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Filing Date - 2023-05-16 11:27:34 AM

Control Number - 53719

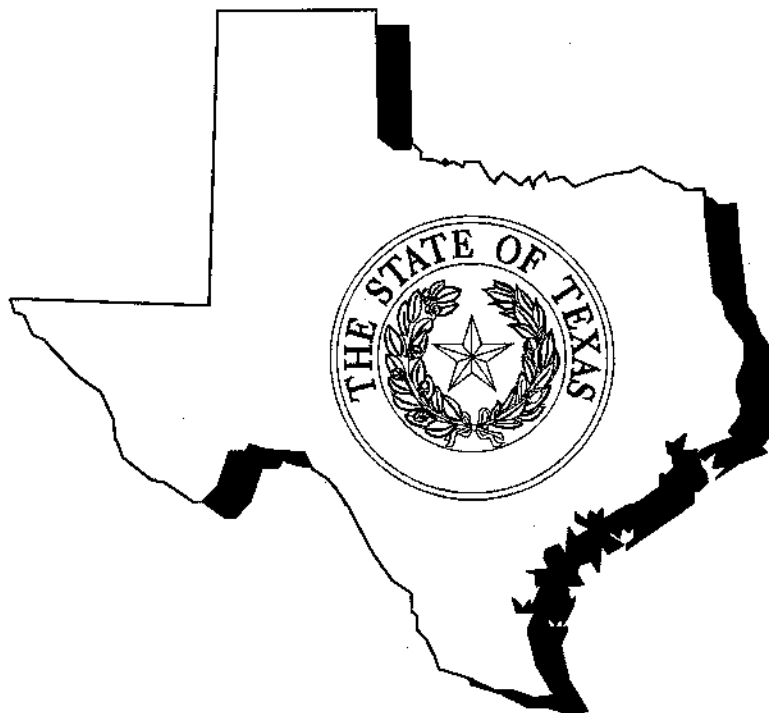
Item Number - 509

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

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

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§

**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**



**TESTIMONY IN SUPPORT OF UNOPPOSED
STIPULATION AND SETTLEMENT AGREEMENT**

DARRYL TIETJEN

**RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS**

MAY 16, 2023

**TESTIMONY OF DARRYL TIETJEN
IN SUPPORT OF UNOPPOSED STIPULATION AND SETTLEMENT AGREEMENT**

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Attachment DT-1 List of Testimonies by Darryl Tietjen

I. INTRODUCTION

Q. Please state your name and business address.

A. Darryl Tietjen, 1701 N. Congress Avenue, Austin, Texas.

Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utility Commission of Texas (PUC or Commission) as the Director of the Rate Regulation Division.

Q. What are your principal areas of responsibility?

A. In addition to the management of the Rate Regulation Division, I am responsible for conducting analyses and participating in proceedings involving financial and accounting issues pertaining to regulated utility companies. These analyses and activities include developing fair rates of return on invested capital, evaluating financial integrity requirements, leading or participating in various rulemaking proceedings, and preparing testimony concerning a variety of financial and accounting matters relevant to public utilities regulated by the Commission.

Q. Please describe your educational background and professional qualifications.

A. I hold a Master of Business Administration degree with concentrations in finance and accounting from The University of Texas at Austin (UT Austin), and a Bachelor of Business Administration degree with a concentration in finance, also from UT Austin. While earning my master's degree, I was employed by UT Austin as an instructor, teaching two sections of undergraduate corporate finance. Prior to attending graduate school, I was employed by a commercial bank, where I was principally involved in investment activities and internal and external financial reporting.

I am a Certified Public Accountant (CPA) licensed in the state of Texas. For over 22 years I was a member of the planning committee for the annual Energy Conference

1 sponsored by the Texas Society of Certified Public Accountants, and I twice served as
2 chairman of that committee.

3 I also hold the designation of Chartered Financial Analyst (CFA), which is awarded
4 by the CFA Institute after successful completion of its three-part examination process over
5 a minimum three-year period. The curriculum for the CFA charter covers a comprehensive
6 body of knowledge fundamental to the practice of investment management, and includes
7 the areas of finance, accounting, economics, statistics, and ethical and professional
8 conduct.

