DOCKET NO. 53719

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS

DIRECT TESTIMONY

OF

STUART BARRETT

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF STUART BARRETT
2022 RATE CASE

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EXHIBIT

I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Stuart Barrett. My business address is 2107 Research Forest Dr., The Woodlands, TX 77380.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Entergy Texas, Inc. ("ETI" or "the Company") as Vice President, Customer Service.

Q3. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I graduated with a Bachelor of Science in International Trade and Finance in 1995 from Louisiana State University. In 1997, I earned a Master of Business Administration degree from the University of New Orleans. I joined Entergy Services, Inc. (now, Entergy Services, LLC ("ESL")[1]) in May 1997 as an analyst in the accounting department. A year later, I moved to the Utility Planning group of the Finance department and was involved in the production of five-year business plans for the Entergy Operating Companies ("EOCs").[2] In July 2000, I transferred to the System Planning and Operations ("SPO") department as a

[1] Entergy Services, LLC is a service company affiliate of ETI that provides general executive, management, advisory, administrative, human resources, accounting, finance, legal, regulatory, and engineering services.

[2] The five EOCs are ETI, Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, and Entergy New Orleans, LLC.

Senior Analyst in the Power Marketing and Power Contracts group. In 2008, I became Manager of Energy Analysis and Reporting, where I was responsible for gas, oil, and power settlements, and producing the monthly Intra-System Bill. In March 2010, I was promoted to Director of Commercial Operations for SPO where I procured and administered long-term supply resources and was responsible for coal supply operations. In October 2013, I accepted the position of Director of Resource Planning and Market Operations for ETI. In that role, my duties included coordinating the resource planning activities (including generation and transmission) for ETI and implementing the Company's supply plan for meeting the load and energy requirements of ETI's retail customers. In 2019, I assumed my current role as Vice President, Customer Service, where I manage all facets of customer service, including key account management, customer support, energy efficiency, low-income initiatives, and community outreach and development activities.

II. PURPOSE OF TESTIMONY

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My Direct Testimony addresses: (1) certain aspects of ETI's quality of service; (2) low income programs administered by ETI; (3) modifications to certain rate schedules; (4) ETI Customer Service Organization Operations and Maintenance ("O&M") costs; and (5) certain capital additions.

Q5. DO YOU SPONSOR ANY SCHEDULES?

A. Yes. I co-sponsor Schedule H-13.1c (Quality of Service Complaints), H-13.1e (Service of Quality Improvements), and Q-3 (Proposed Changes to Miscellaneous Charges) to ETI's Rate Filing Package in this case. I also sponsor changes to Rate Schedule MES, as well as the portions of certain other tariff schedules discussed in Section V. of my direct testimony. The Company's tariffs are included in Schedule Q-8.8. More specifically, I also sponsor the revisions to Rate Schedule MES that are reflected in Adjustment AJ-4 filed in this case.

III. QUALITY OF SERVICE

Q6. WHAT DO YOU ADDRESS IN TERMS OF QUALITY OF SERVICE?

A. I address the communications aspect of service quality related to addressing and resolving customer complaints. Communication channels about quality of service that are available to customers include call centers, outage notifications and updates, and direct customer contact. Melanie Taylor will address reliability and service quality in terms of meeting construction and service delivery to customers, managing outage frequency and duration, and restoration of service following interruptions in her direct testimony.

Q7. PLEASE EXPLAIN THE COMMUNICATIONS COMPONENT OF SERVICE QUALITY IN MORE DETAIL.

A. The Company commits to having excellent communications with its customers. Some key aspects of this commitment to communications are a 24/7 call center

operation with roll-over capabilities for outage and emergency situations, an interactive web page including a place to view live outage information, social media (including Facebook and Twitter), direct-to-customer outage communication options (phone/text/email), smart phone applications (myEntergy), billing inserts, and broadcast and print media. The information readily available through these communication channels includes the availability and accuracy of outage restoration estimates, timely response to customer issues and inquiries, application for service, and personnel available to explain what is required of the customer to receive service. Company witness Paula Waters addresses call center operations and customer messaging channels.

Q8. HOW IS YOUR ORGANIZATION INVOLVED IN COMMUNICATIONS WITH CUSTOMERS?

A. I lead the ETI Customer Service Organization, which coordinates all efforts associated with any complaints to the Commission or complaints addressed directly to the Company from customers served within the ETI service territory. This entails researching the customer's issue, validating associated facts, and implementing the appropriate issue resolution. This effort requires close coordination with all centralized functional service providers to obtain data and relevant facts to coordinate the issue resolution. Depending on the type of complaint, my organization coordinates directly with customers, agencies and/or regulatory entities to address the issue and communicate the results. For example, in the case of an informal complaint pursuant to 16 TAC § 25.30(c), a written

response must be provided to the Commission within 21 days of receiving the complaint, and those responses are also sent directly to customers with an explanation of the investigation and resolution.

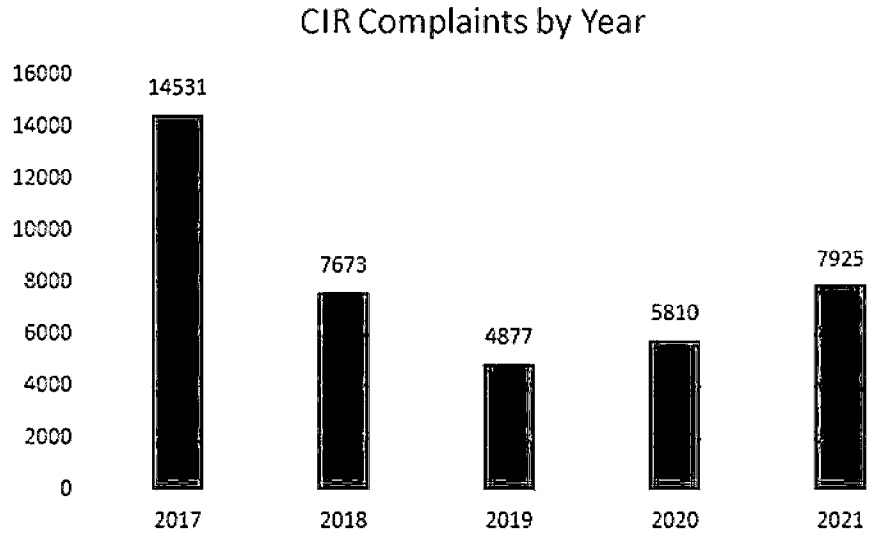
Q9. DOES ETI HAVE A PROCESS FOR TRACKING CUSTOMER COMPLAINTS?

A. Yes. The Company uses its "Customer Issue Resolution" process to track specific types of complaints, in part to comply with 16 TAC § 25.30. For the Test Year, the number of complaints, by type, are included in RFP Schedule H-13.c. ETI uses this information to improve business processes, increase efficiency, and improve customer satisfaction. ETI takes complaints very seriously, and the Company reviews all complaints to determine and implement actions to improve Company performance and/or customer satisfaction.

Q10. WHAT IS THE COMPANY'S CUSTOMER ISSUE RESOLUTION TREND?

A. Overall, as shown in **Figure 1**, complaints are trending downward since 2017. ETI has worked with our customers on all aspects of service, including outage communications, billing and payment, and technical services. While complaints began rising slightly during the time period from 2019 to 2021, ETI is still well below the levels in 2017, and that rising trend is at least partially driven by Winter Storm Uri and the COVID-19 pandemic, which had an effect on credit and collections activities post pandemic.

Figure 1

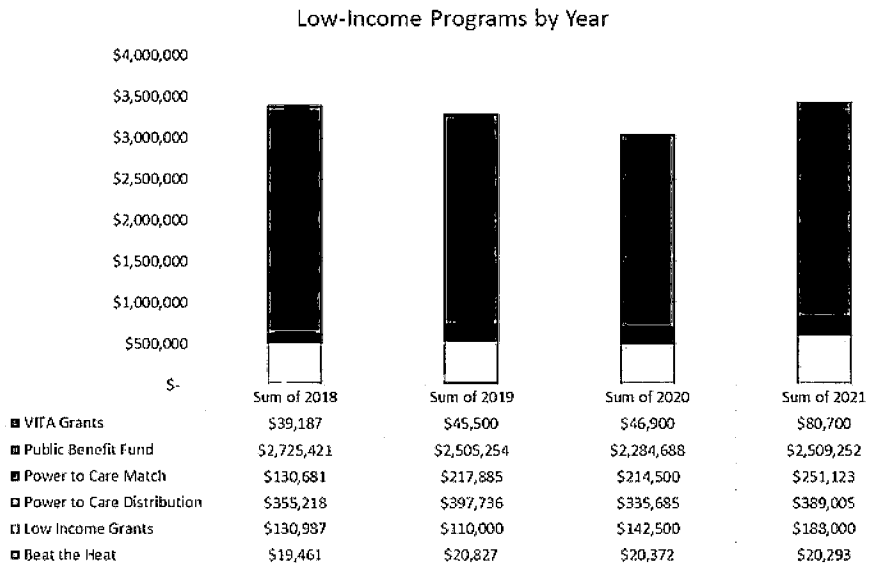


IV. LOW-INCOME PROGRAMS

Q11. WHAT LOW-INCOME PROGRAMS ARE ADMINISTERED BY ETI?

A. The ETI Customer Service Department administers the following low-income programs: The Power to Care, Beat the Heat, VITA (Volunteer Income Tax Assistance), Low-Income Grants, and the Public Benefit Fund ("PBF") programs. **Figure 2** below, illustrates the funding level for these programs over the last four years.

Figure 2



Q12. PLEASE DESCRIBE THE POWER TO CARE PROGRAM.

A. The Power to Care is a low-income program administered in Texas by Project CARE of Texas, Inc., a 501(c)(3), non-profit corporation chartered in the State of Texas. The purpose of The Power to Care program is to provide financial assistance for energy-related expenses to eligible ETI customers who have demonstrated a need for assistance. Voluntary contributions from employees and customers fund this program. Entergy Corporation, the parent company of the five EOCs, matches the voluntary contributions from its various regulatory jurisdictions in Texas, Louisiana, Mississippi, and Arkansas, dollar for dollar, up to $500,000 annually. The Power to Care uses various nonprofit organizations to validate customer eligibility to receive pledges for emergency payments toward customer utility bills.

Q13. PLEASE DESCRIBE THE BEAT THE HEAT PROGRAM.

A. The Power to Care and ETI partner with local nonprofit organizations to distribute box fans to elderly, disabled, and low-income customers to lessen the impact of the summer heat on these customers. The Beat the Heat program is funded by The Power to Care program and Entergy shareholders.

Q14. PLEASE DESCRIBE THE VITA GRANTS PROGRAM.

A. VITA (Volunteer Income Tax Assistance) offers free IRS-certified tax preparation services for qualifying customers. Volunteers help customers who earn $57,000 or less determine if they qualify for the Earned Income Tax Credit and receive as much as $6,700 in tax benefits.

Q15. PLEASE DESCRIBE THE LOW-INCOME GRANTS PROGRAM.

A. Since 1999, Entergy has dedicated funds to support efforts to help low-income customers manage their bills and become economically secure. These funds are targeted for programs that assist customers that are at or below poverty levels.

Q16. DOES ETI PROPOSE TO INCLUDE COSTS ASSOCIATED WITH THE POWER TO CARE OR BEAT THE HEAT PROGRAMS IN BASE RATES?

A. No. The Power to Care and Beat the Heat costs are paid for by contributions from ETI customers, ETI employees, and Entergy shareholders.

Q17. HOW ARE THE VITA AND LOW INCOME GRANTS FUNDED?

A. Entergy Texas has continued partnership with community advocates to support free IRS-certified Volunteer Income Tax Assistance tax preparation services for qualifying customers. Funding for both efforts is provided through shareholder contributions and does not impact customer bills.

Q18. PLEASE DESCRIBE THE PBF PROGRAM.

A. Through ETI's PBF program, eligible low-income customers see a credit on their bills, the size of which is determined by the funding level authorized by the Commission for the PBF program, the number of customers enrolled in the PBF program, and the average kWh usage of the PBF customers.

Q19. PLEASE DESCRIBE HOW ETI ADMINISTERS THE PBF PROGRAM.

A. At the end of each month, new qualifying customers will be enrolled in the PBF program, and those customers that no longer qualify will be removed from the program. In April each year, ETI will estimate the May through September kWh usage for those customers enrolled, based on historical usage. Then, during the months of May through September, enrolled PBF customers will receive a credit based on their actual monthly kWh usage times a factor which is determined by the total kWh usage of enrolled PBF customers during those months and the annual level of PBF funding included in ETI's rates. In an effort to distribute the amount of PBF funding authorized for each program year by September, the factor will be adjusted monthly to account for changes in enrollment and any

over-(under) distribution of funds in the prior months. Any over-(under) distribution of PBF funds at the end of each program year will carry over as an adjustment to the level of funds to be distributed in the next program year.

Q20. WHAT CRITERIA ARE USED TO DETERMINE CUSTOMER ELIGIBILITY FOR THE PBF PROGRAM?

A. To be eligible to receive a credit under ETI's PBF program, ETI used a third party service (Solix) to verify customer enrollment in SNAP (food stamp) or Medicaid programs as reported by the Texas Health and Human Services Commission.

Q21. WHAT ADMINISTRATIVE COSTS ARE ANTICIPATED IN ASSOCIATION WITH THE PBF PROGRAM?

A. Administrative costs associated with ETI's PBF program include IT programming associated with program administration, preparing and maintaining customer information, preparing periodic reports, and modifying existing accounting systems. Historically, ETI's PBF program administrative costs have been minimal and are not netted against the credits to enrolled PBF customers.

Q22. WHAT IS THE CURRENT LEVEL OF FUNDING FOR THE PBF PROGRAM?

A. ETI currently funds the PBF program at $2.5 million annually.

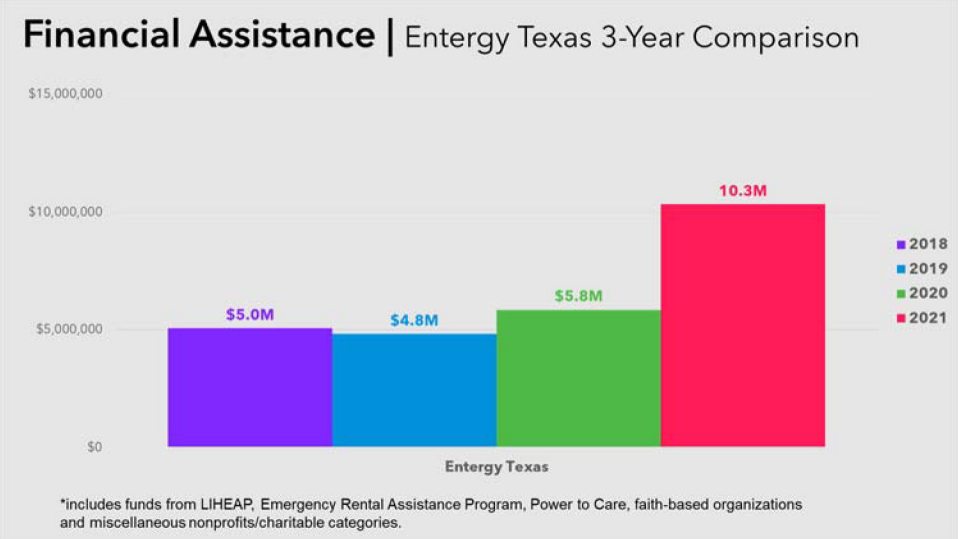
Q23. WHAT AMOUNT IS ETI PROPOSING TO RECOVER ANNUALLY THROUGH BASE RATES FOR ITS PBF PROGRAM?

