

Stacey L. Whaley
Educational Background and Professional Experience

Education

Louisiana State University

Baton Rouge, LA 70803

September 1993 to May 1996

BS, Major in Accounting

Certified Public Accountant

Professional Experience

Entergy Services, LLC.

New Orleans, LA 70113

September 2008 to Present

Senior Manager, Regulatory Tax Accounting

January 2021 - Present

Tax Manager, Regulatory Tax Accounting

December 2019 - December 2020

Tax Specialist, Senior Staff

July 2011 - November 2019

Tax Manager, Income Tax Accounting

September 2008 to June 2011

Cleco Services Inc.

Pineville, LA 71361

May 1999 to June 2008

Progressed from Staff Accountant to Manager while working in the Tax Department.

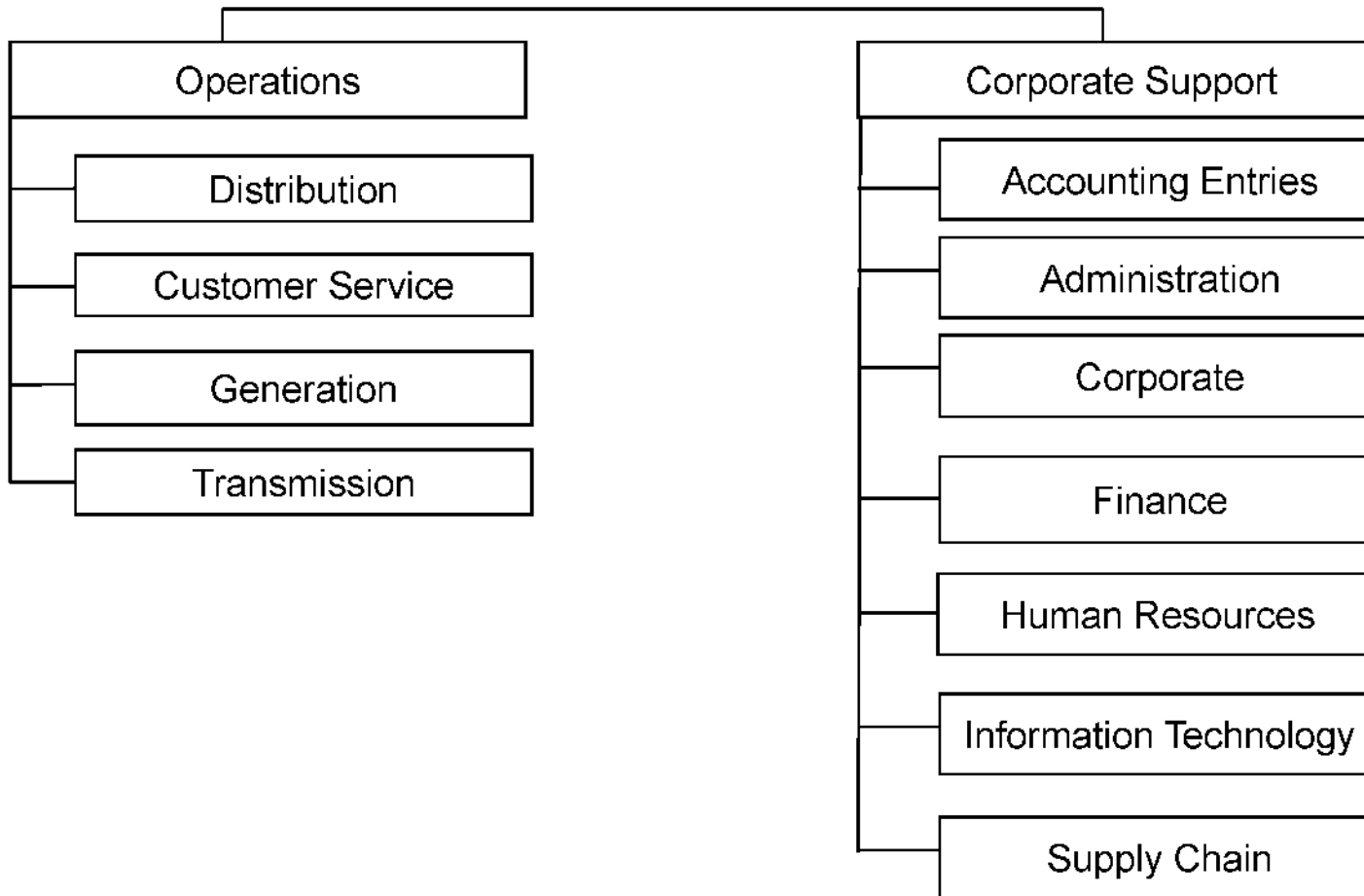
Deloitte and Touche LLP

New Orleans, LA

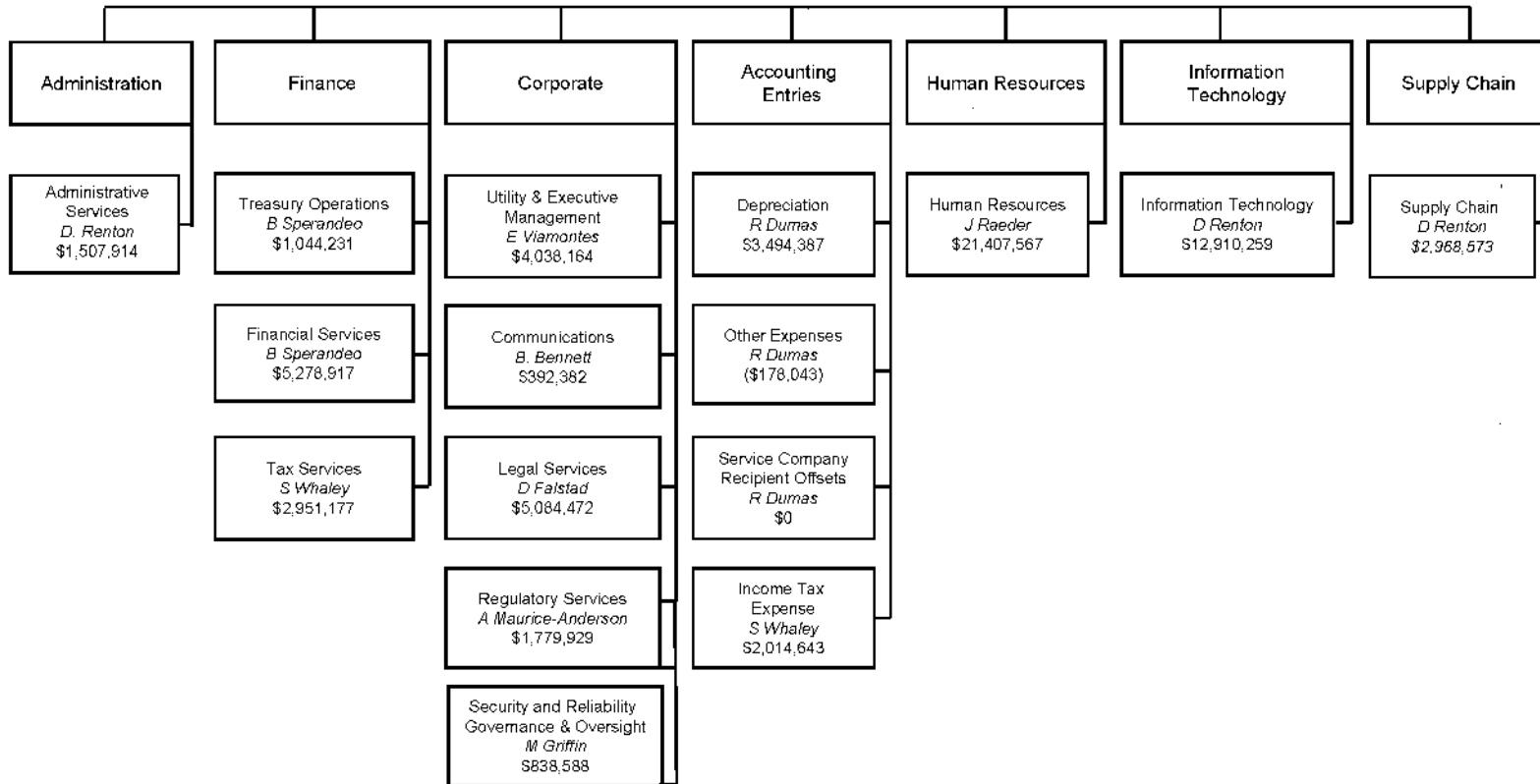
May 1996 to April 1999

Performed duties in tax services.

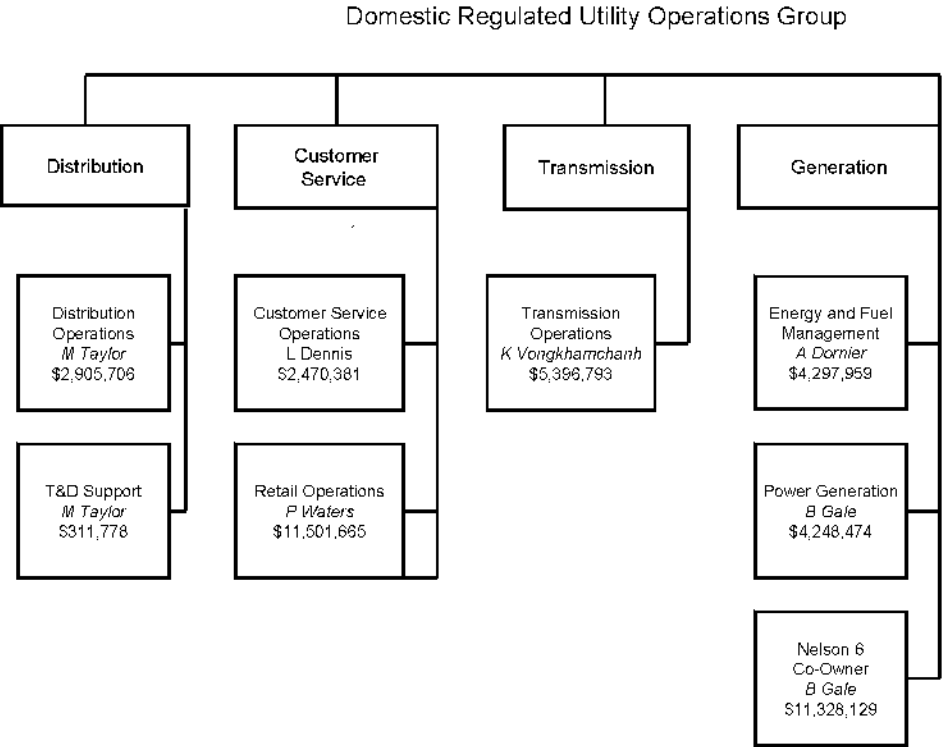
Families and Functions



Corporate Support Functions & Classes (\$ Total ETI Adjusted)



Operations Functions & Classes (\$ Total ETI Adjusted)



Entergy Texas, Inc.
Listing of Rate Filing Package Schedules Sponsored
or Co-Sponsored By Stacey L. Whaley

Line No.	Schedule Description	Sponsor	Co-Sponsor
1	G-7.1 Recon-Test Yr Bk Net Inc & Tax Net Inc		X
2	G-7.1a Reconciliation-Timing Diffncs	X	
3	G-7.2 Plant Adjustments		X
4	G-7.4 ADFIT		X
5	G-7.4a ADFIT-Descriptn Of Timing Diffncs	X	
6	G-7.4b Adjustments To ADFIT		X
7	G-7.4c ADFIT & ITC-Pit Adjstmnts & Alloc		X
8	G-7.4d ADFIT-Rate Case Expense		X
9	G-7.5 Analysis Of ITC's	X	
10	G-7.5a ITC Utilized	X	
11	G-7.5b ITC Generated But Not Utilized	X	
12	G-7.5c ITC Utilized-Stand Alone Basis		X
13	G-7.5d ITC Election	X	
14	G-7.5e FERC A/C 255 Balance		X
15	G-7.6 Analys-TY & Rqstd FIT-Tx Meth 2		X
16	G-7.6a Analysis Of Deferred FIT		X
17	G-7.7 Analysis Of Addtnl Deprec Rqstd		X
18	G-7.8 Analys-TY & Rqstd FIT-Tx Meth 1		X
19	G-7.9 Amort-Protctd/Unprot Exc Def Txs	X	
20	G-7.9a Analys-Exc Def Txs By Timing Diff	X	
21	G-7.9b Reconcltn Of Excess Def Txs	X	
22	G-7.9c Analys-Resv Acctng-Exc Def Txs		X
23	G-7.10 Effects Of Acctng Order Deferrals		X
24	G-7.13 List Of FIT/ADFIT Testimony		X
25	G-7.13a History Of Tax Normalization	X	
26	G-7.13b Tax Elections	X	
27	G-7.13c Changes In Acctng For Def FIT	X	
28	G-7.13d IRS Audit Status	X	
29	G-7.13e Private Letter Rulings	X	
30	G-7.13f A/C Meth-ADFIT Rel To NOL Cfwd	X	

Taxes Other Than Income Tax Predominant Billing Methods

Billing Allocation Methodology	Basis for Selection of Billing Allocation Methodology
LVLSVCAL	The project codes that are assigned this billing method capture ESL's taxes other than income taxes and the tax services provided to ESL. For example, Project code F5PCZUTXOT, Taxes Other than Income & Payroll, is used for ESL's property taxes. Billing Method LVLSVCAL is appropriately used for the allocation of these tax costs since they are associated with the support of ESL as a legal entity.

Tax Services Class Predominant Billing Methods

Billing Allocation Methodology	Basis for Selection of Billing Allocation Methodology
DIRECTTX	<p>Directly billing ETI for these services is appropriate because the services were performed specifically for ETI. No other affiliate benefited from these activities. In the test year, ESL directly billed ETI nearly \$1,060,639 for a portion of the services provided by the department, representing 35.94% of the Total ETI Adjusted amount for Tax Services. For example, Project Code F3PPX10425, ETI Tax Services, includes direct costs associated with the preparation and review of all tax filings and payments and research for ETI that is performed in order to comply with various tax laws. Primary activities include preparation of federal income tax filings, property, sales/use, and miscellaneous tax filing preparation and review; research related to federal, state and local tax issues, proposed transactions and determination of the impact of new tax legislation on ETI; pursuing tax incentives and tax exemptions; preparing and recording tax accounting entries and performing analysis of such data; and managing various tax audits by federal, state and local taxing jurisdictions.</p>
ASSTSALL	<p>Billing Method ASSTSALL allocates costs based on the total adjusted assets for all Entergy Companies. For example, Project Code F3PCF10445, Entergy Consolidated Tax Services, captures costs associated with the time spent in the preparation of the consolidated portions of the federal income tax filings or research of issues that impact all Entergy Companies. A higher allocation for a legal entity would indicate that the legal entity has more assets and, therefore, has more complex tax situations and requires more tax services. The cost driver for this project code is the quantity of data analyzed and the complexity of tax issues; therefore, the ASSTSALL billing method is appropriate for this type of project code.</p>
LVLSVCAL	<p>The project codes that are assigned this billing method capture ESL's taxes other than income taxes and the tax services provided to ESL. For example, Project code F5PCZUTXOT, Taxes Other than Income & Payroll, is used for ESL's property taxes. Billing Method LVLSVCAL is appropriately used for the allocation of these tax costs since they are associated with the support of ESL as a legal entity.</p>

See Native Excel file Whaley Direct_Exhibits SLW-A through D.