9 In 2021, I was the recipient of the Pat Wood Power Star Award, which the Gulf
10 Coast Power Association presents annually in recognition of significant contributions
11 towards the advancement of competitive energy markets in Texas.
12

13 **Q. Have you previously testified before this Commission?**

14 A. Yes. Attachment DT-1 provides a summary of the dockets in which I have filed direct or
15 other testimony.
16

17 **II. PURPOSE OF TESTIMONY**

18 **Q. What is the purpose of your testimony in this case, Docket No. 53719, *Application of***
19 ***Entergy Texas, Inc. for Authority to Change Rates?***

20 A. The purpose of my testimony is to support the Unopposed Stipulation and Settlement
21 Agreement (Stipulation) that Entergy Texas, Inc. (ETI) and the other Signatories¹ have
22 reached in this proceeding.

¹ The Signatories include Entergy Texas, Inc., Staff of the Public Utility Commission of Texas, the Office of Public Utility Counsel, Texas Industrial Energy Consumers, the Sierra Club, the Kroger Co., Federal Executive Agencies, and Walmart, Inc. The Cities group, Americans for Affordable Clean Energy, ChargePoint, Inc., Southwestern Public Service Company, El Paso Electric Company, Sempra Infrastructure Partners, L.P., and FlashParking, Inc. are not signatories but do not oppose the Stipulation.

1 **Q. Does the Stipulation provide for an acceptable resolution of ETI's request in this**
2 **proceeding?**

3 A. Yes. The terms of the Stipulation address a range of issues, and the Stipulation reflects an
4 appropriate and reasonable balancing of the interests of ETI and its customers. The final
5 terms constitute a negotiated compromise to which the Signatories agreed after detailed
6 discussions, and any changes to the Stipulation could undermine its purpose, result in the
7 withdrawal from the Stipulation by a Signatory negatively affected by the changes, and
8 create additional litigation and costs.
9

10 **Q. Are you the only witness providing testimony in support of the Agreement?**

11 A. No. Mr. Richard Lain, on behalf of ETI, is also providing supporting testimony. While
12 my testimony includes a discussion of the provisions that I believe are among the key points
13 of the Stipulation, Mr. Lain's testimony provides a further discussion of the Stipulation
14 and, for certain issues, provides additional details on the Stipulation's terms.
15

16 **Q. Do any parties oppose the Stipulation?**

17 A. No.
18

19 **III. KEY PROVISIONS OF THE STIPULATION**

20 **Q. Please discuss the key provisions of the Stipulation.**

21 A. The Stipulation includes the following terms:

22 **A. Revenue Requirement**

23 **1. Base Rates**

24 a. **Rate Base Increase.** The Signatories agree to an increase in ETI's base rate
25 revenues of \$54 million, exclusive of, and incremental to, costs being realigned
26 from ETI's Generation Cost Recovery Rider (GCRR), Transmission Cost Recovery
27 Factor (TCRF), and Distribution Cost Recovery Factor (DCRF) to base rates, and
28 also exclusive of, and incremental to \$4,805,630.19 of rate-case expenses (RCE),
29 which will be recovered through a rider over a period of 36 months.
30

31 b. **Effective date:** The new base rates will take effect or relate back to December 3,
32 2022, the 155th day after ETI's rate application was filed.

1
2 **2. Rate Base**

- 3 a. **Invested Capital.** ETI's capital investments, included in rate base and closed to
4 plant through December 31, 2021, are used and useful, reasonable, and prudent.
5 For preparation of ETI's Earnings Monitoring Reports under 16 TAC § 25.73
6 (relating to annual reports), Cash Working Capital, included in rate base, will be
7 set at (\$8,559,750).
8 b. **Depreciation.** ETI's depreciation rates will be those reflected in
9 Attachment B to the Stipulation.
10 1. The Signatories agree that the depreciation rates included in Attachment
11 B to the Stipulation are to be used only during the period that rates from
12 this proceeding are in effect and do not reflect any agreement on the
13 useful lives of the utility assets.
14 2. The Signatories agree that the use of such depreciation rates does not
15 prohibit any party from proposing changes to these depreciation rates
16 prospectively in a future base rate case.
17 3. The Signatories agree that the use of the depreciation rates included
18 in Attachment B to the Stipulation does not reflect any agreement
19 concerning any planned retirement of utility assets or the ultimate
20 recovery of any undepreciated asset costs that may be considered in
21 ETI's next general base rate case.
22