A. ETI is not proposing to change this annual funding level as long as the funding is not disallowed or the means to administer the fund continue to be available to ETI.

Q24. IN ADDITION TO THE ETI-ADMINISTERED PROGRAMS DISCUSSED ABOVE, IS ETI INVOLVED IN OTHER CUSTOMER ASSISTANCE EFFORTS?

A. Yes. The low-income team looks for opportunities to provide information to customers regarding financial assistance programs, including external programs. In particular, the COVID-19 pandemic coupled with Winter Storm Uri created additional hardship for everyone, including ETI's customers. As the economic effects of those events became apparent, ETI ramped up its outreach to customers with information on its website to inform customers of financial assistance programs that may be available to them. Another example of the team's efforts was the use of an automated phone call to eligible customers with useful and relevant information for financial assistance programs that may be available to them. The results of those increased efforts are demonstrated in **Figure 3** below, which shows the level of financial assistance, including external programs, provided to our eligible low-income customers compared to prior years. ETI customer service team is proud to have helped our customers during the stressful times of the pandemic.

Figure 3



V. TARIFF REVISIONS

Q25. PLEASE EXPLAIN WHICH TARIFF REVISIONS YOU ARE SUPPORTING.

A. I am supporting revisions to a number of schedules and sections within ETI's tariff. I support changes related to the following:

a) Miscellaneous Electric Service Charges (Schedule MES);

b) Remote Communications Link Rider (Schedule RCL);

c) Special Minimum Charge Rider to Schedules SGS, GS, and LGS (Schedule SMC); and

d) Terms and Conditions Applicable to Electric Service.

A. Schedule MES

Q26. PLEASE DESCRIBE RATE SCHEDULE MES.

A. Rate Schedule MES captures fees associated with service provided beyond the normal requirements of providing electric service. These fees are charges to those

customers who cause the Company to incur these costs on their behalf. Examples include new connections, disconnections and reconnections for nonpayment, meter testing, and temporary connections.

Q27. WHAT ARE THE REASONS FOR THESE FEES?

A. ETI offers its customers certain service options, and therefore charges fees based upon the costs of providing those services. The Company's proposed changes in several of these fees will more closely align the fees with the costs of providing the services.

Q28. DO YOU SPONSOR ANY TEST-YEAR DATA ADJUSTMENTS RELATED TO MES FEES?

A. Yes. I sponsor Adjustment 4 in Schedule A-3, which removes MES revenues in calculating the adjusted Test-Year revenues.

Q29. WHAT ARE THE COMPANY'S PROPOSED CHANGES TO SCHEDULE MES?

A. The Company is proposing changes to the Trip Fee, Connection Fee, Disconnect/Reconnect Fee, Temporary Metered Service Connection Fee, Meter Test Fee, and Non-Standard Metering Services charges. In addition, the Company is removing the Remote Meter Installation fee because it is no longer required following the Advanced Metering Systems ("AMS") deployment

Q30. PLEASE EXPLAIN THE PROPOSED CHANGE TO THE TRIP FEE.

A. The Company is proposing to increase the Trip Fee from $12 per occurrence to $14.62 per occurrence to reflect current costs. The Trip Fee is calculated based on the mix of personnel who may be performing a service, average travel and site time, vehicle rates, and loaders. See Schedule MES WP for the detailed calculations and support.

Q31. PLEASE EXPLAIN THE PROPOSED CHANGE TO THE CONNECTION FEE.

A. The connection fee will be split into two separate fees depending on the circumstances. The first is a connection when there is a standard meter, which is now an AMS meter following the AMS deployment, already installed at the premises. The fee proposed is $6.31, and it takes into consideration that a little over 97% of the AMS meters can be connected remotely, so there is no need to for a physical trip. However, the other approximately 3% of the AMS meters, which include three-phase meters and meters larger than 200 amps, cannot be remotely connected and therefore require a service trip. Thus, the $6.31 fee represents a proportional blend of the two situations. In addition, even for a meter that can be remotely connected, there are back-office costs. See Schedule MES WP for the detailed calculations and support.

The second connection fee is for the situation where there is no existing meter and a new installation is required. In that case, the proposed connection fee is $21.61, representing the costs of a physical trip plus the associated back-office work. See Schedule MES WP for the detailed calculations and support.

Q32. PLEASE EXPLAIN THE PROPOSED CHANGE TO THE DISCONNECT/RECONNECT FEES.

A. The Company proposes to increase the standard (AMS) meter disconnect and reconnect charges from $2.20 to $2.52 per event, which represents the current back-office costs for that service. For non-standard metering (i.e., "opt-out" customers), the Company proposes to increase the fee for disconnection and reconnection (during business hours) from $13 to $13.81 per event, again reflecting a slight increase in the back-office, labor, and vehicle costs to perform this service. For reconnection that occurs after business hours, the Company proposes to increase the fee from $14 to $15.03, again reflecting back-office, labor, and vehicle cost increases. See Schedule MES WP for the detailed calculations and support.

Q33. PLEASE EXPLAIN THE PROPOSED CHANGE TO THE TEMPORARY METERED SERVICE CONNECTION CHARGE.

A. ETI proposes to increase the temporary metered service connection charge for residential construction from $113 to $120.06 based on the labor, materials, and vehicle cost increases shown on Schedule MES WP. Similarly, for all other temporary connection service, the proposed charge is the greater of $122.06 (from $113) or estimated Company net costs, whichever is greater.

Q34. PLEASE DESCRIBE THE PROPOSED CHANGE TO THE METER TEST CHARGE.

A. ETI provides a meter test at no charge for a customer's first request for a test. If a customer makes a subsequent request within a four-year period and the meter test is within ANSI standards, ETI charges the customer for that subsequent meter test. ETI proposes to increase the current charge from $64 to $87.50 to reflect the current back-office, labor, site and travel time, and vehicle costs. See Schedule MES WP for the detailed calculations and support.

Q35. PLEASE EXPLAIN THE PROPOSED CHANGE TO THE NON-STANDARD METER SERVICE FEES.

A. The current non-standard meter service fees include two components: (1) an up-front fee incurred when a customer selects non-standard meter service; and (2) a recurring monthly charge representing the costs to physically read a customer's meter. With respect to the up-front fee, three separate potential fees were originally established, two of which addressed the situation where a customer opted out before receiving an AMS meter. Now that the mass deployment has ended, the only opt out scenario would involve a customer that has an AMS meter installed and desires to opt out. Accordingly, the Company is proposing to remove the two up-front fees that are no longer relevant, and for the remaining scenario, updating the variables used to calculate the fee results in an increase to the up-front fee from $183.14 to $420.80.

Q36. WHAT IS DRIVING THE INCREASE IN COST FOR THE UP-FRONT FEE FOR NON-STANDARD METER SERVICE?

A. 16 TAC § 25.133(f) requires that the costs for non-standard meter service be borne only by the customers who choose that service, and it specifies that the fixed costs related to initiating non-standard metering service must be allocated to the up-front fee. The original up-front fees were based on estimated costs, and the fees were approved in Docket No. 47416. Now the Company has actual costs and participation data to calculate the fees. Those include the cost of a non-standard (i.e., non-communicating digital) meter, which is actually $48.41 compared to the initial estimate of $11.16. The back-office IT programming startup costs that were required to implement the non-standard metering service were $62,235 compared to the initial estimate of $44,000. The certified mail fees are currently $5.60 compared to the initial estimate of $4.86. The trip charge decreased from $47.55 to $47.12 compared to the trip charges in effect at the time Docket No. 47416 was processed.[3] Rate case expenses were established in Docket No. 47416, and they are split 50% to the up-front fee and 50% to the monthly recurring fee until recovered.[4] The largest driver of the increase, however, is that the number of customers who actually selected non-standard meter service is significantly less than estimated: 369 versus 1,192. This results in an updated opt-out rate of 0.08% versus the 0.25% assumed in Docket No. 47416. That

[3] Note that the trip fee is included twice as required by 16 TAC § 25.133(f)(2): once to remove an AMS meter and install a non-communicating digital meter, and second to return after the customer moves or cancels non-standard meter service and re-install an AMS meter.

[4] Docket No. 47416, Order at Finding of Fact 74.

means that there is less of a pool of customers over which to spread up-front costs. See Schedule MES WP9 through WP9.2 for more details on the up-front fee calculations.

Q37. DOES THE COMPANY RECOMMEND SETTING THE UP-FRONT FEE AT $420.80?

A. No. Although that amount is the product of the formula used to determine the up-front fee in compliance with 16 TAC § 25.133 and approved in Docket No. 47416, ETI proposes that the Commission grant a 16 TAC § 25.3(b) good-cause exception under these circumstances and set the fee at $200. The rationale is that level of fee provides rough equality between the customers who already initiated non-standard metering service and paid the up-front fee that, again, is in part designed to recover non-standard metering services start-up costs, and future customers that initiate non-standard metering service. While lowering the fee will extend the time period for recouping the start-up costs, those fees will continue to be recovered only from non-standard metering service customers, which is required by the non-standard metering service rule and protects all standard metering service customers from bearing any portion of those costs.

Q38. IS THE COMPANY PROPOSING CHANGES TO THE MONTHLY NON-STANDARD METER FEE?

A. Yes. The recurring monthly fee has been reduced from $29.71 to $25.93 to reflect current labor, travel and site time, vehicle, and transportation costs

compared to the values in place in Docket No. 47416. See Schedule MES WP9.3 for more details on the monthly fee calculations.

Q39. DOES THIS CONCLUDE THE CHANGES TO SCHEDULE MES?

A. Yes, it does.

B. Schedule RCL

Q40. PLEASE DESCRIBE ETI'S PROPOSED CHANGES TO SCHEDULE RCL.

A. The Company intends to withdraw Schedule RCL. Schedule RCL was implemented in 2010 to offer commercial customers a wireless communications package and associated meter to provide wireless access for retrieval of the customer's usage data for billing purposes and to otherwise meet the customer's interval load data requirements. Subsequent to the Company's deployment of an AMS, there are no customers taking this service, and the associated meters are no longer necessary or supported. Accordingly, Schedule RCL should be withdrawn.

Q41. DOES THIS CONCLUDE THE CHANGES TO SCHEDULE RCL?

A. Yes, it does.

C. Schedule SMC

Q42. PLEASE DESCRIBE ETI'S PROPOSED CHANGES TO SCHEDULE SMC.

A. ETI is proposing minor changes to Schedule SMC to align with the terminology changes in Schedule MES associated with the Connection Charge. Specifically, Section III.B. is proposed to be changed as follows:

> For each additional reconnection of service requested ~~thereafter,~~ in the same calendar year thereafter, the customer will be charge ~~a~~the Connection Charge associated with Standard Metering Service – Existing Meter in accordance with § II.B of Rate Schedule MES.

Q43. DOES THIS CONCLUDE THE CHANGES TO SCHEDULE SMC?

A. Yes, it does.

D. Terms and Conditions Applicable to Electric Service

Q44. WHAT CHANGES DOES THE COMPANY INTEND TO MAKE TO THE TERMS AND CONDITIONS APPLICABLE TO ELECTRIC SERVICE?

A. The Company proposes language changes to Section 8.3, related to service disconnection without prior notice, and Section 12.2, related to bill adjustments.

Q45. WHAT ARE THE CHANGES PROPOSED IN SECTION 8.3?

A. The Company proposes revisions to this section to better reflect the language in 16 TAC § 25.29(c), captured in revised sections 8.3.1 through 8.3.4, below, and to reflect the deployment of AMS in revised section 8.3.5, below. The current language provides:

8.3 Disconnection without prior notice. Utility service may be disconnected without prior notice where a dangerous condition exists for as long as the condition exists or where service is connected without authority or reconnected service without authority following termination of service for nonpayment or in instances of tampering with Company's meter or equipment, bypassing the same, or in other instances of theft (including, but not limited to, meter tampering, bypass or diversion). Where reasonable, given the nature of the hazardous condition, a written statement providing notice of disconnection and the reason therefor shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected. A dangerous condition shall include, but is not limited, to situations in which the Customer or other individual associated with the Customer makes threats so as to present a reasonable perception of danger to any Company employee or representative. In the case of a threat of this nature, the Company will make reasonable efforts to work with the Customer to install remote metering or schedule relocation of metering services where technically feasible within a two (2) business day time frame. The installation of remote metering or relocation of services will be at the Customer's expense.

ETI proposes the following language to replace the current language:

8.3. Disconnection without prior notice. Utility service may be disconnected without prior notice for any of the following reasons:

8.3.1 where a known dangerous condition exists for as long as the condition exists. Where reasonable, given the nature of the hazardous condition, the electric utility shall post a notice of disconnection and the reason for the disconnection at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected;

8.3.2 where service is connected without authority by a person who has not made application for service;

8.3.3 where service was reconnected without authority after termination for nonpayment; or

8.3.4 where there has been tampering (including but not limited to meter tampering, bypass or diversion) with the electric utility company's equipment or evidence of theft of service.

8.3.5 A dangerous condition shall include, but is not limited, to situations in which the Customer or other individual associated with the Customer makes threats so as to present a reasonable perception of danger to any

Company employee or representative. In the case of a threat of this nature, the Company will (i) follow its guidelines to install advanced metering or (ii) schedule relocation of non-standard metering services if the Customer meets all requirements to opt out of advanced metering and where technically feasible. The relocation of services will be at the Customer's expense. The installation of advanced metering shall follow all applicable guidelines of the Company, including those related to Customer payment obligations.

Q46. WHAT IS THE CHANGE PROPOSED IN SECTION 12.2?

A. The Company proposes revisions to this section to clarify how adjustments that result from meter error are addressed. Specifically, ETI proposes to revise section 12.2 as follows:

12.2. Bill adjustment due to meter error. If any meter is found to be outside of the accuracy standards established by ANSI and such results in an underbilling by the Company, readings for the prior six (6) months, or from the time the meter was in service since last tested, but not exceeding six (6) months, shall be corrected, and adjusted bills shall be rendered. If such results in an overbilling by the Company, ~~N~~no refund is required from Company except to the Customer last served by the meter prior to the testing. If a meter is found not to register for any period, unless caused by theft of service, (including, but not limited to meter tampering, bypass or diversion), Company shall estimate and charge for units used, but not metered, for a period not to exceed six (6) months based upon the daily average per month for the last 12 months prior to the meter not registering usage. If the prior 12 months' usage is not available, Company may estimate the billing based upon available usage information at that service location or average use for comparably sized service locations used in a similar manner during a similar time of year.

Q47. DOES THIS CONCLUDE THE CHANGES TO THE COMPANY'S TERMS AND CONDITIONS APPLICABLE TO ELECTRIC SERVICE?

A. Yes, it does.

VI. ETI'S CUSTOMER SERVICE ORGANIZATION O&M COSTS

Q48. ARE THE O&M EXPENSES ASSOCIATED WITH YOUR CUSTOMER SERVICE ORGANIZATION REFLECTED IN THE RATE FILING PACKAGE?

A. Yes. The O&M expenses associated with my Customer Service organization are reflected in the overall cost of service included in Schedule A of the rate filing package.