This workpaper contains information that is highly sensitive and will be provided under the terms of the Protective Order (Confidentiality Disclosure Agreement) entered in this case.

DOCKET NO. 53719

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

DIRECT TESTIMONY

OF

ALLISON P. LOFTON

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF ALLISON P. LOFTON
2022 RATE CASE

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EXHIBITS

- Exhibit APL - 1 List of Prior Testimonies
- Exhibit APL - 2 Listing of Rate Filing Package Schedules Sponsored or Co-Sponsored by Allison P. Lofton
- Exhibit APL - 3 Proposed DCRF Baseline
- Exhibit APL - 4 Proposed TCRF Baseline
- Exhibit APL - 5 Proposed PCRF Baseline

1 **I. WITNESS INTRODUCTION AND QUALIFICATIONS**

2 Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Allison P. Lofton. My business address is 639 Loyola Avenue,
4 New Orleans, Louisiana 70113. I am employed by Entergy Services, LLC.
5 ("ESL"), the service company affiliate of Entergy Texas, Inc. ("ETT" or the
6 "Company") as Manager, Regulatory Filings.

7
8 Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

9 A. I am submitting this Direct Testimony on behalf of ETL.
10

11 Q3. DESCRIBE BRIEFLY YOUR EDUCATIONAL BACKGROUND AND
12 PROFESSIONAL EXPERIENCE.

13 A. I hold a Bachelor of Business Administration degree from Loyola University
14 (New Orleans). I began my career with Entergy in January 1984, and I have spent
15 most of my career at ESL in the accounting and regulatory organizations. I spent
16 over fifteen years in accounting performing various accounting functions
17 including affiliate transactions, general ledger and business dimensions, cost
18 reporting and analysis, and leading various special projects and initiatives. I
19 joined the Regulatory Filings group in 2014 as the Regulatory Project Coordinator
20 supporting ETL. In this role, I was responsible for the development, preparation,
21 and analysis of regulatory filing needs for ETL, including the cost-of-service
22 studies for ETL's 2015 and 2018 base-rate case proceedings, the Distribution Cost
23 Recovery Factor ("DCRF"), the Transmission Cost Recovery Factor ("TCRF"),

1 and other related filings. In May of 2019, I was promoted to Manager,
2 Regulatory Filings where I continue to provide supervision and oversight,
3 analysis, expert witness testimony, and support of regulatory filings for ETI.

4
5 Q4. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE
6 COMMISSION OR ANY OTHER REGULATORY AUTHORITY?

7 A. Yes. I have provided a list of the proceedings in which I have submitted
8 testimony in Exhibit APL-1.

9
10 **II. PURPOSE OF TESTIMONY**

11 Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

12 A. The purpose of my testimony is to support the Company's total cost of service as
13 reflected in the schedules prepared and filed in accordance with the Public Utility
14 Commission of Texas's ("Commission") Electric Utility Rate Filing Package for
15 Generating Utilities ("RFP"). As the Company's overall accounting witness, I
16 support ETI's per book test year accounting data and several pro forma
17 adjustments to remove non-recurring or abnormal expenses as well as to include
18 known and measurable adjustments and to help ensure that the rates charged as a
19 result of this proceeding are more closely aligned with the costs ETI will face
20 during the period in which the rates resulting from this proceeding will be in
21 effect. In addition, I address ETI's regulatory treatment of legislative advocacy
22 expenses, advertising expense, donations and contributions, outside services,
23 income taxes, and dues and memberships. Further, I describe the Distribution

1 Cost Recovery Factor (“DCRF”), Transmission Cost Recovery Factor (“TCRF”),
2 and Purchased Power Capacity Cost Recovery Factor (“PCRF”) baselines and the
3 treatment of the currently-effective DCRF and TCRF rider rates as well as the
4 current rates in the Generation Cost Recovery Rider (“GCRR”).
5

6 Q6. WHAT IS THE TEST YEAR FOR THIS FILING?

7 A. The test year is the twelve months ending December 31, 2021.
8

9 Q7. DO YOU SPONSOR OR CO-SPONSOR ANY RATE FILING PACKAGE
10 SCHEDULES?

11 A. Yes, I sponsor or co-sponsor several schedules filed in this proceeding.
12 Exhibit APL-2 lists the schedules that I am sponsoring or co-sponsoring with
13 other witnesses. The schedules were prepared in accordance with the
14 Commission’s RFP instructions, either by me or under my direct supervision and
15 control unless otherwise indicated.
16

17 Q8. ON WHAT BASIS WERE THE SCHEDULES THAT YOU JUST
18 MENTIONED PREPARED?

19 A. They were prepared from the books and records of the Company and are accurate
20 summaries of the business records upon which they are based.

1 Q9. ARE THE BOOKS, ACCOUNTS, AND RECORDS OF THE COMPANY
2 MAINTAINED IN A MANNER PRESCRIBED BY THE COMMISSION?

3 A. Yes, they are kept in compliance with the Federal Energy Regulatory Commission
4 (“FERC”) Uniform System of Accounts (“USOA”) as prescribed in
5 Section 14.151 of the Public Utility Regulatory Act (“PURA”), and in 16 Tex.
6 Admin. Code (“TAC”) § 25.72(b)(1), (c)(1), and (e) through (g). The records are
7 maintained in New Orleans, Louisiana as approved by this Commission in Docket
8 No. 13017.

9
10 Q10. HAS ETI INSTITUTED CONTROLS TO ENSURE THAT ONLY THOSE
11 EXPENDITURES THAT ARE REASONABLE AND NECESSARY ARE
12 INCLUDED IN ITS COST OF SERVICE?

13 A. Yes. ETI has a robust, thorough, and well-designed process for ensuring only
14 reasonable and necessary expenses are included in its cost of service. ETI adheres
15 to accounting practices that are standard in the utility industry. Both ETI and ESL
16 maintain a system of internal accounting controls that ensure appropriate review
17 and authorization to determine the propriety of expenditures. The financial
18 processes and systems are well designed, well controlled, and are operated by
19 trained professionals, resulting in reliable and accurate financial reporting.
20 Responsible personnel are accountable for expenditures within their regions,
21 divisions, or departments, and cross-checks are in place to ensure accounting
22 controls efficacy. The system of internal accounting controls is designed to
23 reasonably ensure that transactions are executed in accordance with

1 management's authorization and that assets are properly safeguarded and
2 accounted for. Numerous witnesses have filed testimony regarding the necessity
3 and reasonableness of expenditures included in the cost of service.

4 In addition, ETI's financial statements are audited annually by an
5 independent external audit firm that has opined, without exception, that the
6 statements are fairly presented and comply with the FERC USOA and Generally
7 Accepted Accounting Principles ("GAAP"). Additionally, the external auditor
8 conducts tests of our system of internal financial controls, as required by the
9 Sarbanes-Oxley Act of 2002, and has expressed unqualified opinions, or clean
10 audit opinions, since the implementation of this legislation as to the effectiveness
11 of Entergy Corporation and Subsidiaries' ("ETR") system of internal controls
12 over financial reporting.

13 As mentioned, ETI's development and maintenance of financial
14 information is continuously tested and subject to key controls to ensure accuracy
15 and completeness. Key controls (i.e., controls necessary to ensure sufficient
16 accounting infrastructure is in place to support accurate and complete financial
17 statements) over financial reporting are tested on an established schedule, with
18 most controls tested quarterly and annually by designated internal testers. Test
19 procedures are defined for key controls. Test results are reviewed by
20 management to assess whether the test was performed correctly and to determine
21 whether the test results confirm that the control is working as intended. Tests are
22 tracked in an automated tool that reminds the testers of the upcoming tests to be
23 performed and records the results of the tests, as well as any tests that are not

1 performed timely. As with the tests themselves, the completion of action plans is
2 also tracked to ensure timely resolution. ETR's independent external auditor also
3 reviews these tests and test results as part of its annual audit of the system of
4 internal controls.

5
6 **III. COST OF SERVICE**

7 **A. Schedule A – Overall Cost of Service**

8 Q11. PLEASE DESCRIBE THE RESULTS OF THE COMPANY'S COST OF
9 SERVICE STUDY ON A TOTAL ELECTRIC BASIS AS REFLECTED ON
10 SCHEDULE A IN THE RFP.

11 A. Schedule A (Overall Cost of Service) summarizes the Company's cost of service
12 study at the total electric level. Individual columns in the schedule contain per
13 book, adjustments, and adjusted amounts. All revenue and expense adjustments
14 are referenced to the supporting data included in Schedule A-3, and all rate base
15 adjustments are referenced to the supporting data included in Schedule B-1. As
16 reflected on Schedule A, line 1, ETI's total cost of service to be recovered through
17 base rates, excluding eligible fuel and purchased power expenses, is \$1.2 billion.

18
19 Q12. ARE THE COSTS REFLECTED ON SCHEDULE A AND INCLUDED IN THE
20 COMPANY'S COST OF SERVICE REASONABLE AND NECESSARY?

21 A. Yes. The testimony, exhibits, schedules, and workpapers filed in this docket
22 demonstrate that the expenses reflected on Schedule A and included in the
23 Company's cost of service consist of expenses that are reasonable and necessary

1 for the provision of electric utility service to the public.

2

3 **Q13. PLEASE DESCRIBE SCHEDULE A-1.**

4 A. Schedule A-1 is not applicable as the Company does not have a wholesale class;
5 thus, there is no difference between Schedule A and Schedule A-1.

6

7 **Q14. PLEASE DESCRIBE SCHEDULE A-2.**

8 A. Schedule A-2 (Cost of Service Detail by Account) lists detailed data that support
9 the cost of service study results reflected on Schedules A and B-1 of the RFP.
10 Fuel, purchased power, and payroll costs are separated from the other operation
11 and maintenance (“O&M”) expenses and listed on individual lines of the
12 schedule. All other O&M items are shown exclusive of any fuel, purchased
13 power, or payroll requested or booked during the test year. In order to identify
14 the affiliate costs in the cost of service study, Schedule A-2 distinguishes between
15 costs incurred directly by ETI and those ETI incurred through an affiliate. This
16 schedule shows the cost of service detail in the form prescribed by the
17 Commission’s RFP instructions. Column (1) of Schedule A-2 provides the
18 description of amounts included in cost of service, rate base, revenue information,
19 and various ratios. Column (2) reflects the actual test year activity, balance, or
20 factor for the particular item in Column (1). Column (3) represents the
21 adjustments to the per book amounts shown in Column (2). Column (4) reflects
22 the same information on an as-requested basis.

1. **Adjustments**

Q15. WHERE ARE ADJUSTMENTS TO THE TEST YEAR COST OF SERVICE PRESENTED?

A. Schedule A-3 (Adjustments to Test Year) provides a brief description of adjustments to test year data along with references to appropriate testimony and supporting workpapers for the revenue and expense adjustments that appear on Schedule A. Schedule B-1 (Total Company Rate Base and Return) includes the rate base adjustments and Schedule B-1 workpapers briefly describe and provide references to testimony and workpapers that support the rate base adjustments reflected on Schedule A. Schedule P workpapers show the detail of the adjustments to test year data.

Q16. WHAT ADJUSTMENTS DO YOU NOT SPONSOR?

A. I sponsor or co-sponsor all adjustments except for the following:

<u>Adjustment #</u>	<u>Adjustment Name</u>	<u>Sponsor</u>
AJ 01	Rate Schedule Revenues	Richard E. Lain/ Crystal K. Elbe
AJ 03	Revenue Related Expenses	Richard E. Lain
AJ 04	Miscellaneous Electric Service Revenue	Stuart Barrett
AJ 19A	Affiliate Non-recoverable Expenses	Bobby R. Sperandeo
AJ 19B	Affiliate Energy Efficiency Electric	Bobby R. Sperandeo
AJ 19C	Affiliate Rate Case Expenses	Bobby R. Sperandeo
AJ 19H	Affiliate Non-qualified Pension Plan	Bobby R. Sperandeo
AJ 19O	Affiliate Aircraft Costs	Bobby R. Sperandeo
AJ 19P	Affiliate Gas and Nuclear	Bobby R. Sperandeo
AJ 25	Interruptible Credit	Crystal K. Elbe

1 Q17. PLEASE GENERALLY DESCRIBE THE ADJUSTMENTS INCLUDED IN
2 SCHEDULES A-3.

3 A. Generally, the adjustments included in Schedule A-3: (1) bring expenses and
4 revenues to a test year-end level; or (2) update the test year information for known
5 and measurable changes.

6

7 Q18. ON WHAT AUTHORITY DOES ETI RELY TO MAKE ADJUSTMENTS FOR
8 KNOWN AND MEASURABLE CHANGES?

9 A. I am not an attorney, but I understand that PURA § 36.112(e) permits ETI to
10 include known and measurable adjustments to the utility's historical rate
11 information. That section states:

12 An electric utility that makes an election under Subsection (b) is
13 not precluded from proposing known and measurable adjustments
14 to the utility's historical rate information as permitted by this title
15 and regulatory authority rules.

16

17 Q19. HAS ETI MADE AN ELECTION UNDER PURA § 36.112(b) IN THIS CASE?

18 A. Yes. ETI has elected to have its revenue requirement determined based on
19 information submitted for a test year, adjusted for known and measurable
20 changes.

1 Q20. WHY DID ETI ELECT TO HAVE ITS REVENUE REQUIREMENT
2 DETERMINED BASED ON A TEST YEAR INSTEAD OF USING THE
3 UPDATE PERIOD PROVIDED IN PURA § 36.112?

4 A. My understanding is that 16 TAC § 25.246 requires that an update period must
5 end the last day of a calendar or fiscal year quarter, and not later than the 30th day
6 before the date of the applicable rate proceeding is filed. Compiling the
7 information for an adjusted test year is a significant and complex task in its own
8 right. Because ETI is statutorily required to initiate a rate proceeding on or before
9 July 1, 2022, attempting to file a rate case, with an update period, would have
10 jeopardized ETI's ability to meet its statutory deadline.

11
12 Q21. WHY IS ETI PROPOSING KNOWN AND MEASURABLE CHANGES TO
13 THE TEST YEAR?

14 A. As I understand it, the purpose of the test year is to provide a reasonable estimate
15 for the cost circumstances that the Company will face during the rate effective
16 period. However, test year information should be modified to reflect known and
17 measurable changes and to remove nonrecurring items so the revenues the
18 Company collects during the rate effective period will align with its actual costs
19 during that period. The adjusted expenses and revenues presented in this filing
20 are those that, if used as the basis for setting rates, will assist in affording ETI a
21 reasonable opportunity to recover its reasonable and necessary expenses and earn
22 a reasonable return on investment. Witnesses Eliecer Viamontes, Jess Totten, and
23 Ann E. Bulkley discuss ETI's historical impediments to earning its authorized

1 return, and the financial challenges ETI is facing going forward.

2

3 Q22. WHICH ADJUSTMENTS INCLUDED IN SCHEDULE A-3 ARE YOU
4 SPONSORING?

5 A. I am sponsoring the adjustments discussed below.

6

7 a. **Fuel & Purchased Power (Adjustment 5)**

8 Q23. PLEASE DESCRIBE THE PURPOSE OF FUEL EXPENSE ADJUSTMENT 5.

9 A. The purpose of Adjustment 5 is to remove the Company's eligible fuel and net
10 purchased power expenses from the Company's test year operating expenses used
11 to calculate base rates. In Adjustment 5, the Company per book amounts were
12 removed for the following items:

- 13 • Eligible fuel, steam, and allowance expenses;
- 14 • Eligible purchased power expense; and
- 15 • Eligible other sales for resale revenue.

