- Directly assigned, and
- Revenue-related;

- Schedule P-5 (Separation of Rate Base) provides a separation of each functional component of the rate base by the same classifications as reflected in Schedule P-4;
- Schedule P-6-1.1 (Unit Cost Analysis/Existing Rate Schedules); and
- Schedule P-6-1.2 (Unit Cost Analysis/Proposed Rate Schedules).

Q36. PLEASE DESCRIBE THE RFP SCHEDULES YOU SPONSOR THAT PRESENT THE ALLOCATION FACTORS UTILIZED IN DEVELOPING SCHEDULE P.

A. Ms. Elbe and I co-sponsor Schedule P-7.1, and I sponsor Schedule P-7.3 (Allocation Factors), which lists the allocation factors and associated data, and specifically identifies any direct assignment of costs.

Schedule P-8 (Classification Factors) subdivides each allocation factor in the class cost of service study by the classification categories reflected in Schedule P-4 and described above.

Schedule P-13 (Summary of Changes in Allocation Factors) identifies the line items in the class cost of service study for which the allocation factor differs in the current filing from that approved in the Company's last rate case.

Q37. WHAT OTHER SCHEDULES IN THE RFP DO YOU SPONSOR THAT CONTAIN RESULTS FROM THE CLASS COST OF SERVICE STUDY IN SCHEDULE P?

A. The other schedules I sponsor include Schedules G-7.6 (Analysis of Test Year FIT and Requested FIT – Tax Method 2) and G-7.8 (Analysis of Test Year FIT and Requested FIT – Tax Method 1), which provide the Test Year federal income tax expense ("FIT") and the requested FIT expense utilizing Tax Methods 2 and 1, respectively. I also sponsor Schedule G-7.6a (Analysis of Deferred FIT), which provides the support for the Total Deferred Federal Income Taxes found on Schedule G-7.6. The data reflected on these schedules were included in the results in Schedule P. Therefore, ETI witness Stacey L. Whaley, Ms. Lofton, and I co-sponsor the schedules listed above.

## IV. REQUESTED WAIVERS

Q38. IS ETI SEEKING WAIVERS OF ANY COMMISSION SUBSTANTIVE OR PROCEDURAL RULES?

A. Yes. To the extent necessary, ETI requests the Commission grant good cause exceptions to the Commission's Substantive Rules and Procedural Rules as described below.

Q39. DO THE COMMISSION'S SUBSTANTIVE AND PROCEDURAL RULES SPECIFICALLY ALLOW FOR THESE WAIVERS?

A. Yes, 16 TAC § 25.3(b) expressly provides that the Commission may make

exceptions to its Substantive Rules for good cause, and 16 TAC § 22.5(b) allows the presiding officer to grant exceptions to any requirement in the Procedural Rules or a Commission-prescribed form for good cause.

Q40. IS ETI ALSO SEEKING GOOD CAUSE EXCEPTIONS TO 16 TAC § 22.243(b)? PLEASE EXPLAIN.

A. Yes. Section 22.243(b) of this rule requires utilities to file the schedules and workpapers required by the Commission's RFP. Schedule V sets forth ETI's requests for waivers of certain RFP requirements.

First, ETI requests a waiver to the requirements to provide certain fuel information. The Company is not requesting a fuel factor revision in this proceeding, and thus ETI has not included schedules requesting forecasted fuel information in the RFP. ETI is continuing its fuel factor methodology that changes the fuel factor in March and September of each year based on a formula established in Docket No. 32915. Further, ETI is not providing schedules pertaining exclusively to historical, reconcilable fuel costs and revenues in light of the Commission's determination in Project No. 41905 that utilities should file fuel reconciliation cases separate from general rate proceedings.

Second, ETI requests a good cause exception to filing Schedule N. This schedule addresses energy efficiency plans and is thus not applicable in light of PURA § 39.905 and 16 TAC § 25.182, which provide for recovery of energy efficiency costs through an EECRF.

Third, in lieu of the confidentiality agreement shown in the instructions to

RFP Schedule W, ETI is providing, in Schedule W, a recently-entered version of the Commission's standard protective order. This protective order is a better reflection of the current practices at the Commission and agreements among parties regarding the procedures and protections for confidential and highly sensitive information.

Finally, in Docket No. 52851, the Commission granted ETI a good cause exception to filing Schedule S, which requires an independent audit of the rate application.

Q41. ARE THERE OTHER WAIVERS THE COMMISSION HAS ALREADY APPROVED FOR ETI?

A. Yes. In Docket No. 47416, in which the Commission approved ETI's Advanced Metering System ("AMS") plan and proposed surcharge, ETI requested a waiver of the requirement in 16 TAC § 25.130(k)(4) that costs being recovered through an AMS surcharge be moved to base rates if the Commission conducts a general rate case during the AMS deployment ending in 2022. The Commission's final order in that proceeding granted this exception.

Q42. DOES THE COMPANY PLAN TO UPDATE THE AMS SURCHARGE UPON THE COMMISSION APPROVING AN OVERALL RATE OF RETURN IN THIS PROCEEDING?

A. Yes. In the Docket No. 47416 Final Order, Finding of Fact No. 63 requires an adjustment to ETI's AMS surcharge be made reflecting any Commission-

authorized change in the return on equity, cost of debt, or capital structure used to calculate ETI's base rates and that it will become effective at the same time the corresponding base rate change becomes effective. The Company, therefore, will take action in accordance with the order in the tariff and rate schedule compliance phase of this proceeding by updating its AMS surcharge accordingly.

## V. RATE CASE EXPENSES

Q43. PLEASE DESCRIBE SCHEDULES G-14.1 AND G-14.2 THAT YOU SPONSOR.

A. Schedule G-14.1 (Rate Case Expenses) provides information concerning the expenses ETI has incurred through March 31, 2022 and expects to incur pursuant to the processing of this rate application. Schedule G-14.2 (Rate Case Expenses – Prior Rate Applications) provides information about expenses incurred in ETI's most recent fuel reconciliation, Docket No. 49916, which the Commission did not previously consider.

Q44. PLEASE SUMMARIZE THE RATE CASE EXPENSES ETI IS REQUESTING IN THIS PROCEEDING.

