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PUC DOCKET NO. 53719

**APPLICATION OF ENTERGY TEXAS,
INC. FOR AUTHORITY TO CHANGE
RATES**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

SIERRA CLUB'S STATEMENT OF POSITION

Sierra Club files this statement of position pursuant to 16 T.A.C. § 22.124. In this proceeding, Entergy Texas, Inc. (“ETI”) proposes to increase rates, in part, to recovering a return of and on its \$703 million capital investment in Montgomery County Power Station as of January 1, 2021, as well as approximately \$155.8 million in capital costs additions the Company made at its other fossil generation facilities, including the coal-burning R.S. Nelson Unit 6 and Big Cajun 2 Unit 3 power plants, which ETI now intends to deactivate in 2028 and 2025, respectively.¹ The Company also seeks recovery of fixed and operations and maintenance costs associated with the continued operation of its fossil fuel generation units.²

Sierra Club is a national, non-profit environmental and conservation organization with chapters in every state in the country, including 29,135 Sierra Club members who live and purchase utility services in Texas, many of whom are residential customers of Entergy Texas. Sierra Club intervened in this proceeding to protect the interests of its members who are customers of Entergy, and will be adversely affected—in the form of increased electricity rates—by any Commission order approving Entergy’s recovery of capital, fixed, operations and maintenance costs at its fossil-fuel burning generation facilities.

¹ PUCT Docket No. 53719, Direct Testimony of Beverley Gale at 17.

² Direct Testimony of Beverley Gale at 26-27.

To evaluate the prudence of Entergy's continued investments in its increasingly expensive coal-burning Nelson 6 and Big Cajun 2 Unit 3 power plants, Sierra Club submitted the expert testimony of Synapse Economics witness Devi Glick, an expert in power plant and electric system economics. As reflected in her direct testimony, Ms. Glick evaluated the recent historical performance of Nelson 6 and Big Cajun 2, Unit 3, and how they are likely to perform going forward. Ms. Glick also reviewed steps the Company has taken to evaluate the plants' economics and secure replacement resources. Finally, Ms. Glick provided alternative recommendations for the retirement and replacement of those coal-burning generation units.

For the reasons explained in detail in Ms. Glick's testimony, ETI has not met its burden of demonstrating that its continued spending at Nelson 6 and Big Cajun 2 Unit 3 are prudent, and the Company's proposed recovery of those costs should be denied, for the following reasons:

1. Both Nelson Unit 6 and Big Cajun 2 Unit 3 have historically incurred costs in excess of their market energy and capacity values. These excess costs have been passed on to ETI ratepayers.
2. ETI's own unit deactivation analysis for Nelson Unit 6 and Big Cajun 2 Unit 3 shows that it costs less to retire and replace the units in 2025 and 2026 respectively than to invest the required capital and maintenance costs to maintain them to those dates.
3. ETI was not proactive in evaluating replacement resources for Nelson 6 despite knowing for nearly a decade that it would incur high environmental compliance costs to comply with sulfur dioxide (SO₂) regulations.
4. ETI did not take an active role in operating and maintaining Big Cajun 2 Unit 3, or in studying and planning for the unit's retirement and replacement in recent years.

Based on Ms. Glick's analysis and ETI's own economic evaluations, the Commission should issue a final order directing ETI to:

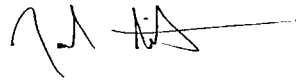
1. Retire Nelson 6 of no later than 2028, and preferably by 2026, which is the optimal date for retirement.

2. Retire Big Cajun 2 Unit 3 by 2025, as its co-owner, Cleco Power, has publicly stated it plans to do.
3. Limit ETI's spending at Nelson 6 and Big Cajun 2 Unit 3 to only what is required to maintain reliable operations through 2026 and 2025, respectively, and consider short-term capacity market purchases as an alternative to any large investments at either plant.
4. Require ETI to seek pre-approval for any investments at these plants above \$1 Million between now and when they retire.

Sierra Club continues to evaluate the other parties' testimonies and reserves the right to cross-examine those parties' witnesses, and to participate on these issues at the hearing on the merits.

Dated this 30th day of November, 2022.

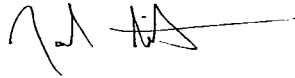
Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Joshua Smith, certify that a copy of the foregoing Sierra Club submission was served upon all parties of record in this proceeding on November 30, 2022, by electronic mail, as permitted by the presiding officer.

A handwritten signature in black ink, appearing to read 'Joshua Smith', is written above a horizontal line.

Joshua Smith

Sierra Club Environmental Law Program