23 **3. Tariffs**

- 24 a. **GCRR, TCRF, and DCRF Riders.** ETI's current GCRR, TCRF, and DCRF will
25 be reduced to zero, and the current amounts reflected in those riders will be
26 realigned into base rates.
27 b. **New Tariffs.** ETI's proposed riders Market Valued Demand Rider (MVDR), Green
28 Future Option (GFO), and Deferred Tax Accounting Rider (DTA) are approved.
29 c. **Existing Tariffs.** ETI's proposed changes to existing tariffs are approved with the
30 exception of the proposed changes to Schedule Standby and Maintenance Service
31 (SMS) and Rider to Schedules LIPS, LIPS-TOD, Interruptible Service (IS), which
32 have been revised and are approved as shown in Attachment C to the Stipulation.
33 d. **TCRF, DCRF, PCRF, and GCRR Baselines.** The baselines for
34 transmission, distribution, purchased capacity recovery factor and
35 generation cost riders shall be those set forth in Attachment D to the
36 Stipulation. Any reduction to ETI's as-filed baseline values is not intended
37 and should not be construed as effectuating any permanent or precedential
38 disallowance of investment, expense, or revenue, whether based on principles
39 of imprudence or other theories of non-recovery. In addition, all Signatories
40 agree that any list or any level of detail of the various ratemaking components
41 (costs, rate base items, jurisdictional allocators, etc.) in the TCRF, DCRF, PCRF
42 and GCRR baselines set forth in Attachment D are the product of compromise
43 and settlement, and are non-binding and not to be treated as precedent in any
44 other proceeding of any kind (base rate, rulemaking, TCRF, DCRF, PCRF,
45 GCRR or otherwise) involving any utility (not just ETI proceedings).
46 Notwithstanding the agreement in this section, baseline values set forth in
47 Attachment D will be used in TCRF, DCRF, PCRF or GCRR cases ETI files

before its next base rate case. The fact that parties have agreed to the use of the baselines as specified in this section does not reflect an agreement on any methodology that may or may not have been used to derive those baselines. Inclusion of a cost category in the baselines does not constitute agreement that the cost category is eligible for recovery in a TCRF, DCRF, PCRF or GCRR proceeding.

4. Rate of Return

- a. **Rate of Return.** ETI's authorized return on equity will be stated at 9.57%, with the cost of debt at 3.47% and the cost of preferred stock at 5.35%. ETI's regulatory capital structure will consist of 51.21% equity, 0.81% preferred stock, and 47.97% long-term debt as set forth in ETI's application. ETI's weighted average cost of capital will be 6.61%.

5. Financial Protections. ETI will adopt the following ring-fencing provisions:

- a. **ETI Credit Ratings.** ETI will work to ensure that its credit ratings at S&P and Moody's remain at or above ETI's current credit ratings.
- b. **Notification of Less-than-Investment-Grade Rating.** ETI will notify the Commission if its credit issuer rating or corporate rating as rated by either S&P or Moody's falls below investment-grade level.
- c. **Stand-Alone Credit Rating.** ETI will take the actions necessary to ensure the existence of an ETI stand-alone credit rating.
- d. **No Sharing of a Credit Facility.** ETI will not share a credit facility with any unregulated affiliates.
- e. **No ETI Debt Secured by Non-ETI Assets.** ETI's debt will not be secured by non-ETI assets.
- f. **No ETI Assets Pledged for Other Entities' Debt.** ETI's assets will not secure the debt of Entergy Corporation or its non-ETI affiliates. ETI's assets will not be pledged for any other entity.
- g. **No Credit for Affiliate Debt.** ETI will not hold out its credit as being available to pay the debt of any Entergy affiliates.
- h. **No Commingling of Assets.** Except for access to the utility-money pool and the use of shared assets governed by the Commission's affiliate rules, ETI will not commingle its assets with those of other Entergy affiliates.
- i. **Affiliate Asset Transfer Commitment.** ETI will not transfer any material assets or facilities to any affiliates, other than a transfer that is on an arms-length basis in accordance with the Commission's affiliate standards applicable to ETI, regardless of whether such affiliate standards would apply to the particular transaction.
- j. **No Debt Disproportionately Dependent on ETI.** Without prior approval of the Commission, neither Entergy Corporation nor any affiliate of Entergy Corporation (excluding ETI) will incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent on: (1) the revenues of ETI in more than a proportionate degree than the other revenues of Entergy Corporation; or (2) the stock of ETI.
- k. **No Bankruptcy Cost Commitment.** ETI will not seek to recover from customers any costs incurred as a result of a bankruptcy of Entergy Corporation or any of its affiliates.

1 l. **No Cross-Default Provision.** ETI's credit agreements and indentures will not
2 contain cross-default provisions whereby a default by Entergy Corporation or its
3 other affiliates would cause a default by ETI.