16 Richard E. Lain sponsors Adjustment 1 (Rate Schedule Revenues) and
17 explains that the adjusted present rate revenues in the cost of service study include
18 base rate, but not fuel, revenues. Therefore, as a result of Adjustments 1 and 5,
19 the Company's eligible fuel and net purchased power expenses and fuel factor
20 revenues are synchronized at a value of zero for each of its rate classes.

21 Synchronizing fuel factor revenues and eligible fuel and net purchased
22 power expenses, by definition, synchronizes sales and generation for the test year.
23 Accordingly, per book unbilled revenues and deferred fuel expenses were also

1 adjusted to zero in Adjustment 5.

2
3 **b. Cash Working Capital (Adjustment 6)**

4 Q24. PLEASE DESCRIBE HOW THE CASH WORKING CAPITAL ALLOWANCE
5 IS CALCULATED.

6 A. Schedule E-4 contains the calculation of the cash working capital allowance for
7 O&M expenses obtained from the lead-lag study. 16 TAC
8 § 25.231(c)(2)(B)(iii)(IV) and (V) require that a lead-lag study be performed to
9 determine the reasonableness of a cash working capital allowance. A lead-lag
10 study is a detailed analysis of the Company's normal day-to-day business
11 activities performed to assist in determining the amount of investment that is
12 necessary to fund these activities before the Company is reimbursed by its
13 customers. Jay Joyce discusses the lead-lag study in his direct testimony. The
14 working cash capital adjustment reduces rate base by \$9.5 million.

15
16 **c. Local Franchise Tax Adjustment (Adjustment 7)**

17 Q25. PLEASE DESCRIBE THE LOCAL FRANCHISE TAX ADJUSTMENT.

18 A. This adjustment removes the incremental local franchise tax and street rental tax
19 from taxes other than income tax expense. These taxes, totaling \$10.9 million,
20 are recovered in a separate rate rider approved by individual municipalities and
21 charged within the corporate limits of those municipalities.

1 **d. Non-Qualified Pension Adjustment (Adjustment 8)**

2 Q26. PLEASE EXPLAIN THE ADJUSTMENT TO NON-QUALIFIED
3 SUPPLEMENTAL PENSION EXPENSE.

4 A. The adjustment eliminates the test year direct non-qualified supplemental pension
5 expense of \$89,351, which is consistent with the Commission's Final Order in
6 Docket No. 39896.

7

8 **e. Margins Tax (Adjustment 9)**

9 Q27. PLEASE DESCRIBE THE STATE FRANCHISE TAX EXPENSE
10 ADJUSTMENT.

11 A. The Company reclassified \$700 thousand to taxes other than income tax expense to
12 reflect the margins tax calculation expense of state franchise taxes based on the
13 2021 tax rate.

14

15 **f. Income Taxes (Adjustment 10)**

16 Q28. PLEASE DESCRIBE ADJUSTMENT 10, THE INCOME TAX ADJUSTMENT.

17 A. The income tax adjustment removes prior year amounts from the test year, adjusts
18 items to the correct test year levels, includes amortization of protected excess
19 accumulated deferred federal income taxes ("ADFIT"), and eliminates
20 adjustments to taxable income and deferred income taxes for items that are
21 normalized in other adjustments. The current and deferred income tax effects
22 related to Accounting Standards Codification ("ASC") 740, Income Taxes
23 (formerly known as Statement of Financial Accounting Standards ("SFAS"))

1 No. 109, Accounting for Income Taxes) are eliminated.

2

3 Q29. WHY ARE PRIOR YEAR AMOUNTS RECORDED IN THE TEST YEAR?

4 A. The tax return for 2020 was not completed and filed until September 2021.
5 Differences between amounts recorded on the books for current and deferred
6 income taxes and amounts ultimately used in the filed tax return were recorded on
7 the books in the month of November 2021. Since these amounts do not relate to
8 expenses incurred during the test year, such amounts have been eliminated from
9 the test year.

10

11 Q30. WHY DID YOU MAKE THE ADJUSTMENTS TO THE TEST YEAR LEVELS
12 OF CURRENT AND DEFERRED INCOME TAXES?

13 A. Corrections were recorded during the test year to current and deferred income tax
14 amounts that were originally recorded in periods prior to the test year. These
15 adjustments were either eliminated or the test year amount was adjusted to an
16 amount consistent with test year operating expenses.

17

18 Q31. PLEASE EXPLAIN THE ADJUSTMENT TO TAXABLE INCOME AND
19 DEFERRED INCOME TAXES AND THE ASSOCIATED ADJUSTMENT FOR ITEMS
20 THAT ARE NORMALIZED IN OTHER ADJUSTMENTS.

21 A. Current and deferred income taxes related to items that are eliminated in their
22 entirety, or where the test year amount is substantially changed in other
23 adjustments, are eliminated or adjusted in the income tax adjustment. This is to

1 ensure the correct ending current and deferred income tax effects match and
2 correspond to the items of revenue and expense in the cost of service. In addition,
3 ADFIT associated with items adjusted or removed from the case are adjusted to
4 the appropriate levels or eliminated in the adjustment.

5
6 Q32. WHY HAVE YOU ELIMINATED DEFERRED INCOME TAXES AND ADFIT
7 RELATED TO ASC 740?

8 A. The regulated effect of ASC 740 results in recording accumulated deferred
9 income taxes that subsequently will be collected from or paid to customers and
10 are offset by corresponding regulatory assets and liabilities. ASC 740 should
11 have no effect on net operating income or rate base from a regulatory standpoint,
12 and this adjustment accomplishes the required net operating income neutral effect.
13 In addition, all ADFIT effects of ASC 740 are eliminated from the test year.

14
15 **g. Rate Case Expense (Adjustment 11)**

16 Q33. PLEASE DESCRIBE THE ADJUSTMENT FOR RATE CASE EXPENSES.

17 A. Adjustment 11 eliminates actual expenses incurred by ETI in preparing this RFP.
18 Internal payroll and external costs were incurred directly by ETI prior to the end
19 of the test year. Affiliate costs were incurred and removed as part of Adjustment
20 19C, which is sponsored by witness Bobby R. Sperandeo. The Company is
21 proposing to recover rate case expenses in a separate rider, which is addressed in
22 Mr. Lain's testimony.

1 **h. Depreciation Expense (Adjustment 12)**

2 Q34. PLEASE DESCRIBE THE DEPRECIATION EXPENSE ADJUSTMENT.

3 A. Included in this rate filing package is a depreciation study prepared by Dane A.
4 Watson, and the results of that study are described in Mr. Watson's direct
5 testimony. The application of the proposed depreciation rates from the
6 Depreciation Study to test year end plant balances results in an increase in
7 depreciation expense of approximately \$108.8 million. Deferred income taxes
8 and investment tax credits are also adjusted for the effect of the proposed
9 depreciation rates. Mr. Watson co-sponsors this adjustment.

10
11 **i. Credit Facility Fees (Adjustment 13)**

12 Q35. PLEASE DESCRIBE THIS ADJUSTMENT.

13 A. This adjustment reclassifies \$360,994 of credit facility fees from interest expense
14 to administrative and general expense. This adjustment is similar to the
15 reclassification of ESL and customer deposit interest expense found in
16 Adjustment 18 below.

17
18 **j. Miscellaneous Adjustments (Adjustment 14)**

19 Q36. PLEASE DESCRIBE THE MISCELLANEOUS ADJUSTMENTS.

20 A. This adjustment includes the following:

21 A) An adjustment to both expense and rate base to remove the impact in the
22 cost of service of the asset retirement obligation and related accretion and
23 depreciation expense recorded as result of implementing ASC 410-20

- 1 (formerly known as SFAS No. 143). ASC 410-20 should have no effect
2 on net operating income or rate base from a regulatory standpoint.
- 3 B) This adjustment eliminates \$3.9 million of out-of-period transactions that
4 were recorded during the test year.
- 5 C) Regulatory assets and liabilities amortization of \$5 million, which is not
6 included in the cost of service, is eliminated in this adjustment.
- 7 D) This adjustment removes \$55,386 of certain expenses from the cost of
8 service that are not allowed under 16 TAC § 25.231(b)(2). The related
9 affiliate expenses are removed in AJ19 A.
- 10 E) Consistent with Commission precedent, an adjustment was made to
11 eliminate the ASC 715-30 (formerly known as SFAS No. 158) regulatory
12 asset offset to the unfunded pension liability balance. This adjustment has
13 the effect of increasing rate base by \$113.1 million.
- 14 F) An adjustment was made to identify facilities revenue by function.
- 15 G) This adjustment annualizes O&M expense for the Hardin County Peaking
16 Facility ("Hardin County"), which ETI acquired on June 4, 2021. This
17 adjustment is reasonable and necessary to reflect an annual amount of
18 expenses in rates. Company witness Beverley Gale discusses Hardin
19 County in her direct testimony.
- 20 H) This adjustment eliminates direct energy efficiency costs of \$9.1 million,
21 which are recovered in a rider. The affiliate energy efficiency costs are
22 eliminated in AJ 19B.
- 23 I) This adjustment is discussed further below under Schedule B-1.

- 1 J) This adjustment eliminates certain prepaid balances, which are not
2 recoverable in base rates. This adjustment reduces rate base by \$63,120.
- 3 K) This adjustment increases O&M expense by \$275,166 for an increase in
4 the number of employees in ETI's Distribution organization in 2022. In
5 her direct testimony, Company witness Melanie L. Taylor provides further
6 details about these organizational changes.
- 7 L) This adjustment establishes a 3-year amortization period for the pension
8 regulatory asset and removes the other postemployment benefits
9 regulatory asset from rate base. These regulatory assets are established
10 pursuant to the provisions of PURA § 36.065. Company witness David C.
11 Batten explains the Company's proposed regulatory treatment of these
12 costs in his direct testimony.
- 13 M) The purpose of this adjustment is to amend the amortization period of the
14 existing regulatory asset for the non-AMS meters authorized in Docket
15 No. 47416, and to establish a regulatory asset and amortization period for
16 the revenue requirement associated with distribution invested capital that
17 was offset by the retirement of the non-AMS meters in Docket No. 50714.
- 18 N) This adjustment establishes a 3-year amortization period for the final
19 balance of the rider Hurricane Restoration Costs ("HRC") associated with
20 Hurricane Rita remaining after the one-time refund in December 2021
21 resulting from the updated schedule HRC rates in Docket No. 52614. The
22 balance is an over recovery of one year of the credit to be amortized over
23 3-years.

1 **k. Interest Synchronization (Adjustment 15)**

2 Q37. PLEASE DESCRIBE THE INTEREST SYNCHRONIZATION ADJUSTMENT.

3 A. Per book interest expense in the tax calculation is replaced with the interest
4 expense calculated by multiplying the weighted cost of debt in the requested cost
5 of capital by adjusted rate base.

6
7 **l. Customer Deposits and ESL Interest Expense (Adjustment 16)**

8 Q38. PLEASE DESCRIBE THE ADJUSTMENT FOR INTEREST ON CUSTOMER
9 DEPOSITS.

10 A. The Company reclassified \$20,713 from interest expense, a below the line account.
11 The reclassified expense represents a rate of .06%, the rate in effect during 2021
12 under 16 TAC § 25.24(g), based upon the thirteen-month average of customer
13 deposits. The total amount of customer deposits is reflected as a reduction from
14 rate base as required by 16 TAC § 25.231(c)(2)(C)(v).

15
16 Q39. DESCRIBE THE ADJUSTMENT FOR ESL INTEREST.

17 A. The adjustment reclassifies ESL interest expense of \$26,358 recorded below the
18 line in the test year to Account 923. The Company is not requesting a return on
19 assets owned by ESL but is requesting recovery of actual interest costs paid to
20 ESL. Mr. Sperandeo's testimony describes and supports these amounts.

1 **m. ASC 715-60 Defined Benefit Plans – Other Postretirement (Adjustment 17)**

2 Q40. PLEASE DESCRIBE THE ASC 715-60 DEFINED BENEFIT PLANS – OTHER
3 POSTRETIREMENT ADJUSTMENT.

4 A. In December 1990, the Financial Accounting Standards Board (“FASB”) issued
5 SFAS 106, which was effective for fiscal years beginning after December 15,
6 1992, and this standard has since been codified and is currently referred to as
7 ASC 715-60, Defined Benefit Plans – Other Postretirement. Under ASC 715-60,
8 a business must account for benefits other than pensions to be provided to retirees
9 during retirement on an accrual basis during the periods that the employees render
10 service.

11 The Commission approved recovery of these costs by ETI on an accrual
12 basis in Docket No. 16705 (then Entergy Gulf States, Inc.). The 2021 actual
13 accrual reflected in the cost of service was a credit of (\$5.7 million) to expense for
14 ETI. The 2022 actuarially estimated expense for ETI is also a credit amount.
15 Adjustment 17 removes the actual 2021 ASC 715-60 accrual credit from the cost
16 of service. Company witness Mr. Batten explains in his direct testimony the
17 reason for this credit and why it is appropriate for the Company to remove it from
18 the cost of service. The portion of ESL 2022 actuarially-estimated 2022 ASC
19 715-60 accrual that is allocated to ETI is reflected in the adjustment. The
20 adjustment including the removal of the ETI credit offset by a slight increase in
21 ESL allocated expense to ETI is an increase of \$5.7 million to the overall other
22 postretirement benefit expense included in the cost of service.

1 **n. Pension Expense (Adjustment 18)**

2 Q41. PLEASE EXPLAIN THE PENSION EXPENSE ADJUSTMENT.

3 A. The actuarially-estimated amount of pension expense for 2022 is included in the
4 cost of service, for both ETI direct and ESL allocated to ETI. The adjustment is a
5 decrease of \$1.2 million to the overall pension expense included in the cost of
6 service.

7

8 **o. Payroll Expense (Adjustment 20)**

9 Q42. PLEASE EXPLAIN THE PAYROLL EXPENSE ADJUSTMENT.

10 A. Payroll expense has been adjusted to reflect the increase in the number of ETI
11 employees during the test year. The change in the number of employees is
12 calculated and an average salary for employees hired, resigned, or retired during
13 the test year is used to calculate a total Company adjustment to increase payroll
14 expense. This has the effect of annualizing the payroll impact of the employees
15 during the test year. This amount is then factored down to an electric O&M
16 amount, to which payroll taxes and benefits are added, resulting in a total expense
17 increase of approximately \$1.5 million. This adjustment also includes the payroll
18 increases for non-bargaining employees, effective April 1, 2021, and April 1,
19 2022, and increases for bargaining employees, which were effective, March 2022
20 and June 2022. The increase in expense (including benefits and payroll taxes) is
21 approximately \$856 thousand for a combined increase to expense of \$2.3 million
22 as shown on Adjustment 20A.

