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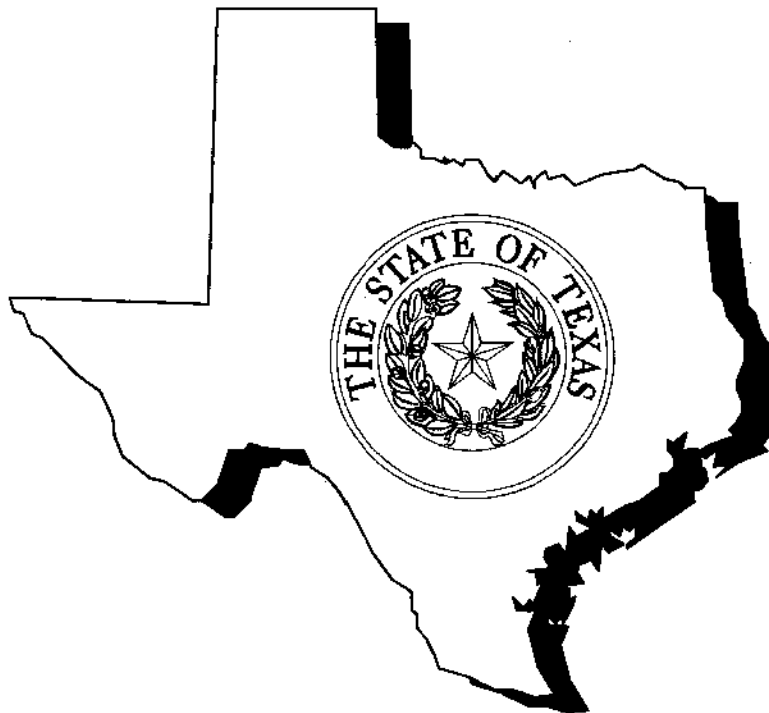
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**SOAH DOCKET NO. 473-22-04394
PUC DOCKET NO. 53719**

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

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§
§

**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**



**DIRECT TESTIMONY OF

WILLIAM B. ABBOTT

RATE REGULATION DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

NOVEMBER 2, 2022**

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LIST OF ATTACHMENTS

Attachment WBA-1	Curriculum Vitae
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I. PROFESSIONAL QUALIFICATIONS

Q. Please state your name and business address.

A. William B. Abbott, 1701 N. Congress Avenue, Austin, Texas 78701.

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

A. I am employed by the Public Utility Commission of Texas (Commission) as the Director of the Tariff and Rate Analysis Section of the Rate Regulation Division.

Q. What are your principal responsibilities at the Commission?

A. In addition to the supervision and management of the Tariff and Rate Analysis Section, my principal area of responsibility involves performing analyses of issues such as utility cost allocation, rate design, and tariff filings. My specific responsibilities include: analyzing cost allocation studies, as well as revenue distribution and rate design issues, for regulated electric, water, and wastewater utilities; analyzing policy issues associated with the regulation of regulated utilities; reviewing tariffs of regulated utilities to determine compliance with Commission requirements; preparing and presenting testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings (SOAH); and working on or leading teams in contested cases, rulemaking projects, reports, and research concerning rates, pricing, and other Commission-related issues.

Q. Please state your educational background and professional experience.

A. I earned Bachelor of Science degrees in Chemistry, Psychology, and Economics with a minor in Mathematics from the University of Houston. I earned a Master of Arts degree in Economics from George Mason University while successfully completing all non-dissertation requirements for a Ph.D., with field concentrations in Law and Economics as

1 well as Public Choice Economics. My field concentrations involved the study of the
2 dynamics and social welfare implications of behavior in non-commercial domains such as
3 the legal, political, legislative, and regulatory arenas. For several years as an undergraduate
4 and post-baccalaureate student, I was employed teaching introductory and organic
5 chemistry laboratory courses. As a graduate student, I taught several undergraduate lecture
6 courses including Law and Economics, Money and Banking, Introductory
7 Microeconomics, and Introductory Macroeconomics. After my graduate studies, and prior
8 to my employment at the Commission, I was engaged as a freelance consultant to perform
9 econometric analyses. In 2010, I was hired as a Rate Analyst at the Commission. In 2012,
10 I was promoted to my current position of Director, Tariff and Rate Analysis. I have
11 provided a summary of my educational background and professional regulatory experience
12 in Attachment WBA-1.