A Schedule G-14.1 reflects: (1) the actual rate case expenses incurred in connection with this rate proceeding as of March 31, 2022, as well as the estimated total rate case expenses the Company expects to incur through the pendency of this docket (including expenses billed to ETI by certain Cities); and (2) the actual expenses incurred in connection with Docket No. 49916, ETI's last fuel reconciliation, which

ETI is allowed to request recovery of in this proceeding under the Commission's final order in that docket. At this time, the total requested actual and estimated rate case expenses associated with Docket Nos. 53719 and 49916 are $9.2 million, as shown on page 1 of Schedule G-14.1. The estimated expenses for Docket No. 53719 reflect those necessary to fully litigate the case and obtain a final order from the Commission. As this rate case progresses and the Company incurs actual rate case expenses, I plan to file supplemental testimony and/or affidavits to support such expenses, in accordance with the procedural schedule ultimately adopted by the Administrative Law Judges.

Q45. PLEASE DESCRIBE ETI'S INTERNAL RATE CASE EXPENSES FOR DOCKET NOS. 53719 AND 49916.

A. ETI's requested internal rate case expenses consist of those incremental expenses that ETI would not have incurred absent these proceedings. In addition to its direct expenses (e.g., courier expenses), ETI's internal rate case expenses include costs billed by its service company affiliate, Entergy Services, LLC ("ESL"), for services that were necessary to provide support for this base rate proceeding and the fuel reconciliation. Charges for these required affiliate services were consistent with the Commission's affiliate rules, as discussed in detail below. A summary of ETI's internal rate case expenses is provided as Exhibit REL-5.

Q46. HOW DOES ETI TRACK THE INTERNAL RATE CASE EXPENSES FOR DOCKET NO. 53719?

A. Internal rate case expenses associated with this proceeding (Docket No. 53719) are captured in Project Code F3PPTRCT22. This Project Code is used only for the time and expense related to this matter, and all costs incurred by ESL under this project code are directly billed to ETI. By requiring ESL to bill all costs associated with this case to this specific project code and not requesting recovery of costs in this project code through base rates, the Company ensures that there is no double recovery.

Q47. HOW DID ETI TRACK THE INTERNAL RATE CASE EXPENSES FOR DOCKET NO. 49916?

A. Internal rate case expenses associated with Docket No. 49916 were captured in Project Code F3PPTXFRCT. This Project Code is used only for the time and expense related to ETI's 2019 fuel reconciliation docket, and all costs incurred by ESL under this project code were directly billed to ETI.

Q48. DID THE COMPANY FOLLOW ANY PROCESSES OR PROCEDURES TO ENSURE THAT THE INTERNAL RATE CASE EXPENSES PRESENTED IN EXHIBIT REL-5 ARE REASONABLE AND NECESSARY?

A. Yes. The Company has specific processes and practices regarding billing, budgeting, cost control, compensation, and benefits to ensure that the requested internal rate case expenses are reasonable and necessary. For example, ESL

employees or timekeepers are responsible for entering their time with the appropriate accounting codes, including project codes. The PeopleSoft Time & Labor System validates the entries and notifies employees when the accounting code values or project codes are invalid or incomplete. At the end of each pay period, supervisors are responsible for reviewing and approving their employees' timesheets and expense reports to ensure accuracy. These processes and practices are discussed in more detail in ETI witness Ryan M. Dumas's direct testimony.

The Company's processes and practices help to ensure that the internal rate case expenses for which recovery is requested are necessary and reasonable, represent the actual costs of the services, do not include prohibited expenses, do not include charges for duplicative services or expenses, and (with respect to expenses billed by ESL) are no higher than the prices charged to other affiliates, or to non-affiliates, for the same or similar services. In addition, I reviewed these expenses to ensure that the internal rate case expenses are reasonable, necessary, and in compliance with PURA § 36.058 and the rate case expense rule.

Q49. PLEASE DESCRIBE THE REVIEW YOU CONDUCTED WITH RESPECT TO ETI'S REQUESTED INTERNAL RATE CASE EXPENSES.

A. I reviewed the incurred internal rate case expenses presented in Exhibit REL-5, including employee out-of-pocket expenses, and found them to be reasonable and necessary. ETI's requested internal rate case expenses associated with Docket No. 49916 are $471,417. Additionally, as of March 31, 2022, ETI has incurred $608,594 in internal costs associated with Docket No. 53719.

In the workpapers to Exhibit REL-5, I include the details of the internal rate case expenses as well as a collection of invoices separated by employee.

Q50. PLEASE DESCRIBE THE PROCEDURE FOR REVIEWING THE COMPANY'S ACTUAL RATE CASE EXPENSES.

A. As with any rate proceeding, there are a number of consultants and outside lawyers involved in preparing this case. The Company, ESL, or legal counsel representing the Company have retained consultants to provide specialized work needed to support the rate filing.

When billings are received from the consultants or through legal counsel, appropriate personnel review the charges and approve them for payment. The bill is then forwarded to Accounts Payable for payment. Accounts Payable personnel review each bill submitted for payment to determine that proper approval has been received.

Q51. IN ANALYZING THE REASONABLENESS AND NECESSITY OF ETI'S REQUESTED RATE CASE EXPENSES, WHAT FACTORS DID YOU CONSIDER?

A. In my review and analysis, I considered all of the issues listed in the Commission's rate case expense rule – 16 TAC § 25.245. In particular, I focused on the following considerations:

i. the nature, extent, and difficulty of the work done by the attorneys or other professionals in the rate case;

ii. the time and labor required and expended by the attorneys and other professionals;

iii. the fees or other considerations paid to the attorneys or other professionals for the services rendered;

iv. the expenses incurred for lodging, meals and beverages, transportation, or other services or materials;

v. the nature and scope of the rate case, including:

vi. the size of the utility and number and type of customers served;

vii. the amount of money or value of property or interest at stake;

viii. the novelty or complexity of the issues addressed;

ix. the amount and complexity of discovery;

x. the occurrence and length of a hearing; and

xi. the specific issues in the rate case and the amount of rate case expenses reasonably associated with each issue.

The following sections of my testimony explain how these considerations apply to ETI's requested internal rate case expenses for this proceeding, Docket No. 53719, and ETI's 2019 fuel reconciliation, Docket No. 49916.

Also, Erika N. Garcia, a licensed attorney in Texas who is also the Director of Regulatory Affairs for ETI, provides an affidavit in support of the internal expenses incurred for the Company's in-house attorneys. Ms. Garcia's affidavit is provided as Exhibit REL-6 to my testimony. In addition, although I testify at a general level about ETI's external rate case expenses, Meghan E. Griffiths's

testimony sponsors those external expenses and provides greater detail.