1 Q43. WAS A SIMILAR ADJUSTMENT MADE FOR ESL EMPLOYEES?

2 A. Yes, in Adjustment 20B. The number of employees and wage increases were
3 considered in a similar fashion for ESL employees. The ESL adjustment results
4 an increase in payroll expense of \$1.4 million.
5

6 p. **Renewable Energy Credit Adjustment (Adjustment 21)**

7 Q44. PLEASE DESCRIBE THIS ADJUSTMENT.

8 A. This adjustment reflects the 2022 requirement level of renewable energy credit
9 expense of \$1,248,876.
10

11 q. **Incentive Compensation Adjustment (Adjustment 22)**

12 Q45. PLEASE DESCRIBE THE INCENTIVE COMPENSATION ADJUSTMENT

13 A. Adjustment 22A removes approximately \$127 thousand of certain direct incentive
14 compensation from the Company's cost of service. Specifically, consistent with
15 Commission decisions in Docket Nos. 39896 and 40443, all expenses for stock
16 options, the long-term incentive plans, and financially-based expenses of the
17 annual incentive plans have been removed. There were no expenses in the test
18 year related to the restricted shares program or equity awards program incurred by
19 the Company. As further explained in the Direct Testimony of Jennifer A.
20 Raeder, the Company has not removed the costs of its restricted stock program
21 because similar costs were approved for recovery by the utility in Docket
22 No. 40443. The per book cost of service already reflects the removal of the
23 capital charges as well as the associated accumulated provision for depreciation

1 and depreciation expense related to the disallowed incentive compensation costs
2 described above.

3

4 Q46. WAS A SIMILAR ADJUSTMENT MADE FOR THE INCENTIVE
5 COMPENSATION OF ESL EMPLOYEES?

6 A. Yes. Adjustment 22B shows that approximately \$2.3 million in affiliate costs
7 pertaining to the same incentive compensation programs noted above have been
8 removed from the Company's cost of service.

9

10 r. **Known and Measurable Contract Changes (Adjustment 24)**

11 Q47. PLEASE DESCRIBE THIS ADJUSTMENT.

12 A. This adjustment increases the O&M expense by approximately \$5.1 million for
13 vegetation management, underground line, and overhead line contracts negotiated
14 during the test year. Company witness Ms. Taylor describes these contract
15 increases further in her direct testimony. Additionally, an increase in customer
16 expenses of approximately \$2.5 million associated with a contract rate increase as
17 well as an increase in staff at the Customer Contact Centers ("CCCs") is included
18 in this adjustment. Paula Waters discusses these increases for the CCCs further in
19 her direct testimony.

1 s. **Property Insurance Reserve (Adjustment 26)**

2 Q48. PLEASE EXPLAIN THE ADJUSTMENT TO THE PROPERTY INSURANCE
3 RESERVE ACCRUAL.

4 A. This adjustment increases the property insurance reserve by \$6.0 million and is
5 based upon an annual property insurance accrual of approximately \$14.5 million
6 as supported by the Direct Testimony of Gregory S. Wilson. This reserve is part
7 of the Company's self-insurance plan.

8
9 t. **PURA § 39.4525 Adjustment (Adjustment 27)**

10 Q49. PLEASE DESCRIBE ADJUSTMENT 27.

11 A. Adjustment 27 removes from the cost of service amounts charged to the Company
12 pursuant to PURA § 39.4525 ("Hiring Assistance for Federal Proceedings").
13 These costs are recovered through a rider as permitted by Section 39.4525.

14
15 u. **Southern Gulf Railway, L.L.C. and Big Cajun II, Unit 3 Expenses**
16 **(Adjustment 29)**

17 Q50. PLEASE DESCRIBE ADJUSTMENT 29.

18 A. This adjustment increases operations and maintenance expense by \$996,570 to
19 include: (1) the Company's share of costs to operate and maintain the rail spur
20 owned by Southern Gulf Railway, L.L.C ("SGR"), which is located at the Nelson
21 6 generating station; and (2) a correction to the test year expenses and fuel
22 inventory balance related to ETI's share of costs for Big Cajun II, Unit 3. ETI is a
23 co-owner of both SGR and Big Cajun II, Unit 3. ETI's share of SGR expenses is

1 reflected on ETI's books and records in below the line account 418100 as
2 earnings on an equity method investment. The total amount of \$49,280 recorded
3 in account 418100 in the test year was reclassified to various O&M accounts in the
4 adjustment and included in the cost of service. Company witness Mr. Dornier
5 provides further details about these SGR expenses in his direct testimony. The
6 correction for Big Cajun II, Unit 3 resulted in a decrease of \$75,377 to the fuel
7 inventory balance in rate base and an increase of \$947,290 to expense to correct
8 billing errors that occurred in the test year. Company witness Ms. Gale discusses
9 the details for Big Cajun II, Unit 3 in her direct testimony.

10
11 **v. COVID Bad Debt Regulatory Asset**

12 Q51. PLEASE EXPLAIN THE ADJUSTMENT TO FOR THE COVID BAD DEBT
13 REGULATORY ASSET (ADJUSTMENT 31).

14 A. On March 26, 2020, the Commission issued its Order Related to Accrual of
15 Regulatory Assets under Project No. 50664 authorizing utility companies to
16 record as a regulatory asset, expenses resulting from the effects of COVID-19.
17 The Order states "In future proceedings, the Commission will consider, on a case-
18 by-case basis, the appropriate adjustment to a utility's rates to reflect the recovery
19 of the approved amount of regulatory assets recorded in accordance with this
20 Order."¹ Accordingly, ETI established a regulatory asset for COVID-related bad
21 debt expenses and has included this regulatory asset in rate base. The purpose of

¹ *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Docket No. 50664, Order Related to Accrual of Regulatory Assets (March 26, 2020).

1 the adjustment is to include amortization expense associated with the COVID Bad
2 Debt regulatory asset. The Company proposes to amortize the regulatory asset
3 over three years and has included one year of the amortization expense
4 accordingly. The Company did not record any other COVID-related expenses as
5 a regulatory asset.

6
7 **w. Preliminary Survey/Investigative Expense Removal**

8 Q52. PLEASE EXPLAIN THE PURPOSE OF ADJUSTMENT 32.

9 A. The purpose of this adjustment is to remove costs associated with certain
10 preliminary research and investigative initiatives that were recorded to account
11 183 – Preliminary Survey & Investigative Charges but were written off to expense
12 during the test year after determining the initiatives would not move forward.

13
14 **2. Trial Balances, Schedule A-4**

15 Q53. PLEASE DESCRIBE SCHEDULE A-4.

16 A. Schedule A-4 provides a detailed test year-end trial balance by major FERC
17 account. The amounts shown on this trial balance are referenced to, or reconciled
18 with, test year-end numbers appearing on Schedule A-2.

19
20 **3. Unadjusted O&M, Schedule A-5**

21 Q54. WHAT IS THE PURPOSE OF SCHEDULE A-5?

22 A. Schedule A-5 (Unadjusted O&M) provides a detailed listing by FERC account of
23 O&M costs ETI incurred either directly or through an affiliate that are not

1 adjusted in the cost of service study. The total unadjusted O&M reflected on
2 Schedule A-5 of \$15.2 million agrees to the sum of lines 3 and 4 on
3 Schedule A-2. The information on Schedule A-5 excludes fuel, purchased power,
4 and payroll expenses.

5
6 **B. Schedule B – Rate Base and Return**

7 Q55. PLEASE DESCRIBE SCHEDULE B-1.

8 A. Schedule B-1 (Rate Base and Return) summarizes the Company's per books rate
9 base of \$4.75 billion, the requested adjustments to rate base of \$337.7 million,
10 and the requested rate of return of 7.24% for a total requested rate base of
11 \$4.41 billion. The workpapers for Schedule B-1 detail the support for each
12 adjustment that appears on that schedule. The workpapers also provide: (1) a
13 reference to the appropriate testimony; and (2) a short justification along with the
14 detailed workpapers for the supporting pro forma adjustments in the cost of
15 service study.

16
17 **1. Securitized Storm Costs (Adjustment 23)**

18 Q56. PLEASE DESCRIBE THIS ADJUSTMENT.

19 A. This adjustment removes the storm restoration costs related to Hurricanes Laura
20 and Delta that occurred in 2020 and Winter Storm Uri in 2021 from the costs of
21 service. In addition, the regulatory asset related to Hurricane Harvey was also
22 removed. These costs are being recovered through a separate rider, SRC-2, as
23 approved in ETT's Determination of System Restoration Costs filing, Docket

No. 51997 and ETI's Financing Order, Docket No. 52302.

2. Prepaid Pension Adjustment (Adjustment 28)

Q57. PLEASE DESCRIBE ADJUSTMENT TO THE PREPAID PENSION ASSET.

A. Consistent with the Final Order in Docket No. 39896, in this adjustment the Company has removed the portion of the balance in the prepaid pension asset which is deemed to be associated with Construction Work in Progress ("CWIP") from rate base, removed the related ADFIT, and included an Allowance for Funds Used During Construction ("AFUDC") on the CWIP portion of the prepaid pension asset that was removed. The total amount of prepaid pension costs projected to be utilized over the next five years, before the Company is required to file its next base rate case, is approximately \$17 million, which will be allocated between expense and capital during that 5-year period. Of the \$17 million, the amount deemed to be associated with CWIP is \$8.1 million, and the balance in the prepaid pension asset included in the cost of service, excluding FAS 158 amounts, has been reduced by \$8.1 million accordingly. The ADFIT related to the amount deemed to be associated with CWIP, \$1.7 million, was also removed. Lastly, an adjustment of \$409,000 to accrue AFUDC on the CWIP portion removed from the prepaid pension balance is included. This results in a total decrease of approximately \$6 million to the prepaid pension balance included in rate base.

1 **3. Plant Held for Future Use (Adjustment 14I)**

2 Q58. PLEASE EXPLAIN THE ADJUSTMENT TO PLANT HELD FOR FUTURE
3 USE (ADJUSTMENT 14I).

4 A. This adjustment increased rate base by \$354 thousand for plant held for future use
5 that is in-service or expected to be in-service in the next ten years.

6
7 **4. Remove AMS Costs**

8 Q59. PLEASE EXPLAIN THE ADJUSTMENT TO REMOVE AMS COSTS
9 (ADJUSTMENT 30).

10 A. The purpose of the adjustment is to remove costs, both capital and expense,
11 associated with the Advanced Metering System (“AMS”) that are recovered
12 through a rider. Company witness William Phillips further describes the AMS
13 costs in his direct testimony.

14
15 Q60. PLEASE DESCRIBE SCHEDULE B-1.1.

16 A. Schedule B-1.1 reflects the Company’s allocation of rate base to the Texas Retail
17 jurisdiction. ETI no longer has wholesale customers; therefore, Schedule B-1.1 is
18 not currently applicable to the Company.

19
20 Q61. PLEASE DESCRIBE SCHEDULE B-1.2.

21 A. This schedule reflects the Company’s percentage of plant in-service. The
22 Company is requesting to include approximately \$6.9 billion of plant in-service in
23 the cost of service, which is 96% of the test year-ended plant in-service balance of

1 approximately \$7.2 billion.

2

3 **Q62. PLEASE DESCRIBE SCHEDULE B-1.3.**

4 A. Schedule B-1.3 reports that there are no penalties or fines included in the
5 Company's requested plant in-service on Schedule B-1.

6

7 **Q63. PLEASE EXPLAIN SCHEDULE B-1.4.**

8 A. Schedule B-1.4 quantifies and describes the attendant impacts of any post-test
9 year adjustments to rate base. This schedule is not applicable as ETI is not
10 requesting a post-test year adjustment in the cost of service.

11

12 **Q64. PLEASE DESCRIBE SCHEDULE B-2.**

13 A. Schedule B-2 reports the monthly balance of each accumulated provision account,
14 the amount accrued each month, and the amount charged off each month during
15 the test year. The same information is provided in total for each of the calendar
16 years 2018 through 2021.

17

18 **Q65. PLEASE DESCRIBE SCHEDULE B-2.1.**

19 A. Schedule B-2.1 provides an explanation of the Company's policy regarding
20 accumulated provision accounts and the benefits these accounts provide to
21 customers.

1 **C. Schedule C – Original Cost of Plant**

2 Q66. PLEASE DESCRIBE SCHEDULE C-1.

3 A. This schedule summarizes the original cost of utility plant as of the beginning of
4 the test year, shows additions, retirements, and transfers, and provides the
5 balances at the end of the test year. Adjustments made to the book balances for
6 requested plant amounts are also included in this schedule. Total utility plant as
7 adjusted reflected on Schedule C-1 as of December 31, 2021 is \$7.1 billion
8 (Line 15).

9
10 Q67. PLEASE DESCRIBE SCHEDULE C-2.

11 A. This schedule presents the data shown in Schedule C-1, detailed by each of the
12 major plant accounts.

13
14 Q68. PLEASE DESCRIBE SCHEDULE C-3.

15 A. Schedule C-3 is a monthly presentation of plant book balances by primary or
16 functional classification and by plant account, including any requested
17 adjustments to the balances for the month before the test year begins and for each
18 of the 12 months in the test year to reflect a thirteen-month amount.

19
20 Q69. PLEASE DESCRIBE SCHEDULE C-4.1.

21 A. This schedule lists items of \$100,000 or more by functional group included in
22 CWIP with details concerning the items.

1 Q70. PLEASE DESCRIBE SCHEDULE C-4.2, CWIP ALLOWED IN RATE BASE.

2 A. The schedule shows that no CWIP was requested in rate base in Docket
3 Nos. 41791 or 48371, the Company's two most recent base rate proceedings. In
4 this filing, the Company is not requesting to include CWIP in rate base.

5

6 Q71. PLEASE DESCRIBE SCHEDULE C-5, ALLOWANCE FOR FUNDS USED
7 DURING CONSTRUCTION AND CONSTRUCTION OVERHEADS.

8 A. This schedule details the methods, procedures, and calculations in capitalizing
9 AFUDC. Also shown are the capitalization rates for each of the five years ending
10 December 31, 2017 through 2021, and the amounts of AFUDC generated and
11 transferred to plant in-service.

12

13 Q72. PLEASE DISCUSS SCHEDULES C-6.1 THROUGH C-6.10.

14 A. These schedules are not applicable to ETI, which has no nuclear fuel.

15

16 **D. Schedule D – Accumulated Depreciation**

17 Q73. PLEASE DESCRIBE SCHEDULE D.

18 A. Schedule D is a narrative description of the sub-schedules included in this section
19 that are to be filed on diskettes. However, all of the schedules in this section are
20 provided electronically in native format.

21

22 Q74. PLEASE DESCRIBE SCHEDULE D-1.

23 A. Schedule D-1 shows the reserve for depreciation and amortization at the

beginning of the test year, provisions, salvage, cost of properties retired, cost of removal, other additions and/or reductions, and the reserve for depreciation and amortization at the end of the test year. Adjustments and the as-adjusted amounts are also shown. The total adjusted accumulated depreciation is \$1.96 billion. The Company has included with this filing an updated depreciation study, sponsored by Dane Watson, which demonstrates that ETI's current depreciation rates should be adjusted. Based on the depreciation rates recommended by Mr. Watson's study, depreciation expense should be increased by approximately \$108.8 million.

Q75. PLEASE DESCRIBE SCHEDULE D-2.

A. Schedule D-2 is a narrative description of the methods and procedures followed in booking depreciation and plant retirements and abandonments.

Q76. PLEASE DESCRIBE SCHEDULE D-3.

A. Schedule D-3 reflects the details of plant held for future use ("PHFU") at the end of the test year. Based on engineering analysis, the Company is requesting \$175,847 of the PHFU shown on Schedule D-3 to be included in rate base because these assets are expected to be in-service within the next ten years.

Q77. PLEASE DESCRIBE SCHEDULE D-4.

