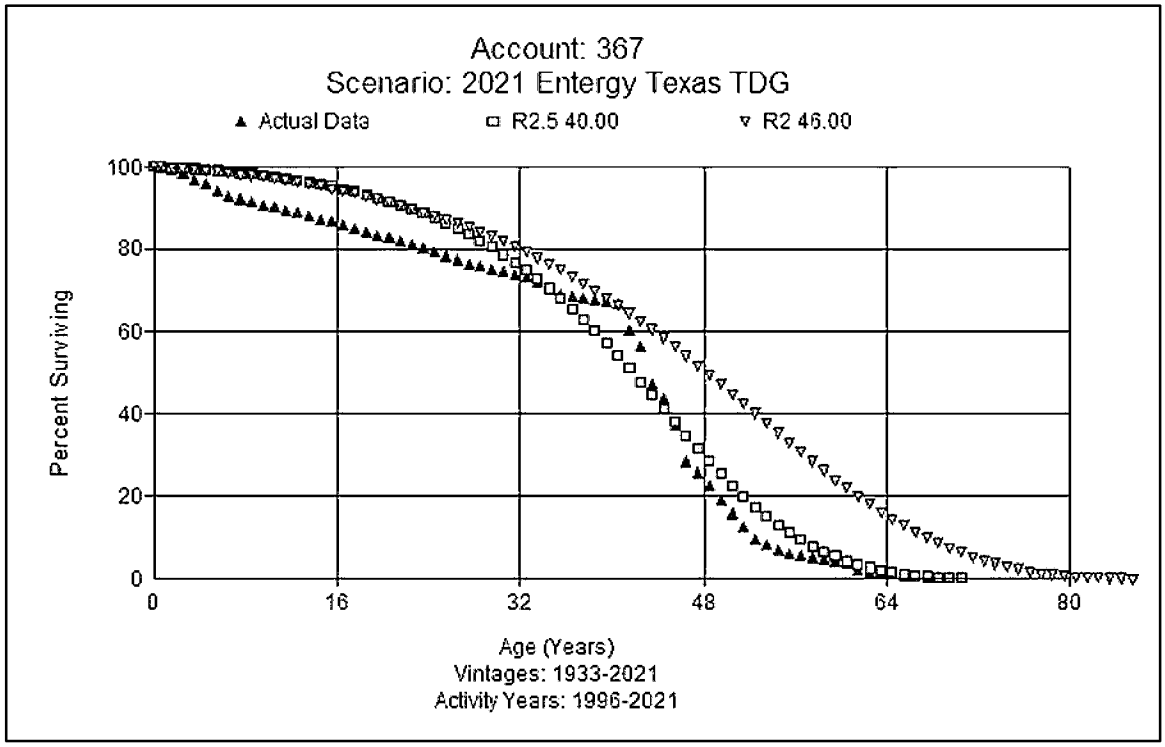
For the reasons explained in the discussion of Account 366 above, I disagree with his decision to ignore a vital portion of the curve. Because Mr. Garrett considers a limited set of data points, the shape of the curve he recommends does not conform to the actual pattern observed in ETI's actual experience and should be rejected.

Q57. WHAT DOES A VISUAL COMPARISON OVER THE MULTIPLE BANDS SHOW?

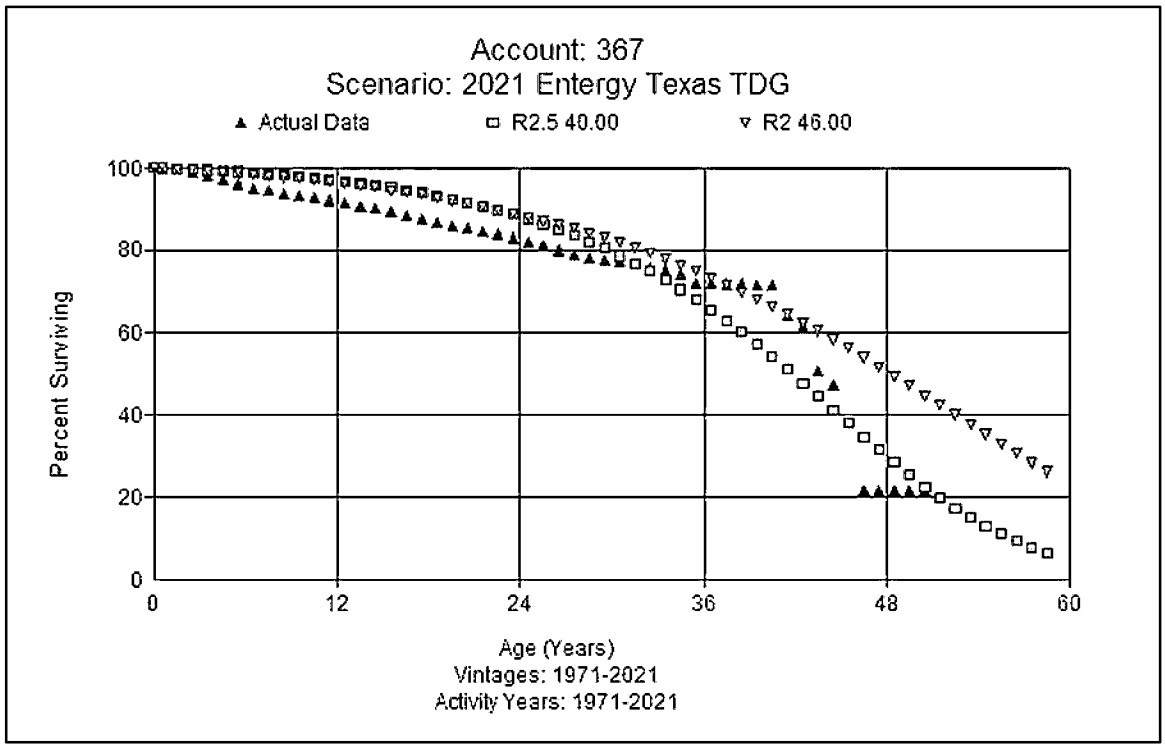
A. Below are graphs for the overall placement and experience band. The dark blue triangles represent the observed life table, the green rectangles represent the Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal. The overall placement band (1933-2021) and with a shorter experience band (1971-2021) is shown below.

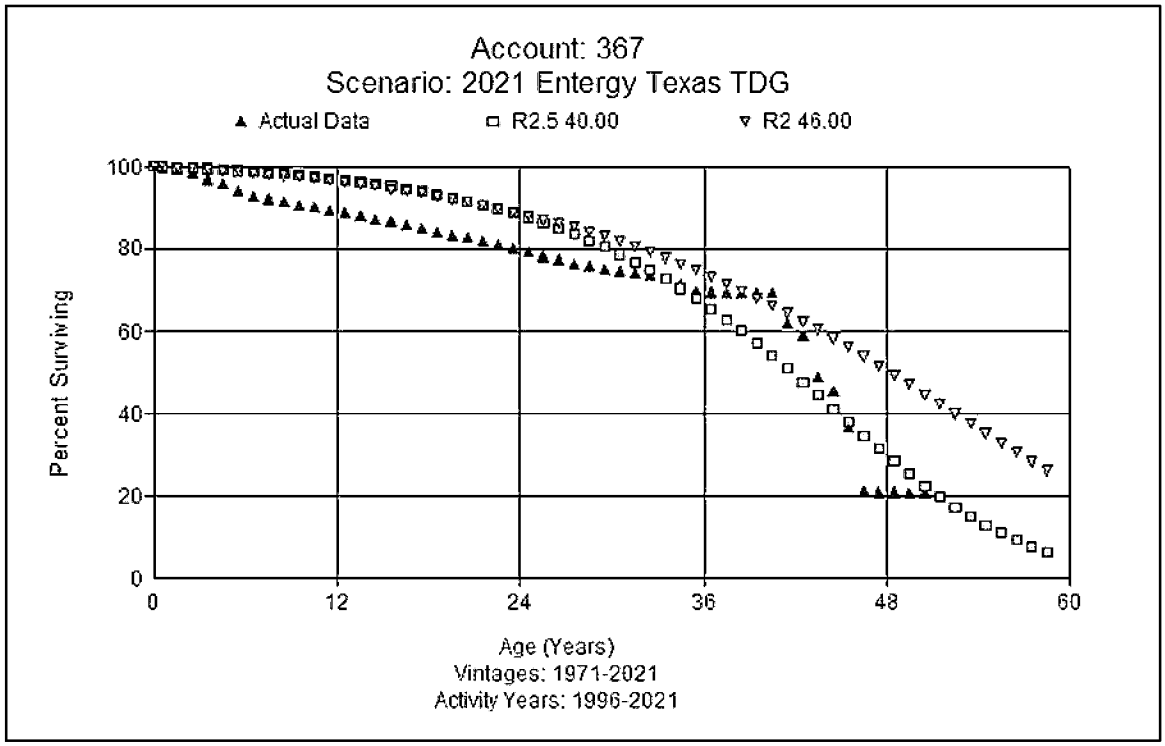


The more narrow experience band shows that the Company's proposal is a better visual match. Another graph using the overall placement band (1933-2021) and a more narrow experience band (1996-2021) is shown below.