## A. Rate Case Expenses – Docket No. 53719

### 1. Nature, Extent, and Difficulty of the Work

Q52. PLEASE DESCRIBE THE NATURE, EXTENT, AND DIFFICULTY OF THE WORK DONE BY ESL AND ETI PERSONNEL IN CONNECTION WITH THIS RATE CASE.

A. ESL and ETI personnel assisted in the preparation of testimony, schedules, and supporting workpapers necessary in filing the application and RFP in this docket. There were 28 internal witnesses who filed direct testimony in support of ETI's application.

Q53. GIVEN THE NATURE, EXTENT, AND DIFFICULTY OF THE WORK DONE, WERE THE INTERNAL RATE CASE EXPENSES REASONABLE AND NECESSARY?

A. Yes. The internal witnesses testify on a range of complex issues (e.g., accounting and financial expenses and issues, operating and maintenance expenses, proposed riders, affiliate expenses, cost allocation, and rate design) and were required to spend time preparing their testimony, exhibits, and workpapers. In addition, ESL and ETI personnel provided valuable background and information to the attorneys and outside witnesses and were heavily involved in the preparing the application and the RFP. Given the nature, extent, and difficulty of the work performed by ESL and ETI personnel, the internal rate case expenses are reasonable and

necessary.

### 2. Time and Labor Required and Expended

Q54. PLEASE DESCRIBE THE TIME AND LABOR REQUIRED AND EXPENDED BY ESL AND ETI PERSONNEL.

A. The filing of an RFP for a utility is a significant undertaking. The time and labor expended by ESL and ETI personnel was reasonable and necessary to prepare ETI's application, including testimony, schedules, and workpapers.

Q55. GIVEN THE TIME AND LABOR REQUIRED AND EXPENDED, ARE THE INTERNAL RATE CASE EXPENSES REASONABLE AND NECESSARY?

A. Yes. I have reviewed the internal rate case expenses and conclude that they are reasonable and necessary to adequately present and support ETI's base rate case.

### 3. Fees or Other Consideration Paid

Q56. HOW WERE THE FEES FOR SERVICES PROVIDED BY ESL IN CONNECTION WITH THIS CASE ESTABLISHED?

A. As discussed above, Project Code F3PPTRCT22 was used to track the time and expense related to Docket No. 53917, and the costs incurred by ESL for this project code were directly billed to ETI. The fees for services provided by ESL to ETI were established based on the project billing methodology discussed and supported by various witnesses in this docket, and I will therefore not present all that information again. Mr. Dumas provides direct testimony, on behalf of ETI,

regarding the affiliate case layout, and other ETI witnesses discuss the necessity of the classes of services, explain why the costs of the services are reasonable, and the billing methods used to ensure that the prices paid by ETI are no higher than the costs paid by other Entergy affiliates.

Q57. ARE YOU FAMILIAR WITH THE STANDARDS USED BY THE COMMISSION TO DETERMINE THE REASONABLENESS OF EXPENSES ASSOCIATED WITH AFFILIATE TRANSACTIONS?

A. Yes, I am. Although I am not an attorney, part of my job responsibility is to be familiar with the standards governing affiliate transactions and cost recovery in Commission proceedings. PURA § 36.058 sets forth the affiliate standard applicable to Commission rate proceedings. In order for an affiliate expense to be recoverable, PURA § 36.058(c) requires a finding that the affiliate transaction is reasonable and necessary and a finding that the price paid was no higher than the price charged to another affiliate or to non-affiliated persons.

Q58. DID THE COSTS BILLED BY ESL IN CONNECTION WITH THIS PROCEEDING COMPLY WITH THE AFFILIATE TRANSACTIONS STANDARD YOU JUST DESCRIBED?

A. Yes. I have reviewed the expenses billed by ESL, and they are both reasonable and necessary to this rate case. In addition, ESL's billing methodology ensures that it does not charge a higher unit cost to ETI than to other affiliates for the same or similar items and services. Specifically, ESL bills its services to regulated

companies at cost with no profit added. Since ESL directly billed ETI for costs related to this case and ESL charges no more than actual costs for services provided to regulated companies, the price charged to ETI represented the actual cost.

For a more detailed explanation of ESL's billing process, including the controls associated with affiliate billings, please refer to Mr. Dumas's direct testimony. Out-of-pocket expenses that ESL incurred while working on the rate case are charged at actual cost.

## 4. The Nature and Scope of the Rate Case

### a. Size of the Utility and Customers Served

Q59. PLEASE DESCRIBE ETI AND THE CUSTOMERS ETI SERVES.

A. ETI provides bundled generation, transmission, distribution, and customer services to approximately 486,000 retail customers in Texas. The Company has 669 employees and operates and maintains approximately 550,000 utility distribution poles, 26,000 transmission structures, 14,000 circuit miles of distribution lines, 2,670 circuit miles of transmission lines, and 280 substations. ETI has been engaged in a multi-year capital investment plan to improve service quality and reliability by installing planned upgrades and necessary expansion of its transmission and distribution systems and its generation fleet. By the end of 2024, ETI expects to invest over $2.5 billion in electric infrastructure to serve its customers.

**b. Amount of Money or Interest at Stake**

Q60. PLEASE DESCRIBE THE AMOUNT OF MONEY OR INTEREST AT STAKE IN THIS DOCKET.

A. ETI's application supports proposed base rates and riders designed to collect a total non-fuel retail amount for ETI of approximately $1.2 billion per year. This proposal represents an increase in ETI's base rate and rider revenues of $131.4 million, or 11.2%. Given the extensiveness of the Company's operations and the requested cost recovery amount that the Company has the burden of proof to support in this case, it is necessary to utilize witnesses with substantial knowledge and familiarity regarding the issues addressed. The testimonies of each witness involves different subject matters and scopes, and thus no duplication of effort has occurred. The level of internal rate case expenses and participation by internal witnesses is consistent with the execution and litigation of a base-rate proceeding for an integrated utility with a substantial affiliate case for which the Commission's affiliate standards must be met.

**c. Novelty or Complexity of the Issues**

Q61. PLEASE DISCUSS THE SCOPE OF A RATE FILING PACKAGE GENERALLY.