A. This schedule shows depreciable plant, the depreciation rate for the test year, and test year depreciation. The requested depreciable plant and existing depreciation rates are shown, requested depreciation expense is computed, and the adjustment

1 to depreciation expense requested is presented in the last column. The requested
2 depreciation and amortization expense as reflected on Schedule D-4 is
3 \$83.3 million and \$6.6 million, respectively, for a total of \$89.91 million.
4

5 Q78. PLEASE DESCRIBE SCHEDULE D-5.

6 A. The depreciation study prepared by Mr. Watson and included as an exhibit to
7 Mr. Watson's direct testimony is referenced in Schedule D-5.
8

9 Q79. PLEASE DESCRIBE SCHEDULE D-7.

10 A. This schedule provides summary data for cost of removal, salvage, and net
11 salvage, and is provided by functional classification. A demolition study
12 performed by Sargent & Lundy has been included with this filing and
13 demonstrates the reasonableness of the net salvage values for ETI's production
14 facilities. The Company is requesting approximately \$9.8 million for cost of
15 removal and (\$3) million for gross salvage to arrive at a net salvage value of
16 \$6.8 million.
17

18 Q80. PLEASE DESCRIBE SCHEDULE D-8.

19 A. This schedule provides the average service life of each group of assets and the
20 Iowa Curves used to determine the lives.

1 **E. Schedule E – Short-Term Assets and Inventories**

2 Q81. PLEASE DESCRIBE SCHEDULE E-1.

3 A. Schedule E-1 lists each short-term asset requested in rate base (e.g., materials and
4 supplies, prepayments, and fuel inventory). The schedule includes book balances
5 for the month end before the test year begins and each of the twelve months of the
6 test year in order to arrive at a 13-month average.

7

8 Q82. PLEASE DESCRIBE SCHEDULE E-1.1.

9 A. Schedule E-1.1 details the monthly per book balances by category included in
10 Schedule E-1.

11

12 Q83. PLEASE DESCRIBE SCHEDULE E-1.2.

13 A. Schedule E-1.2 explains the Company's policies related to obsolete, damaged, or
14 no-longer-used inventory.

15

16 Q84. PLEASE DESCRIBE SCHEDULE E-1.3.

17 A. Schedule E-1.3 shows there have been no changes in accounting policy for the
18 book balances (started capitalizing, quit keeping item on hand, change in write-off
19 procedures, etc.) for items included in Schedule E-1.

20

21 Q85. PLEASE DESCRIBE SCHEDULE E-2.2

22 A. Schedule E-2.2 details the optimal coal inventory level for the Company. This
23 schedule is sponsored Andrew L. Dornier.

1 Q86. PLEASE DESCRIBE SCHEDULE E-4.

2 A. Schedule E-4 details the application of the lead-lag study to calculate the rate base
3 effect of the lead lag study results. This schedule is co-sponsored by Mr. Joyce.
4 The Company is requesting a \$9.5 million reduction to rate base for working cash.
5

6 Q87. PLEASE DESCRIBE SCHEDULES E-5 AND E-6.

7 A. Schedule E-5 presents the amount of prepayment and materials and supplies
8 charged to O&M expense by month during the test year. Schedule E-6 reflects
9 the balance of customer deposits at the end of the test year.
10

11 **F. Schedule G – Accounting Information**

12 **1. Payroll Schedules**

13 Q88. PLEASE DESCRIBE SCHEDULE G-1.

14 A. Schedule G-1 provides a narrative of the payroll practices of the Company.
15 Schedules G-1.6 and G-2.1 described below are co-sponsored by Ms. Raeder.
16

17 Q89. PLEASE DESCRIBE SCHEDULE G-1.1.

18 A. Schedule G-1.1 provides annual gross payroll information for each year of the
19 three-year period ending December 31, 2020, as well as for each month of the test
20 year. The information is categorized by regular payroll, overtime payroll, other,
21 and total payroll. As reflected on Schedule G-1.1, the total regular, overtime, and
22 other payroll for the test year is \$59.1 million, \$14.7 million, and \$6.5 million,
23 respectively, for a total of \$80.2 million.

1 Q90. PLEASE DESCRIBE SCHEDULE G-1.2.

2 A. Schedule G-1.2 provides annual gross regular payroll information for each year of
3 the three-year period ending December 31, 2020, as well as for each month of the
4 test year. The information is categorized by union payroll, non-union payroll, and
5 total payroll. As reflected on Schedule G-1.1, the union and non-union payroll for
6 the test year is \$27.4 million and \$31.7 million, respectively, for a total regular
7 payroll of \$59.1 million.

8

9 Q91. PLEASE DESCRIBE SCHEDULE G-1.3.

10 A. Schedule G-1.3 provides annual gross payroll information for each year of the
11 three-year period ending December 31, 2020, as well as for each month of the test
12 year. The information is categorized by payroll expensed, payroll capitalized,
13 other payroll, and total payroll. As reflected on Schedule G-1.3, the payroll
14 expensed, payroll capitalized, and other payroll for the test year is \$41.2 million,
15 \$30.1 million, and \$8.9 million, respectively, for a total payroll of \$80.2 million.

16

17 Q92. PLEASE DESCRIBE SCHEDULE G-1.4.

18 A. Schedule G-1.4 is not applicable for the Company as there are no jointly owned
19 plants operated by ETI.

20

21 Q93. PLEASE DESCRIBE SCHEDULE G-1.6.

22 A. Schedule G-1.6 reports all payments other than standard pay or overtime pay
23 made to ETI employees for each year of the three-year period ended

December 31, 2020, as well as for each month of the test year. As reflected on Schedule G-1.6, the incentive compensation and employee related payments for the test year is \$6.4 million and \$477,425, respectively, for a total payment other than standard pay of \$6.9 million. This schedule is co-sponsored by Ms. Raeder.

2. Pensions and Benefits Schedules

Q94. PLEASE DESCRIBE SCHEDULE G-2.1.

A. A summary of ETI's pension fund activity is included in Schedule G-2.1. The schedule includes pension expense pursuant to ASC 715 – Compensation – Retirement Benefits (previously SFAS No. 87), actual pension payments to the fund, actuarial minimum and actuarial maximum, along with supporting documentation. This schedule is co-sponsored by Ms. Raeder. As presented on Schedule G-2.1, 2021 pension expense per GAAP is \$18.6 million and the 2021 actual pension payment to the fund is \$6.9 million.

Q95. PLEASE DESCRIBE SCHEDULE G-2.2.

A. Schedule G-2.2 provides details concerning ASC 715-60 expenses incurred during the test year and as requested in cost of service. As presented on Schedule G-2.2, the 2021 total credit, total income, funding, and reimbursements are \$10.8 million, \$5.7 million, and \$5 million, respectively. This schedule is also co-sponsored by Ms. Raeder.

3. Bad Debt Expense Schedule

Q96. PLEASE DESCRIBE SCHEDULE G-3.

A. Schedule G-3 contains information concerning bad debt expense, including the methodology of calculating monthly expense and the amount of write-offs for each month during the four-year period ending December 31, 2021. As presented on Schedule G-3, the twelve months ended December 31, 2021 uncollectible expense and net bad debts amount is \$3.2 million.

4. Advertising, Contributions, and Dues Schedules

Q97. PLEASE DESCRIBE SCHEDULE G-4.

A. This schedule presents a summary of advertising, contributions, and donations, and organization memberships and dues expenses subject to the 0.3% of revenue limitation. The schedule includes the FERC account charged, category, schedule number that details the expense, and test year expense. The total expenses subject to the 0.3% revenue limitation totaled \$3.9 million, which was less than the dollar limitation of \$6.1 million.

Q98. PLEASE DESCRIBE SCHEDULES G-4.1 THROUGH G-4.1C.

A. Schedule G-4.1 reflects a balance of \$1.9 million and provides a summary of advertising expense categorized by: FERC account, category schedule number, and test year amount. Schedules G-4.1a through G-4.1c provide a summary of expense for informational/instructional advertising, promoting and retaining usage, and general advertising expense, respectively. Schedules G-4.1a, G-4.1b

20

21

22

23

1 and G-4.1c reflect balances of \$788 thousand, \$145 thousand, and \$384 thousand,
2 respectively.

3
4 **Q99. PLEASE DESCRIBE SCHEDULE G-4.1D.**

5 A. Schedule G-4.1d reflects zero capitalized advertising costs.

6
7 **Q100. PLEASE DESCRIBE SCHEDULES G-4.2 THROUGH G-4.2C.**

8 A. Schedule G-4.2 reflects a balance of \$803 thousand and provides a summary of
9 contribution and donation expenses in the following categories: educational,
10 community service, and economic development. The schedule includes the FERC
11 account charged, the description of the contribution, the schedule number that
12 details the expense, and the test year amount. Schedules G-4.2a, G-4.2b, and
13 G-4.2c detail educational, community service, and economic development
14 contribution and donation expense, respectively. Schedules G-4.2a, G-4.2b, and
15 G-4.2c reflect balances of \$116 thousand, \$282, and \$11, respectively.

16
17 **Q101. PLEASE DESCRIBE SCHEDULES G-4.3 THROUGH G-4.3E.**

18 A. Schedule G-4.3 reflects a balance of \$1.5 million and provides a summary of
19 membership dues or support expenses categorized by: industry organizations,
20 business/economic organizations, professional organizations,
21 social/recreational/religious organizations, and political organizations. The
22 schedule includes the FERC account charged, the category, the schedule number
23 that details the expense, and the test year amount. Also included are certain

1 amounts that ETI has excluded from its requested cost of service.
2 Schedules G4.3a through G-4.3e provide: a summary of electric industry
3 organization dues; business and economic dues; professional dues; social,
4 recreational, fraternal or religious expenses; and political organization expenses,
5 respectively. Schedules G-4.3a through G-4.3e reflects balances of \$1.4 million,
6 \$71 thousand, \$18 thousand, and \$74 thousand, respectively.
7

8 **5. Exclusions from Test Period Schedules**

9 Q102. PLEASE DESCRIBE SCHEDULES G-5 THROUGH G-5.1B.

10 A. Schedule G-5 reflects a balance of \$12.8 million and presents a summary of all
11 test year expenditures for the following categories: legislative advocacy expenses;
12 penalties and fines; other exclusions; social/recreational/religious; and political.
13 The schedule includes a description of the expenditure, the schedule number that
14 details the expenditure, and the test year amount. Schedules G-5.1 through G5.1b
15 summarize legislative advocacy expense, payments made to individuals registered
16 to lobby on behalf of the utility during the test year, and payments made to
17 individuals or firms who monitored legislation for the utility during the test year,
18 respectively. The Company is not requesting lobbying expenses in the cost of
19 service in accordance with PURA § 36.062. Schedules G-5.1 through G-5.1b
20 reflects balances of \$2.8 million, \$824 thousand, and zero, respectively.
21

22 Q103. PLEASE DESCRIBE SCHEDULE G-5.2.

23 A. Schedule G-5.2 requires a summary of all penalties and fines included in the test

1 year expense and reflects a balance of \$(8,167). ETI is not requesting recovery of
2 any fines or penalties in its cost of service.

3
4 Q104. PLEASE DESCRIBE SCHEDULE G-5.3.

5 A. Schedule G-5.3 reflects a balance of \$9.9 million and presents a summary of all
6 test year expenditures referred to in 16 TAC § 25.231(b)(2), but not shown in
7 Schedules G-4.3d, G-4.3e, G-5.1, and G-5.2.

8
9 Q105. PLEASE DESCRIBE SCHEDULE G-5.4.

10 A. Schedule G-5.4 reflects no amounts excluded from cost of service by the
11 Commission in the Company's most recent rate case not resolved by settlement, if
12 any, in the last five years.

13
14 Q106. PLEASE DESCRIBE SCHEDULE G-5.5.

15 A. Schedule G-5.5 reflects no payments made during the test year and included in
16 cost of service for activities or services similar to those excluded from either of
17 the two most recent rate cases not resolved by settlement.

18
19 **6. Income Tax Schedules**

20 Q107. PLEASE DESCRIBE SCHEDULE G-7.1.

21 A. Schedule G-7.1 is the reconciliation of book net income to taxable net income for
22 the test year and for the most recently filed tax return. The workpapers for
23 Schedule G-7.1 contain explanations of all items in the reconciliation along with

1 an explanation of items that appeared in the tax return that have not been
2 considered in the test year calculation. This schedule is co-sponsored by Stacy L.
3 Whaley.

4
5 **Q108. PLEASE DESCRIBE SCHEDULE G-7.2, PLANT ADJUSTMENTS.**

6 A. This schedule reflects the applicable tax information for the Montgomery County
7 Power Station ("MCPS"), Hardin County, and the HEB Backup Generators. All
8 are new generating units constructed or purchased since ETI's last rate case,
9 Docket No. 48371. MCPS was constructed and went into commercial service on
10 January 1, 2021 and is being recovered through ETI's currently approved GCRR,
11 Docket No. 51381. The first HEB Backup Generator was put into plant-in-service
12 on June 30, 2020. The second HEB Backup Generator was put into plant-in-
13 service on December 1, 2021. Hardin County was purchased by ETI on June 4,
14 2021 and is currently in-service. ETI filed an update to its GCRR on August 3,
15 2021 in Docket No. 52354, which is currently pending Commission approval, to
16 request recovery of the Hardin County acquisition. This schedule is co-sponsored
17 by Ms. Whaley.

18
19 **Q109. IS SCHEDULE G-7.3 THROUGH G-7.3A CONCERNING CONSOLIDATED**
20 **TAXES APPLICABLE TO ETI?**

21 A. No. While ETI's federal income taxes are consolidated for filing with the IRS,
22 ETI is no longer required to present information regarding consolidated tax
23 savings due to the 2013 amendments to PURA §36.060.

1 Q110. PLEASE EXPLAIN SCHEDULE G-7.4, ACCUMULATED DEFERRED
2 FEDERAL INCOME TAXES.

3 A. This schedule shows the balance sheet amount of ADFIT for the twelve months of
4 the test year, as well as proposed adjustments to the balances. The deferrals are
5 segregated by specific items giving rise to the deferral. This schedule also shows
6 the additional deferred taxes that were recorded as a result of adopting ASC 740.
7 ASC 740 has no effect on rate base compared to the prior standard for accounting
8 for income taxes, Accounting Principles Board No. 11. As stated earlier in my
9 testimony, recording income taxes in accordance with ASC 740 is revenue
10 neutral. Schedules G-7.4 and G-7.4b through G-7.4d are co-sponsored by
11 Ms. Whaley.

12
13 Q111. WHAT IS THE PROPER RATE TREATMENT FOR THE DEFERRED TAXES
14 SHOWN ON SCHEDULE G-7.4, ADFIT?

15 A. The total deferred taxes from Schedule G-7.4 are an adjustment to rate base on
16 Schedule B-1. The pre-1971 ITC shown on Schedule G-7.5e is also an
17 adjustment to rate base on Schedule B-1.

18
19 Q112. WHY IS THE PRE-1971 ITC A DEDUCTION TO RATE BASE WHILE THE
20 POST-1970 ITC IS NOT DEDUCTED FROM RATE BASE?

21 A. Use of the pre-1971 Investment Tax Credit ("ITC") for rate purposes was not
22 restricted by the Tax Code. An election was made by the Company to not reduce
23 rate base by the Post-1970 ITC but to instead amortize these credits to cost of

1 service no more rapidly than ratably. This treatment is in accordance with
2 Section 46(f)(2) of the Tax Code.