Once again, the Company's proposal is a better visual match. Two additional graphs using a placement band of 1971-2021 with two different experience bands shown below reinforce the same observation—that the Company's proposal is a better visual match over multiple bands.


Account: 367
Scenario: 2021 Entergy Texas TDG
Actual Data
R2.5 40.00
R2 46.00
Percent Surviving
100
80
60
40
20
0
0
12
24
36
48
60
Age (Years)
Vintages: 1971-2021
Activity Years: 1971-2021


Account: 367
Scenario: 2021 Entergy Texas TDG
Actual Data
R2.5 40.00
R2 46.00
Percent Surviving
100
80
60
40
20
0
0
12
24
36
48
60
Age (Years)
Vintages: 1971-2021
Activity Years: 1996-2021

The Company's proposal, and the slanted light blue triangles show Mr. Garrett's proposal. The overall placement band (1993-2021) and experience band (1954-2021) that Mr. Garrett uses for his comparison

Q58. ARE THERE OTHER ASPECTS THAT YOU CONSIDERED IN YOUR 40 R2.5 RECOMMENDATION?

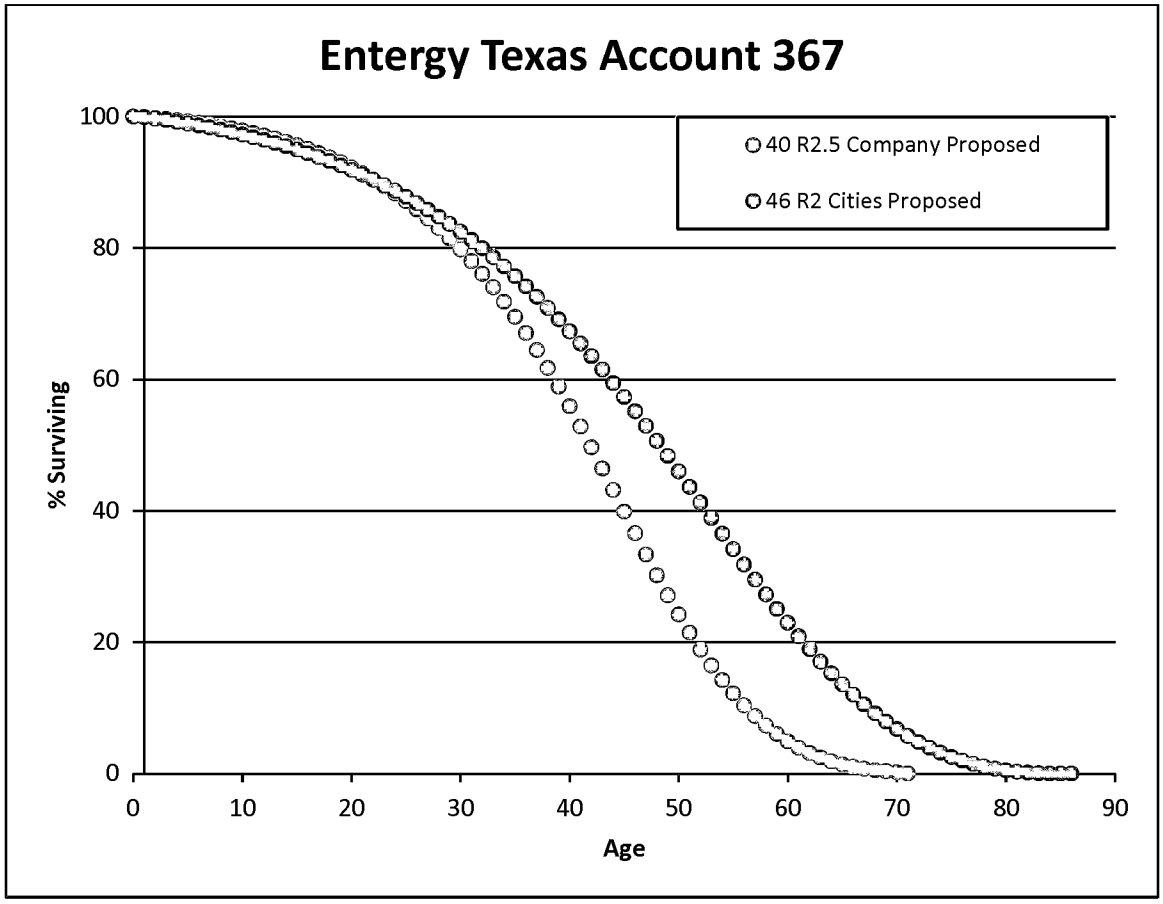
A. Yes. The fit presented was one of 20 different fits across multiple placement and experience bands, which can be found in my direct testimony workpapers. This account includes a variety of assets with a mix of lives recorded. It is important to note that the Company's actual experience based on the curves above reflect a shorter life than recommended by either myself or Mr. Garrett. My recommendation to move to a 40-year life for this account is reasonable.

Q59. DO YOU HAVE ANY ADDITIONAL INFORMATION TO SUPPORT THE LOWER LIFE BASED ON THE ASSET TYPES AND MIX IN THE ACCOUNT?

A. Yes. When examining the bands, authoritative literature recommends matching the 80% to 20% portion of the curve as mentioned previously. My proposed 40 R2.5 curve is a better match than the 46 R2 Mr. Garrett proposes.

Q60. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE LIFE RECOMMENDATION FOR THIS ACCOUNT?

A. Yes. My 40 R2.5 life recommendation recognizes both the indications in the life analysis and the Company-specific information from the SMEs.



B. Net Salvage

Q61. WHAT ACCOUNTS ARE BEING CHALLENGED BY MR. GARRETT?

A. Mr. Garrett has recommended changes in life for fifteen accounts in the transmission and distribution function.[28] Table 4 shown below is a summary of the

[28] D. Garrett Dir. at 39, Figure 10.

plant accounts: the Company's existing and proposed net salvage percentages and Cities proposed net salvage percentages.

Table 4 – Summary by Proposed-Life Parameters by Account

Acct	Description	Approved	Company Proposed	Cities Proposed
352	Structures & Improv.	-20%	-30%	-23%
354	Towers & Fixtures	-5%	-10%	-6%
355	Poles & Fixtures	-30%	-45%	-34%
356	OH Conductors & Devices	-30%	-45%	-34%
361	Structures & Improv.	-10%	-15%	-11%
362	Station Equipment	-20%	-25%	-21%
364	Poles, Towers & Fixtures	-30%	-45%	-34%
365	OH Conductors & Devices	-20%	-30%	-23%
366	UG Conduit	-10%	-15%	-11%
367	UG Conductors & Devices	-1%	-5%	-2%
368	Line Transformers	-20%	-30%	-23%
369.1	Services - Overhead	-15%	-25%	-18%
369.2	Services - Underground	-10%	-15%	-11%
371	I.O.C.P	-10%	-15%	-11%
373	Street Lighting & Signal Sys	-20%	-30%	-23%

Q62. WHAT IS THE BASIC PREMISE OF MR. GARRETT'S OPPOSITION TO YOUR NET SALVAGE RECOMMENDATIONS?

A. Mr. Garrett and I agree on the analysis methods and I believe that Mr. Garrett has acknowledged the increased cost of removal being incurred by ETI,[29] which has resulted in much more negative net salvage when comparing to the existing net salvage percentages. Mr. Garrett states, "The Company did provide objective

[29] D. Garrett Dir. at 36.

evidence generally supporting its proposed increase in net salvage for its mass property account." However, Mr. Garrett feels that the magnitude of the net salvage changes too substantial.[30]

Q63. DO YOU HAVE ANY OTHER COMMENTS ON MR. GARRETT'S OVERALL NET SALVAGE APPROACH BEFORE DISCUSSING THE INDIVIDUAL ACCOUNTS AT ISSUE?

A. The changes in net salvage rates are needed to align capital recovery for ETI assets. Mr. Garrett fails to consider is that the goal of setting depreciation rates is to recover remaining investment and future removal cost over the remaining life of the assets. The trends toward higher negative net salvage need to be reflected in the Company's proposed rates so as not to create intergenerational inequities. Also, my net salvage proposals for numerous ETI accounts are still moderated when compared to actual experience.

Mr. Garrett's proposal for net salvage for all fifteen of the accounts is to arbitrarily reduce the increase I recommend. He does not provide any other metrics or analysis to show how his proposals compare to ETI's actual experience. In the following sections, I will provide a brief summary of the account net salvage and present some tables and graphs that will provide explanation and detail to support ETI's proposals for the accounts in which Mr. Garrett and I disagree.

[30] *Id.*

Q64. WHAT FACTORS ARE CAUSING REMOVAL COSTS TO INCREASE?