A. The RFP for an Investor-Owned Generating Utility for a base-rate case is a significant undertaking and includes a large number of schedules, testimony to support the revenue requirement and rate design, and supporting, detailed workpapers. In some instances, such as with depreciation, it may be necessary to

provide specific studies in support of the utility's proposed cost recovery.

Q62. ARE RATE CASE PROCEEDINGS OFTEN CONTESTED PROCEEDINGS INVOLVING NOVEL AND COMPLEX ISSUES?

A. Yes. In my experience, multiple parties typically intervene in utility rate cases. These parties file direct testimony addressing complex issues such as return on equity, depreciation, and rate design. Additionally, this testimony sometimes raises novel issues that have not been previously addressed or litigated in prior cases. In ETI's last rate case, Docket No. 48371, Commission Staff and intervenors filed the testimony of 18 witnesses addressing various aspects of the Company's application. In response, ETI developed and filed the rebuttal testimony of 12 internal witnesses and seven external witnesses. While that case was ultimately resolved through a settlement agreement, a considerable amount of resources were necessarily expended to appropriately present ETI's positions on the contested issues through testimony and settlement negotiations.

**d. <u>Amount and Complexity of Discovery</u>**

Q63. HAS ANY DISCOVERY BEEN FILED IN THIS DOCKET AT THIS TIME?

A. No. The amount and complexity of discovery will become apparent as the case progresses after filing and may be addressed at a later date through supplemental testimony or an affidavit. In ETI's last base rate case, six intervenors in addition to Commission Staff were granted intervention, and these parties collectively served a total of 564 requests for information (excluding subparts) on the Company. ETI's

responses to RFIs on its direct case were due in 10 working days. ETI incurred costs in the form of time and labor to timely respond to these RFIs, including costs incurred for outside counsel and outside experts. I expect that ETI will incur some similar level of expense responding to discovery in this case, though as I previously testified, the precise amount and complexity of discovery will not be known until later in the case processing.

### e. The Occurrence and Length of a Hearing

Q64. FOR THIS PROCEEDING, HAS THERE BEEN A HEARING YET?

A. No. Given the early stage of this proceeding, the occurrence and length of a hearing will need to be addressed at a later date.

## B. Rate Case Expenses – Docket No. 49916

### 1. Nature, Extent, and Difficulty of the Work – Docket No. 49916

Q65. PLEASE DESCRIBE THE NATURE, EXTENT, AND DIFFICULTY OF THE WORK DONE BY ESL PERSONNEL IN CONNECTION WITH ETI'S FUEL RECONCILIATION, DOCKET NO. 49916.

A. Similar to this rate case, for ETI's 2019 fuel reconciliation, ESL and ETI personnel assisted in the preparation of testimony, schedules, and supporting workpapers necessary in filing the application and required schedules in that docket. There were six internal witnesses who filed direct testimony in support of ETI's application.

Q66. GIVEN THE NATURE, EXTENT, AND DIFFICULTY OF THE WORK DONE, WERE THE INTERNAL FUEL RECONCILIATION EXPENSES REASONABLE AND NECESSARY?

A. Yes. The internal witnesses testify on a range of complex issues (e.g., fuel and purchase power expenses and revenues, accounting, financial issues, and cost allocation) and were required to spend material amounts of time preparing their testimony, exhibits, and workpapers. In addition, ESL personnel provided valuable background and information to the attorneys and were heavily involved in preparing the fuel reconciliation. Given the nature, extent, and difficulty of the work performed by ESL personnel, the internal expenses related to Docket No. 49916 are reasonable and necessary.

### 2. Time and Labor Required and Expended

Q67. PLEASE DESCRIBE THE TIME AND LABOR REQUIRED AND EXPENDED BY ESL AND ETI PERSONNEL.

A. The filing of a fuel reconciliation for an electric utility is a major undertaking. As previously described, the time and labor expended by ESL and ETI personnel was reasonable and necessary to prepare ETI's 2019 fuel reconciliation, including testimony, schedules, and workpapers.

Q68. GIVEN THE TIME AND LABOR REQUIRED AND EXPENDED, ARE THE INTERNAL DOCKET NO. 49916 EXPENSES REASONABLE AND NECESSARY?

A. Yes. I have reviewed the fuel reconciliation expenses and conclude that they are reasonable and necessary to adequately present and support ETI's 2019 fuel reconciliation.

### 3. Fees or Other Consideration Paid

Q69. HOW WERE THE FEES FOR SERVICES PROVIDED BY ESL IN CONNECTION WITH THE FUEL RECONCILIATION ESTABLISHED?

A. As identified above, Project Code F3PPTXFRCT was used to track the time and expense related to Docket No. 49916, and the costs incurred by ESL for this project code were directly billed to ETI. Similar to this proceeding, the fees for services provided by ESL to ETI were established based on the project billing methodology discussed and supported by various witnesses in this docket, in particular Mr. Dumas, and I will therefore not present that information again here. Mr. Dumas provides direct testimony, on behalf of ETI, regarding the affiliate case layout, and other ETI witnesses discuss the necessity of the classes of services, explain why the costs of the services are reasonable, and the billing methods used to ensure that the prices paid by ETI are no higher than the costs paid by other Entergy affiliates.

Q70. ARE YOU FAMILIAR WITH THE STANDARDS USED BY THE COMMISSION TO DETERMINE THE REASONABLENESS OF EXPENSES ASSOCIATED WITH AFFILIATE TRANSACTIONS?

A. Yes, I am. As stated above, although I am not an attorney, part of my job responsibility is to be familiar with the standards governing affiliate transactions and cost recovery in Commission proceedings. PURA § 36.058 sets forth the affiliate standard applicable to Commission rate proceedings. In order for an affiliate expense to be recoverable, PURA § 36.058(c) requires a finding that the affiliate transaction is reasonable and necessary and a finding that the price paid was no higher than the price charged to another affiliate or to non-affiliated persons.

Q71. DID THE COSTS BILLED BY ESL IN CONNECTION WITH ETI'S 2019 FUEL RECONCILIATION COMPLY WITH THE AFFILIATE TRANSACTIONS STANDARD YOU JUST DESCRIBED?