3
4 **Q113. PLEASE DESCRIBE SCHEDULE G-7.4B, ADJUSTMENTS TO ADFIT.**

5 A. Adjustments to balance sheet amounts are detailed on this schedule. The reasons
6 for these adjustments are shown and supporting calculations are included. A
7 description of the adjustments is provided in the discussion of the income tax pro
8 forma (Adjustment 10). Schedule G-7.4B reflects ADFIT adjustments of
9 \$75.9 million.

10

11 **Q114. PLEASE DESCRIBE SCHEDULE G-7.4C, ADFIT AND ITC—PLANT**
12 **ADJUSTMENTS AND ALLOCATIONS.**

13 A. This schedule provides the ADFIT test year end amounts for the Company's new
14 generating units, MCPS, Hardin County, and the HEB generators, constructed or
15 purchased since the Company's last rate case. Schedule G-7.4c reflects ADFIT of
16 \$575 thousand.

17

18 **Q115. PLEASE DESCRIBE SCHEDULE G-7.4D, ADFIT – RATE CASE EXPENSES.**

19 A. This schedule reflects a balance of zero and provides details related to the
20 accumulated deferred taxes associated with rate case expenses.

1 Q116. PLEASE DESCRIBE SCHEDULE G-7.5C, ITC UTILIZED – STAND-ALONE
2 BASIS.

3 A. This schedule shows ITC utilized as if the Company had filed on a stand-alone
4 basis consistent with the limitations included in the Tax Code based on the stand-
5 alone methodology. This schedule is co-sponsored by Ms. Whaley.

6
7 Q117. PLEASE DESCRIBE SCHEDULE G-7.5E, FERC ACCOUNT 255 BALANCE.

8 A. This schedule shows the balance as of the end of the test year in account 255.1 –
9 Accumulated Deferred ITC. This schedule is co-sponsored by Ms. Whaley.

10

11 Q118. PLEASE DESCRIBE SCHEDULE G-7.6, ANALYSIS OF TEST YEAR FIT
12 AND REQUESTED FIT – TAX METHOD 2.

13 A. Schedule G-7.6 calculates FIT for the test year of \$26.4 million and requested FIT
14 of (\$2.4) million using Tax Method 2. Included with this schedule are supporting
15 explanations and calculations. This method of calculating FIT expense
16 determines the components of FIT separately. These components include the
17 taxes payable currently, the deferred taxes, and the amortization of ITC.
18 Ms. Whaley and Mr. Lain co-sponsor Schedules G-7.6 and G-7.6a.

19

20 Q119. PLEASE DESCRIBE SCHEDULE G-7.6A, ANALYSIS OF DEFERRED FIT.

21 A. This schedule is an analysis of the deferred FIT expense as shown on
22 Schedule G-7.6. Workpapers supporting the calculation(s) are included in
23 WP/G-7.6.

1 Q120. PLEASE DESCRIBE SCHEDULE G-7.7, ANALYSIS OF ADDITIONAL
2 DEPRECIATION REQUESTED.

3 A. This schedule provides the calculation of \$3.9 million, which is the requested
4 adjustment to return for additional depreciation.

5
6 Q121. PLEASE DESCRIBE SCHEDULE G-7.8, ANALYSIS OF TEST YEAR FIT
7 AND REQUESTED FIT - TAX METHOD 1.

8 A. Schedule G-7.8 calculates FIT for the test year of \$26.4 million and requested FIT
9 (\$2.4) million using Tax Method 1. Tax Method 1 sometimes described as the
10 “return method” for computing FIT. Ms. Whaley co-sponsors Schedule G-7.8.

11 Return is the total amount shown on Schedule B-1, line 21. Regulated
12 interest expense is defined as the weighted cost of debt (Schedule K-1, Line 3,
13 column (d) multiplied by the requested rate base (Schedule B-1, line 19)).
14 Interest expense is subtracted from return to arrive at the taxable amount of return
15 before adjustments.

16 Also subtracted is the amortization of taxes in excess of the statutory 21%
17 rate and other items that, before adoption of ASC 740, were called permanent and
18 flow-through differences. The most significant of these differences is AFUDC,
19 which for many years was recorded on a net of tax basis for both the interest and
20 equity components of AFUDC.

21
22 Q122. WHAT IS THE RESULT OF THE TAX METHOD 1 CALCULATIONS?

23 A. The result of the above calculation equals the taxable component of return. This

1 taxable return is multiplied by the tax factor 0.265823 (Tax Rate *divided by* One
2 *minus* the Tax Rate (which is .21/1-.21)), resulting in the total FIT amount before
3 adjustments of \$5.2 million.

4 From this amount is subtracted the ITC amortization and amortization of
5 excess deferred taxes to determine total FIT (Method 1) of (\$2.4) million.
6

7 Q123. DOES THE AMOUNT COMPUTED UNDER METHOD 1 DIFFER FROM
8 THE AMOUNT SHOWN ON SCHEDULE G-7.6, ANALYSIS OF TEST YEAR
9 FIT AND REQUESTED FIT - TAX METHOD 2, AT REQUESTED RATES?

10 A. No, it is the same amount. The two calculations result in the same amount of FIT
11 expense of (\$2.4) million.
12

13 Q124. PLEASE DESCRIBE SCHEDULE G-7.9C, ANALYSIS OF RESERVE
14 ACCOUNTING FOR EXCESS DEFERRED TAXES.

15 A. This schedule provides information about the Company's excess deferred taxes
16 from the Tax Reform Act of 1986 and TCJA of 2017. This schedule is co-
17 sponsored by Ms. Whaley.
18

19 Q125. PLEASE DESCRIBE SCHEDULE G-7.10, EFFECTS OF ACCOUNTING
20 ORDER DEFERRALS.

21 A. This schedule provides the effect on FIT and ADFIT of the Company's
22 accounting order deferrals included in the request. This schedule is co-sponsored
23 by Ms. Whaley.

1 Q126. PLEASE DESCRIBE SCHEDULE G-7.11, EFFECTS OF POST-TEST YEAR
2 ADJUSTMENTS.

3 A. This schedule is not applicable as ETI is not requesting a post-test year
4 adjustment to rate base in this proceeding.

5

6 Q127. SCHEDULES G-7.12 AND G-7.12A RELATE TO DEFERRED FIT THAT IS
7 PART OF A RATE MODERATION PLAN. DOES THE COMPANY HAVE A
8 RATE MODERATION PLAN?

9 A. No.

10

11 Q128. PLEASE DESCRIBE SCHEDULE G-7.13, LIST OF FIT TESTIMONY.

12 A. Schedule G-7.13 provides a listing of witness testimony supporting FIT and
13 ADFIT as well as the most recent tax returns for ETI and ETR.

14

15 **7. Outside Services Schedule**

16 Q129. PLEASE DESCRIBE SCHEDULE G-8.

17 A. This schedule presents information on all outside services employed during the
18 test year that appear in the FERC 900 series accounts. As reflected on
19 Schedule G-8, the total outside services employed for the twelve months ended
20 December 31, 2021 is \$23.6 million. The information is shown as follows:
21 column (a) is the FERC account; column (b) is the vendor sorted by category;
22 column (c) is the purpose of the service; column (d) indicates whether the service
23 is recurring or nonrecurring; and column (e) is the amount. Items of a non-

1 recurring nature are removed or normalized in the requested cost of service.

2

3 **8. Taxes Other Than Income Tax Schedules**

4 Q130. PLEASE DESCRIBE SCHEDULE G-9.

5 A. This schedule shows the amount of taxes other than income taxes for the three
6 prior calendar years, the test year expense, adjustments to the test year, and the
7 total adjusted tax amount. The total adjusted taxes other than income taxes
8 reflected on Schedule G-9 is \$78.6 million.

9

10 Q131. PLEASE DESCRIBE SCHEDULE G-9.1.

11 A. Schedule G-9.1 reflects the ad valorem taxes assessed and the related plant
12 balances for the last three calendar years and the test year.

13

14 **9. Factoring Expense Schedule**

15 Q132. PLEASE DESCRIBE SCHEDULE G-10.

16 A. This schedule is not applicable to ETI, because the Company does not factor
17 accounts receivable.

18

19 **10. Deferred Expense Information Schedule**

20 Q133. PLEASE DESCRIBE SCHEDULE G-11.

21 A. Schedule G-11 includes information concerning all amortization expense either
22 included in the test year or requested by the Company in this rate filing. This
23 schedule is co-sponsored by Mr. Lain. The information is categorized by:

- 1 • authorizing docket;
- 2 • original amount to be amortized;
- 3 • deferral period;
- 4 • amortization period;
- 5 • date amortization began;
- 6 • total amortization taken as of the beginning of the test year;
- 7 • amortization expense included in the test year;
- 8 • amortization expense included in requested cost of service; and
- 9 • unamortized amount as of the end of the test year.

10

11 **11. Below the Line Expenses Schedule**

12 Q134. PLEASE DESCRIBE SCHEDULE G-12.

13 A. Schedule G-12 presents a complete analysis of all expenses charged “below the
14 line” during the test year. Verification that “below the line” expenses have been
15 eliminated from the filing has been provided in the workpapers (WP/G-12) for
16 this schedule. The starting point for the Company’s cost of service is net utility
17 operating income. None of the items recorded below the line are included in the
18 calculation of net utility operating income, and none of the items recorded below
19 the line are included in any adjustment that would include these amounts in cost
20 of service, except for interest on customer deposits, ESL interest, and credit
21 facility fees, which is discussed above.

12. **Non-Recurring Expense Schedule**

Q135. PLEASE DESCRIBE SCHEDULE G-13.

A. Schedule G-13 describes any nonrecurring extraordinary expenses the Company is requesting in this filing. This schedule is co-sponsored by Mr. Lain.

13. **Regulatory Commission Expense Schedules**

Q136. PLEASE DESCRIBE SCHEDULE G-14.

A. Schedule G-14 details the various expenses charged to FERC Account 928, Regulatory Expense, during the test year, the Company's adjustments to the test year amounts, and the Company's request for each item. The total request as reflected on Schedule G-14 is \$1.4 million.

14. **Monthly O&M Schedules**

Q137. PLEASE DESCRIBE SCHEDULE G-15.

A. Schedule G-15 includes the O&M expense for the test year. The schedule provides O&M expense by month, by account, and the total booked for the test year. This schedule also includes total adjusted O&M expenses claimed, including subtotals by functional classification. The Company has also detailed the amount of O&M expense by account that was the result of a transaction with an affiliate and presents this information in the Schedule G-6 series of Schedules. As reflected on Schedule G-15, the total adjusted O&M expense \$505.6 million.

1 **G. Schedule H – Engineering Information**

2 Q138. PLEASE DESCRIBE SCHEDULE H, ENGINEERING INFORMATION.

3 A. This schedule states that all of the sub-schedules under Schedule H are provided
4 electronically in native format.

5
6 Q139. PLEASE DESCRIBE SCHEDULES H-1 THROUGH H-1.2D.

7 A. Schedules H-1 through H-1.2d provide detailed information related to the
8 production plant O&M expenses for all power generating stations. Schedules H-1
9 and H-1.2 through H-1.2d are co-sponsored by Ms. Gale.

10

11 Q140. PLEASE DESCRIBE SCHEDULE H-2.

12 A. Schedule H-2 provides the information in Schedule H-1 adjusted for known and
13 measurable changes. As reflected on Schedule H-2, the total adjusted steam
14 power, hydraulic power generation, and other power generation is \$53.7 million,
15 \$172 thousand, and \$15.6 million, respectively. This schedule is co-sponsored by
16 Ms. Gale.

17

18 Q141. PLEASE DESCRIBE SCHEDULE H-3.

19 A. Schedule H-3 is the summary of production O&M expenses incurred for the years
20 2016 through 2020. This schedule is co-sponsored by Ms. Gale.

21

22 Q142. PLEASE DESCRIBE SCHEDULE H-5.1.

23 A. Schedule H-5.1 describes the criteria used to determine which unit improvements,

1 modifications, and repairs become capitalized costs. The instructions for
2 Schedule H-5.1 require that workpapers be provided for the retirement units and
3 expense item information (Retirement Catalog). ETI maintains a Retirement
4 Catalog for capitalized units, which is provided in WP/H-5.1.

5
6 **H. Fuel and Purchased Power Schedules**

7 Q143. PLEASE DESCRIBE SCHEDULE I-1.1.

8 A. This schedule is not applicable as the Company is not including fuel
9 reconciliation.

10
11 Q144. ARE THERE ANY NONRECURRING FUEL AND PURCHASED POWER
12 EXPENSES BOOKED DURING THE TEST YEAR REPORTABLE ON
13 SCHEDULE I-1.4?

14 A. No nonrecurring fuel and purchased power expenses were booked during the test
15 year.

16
17 Q145. PLEASE DESCRIBE SCHEDULE I-7.

18 A. This schedule provides a narrative description of the Company's natural gas
19 storage facility, including a schematic layout as well as the related activity in
20 dollars and MMBtus for the test year. This schedule is co-sponsored by
21 Mr. Dornier.

1 Q146. PLEASE DESCRIBE SCHEDULE I-16.

2 A. Schedule I-16 reflects ineligible costs recorded to FERC account 501 and reflects
3 a total of ineligible costs balance of \$2.1 million. This schedule is co-sponsored
4 by Mr. Dornier.

5

6 Q147. PLEASE DESCRIBE SCHEDULE I-16.1.

7 A. This schedule is not applicable as the Company is not including fuel
8 reconciliation.

9

10 Q148. PLEASE DESCRIBE SCHEDULE I-16.2

11 A. This schedule is not applicable as the Company is not including fuel
12 reconciliation.

13

14 Q149. PLEASE DESCRIBE SCHEDULE I-22 AND SUPPORTING SCHEDULE
15 I-22A.

16 A. This schedule is not applicable as the Company is not including fuel
17 reconciliation.

18

19 **I. Schedule J – Financial Statements**

20 Q150. PLEASE DESCRIBE SCHEDULE J.

21 A. This schedule provides the financial statements considered necessary for
22 presentation of the Company's financial position in accordance with GAAP. The
23 statements provided are the Income Statement, Balance Sheet, Common Equity,

1 and Statement of Cash Flows for both the test year and twelve months
2 immediately preceding the test year. Also included are the footnotes to the
3 financial statements.

4

5 Q151. PLEASE DESCRIBE SCHEDULE J-1.

6 A. This schedule is not applicable to the Company as the Company is a total electric
7 utility company.

8

9 Q152. PLEASE DESCRIBE SCHEDULE J-2.

10 A. This schedule provides the consolidated financial statements, including the
11 footnotes, for ETR, the parent of ETI.

12

13 **J. Schedule K – Financial Information**

14 Q153. WOULD YOU PLEASE EXPLAIN SCHEDULE K-1?

15 A. Schedule K-1 of the RFP shows the overall rate of return on invested capital of
16 the Company. Schedules K-1 through K-6 are co-sponsored by Mr. Sperandeo.
17 Column (b) of Schedule K-1 shows that the Company's capitalization percentages
18 are 47.97% debt, 0.81% preferred equity, and 51.21% common equity. The
19 component cost rates shown in Column (c) are calculated in supporting Schedules
20 K-2 and K-3. The required cost of common equity requested by the Company in
21 this filing is discussed in the testimony of Ms. Bulkley. The cost of equity
22 reflected in Schedule K-1 is 10.80%.