Q49. WERE THE CUSTOMER SERVICE ORGANIZATION O&M EXPENSES NECESSARY?

A. Yes. Those expenses were necessary for ETI to appropriately respond to customer questions, resolve customer issues, and administer the low-income programs I describe above.

Q50. WERE THE CUSTOMER SERVICE ORGANIZATION O&M EXPENSES REASONABLE?

A. Yes. The reasonableness of the Customer Service organization costs are demonstrated by the budgeting process and cost controls discussed below. The reasonableness of the costs is also supported by the benchmarking analysis supporting the Retail Operations affiliate class discussed by Ms. Waters.

Q51. PLEASE EXPLAIN THE BUDGET PROCESS.

A. Each department within the Customer Service organization is assigned responsibility for specific work processes. Each year, the departments prepare a budget by reviewing historical activity levels for each work process, and by developing an estimate for activity levels projected for the budget period. In an effort to reduce budget requirements, work reduction enabled by continuous improvement, automation, and centralization efforts is considered when estimating future activity levels. Cost savings and spending reduction goals are put into place during the budget process. Dollars are allocated for these projected activity levels based on the type of cost, such as employee salaries, outside services, and office expenses. To ensure that requested budgets are within reason, a management review is undertaken to compare totals with prior performance and benchmarking data of other utilities providing similar core services.

Q52. HOW IS THIS REVIEW USED TO ENSURE THAT THE COSTS ASSOCIATED WITH THESE SERVICES ARE REASONABLE?

A. The Customer Service organization is tracked by a specific budget, and budget reports are available at any time in the budget system. These budget reports reflect all expenses posted to the budget location at the time the report is generated.

Q53. HOW DO THESE CONTROLS AND PROCESSES TIE TO UPPER LEVEL MANAGEMENT'S REVIEW AND MONITORING OF THE COSTS ASSOCIATED WITH CUSTOMER SERVICE ORGANIZATION?

A. The reports described above allow management to identify potential cost issues and take necessary remedial action to avoid significant unfavorable budget variances. Senior management depends on these direct reports to achieve overall business objectives. Improved customer service, a safe work environment, and efficiency are the cornerstones of success for the Customer Service organization.

Q54. ARE THE CUSTOMER SERVICE ORGANIZATION EMPLOYEES HELD ACCOUNTABLE FOR DEVIATIONS FROM THE BUDGET?

A. Yes. Budget management is a key performance objective for the Vice Presidents and Managers of the functions within the Customer Service organization. Deviations are highlighted in monthly reviews and must be explained.

Q55. HOW DO THESE CONTROLS AND PROCESSES HELP TO ENSURE THAT THE COSTS OF THE CUSTOMER SERVICE ORGANIZATION ARE REASONABLE?

A. Tracking costs and performance allows management to compare expenditures with other electric utilities. Any variance to peer utilities in any cost or quality metric is reviewed closely to determine whether the difference is due to reporting differences or other reasonable factors.

Q56. IN ADDITION TO THESE CONTROLS AND PROCESSES, WHAT OTHER MECHANISMS HAS ETI IMPLEMENTED TO ENSURE THAT THE COSTS OF THE CUSTOMER SERVICE ORGANIZATION ARE REASONABLE?

A. Employee cost is one category that can be controlled by any business. Currently, the filling of any vacancy must be justified by a description of need and expected benefit, and must be approved by supervisory leadership. In addition, any new position or changes in positions or organizational structure must be approved by senior management. This "zero-based" hiring process helps to ensure that only critical vacancies are filled and that the addition of personnel involves multiple levels of management oversight.

Q57. WHAT OBJECTIVE EVIDENCE DEMONSTRATES THE CUSTOMER SERVICE ORGANIZATION COSTS ARE REASONABLE?

A. Benchmarking data demonstrates that ETI's Customer Service organization O&M costs are reasonable. The benchmarking data presented by Ms. Waters for the Retail Operations affiliate class includes both affiliate and non-affiliate customer service O&M costs. As explained by Ms. Waters, the benchmarking analysis shows that ETI is in the 2nd Quartile in cost per customer for these types of customer service expenses.

VII. CAPITAL ADDITIONS

Q58. PLEASE DESCRIBE THE CAPITAL ADDITIONS YOU SPONSOR FOR INCLUSION IN RATE BASE.

A. I sponsor the costs of two of the Power Generation capital additions that are included in Company witness Beverley Gale's Exhibit BG-4. Those projects are separate HEB Grocery Company backup generation experimental projects that I discuss below. Those investments total $2,504,023.

Q59. PLEASE DESCRIBE THE INVESTMENTS THAT YOU SPONSOR FROM MS. GALE'S EXHIBIT BG-4.

A. I support project C6PPTX0004 and project C6PPWS1337 included in Ms. Gale's Exhibit BG-4. Project C6PPTX0004 is a backup generator located at an HEB store in Beaumont, Texas, and Project C6PPWS1337 is a backup generator located at an HEB store in The Woodlands, Texas. The installation configuration for each project includes three 400 kW natural gas generators, totaling 1.2 MW.

In these experimental programs, the backup generators supply power to HEB during an outage while at other times the backup generators are available to supply power to the grid to mitigate energy prices during favorable market conditions. Under both projects, HEB is billed for the backup service through the Company's Additional Facilities Charge Rider – Schedule AFC. Through these experimental programs, ETI is gaining experience to potentially broaden the scope and availability of backup service to a broader customer base.

Q60. ARE THE HEB PROJECTS USED AND USEFUL IN PROVIDING SERVICE?

A. Yes. The backup generator in Beaumont was commissioned in 2021 and is currently providing service to ETI's customers and the host load customer. The backup generator in The Woodlands began operations in 2019 and is currently providing service to ETI's customers. Both units have been called many times to operate and provide power to the electric grid during favorable market conditions. In addition, the backup generator in The Woodlands was activated and supplied power to the HEB store during Hurricane Laura and Winter Storm Uri, allowing the grocery store to remain open and serve local residents during those emergency situations.

Q61. THE HEB PROJECT COSTS INCLUDES AFFILIATE COSTS. ARE THOSE AFFILIATE COSTS NECESSARY TO IMPLEMENT THE PROJECTS?

A. Yes. As explained by Ms. Gale, ETI's capital projects generally include a high percentage of affiliate costs because the nature of the projects. Entergy uses its centralized services company (ESL) to implement customer service programs that benefit all of the EOCs to leverage economies of scale. This approach generally allows the costs attributable to ETI for these types of programs to be less costly than what they would be if ETI created and implemented the programs on its own. The same budgeting and cost control measures discussed by Ms. Gale apply equally to the affiliate charges that were capitalized, as does the discussion regarding the use of a single billing method per project.

Q62. WERE THE CAPITAL INVESTMENTS PRUDENTLY INCURRED, REASONABLE, AND NECESSARY?

A. Yes. The HEB projects provide a significant customer service/retail operations function in that it is proving the viability of a concept under which a large grocery store is able to obtain backup electric service during an outage, and thus continue providing services to local customers when used for an outage. This investment also allows all customers the ability to mitigate high energy prices during favorable market conditions. The corresponding investment dollars were likewise reasonable and necessary. The same budgeting controls discussed by Ms. Gale were used to ensure costs stayed reasonable. The $2,504,023 ETI invested in the HEB projects was prudently incurred.

VIII. CONCLUSION

Q63. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes. It does.

AFFIDAVIT OF STUART BARRETT

THE STATE OF TEXAS)
)
COUNTY OF Travis)

This day, Stuart Barrett 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 Stuart Barrett. 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.

Stuart Barrett

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 29th day of June 2022.

MICHELE BARKER
Notary Public, State of Texas
Comm. Expires 09-09-2024
Notary ID 13266536-5

Notary Public, State of Texas

My Commission expires:

9-9-2024

SECTION III RATE SCHEDULES

ENTERGY TEXAS, INC. ELECTRIC SERVICE SCHEDULE MES	Sheet No.: 45 Effective Date: Proposed Revision No.: 13 Supersedes: MES Effective 12-31-20 Schedule Consists of: Two Sheets

MISCELLANEOUS ELECTRIC SERVICE CHARGES

I. APPLICABILITY

A charge shall be assessed, or credit provided, for the activities and services listed below in accordance with the provisions and prices herein.

II. DESCRIPTIONS

Trip Fee

A charge of fourteen dollars and sixty-two cents ($14.62) will be made when Company is required to dispatch an employee to a customer's location. | I

Connection

A. Standard Metering Service – Existing Meter | C

A charge of six dollars and thirty-one cents ($6.31) per event will be billed to connect an existing standard meter. | T, R

B. Standard Metering Service – New Installation | C

A charge of twenty-one dollars and sixty-one cents ($21.61) per event will be billed to install and connect a new standard meter | T, I

Disconnect/Reconnect Fee

A charge per event will be made for those services provided in order to disconnect or reconnect a Customer's point of delivery to the Company's electric distribution system where service has been terminated or suspended due to any reason allowing for disconnection or suspension of service set forth in Company's Terms and Conditions Applicable to Electric Service. In cases of abuse or tampering, Company will charge all reasonable out-of-pocket expenses necessary to restore its facilities to original condition. Service will not be reconnected until Customer pays the total amount of any funds due the Company, plus the applicable charge(s) stated below. | T

A. Standard Metering Service | T

A charge of two dollars and fifty-two cents ($2.52) will be charged to reconnect after a disconnect for non-pay when the Customer or authorized party requests reconnection and makes payment of all billing amounts and fees at a Company authorized payment station during normal business hours. If full payment is made after 7:00 PM, reconnection that same day will be made only in cases of a Company-determined emergency. | I, T
T

(Continued on reverse side)

B. Non-Standard Metering Service | T

A charge of thirteen dollars and eighty-one cents ($13.81) per event will be charged to disconnect or reconnect services requested during normal business hours. The reconnection request will be deemed to have occurred during normal business hours if the Customer or other authorized party requests reconnection and makes payment of all billing and fees at a Company authorized payment station by 4:30 PM of the same day that the request for reconnection is made. | I, T T

A charge of fifteen dollars and three cents ($15.03) will be charged to reconnect when the Customer or authorized party requests reconnection and makes payment of all billing amounts and fees at a Company authorized payment station between the hours of 4:30 PM and 7:00 PM. If full payment is made after 7:00 PM, reconnection that same day will be made only in cases of a Company-determined emergency. | I | T

Non-Sufficient Funds Charge

The Company shall charge a Non-Sufficient Funds Charge when payment by check or other payment device is not honored and returned by the Customer's financial institution, payor, holder or the holder's assignee for any reason other than bank error. The Non-Sufficient Funds Charge is fifteen dollars ($15.00). | T

Temporary Metered Service Connection

A charge for temporary service connection and meter installation will be made where distribution lines are readily available and the installation of additional poles and lines is not necessary to provide service to the Customer, as follows:

- One hundred twenty dollars and six cents ($120.06) on each connection for residential construction. | I
- Greater of one hundred twenty dollars and six cents ($120.06) or estimated Company net costs, on each connection for other temporary service. | I

Customer will be placed on appropriate Company rate schedule(s) for electric service. | T

Where distribution lines are not readily available, or where additional poles or lines are necessary, charges will be derived based upon the Company's extension policies. Customer will be placed on appropriate Company rate schedule(s) for electric service.

Payment by Drawdraft and Levelized/Equal Payment

A one dollar ($1.00) per month credit will be provided when Customer currently authorizes drawdraft payments at the due date for services rendered by Company and the drawdraft is honored for payment in full, and the Customer also has either levelized or equal payment of billing. | D

Tampering Deterrent

A charge of fifty dollars ($50.00) will be made to Customers in instances of tampering with Company's meter or equipment, bypassing the same, or in other instances of diversion. This charge shall be imposed for the detection and confirmation of tampering, interfering or theft of the Company's delivery of electric service. This fee shall be paid prior to reconnection of service.

 (Continued on next page)

SECTION III RATE SCHEDULES

ENTERGY TEXAS, INC. ELECTRIC SERVICE SCHEDULE MES (Cont.)	Sheet No.: 45A Effective Date: Proposed Revision No.: 13 Supersedes: MES Effective 12-31-20 Schedule Consists of: Two Sheets

MISCELLANEOUS ELECTRIC SERVICE CHARGES

Pulse Metering Installation/Interval Data Recorder Equipment)

A one-time charge of three hundred dollars ($300) will be made to Customers for each installation of pulse metering/interval data recorder equipment. The Customer must enter into an agreement entitled Agreement and Terms and Conditions for Pulse Metering Installation. If the Customer is a participant in a load management program, the Customer must enter into an agreement entitled Agreement for Installation of Interval Data Recorder Equipment.

Meter Test Fee

A charge of eighty-five dollars and seventy cents ($85.70) will be made each time a customer requests a meter test within four years of a meter test performed at Company's expense and the subsequent meter test finds that the meter registers within the accuracy standards established by ANSI. | I

Non-Standard Metering Fees

A customer receiving non-standard metering service shall be charged a one-time fee and a recurring monthly fee:

One-Time Charge for non-standard metering services

A one-time charge of two hundred dollars ($200) will be made to customers who choose to receive electric services through a non-standard meter. | T, I

| D

Monthly Charge for non-standard metering services

A charge of twenty-five dollars and ninety-three cents ($25.93) will be made each month to customers who choose to receive electric services through a non-standard meter. | T, R

III. **DEFINITIONS**

A. **Standard Metering Service** – Service associated with an Advanced Meter as described in PUCT Substantive Rules Applicable to Electric Service Providers.

B. **Non-Standard Metering Service** – Service associated with a meter that does not function as an Advanced Meter.

SECTION III RATE SCHEDULES

ENTERGY TEXAS, INC. ELECTRIC SERVICE SCHEDULE MES	Sheet No.: 45 Effective Date: ~~12-31-20~~Proposed Revision No.: ~~12~~13 Supersedes: MES Effective ~~1-2~~12-31-20 Schedule Consists of: Two Sheets

MISCELLANEOUS ELECTRIC SERVICE CHARGES

I. APPLICABILITY

A charge shall be assessed, or credit provided, for the activities and services listed below in accordance with the provisions and prices herein.