4 m. **No Financial Covenants or Rating Agency Triggers Related to Another**
5 **Entity.** The financial covenants in ETI's credit agreements will not be related
6 to any entity other than ETI. ETI will not include in its debt or credit
7 agreements any financial covenants or rating agency triggers related to any
8 entity other than ETI.

9
10 6. **Amortization and Accruals.** The Signatories agree that the following
11 amortizations and accruals will be those reflected in Attachment E to the
12 Stipulation:

- 13 a. Pension/other post-retirement benefits (OPEB) tracker regulatory assets;
14 b. Self-Insurance (Storm) Reserve accrual;
15 c. COVID bad debt regulatory asset; and
16 d. Non-Advanced Metering System Amortization Adjustment.

17
18 7. **Rate-Case Expenses.** The Signatories agree to the following with respect to rate-
19 case expenses:

- 20 a. Separate and apart from the Revenue Requirement, ETI is authorized to
21 recover \$4,805,630.19 of RCE, comprised of amounts incurred in this
22 proceeding through December 31, 2022, and in Docket No. 49916, over 36
23 months following a final order in this proceeding, as reflected in Attachment
24 F to the Stipulation.
25 b. ETI RCE incurred after December 31, 2022, will be deferred in a regulatory asset,
26 and ETI may seek recovery of those amounts in a future proceeding
27 c. ETI will promptly reimburse Cities \$78,339 in post-December 31, 2022 RCE,
28 which amount will be included in the regulatory asset described above. ETI
29 and Commission Staff agree not to contest ETI's recovery of these amounts
30 in the future proceeding in which they are presented for recovery.

31
32 **B. Class Cost Allocation and Rate Design**

33 The Signatories have reached the following specific agreements with regard to class
34 cost allocation and design of base rates as part of the overall resolution of this
35 docket:

- 36 a. Attachment G to the Stipulation reflects the agreed class revenue allocation and rate
37 design.
38 b. ETI's proposed energy line loss factors should be approved. The parties reach no
39 agreement on ETI's proposed demand line loss factors and none are approved.
40 c. The customer charge applicable to the Residential class is \$14.00.
41 d. The customer charge applicable to the Small General class is \$21.94.
42 e. The agreed-to rate schedules and tariffs are attached as Attachment A to ETI's
43 Agreed Motion for Interim Rates.

44
45 **C. Final Resolution**

46 The Signatories agree that this definitive settlement agreement will
47 constitute a full and final resolution of all issues in this matter except,

consistent with State Office of Administrative Hearings Order No. 11, Preliminary Order Issue Nos. 68 and 69 (including a determination on ETI's proposed Schedules TECI and TECDA) will be decided based on written submission of evidence and briefing.

IV. RECOMMENDATION

Q. What is your recommendation in this proceeding?

A. In my opinion, the Stipulation represents a settlement between the parties that results in an acceptable resolution to this proceeding that is consistent with the public interest. The Stipulation reflects a reasonable compromise and represents an appropriate balancing of the interests of ETI, the Signatories, and other stakeholders in the Texas electricity market.

Accordingly, I believe that the terms of the Stipulation provide an acceptable degree of certainty to the Signatories that would not be assured if litigation of this proceeding were to continue. Given the broad spectrum of issues addressed by the Stipulation and the certainty provided by the formal agreement of the stipulating parties, I recommend that the Commission adopt the Stipulation in its entirety.

Q. Does this conclude your testimony?

A. Yes.

**LIST OF TESTIMONIES
BY DARRYL TIETJEN**

<u>PUC Docket</u>	<u>Company</u>	<u>Subject</u>
10060	Brazos River Authority	Rate of Return
10462	Tex-La Electric Cooperative	Interim Rates/ROR
10325	Central Texas Electric Cooperative	Rate of Return
10744	Rayburn Country Electric Cooperative	Sale, Transfer, Merger
10820	Magic Valley Electric Cooperative	Rate of Return
11347	Johnson County Electric Cooperative	Rate of Return
11571	Fayette Electric Cooperative	Rate of Return
11520	Southwestern Public Service Company	Rate of Return
12065	Houston Lighting & Power Company	Decomm. Exp.
12700	El Paso Electric Company	Rate Moderation/ Mirror CWIP
12815	Pedernales Electric Cooperative	Rate of Return
12820	Central Power and Light Company	Decomm. Exp.
12852	Gulf States Utilities Company	Decomm. Expense/ Contra-AFUDC
13827	Southwestern Public Service	Notice of Intent
14965	Central Power and Light Company	ROR/ Decomm. Exp.
15638	Texas Utilities Electric Company	Transmission COS
16585	T&H Communications	SPCOA
16705	Entergy Gulf States	Rate of Return
16705	Entergy Gulf States	ROR on ECOM
18290	Entergy Gulf States	Int. on Tax Remand
18845	Central and South West Companies	Financial Condition of Resource Providers
21527	TXU Electric Company	Securitization
21528	Central Power and Light Company	Securitization
22344	Generic Unbundled Docket	Return on Equity
22355	Reliant Energy	ECOM Estimate
22352	Central Power and Light Company	Cost of Debt
22354	West Texas Utilities Company	Refinancing Costs
22350	TXU Electric Company	ECOM Estimate
26942	Texas-New Mexico Power Company	Reg Asset Treatment
29206	Texas-New Mexico Power Company	Stranded Costs & True-up Issues
29206	Texas-New Mexico Power Company	Int on Stranded Costs
29526	CenterPoint Energy Houston Electric	Stranded Costs & True-up Issues
29526	CenterPoint Energy Houston Electric	Int. on Stranded Costs
30485	CenterPoint Energy Houston Electric	Financing Order Attachment DT-1