A. Yes. I have reviewed the expenses billed by ESL, and they were both reasonable and necessary to the fuel reconciliation. In addition, ESL's billing methodology ensures that it does not charge a higher unit cost to ETI than to other affiliates for the same or similar items and services. Specifically, ESL bills its services to regulated companies at cost with no profit added. Since ESL directly billed ETI for costs related to this case and ESL charges no more than actual costs for services provided to regulated companies, the price charged to ETI represented the actual cost. Also, out-of-pocket expenses that ESL incurred while working on the fuel reconciliation are charged at actual cost.

## 4. The Nature and Scope of the Fuel Reconciliation

### a. Size of the Utility and Customers Served

Q72. PLEASE DESCRIBE ETI AND THE CUSTOMERS ETI SERVES.

A. Please refer to the answer above to Question 59.

### b. Amount of Money or Interest at Stake

Q73. PLEASE DESCRIBE THE AMOUNT OF MONEY OR INTEREST AT STAKE IN ETI'S 2019 FUEL RECONCILIATION.

A. During the Reconciliation Period (April 1, 2016 – March 31, 2019), ETI incurred approximately $1.6 billion in eligible fuel and purchased power expenses to generate and purchase electricity, net of certain revenues properly credited to such expenses and other adjustments. The following table summarizes, by fuel type, ETI's eligible fuel and purchased power costs, as requested.

**Table 1: ETI's 2019 Fuel Reconciliation Eligible Fuel and Purchase Power Costs**

| | |
|---|---|
| Gas and Fuel Oil (Sch. FR-16) | $616,569,533 |
| Emissions Allowances (Sch. FR-16) | $3,813,987 |
| Coal (Sch. FR-16) | $92,135,635 |
| **Total Fuel Expense** | **$712,519,155** |
| | |
| Purchased Power Expense (Sch. FR-4.3a-g) | $1,183,147,305 |
| Off System Sales Revenues (Sch. FR-4.4b-e) | $282,372,643 |
| **Net Purchased Power** | **$900,774,662** |
| | |
| **Total Expense** | **$1,613,293,817** |

Given the extensiveness of the Company's operations and the amount of expenses and revenues requested to be reconciled, which the Company had the

burden of proof to support in its filing, it was necessary to utilize witnesses with substantial knowledge and familiarity regarding the issues addressed. The testimonies of each witness involved different subject matters and scopes, and thus no duplication of effort occurred. The level of internal rate case expenses and participation by internal witnesses is consistent with the execution and litigation of a fuel reconciliation for an integrated utility with a substantial affiliate case for which the Commission's affiliate standards must be met.

**c. Novelty or Complexity of the Issues**

Q74. PLEASE DISCUSS THE SCOPE OF A FUEL RECONCILIATION FILING PACKAGE GENERALLY.

A. The filing package for a fuel reconciliation is a significant undertaking and includes a large number of schedules, testimony, and supporting, detailed workpapers.

Q75. ARE FUEL RECONCILIATIONS OFTEN CONTESTED PROCEEDINGS INVOLVING NOVEL AND COMPLEX ISSUES?

A. Yes. In my experience, multiple parties typically intervene in fuel reconciliations. These parties file direct testimony addressing complex issues. Additionally, this testimony sometimes raises novel issues that have not been previously addressed or litigated in prior filings.

### d. Amount and Complexity of Discovery

Q76. WAS ANY DISCOVERY FILED IN THE FUEL RECONCILIATION?

A. Yes. In ETI's 2019 fuel reconciliation, three intervenors in addition to Commission Staff were granted intervention, and these parties collectively served a total of 13 sets of requests for information on the Company. ETI incurred costs in the form of time and labor to timely respond to these RFIs, including costs incurred for outside counsel and outside experts.

## C. Proposed Recovery

Q77. HOW DOES THE COMPANY PROPOSE TO RECOVER RATE CASE EXPENSES?

A. The Company proposes that the Commission permit it to recover these costs over a three-year period through a separate rider, Schedule RCE-5, provided as Exhibit CKE-2 to the Direct Testimony of Ms. Elbe. Once ETI recovers the approved costs associated with Schedule RCE-5, the approved rates will be set to zero, thereby terminating the schedule, and customers will no longer be charged.

# VI. CONCLUSION

Q78. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

**AFFIDAVIT OF RICHARD E. LAIN**

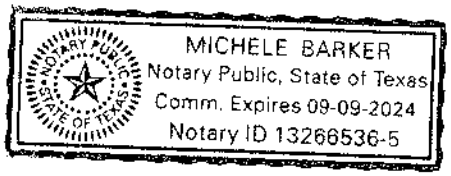
THE STATE OF TEXAS )
)
COUNTY OF Travis )

This day, Richard E. Lain 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 Richard E. Lain. I am of legal age and a resident of the State of Texas. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

Richard E. Lain

SUBSCRIBED AND SWORN TO BEFORE ME, notary public, on this the 28th day of June _____, 2022.




Michele Barker
Notary Public, State of Texas

My Commission expires:
9-9-24

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I hold a Bachelor of Business Administration degree in Management and a Bachelor of Arts degree in Government from the University of Texas at Austin. I also hold a Master of Business Administration degree from the University of Nevada, Las Vegas, with a concentration in finance. In addition, I hold the designation of Chartered Financial Analyst ("CFA"), which is awarded by the CFA Institute, based in Charlottesville, Virginia, after successful completion of its three-part examination process over a minimum three-year time period. The curriculum for the CFA charter covers a defined body of knowledge fundamental to the practice of investment management and includes areas of finance, accounting, economics, statistics, and ethical and professional conduct. I also hold the designation of Certified Management Accountant ("CMA") which is awarded by the Institute of Management Accountants based in Montvale, New Jersey, after successful completion of its examination process and by meeting certain education and experience requirements. The curriculum for the CMA consists of subjects relevant to the practice of management accounting and includes areas of corporate finance, decision analysis, risk management, financial reporting, performance and cost management, internal control, and professional ethics. Finally, I am also a Certified Public Accountant ("CPA") licensed by the Texas State Board of Public Accountancy.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL UTILITY INDUSTRY EXPERIENCE.

A. In December 1998, I began my career in the utility industry as a financial analyst at the Public Utility Commission of Texas and after accepting progressively higher positions of responsibility, in 2008, I became Director of the Tariff and Rate Analysis section in the Commission's Rate and Regulation Division. In addition to managing the employees of the Tariff and Rate Analysis section, my principal responsibilities as director included performing costing and pricing analyses of regulated and non-regulated electricity and telecommunications providers, and preparing and presenting testimony as an expert witness on rate-related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

In March 2012, I accepted a position with GDS Associates, Inc. in Austin, TX as a Project Manager. In this role, I was responsible for conducting analyses and providing deliverables and testimony on electric, gas, and water utility cost-of-service studies, revenue requirements, cost allocation, and rate design. While employed at GDS Associates, Inc., in addition to filing testimony at the Commission, I filed testimony in three gas rate cases before the Railroad Commission of Texas, and in one electric rate case before the Michigan Public Service Commission.