A. Many factors are causing an increase in removal cost for transmission and distribution plant including: the increase in labor cost due to the longer lives of assets, changes in safety and environmental requirements, requirements of working in urban areas, and overall contract labor cost increases. All these factors are inextricably bound causing an increase in removal cost for each of the accounts discussed above. From this perspective, it is not remarkable that the cost to remove from service (and properly dispose of, when appropriate) the Company's assets is increasing.

Q65. MR. GARRETT CLAIMS TO USE THE APPROACH OF THE CALIFORNIA COMMISSION RELATED TO GRADUALISM IN MAKING HIS RECOMMENDATIONS. ARE YOU AWARE OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION'S CONCERN OVER INCREASING NEGATIVE NET SALVAGE RATES?

A. Yes. Currently I am supporting four depreciation studies before the California Public Utilities Commission ("CPUC" or "California Commission"): San Diego Gas and Electric, Southern California Gas, Bear Valley Electric, and California American Water. In addition, I have presented eight additional cases that have been litigated.[31] I have approached Entergy Texas's study with the same philosophy of gradualism with regard to net salvage changes.

[31] See Exhibit DAW-1 to Watson Direct.

Q66. DOES MR. GARRETT'S APPROACH MATCH THAT PRESCRIBED BY THE CALIFORNIA COMMISSION?

A. No. Mr. Garrett misinterprets the intent and actual usage of the gradualism concept as prescribed by the California Commission. The California Commission's application (and the application of other subsequent utilities filing under that gradualism concept) was to only move net salvage factors by 25 basis points, not 25% of the recommended change by the company. In other words, if the negative net salvage rate was negative 75 percent, the California Commission would, under its gradualism concept, only allow a movement to a negative 100 percent net salvage.

To my knowledge, this concept and application have been consistent across the studies I (and others) have filed at the CPUC since the gradualism concept was stated. I have applied that same maximum movement under that gradualism concept to the recommendation in this study. In fact, my net salvage adjustments never move the maximum 25 basis points under that California gradualism concept. Mr. Garrett's recommendations are fatally flawed in that they do not follow the standard he uses as his basis.

Q67. PLEASE PROVIDE AN EXAMPLE FROM A CALIFORNIA CASE.

A. Specifically, in recent proceedings, the California Commission has applied a principle of gradualism to depreciation rates in response to concerns about growing

cost burdens associated with increasing cost trends for negative net salvage.[32] The California Commission explained that:

> [t]he principle of gradualism applies where there is a recognized need to revise estimated parameters, but where the change is allowed to occur incrementally over time rather than all at once. Applying gradualism thus limits the approved increase that would otherwise be warranted, all else being equal, and mitigates the short-term impact of large changes in depreciation parameters. Also, it is advisable to be cautious in making large changes in estimates of service lives and net salvage for property that will be in service for many decades, as future experience may show the current estimates to be incorrect.[33]

The California Commission gave specificity to this directive in Decision 14-08-032, instructing to "adopt no more than 25% of the estimated net increase from current [net salvage] rates,"[34] Appendix C, Table 12 of Decision14-08-032 makes it clear that the California Commission's directive means a change of 25 basis points in net salvage. For example Account 364, Poles Towers and Fixtures was discussed in the order with an approved -80% net salvage, the Company -150% net salvage and Commission approved net salvage of -105%, The 25% change is the difference between the Commission Adopted and Approved net salvage for this account, (25%)= (105%) –(80%).

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[32] *Application of Pacific Gas and Electric Company for Authority, among other things, to Increase Rates and Charges for Electric and Gas Service Effective January 1, 2014*, Investigation 13-03-007, Decision 14-08-032 at 598 (Aug. 14, 2014).

[33] *Id.*

[34] *Id.* at 600.

Q68. CAN YOU DEMONSTRATE THAT THE CHANGES YOU RECOMMEND FOR NET SALVAGE THAT EXCEED THE 25 PERCENT ARE WITHIN THE CONCEPT THAT THE CALIFORNIA COMMISSION IS USING AS A BENCHMARK?

A. Yes. All changes that I am recommending are lower than the 25 percent Mr. Garrett mentions (and misinterprets).[35] The largest change I recommend is 15 percent for the following accounts: Account 355- Poles and Fixtures, Account 356- OH Conductors & Devices, and Account 364- Poles, Towers and Fixtures. I recommend a 10 percent change for the following Accounts: Account 352- Structures and Improvements, Account 365- OH Conductors & Devices, and Account 368- Line Transformers, 369.1 Services-Overhead, and Account 373- Street Lighting and Signal Systems. All seven of the other accounts have a proposed change of 5 percent or less.

Q69. WHAT QUANTITATIVE ANALYSIS DOES MR GARRETT OFFER TO SUPPORT HIS RECOMMENDATIONS?

A. Mr. Garrett offers no quantitative analysis in his testimony or workpapers. The only reference he provides is Exhibit DJG-3.[36] He offers no tangible proof, except the allegation that my proposals do not follow the principle of gradualism (as he misinterprets it). Clearly, the level of negative net salvage and increasing removal

[35] D. Garrett Dir. at 37-38.

[36] D. Garrett Direct at 38, n. 38.

cost differs from the currently approved levels and while numerous of ETI's proposed net salvage percentages are exhibiting increases in negative net salvage, they are warranted and should be approved. In the next section of my testimony, I will discuss each account in detail.

Q70. WHAT DOES STAFF RECOMMEND WITH REGARD TO NET SALVAGE RATES?

A. Staff does not make any explicit statements in testimony. However, Staff's recommended depreciation expense shown in Attachment ES-3 (Staff Schedule IIIA) to the testimony of Emily Sears, shows Staff's schedule for depreciation expense to be the same as the Company's request. Thus, it appears that Staff considered the issue of the net salvage rates and adopts the depreciation rates that the Company proposes.

1. Account 352 – Structures and Improvements

Q71. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 352-TRANSMISSION STRUCTURES AND IMPROVEMENTS?

A. Yes. The approved net salvage is a -20 percent. The Company is proposing -30 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -23 percent net salvage instead of my proposed -30 percent. This is based on his erroneous use of the California

Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 10 percent (i.e., the 10 percent change times 25% creates a rounded 3 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely for each account. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q72. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 352-STRUCTURES AND IMPROVEMENTS IS MOVING MORE NEGATIVE?

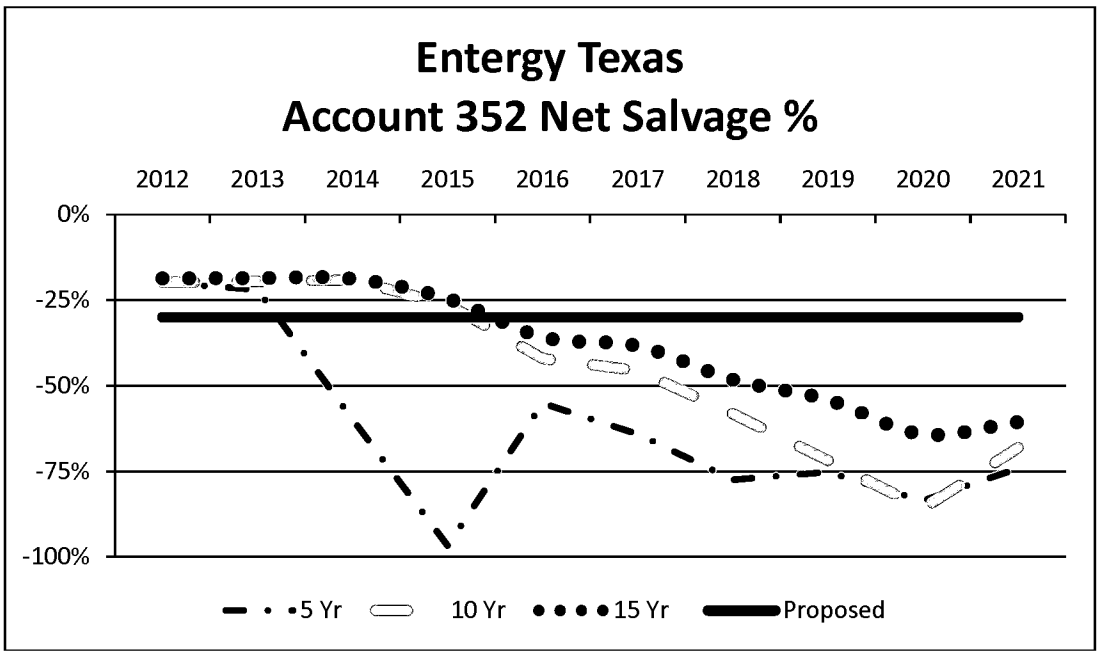
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D of my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 352-Structures and Improvements

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-19%	-198%	-86%	-23%	-20%	-19%	-19%	-19%	-20%	-20%
2013	-17%	-18%	-123%	-69%	-22%	-19%	-19%	-19%	-19%	-19%
2014	-21%	-19%	-19%	-93%	-60%	-22%	-20%	-19%	-19%	-19%
2015	-114%	-61%	-45%	-38%	-97%	-67%	-31%	-28%	-27%	-26%
2016	-70%	-76%	-67%	-60%	-55%	-83%	-68%	-46%	-43%	-42%
2017	-121%	-75%	-80%	-71%	-64%	-59%	-85%	-70%	-49%	-46%
2018	-89%	-92%	-81%	-83%	-78%	-72%	-68%	-86%	-75%	-58%
2019	-66%	-73%	-75%	-74%	-75%	-72%	-70%	-67%	-78%	-72%
2020	-170%	-86%	-87%	-88%	-84%	-85%	-82%	-79%	-76%	-86%
2021	-13%	-72%	-68%	-73%	-74%	-73%	-75%	-72%	-70%	-68%

Q73. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 352-STRUCTURES AND IMPROVEMENTS?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -30 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -30 percent has been consistently experienced by ETI over the most recent 10 years and should be approved. Although the application of a gradualism approach used in California should not be relevant at the Texas Commission, my movement is still well within the guidance of the California Commission.