13 **Q. Have you previously testified before the Commission or SOAH?**

14 A. Yes. Attachment WBA-1 includes a listing of my previously filed written testimony.
15

16 **II. PURPOSE AND SCOPE OF TESTIMONY**

17 **Q. What is the purpose of your direct testimony in this case, PUC Docket No. 53719 and**
18 **SOAH Docket No. 473-22-04394, *Application of Entergy Texas, Inc. for Authority to***
19 ***Change Rates?***

20 A. My testimony regarding Entergy Texas, Inc.'s (ETI) application will address certain issues
21 associated with ETI's proposals for two new riders, the Transportation Electrification and
22 Charging Infrastructure (TECI) rider, and the Transportation Electrification and Charging

1 Demand Adjustment (TECDA) rider. My testimony will address, in part, the following
2 issues to be addressed from the Preliminary Order in this proceeding:

3 67. Has Entergy proposed any rate riders? If so, should any of the proposed riders
4 be adopted? If so, what are the appropriate costs to be recovered through the
5 riders, and what are the appropriate terms and conditions of the riders?

6 68. Is it appropriate for an electric utility in a vertically integrated area to own
7 vehicle-charging facilities or other transportation electrification and charging
8 infrastructure, or should the ownership of such facilities be left to competitive
9 providers?

10 69. Should Entergy be allowed to own transportation electrification and charging
11 infrastructure—including vehicle-charging facilities—in the manner it has
12 proposed in its application, or should such ownership be wholly left to
13 customers or third parties?

14 The fact that I remain silent on certain issues associated with ETI's request or any issues
15 presented by any other party to this proceeding does not imply any agreement on those
16 issues.

17 **Q. What is the basis for your review?**

18 A. Public Utility Regulatory Act¹ (PURA) § 11.002, relating to Purpose and Findings, states
19 in part:

20 (b) Public utilities traditionally are by definition monopolies in the areas
21 they serve. As a result, the normal forces of competition that regulate
22 prices in a free enterprise society do not operate. Public agencies
23 regulate utility rates, operations, and services as a substitute for
24 competition.
25

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

- (c) Significant changes have occurred in the telecommunications and electric power industries since the Public Utility Regulatory Act was originally adopted. Changes in technology and market structure have increased the need for minimum standards of service quality, customer service, and fair business practices to ensure high-quality service to customers and a healthy marketplace where competition is permitted by law....

PURA § 36.003, relating to Just and Reasonable Rates, states in part:

- (a) The regulatory authority shall ensure that each rate an electric utility or two or more electric utilities jointly make, demand, or receive is just and reasonable.
- (b) A rate may not be unreasonably preferential, prejudicial, or discriminatory but must be sufficient, equitable, and consistent in application to each class of consumer.
- (c) An electric utility may not:
- (1) grant an unreasonable preference or advantage concerning rates to a person in a classification;

PURA § 36.006, relating to Burden of Proof, states in part:

In a proceeding involving a proposed rate change, the electric utility has the burden of proving that:

- (1) the rate change is just and reasonable, if the utility proposes the change;

16 TAC §25.1, relating to Purpose and Scope of Rules, states:

Mission of the Public Utility Commission of Texas (commission). The mission of the commission is to assure the availability of safe, reliable, high quality services that meet the needs of all Texans at just and reasonable rates. To accomplish this mission, the commission shall regulate electric and telecommunications utilities as required while facilitating competition, operation of the free market, and customer choice.

Under 16 Texas Administrative Code (TAC) § 25.234(a), relating to Rate Design, rates

“shall not be unreasonably preferential, prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to each class of customers, and shall be based on cost.”