In January 2014, I accepted my current position with Entergy Texas, Inc. as Manager, Regulatory Affairs. In this role, I am responsible for executing strategies that meet Company objectives by coordinating and conducting internal processes

in the provision of regulatory deliverables, supporting organization positions with internal and external parties, and coordinating, preparing, and sponsoring testimony before regulatory agencies.

Q. HAVE YOU PREVIOUSLY PRESENTED DIRECT TESTIMONY IN REGULATORY PROCEEDINGS?

A. Yes. Below, I provide a list of regulatory proceedings in which I have presented direct testimony.

## PREVIOUS DIRECT TESTIMONY BY RICHARD E. LAIN

**Filed at the Public Utility Commission of Texas:**

**Docket No. 52624** – *Application of Entergy Texas, Inc. to Amend Its Transmission Cost Recovery Factor* – October 5, 2021

**Docket No. 52457** – *Application of Entergy Texas, Inc. to Amend Its Distribution Cost Recovery Factor* – August 31, 2021

**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* – August 3, 2021

**Docket No. 52302** – *Application of Entergy Texas, Inc. for a Financing Order* – July 9, 2021

**Docket No. 51997** – *Application of Entergy Texas, Inc. for Determination of System Restoration Costs* – April 16, 2021

**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* – December 2, 2020.

**Docket No. 51416** – *Application of Entergy Texas, Inc. to Amend Its Distribution Cost Recovery Factor* – October 22, 2020

**Docket No. 51406** – *Application of Entergy Texas, Inc. to Amend Its Transmission Cost Recovery Factor* – October 19, 2020

**Docket 51381** – *Application of Entergy Texas, Inc. to Establish a Generation Cost Recovery Rider Related to the Montgomery County Power Station* – October 5, 2020

**Docket 50714** – *Application of Entergy Texas, Inc. to Amend Its Distribution Cost Recovery Factor* – March 31, 2020

**Docket No. 49874** – *Application of Entergy Texas, Inc. to Amend Its Transmission Cost Recovery Factor* – August 19, 2019

**Docket No. 49392** – *Application of Entergy Texas, Inc. for a Distribution Cost Recovery Factor* March 28, 2019

**Docket No. 48439** – *Review of Rate Case Expenses Incurred in Docket No. 48371* – January 18, 2019

**Docket No. 49057** – *Application of Entergy Texas, Inc. to Set a Transmission Cost Recovery Factor* December 31, 2018

**Docket No. 48371** – *Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates* – May 15, 2018

**Docket No. 47416** – *Application of Entergy Texas, Inc. for Approval of Advanced Metering System (AMS) Deployment Plan, AMS Surcharge, and Non-Standard Metering Service Fees* July 18, 2017

**Docket No. 47233** – *Application of Entergy Texas, Inc. for Approval to Amend Its Distribution Cost Recovery Factor* June 1, 2017

**Docket No. 46357** – *Application of Entergy Texas, Inc. for Approval to Amend Its Transmission Cost Recovery Factor* September 16, 2016

**Docket No. 45084** – *Application of Entergy Texas, Inc. for Approval of a Transmission Cost Recovery Factor* September 11, 2015

**Docket No. 45083** – *Application of Entergy Texas, Inc. for Approval to Amend Its Distribution Cost Recovery Factor* September 4, 2015

**Docket No. 44704** – *Application of Entergy Texas, Inc. for Authority to Change Rates* – June 12, 2015

**Docket No. 43111** – *Application of Entergy Texas, Inc. for Authority to Implement a Distribution Cost Recovery Factor Pursuant to P.U.C. SUBST. R. 25.243* September 18, 2014

**Docket No. 41474** – *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate* May 31, 2013

**Docket No. 41445** – *Application of Sharyland Utilities, L.P. to Amend Energy Efficiency Cost Recovery Factor and for Good Cause Exception to Administrative Spending Cap* May 1, 2013

**Docket No. 38480 –** *Application of Texas-New Mexico Power Company for Authority to Change Rates* – November 15, 2010

**Docket No. 38339 –** *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates* – September 17, 2010

**Docket No. 37744 –** *Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs* – June 16, 2010

**Docket No. 37482 --** *Application of Entergy Texas, Inc. for Approval of a Power Cost Recovery Factor* – January 29, 2010

**Docket No. 36952 –** *Application of CenterPoint Energy Houston Electric, LLC, to Defer Energy Efficiency Cost Recovery Factor and For Approval of an Energy Efficiency Cost Recovery Factor* -- August 3, 2009

**Docket No. 36025** – *Application of Texas-New Mexico Power Company for Authority to Change Rates* June 3, 2009

**Docket No. 35717** – *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates* December 10, 2008

**Docket No. 35639** – *Application of CenterPoint Energy Houston Electric, LLC for Approval of Deployment Plan and Request for Surcharge for an Advanced Metering System* – July 8, 2008

**Docket No. 34723** – *Petition for Review of Monthly Per Line Support Amounts from the Texas High Cost Universal Service Plan Pursuant to PURA § 56.031 and SUBST. R. § 26.403* – February 29, 2008

**Docket No. 33734** – *Application of Electric Transmission Texas, LLC for a Certificate of Convenience and Necessity, for Regulatory Approvals, and Initial Rates* – June 18, 2007

**Docket No. 33310** – *Application of AEP Texas North Company for Authority to Change Rates*– March 23, 2007

**Docket No. 33309** – *Application of AEP Texas Central Company for Authority to change Rates* – March 23, 2007

**Docket No. 31462** – *Application of the City of Austin D/B/A Austin Energy to Change Rates for Wholesale Transmission Service* – November 22, 2005

**Docket No. 28906** – *Application of LCRA Transmission Services Corporation to Change Rates*– May 11, 2004

**Docket No. 25421** – *Application of LCRA Transmission Services Corporation to Change Rates for Transmission and Transformation Utility Cost of Service*– October 14, 2002