2. Account 354- Transmission Towers and Fixtures

Q74. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 354-TRANSMISSION TOWERS?

A. Yes. The approved net salvage is a -5 percent. The Company is proposing -10 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -6 percent net salvage instead of my proposed -10 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 5 percent (i.e., the 5 percent change times 25% creates a rounded 1 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely for each account. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q75. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 352-STRUCTURES AND IMPROVEMENTS IS MOVING MORE NEGATIVE?

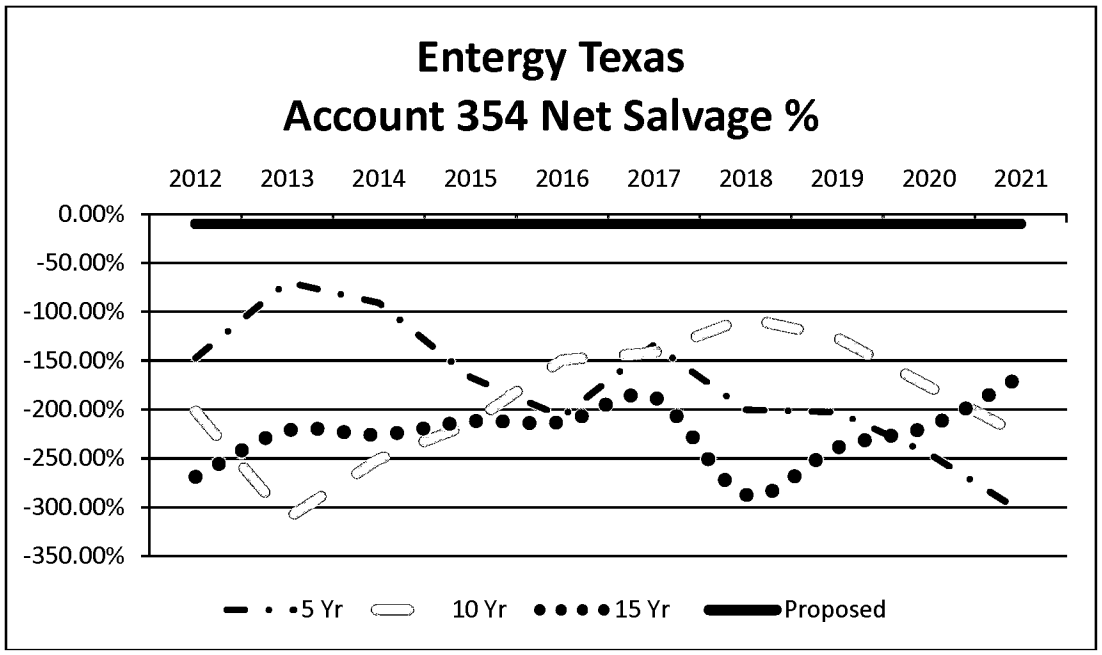
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 6 Account 354-Towers

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-591%	-236%	-106%	-86%	-147%	-167%	-274%	-290%	-364%	-202%
2013	-5%	-228%	-152%	-84%	-70%	-119%	-135%	-223%	-248%	-311%
2014	-442%	-41%	-239%	-161%	-91%	-76%	-125%	-140%	-227%	-251%
2015	-176%	-189%	-125%	-207%	-167%	-114%	-103%	-138%	-149%	-214%
2016	NA	-176%	-189%	-125%	-207%	-167%	-114%	-103%	-138%	-149%
2017	-636%	-623%	-189%	-201%	-134%	-214%	-172%	-118%	-107%	-142%
2018	NA	-606%	-593%	-188%	-200%	-133%	-213%	-172%	-118%	-106%
2019	-266%	-262%	-304%	-303%	-203%	-212%	-150%	-219%	-179%	-127%
2020	-91%	-214%	-211%	-246%	-245%	-195%	-203%	-147%	-213%	-177%
2021	-473%	-304%	-284%	-282%	-304%	-303%	-218%	-225%	-166%	-226%

Q76. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 354-TOWERS?

A. Yes. The graph below illustrates Entergy Texas's net salvage experience over the past 10 years. The solid black line is my proposed -10 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -10 percent has been consistently experienced by Entergy's over the most recent 10 years and should be approved.

3. Account 355 – Poles Tower and Fixtures

Q77. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 355-TRANSMISSION POLES TOWERS AND FIXTURES?

A. Yes. The approved net salvage is a -30 percent. The Company is proposing -45 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -34 percent net salvage instead of my proposed -45 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of

my recommended change of 15 percent (i.e., the 15 percent change times 25% creates a rounded 4 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely for each account. My proposed net salvage percentage is a gradual movement that compared to recent experience.

Q78. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 355-TRANSMISSION POLES TOWERS AND FIXTURES?

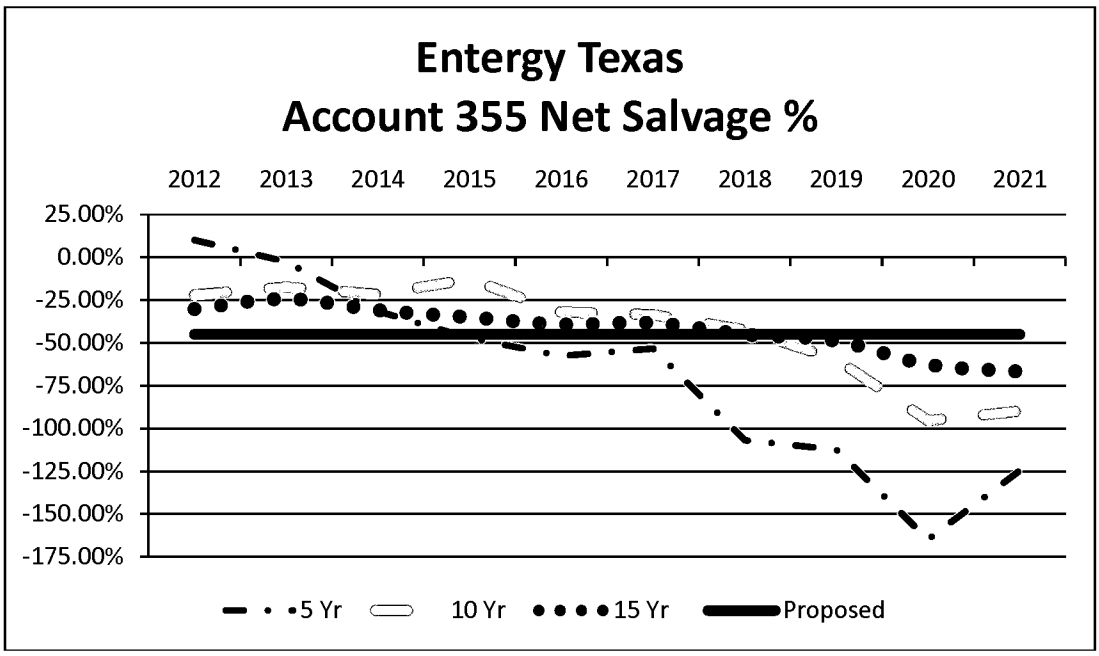
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are Entergy Texas's moving average net salvage percentages for the past 10 years.

Table 5: Account 355-Poles Towers and Fixtures

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-153%	-40%	-17%	12%	10%	8%	29%	-3%	-18%	-22%
2013	-16%	-21%	-23%	-16%	-2%	-3%	-4%	10%	-8%	-17%
2014	-146%	-42%	-45%	-41%	-32%	-19%	-20%	-20%	-5%	-22%
2015	-89%	-117%	-49%	-52%	-47%	-38%	-26%	-27%	-27%	-13%
2016	-110%	-97%	-116%	-55%	-58%	-52%	-42%	-32%	-32%	-32%
2017	-44%	-65%	-73%	-90%	-53%	-55%	-51%	-42%	-33%	-33%
2018	-209%	-96%	-99%	-96%	-107%	-65%	-66%	-60%	-51%	-42%
2019	-190%	-199%	-121%	-119%	-112%	-118%	-75%	-76%	-69%	-60%
2020	-243%	-229%	-225%	-172%	-165%	-153%	-152%	-105%	-105%	-95%
2021	38%	-127%	-139%	-148%	-125%	-123%	-119%	-122%	-89%	-90%

Q79. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 355-POLES TOWERS AND FIXTURES?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -45 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -45 percent has been consistently experienced by Entergy Texas's over the most recent 10 years and should be approved.