1 **Q. Was your testimony prepared by you or someone working under your direct**
2 **supervision?**

3 A. Yes.
4

5 **III. SUMMARY OF RECOMMENDATIONS**

6 **Q. What is your recommendation?**

7 A. I recommend that:

- 8 1. ETI's proposed TECDA Rider is unreasonably preferential and discriminatory,
9 is inequitable and grants an unreasonable preference concerning rates to certain
10 persons in a classification, and should be rejected as it is not just and reasonable;
11 and,
- 12 2. ETI's proposed TECI Rider is unreasonably preferential and discriminatory, is
13 inequitable, and should be rejected as it is not just and reasonable; and,
- 14 3. It is not appropriate for an electric utility in a vertically integrated area to own
15 vehicle-charging facilities or other transportation electrification and charging
16 infrastructure. The ownership of such facilities should be left to competitive
17 providers; and,
- 18 4. ETI should not be allowed to own transportation electrification and charging
19 infrastructure—including vehicle-charging facilities—in the manner it has
20 proposed in its application. Such ownership should be wholly left to customers
21 or third parties.

IV. TECI RIDER

Q. Is it appropriate for an electric utility in a vertically integrated area to own vehicle-charging facilities or other transportation electrification and charging infrastructure, such as ETI has proposed under Rider TECI?

A. No. The fundamental basis for the authorization of a utility such as ETI to operate as an exclusive monopoly provider in an area rests upon the notion that reasonable and adequate service cannot be provided by the competitive market. This basis underlies the plain language of PURA § 11.002 and 16 TAC §25.1. ETI's requested Rider TECI would authorize ETI to construct, own, and maintain portions of Transportation Electrification (TE) infrastructure on a non-residential customer's property for the customer's use.² Such a policy inappropriately allows a regulated monopoly to provide a competitive service. Tellingly, ETI witness Hill acknowledges that private third-party providers are available and will be relied up on to install and maintain the TE infrastructure in ETI's service territory.³ This clearly indicates that extending the installation and maintenance of TE infrastructure to a regulated monopoly such as ETI is outside the proper scope of monopoly utility service.

Q. Are there other reasons ETI's Rider TECI proposal should be rejected?

A. Yes, there are many. One issue with ETI's proposal is that it relies on non-standard pricing that is tailored to individual customers.⁴ While this approach may be appropriate in certain situations associated with proper utility service, it raises serious concerns regarding the ability of the Commission and intervenors to scrutinize the details of TE infrastructure

² Application, Direct Testimony of Samantha F. Hill at 8 (Jul. 1, 2022) (Hill Direct).

³ *Id.*

⁴ *Id.* at 17-18.

costs and TECI rider revenues, especially if widely utilized by customers. ETI's rates must be examined to ensure they are just, reasonable, non-discriminatory, non-preferential, and based on cost. Fully evaluating ETI's costs and revenues associated with Rider TECI would be incredibly difficult, due to the customer-specific nature of each and every TE infrastructure installation. This difficulty would significantly interfere with the ability of the Commission and stakeholders to determine whether any undue cross-subsidization or other form of discriminatory or preferential treatment was occurring under the application of Rider TECI, especially where statutory deadlines exist for the processing of rate applications. Similarly, in the event of a formal dispute between a customer and ETI that arises under Rider TECI, the non-tariffed and customer-specific nature of the costs and charges has the potential to significantly burden the Commission and the court.

Q. Would adoption of ETI's TECI rider pose a risk to other customers?

A. Yes. Despite Ms. Hill's claims,⁵ the TECI rider would likely result in harm to other ratepayers in addition to the potential shifting of costs to other customers if the TECI costs and revenues do not reasonably match up. At its core, ETI's Rider TECI proposal would effectively have ETI operating in the role of a financial services provider – ETI would finance the provision and installation of an electrical appliance on a customer's property, while offering the customer a monthly payment plan that includes interest at ETI's weighted average cost of capital.⁶ If a customer under the TECI rider goes out of business or otherwise stops paying for the costs of the TE infrastructure, any remaining unpaid costs would remain in rates applicable to ETI's remaining customers, with no associated revenue

⁵ *Id.* at 16.

⁶ *Id.* at 17.

offsets applied.⁷ ETI's proposal would effectively transfer the risk of non-payment from being borne by the private TE infrastructure provider that ETI selects, and shifts those risks onto its larger body of customers, while ETI continues to earn a return on and of the associated TE costs.