II. DESCRIPTIONS

Trip Fee

A charge of ~~twelve~~fourteen dollars ~~($12.00~~and sixty-two cents ($14.62) will be made when Company is required to dispatch an employee to a customer's location. | I

Connection

A. Standard Metering Service – Existing Meter | C

A charge of ~~twenty~~six dollars ~~($20.00~~and thirty-one cents ($6.31) per event will be ~~made for those services provided in order~~billed to connect ~~a Customer's new point of delivery to the Company's electric distribution system or to make connection changes to a Customer's~~an existing ~~point of delivery to the Company's electric distribution system.~~standard meter. | T, R

B. ~~Non-~~Standard Metering Service – New Installation | C

A charge of twenty-one dollars ~~($20.00~~and sixty-one cents ($21.61) per event will be ~~made for those services provided in order~~billed to install and connect a ~~Customer's~~ new ~~point of delivery to the Company's electric distribution system or to make connection changes to a Customer's existing point of delivery to the Company's electric distribution system.~~standard meter | T, I

Disconnect/Reconnect Fee

A charge per event will be made for those services provided in order to disconnect or reconnect a Customer's point of delivery to the Company's electric distribution system where service has been terminated or suspended due to any reason allowing for disconnection or suspension of service set forth in Company's Terms and Conditions Applicable to Electric Service. In ~~unusual~~ cases of abuse or tampering, Company will charge all reasonable out-of-pocket expenses necessary to restore its facilities to original condition. Service will not be reconnected until Customer pays the total amount of any funds due the Company, plus the applicable charge(s) stated below. | T

(Continued on reverse side)

~~B~~A.Standard Metering Service | T

A charge of two dollars and ~~nineteen~~fifty-two cents ($2.~~19) per event~~ 52) will be charged to reconnect after a disconnect for non-pay when the Customer or authorized party requests reconnection and makes payment of all billing amounts and fees at a Company authorized payment station during normal business hours. If full payment is made after 7:00 PM, reconnection that same day will be made only in cases of a Company-determined emergency. | I, T T

~~A charge of two dollars and nineteen cents ($2.19) will be charged to reconnect when the Customer or authorized party requests reconnection and makes payment of all billing amounts and fees at a Company authorized payment station between the hours of 4:30 PM and 7:00 PM. If full payment is made after 7:00 PM, reconnection that same day will be made only in cases of a Company-determined extreme emergency.~~

| T

~~C.~~B. Non-Standard Metering Service

A charge of thirteen dollars and eighty-one cents ($13.~~00~~81) per event will be charged to disconnect or reconnect services requested during normal business hours. The reconnection request will be deemed to have occurred during normal business hours if the Customer or other authorized party requests reconnection between 8:00 AM and 4:30 PM on a normally scheduled work day and makes payment of all billing and fees at a Company authorized payment ~~stations~~station by 4:30 PM of the same day that ~~day~~the request for reconnection is made. | I, T T

A charge of ~~fourteen~~ fifteen dollars and three cents ($~~14.00~~15.03) will be charged to reconnect when the Customer or authorized party requests reconnection and makes payment of all billing amounts and fees at a Company authorized payment station between the hours of 4:30 PM and 7:00 PM. If full payment is made after 7:00 PM, reconnection that same day will be made only in cases of a Company-determined ~~extreme~~ emergency. | I | T

Non-Sufficient Funds Charge

The Company shall charge a Non-Sufficient Funds Charge when payment by check or other payment device is not honored and returned by the Customer's financial institution, payor, holder or the holder's assignee for any reason other than bank error. ~~The Customer shall be charged~~ The Non-Sufficient Funds Charge is fifteen dollars ($15.00). | T

Temporary Metered Service Connection

A charge for temporary service connection and meter installation will be made where distribution lines are readily available and the installation of additional poles and lines is not necessary to provide service to the Customer, as follows:

- One hundred ~~thirteen~~twenty dollars ~~($113.00~~and six cents ($120.06) on each connection for residential construction. | I
- Greater of one hundred ~~thirteen~~twenty dollars ~~($113.00~~and six cents ($120.06) or estimated Company net costs, on each connection for other temporary service. | I

Customer will be placed on appropriate Company rate schedule(s) for electric service. | T

Where distribution lines are not readily available, or where additional poles or lines are necessary, charges will be derived based upon the Company's extension policies. Customer will be placed on appropriate Company rate schedule(s) for electric service.

SECTION III RATE SCHEDULES

ENTERGY TEXAS, INC. ELECTRIC SERVICE SCHEDULE MES	Sheet No.: 45A Effective Date: ~~12-31-20~~ Revision No.: ~~12~~13 Supersedes: MES Effective ~~1-2~~12-31-20 Schedule Consists of: Two Sheets

MISCELLANEOUS ELECTRIC SERVICE CHARGES

Payment by Drawdraft and Levelized/Equal Payment

A one dollar ($1.00) per month credit will be provided when Customer currently authorizes drawdraft payments at the due date for services rendered by Company and the drawdraft is honored for payment in full, and the Customer also has either levelized or equal payment of billing.

~~**Remote Meter Installation (Not available after full Advanced Meter System deployment)**~~ | D

~~When there is (a) a threat of violence against a Company employee or contractor, or (b) a refusal to grant access to the Company's meter at the Customer's premises, or (c) a Customer request for installation of off-site meter reading, the Company will make reasonable attempts to install an Off-site Meter Reading (OMR) kWh only meter at the premises to allow off-site meter reading for any non-demand metered customer. A one-time charge of forty-five dollars ($45.00) will be made for the installation of such meter.~~

Tampering Deterrent

A charge of fifty dollars ($50.00) will be made to Customers in instances of tampering with Company's meter or equipment, bypassing the same, or in other instances of diversion. This charge shall be imposed for the detection and confirmation of tampering, interfering or theft of the Company's delivery of electric service. This fee shall be paid prior to reconnection of service.

Pulse Metering Installation/Interval Data Recorder Equipment)

A one-time charge of three hundred dollars ($300) will be made to Customers for each installation of pulse metering/interval data recorder equipment. The Customer must enter into an agreement entitled Agreement and Terms and Conditions for Pulse Metering Installation. If the Customer is a participant in a load management program, the Customer must enter into an agreement entitled Agreement for Installation of Interval Data Recorder Equipment.

Meter Test Fee

A charge of ~~sixty-four~~eighty-five dollars ~~($64.00~~and seventy cents ($85.70) will be made each time a customer requests a meter test within four years of a meter test performed at Company's expense and the subsequent meter test finds that the meter registers within the accuracy standards established by ANSI. | I

Non-Standard Metering Fees

A customer receiving non-standard metering service shall be charged a one-time fee and a recurring monthly fee:

One-Time Charge for non-standard metering services

A one-time charge of two hundred dollars ($200) will be made to customers who choose to receive electric services through a non-standard meter~~:~~. | T, I

(Continued on reverse side)

~~1. Keep existing meter one-time charge* $121.48~~
~~2. Digital non-communicating meter one-time charge:~~
~~a. Before advanced meter install $135.59~~
~~b. After advanced meter install $183.14~~

| D

~~*The existing meter must pass an inspection to ensure the meter is safe and meets standards for accuracy. If the existing meter fails the safety inspection or accuracy test, the customer would receive a non-communicating digital meter and be charged according to option 2a. If a customer initiates a request for non-standard metering services after an advanced meter has been installed at their premises, the only option available is No. 2b: replace the advanced meter with a digital non-communicating meter. In this case, there is an additional cost for a non-communicating digital meter and to un-install the existing advanced meter and re-install a new advanced meter after non-standard metering service is discontinued.~~

Monthly Charge for non-standard metering services

A charge of ~~$29.71~~twenty-five dollars and ninety-three cents ($25.93) will be made each month to customers who choose to receive electric services through a non-standard meter.

| T, R

III. **DEFINITIONS**

A. **Standard Metering Service** – Service associated with an Advanced Meter as described in PUCT Substantive Rules Applicable to Electric Service Providers.

B. **Non-Standard Metering Service** – Service associated with a meter that does not function as an Advanced Meter.

See Native Excel file Barrett Direct_WP_SB-1.

DOCKET NO. 53719

APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS

DIRECT TESTIMONY

OF

DAVID C. BATTEN

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF DAVID C. BATTEN
2022 RATE CASE

TABLE OF CONTENTS

EXHIBITS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND CURRENT BUSINESS ADDRESS.

A. My name is David C. Batten. My business address is 639 Loyola Avenue, New Orleans, Louisiana 70113.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Entergy Services, LLC ("ESL") as Senior Staff, Accounting Policy.

Q3. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?

A. I am filing this direct testimony on behalf of Entergy Texas, Inc. ("ETI," "Entergy Texas," or the "Company").

A. Qualifications

Q4. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I have a Bachelor of Science degree in Management with a major in Finance and a Master of Accounting degree from Tulane University. I am a Certified Public Accountant. Prior to my employment with ESL, I worked for Deloitte & Touche, LLP ("Deloitte") for approximately three years in the firm's Audit and Enterprise Risk Services practice, rising to the position of Audit Senior. I began my career with ESL in 2015 as a Lead Accountant in Accounting Policy, and I was promoted to my current position in January of 2020.

Q5. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?

A. I am responsible for the application of accounting policies and principles, as well as technical accounting and accounting standards implementation for the utility operating companies of Entergy Corporation ("Entergy").

B. Purpose of Testimony

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to address the accounting treatment of a rider to track Entergy Texas's pension and other post-retirement benefit costs and the appropriate amortization period for pension and other post-retirement benefit ("OPEB") costs deferred under this tracking mechanism. I also will address the accounting treatment of costs incurred under the Transmission Cost Recovery Factor ("TCRF") and Generation Cost Recovery Rider ("GCRR"). Finally, I will address the accounting for costs related to the Advanced Metering System ("AMS") and amounts collected to-date to recover the costs incurred by Entergy Texas to implement this system.

Q7. DO YOU SPONSOR ANY EXHIBITS?

A. Yes. I sponsor the three exhibits identified in the table of contents of this testimony. These three exhibits relate to the TCRF true-up (DCB-1), the GCRR reconciliation (DCB-2) and the AMS reconciliation (DCB-3).

II. PENSION AND OPEB COST DEFERRAL

Q8. DOES PURA ALLOW A UTILITY TO DEFER PENSION AND OPEB EXPENSE AMOUNTS THAT EXCEED THE PENSION AND OPEB AMOUNTS INCLUDED IN BASE RATES?

A. Yes, PURA § 36.065(b) allows a utility to establish a reserve account to record the difference between the annual amount of pension and OPEB expense approved in the utility's last general rate case and the annual amount of pension and OPEB expense that the utility actually incurs. If the amount of pension and OPEB expense in the utility's approved rates is greater than the actual expense, the utility will have a surplus in its reserve account, but if the amount of pension and OPEB expense in the utility's approved rates is less than the actual expense, the utility will have a shortage in its reserve account.

Q9. HOW IS THE RESERVE TREATED FOR RATEMAKING PURPOSES?

A. PURA § 36.065 states that if a reserve account for pension and OPEB expense is established, the Commission:

> at a subsequent general rate proceeding shall:
>
> (1) Review the amounts recorded to the reserve account to determine whether the amounts are reasonable expenses;
>
> (2) Determine whether the reserve account has a surplus or shortage under Subsection (c); and
>
> (3) Subtract any surplus from or add any shortage to the electric utility's rate base with the surplus or shortage amortized over a reasonable time.

Q10. HAS ETI ESTABLISHED A RESERVE FOR PENSION AND OPEB EXPENSE?

A. Yes, ETI has established a reserve for its qualified pension, non-qualified pension, and OPEB expenses, using the qualified and non-qualified pension and OPEB amounts included in its last general rate proceeding at Docket No. 48371.

Q11. HAS ETI PREVIOUSLY RECORDED A RESERVE FOR ITS PENSION AND OPEB EXPENSES?

A. No, ETI has not previously recorded a reserve for its pension and OPEB expenses.

Q12. WHY DID ETI ESTABLISH A RESERVE AFTER DOCKET NO. 48371 FOR ITS PENSION AND OPEB EXPENSES WHEN IT HAD NOT PREVIOUSLY RECORDED A RESERVE?

A. ETI elected to establish a reserve in an effort to help mitigate the increasing volatility of pension and OPEB costs in rates. As ETI witness Jennifer Raeder discusses in her testimony, ETI has amended both its pension plans and OPEB plans in order to mitigate volatility in costs, as well as to align plan benefits with industry benchmarks and to reduce the overall liability and cost, which in turn reduces customer rates, as well as their volatility. However, in the near-term, the changes to the pension plans have resulted in increased volatility of expenses on an annual basis. In order to mitigate the risk to customers of the increased volatility of the pension plans, and to account for the fact that the expense for the

OPEB plans in rates are greater than the actual costs incurred for administering those plans, ETI elected to establish the reserve.

Q13. WHAT CAUSES THE COST VOLATILITY ASSOCIATED WITH PENSION BENEFITS?

A. The accounting rules related to pension benefits, which the Commission observes for ratemaking purposes, require ETI to recognize the cost of such benefits generally over the working-life of the employee. This method matches cost recognition with the period over which employees' service benefits the Company and its customers. Recognizing those costs in the present means relying on estimates of long-term market factors, (e.g., interest rates) and actuarial assumptions regarding employees (e.g., length of employment). Because of the long time horizon involved, small changes in those estimates or actuarial assumptions can create near-term volatility in costs.

Q14. WHAT AFFECT HAVE THE CHANGES MS. RAEDER EXPLAINS HAD ON ETI'S PENSION COST?

A. As Ms. Raeder explains in her direct testimony, effective beginning in 2018, ETI amended its defined benefit pension plans to allow participants to elect to receive lump-sum distributions of their pension value in lieu of the receipt of a stream of payments after retirement. By allowing participants to receive lump-sum distributions ETI is able to reduce the size and rate of growth of its pension liability, which in turn reduces ETI's and customers' exposure to changing market

conditions such as interest rates, asset returns, and life expectancies. It also reduces the payment of premiums to the Pension Benefit Guaranty Corporation and administrative expenses from pension trust assets.

Q15. WHAT IS A SETTLEMENT CHARGE?

A. A settlement charge is the redetermination of pension cost when cash lump sum payments for the year exceed the sum of the service cost and interest cost for the pension plan for that year, such that a portion of the pension liability is satisfied over a time period shorter than assumed for the pension cost calculation. As a result, a corresponding amount of previously deferred experience losses or gains must be recognized as a cost in the current period. Immediate recognition of these previously deferred experience losses or gains – the settlement charge – can cause significant volatility in the year in which a settlement occurs.

Q16. HAS ETI RECORDED ANY SETTLEMENT CHARGES?

A. Yes. During the 2021 Test Year, ETI recorded $11.8 million of settlement charges related to the qualified pension plans and $172 thousand related to the non-qualified pension plans in which ETI participates. These settlement charges were included with base pension expenses when determining the pension reserve.

Q17. WHAT IS THE BALANCE IN ETI'S PENSION AND OPEB RESERVE?

A. ETI has tracked all components of the reserve separately. The qualified pension component has a balance of $17,484,730 million as of March 31, 2022. The non-

qualified pension component has a balance of $360,759, and the OPEB balance is ($3,337,869).

Q18. DOES THE NON-QUALIFIED PENSION COMPONENT OF THE RESERVE INCLUDE THE AMOUNTS RELATED TO THE SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN?

A. No. As ETI witness Allison Lofton explains in her direct testimony, in accordance with the Commission's Final Order in Docket No. 39896, ETI excludes the costs related to the Supplemental Executive Retirement Plan from its cost of service calculation. In the calculation of the reserve, ETI has also excluded these costs.

Q19. WHAT DOES ETI PROPOSE TO DO WITH THE BALANCES IN THE RESERVE?

A. ETI proposes a 3-year amortization period for the balances in the qualified pension and non-qualified pension components of the reserve. ETI also proposes to exclude the OPEB component of the reserve from rate-making, consistent with the treatment of the OPEB income in the cost of service calculation as discussed in the direct testimony of ETI witness Allison Lofton.

Q20. WHY ARE THE OPEB PLANS GENERATING INCOME INSTEAD OF COST?

A. As ETI witness Ms. Raeder explains in her testimony, ETI has made changes to its OPEB plans to reduce the costs and volatility of the plans. These cost reductions have resulted in the assets in the OPEB trust exceeding the amount that ETI is expected to pay out of the trust to fund the benefits for participants. According to the calculation of ETI's external actuaries, because of this funding of the trust, the OPEB plan is producing OPEB income instead of OPEB cost for the rate case Test Year.