4. Account 356 – Transmission OH Conductors and Devices

Q80. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 356-TRANSMISSION OH CONDUCTOR AND DEVICES?

A. Yes. The approved net salvage is a -30 percent. The Company is proposing -45 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -34 percent net salvage instead of my proposed -45 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 15 percent (i.e., the 15 percent change times 25% creates a rounded 4 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q81. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 356-TRANSMISSION OH CONDUCTOR AND DEVICES IS MOVING MORE NEGATIVE?

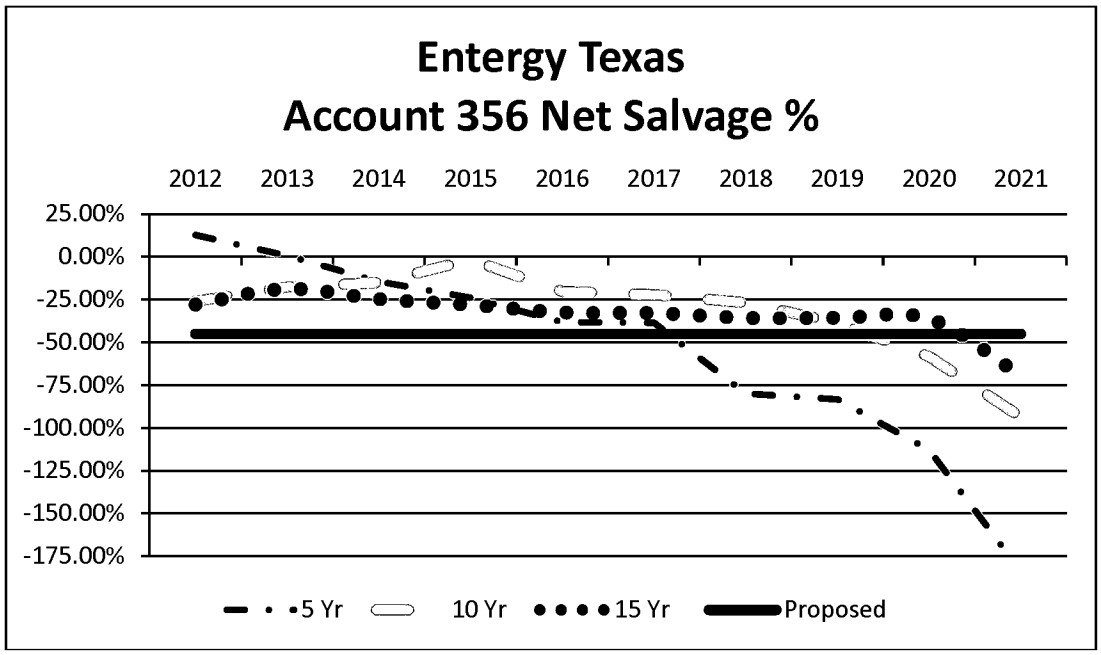
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 356-Transmission OH Conductor and Devices

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-45%	0%	5%	12%	13%	10%	33%	-3%	-25%	-26%
2013	-9%	-13%	-6%	-3%	1%	1%	0%	13%	-6%	-18%
2014	-374%	-28%	-30%	-20%	-14%	-10%	-10%	-11%	3%	-15%
2015	-53%	-123%	-32%	-33%	-24%	-18%	-15%	-14%	-15%	-2%
2016	-61%	-58%	-90%	-38%	-38%	-29%	-24%	-20%	-20%	-20%
2017	-45%	-54%	-54%	-77%	-39%	-39%	-31%	-26%	-23%	-22%
2018	-96%	-66%	-64%	-61%	-80%	-43%	-43%	-36%	-30%	-27%
2019	-345%	-174%	-110%	-91%	-83%	-99%	-54%	-54%	-45%	-39%
2020	-170%	-206%	-172%	-133%	-113%	-103%	-115%	-69%	-68%	-58%
2021	-322%	-245%	-256%	-224%	-184%	-157%	-143%	-151%	-96%	-94%

Q82. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 356-TRANSMISSION OH CONDUCTOR AND DEVICES?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -45 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -45 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

5. Account 361 – Structures and Improvements

Q83. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 361-DISTRIBUTION STRUCTURES AND IMPROVEMENTS?

A. Yes. The approved net salvage is a -10 percent. The Company is proposing -15 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -11 percent net salvage instead of my proposed -25 percent. This is based on his erroneous use of the California

Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 5 percent (i.e., the 5 percent change times 25% creates a rounded 1 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q84. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 361-STRUCTURES AND IMPROVEMENTS IS MOVING MORE NEGATIVE?

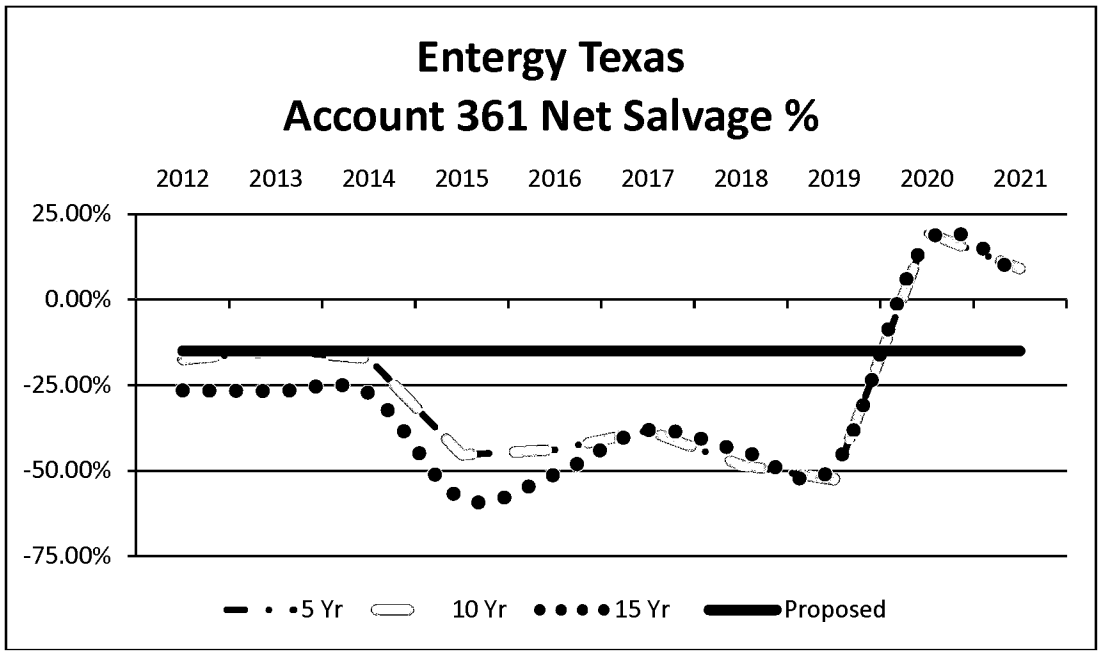
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 361-Structures and Improvements

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-2%	-4%	-10%	-10%	-8%	-8%	-8%	-15%	-15%	-18%
2013	-43%	-3%	-5%	-11%	-11%	-9%	-8%	-8%	-15%	-15%
2014	-33%	-34%	-11%	-13%	-15%	-15%	-12%	-11%	-11%	-17%
2015	-617%	-239%	-225%	-90%	-88%	-72%	-69%	-56%	-45%	-45%
2016	-41%	-90%	-82%	-82%	-62%	-61%	-57%	-56%	-50%	-44%
2017	-17%	-28%	-51%	-50%	-50%	-43%	-43%	-41%	-41%	-38%
2018	-85%	-41%	-41%	-59%	-57%	-57%	-51%	-51%	-49%	-48%
2019	-67%	-74%	-50%	-48%	-61%	-60%	-60%	-54%	-54%	-53%
2020	99%	67%	50%	39%	29%	22%	21%	21%	20%	20%
2021	-19%	47%	34%	25%	20%	15%	10%	10%	9%	9%

Q85. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 361-STRUCTURES AND IMPROVEMENTS?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -15 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -15 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

6. Account 362 – Station Equipment

Q86. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 362-STATION EQUIPMENT?

A. Yes. The approved net salvage is a -20 percent. The Company is proposing -25 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -21 percent net salvage instead of my proposed -25 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of

my recommended change of 5 percent (i.e., the 5 percent change times 25% creates a rounded 1 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). My proposed net salvage percentage is a gradual movement compared to recent experience. His arbitrary and erroneous application of gradualism should be rejected completely.