V. TECDA RIDER

Q. Would it be reasonable and appropriate to adopt ETI's proposed TECDA Rider?

A. No. As an initial matter, ETI witness Hill's analysis of costs on a per-kWh basis⁸ is unreasonable and should be entirely disregarded in this proceeding, as the capacity-related costs which make up the demand charges are caused by customer demand (kW), not by customer energy (kWh) use. Low load factor customers, such as Electric Vehicle (EV) chargers that see little use, actually use the delivery system less efficiently than high load factor customers, so their capacity or delivery costs per kWh used are appropriately higher.⁹ This is one reason why the Commission has determined that non-coincident peak demand charges are the most appropriate rate design for distribution delivery cost recovery where the necessary metering is available – the costs per kWh are not the drivers of capacity costs.

Additionally, Ms. Hill's statement that the proposed TECDA Rider would serve to reduce electric bill uncertainty for customers¹⁰ is incorrect. The TECDA Rider would actually increase electric bill uncertainty for customers because it adds additional complicated billing demand adjustments that depend upon potentially confusing load factor

⁷ *Id.* at 20-21.

⁸ *Id.* at 32-33.

⁹ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing, Findings of Fact No. 341 (Feb. 23, 2016).

¹⁰ Hill Direct at 33-34.

1 calculations that vary with monthly usage in addition to the standard billing demand terms
2 of the General Service rate schedule

3 Ms. Hill's proposal amounts to adopting a mechanism that would allow EV
4 charging stations to pay only a portion of the generation, transmission, and distribution
5 capacity costs which they cause ETI to incur. It is also unreasonably discriminatory in that
6 it would provide significantly different charges for substantially identical usage – a non-
7 EV charger customer with the exact same load and usage would potentially pay much more
8 than the EV charger customer. Allowing EV charging stations to avoid paying the actual
9 cost to provide service to them would also result in costs being shifted to other customers
10 in future rate cases. Ms. Hill states that her proposed rider is necessary for there to be
11 greater penetration of EV charging stations in ETI's system.¹¹ However, a greater
12 penetration of EV charging stations taking service under the proposed TECDA rider would
13 result in greater subsidies paid for by other customers. Furthermore, rate structures based
14 on non-cost-based rates provide inaccurate price signals that no longer reasonably reflect
15 the actual cost to serve each group of customers, and thus promote inefficient usage of the
16 utility's system that could lead to higher-than-otherwise rates for all customers in the
17 future.

18 Additionally, the load factor calculation that forms the basis of discounted billing
19 demand under the TECDA rider proposal fails to provide adequate price signals to the
20 customer – a charging station knowing it is facing a low load factor in a billing month
21 would face a significantly diminished incentive to avoid putting high demand on the system
22 due to the preferential billing treatment. This fact can perversely encourage EV charging

¹¹ *Id.* at 38-39.

stations to impose higher demands on the system than they otherwise would, leading to higher costs being incurred.

Q. Are there additional reasons why the TECDA Rider proposal should be rejected?

A. Yes. By creating a new rate offering specific to a niche type of customer, the TECDA rider proposal would conflict with the requirement that rates not be unduly preferential or discriminatory. While primarily focused on the competitive regions of Texas, but relevant to good ratemaking practice in general, the Commission has determined that “a uniform rate design and customer classification scheme is appropriate for the purpose of standardizing transmission and distribution rates in Texas.”¹² In establishing the uniform rate design, the Commission stated that “the primary principles to be considered in the design of transmission and distribution rates are cost causation, simplicity, and equity to customers within the given rate classes.”¹³ The Commission further indicated the proper rate design for demand-metered classes such as the General Service rate class, and did not include any ‘demand adjustments’ for select customer groups, as Ms. Hill proposes. Specifically, the Commission determined the following:

Many of the parties propose that demand-metered classes should be billed based on the non-coincident peak (NCP) demand.

...

With respect to a facilities/delivery charge, the Commission finds that the NCP billing determinant should be used for non-IDR metered customers.

...

