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Received - 2022-11-16 02:55:46 PM
Control Number - 53719
ItemNumber - 357

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

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

REBUTTAL TESTIMONY

OF

GREGORY S. WILSON

ON BEHALF OF

ENTERGY TEXAS, INC.

NOVEMBER 2022

ENTERGY TEXAS, INC.
REBUTTAL TESTIMONY OF GREGORY S. WILSON
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1 **I. INTRODUCTION AND PURPOSE**

2 Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

3 A. My name is Gregory S. Wilson. I am a consulting actuary specializing in the
4 area of property-casualty actuarial matters. I am a Vice President and Principal
5 at Lewis & Ellis, Inc. ("L&E"). My business address is 6600 Chase Oaks Blvd,
6 Suite 150, Plano, Texas 75023-2383.

7
8 Q2. ARE YOU THE SAME GREGORY S. WILSON WHO FILED DIRECT
9 TESTIMONY IN THIS CASE ON BEHALF OF ENTERGY TEXAS, INC.
10 ("ETI")?

11 A. Yes.

12
13 Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

14 A. The purpose of my rebuttal testimony is to respond to certain positions on issues
15 raised by Intervenorors in this proceeding. Specifically, I address the testimonies
16 of Cities'¹ witness Mark E. Garrett and Office of Public Utility Counsel
17 ("OPUC") witness Constance Cannady concerning issues related to the self-
18 insurance accrual.

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.

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1 Q5. IS MR. GARRETT'S RECOMMENDATION REASONABLE?

2 A. No. Mr. Garrett's recommendation is internally inconsistent because he
3 recommends using the accrual amount from Docket No. 41791 but refers to the
4 amortization period set in Docket No. 39896. There was evidence presented in
5 Docket No. 39896 that supported the annual loss reserve accrual amount, which
6 was based on the then-current loss reserve deficit, the target reserve amount,
7 and the appropriate time period to reach it. Presumably the Commission's
8 decision was based on that evidence. In Docket No. 41791, the parties agreed
9 to a new annual loss reserve accrual amount based on the then-current deficit
10 (\$56 million), a new target, and a new 20-year amortization period, which the
11 Commission approved. Here again, the Commission should base its
12 determination on the facts of this case, which include a lower loss reserve deficit
13 relative to Docket No. 41791 and a reasonable expectation regarding when the
14 next rate case will be filed.

15

16 Q6. MR. GARRETT STATES THAT THE COMPANY PROVIDED NO
17 JUSTIFICATION FOR REDUCING THE AMORTIZATION PERIOD TO
18 FOUR YEARS. IS THAT ACCURATE?

19 A. No. My direct testimony clearly indicates that reducing the amortization period
20 to four years will coincide with the next expected rate case for ETI and therefore
21 serve to balance the interests of current and future ratepayers.

1 Q7. WHY DID YOU RECOMMEND A TWENTY-YEAR AMORTIZATION
2 PERIOD IN DOCKET NOS. 39896 AND 41791?

3 A. In Docket No. 39896, the deficit was approximately \$60 million, and there was
4 no expected future rate case filing date. Accordingly, between the magnitude
5 of the deficit and the uncertainty of the next rate case filing date, I recommended
6 a twenty-year accrual. The same holds true for Docket No. 41791. The
7 situation is much different now because the deficit is much lower
8 (\$17.7 million) and it is expected that ETI will file another rate case in four
9 years.

10

11 Q8. WHY DO YOU THINK THAT THE ACCRUAL TO BUILD THE TARGET
12 RESERVE SHOULD BE CHANGED?

13 A. The accrual to build the target reserve should be changed so that the target
14 reserve can be achieved in a reasonable amount of time. Because the
15 Company's self-insurance reserve accrual level will likely be reviewed again in
16 four years, if the target has been achieved at that time, any additional amount
17 can be removed. If the target reserve has not been achieved, the accrual can
18 then be adjusted so that it can be expected to be achieved by the subsequent rate
19 filing.