Q87. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 362-STATION EQUIPMENT IS MOVING MORE NEGATIVE?

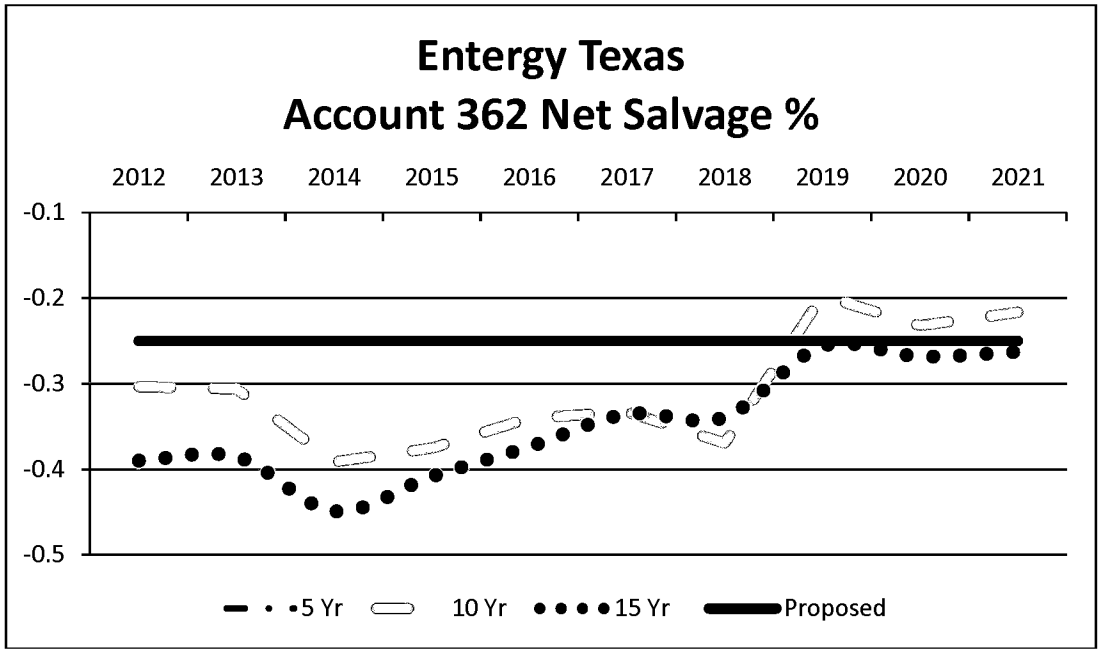
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are Entergy Texas's moving average net salvage percentages for the past 10 years.

Table 5: Account 362-Station Equipment

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-22%	-35%	-28%	-31%	-30%	-28%	-26%	-27%	-30%	-34%
2013	-30%	-26%	-33%	-29%	-31%	-30%	-28%	-26%	-27%	-30%
2014	-65%	-52%	-44%	-45%	-39%	-39%	-38%	-36%	-34%	-34%
2015	-22%	-41%	-38%	-36%	-38%	-34%	-35%	-35%	-33%	-31%
2016	-30%	-26%	-37%	-36%	-34%	-36%	-33%	-34%	-34%	-32%
2017	-26%	-28%	-26%	-34%	-33%	-32%	-34%	-32%	-33%	-32%
2018	-49%	-37%	-35%	-32%	-37%	-36%	-35%	-36%	-35%	-35%
2019	5%	-13%	-17%	-19%	-20%	-25%	-25%	-25%	-26%	-26%
2020	-39%	-12%	-21%	-22%	-23%	-23%	-27%	-27%	-27%	-28%
2021	-21%	-28%	-15%	-21%	-22%	-23%	-23%	-26%	-26%	-26%

Q88. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 362-STATION EQUIPMENT?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -25 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a change, my proposed -25 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

7. Account 364 – Poles Tower and Fixtures

Q89. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 364-POLES, TOWER, AND FIXTURES?

A. Yes. The approved net salvage is a -30 percent. The Company is proposing -45 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -34 percent net salvage instead of my proposed -45 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 15 percent (i.e., the 15 percent change times 25% creates a rounded 4 percent difference in net salvage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q90. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 364-POLES, TOWER, AND FIXTURES IS MOVING MORE NEGATIVE?

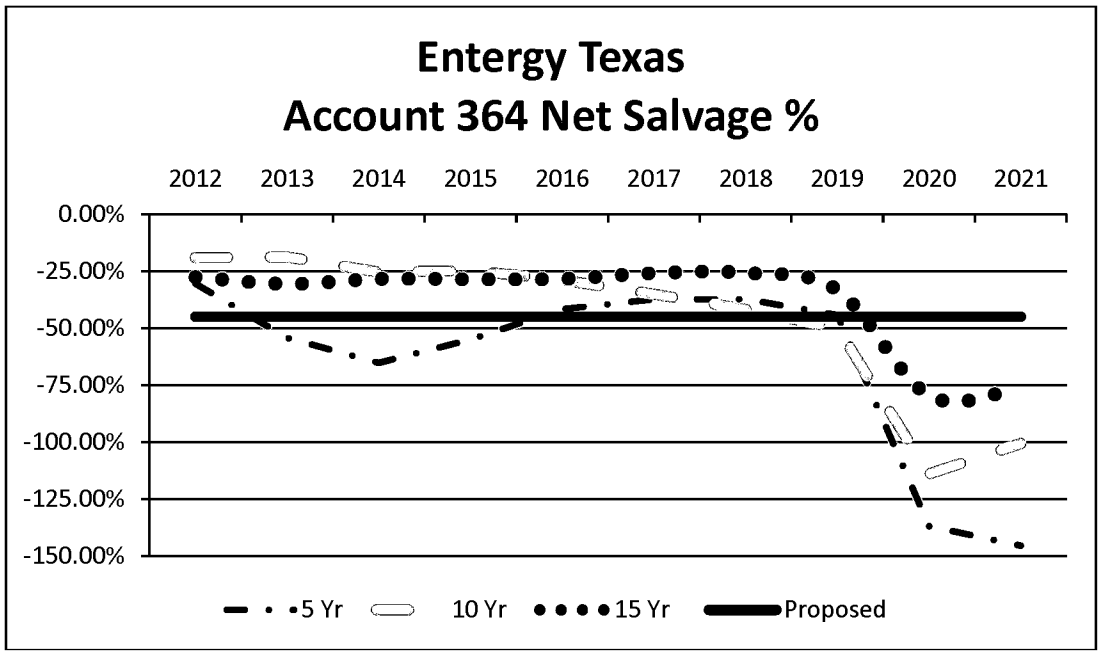
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 364-Poles, Tower and Fixtures

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-62%	-68%	-53%	-42%	-31%	-18%	-14%	-17%	-14%	-19%
2013	-84%	-76%	-75%	-65%	-54%	-40%	-26%	-21%	-22%	-19%
2014	-65%	-75%	-72%	-72%	-65%	-57%	-43%	-30%	-24%	-25%
2015	-27%	-39%	-51%	-53%	-55%	-52%	-48%	-40%	-30%	-25%
2016	-27%	-27%	-32%	-40%	-42%	-44%	-42%	-40%	-36%	-29%
2017	-31%	-28%	-28%	-32%	-37%	-39%	-41%	-40%	-38%	-35%
2018	-86%	-46%	-37%	-34%	-37%	-42%	-43%	-44%	-43%	-42%
2019	-207%	-129%	-67%	-49%	-44%	-46%	-50%	-50%	-51%	-50%
2020	-259%	-254%	-230%	-176%	-137%	-123%	-119%	-117%	-115%	-114%
2021	196%	-197%	-198%	-184%	-145%	-116%	-105%	-103%	-102%	-101%

Q91. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 364-POLES, TOWER, AND FIXTURES?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -45 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -45 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

8. Account 365 – OH Conductor and Devices

Q92. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 365-OVERHEAD CONDUCTOR AND DEVICES?

A. Yes. The approved net salvage is a -20 percent. The Company is proposing -30 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -23 percent net salvage instead of my proposed -30 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of

my recommended change of 10 percent (i.e., the 10 percent change times 25% creates a rounded 3 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q93. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 365-OVERHEAD CONDUCTOR AND DEVICES IS MOVING MORE NEGATIVE?