The distribution facilities/delivery charge for IDR metered customers shall be billed on the NCP billing determinant.¹⁴

¹² *Generic Issues Associated with Applications for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344*, Docket No. 22344, Order No. 40: Interim Order Establishing Generic Customer Classification and Rate Design at 1 (Nov. 22, 2000).

¹³ *Id.* at 5.

¹⁴ *Id.* at 6-7.

Contrary to this clear direction, by adjusting the maximum billing demand based on load factor, Rider TECDA would result in certain customers being billed for their facilities/delivery charges based on their monthly kWh energy usage, not their NCP demand. The TECDA rider proposal conflicts with good ratemaking practice and well-established ratemaking treatment in Texas and would effectively amount to having ETI's captive ratepayers subsidize (via higher-than-otherwise rates) the revenues and profits of private companies in a particular industry and should be rejected as unreasonably preferential and inequitable.

VI. CONCLUSION

Q. Please summarize your recommendation.

A. ETI's proposed Rider TECI and Rider TECDA are not just and reasonable, and should be rejected.

Q. Does this complete your direct testimony?

A. Yes.

William B. Abbott
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78701

REGULATORY EXPERIENCE:

Public Utility Commission of Texas, Rate Regulation Division

June 2010 - Present

Director, Tariff and Rate Analysis Section as of May 1, 2012

Responsible for activities related to utility cost allocation, cost unbundling, rate design, and incentive regulation in areas subject to rate regulation. Key activities include managing staff engaged in rulemaking projects, contested cases, and tariff reviews. Perform in a technical capacity similar to that of a senior economic analyst including: analysis of economic issues and cost studies; review of rate requests and specific tariffs; and participation as an expert witness in major regulatory proceedings. Maintain contact with representatives of industry and consumers, other state agencies, and other Commission staff members, and advise the Division Director regarding the status of current projects and economic perspectives on utility regulatory issues.

EDUCATION:

2008	George Mason University <i>Master of Arts: Economics</i> (All requirements for Ph.D. completed, except for dissertation)
2004	University of Houston <i>Bachelor of Science: Economics</i> <i>Minor in Mathematics</i>
2003	University of Houston <i>Bachelor of Science: Psychology</i>
2002	University of Houston <i>Bachelor of Science: Chemistry</i>

List of Testimony Filed at the Public Utility Commission of Texas:

Docket No. 53601 – *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates* – September 16, 2022.

Docket No. 52195 – *Application of El Paso Electric Company to Change Rates* – October 29, 2021.

Docket No. 51802 – *Application of Southwestern Public Service Company for Authority to Change Rates* – August 20 and September 14, 2021.

Docket No. 51484 – *Compliance Filing of AEP Texas Inc. for Rider TC-2 Refund Refund of Transition Charges-2* – August 6, 2021.

Docket No. 51239 – *Application of Carroll Water Company, Inc. for Authority to Change Rates* – May 14, 2021.

Docket No. 51547 – *Joint Report and Application of Texas-New Mexico Power Company, NM Green Holdings, Inc. and Avangrid, Inc. for Regulatory Approvals Under PURA §§ 14.101, 39.262, and 39.915* – March 2, 2021.

Docket No. 50714 – *Application of Entergy Texas, Inc. to Amend its Distribution Cost Recovery Factor* – May 27, 2020.

Docket No. 49189 – *Application of the City of Austin DBA Austin Water for Authority to Change Water and Wastewater Rates* – November 15, 2019.

Docket No. 49421 – *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates* – June 12 and 19, 2019.

Docket No. 48181 – *Application of El Paso Electric Company to Expand Solar Generation Capacity and Change Rates for the Community Solar Pilot Program* – October 24, 2018.

Docket No. 48401 – *Application of Texas-New Mexico Power Company for Authority to Change Rates* – August 20 and 28, 2018.

Docket No. 48371 – *Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates* - August 16, 2018.

Docket No. 48233 – *Application of Southwestern Electric Power Company to Implement a Base Rate Decrease in Compliance With Docket No. 46449* – July 19 and October 16, 2018.

Docket No. 45979 – *Review of the Rate Case Expenses Incurred by Sharyland Utilities, L.P. in Docket No. 45414* – June 27, 2018.