**Docket No. 25421 –** *Application of Bandera Electric Cooperative, Inc. to Change Rates for Transmission Utility Cost of Service* – October 14, 2002

**Docket No. 19950** – *Application of Corpus Christi Power and Light for a Certificate of Convenience and Necessity in Nueces and San Patricio Counties, Texas* – October 25, 2001

**Docket No. 24336** – *Application of Texas-New Mexico Power for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344* February 2, 2001

**Docket No. 22356** – *Application of Entergy Gulf States, Inc. for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344* – January 16, 2001

**Docket No. 22355** – *Application of Reliant Energy HL&P for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344* – December 18, 2000

**Docket No. 22352** – *Application of Central Power and Light Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344* November 29, 2000

**Docket No. 22350** – *Application of TXU Electric Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Commission Substantive Rule § 25.344* – November 20, 2000

**Docket No. 21711** – *Application of Texas Municipal Power Agency to Change Rates for Wholesale Transmission Service* – May 5, 2000

**Docket No. 20292** – *Application of Sharyland Utilities L.P. for a Certificate of Convenience and Necessity in Hidalgo County, Texas*– April 23, 1999

**Filed at the Railroad Commission of Texas:**

**Gas Utilities Docket No. 10170** – *Statement of Intent filed by Atmos Energy Corp., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division, and consolidated dockets* – August 14, 2012

**Gas Utilities Docket No. 10174** - *Statement of Intent filed by Atmos Energy Corp., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., West Texas Division, and consolidated dockets* August 14, 2012

**Gas Utilities Docket No. 10182** – *Statement of Intent of CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates on a Division-Wide Basis in the Beaumont/East Texas Division* October 23, 2012

**Filed at the Michigan Public Service Commission:**

**Case No. U-17437** – *In the Matter of the Application of DTE Electric Company for Approval of a Transitional Cost Recovery Plan and Retail Electric Tariffs Associated with the Disposition of the City of Detroit Public Lighting System* – November 25, 2013

See Native Excel file Lain Direct_Exhibit REL-2.

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

See Native Excel file Lain Direct_Exhibit REL-4.

See Native Excel file Lain Direct_Exhibit REL-5.

**DOCKET NO. 53719**

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

**AFFIDAVIT OF ERIKA N. GARCIA IN SUPPORT OF ENTERGY TEXAS, INC.'S INTERNAL RATE CASE EXPENSE REQUEST**

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared the undersigned affiant, Erika N. Garcia, who swore an oath that the following facts are true:

1. My name is Erika N. Garcia. I am over 18 years of age and am competent to make this affidavit. The statements contained in this affidavit are true and correct, and are based on my personal knowledge.

2. I am Director of Regulatory Affairs at Entergy Texas, Inc. ("ETI"). My business address is 919 Congress Ave., Suite 740, Austin, Texas 78701.

3. I am submitting this affidavit on behalf of ETI. ETI is an electric utility that provides fully bundled electric delivery service to approximately 486,000 customers across 27 counties in Southeast Texas.

4. I have a Juris Doctor ("J.D.") degree from the University of Tennessee, College of Law and a Bachelor of Arts degree in Political Science from Williams College. I am licensed as an attorney in the State of Texas and have practiced law in Texas since 2015.

5. I have practiced energy and utility law for 7 years, including as an Attorney in the Legal Division of the Public Utility Commission of Texas ("Commission"), an Associate at Winstead PC, and Senior Counsel at Entergy Services, LLC ("ESL"). I have worked on a

number of matters before the Commission and the New Mexico Public Regulation Commission, including base rate cases, fuel reconciliation proceedings, rate case expense proceedings, and certificate of convenience and necessity proceedings.

6. Based on my professional experience, I am familiar with managing base rate cases, fuel reconciliation cases, and other Commission regulatory proceedings as both outside and in-house counsel. In particular, I have experience with drafting and assembling the application, rate filing package, and direct testimony, exhibits, and workpapers; responding to and propounding discovery requests; preparing and responding to motions; analyzing intervenor and Commission Staff testimony; drafting rebuttal testimony; negotiating settlements; participating in depositions and hearings; and preparing post-hearing briefs. As such, I understand the nature, extent, and difficulty of the work done by attorneys in rate cases, as well as the time and labor required and expended by attorneys. I am also familiar with the hourly rates charged by attorneys representing utilities before the Commission, which depends on the law firm, the attorneys' experience, and the complexity of the services performed.[1]

7. ETI is seeking the recovery of rate case expenses associated with Docket Nos. 49916[2] (ETI's most recent fuel reconciliation proceeding) and 53719[3] (ETI's current rate case). ETI witnesses Meghan E. Griffiths and Richard E. Lain support recovery of ETI's

[1] *See e.g., Application of Southwestern Electric Power Company for Authority to Change Rates,* Docket No. 51415, Final Supplemental Rebuttal Testimony on Rate-Case Expenses of Lynn Ferry-Nelson at Exhibit LFN-1FSR 9, 24 (Jul. 27, 2021) (ranging from $230 to $1,100); *Application of Southwestern Public Service for Authority to Change Rates*, Docket No. 51802, Southwestern Public Service Company's Motion to Admit Additional Evidence and Response to Commission Counsel's April 5, 2022 Memorandum at 73, 206 (Apr. 14, 2022) (ranging from $250 to $585 per hour); *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Application at 1889 (May 13, 2022) (ranging from $490 to $800 per hour).

[2] *Application of Entergy Texas, Inc. for Authority to Reconcile Fuel and Purchased Power Costs*, Docket No. 49916 (Aug. 27, 2020).

[3] *Application of Entergy Texas, Inc. for Authority to Change Rates,* Docket No. 53719 (pending).

external and internal rate case expenses, respectively, for these proceedings. In their direct testimonies, Ms. Griffiths and Mr. Lain describe the standards for recovering rate case expenses, including 16 Tex. Admin. Code ("TAC") § 25.245.

8. The purpose of my affidavit is to support the reasonableness of the costs incurred by ETI for the legal services provided by internal ESL attorneys in connection with Docket Nos. 49916 and 53719, which are a subset of those expenses supported by Mr. Lain.

9. Of the total internal rate case expenses associated with Docket No. 49916, $128,546 is for the legal services provided by internal ESL attorneys. As of March 31, 2022, ETI has incurred $13,463 for ESL attorneys' legal services in connection with Docket No. 53719. As this base rate case progresses, ETI will update the actual costs incurred.