23 The component cost rates in Column (c) of Schedule K-1 are then applied

1 to the capitalization percentages shown in Column (b) to obtain the overall
2 weighted cost of capital of 7.24% shown in Column (d). The net original cost rate
3 base of \$4,411,402,530 on line 6 is multiplied by the overall rate of return to
4 obtain the requested dollar return on rate base of \$319,302,000 on line 8 of
5 Schedule K-1.

6 The capital amount for preferred and common equity reflects the balances
7 as of December 31, 2021.

8
9 **Q154. PLEASE DISCUSS SUPPORTING SCHEDULE K-2.**

10 A. This schedule reflects the weighted average costs of preferred stock of 5.348%.
11 Details of the preferred stock capital are also provided on in this schedule.

12
13 **Q155. PLEASE DISCUSS SCHEDULE K-3.**

14 A. The adjusted overall cost of long-term debt of 3.47% is calculated in
15 Schedule K-3 of the RFP. Details of the long-term debt are also provided in
16 Schedule K-3.

17
18 **Q156. PLEASE DISCUSS SCHEDULE K-4.**

19 A. This schedule shows a listing of notes outstanding at the end of the test year, and
20 at the end of each quarter for the past two years. As reflected on Schedule K-4,
21 there were no notes outstanding at the end of the test year and at the end of each
22 quarter for the past two years.

1 Q157. PLEASE DISCUSS SCHEDULE K-5.

2 A. Schedule K-5 is a summary of security issuance restrictions that apply to the
3 issuance of preferred stock and long-term debt as of the end of the test year, the
4 most recent fiscal year, and projections for three fiscal years. The Mortgage
5 Indenture coverage calculation and the Articles of Incorporation calculation
6 provide the restrictions on the amount of securities that can be issued under each
7 test. The projections of each financial test provided for three fiscal years are
8 sponsored by Mr. Sperandeo.

9
10 Q158. PLEASE DESCRIBE SCHEDULE K-6.

11 A. Schedule K-6 contains thirteen specific ratios for the fiscal years 2016 through
12 2020 and the test year, as well as three projected fiscal years.

13

14 **K. Schedule P – Class Cost of Service Analysis**

15 Q159. PLEASE DESCRIBE SCHEDULE P-10.

16 A. Schedule P-10 provides adjusted O&M payroll by account for the test year. The
17 information is categorized by Company, affiliates, and total. As reflected on
18 Schedule P-10, the total adjusted O&M payroll is \$83.4 million, and \$43.1million
19 is attributed to the Company and \$40.3 million is attributed to the affiliates.

20

21 Q160. PLEASE DESCRIBE SCHEDULE P-11.

22 A. Schedule P-11 provides a distribution plant study by FERC primary account
23 showing a primary and secondary analysis including percentage split between

1 primary and secondary cost components and the percentage split between demand
2 and customer cost components for the distribution plant study. Mr. Lain co-
3 sponsors this schedule.

4
5 **L. Schedule S – Test Year Review**

6 Q161. DOES THE COMPANY'S FILING INCLUDE SCHEDULE S?

7 A. No. In Docket No. 52851, the Commission granted ETI a waiver of the
8 requirement to file Schedule S in this proceeding.

9
10 **IV. PURA §§ 36.059, 36.061, AND 36.062**

11 Q162. SECTIONS 36.059, 36.061, AND 36.062 OF PURA PROVIDE FOR SPECIFIC
12 TREATMENT OR EXCLUSION OF CERTAIN ITEMS FOR RATEMAKING
13 PURPOSES. DOES THE COMPANY'S FILING COMPLY WITH THESE
14 SECTIONS OF PURA?

15 A. Yes. ETI has fully complied with PURA §§ 36.059, 36.061, and 36.062. This
16 filing includes only reasonable and necessary costs that are permitted under
17 PURA and excludes prohibited costs.

18
19 **A. PURA § 36.059 – Treatment of Certain Tax Benefits**

20 Q163. HAS THE COMPANY COMPLIED WITH THE TREATMENT OF TAX
21 BENEFITS AS REQUIRED BY SECTION 36.059?

22 A. Yes. Section 36.059 requires:

23 (a) In determining the allocation of tax savings derived from liberalized

depreciation and amortization, the investment tax credit, and the application of similar methods, the regulatory authority shall:

(1) balance equitably the interests of present and future customers; and

(2) apportion accordingly the benefits between consumers and the electric or municipally owned utility.

(b) If an electric utility or a municipally owned utility retains a portion of the investment tax credit, that portion shall be deducted from the original cost of the facilities or other addition to the rate base to which the credit applied to the extent allowed by the Internal Revenue Code.

ETI has computed its cost of service in compliance with PURA § 36.059 and has applied the ITC balances to the extent allowed by the Internal Revenue Code (“Code”). RFP Schedule G-7.5, Analysis of ITC, sponsored by witness Ms. Whaley, illustrates that the Company is amortizing its ITC no more rapidly than ratably, as required by the Code.

B. PURA § 36.061 – Allowance of Certain Expenses and PURA § 36.062 – Consideration of Certain Expenses

1. Legislative Advocacy Expenses

Q164. PURA PROVIDES THAT LEGISLATIVE ADVOCACY EXPENSES ARE TO BE EXCLUDED FROM A UTILITY’S COST OF SERVICE FOR RATEMAKING PURPOSES. DOES THIS FILING INCLUDE LEGISLATIVE ADVOCACY EXPENSES?

A. No. All expenditures made by ETI to advocate a particular position on any

referenda, legislation, or ordinance, whether to the public or to a public official, are excluded from cost of service. The excluded expenses include the costs of ETI's lobbyists, as well as the portion of the ETI's dues to the Edison Electric Institute ("EEI") that are used for legislative advocacy. All such expenses are recorded in Account 426.4, which is a non-operating expense account (below the line) that is not included in cost of service.

Q165. ARE THERE ANY LEGISLATIVE ADVOCACY EXPENSES INCLUDED IN PAYMENTS TO AFFILIATED INTERESTS IN THE COMPANY'S REQUESTED COST OF SERVICE?

A. No. Although expenses for legislative advocacy are included in the billings from ESL, such expenses are recorded in Account 426.4, which is a non-operating expense account (below the line) that is not included in cost of service.

2. Charitable Contributions

Q166. HAS THE COMPANY INCLUDED CHARITABLE CONTRIBUTIONS IN ITS
COST OF SERVICE?

A. No. Schedule G-4.2 shows the details of ETI's charitable contributions and donations, all of which have been excluded from the cost of service. These excluded amounts also list contributions and donations from the Company's affiliates.

3. Outside Services

Q167. HAS THE COMPANY INCLUDED COSTS FOR OUTSIDE SERVICES IN ITS REQUESTED COST OF SERVICE?

A. Yes. Outside services are employed by the Company and are included in cost of service for several reasons. Sound business practice, as well as ensuring compliance with regulatory and legal requirements, result in the need for ETI to employ firms with specialized auditing, accounting, consulting, or legal services expertise. As reflected on Schedule G-8, outside services employed for the twelve months ended December 31, 2021 totaled \$23.6 million.

4. Civil Penalties and Fines

Q168. HAS THE COMPANY INCLUDED IN ITS COST OF SERVICE OR RATE
BASE ANY CIVIL PENALTIES OR FINES?

A. No. Any such amounts have been recorded in non-operating expense accounts (below the line) and are not included in the cost of service.

A. Yes. Advertising expenses are included as allowed by 16 TAC § 25.231(b)(1)(E). However, advertising to promote the increased consumption of electricity has been excluded from the cost of service as required by 16 TAC § 25.231(b)(2).

1 Q172. WHAT WERE THE COMPANY'S ADVERTISING COSTS DURING THE
2 TEST YEAR?

3 A. The advertising costs for the test year included in the cost of service total
4 approximately \$1.9 million, which is approximately 0.1% of gross revenues.
5 These costs are detailed in Schedule G-4.1.
6

7 Q173. HOW IS THE COMPANY HANDLING CONTRIBUTIONS OR DONATIONS
8 IN THE COST OF SERVICE?

9 A. Schedule G-4.2 reflects the detail of the contributions and donations, including
10 contributions and donations from the Company's affiliates, which have been
11 excluded from the cost of service.
12

13 Q174. PLEASE DESCRIBE THE DUES AND MEMBERSHIPS THAT ARE
14 INCLUDED IN ETI'S COST OF SERVICE.

15 A. Industry and professional association dues are included in the filing only to the
16 extent they comply with PURA and the Commission's Substantive Rules. The
17 total advertising, contributions and dues expense included in the cost of service is
18 less than .2% of gross revenues, which is within the allowable range under 16
19 TAC § 25.231(b)(1)(E).

1 Q175. YOU STATED THAT ETI HAS EXCLUDED LEGISLATIVE ADVOCACY
2 EXPENSES INCLUDED IN EEI DUES. WHAT IS THE BASIS FOR THE
3 EXCLUSION?

4 A. The portion of the Company's EEI dues related to legislative advocacy expenses
5 are recorded to account 426.1, which is excluded from the cost of service. The
6 EEI expenditures classified and reported as lobbying expense in accordance with
7 the expenditure categories agreed to by EEI and the National Association of
8 Regulatory Utility Commissioners and, as expanded by the PUC staff in recent
9 dockets before the Commission, are based on EEI's 2021 estimate of such
10 expenditures
11

12 **VI. BASELINE VALUES**

13 Q176. DO YOU SPONSOR THE PROPOSED BASELINES FOR POTENTIAL
14 DISTRIBUTION, TRANSMISSION AND PURCHASED POWER RECOVERY
15 FACTORS?

16 A. Yes. I co-sponsor along with Mr. Lain the baselines for these three factors:
17 DCRF, TCRF, and PCRF. These three factors and their supporting workpapers
18 are included in my Exhibits APL-3, APL-4, and APL-5, respectively.
19

20 Q177. HOW WERE THESE FACTORS DERIVED AND PRESENTED?

21 A. They were derived in the same manner as these same factors were derived and
22 included in the settlement in ETI's last base rate case, Docket No. 48371. They
23 are presented in the same format as were these factors in the attachments to the

1 settlement filed in Docket No. 48371.

2

3 Q178. WITH REGARD TO THE DCRF, WHAT WEATHER NORMALIZATION
4 PERIOD IS USED FOR THE RATE CLASS BILLING DETERMINANTS?

5 A. For this DCRF, the Company is using a 20-year weather normalization period for
6 the Rate Class Billing Determinants because that is the weather normalization that
7 the Company is proposing to design rates in this case. If, however, a different
8 weather normalization period is ultimately ordered in this case, then that period
9 should be used for the Rate Class Billing Determinants.

10

11 Q179. HAS ETI CONDUCTED A DCRF RECONCILIATION IN THIS
12 PROCEEDING?

13 A. Yes. As described in the Direct Testimony of Ms. Taylor, all of the investments
14 being recovered through the DCRF were prudently incurred and are used and
15 useful in providing electric service to ETI's customers.

16

17 Q180. HAS THERE BEEN AN OVER-RECOVERY OF TCRF COSTS?

18 A. Yes. At the end of the test year, the TCRF is in an over-recovery position of
19 \$135,022. Company witness Mr. Batten provides further details of this over-
20 recovery in his direct testimony.

1 Q181. HOW WILL THIS CASE AFFECT THE COMPANY'S CURRENTLY
2 EFFECTIVE DCRF AND TCRF?

3 A. The Company's currently effective Riders DCRF and TCRF will be set to zero
4 once new rates are established through this docket.

5

6 Q182. IS THERE A BASELINE FOR THE COMPANY'S RIDER GCRR?

7 A. No. Although the Company's Rider GCRR does not have a baseline, ETI's
8 currently effective Rider GCRR will be set to zero once new rates are established
9 through this docket.

10

11 Q183. HAS THERE BEEN AN OVER-RECOVERY OF GCRR COSTS?

12 A. Yes. As explained in his direct testimony, Company witness Mr. Batten provides
13 further details of the reconciliation and true-up of the amounts recovered through
14 the Company's GCRR as required by 16 TAC § 25.248 that he has conducted,
15 which reflects an over-recovery.

16

17 **VII. CONCLUSION**

18 Q184. PLEASE STATE YOUR CONCLUSIONS.

19 A. The Company's requested cost of service and rate base are an accurate reflection
20 of the Company's reasonable and necessary costs as appropriately adjusted and
21 presented in accordance with PURA, the Commission's Substantive Rules, and
22 applicable forms. The Commission should adopt ETI's proposed cost of service
23 and set rates in this proceeding to permit the Company to those costs.

1 Q185. DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?

2 A. Yes.

AFFIDAVIT OF ALLISON P. LOFTON

THE STATE OF LOUISIANA)
)
PARISH OF ORLEANS)

This day, Allison P. Lofton, 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 Allison P. Lofton. I am of legal age and a resident of the State of Louisiana. 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.

Allison P. Lofton
Allison P. Lofton

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 21st day of June 2022.

Anthony M. Williams
Notary Public State of Louisiana

My Commission expires:
at death

ANTHONY M. WILLIAMS
Notary Public
ID. No. 61573-Bar No. 26750
Parish of Orleans, State of La.
My commission is issued for life

PREVIOUS TESTIMONY FILED BY ALLISON P. LOFTON

Before the Public Utility Commission of Texas

Docket No. 49874, *Application of Entergy Texas, Inc. for Approval to Amend its Transmission Cost Recovery Factor.*

Docket No. 50714, *Application of Entergy Texas, Inc. for Approval to Amend its Distribution Cost Recovery Factor.*

Docket No. 50790, *Joint Report and Application of Entergy Texas, Inc. and East Texas Electric Cooperative, Inc. for Regulatory Approvals Related to Transfers of the Hardin County Peaking Facility and a Partial Interest in the Montgomery County Power Station.*

Docket No. 51215, *Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for the Acquisition of a Solar Facility in Liberty County.*

Docket No. 51381, *Application of Entergy Texas, Inc. to Establish a Generation Cost Recovery Rider Related to the Montgomery County Power Station.*

Docket No. 51406, *Application of Entergy Texas, Inc. for Approval to Amend its Transmission Cost Recovery Factor.*

Docket No. 51416, *Application of Entergy Texas, Inc. for Approval to Amend its Distribution Cost Recovery Factor.*

Docket No. 51557, *Application of Entergy Texas, Inc. to Amend its Generation Cost Recovery Rider to Reflect the Acquisition of the Hardin County Peaking Facility.*

Docket No. 51575, *Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity to Deploy Natural Gas-Fired Distributed Generation and Statement of Intent for Rate Schedule UODG.*

Docket No. 51997, *Application of Entergy Texas, Inc. for Determination of System Restoration Costs.*

Docket No. 52302, *Application of Entergy Texas, Inc. for a Financing Order.*

Docket No. 52354, *Application of Entergy Texas, Inc. to Update its Generation Cost Recovery Rider to Reflect the Acquisition of the Hardin County Peaking Facility.*

Docket No. 52457, *Application of Entergy Texas, Inc. for Approval to Amend its Distribution Cost Recovery Factor.*

Docket No. 52624, *Application of Entergy Texas, Inc. for Approval to Amend its Transmission Cost Recovery Factor.*

Docket No. 52487, *Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity to Construct Orange County Advanced Power Station.*

Entergy Texas, Inc.
Listing of Rate Filing Package Schedules Sponsored
Or Co-Sponsored by Allison P. Lofton