Q21. WHY DOES ETI PROPOSE TO EXCLUDE THE OPEB INCOME FROM BASE RATES?

A. Historically, ETI recovered OPEB costs in rates and contributed cash equal to that cost into an external trust, as required by 16 TAC § 25.231(b)(1)(h). The Commission's order and Internal Revenue Service regulations governing the OPEB trust, however, do not allow ETI to withdraw the funds from the trust to pay customers. If ETI were to include the OPEB credit in rates, it would be reducing rates for something for which it is not receiving cash. This means that ETI would have to fund the OPEB income it provides to customers through its own capital.

III. RIDER TRUE-UPS

A. TCRF

Q22. WHAT DOES 16 TAC § 25.239 STATE REGARDING POTENTIAL TCRF OVER-RECOVERIES?

A. The rule states that the Commission may order the refund of any previous over-recovery and an "over-recovery shall be considered to have occurred if the revenues from the TCRF were greater than the costs that the TCRF was intended to recover."

Q23. HAS THE COMMISSION CONSTRUED THIS LANGUAGE IN THE RULE?

A. Yes. In a TCRF case filed by Southwestern Electric Power Company, Docket No. 45691, the Commission ordered that, to determine whether an over-recovery of costs exists, "the TCRF true-up should be calculated by comparing the TCRF revenue requirement approved by the Commission" in previous TCRF filings to "actual TCRF collections." (Conclusion of Law No. 8.)

Q24. HAVE YOU CONDUCTED A TRUE-UP ANALYSIS OF ETI'S TCRF REVENUES?

A. Yes. Based on the Commission's order discussed above and my analysis of TCRF collections versus the TCRF revenue requirement, ETI has over-recovered its approved TCRF revenues as of December 31, 2021, the end of the Test Year, by $135,022. The true-up analysis begins when ETI's TCRF first became effective, July 19, 2019, through the end of the Test Year. The balance as of

May 31, 2022 was an over-recovery of approximately $3.3 million. Please see Exhibit DCB-1 for the detailed calculation.

Q25. WILL YOU PLEASE EXPLAIN FURTHER THE CALCULATION SHOWN ON EXHIBIT DCB-1.

A. Yes. The monthly TCRF revenue requirement is calculated by multiplying the approved annual TCRF revenue requirement by the portion of the annual billing determinants expected to be billed to customers in the current month based on historical electric usage billed by month. The monthly TCRF revenue requirement is then compared to the actual TCRF rider revenues billed during the month to determine the change in the cumulative over or under recovery balance.

Q26. WAS THIS BALANCE AS OF DECEMBER 31, 2021 ADDRESSED IN ETI'S MOST RECENT TCRF CASE, DOCKET NO. 52624?

A. Yes. In that settlement the signatories agreed or did not dispute that a true-up under the rule was not necessary at that time. At the time ETI filed its application in Docket No. 52624, ETI calculated that its TCRF had over-recovered its approved revenue requirement by $2,198,757 through July 2021. However, as of December 31, 2021, ETI's TCRF over-recovery was only about $135,000. Due to the minimal over-recovery then calculated and to conserve resources the parties agreed to address any remaining over-recovery in ETI's next base rate case. That settlement has not yet been finally addressed by the Commission.

Q27. HOW DO YOU PROPOSE THE COMMISSION ASSESS WHETHER A REFUND OF ETI'S TCRF REVENUES MAY BE APPROPRIATE?

A. The currently effective TCRF will remain in effect until the Commission issues an order in this docket resetting ETI's TCRF to zero. Accordingly, the extent to which ETI's TCRF has over- or under-recovered TCRF revenues will not be known until the TCRF is finished collecting revenues. While ETI currently calculates an over-collection, that balance will change by the time ETI's current TCRF is reset to zero. In addition, ETI's current Docket No. 52624 TCRF rates were implemented on an interim basis in March 2022. Accordingly, ETI has calculated only a single month of TCRF actual collections since that implementation. Further, because of seasonal influences on the monthly TCRF revenue ETI collects, the amount of over- or under-recovery of ETI's TCRF revenues will fluctuate throughout the year until the TCRF is set to zero in this case. Therefore, ETI proposes that the TCRF calculation methodology used in Exhibit DCB-1, as well as the true-up balance through May 31, 2022, be approved in the final order issued in this case with the further order that ETI file in a compliance docket an updated Exhibit DCB-1 through the effective date of the rates to be set in this proceeding – the date on which ETI's TCRF will be set to zero – along with a refund tariff to address that true-up balance if any over-recovery has occurred.

B. GCRR

Q28. WHAT DOES 16 TAC § 25.248 STATE REGARDING RECONCILIATION OF AMOUNTS COLLECTED UNDER THE GCRR?

A. The Commission's GCRR rule states that the amounts recovered through a GCRR are subject to reconciliation in the first base-rate proceeding that is filed after the effective date of the GCRR. The reconciliation will true-up the total amount actually recovered through the GCRR with the total revenue requirement that the approved GCRR was designed to recover.

Q29. DOES ETI HAVE A GCRR IN PLACE AT THIS TIME?

A. Yes. In Docket No. 51381, the Commission established a GCRR for ETI's newly constructed Montgomery County Power Station. In Docket No. 51557, the Commission amended ETI's GCRR to reflect ETI's investment in the Hardin County Peaking Facilities to reflect ETI's capital investment in the Hardin County facility through October 31, 2021, which was $0. In Docket No. 52354, ETI requested that its GCRR be updated to reflect its actual investment in the Hardin County facility. The Commission has yet to take action on that request. In Docket No. 53257, ETI filed its request for a relate-back rider tariff associated with its investment in the Montgomery County Power Station. The Commission has yet to take action on that request. In short, ETI's GCRR is subject to amendment by the Commission.

Q30. HAVE YOU CONDUCTED A RECONCILIATION ANALYSIS OF THE REVENUES RECOVERED BY ETI'S GCRR?

A. Yes. This calculation is shown in Exhibit DCB-2 to this testimony. Through May 31, 2022, ETI has over-recovered the revenue requirement approved in Docket Nos. 51381 and 51557 by approximately $4.7 million. I note that, because the Commission has yet to act on ETI's request to update its GCRR for its actual investment in the Hardin County facility, the calculation does not reflect any costs for that facility. The Hardin County facility was placed in service on June 4, 2021.

Q31. WILL YOU PLEASE FURTHER EXPLAIN THE CALCULATION SHOWN ON EXHIBIT DCB-2?

A. Yes. Consistent with the calculation for the TCRF discussed above, the monthly GCRR revenue requirement is calculated by multiplying the approved annual GCRR revenue requirement by the portion of the annual billing determinants expected to be billed to customers in the current month based on historical electric usage billed by month. The monthly GCRR revenue requirement is then compared to the actual GCRR rider revenues billed during the month to determine the change in the cumulative over or under recovery balance.

Q32. HOW DO YOU PROPOSE THAT THE COMMISSION ADDRESS THE RECONCILIATION OF THE REVENUES RECOVERED BY ETI'S GCRR?

A. As with the TCRF that I discuss above, the GCRR will remain in effect until the effective date of the rates to be set in this proceeding. For that reason, the final reconciliation of the GCRR revenues cannot be determined until that later date. The GCRR rule is explicit that the GCRR rates may not include estimated costs. Nor should the GCRR reconciliation balance be finally determined with estimated or incomplete costs. For this reason, ETI proposes that the GCRR calculation methodology used in the Exhibit DCB-2, as well as the reconciliation balance through May 2022, be approved in the final order issued in this case with the further order that ETI file in a compliance docket an updated Exhibit DCB-2 through the effective date of the rates to be set in this proceeding – the date on which ETI's GCRR will be reset to zero – along with a refund or surcharge tariff to address that reconciliation balance.

IV. SCHEDULE HRC REGULATORY LIABILITY

Q33. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In Docket No. 51913, ETI received approval to cease billing hurricane reconstruction cost charges related to the securitization of the Hurricanes Rita and Katrina hurricane reconstruction costs because the final payment on the underlying bonds was made on April 1, 2021. On September 17, 2021 ETI made a compliance filing in Docket No. 52615 that addressed the final reconciliation of collections, payments, and expenses under Schedule HRC. That reconciliation

resulted in a net over-recovery balance of $4,708,984, which was set to be refunded to customers in the month of December 2021. Pursuant to Ordering Paragraph 5 of the Commission's March 1, 2022 Order in Docket No. 52615 ("Docket No. 52615 Order"), ETI was authorized to establish a regulatory liability or asset to be included in ETI's next base rate application to account for any difference between the amount actually refunded in December 2021 and the amount authorized: $4,708,984. Further, Ordering Paragraph 6 in the Docket No. 52615 Order required ETI to submit a compliance filing reflecting the balance of the regulatory liability or asset within six months of completing the refund process.

Q34. DID ETI MAKE THE COMPLIANCE FILING REQUIRED IN ORDERING PARAGRAPH 6?

A. Yes. ETI made the compliance filing required in Ordering Paragraph No. 6 in Docket No. 52615 in June 2022, and that filing showed a regulatory liability in the amount of $179,561. Now, pursuant to Ordering Paragraph No. 5 in the Docket No. 52615 Order, ETI included that regulatory liability in Account 254 and seeks approval in this base rate case to amortize the balance over three years.

V. AMS RECONCILIATION

Q35. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I address ETI's accounting for the actual revenues, costs, and investment associated with the Company's deployment of its

AMS, including the Company's accounting for affiliate costs. My testimony addresses the difference between certain cost estimates as established in the financial models used to set ETI's original AMS Surcharge ("AMS Surcharge Model") as filed in Docket No. 47416, and actual costs incurred by the Company.

Q36. WHAT PORTIONS OF EXHIBIT DCB-3 (AMS RECONCILIATION SPREADSHEET) DO YOU SPONSOR?

A. I sponsor or cosponsor the following Schedules contained in the AMS Reconciliation Spreadsheet:

Figure 1

AMS Revenue Requirement Schedule Listing	
Cost/Savings Description	
Meter Depreciation	1-G
Communications Network Depreciation	1-H
IT Depreciation	1-I
Regulatory Asset Amortization	1-J
Interest Expense	1-K
Return on Equity	1-L
Property Tax	1-M
Texas Gross Margin Tax	1-N
Federal Income Tax	1-O

AMS Rate Base Schedule Listing	
Rate Base Description	
Accumulated Depreciation	2-D
Regulatory Assets	2-E
Regulatory Asset Accumulated Amortization	2-F
Total Plant-Related Deferred Tax	2-G
Regulatory Asset Deferred Tax	2-H

VI. ACCOUNTING FOR AMS REVENUE REQUIREMENT AND RATE BASE

A. Overview

Q37. WHAT COSTS ARE RECOVERABLE THROUGH ETI'S AMS SURCHARGE?

A. Costs recoverable through the Company's AMS Surcharge are those reasonable and necessary costs incurred in deploying AMS to residential and non-residential customers other than customers who receive service at transmission voltage. The reasonable and necessary costs associated with ETI's Commission-approved AMS Deployment Plan include:

- customer service benefits,
- incremental AMS-related operations and maintenance ("O&M") expenses (meter support, communications network, Information Technology ("IT") system integration, Meter Data Management Systems ("MDMS"), Advanced Distribution Management System and Outage Management System ("DMS/OMS"), internal support, and customer education),
- depreciation and amortization expenses (meter depreciation, communications network depreciation, and IT depreciation),
- return on rate base, and
- taxes related to AMS investment and revenues.

The Company's AMS-related invested capital (AMS rate base) consists of:

- advanced metering devices,
- communication networks,
- IT infrastructure,
- accumulated depreciation,
- regulatory assets,

- accumulated amortization, and
- Accumulated Deferred Income Tax ("ADIT").

ETI's net total of these invested capital costs serves as the basis to calculate a return using its approved weighted-average cost of capital ("WACC"). The return along with the cost components are includable in the AMS surcharge revenue requirement and are used to calculate the Company's AMS surcharge revenue requirements.

Q38. DOES ETI RECORD AND TRACK COSTS AND INVESTMENT RELATED TO AMS DEPLOYMENT?

A. Yes. The recording and tracking of AMS costs and investment is essential to support AMS annual reporting and the AMS reconciliation process. Consistent with Finding of Fact No. 49 in the Commission's Order in Docket No. 47416, the Company utilizes appropriate Federal Energy Regulatory Commission ("FERC") accounts combined with the use of unique AMS cost identifiers in order to track AMS revenues and costs to allow for transparent reporting. Pursuant to 16 TAC § 25.130, all costs recovered through the AMS surcharge are to be reviewed in a reconciliation proceeding. This accounting methodology is also necessary to ensure that AMS costs and investment are not included in base rate filings, to calculate amounts subject to deferral due to the difference between AMS surcharge revenues and AMS-related costs, and to keep the Company's books and records under Generally Accepted Accounting Principles ("GAAP").

Q39. HOW CAN THE COMMISSION BE ASSURED THAT ETI WILL NOT RECOVER AMS DIRECT AND INDIRECT COSTS THROUGH THE COMPANY'S AMS SURCHARGE REVENUES AND ALSO IN BASE RATE REVENUES?

A. When the AMS surcharge was established pursuant to the Commission's Order in Docket No. 47416, ETI's base rates did not include any incremental AMS-related costs or investment. In ETI's subsequent base rate case, Docket No. 48371, none of the AMS investments or O&M were moved into base rates pursuant to Finding of Fact No. 27 and Conclusion of Law No. 9 in Docket No. 47416. Additionally, ETI has established cost and investment tracking and recording mechanisms that will prevent double recovery from occurring.

Q40. IS ETI PROPOSING TO MOVE ANY AMS INVESTMENT COSTS INTO BASE RATES AT THIS TIME?

A. No. While 16 TAC § 25.130(k)(4) provides that, "if the commission conducts a general base rate case proceeding while the surcharge is in effect, then the commission will include the reasonable and necessary costs of installed AMS equipment in base rates and decrease the surcharge accordingly," in Finding of Fact No. 27 and Conclusion of Law No. 9 in the Order in Docket No. 47416, the Commission granted ETI's request for a waiver of that provision through 2022. As noted in the testimony of Mr. Lewis in Docket No. 47416, this approach is consistent with prior AMS deployments in Texas.

Moreover, moving the costs of the installed AMS equipment into base

rates would cause unnecessary complications with the two-tiered AMS surcharge recovery approach and the underlying cost allocation.

Q41. PLEASE DESCRIBE HOW ETI ACCOUNTS FOR THE ACTUAL COSTS OF AMS FOR BOTH FINANCIAL REPORTING AND AMS RECONCILIATION PROCEEDING PURPOSES.

A. First, the Company accounts for AMS costs in the same manner as it accounts for any other utility property and related costs. The Company adheres to the FERC Uniform System of Accounts for the classification of all AMS-related costs. The Company bills the AMS Surcharge on a monthly basis under rates that are based on projected expenditures as established in Docket No. 47416. Variances are inevitable because actual expenditures usually deviate to some degree from projected amounts. As a result, such variances will lead to an over-/under-recovery of the Company's actual costs. In addition, the Company's AMS Surcharge Model and the Commission-approved surcharge were designed to front-load revenues in the early years. Doing so in and of itself results in an over-recovery during ETI's deployment period, which reverses thereafter. For accounting purposes, expenses must be adjusted throughout the life of the AMS surcharge to appropriately reflect on the Company's books the over-/under-recoveries experienced. I will discuss AMS billed revenues and book cost adjustments further below.