1 Q9. WHAT IS OPUC WITNESS CANNADY'S RECOMMENDATION
2 REGARDING THE SELF-INSURANCE RESERVE?

3 A. Ms. Cannady makes three separate recommendations:

- 4 a. Lower the accrual for the average annual loss to \$6.185 million;
5 b. Lower the target reserve to \$14.778 million; and
6 c. Remove the portion of the current deficit that is the result of Hurricane
7 Laura from the calculation of the accrual for the target reserve and
8 accrue that amount over twenty years.⁶
9

10 Q10. HOW DOES MS. CANNADY'S RECOMMENDATION LOWER THE
11 AVERAGE ANNUAL LOSS ACCRUAL?

12 A. Ms. Cannady proposes two adjustments to the Monte Carlo simulation that I
13 used to support my direct testimony.⁷ The first adjustment is to limit the amount
14 of any individual storm to \$16.2 million. She bases that number on the largest
15 trended storm event from 2020. The second adjustment is to limit the total
16 amount of storm damage for any one year to \$22.0 million, also based on the
17 results of 2020.

⁶ Direct Testimony of Constance T. Cannady ("Cannady Direct") at 50-53.

⁷ Cannady Direct at 53.

1 Q11. ARE THESE ADJUSTMENTS REASONABLE?

2 A. No. The reason for using a Monte Carlo simulation is to be able to recognize
3 and respond to all possible outcomes. In the situation with large storms that are
4 random and vary greatly from year-to-year, it is important to be aware of and
5 take into account all possible outcomes. By limiting both the individual storm
6 loss and the total amount of storm damage for a year to a random amount that
7 is not even on par with the largest one in ETI's history, Ms. Cannady excludes
8 relevant storm trend data. This produces a lower average loss accrual, but it is
9 not based on a reasoned methodology.

10

11 Q12. HOW DOES MS. CANNADY'S RECOMMENDATION LOWER THE
12 TARGET RESERVE?

13 A. Ms. Cannady made the adjustments to the Monte Carlo simulation indicated
14 above and applied the calculations to the target reserve. Again, when dealing
15 with random unexpected events it is critical to evaluate the entirety of the
16 possible outcomes, not just certain outcomes.

17

18 Q13. WHY DOES MS. CANNADY PROPOSE TO REMOVE THE PORTION OF
19 THE DEFICIT CAUSED BY HURRICANE LAURA FROM THE
20 CALCULATION OF THE TARGET RESERVE ACCRUAL?

21 A. Ms. Cannady states that, based on the Company's ability to securitize
22 catastrophic storm expenses, ETI should not be allowed to recover any expenses

1 related to such storms in a manner that is significantly faster than through the
2 securitization mechanism; e.g., securitization bonds.⁸ She goes on to state that
3 if these amounts had been securitized, they would have been recovered over a
4 longer period of time. While this is true with respect to the recovery period,
5 Ms. Cannady overlooks the fact that the costs from Hurricane Laura that
6 remained in the insurance reserve are consistent with the Company's
7 Application and Settlement Agreement in Docket No. 51997.⁹ Those amounts
8 were thus not eligible for securitization and should not be treated differently
9 than any other storm costs properly included in the insurance reserve.

10

11 **III. CONCLUSION**

12 Q14. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

13 A. Yes.

⁸ *Id.* at 52-53.

⁹ *Application of Entergy Texas, Inc. for Determination of System Restoration Costs*, Docket No. 51997 (Dec. 2, 2021).

AFFIDAVIT OF GREGORY S. WILSON

THE STATE OF TEXAS

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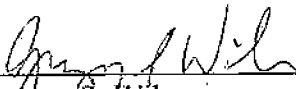
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COUNTY OF COLLIN

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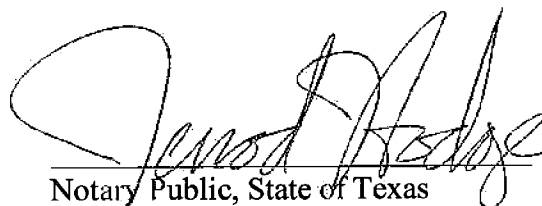
This day, Gregory S. Wilson the affiant, appeared in person before me, a notary public, who knows the affiant to be the person whose signature appears below. The affiant stated under oath:

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



Gregory S. Wilson

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



Notary Public, State of Texas

My Commission expires:

5/18/25