Docket No. 47527 – *Application of Southwestern Public Service Company for Authority to Change Rates* – May 2 and 22, 2018.

Docket No. 46602 – *Appeal of AEP Texas Central Company From an Order of the City of McAllen Regarding Complaint of I&F Distributors* – October 10, 2017.

Docket No. 46936 – *Application of Southwestern Public Service Company for Approval of Transactions with ESI Energy, LLC and Invenergy Wind Development North America, LLC, to Amend a Certificate of Convenience and Necessity for Wind Generation Projects and Associated Facilities in Hale County, Texas and Roosevelt County, New Mexico, and for Related Approvals* – October 9, 2017.

Docket No. 46831 – *Application of El Paso Electric Company to Change Rates* – June 30, July 21, and November 2, 2017.

Docket No. 46449 – *Application of Southwestern Electric Power Company for Authority to Change Rates* – May 2 and 19, 2017.

Docket No. 45414 – *Review of the Rates of Sharyland Utilities, L.P., Establishment of Rates for Sharyland Distribution & Transmission Services, L.L.C., and Request for Grant of a Certificate of Convenience and Necessity and Transfer of Certificate Rights* – March 7 and 16, 2017.

Docket No. 44941 – *Application El Paso Electric Company to Change Rates* – January 15 and April 22, 2016.

Docket No. 45084 – *Application of Entergy Texas, Inc. for Approval of a Transmission Cost Recovery Factor* – November 24, 2015.

Docket No. 44620 – *Application of Sharyland Utilities, L.P. to Revise its TCRF Class Allocation Factors and Request for Good Cause Exception From P.U.C. Subst. R. 25.193(c)* – August 21 and September 8, 2015.

Docket No. 44677 – *Application of El Paso Electric Company for Approval to Revise its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Cap* – July 31 and August 7, 2015.

Docket No. 44060 – *Application of Brazos Electric Power Cooperative, Inc. to Amend a Certificate of Convenience and Necessity for a 138-kV Transmission Line in Denton County* – June 15, 2015.

Docket No. 43695 – *Application of Southwestern Public Service Company for Authority to Change Rates* – June 8, 2015.

Docket No. 42370 – *Application of Southwestern Electric Power Company for Rate Case Expenses Severed From PUC Docket No. 40443* – December 12, 2014.

Docket No. 43111 – *Application of Entergy Texas, Inc. for Approval of a Distribution Cost Recovery Factor* – November 5, 2014.

Docket No. 42448 – *Application of Southwestern Electric Power Company for Approval of a Transmission Cost Recovery Factor* – July 31, 2014.

Docket No. 42449 – *Application of El Paso Electric Company for Approval to Revise its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Caps* – July 10, 2014.

Docket No. 42042 – *Application of Southwestern Public Service Company for Approval of a Transmission Cost Recovery Factor* – May 1, 2014.

Docket No. 41791 – *Application of Entergy Texas, Inc. for Authority to Change Rates and to Reconcile Fuel Costs* – January 17 and April 4, 2014.

Docket No. 41474 – *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate* – October 28, 2013.

Docket No. 41430 – *Joint Report and Application of Sharyland Utilities, LP, Sharyland Distribution & Transmission Services, LLC, and Southwestern Public Service Company for*

Approval of Purchase and Sale of Facilities, for Regulatory Accounting Treatment of Gain on Sale, and for Transfer of Certification Rights August 9, 2013.

Docket No. 40627 – *Petition by Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-055* February 14, 2013.

Docket No. 40443 – *Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs* December 17, 2012.

Docket No. 39896 – *Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs* April 3, 2012.

Docket No. 39375 – *Oncor Electric Delivery Company LLC's Application for 2012 Energy Efficiency Cost Recovery Factor* August 9, 2011.

Docket No. 39366 – *Application of Entergy Texas, Inc. for Authority to Redetermine Rates for the Energy Efficiency Cost Recovery Factor Tariff and Request to Establish a Revised Energy Efficiency Goal and Cost Caps* July 26, 2011.

Docket No. 39363 – *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor* July 22, 2011.