B. Revenue Requirement

Q42. PLEASE IDENTIFY THE COMPONENTS OF ETI'S AMS REVENUE REQUIREMENT THAT HAVE BEEN INCLUDED IN THE COMPANY'S AMS RECONCILIATION FILING.

A. The components of ETI's AMS revenue requirement included in the Company's AMS reconciliation filing are listed on the first page of Schedule A. The Company's AMS revenue requirement includes incremental operating costs and return on rate base that are reasonable and necessary to deploy an AMS. Operating costs include:

- customer service benefits,
- O&M expenses,
- depreciation & amortization,
- return, and
- taxes.

I will discuss the accounting for these costs in the sections that follow.

Q43. IN DOCKET NO. 47416, DID ETI AGREE TO REDUCE ITS TOTAL INITIAL AMS REVENUE REQUIREMENT INCLUDED IN THE INITIAL AMS SURCHARGE?

A. Yes. In the settlement of Docket No. 47416, ETI agreed to reduce its total initial AMS estimated revenue requirement included in the initial AMS surcharge by $10 million. However, the parties to that settlement agreed that ETI's actual costs will be reviewed in a reconciliation proceeding, consistent with 16 TAC § 25.130,

and the parties will not oppose recovery of ETI's actual costs to the extent that they are prudently incurred and properly recoverable through the AMS surcharge.

1. Customer Service Benefits

Q44. DO YOU ADDRESS THE COMPANY'S CALCULATIONS OF CUSTOMER SERVICE BENEFITS USED TO REDUCE THE AMS SURCHARGE?

A. I address the Company's calculation of customer service benefits and any variance to the amounts used in the Company's AMS Surcharge Model subsequently. Company witness William Phillips details the determination and measurement of the Company's AMS customer service benefits, as well as provides an explanation of the variance between such benefits used to establish each Company's AMS surcharge versus actual savings to date.

2. O&M Expenses

Q45. PLEASE DESCRIBE THE AMS O&M EXPENSES INCLUDED IN ETI'S AMS REVENUE REQUIREMENT.

A. AMS O&M expenses are incremental costs that are incurred for the ongoing O&M activities associated with the Company's AMS deployment. These costs include, but are not limited to:

- meter support,
- communications network,
- IT System Integration, MDMS, DMS/OMS,
- internal support, and

- customer education.

I address certain items of O&M expenses below. Mr. Phillips addresses the reasonableness and necessity of the other AMS O&M expenses in his testimony.

Q46. HOW DOES ETI RECORD AND TRACK AMS O&M EXPENSES?

A. The Company utilizes the appropriate FERC O&M expense accounts combined with the use of unique AMS cost identifiers to record the vast majority of incremental AMS O&M expenses. AMS costs are further refined using a manual review process to identify other incremental AMS costs and remove any determined to be non-incremental. These cost recording and tracking mechanisms allow for the separate identification, tracking, and reporting of incremental AMS O&M expenses over the life of the AMS surcharge.

3. Depreciation and Amortization Expense

Q47. PLEASE PROVIDE A BRIEF DEFINITION OF THE ACCOUNTING FOR ETI'S DEPRECIATION AND AMORTIZATION EXPENSE.

A. Depreciation and amortization in the accounting sense is the process of distributing the total cost of tangible and intangible assets, respectively, over their estimated useful lives in a systematic and rational manner. Generally, the total cost of an asset consists of the actual cost incurred to place the asset in service plus an estimate of a future cost of removal less any estimated proceeds from salvage upon disposal of the asset. Depreciation expense is discussed further below.

Q48. HOW IS DEPRECIATION CALCULATED ON THE COMPANY'S ASSETS INCLUDED IN ITS AMS SURCHARGE?

A. The Company's assets included in its AMS surcharge are depreciated using a straight-line depreciation rate that does not take into account future cost of removal or salvage.

Q49. HOW DO REMOVAL COST AND SALVAGE PROCEEDS AFFECT THE CALCULATION OF DEPRECIATION?

A. Consistent with GAAP and long-standing utility depreciation accounting practice, the Company's approved depreciation rates for assets included in base rates include estimated cost of removal, less estimated salvage. When the Company incurs cost of removal and realizes salvage on AMS assets, these costs and proceeds will be reflected in the related assets' accumulated depreciation account. Because the cost of removal and salvage have not been included in the depreciation rates approved by the Commission for use in the Company's AMS Surcharge, these costs and proceeds will affect the final net book value of the AMS assets at the end of their depreciable lives and will need to be addressed in a future proceeding.

Q50. IN GENERAL, WHEN DOES THE BOOK DEPRECIATION OF AMS ADVANCED METERS, NETWORK PLANT, AND IT PLANT BEGIN FOR FINANCIAL REPORTING PURPOSES?

A. Book depreciation begins one month after an asset is placed in service and

continues over the useful life of the asset using the approved depreciation rates. This practice assumes assets are placed in service on the last day of each month in order to avoid daily recording and tracking of capital project completions. Conversely, the Company's AMS Surcharge Model assumed a full year depreciation in year one for assets placed in service prior to the beginning of year one, January 1, 2019. The Surcharge Model assumed a half-year convention for assets placed in service beginning in year one.

Q51. WHAT DEPRECIATION RATES HAS ETI USED FOR BOOK DEPRECIATION OF THE COMPANY'S AMS PLANT ASSETS?

A. Consistent with Finding of Fact No. 46 in the Commission's Order in Docket No. 47416, the Company has used a seven-year depreciation period for all meter investment and related communications infrastructure costs in its AMS surcharge model.

Q52. PLEASE PROVIDE A BRIEF DESCRIPTION OF HOW ETI'S REGULATORY ASSET AMORTIZATION IS CALCULATED.

A. Consistent with the Commission's Order in Docket No. 47416, the Company was permitted to defer certain customer education and Cities' rate case expenses as a regulatory asset for inclusion in the AMS surcharge. I address the amount of the Cities' rate case expenses below, and Mr. Phillips addresses the Company's customer education expenses that qualify for recovery as a regulatory asset. The regulatory asset was amortized over three years.

Q53. WHY IS ETI'S AMORTIZATION OF THE AMS REGULATORY ASSET RECORDED TO O&M EXPENSE RATHER THAN TO AMORTIZATION EXPENSE?

A. The FERC Uniform System of Accounts requires that amortization of regulatory assets is recorded to the proper FERC account in which these costs would have been recorded had they not been deferred, which in this case is an O&M account.

4. Return on Rate Base

Q54. WHAT IS MEANT BY THE TERM "RETURN" AS USED IN ETI'S AMS REVENUE REQUIREMENT CALCULATION?

A. "Return" represents the Company's WACC applied to its net rate base. The WACC reflects the Company's cost of debt and return on equity ("ROE") based on the Commission's authorized capital structure. Cost of debt reflects the total recoverable amount of debt financing costs that each Company is allowed to recover based on its net AMS rate base. ROE reflects the total amount of return on equity each Company is allowed to earn based on its net AMS rate base. A ROE of 9.8% and a WACC of 8.22% was approved in Docket No. 41791 for ETI. Finding of Fact No. 63 of the Order in Docket No. 47416 states that these components shall be used in the calculation of the AMS surcharge and any subsequent adjustment to ETI's AMS surcharge shall be made reflecting any Commission-authorized change in the ROE, cost of debt, or capital structure used

to calculate ETI's base rates.[1] Return on rate base is discussed further below.

Q55. WHAT IS THE COMMISSION'S AUTHORIZED CAPITAL STRUCTURE FOR ETI?

A. ETI's authorized capital structure used to determine the Company's WACC is 49.10% debt and 50.90% equity.

5. Tax Expense

Q56. PLEASE DESCRIBE THE PROPERTY (AD VALOREM) TAX EXPENSE INCLUDED IN ETI'S AMS SURCHARGE MODEL CALCULATION.

A. Property tax expense included in the Company's AMS Surcharge Model reflects incremental property tax expense on the Company's AMS property placed in service in accordance with its approved AMS deployment plan. Property tax expense is discussed below.

Q57. PLEASE DESCRIBE THE TEXAS GROSS MARGIN TAX EXPENSE INCLUDED IN ETI'S AMS SURCHARGE MODEL CALCULATION.

A. Texas gross margin tax expense in the Surcharge Model reflects incremental gross margin tax on the Company's revenues. Gross margin tax expense is discussed further below. The actual Texas gross margin tax expense reflects the

[1] ETI made a compliance filing to reflect revisions to Commission-authorized changes resulting from ETI's base rate case Docket No. 48371. *See* Docket No. 47416, *Tariff Compliance Filing* (Jan. 8, 2019) (citing the Final Order in Docket No. 48371, Ordering Paragraph 10, denoting authorization for weighted average cost of capital of 7.73%, consisting of a 9.65% return on equity, a 5.73% cost of debt and a capital structure with 50.90% equity).

incremental gross margin tax on the Company's billed revenues under the surcharge riders.

Q58. PLEASE DESCRIBE THE FEDERAL INCOME TAX EXPENSE ("FIT") INCLUDED IN ETI'S AMS REVENUE REQUIREMENT CALCULATION.

A. FIT expense reflects incremental FIT on the Company's net income related to its AMS deployment programs. FIT expense is discussed further below.

C. Rate Base

Q59. PLEASE DEFINE AMS RATE BASE AND THE COSTS THAT HAVE BEEN INCLUDED IN ETI'S AMS RECONCILIATION FILING.

A. The components of the Company's AMS rate base include its investment in AMS-related assets, other AMS investments, and AMS-related regulatory assets, net of accumulated depreciation and amortization, and ADIT listed in Schedule A page 2. I am responsible for addressing the accounting for three major categories of AMS rate base: (1) Accumulated Depreciation; (2) Regulatory Asset; and (3) ADIT. Mr. Phillips addresses the reasonableness and necessity of the investments in gross plant assets.

1. Gross Plant

Q60. PLEASE DESCRIBE HOW ETI TRACKS AMS ASSETS.

A. The Company accounts for its investment in AMS assets in a manner that allows the Commission to fully review the costs associated with the AMS deployment.

AMS investment is specifically recorded through the use of unique accounting codes utilizing the appropriate FERC accounts, sub-accounts, and property unit numbers. This tracking provides for the reporting of the book value of AMS assets in order to ensure they are not included in the Company's base rates. Mr. Phillips addresses the Company's respective investments in plant in greater detail.

Q61. HAS ETI INCLUDED CONSTRUCTION WORK IN PROGRESS IN THE CALCULATION OF ITS AMS RATE BASE?

A. No.

Q62. ARE THERE ANY OTHER ACTIVITIES THAT AFFECT THE COMPANY'S AMS GROSS PLANT-IN-SERVICE?

A. Retirements of AMS plant-in-service prior to the end of its depreciable life will reduce (credit) the plant-in-service balance by the original cost of the asset when it is retired. When this occurs the accumulated depreciation account is reduced (debit) by the same amount, therefore the only impact to rate base, if any, is the cost of removal (debit) less salvage (credit).

2. Accumulated Depreciation

Q63. WHAT IS THE SIGNIFICANCE OF ETI'S AMS ACCUMULATED DEPRECIATION IN ITS AMS SURCHARGE MODEL?

A. The Company's AMS accumulated depreciation account represents the

cumulative amount of depreciation expense recorded to date, less any retirements and net salvage amounts. Accumulated depreciation is subtracted from gross plant investment in arriving at net plant-in-service on which a return is earned. Accumulated depreciation is discussed further below.

Q64. HOW DO CHARGES TO THE ACCUMULATED DEPRECIATION ACCOUNT AFFECT ETI'S AMS RATE BASE?

A. Monthly depreciation expense charges to the accumulated depreciation account reduce the Company's AMS rate base. Conceptually, accumulated depreciation at the end of the useful life of the Company's AMS Surcharge should represent the fully recovered costs of the Company's AMS investment, including removal cost net of salvage. However, as described previously, due to premature retirements and to the absence of an estimate for removal cost and salvage in AMS depreciation rates, there may be a deficit or excess accumulated depreciation balance that will need to be considered for appropriate treatment in accordance with sound ratemaking principles in a future proceeding.

3. Regulatory Assets and Accumulated Amortization

Q65. PLEASE DEFINE REGULATORY ASSETS AND LIABILITIES.

A. Regulatory assets and regulatory liabilities are creations of regulation. In 1982, the Financial Accounting Standards Board issued SFAS 71 – Accounting for the Effects of Certain Types of Regulation (currently Accounting Standards Codification (ASC) 980), which applies to utilities with cost-based rates that are

established by the regulator and charged to, and collected from, customers. In accordance with the requirements of ASC 980-340-25-1, the Company defers or capitalizes the recognition of certain costs as regulatory assets that, as a result of rate actions of a regulator, provide reasonable assurance a previously-incurred cost is probable of being recovered in future rates.

Q66. ARE ANY REGULATORY ASSETS INCLUDED IN ETI'S AMS SURCHARGE?

A. Yes. In the Commission's Order in Docket No. 47416, ETI was granted approval to capitalize pre-deployment customer education expenses and to record Cities' rate case expenses as a regulatory asset. I discuss rate case expenses further below, and Mr. Phillips discusses customer education costs in greater detail in his testimony. The regulatory asset was amortized over three years.

Q67. IS ETI REQUESTING APPROVAL OF ANY ADDITIONAL REGULATORY ASSETS IN THIS AMS RECONCILIATION FILING?

A. No. It should, however, be recognized that the over/under-recovery mechanism I discuss below results in a regulatory asset when the surcharge revenues are less than the AMS revenue requirements and in a regulatory liability when the surcharge revenues are greater than the AMS revenue requirement.

4. Accumulated Deferred Income Tax

Q68. HAS ETI INCLUDED ADIT IN AMS RATE BASE?

A. Yes. ADIT is included as an AMS rate base component to reflect the cash flow timing differences between book and tax income. Income tax assets and liabilities may be deferred due to different methods of computing revenue and expenses for AMS surcharge purposes and for income tax purposes. These timing differences eventually reverse to zero at the end of life of the item creating the difference. ADIT is discussed further below.

Q69. PLEASE EXPLAIN ADIT.

A. ADIT represents the net difference between the book treatment of an item for accounting purposes and the federal tax treatment of an item for tax purposes. To the extent the net ADIT balance is a liability, or a negative balance, the ADIT is in effect cost-free capital and has been deducted from rate base to provide consumers the benefit of the cost-free capital.

Q70. HOW WAS ADIT HANDLED IN ETI'S AMS SURCHARGE MODEL?

A. As modeled in ETI AMS Surcharge Model, the Company used the following book and tax lives for depreciable and amortizable assets.

AMS Investment or Cost	Book Accounting Life	Tax Accounting Life
Meters	7 Year	10 Year
Communications Network	7 Year	10 Year
Information Technology	7 Year	Expense as Incurred
Regulatory Assets	11 Year or Remaining Life	Expense as Incurred

VII. ACCOUNTING FOR AMS SURCHARGE REVENUES

A. Billed Revenues

Q71. HOW DOES ETI TRACK BILLED AMS SURCHARGE REVENUES?

A. The Company utilizes a separate rider within its billing system to track billed AMS surcharge revenues by applicable rate class. As a result, AMS revenues are readily identifiable within the Company's billing system.