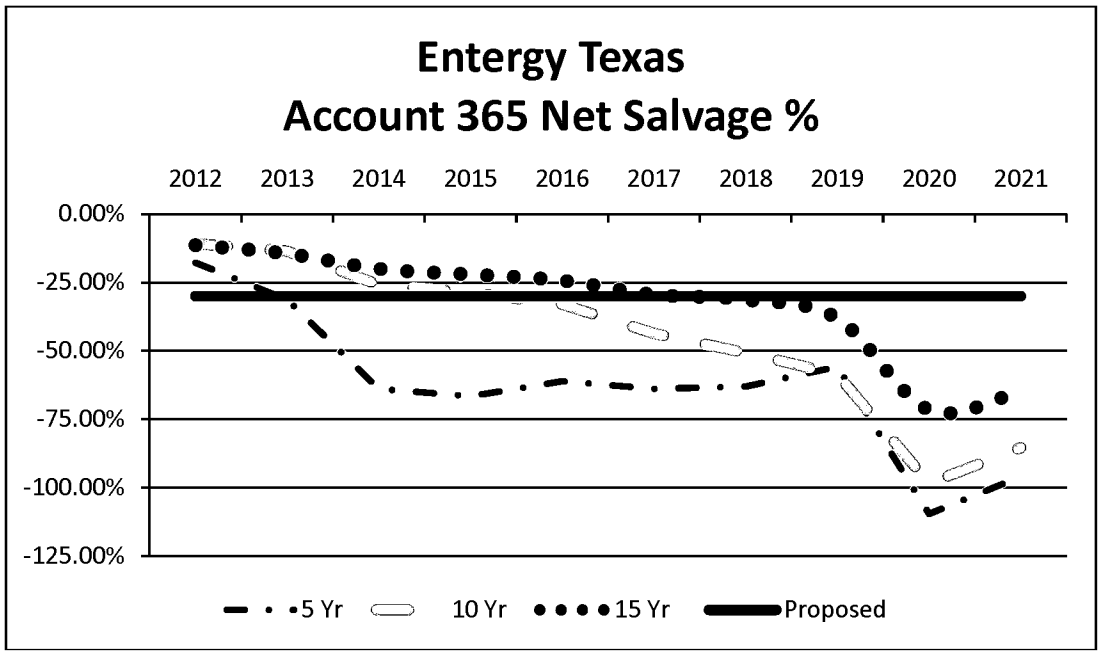
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 365-Overhead Conductor and Devices

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-80%	-46%	-35%	-26%	-18%	-15%	-12%	-12%	-10%	-11%
2013	-48%	-59%	-47%	-40%	-31%	-23%	-19%	-16%	-16%	-14%
2014	-186%	-99%	-94%	-75%	-64%	-50%	-37%	-31%	-27%	-26%
2015	-42%	-94%	-77%	-77%	-67%	-59%	-49%	-38%	-32%	-29%
2016	-36%	-38%	-62%	-59%	-61%	-56%	-52%	-45%	-38%	-33%
2017	-77%	-55%	-52%	-67%	-64%	-65%	-61%	-57%	-51%	-44%
2018	-48%	-64%	-53%	-51%	-63%	-61%	-62%	-59%	-56%	-51%
2019	-91%	-64%	-70%	-58%	-56%	-66%	-64%	-65%	-62%	-59%
2020	-165%	-155%	-137%	-125%	-110%	-104%	-108%	-103%	-102%	-98%
2021	17%	-109%	-107%	-99%	-96%	-87%	-84%	-88%	-86%	-85%

Q94. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 365-OVERHEAD CONDUCTOR AND DEVICES?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -30 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -30 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

9. Account 366 – UG Conduit

Q95. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 366-UG CONDUIT?

A. Yes. The approved net salvage is a -10 percent. The Company is proposing -15 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -11 percent net salvage instead of my proposed -15 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of

my recommended change of 5 percent (i.e., the 5 percent change times 25% creates a rounded 1 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q96. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 366-UG CONDUIT?

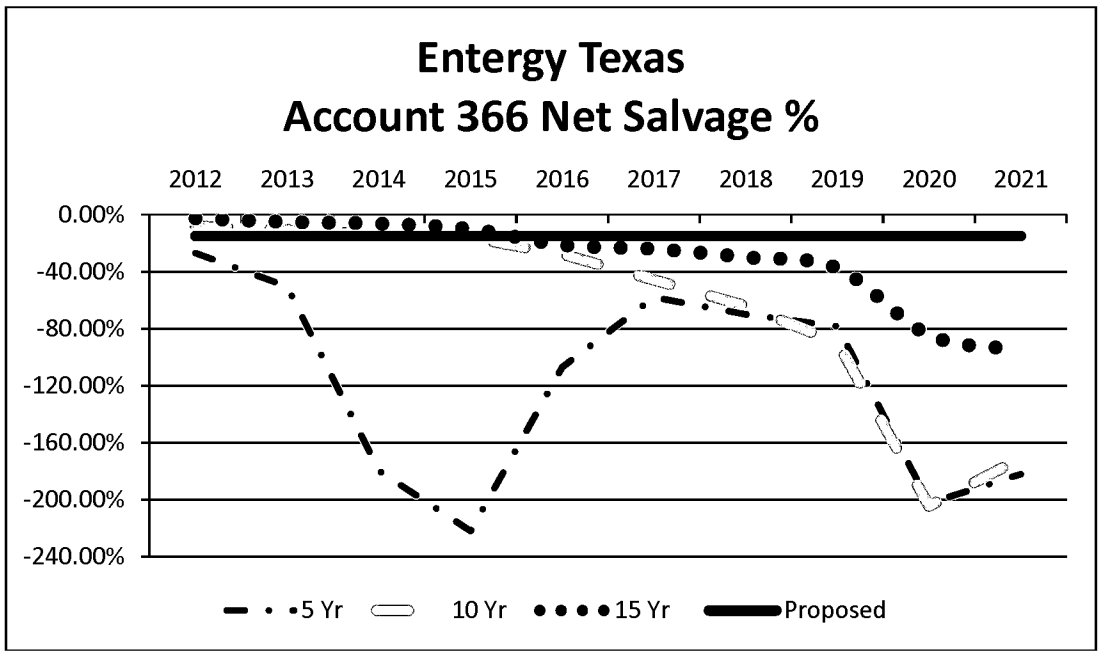
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 366-UG Conduit

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	84%	-340%	-171%	-42%	-27%	-13%	-9%	-10%	-8%	-8%
2013	-187%	-58%	-283%	-174%	-50%	-33%	-17%	-12%	-13%	-11%
2014	-237%	-202%	-91%	-277%	-180%	-55%	-37%	-19%	-13%	-14%
2015	-136%	-153%	-163%	-112%	-222%	-167%	-64%	-44%	-23%	-16%
2016	-100%	-114%	-124%	-133%	-107%	-177%	-147%	-69%	-50%	-28%
2017	-42%	-47%	-52%	-55%	-58%	-55%	-71%	-68%	-53%	-46%
2018	-415%	-61%	-64%	-68%	-70%	-73%	-69%	-84%	-81%	-64%
2019	-356%	-388%	-73%	-75%	-78%	-80%	-83%	-79%	-93%	-90%
2020	-904%	-810%	-744%	-210%	-202%	-199%	-200%	-199%	-194%	-204%
2021	359%	-602%	-569%	-547%	-182%	-177%	-175%	-175%	-176%	-171%

Q97. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 366- UG CONDUIT?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -15 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -15 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

10. Account 367 – UG Conductors and Devices

Q98. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 367-UG CONDUCTORS AND DEVICES?

A. Yes. The approved net salvage is a -1 percent. The Company is proposing -5 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -2 percent net salvage instead of my proposed -5 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 4 percent (i.e., the 4 percent change times 25% creates a rounded 1 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely for each account. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q99. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 367-CONDUCTORS AND DEVICES IS MOVING MORE NEGATIVE?

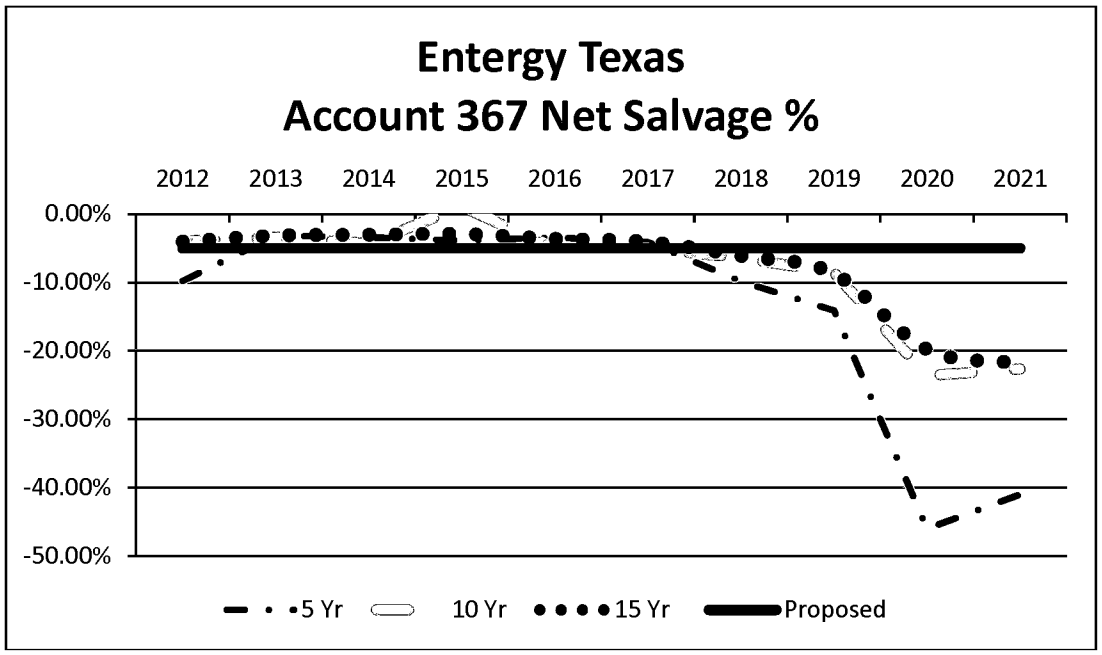
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 367-UG Conductors and Devices