**LIST OF TESTIMONIES
BY DARRYL TIETJEN (cont.)**

30706	CenterPoint Energy Houston Electric	Comp. Transition Charge
31056	AEP Texas Central Company	Stranded Costs & True-up Issues
31994	Texas-New Mexico Power Company	Comp. Transition Charge
32475	AEP Texas Central	Financing Order
32907	Entergy Gulf States, Inc.	Interest on Storm Costs
33106	Texas-New Mexico Power Company	Interest Rate on CTC
33586	Entergy Gulf States, Inc.	Financing Order
32795	\$5 Billion Stranded-Cost Threshold	Interest Amount
34448	CenterPoint Energy Houston Electric	Financing Order
34077	Oncor Electric Delivery and Texas Energy Future Holdings Limited Partnership	Support of Stipulation
35038	Texas-New Mexico Power Company	Tariff Filing
33891	Southwestern Electric Power Co.	CCN Application
36918	CenterPoint Energy Houston Electric	Restoration Costs
36931	Entergy Texas	Restoration Costs
39504	CenterPoint Energy Houston Electric	Remanded True-up Costs
39722	AEP Texas Central Company	Remanded True-up Costs
40627	Austin Energy	Rate Issues
45188	Oncor Electric Delivery Company, et al.	Federal Inc. Taxes; Cost of Capital
46238	NextEra, Oncor	Federal Income Taxes
45414	Sharyland Utilities, et al.	Federal Income Taxes
46936	Southwestern Public Service Co.	Wind Facilities—Rate Treatment
46936	Southwestern Public Service Co.	Testimony in Support of Stipulation
46957	Oncor Electric Delivery Company	Testimony in Support of Stipulation (included in AIS item #420)
47527	Southwestern Public Service Company	Testimony in Support of Stipulation
48401	Texas-New Mexico Power Company	Testimony in Support of Stipulation Attachment DT-1

**LIST OF TESTIMONIES
BY DARRYL TIETJEN (cont.)**

48439	Entergy Texas	Testimony in Support of Stipulation (Rate Case Exp)
48929	Oncor Electric Delivery Company, Sharyland Utilities, LP, et al.	Rate-Related Issues
49308	AEP Texas, Inc.	Testimony in Support of Stip (Fin. Order)
49421	CenterPoint Energy Houston Electric, LLC	Financial Protection Measures; Securitization-Related ADFIT
49421	CenterPoint Energy Houston Electric, LLC	Testimony in Support of Stipulation
49494	AEP Texas	Financial Protection Measures; Securitization-Related ADFIT
49494	AEP Texas	Testimony in Support of Stipulation
49831	Southwestern Public Service Company	Testimony in Support of Stipulation
49849	El Paso Electric Company, et al.	Accounting Issues
49849	El Paso Electric Company, et al.	Testimony in Support of Stipulation
49923	Corix Utilities	Testimony in Support of Stipulation
50945	Comanche Peak Power Company	Testimony in Support of Application
51100	Lubbock Power & Light	Testimony in Support of Stipulation
51611	Sharyland Utilities	Testimony in Support of Stipulation
51321	ERCOT—Default Charges	Securitization Issues
51322	ERCOT—Uplift Charges	Securitization Issues
52302	Entergy Texas	Testimony in Support of Stip (Fin. Order)
51802	Southwestern Public Service	Testimony in Support of Stipulation
52195	El Paso Electric Company	Testimony in Support of Stipulation