B. Over/Under Recovery

Q72. PLEASE DESCRIBE ETI'S REGULATORY LIABILITY/ASSET FOR THE COMPANY'S AMS OVER/UNDER RECOVERY.

A. Consistent with Finding of Fact No. 58 in the Commission's Order in Docket No. 47416, ETI recognizes a regulatory asset or liability when there is a difference between the Company's AMS surcharge revenues billed and its AMS revenue requirement, net of benefits. When the Company's AMS surcharge revenues billed are greater than its AMS revenue requirements, the difference results in an AMS regulatory liability. When the Company's AMS surcharge revenues billed are less than its AMS revenue requirements, the difference results in an AMS regulatory asset. This regulatory asset or regulatory liability, net of ADIT, accrues a carrying cost based on ETI's approved pre-tax cost of capital, consistent with Finding of Fact No. 59 in the Commission's Order in Docket No. 47416. The monthly calculation of the allowed return applies carrying cost on the regulatory asset or regulatory liability based on the prior month-ending balance. When the Company has over-collected, customers receive the benefit of

the carrying cost, and vice-versa.

Q73. HOW DOES ETI TRACK ITS AMS REGULATORY ASSET OR REGULATORY LIABILITY?

A. The Company utilizes an AMS sub-account within the FERC regulatory asset (182.3) or regulatory liability (254) account to track the Company's deferral.

Q74. WHAT IS ETI'S OVER/UNDER BALANCE AS OF THE PERIOD-END DATE OF ITS RECONCILIATIONS, DECEMBER 31, 2021?

A. As of December 31, 2021 ETI has an over-recovery of $9.9 million.

Q75. DOES ETI PROPOSE TO ADJUST ITS AMS SURCHARGE AS PART OF ITS RECONCILIATION PROCEEDING?

A. No, ETI does not propose to adjust its AMS surcharge as part of this reconciliation proceeding. The Company's AMS Surcharge was designed to front-load revenues during the deployment period, which will result in an over-recovery balance during this time that will reverse thereafter.

VIII. DIFFERENCE BETWEEN CERTAIN COST ESTIMATES IN THE AMS SURCHARGE MODEL AND ACTUAL COSTS INCURRED

A. Revenue Requirement

1. Customer Service Benefits

Q76. PLEASE DESCRIBE WHAT ASSUMPTIONS WERE USED IN ETI'S AMS SURCHARGE MODEL FOR CUSTOMER SERVICE BENEFITS.

A. The AMS Surcharge model forecasted ($13.9) million in customer service benefits based upon the estimated levels of meter deployment. The advanced meters and communication systems will eliminate the need for the vast majority of physical trips to the customer premises to read and service meters. The forecasted savings reflect the annual meter services O&M expenses that will be eliminated as a result of the AMS.

Q77. WHAT IS THE DIFFERENCE BETWEEN THE CUSTOMER SERVICE BENEFITS ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL CUSTOMER SERVICE BENEFITS REALIZED?

A. As reflected in ETI's Exhibit 1-A, actual customer service benefits realized through December 31, 2021 was ($2.0) million.

2. Meter Plant Depreciation

Q78. PLEASE DESCRIBE WHAT DEPRECIATION ASSUMPTIONS WERE USED IN ETI'S AMS SURCHARGE MODEL FOR METERS.

A. Consistent with Finding of Fact No. 46 in the Commission's Order in Docket

No. 47416, depreciation is reflected in the Company's AMS Surcharge Model and the Company's financial statements for AMS meters based on the Commission's approved seven-year life on a straight-line basis.

Q79. DOES ETI'S AMS SURCHARGE MODEL INCLUDE AN ESTIMATE OF METER DEPRECIATION?

A. Yes. The Company's AMS Surcharge Model estimated $16.3 million for meter depreciation through December 31, 2021.

Q80. WHAT IS THE DIFFERENCE BETWEEN THE METER DEPRECIATION ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL METER DEPRECIATION EXPENSE INCURRED?

A. As reflected in Exhibit 1-G, actual meter depreciation incurred through December 31, 2021 was $17.1 million. This results in actual meter depreciation being $0.8 million higher than estimated in the Company's AMS Surcharge Model. Although, to date, actual capital expenditures for advanced meters is slightly higher than estimated in ETI's AMS Surcharge Model, Meter depreciation is driven by Meter Deployment (Exhibit 2-A). Meter depreciation is higher as a result of the timing of actual deployment, which was ahead of schedule in 2021 when compared to the AMS Surcharge Model, resulting in a higher annual depreciation expense. Please see Mr. Phillips's testimony for more details on the advanced meter deployment.

3. Communication Network Depreciation

Q81. PLEASE DESCRIBE WHAT ASSUMPTIONS WERE USED IN ETI'S AMS SURCHARGE MODEL FOR COMMUNICATION NETWORK DEPRECIATION.

A. Communication Network depreciation is the annual depreciation expense associated with Communication Network assets. The Company's AMS Surcharge Model assumed that communication network would be depreciated based on a seven-year life.

Q82. DID ETI'S AMS SURCHARGE MODEL INCLUDE AN ESTIMATE OF COMMUNICATION NETWORK DEPRECIATION?

A. Yes. The Company's AMS Surcharge Model estimated $5.9 million in communication network depreciation through December 31, 2021.

Q83. WHAT IS THE DIFFERENCE BETWEEN THE COMMUNICATION NETWORK PLANT DEPRECIATION ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND ACTUAL COMMUNICATION NETWORK DEPRECATION?

A. As reflected in Exhibit 1-H, actual communication network depreciation through December 31, 2021 was $2.8 million. This results in actual communication network depreciation of $3.1 million lower than estimated in the Company's AMS Surcharge Model. Communication Network depreciation is driven by deployed Communications Network Assets (Exhibit 2-B). Mr. Phillips's

testimony provides additional detail on the deployment of the AMS communication network.

4. IT Depreciation

Q84. PLEASE DESCRIBE WHAT ASSUMPTIONS WERE USED IN ETI'S AMS SURCHARGE MODEL FOR IT DEPRECIATION.

A. IT depreciation is the annual depreciation expense associated with implementation of hardware and software assets. The Company's AMS Surcharge Model assumed that IT would be depreciated based on a five-year life for software and a seven-year life for hardware.

Q85. DID ETI'S AMS SURCHARGE MODEL INCLUDE AN ESTIMATE OF IT DEPRECIATION?

A. Yes. The Company's AMS Surcharge Model estimated $21.9 million for IT depreciation through December 31, 2021.

Q86. WHAT IS THE DIFFERENCE BETWEEN THE IT DEPRECIATION ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL IT DEPRECIATION?

A. As reflected in Exhibit 1-I, actual IT depreciation through December 31, 2021 was $18.3 million. This results in actual IT depreciation being $3.6 million lower than estimated in the Company's AMS Surcharge Model. Depreciation of the hardware and software components is driven by deployed IT assets (Exhibit 2-C).

Mr. Phillips's testimony provides additional detail on the AMS IT systems and their deployment.

5. Regulatory Asset Amortization

Q87. PLEASE DESCRIBE WHAT ASSUMPTIONS WERE USED IN ETI'S AMS SURCHARGE MODEL FOR REGULATORY ASSET AMORTIZATION.

A. The Company's AMS Surcharge Model assumed that regulatory assets would be amortized based on the 3-year AMS surcharge period.

Q88. WHAT AMOUNT DID ETI ESTIMATE IN THE AMS SURCHARGE MODEL FOR REGULATORY ASSET AMORTIZATION THROUGH DECEMBER 31, 2021?

A. The AMS Surcharge model calculated a three-year amortization on a Regulatory Asset Balance of $545,817 for estimated customer education and Cities' rate case expenses incurred in 2016 and 2017.

Q89. WHAT IS THE DIFFERENCE BETWEEN THE REGULATORY ASSET AMORTIZATION ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL REGULATORY ASSET AMORTIZATION INCURRED?

A. As reflected in Exhibit 1-J, the regulatory asset was smaller than expected, as discussed below, and has been fully amortized.

6. Interest Expense

Q90. PLEASE DESCRIBE THE INTEREST EXPENSE INCLUDED IN ETI'S AMS SURCHARGE MODEL.

A. Interest expense is estimated by applying the cost of debt 5.73% and debt ratio of 49.10% to the average rate base. It was estimated that average rate base in 2021 was $91.2 million, for total annual interest expense of $2.6 million. Finding of Fact No. 63 in the Commission's Order in Docket No. 47416 requires subsequent adjustments when changes to ETI's cost of debt are approved by the Commission in subsequent rate cases. ETI updated the AMS Surcharge in February 2019 to implement the results of ETI's 2018 base rate case.[2]

Q91. WHAT WAS THE INTEREST RATE USED TO CALCULATE THE INTEREST EXPENSE IN ETI'S AMS SURCHARGE MODEL AND HOW WAS THIS RATE DETERMINED?

A. The interest rates were 5.73%, which correspond to the cost of debt approved when the Order in Docket No. 47416 was issued and as subsequently modified following ETI's 2018 base rate case.

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[2] Docket No. 47416, Item 74.

Q92. WHAT IS THE DIFFERENCE BETWEEN THE INTEREST EXPENSE ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL INTEREST EXPENSE INCURRED?

A. As reflected in Exhibit 1-K, actual interest expense incurred through December 31, 2021 was $5.9 million, which results in actual interest expense being $0.1 million higher than estimated in the AMS Surcharge Model. Interest expense is higher as a result of higher average rate base. Rate base is higher due to higher total gross plant and lower Accumulated Reserve and Deferred Income Taxes.

7. Return on Equity

Q93. PLEASE DESCRIBE THE RETURN ON EQUITY INCLUDED IN ETI'S AMS SURCHARGE MODEL.

A. In the Company's AMS Surcharge Model, the AMS return on equity was estimated at $10.2 million through December 31, 2021. Return on equity is calculated by applying the cost of equity and equity ratio to average rate base. It was estimated that average rate base in 2021 was $91.2 million, for a total return on equity of $4.5 million. Finding of Fact No. 63 in the Commission's Order in Docket No. 47416 specified the return on equity to be used in the Company's original AMS Surcharge Model and provided for subsequent adjustments when new amounts were approved by the Commission in subsequent rate cases. ETI updated the AMS Surcharge in February 2019 to implement the results of ETI's

2018 base rate case.[3]

Q94. WHAT IS THE RATE USED TO CALCULATE THE RETURN ON EQUITY IN ETI'S AMS SURCHARGE MODEL, AND HOW WAS THIS RATE DETERMINED?

A. The Company used a return on equity rate of 9.8% and a 50.90% equity capital structure, which was established in the Final Order in Docket No. 41791, prior to the approval of the Company's AMS deployment plan. Subsequently, and as shown in the Company's tariff compliance filing dated January 8, 2019, Schedule AMS was revised to reflect the Commission-authorized changes in ETI's weighted cost of capital to 7.73%, return on equity to 9.65%, cost of debt to 5.73%, and capital structure of 50.90% equity that resulted from the Company's base rate case, Docket No. 48371.[4]

Q95. WHAT IS THE DIFFERENCE BETWEEN THE RETURN ON EQUITY ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL RETURN ON EQUITY EARNED?

A. As reflected in Exhibit 1-L, actual return on equity earned through December 31, 2021 was $10.4 million. This results in the actual return on equity being $0.2 million higher than estimated in its AMS Surcharge Model. Actual return on

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[3] *Id.*

[4] Docket No. 47416, *Tariff Compliance Filing* (Jan. 8, 2019); *see also Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates*, Docket No. 48371, Order at Findings of Fact Nos. 47-51, Ordering Paragraph No. 10 (Dec. 20, 2018).

equity was higher as a result of a higher average rate base. Rate base is higher due to higher total gross plant and lower Accumulated Reserve and Deferred Income Taxes.

8. Property Tax Expense

Q96. PLEASE DESCRIBE WHAT ASSUMPTIONS WERE USED IN ETI'S AMS SURCHARGE MODEL FOR PROPERTY TAX EXPENSE.

A. The AMS Surcharge model assumed a property tax rate of 1.96% applied to total plant balance of $133.5 million for Tax Year 2021. For modeling purposes, the Company's effective tax rate was not escalated during the surcharge period.

Q97. DID ETI'S AMS SURCHARGE MODEL INCLUDE AN ESTIMATE OF PROPERTY TAX?

A. Yes. The Company's AMS Surcharge Model estimated $3.9 million for property taxes through December 31, 2021.

Q98. HOW WAS ACTUAL PROPERTY TAX EXPENSE CALCULATED?

A. Actual property tax expense was calculated by applying an effective property tax based on ETI's prior-year property tax expense divided by prior-year net plant to the net plant-in-service balance as of the prior December 31. This expense is accrued ratably, each month, throughout the year.

Q99. WHAT IS THE DIFFERENCE BETWEEN THE PROPERTY TAX ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE COMPANY'S ACTUAL PROPERTY TAX?

A. As reflected in Exhibit 1-M, actual property tax through December 31, 2021 was $2.6 million. This results in actual property tax being $1.4 million lower than estimated in the Company's AMS Surcharge Model. Property tax in 2021 was calculated at a rate of 1.01%. The Surcharge Model assumed a property tax rate of 1.96%. The Company recorded a true-up entry in 2021 to account for the correction to Property Taxes in 2020.

9. Texas Gross Margin Tax Expense

Q100. PLEASE EXPLAIN THE TEXAS GROSS MARGIN TAX.

A. As part of the school finance revisions in 2007, the Legislature modified the Texas Franchise Tax system by enacting HB 3 which replaced the existing tax based on capital with a tax system based on gross margins. In general, all business entities registered with the State of Texas who are engaged in an active business pursuit are subject to this tax.

Q101. HOW DOES ETI CALCULATE THE GROSS MARGIN TAX IN ITS AMS SURCHARGE MODEL?

A. Texas Gross Margin Tax is calculated at a rate of 0.75% of the Revenue Requirement. For the period ending December 31, 2021, the Company's AMS Surcharge Model included $0.5 million for gross margin tax.

Q102. IS ETI'S GROSS MARGIN TAX CALCULATED THROUGH DECEMBER 31, 2021 DIFFERENT THAN THE GROSS MARGIN TAX THAT WAS ESTIMATED IN THE COMPANY'S AMS SURCHARGE MODEL FOR THAT SAME PERIOD?

A. Yes. As reflected in Exhibit 1-N, actual gross margin tax that ETI calculated through the end of 2021 was $0.4 million, which was $0.1 lower than the estimated gross margin tax included in the Company's AMS Surcharge Model for that same period. Relative to the total revenue requirement, the variance is not material. The Company recorded a true-up entry in 2021 to account for the correction to the Gross Margin Tax in 2020.

10. Federal Income Tax Expense

Q103. WHAT IS THE APPROPRIATE FIT RATE UPON WHICH ETI'S FIT EXPENSE RELATED TO AMS IS BASED?

A. Under Internal Revenue Service regulations, the current tax rate is 21%.

Q104. WAS 21% THE FIT RATE UTILIZED IN ETI'S AMS SURCHARGE MODEL?

A. No. When the surcharge was approved, the current FIT corporate tax rate was 35%.

Q105. HOW DID ETI ESTIMATE FIT EXPENSE IN THE COMPANY'S AMS SURCHARGE MODEL?