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-3%	-10%	-7%	-8%	-10%	-10%	9%	-8%	-6%	-4%
2013	-1%	-2%	-3%	-3%	-3%	-4%	-4%	2%	-4%	-3%
2014	-31%	-2%	-2%	-4%	-3%	-4%	-4%	-4%	1%	-4%
2015	-2%	-7%	-2%	-2%	-4%	-3%	-4%	-4%	-4%	1%
2016	-29%	-9%	-12%	-3%	-3%	-5%	-4%	-4%	-5%	-5%
2017	-5%	-6%	-6%	-6%	-4%	-4%	-5%	-4%	-5%	-5%
2018	-94%	-9%	-10%	-9%	-10%	-6%	-6%	-7%	-6%	-6%
2019	-590%	-178%	-15%	-16%	-14%	-14%	-9%	-8%	-9%	-9%
2020	-207%	-225%	-200%	-47%	-46%	-41%	-41%	-25%	-24%	-24%
2021	-4%	-108%	-120%	-117%	-41%	-41%	-37%	-37%	-24%	-23%

Q100. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 367- UG CONDUCTORS AND DEVICES?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -5 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -5 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

11. Account 368 – Line Transformers

Q101. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 368-LINE TRANSFORMERS?

A. Yes. The approved net salvage is a -20 percent. The Company is proposing -30 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -23 percent net salvage instead of my proposed -30 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of

my recommended change of 10 percent (i.e., the 10 percent change times 25% creates a rounded 3 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). His arbitrary and erroneous application of gradualism should be rejected completely for each account. My proposed net salvage percentage is a gradual movement compared to recent experience.

Q102. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 368-LINE TRANSFORMERS IS MOVING MORE NEGATIVE?

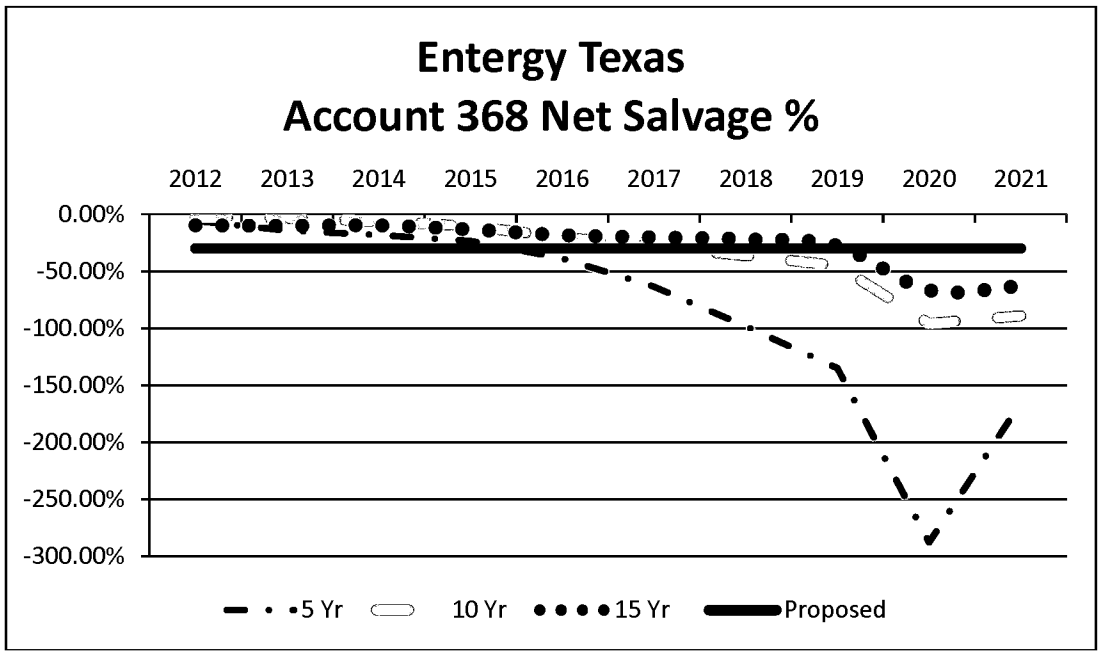
A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D of my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 368-Line Transformers

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-12%	-11%	-12%	-11%	-6%	0%	1%	1%	1%	-3%
2013	-25%	-17%	-15%	-15%	-14%	-10%	-4%	-3%	-4%	-3%
2014	-58%	-33%	-20%	-18%	-18%	-17%	-12%	-7%	-6%	-6%
2015	-66%	-63%	-42%	-26%	-23%	-23%	-22%	-17%	-12%	-11%
2016	402%	-211%	-143%	-73%	-39%	-35%	-34%	-31%	-26%	-20%
2017	-46%	-114%	-95%	-88%	-64%	-40%	-37%	-36%	-34%	-29%
2018	NA	-64%	-134%	-108%	-98%	-70%	-44%	-40%	-39%	-36%
2019	NA	NA	-103%	-179%	-135%	-120%	-83%	-51%	-47%	-45%
2020	-382%	-421%	-439%	-243%	-288%	-237%	-216%	-161%	-104%	-96%
2021	23%	-200%	-221%	-231%	-165%	-193%	-171%	-161%	-129%	-89%

Q103. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 368-LINE TRANSFORMERS?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -30 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.



This further supports the idea that my recommendation includes the gradualism that Mr. Garrett espouses. While it is a significant change, my proposed -30 percent has been consistently experienced by ETI over the most recent 10 years and should be approved.

12. Account 369.1 – Services - Overhead

Q104. WILL YOU SUMMARIZE THE PROPOSALS REGARDING NET SALVAGE FOR ACCOUNT 352-TRANSMISSION STRUCTURES AND IMPROVEMENTS?

A. Yes. The approved net salvage is a -15 percent. The Company is proposing -25 percent. Mr. Garrett is proposing to arbitrarily reduce my recommended change and recommends a -18 percent net salvage instead of my proposed -25 percent. This is based on his erroneous use of the California Commission concept where he only changes the net salvage factor by 25 percent of my recommended change of 10 percent (i.e., the 10 percent change times 25% creates a rounded 3 percent difference in net salvage compared to the currently approved net salvage percentage – which is his recommendation). My proposed net salvage percentage is a gradual movement compared to recent experience. His arbitrary and erroneous application of gradualism should be rejected completely for each account.

Q105. CAN YOU DEMONSTRATE THAT THE NET SALVAGE FOR ACCOUNT 369.1-SERVICES OVERHEAD IS MOVING MORE NEGATIVE?

A. Yes. The information below was extracted from the net salvage analysis provided in Exhibit DAW-2, Appendix D, to my direct testimony. These are ETI's moving average net salvage percentages for the past 10 years.

Table 5: Account 369.1-Services Overhead

	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
Year	%	%	%	%	%	%	%	%	%	%
2012	-14%	-9%	-12%	-20%	-20%	-23%	-20%	-19%	-14%	-10%
2013	-7%	-8%	-7%	-8%	-9%	-9%	-10%	-10%	-10%	-9%
2014	-87%	-8%	-9%	-8%	-8%	-10%	-10%	-11%	-10%	-10%
2015	-85%	-86%	-10%	-11%	-10%	-11%	-12%	-12%	-13%	-12%
2016	-24%	-39%	-43%	-11%	-12%	-11%	-12%	-13%	-13%	-13%
2017	-4%	-6%	-8%	-9%	-8%	-8%	-8%	-8%	-9%	-9%
2018	-353%	-9%	-10%	-13%	-13%	-10%	-11%	-10%	-11%	-11%
2019	-467%	-421%	-18%	-19%	-21%	-21%	-15%	-15%	-14%	-15%
2020	-288%	-303%	-305%	-66%	-63%	-64%	-64%	-40%	-39%	-39%
2021	-77%	-240%	-255%	-259%	-67%	-64%	-64%	-65%	-41%	-40%

Q106. IS THERE ANYTHING ELSE THAT WOULD ASSIST THE COMMISSION IN EVALUATING THE NET SALVAGE PROPOSALS FOR ACCOUNT 369.1-SERVICES OVERHEAD?

A. Yes. The graph below illustrates ETI's net salvage experience over the past 10 years. The solid black line is my proposed -25 percent, which is above (less negative) than the more recent 5, 10, and 15 year averages.