Line No.		Schedule Description	Sponsor	Co-Sponsor
1	A	Overall Cost Of Service	X	
2	A-1	Cost Of Service-Texas Retail	X	
3	A-2	Cost Of Service Detail By A/C	X	
4	A-3	Adjustments To Test Year	X	
5	A-4	Detail TYE Trial Balance	X	
6	A-5	Unadjusted O&M	X	
7	B-1	Rate Base & Return-Total Co	X	
8	B-1.1	Rate Base & Return-Texas Retail	X	
9	B-1.2	% Of Plant In Service	X	
10	B-1.3	Penalties Or Fines	X	
11	B-1.4	Post Test Year Adjustments	X	
12	B-2	Accumulated Provision Balances	X	
13	B-2.1	Accumulated Provision Policies	X	
14	C-1	Original Cost of Utility Plan	X	
15	C-2	Detail Of Orig Cost Of Util Plant	X	
16	C-3	Monthly Detail Of Util Plt In Svc	X	
17	C-4.1	CWIP By Functional Group	X	
18	C-4.2	CWIP Allowed In Rate Base	X	
19	C-5	AFUDC or IDC	X	
20	D	Narrative-Accum Depr Sect As Spcfd	X	
21	D-1	Accum Dpr By Funct Grp/Prim A/C	X	
22	D-2	Accum Dpr Booking Methods	X	
23	D-3	Plant Held For Future Use	X	
24	D-4	Depreciation Expense	X	
25	D-5	Depreciation Rate Study		X
26	D-7	Summary Of Book Salvage	X	
27	D-8	Service Lives	X	
28	E-1	Monthly Blnces-Short Term Assets	X	
29	E-1.1	Detail Of Short Term Assets	X	
30	E-1.2	Obsolete Assets	X	
31	E-1.3	Short Term Assets Policies	X	

Entergy Texas, Inc.
Listing of Rate Filing Package Schedules Sponsored
Or Co-Sponsored by Allison P. Lofton

Line No.		Schedule Description	Sponsor	Co-Sponsor
32	E-4	Working Cash Allowance		X
33	E-5	Prepaymnts + Matrls & Supplies	X	
34	E-6	Customer Deposits	X	
35	G-1	Payroll Information	X	
36	G-1.1	Regular * Overtime Payroll	X	
37	G-1.2	Regular Payroll By Category	X	
38	G-1.3	Payroll Capitalized vs. Expenses	X	
39	G-1.4	Payroll By Company	X	
40	G-1.6	Payments Oth Than Standard Pay		X
41	G-2.1	Pension Expense		X
42	G-2.2	Postretirement Benefits Excl Pens		X
43	G-3	Bad Debt Expense	X	
44	G-4	Summ Of Adtsng, Contrbtns, Dues	X	
45	G-4.1	Summary Of Advertising Expense	X	
46	G-4.1a	Summ Of Inform;/instruct Advtsng	X	
47	G-4.1b	Advtsng Summ-Promote/Rtn Use	X	
48	G-4.1c	Summ Of General Advtsng Exp	X	
49	G-4.1d	Capitalized Advertising	X	
50	G-4.2	Summ-Contrbtn & Donation Exp	X	
51	G-4.2a	Summ-Educat Contrbtns/Dontns	X	
52	G-4.2b	Summ-Commun Svc Contr/Dontns	X	
53	G-4.2c	Summ-Econ Dvlpmnt Contr/Dontns	X	
54	G-4.3	Summary-Membership Dues Exp	X	
55	G-4.3a	Summary-Industry Organztn Dues	X	
56	G-4.3b	Summ-Business/Economic Dues	X	
57	G-4.3c	Summary-Professional Dues	X	
58	G-4.3d	Summ-Socl/Recrtnl/Fratnl/Relgs Exp	X	
59	G-4.3e	Summ-Political Organztns Exp	X	
60	G-5	Summ-Exclsns From Test Yr Exp	X	
61	G-5.1	Analysis Of Legislative Advocacy	X	
62	G-5.1a	Payments To Registrd Lobbyists	X	

Entergy Texas, Inc.
Listing of Rate Filing Package Schedules Sponsored
Or Co-Sponsored by Allison P. Lofton

Line No.	Schedule Description	Sponsor	Co-Sponsor
63	G-5.1b Payments For Monitoring Legislatn	X	
64	G-5.2 Summary Of Penalties & Fines	X	
65	G-5.3 Other Exclusions	X	
66	G-7.1 Recon-Test Yr Bk Net Inc & Tax Net Inc		X
67	G-7.2 Plant Adjustments		X
68	G-7.4 ADFIT		X
69	G-7.4b Adjustments to ADFIT		X
70	G-7.4c ADFIT & ITC-Plt Adjstmnts & Alloc		X
71	G-7.4d ADFIT-Rate Case Expense		X
72	G-7.5c ITC Utilized-Stand Alone Basis		X
73	G-7.5e FERC A/C 255 Balance		X
74	G-7.6 Analys-TY & Rqstd FIT-Tx Meth 2		X
75	G-7.6a Analysis Of Deferred FIT		X
76	G-7.7 Analysis Of Addtnl Deprec Rqstd		X
77	G-7.8 Analys-TY & Rqstd FIT-Tx Meth 1		X
78	G-7.9c Analysis of Reserve Accounting for Excess Deferred Taxes		X
79	G-7.10 Effects Of Acctng Order Deferrals		X
80	G-7.11 Effct-Post TY Adjust-FIT & ADFIT	X	
81	G-7.12 Effects-Rt Modrtn Plan-FIT & ADFIT	X	
82	G-7.12a Trtmnt=FIT/ADFIT in Rt Modrtn Pln	X	
83	G-7.13 List of FIT/ADFIT Testimony		X
84	G-8 Outside Svcs Emp-FERC 900 Exp	X	
85	G-9 Taxes Oth Than Inc Taxes (UR	X	
86	G-9.1 Ad Valorem Txs & Plt Balances	X	
87	G-10 Factoring Expense (UR)	X	
88	G-11 Def Expenses From Prior Dckts		X
89	G-12 Below The Line Expenses	X	
90	G-13 Nonrecurring Or Extrdnry Exp		X
91	G-14 Regulatory Commission Exp	X	
92	G-15 Monthly O&M Expense	X	

Entergy Texas, Inc.
Listing of Rate Filing Package Schedules Sponsored
Or Co-Sponsored by Allison P. Lofton

Line No.		Schedule Description	Sponsor	Co-Sponsor
93	H	Engineering Information	X	
94	H-1	Summ Of Test Yr Prod O&M Exp		X
95	H-1.2	Fossil Co-Wide O&M Exp Summ		X
96	H-1.2a	Nat Gas Plt O&M Summary		X
97	H-1.2a1	Natural Gas (Steam Genrtn)		X
98	H-1.2a2	Natural Gas (Combustn Turbine)		X
99	H-1.2b	Coal Plant O&M Summary		X
100	H-1.2c	Lignite Plant O&M Summary		X
101	H-1.2d	Oth Plant O&M Summary		X
102	H-2	Summ-Adjstd TY Prod O&M Exp		X
103	H-3	Summary-Act. Prod. O&M Exp Incurred		X
104	H-5.1	Prod Plt Capital Cost Methodology	X	
105	I-1.1	Monthly TY Fuel By A/C # As Spec	X	
106	I-1.4	Nonrecurring Fuel & Purch Pwr Exp	X	
107	I-7	Natural Gas Storage Description		X
108	I-16	Reconcilable Fuel Costs-Monthly		X
109	J	Financial Statements	X	
110	J-1	Reconciliation-Total Co To Total Elec	X	
111	J-2	Consolidated Finance Statements	X	
112	K-1	Weighted Avg Cost Of Capital		X
113	K-2	Wghd Avg Cost Of Preferred Stock		X
114	K-3	Wghd Avg Cost Of Debt		X
115	K-4	Notes Payable		X
116	K-5	Security Issuance Restrictions		X
117	K-6	Financial Ratios		X
118	P-10	Payroll Expense Distribution	X	
119	P-11.1	Distribution – Primary/Secondary Analysis		X
120	S	Test Yr Review As Specfd	X	

See Native Excel file Lofton Direct_Exhibit APL-3.

See Native Excel file Lofton Direct_Exhibit APL-4.

See Native Excel file Lofton Direct_Exhibit APL-5.

See Native Excel file Lofton Direct_WP_APL-3.

See Native Excel file Lofton Direct_WP_APL-4.

See Native Excel file Lofton Direct_WP_APL-5.

DOCKET NO. 53719

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

DIRECT TESTIMONY

OF

RYAN M. DUMAS

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF RYAN M. DUMAS
2022 RATE CASE

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EXHIBITS

Exhibit RMD-1	Professional Work Experience
Exhibit RMD-2	Entergy System Subsidiaries Discussion
Exhibit RMD-3	Regulated/Non-Regulated Affiliate Organization Charts
Exhibit RMD-4A	Service Agreement Between ESL and Entergy Texas, Inc.
Exhibit RMD-4B	Service Agreement Between ESL and Entergy Arkansas
Exhibit RMD-4C	Service Agreement Between ESL and EGS Holdings, LLC
Exhibit RMD-4D	Service Agreement Between ESL and Entergy Louisiana Holdings, LLC
Exhibit RMD-4E	Service Agreement Between ESL and Entergy Louisiana
Exhibit RMD-4F	Service Agreement Between ESL and Entergy Louisiana Properties, LLC
Exhibit RMD-4G	Service Agreement Between ESL and Entergy Mississippi
Exhibit RMD-4H	Service Agreement Between ESL and Entergy New Orleans
Exhibit RMD-4I	Service Agreement Between ESL and Entergy Corporation
Exhibit RMD-4J	Service Agreement Between ESL and Entergy Operations
Exhibit RMD-4K	Service Agreement Between ESL and Entergy Power
Exhibit RMD-4L	Service Agreement Between ESL and Entergy Enterprises
Exhibit RMD-4M	Service Agreement Between ESL and System Fuels
Exhibit RMD-4N	Service Agreement Between ESL and System Energy
Exhibit RMD-4O	Service Agreement Between ESL and Entergy Louisiana, LLC
Exhibit RMD-4P	Service Agreement Between ESL and Entergy Utility Holding Company, LLC
Exhibit RMD-5	Functions and Classes
Exhibit RMD-6	Families and Functions
Exhibit RMD-7	Affiliates That Receive Services from ESL
Exhibit RMD-8	ESL Test Year Per Book Billings to Affiliates by Project
Exhibit RMD-9	ESL Annual Billings to Affiliates 2019 – 2021
Exhibit RMD-10A	FERC Order Accepting Entergy's Service Company Cost Allocation Request
Exhibit RMD-10B	FERC Order Effective December 18, 2013
Exhibit RMD-10C	FERC Order Effective November 4, 2015
Exhibit RMD-10D	FERC Order Effective February 18, 2016

Exhibit RMD-10E	FERC Order Effective June 21, 2016
Exhibit RMD-10F	FERC Order Effective August 31, 2016
Exhibit RMD-10G	FERC Order on Audit Report
Exhibit RMD-11	Affiliate Billing Exclusions by Class
Exhibit RMD-12	Pro Forma Documentation List
Exhibit RMD-13	Flow of Test Year Affiliate Costs – G-6 Schedules and Supporting Information
Exhibit RMD-14	Elements of ETI’s Cost of Service
Exhibit RMD-15	Affiliate Billing Process Discussion
Exhibit RMD-16	ESL Time and Expense Training
Exhibit RMD-17	Direct vs. Allocated ESL Test Year Per Book Billings to Affiliates
Exhibit RMD-18	ESL Billing Methods – Basis for Calculation and Types of Costs Allocated Using Billing Methods
Exhibit RMD-19	Entergy Arkansas Test Year Billings to Affiliates
Exhibit RMD-20	Entergy Louisiana Test Year Billings to Affiliates
Exhibit RMD-21	Entergy Mississippi Test Year Billings to Affiliates
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Exhibit RMD-24	ESL Net Book Value of Assets
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Exhibit RMD-26A	ESL Benchmarking Analysis Peer Group
Exhibit RMD-26B	Service Company O&M as a Percentage of Total Company O&M
Exhibit RMD-26C	Service Company O&M as a Percentage of Total Company Revenue
Exhibit RMD-26D	Service Company O&M as a Percentage of Total Company Assets
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Exhibit RMD-A	Affiliate Billings – by Witness, Class and Department
Exhibit RMD-A.1	Roadmap to Exhibit RMD-A
Exhibit RMD-B	Affiliate Billings – by Witness, Class and Project
Exhibit RMD-B.1	Roadmap to Exhibit RMD-B
Exhibit RMD-C	Affiliate Billings – by Witness, Class, Department and Project
Exhibit RMD-C.1	Roadmap to Exhibit RMD-C

Exhibit RMD-D	Affiliate Billings – Pro Forma Summary – by Witness, Class and Pro Forma
Exhibit RMD-D.1	Roadmap to Exhibit RMD-D
Exhibit RMD-E	Project Summaries

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ryan M. Dumas. 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 Manager of Affiliate
Accounting and Allocations.

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

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

Q4. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
PROFESSIONAL EXPERIENCE.

A. I have a Bachelor of Accountancy degree from Loyola University New Orleans and
a Master of Business Administration degree from the University of New Orleans.
I have held various positions in ESL’s Accounting organization for the past 15
years. My work experience is described in more detail in Exhibit RMD-1.

Q5. WHAT ARE THE PRINCIPAL AREAS OF YOUR RESPONSIBILITY AS
MANAGER OF AFFILIATE ACCOUNTING AND ALLOCATIONS?

A. I am responsible for the intra-system affiliate billing processes of the following

1 Entergy Corporation service companies: ESL, Entergy Operations, Inc. (“EOI”),
2 Entergy Enterprises, Inc. (“EEI”), and Entergy Nuclear Operations, Inc. (“ENOI”).
3 I oversee these companies’ affiliate billing processes and procedures to ensure they
4 are in compliance with applicable requirements of the retail regulators of the
5 Entergy Operating Companies (“EOCs”),¹ including the Public Utility Commission
6 of Texas (“Commission”), the Public Utility Holding Company Act of 2005
7 (“PUHCA 2005”), and Federal Energy Regulatory Commission (“FERC”) regulations.²

9 My responsibilities also include affiliate billings, allocations, and approval
10 of billing method assignments on project codes related to the Entergy affiliates. I
11 have overall responsibility for all affiliate billing functions for ETI and all of the
12 Operating Companies.

13 My responsibilities include oversight for the review of the elements of
14 billable project code (“PC”) requests and the approval of each billable PC. I am
15 also responsible for analyzing the amounts billed to affiliates to ensure that the
16 billing process is efficient and effective. In addition, I have oversight for the
17 provision of advice and training for ESL employees regarding affiliate billing
18 issues. My accounting responsibility includes providing information required for
19 the preparation of FERC Form 60 reports, Annual Report of Centralized Service

¹ For convenience, I use the term “Entergy” to refer individually and collectively to Entergy Corporation and its affiliates, including but not limited to ESL and the EOCs. The five EOCs are Entergy Arkansas, LLC. (“EAL”); Entergy Louisiana, LLC (“ELL”); Entergy Mississippi, LLC (“EML”); Entergy New Orleans, LLC (“ENO”); and Entergy Texas, Inc. (“ETI”). Each of these affiliates is a separate legal entity.

² See Exhibit RMD-2 for a discussion of the regulation of Entergy Corporation’s subsidiaries.