A. The AMS Surcharge Model assumed a gross-up income tax factor of 53.85%

based on the income tax rate of 35% applied to Return on Equity. The differences between book income and taxable income are known as "book/tax differences." All of the book/tax differences related to AMS assets are simply timing issues that will become a zero balance by the end of the AMS assets' useful lives. Thus, it is appropriate to apply the FIT rate to book income before FIT, rather than taxable income. As shown on Exhibit 1-O, for the period ending December 31, 2021, its AMS Surcharge Model estimated FIT expense to be $5.5 million.

Q106. IS ETI'S FIT EXPENSE CALCULATED THROUGH THE END OF 2021 DIFFERENT THAN THE FIT EXPENSE THAT WAS ESTIMATED IN THE COMPANY'S AMS SURCHARGE MODEL FOR THAT SAME PERIOD?

A. Yes. The FIT expense that ETI recorded through the end of 2021 was $2.8 million, which is $2.7 less than the estimated FIT expense included in the Company's AMS Surcharge Model. Actual 2021 Federal Income Tax is calculated using a gross-up factor of 26.58% based on Federal Tax Rate of 21% applied on Return on Equity.

B. Rate Base

1. Accumulated Depreciation

Q107. WHAT AMOUNT WAS INCLUDED IN ETI'S AMS SURCHARGE MODEL FOR ACCUMULATED DEPRECIATION?

A. The Company's AMS Surcharge Model included ($44) million in meter accumulated depreciation as of December 31, 2021.

Q108. WHAT IS THE DIFFERENCE BETWEEN THE ACCUMULATED DEPRECIATION ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND THE ACTUAL ACCUMULATED DEPRECIATION INCURRED?

A. As reflected in Exhibit 2-D, actual accumulated depreciation as of December 31, 2021 was ($38.2) million, resulting in actual meter accumulated depreciation being $5.9 million lower than estimated in the Company's AMS Surcharge Model.

The change in accumulated depreciation is driven by the timing of when the assets are placed into service versus when they are estimated to be placed into service in the Surcharge Model. Specifically, the deployment of Communications Network and IT Implementation assets were deployed later than what was originally estimated in the Surcharge Model, resulting in less time for depreciation to accumulate. Mr. Phillips's testimony provides additional details on the timing of the Company's AMS meter plant investment.

2. Regulatory Assets

Q109. WHAT AMOUNT WAS INCLUDED IN ETI'S AMS SURCHARGE MODEL FOR REGULATORY ASSETS?

A. Finding of Fact No. 62 in the Commission's Order in Docket No. 47416 authorized ETI to recover costs associated with Cities' participation in the AMS proceeding and customer education expenses incurred in 2016 and 2017, subject to reconciliation. The Company's AMS Surcharge Model included $.546 million in regulatory assets through December 31, 2021.

Q110. WHAT IS THE DIFFERENCE BETWEEN THE REGULATORY ASSETS ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND ACTUAL REGULATORY ASSETS?

A. As reflected in Exhibit 2-E, actual regulatory assets as of December 31, 2021 were $.271 million, resulting in actual regulatory assets being $.275 million lower than estimated in the Company's AMS Surcharge Model. This regulatory asset includes costs associated with Cities' participation in the AMS proceeding and the costs of the customer education program incurred in 2016 and 2017. Total costs of Customer education and Cities' expenses incurred in 2016 and 2017 were less than estimated. Ongoing Customer Education costs are recovered through the AMS Surcharge. The regulatory asset was fully amortized as of December 31, 2020.

3. Regulatory Asset Accumulated Amortization

Q111. WHAT AMOUNT WAS INCLUDED IN ETI'S AMS SURCHARGE MODEL FOR REGULATORY ASSET ACCUMULATED AMORTIZATION?

A. The Company's AMS Surcharge Model included ($.546) million in regulatory asset accumulated amortization through December 31, 2021.

Q112. WHAT IS THE DIFFERENCE BETWEEN THE REGULATORY ASSET AMORTIZATION ESTIMATED IN ETI'S AMS SURCHARGE MODEL AND ACTUAL REGULATORY ASSET AMORTIZATION INCURRED?

A. As reflected in Exhibit 2-F, actual regulatory asset accumulated amortization was

($.271) million, resulting in actual regulatory assets being $.275 million higher than estimated in the Company's AMS Surcharge Model.

The balance in accumulated amortization is the result of the balance of the regulatory asset as described in Exhibit 2-E. The Regulatory Asset was fully amortized as of December 31, 2020.

4. Total Plant-Related ADIT

Q113. DID ETI INCLUDE AN ESTIMATE FOR TOTAL PLANT-RELATED ADIT IN THE COMPANY'S AMS SURCHARGE MODEL?

A. The Company's AMS Surcharge Model included total plant-related ADIT of ($11.7) million as a reduction to AMS rate base in the Company's AMS Surcharge Model. ADIT is the accumulated tax effect of the timing difference between book versus tax depreciation on meter, communication, and IT assets described in Exhibits 2-A through 2-C. The surcharge model assumed a tax rate of 35% with an accelerated bonus depreciation between 36-50% in the first and second years for assets placed in service in 2018 and 2019.

Q114. IS ETI'S ACTUAL ADIT ASSOCIATED WITH AMS IT INVESTMENT THROUGH 2021 DIFFERENT THAN THE ADIT ESTIMATED IN THE COMPANY'S AMS SURCHARGE MODEL?

A. Yes, as shown on Exhibit 2-G, the ADIT liability of ($9.2) million associated with AMS Total Plant-Related ADIT investment as of December 31, 2021 is $2.5 million less than the estimated ADIT liability included in the Company's

AMS Surcharge Model for the same period.

Actual ADIT was calculated using a tax rate of 21% and did not include accelerated bonus deprecation. The change in tax rate resulted in a reduction to ADIT balances of $4.7 million. The remaining variance ($2.2 million) is driven by the difference in the actual deployment of AMS meter assets versus the estimated deployment schedule from the surcharge model.

5. Regulatory Asset ADIT

Q115. DID ETI INCLUDE AN ESTIMATE FOR REGULATORY ASSET-RELATED ADIT IN THE COMPANY'S AMS SURCHARGE MODEL?

A. The Company's AMS Surcharge Model included regulatory asset-related ADIT of $0. Regulatory Asset ADIT represents the accumulated tax effect of the timing difference between the amortization deduction for book and tax.

Q116. IS ETI'S ACTUAL ADIT ASSOCIATED WITH AMS REGULATORY ASSETS AS OF DECEMBER 2021 DIFFERENT THAN THE ADIT ESTIMATED IN THE COMPANY'S AMS SURCHARGE MODEL?

A. No, as shown on Exhibit 2-H, as of December 31, 2021 the ADIT liability was $0. The ADIT related to the Regulatory Asset are fully amortized as of December 31, 2020.

IX. Accounting for AMS Cost Loaders

Q117. WHAT IS THE PURPOSE OF THE COST LOADERS THAT ARE INCLUDED IN THE AMS-RELATED COSTS?

A. The purpose of the cost loaders is to capture the costs actually incurred in connection with certain activities undertaken to deploy and maintain the AMS. Consistent with FERC Uniform System of Accounts Part 101, Electric Plant Instructions, Special Instructions, Account 408.1 and 408.2, and Account 926 instructions, the Company charged the appropriate portion of pension and benefits expenses, unproductive time (such as vacations and holidays), payroll taxes and departmental costs to construction activity when appropriate.

In general, the allocation process employed by the Company looks to systematically distribute certain actual overhead dollars to the appropriate causation charge, such as actual labor and/or material activity, during a calendar year. Some loaders seek to clear actual expenses to a certain actual activity on a monthly basis.

For example, indirect construction overheads are booked to a capital suspense project code. During the close process every month, these overheads are allocated to certain predetermined construction and retirement work orders based on the dollars charged to these work orders during the month. Other loaders, such as labor loaders, utilize factors developed based on annual budgets.

Such loaders are monitored throughout the year and adjusted accordingly to ensure actual overheads are fully cleared to the proper activity throughout the year.

Q118. WERE COST LOADERS INCLUDED IN THE COMPANY'S AMS SURCHARGE MODEL?

A. Yes, please refer to the testimony of Richard Lain in Docket No. 47416 for a discussion of the cost loaders that were included in the Company's AMS Surcharge Model.

Q119. WHAT HAVE ETI'S ACTUAL COST LOADERS TO DATE BEEN?

A. The following table provides actual loader percentages for the loaders described in Mr. Lain's testimony as referred to above. The cumulative loader activity is calculated from the beginning of the surcharge period through December 31, 2020.

AMS Loaders Included in Actuals through December 31, 2021		
Loading Category:	**O&M**	**Capital**
Capital Suspense	-	$1,458,827
AFUDC	-	$4,445,180
Payroll Loaders	$261,372	$6,164,674
Other Loaders	$8,676	$286,742

Q120. WHAT DO THE VARIOUS COST LOADER CATEGORIES INCLUDE AND HOW ARE THEY APPLIED?

A. ETI's major cost loaders are briefly summarized below.

- Capital Suspense – The Capital Suspense Allocation distributes costs associated with administrators, engineers, and supervisors supporting various capital projects across all charges to specific capital project codes.
- AFUDC – Allowance for Funds Used During Construction ("AFUDC") captures the costs of funding capital projects, including the cost of both debt and equity funding.

- Payroll Loader – As ETI witness Ryan Dumas explains in his testimony, payroll loaders distribute payroll-related costs across charges to all project codes, specifically payroll taxes, employee benefits, postemployment benefits, stock options, certain incentive compensation, and paid time off.

- Other Loaders – Additional loader charges for materials, transportation, and safety training, distributed across relevant charges based on the transaction type and project code.

Q121. WHAT CONCLUSION DO YOU REACH REGARDING THE ACTUAL LOADERS APPLIED TO THE COMPANY'S AMS-RELATED COSTS?

A. The cost loaders discussed previously are an accepted and recognized way to capture costs associated with the activities that are necessary to construct and install equipment and systems and to perform O&M activities. The cost loaders are the same as are applied to non-AMS activities during the applicable periods to capture and account appropriately for the related costs in accordance with the applicable accounting requirements. As I mentioned, the FERC Chart of Accounts requires costs to be properly captured and included in costs capitalized for a given project when performing construction activity.

X. ACCOUNTING FOR AMS COSTS FOR SERVICES FROM AFFILIATES

Q122. WHAT COSTS HAVE BEEN INCLUDED IN ETI'S AMS COSTS FOR SERVICES PROVIDED BY AFFILIATED MEMBERS OF THE ENTERGY SYSTEM?

A. The Company's AMS capital costs include support services from ESL. The Company's AMS O&M costs also include support services from ESL. These

support services are directly related to the AMS project and include IT support, customer and distribution support, administrative support, regulatory services support, legal support, and accounting services support.

Q123. HOW ARE THE AFFILIATE CHARGES ASSIGNED OR CHARGED TO ETI'S AMS ACTIVITIES?

A. ESL uses a project code system designed for the express purpose of meeting the Securities and Exchange Commission and FERC requirements to fairly allocate common charges among Entergy affiliates and to do so at cost. By using a project code system, the expenses for specific projects are identified and project codes are assigned specific and approved benefiting locations and allocation factors. Common costs are allocated based on the factor that best matches the charge with the cost driver related to the service, and that same factor is applied to all Company in proportion to the benefit they received from the service.

The costs for services benefiting only one company are directly assigned and are billed 100% to that company. ESL employees directly assign costs to the maximum extent practicable by coding their time to unique project codes. Unique project codes have also been established for billing of certain affiliate support services exclusively performed for the ETI AMS project, which allow the associated costs billed to the AMS project to be tracked and readily identified. A minor amount (<1%) of the O&M support services and certain capital construction costs which benefit the ETI AMS project consist of shared services that benefit more than one Entergy company and the costs for these services are

allocated to the benefiting Company using an appropriate allocation factor. The allocation factor for any given cost is selected because it has been determined that it best reflects the cost driver associated with the service provided.

Q124. DOES THE AFFILIATE COST ALLOCATION PROCESS DIFFER FOR O&M EXPENSES AND CAPITAL COSTS?

A. No. ESL uses one billing process, project code system and system of controls, whether the cost billed is expense or capital. When a capital project code is initiated, an allocation factor and a benefiting location are assigned to allocate the costs to the Entergy Operating Company that benefits from the work. Because capital construction is, by nature, usually associated with a specific company and location, the majority of the capital project codes are directly billed to the affiliate for which the specific work is provided.

Capital suspense project codes are established to comply with the FERC requirement that appropriate overhead costs be capitalized to construction projects.

Due to the unique nature of the AMS project, ETI established specific project codes for network, meters and IT plant, called project management, to collect overhead costs, but do so on a direct basis. Since the Company's AMS projects require a significant amount of planning, design, testing, and other construction-related administrative costs, this process was determined to be the most appropriate.

Q125. HOW DOES ESL BILL FOR THE SERVICES IT PROVIDES TO ETI?

A. As ETI witness Ryan Dumas explains in his testimony, services are billed by ESL at cost, without any markup. Included in the billings for ESL payroll, as I mentioned previously in my discussion on cost loaders, are overheads for fringe benefits, payroll taxes and nonproductive time and departmental charges for certain costs, such as personal computers and the maintenance of automated accounting systems required to provide a service. To the extent third-party labor under a contract with ESL is involved, the contract labor charges are at the contract employee's hourly rate paid by ESL to the contractor providing the services, without any markup or profit.

Q126. HOW DOES THE PROJECT CODE SYSTEM ENSURE THAT ESL'S CHARGES TO ETI ARE NO HIGHER THAN THE CHARGES TO OTHER AFFILIATES FOR THE SAME OR SIMILAR SERVICES, AND THAT THE CHARGES REASONABLY APPROXIMATE THE ACTUAL COST OF PROVIDING THE SERVICE TO ETI?

A. Through the use of the ESL project code system, ETI and every other affiliate included in the benefiting locations receiving a shared service is charged the same unit price that is its appropriate share of the actual cost of the service. Accordingly, consistent with the requirements of PURA § 36.058(c)(2), the price charged to ETI for the service (ESL's actual cost) is no higher than the price charged to the other affiliates receiving the service (ESL's actual cost).

Q127. WHAT PORTION OF ETI'S O&M AFFILIATE CHARGES ARE DIRECTLY CHARGED, VERSUS ALLOCATED?

A. The following table summarizes the categories of ESL O&M affiliate costs included in the AMS costs:

Assignment of Affiliate O&M Costs	
Incurred Directly by ETI	29%
ESL Billings to ETI	71%
Total	100%

As shown above, 29% of the O&M costs incurred for the AMS project were incurred directly by ETI, whereas 71% of the costs were incurred by ESL and billed through service company billings to ETI. These service company billings include both costs incurred by ESL directly on behalf of ETI and an allocation of costs incurred on behalf of all Entergy Operating Companies and allocated to all based on the billing method established in the project code setup.

Q128. WHAT PORTION OF ETI'S CAPITAL AFFILIATE CHARGES ARE DIRECTLY ASSIGNED, VERSUS ALLOCATED?

A. The following table summarizes the categories of ESL Capital affiliate costs included in the AMS costs:

Assignment of Affiliate Capital Costs	
Incurred Directly by ETI	57%
ESL Billings to ETI	43%
Total	100%

As shown above, 57% of the Capital costs incurred for the AMS project were incurred directly by ETI, whereas 43% of the costs were incurred by ESL