10. In preparing this affidavit, I reviewed the final order in Docket No. 49916, the application and direct testimony of Mr. Lain, Ms. Griffiths, Jennifer A. Raeder, Daniel T. Falstad, and Ryan M. Dumas in the present case, Schedules G-14.1 and G-14.2, the final order in Docket No. 48439,[4] and Attachments A and B to my affidavit.

11. Attachments A and B show the costs incurred by ETI for ESL attorneys' time spent on Docket Nos. 49916 and 53719. It provides the total Direct Payroll, Service Company Recipient, Payroll Loader Allocation, and Benefits and Pension Allocation for the ESL attorneys as well as the total hours worked by them. Mr. Dumas describes the Service Company Recipient and payroll loaders in his direct testimony.

12. Docket No. 49916 addressed ETI's application for authority to reconcile approximately $1.6 billion in eligible fuel and purchased-power expenses and revenues from April 1, 2016 through March 31, 2019 (the reconciliation period). ETI filed its application on

[4] *Review of the Rate Case Expenses Incurred in Docket No. 48371*, Docket No. 48439 (Feb. 14, 2020).

September 19, 2019 and included pre-filed direct testimony of six witnesses, exhibits, schedules, and workpapers. In addition to Commission Staff, three parties intervened, including the Office of Public Utility Counsel ("OPUC"), Texas Industrial Energy Consumers ("TIEC"), and the Cities of Anahuac, Beaumont, Bridge City, Cleveland, Dayton, Groves, Houston, Huntsville, Liberty, Montgomery, Navasota, Nederland, Oak Ridge North, Orange, Pine Forest, Pinehurst, Port Arthur, Port Neches, Roman Forest, Shenandoah, Sour Lake, Splendora, Vidor, and West Orange (collectively, "Cities"). The parties engaged in discovery, OPUC filed direct testimony, and ETI filed the rebuttal testimony of four internal witnesses. Prior to the hearing, the parties reached a settlement agreement in principle and filed a motion to abate. ETI filed the stipulation and settlement agreement on June 11, 2020, and the Commission issued its Order approving the stipulation on August 27, 2020. The Order allowed ETI to defer the review of the rate case expenses incurred in connection with Docket No. 49916 to a future base rate proceeding.[5]

13. Docket No. 53719 is a base rate case, involving a number of complex rate case issues. ETI has the burden of proof and is required to complete a rate filing package with schedules detailing ETI's cost of service, rate base and return, plant costs, short term assets and inventories, accounting information, engineering information, financial information, nuclear plant decommissioning information, class cost of service analysis, and rate design, among other information. Along with the rate filing package, 37 witnesses provide pre-filed direct testimony on behalf of ETI. ETI's application, schedules, and testimony support a non-fuel revenue requirement of approximately $1.2 billion based on the Test Year ending December 31, 2021, an increase in base rates and rider revenues of $131.4 million. Because this case is in its early

[5] Docket No. 49916, Order at Finding of Fact No. 61.

stages, there are factors and issues that may be raised in the future that will need to be addressed at a later date.

14. The ESL attorneys recorded their time spent on Docket Nos. 49916 and 53719 to Project Codes F3PPTXFRCT and F3PPTRCT22, respectively. These project codes are used only for the time and expenses relating to these respective cases, and all ESL costs are directly billed to ETI. By billing these costs to specific project codes and not requesting recovery of costs from these project codes through base rates, ETI ensures there is no double recovery. Mr. Lain's direct testimony describes how the internal rate case expenses are tracked and the procedures in place to ensure the expenses are reasonable and necessary. Mr. Dumas addresses how ETI's affiliate costs meet the standard set forth in PURA[6] § 36.058. Mr. Falstad supports the Legal Services Class of affiliate costs and explains how the budgeting and cost control processes work to control such costs. Ms. Raeder supports the reasonableness of the compensation and benefits paid to the ESL attorneys.

15. Four ESL attorneys billed their time to Project Code F3PPTXFRCT in connection with Docket No. 49916: George Hoyt, Miguel Suazo, Louis ("Dick") Westerburg, and Kristen Yates.

16. Mr. Hoyt serves as Assistant General Counsel at ESL. He obtained his J.D. from Texas Tech University of Law in 2006 and has 15 years of experience in electric rate and regulatory proceedings before the Commission, including formerly as a Partner at Duggins Wren Mann & Romero LLP ("DWMR").

17. Miguel Suazo was Senior Legal Counsel at ESL from July 2019 through August 2021. He received his J.D. from The University of New Mexico School of Law in 2009.

[6] Public Utility Regulatory Act, Tex. Util. Code. §§ 11.001-66.016 ("PURA").

18. Dick Westerburg was Assistant General Counsel at ESL, and served as counsel for ESL from 1985 to 2022. He obtained his J.D. from Louisiana State University in 1985.

19. Kristen Yates is Senior Counsel at ESL and has served as counsel for ETI and the other Entergy Operating Companies for over six years. She received her J.D. from Texas Tech University School of Law in 2011.

20. These ESL attorneys performed several necessary functions in connection with Docket No. 49916, including but not limited to: assisting regulatory staff with the preparation and review of the filing package including required schedules; assisting witnesses in preparing their direct testimonies, exhibits, and workpapers; preparing discovery responses; preparing rebuttal testimonies and exhibits, and/or developing litigation strategy.

21. Attachment A shows that ETI incurred a total of $128,546.04 in payroll and loaders for ESL attorneys' time worked on Docket No. 49916, which totaled 944.55 hours. Dividing the total cost by the total hours results in an average hourly rate of $136.09, which is reasonable compared to the hourly rates charged by attorneys representing utilities before the Commission.

22. Based on my understanding of the issues involved in Docket No. 49916; the amount of time dedicated to litigating the contested case; my discussions with the ESL attorneys involved in the case; the professional experience of the ESL attorneys; and my review of the payroll, payroll loaders, and time spent by the ESL attorneys provided in Attachment A, it is my opinion that the total hours spent on Docket No. 49916 and the ETI costs incurred for such time spent by the ESL attorneys is reasonable.

23. The internal rate case expenses associated with Docket No. 53719 are captured in Project Code F3PPTRCT22. For the period November 1, 2021 through March 31, 2022, three ESL attorneys billed their time to this project code: Laura Kennedy, Kelly Cupero, and myself.[7]

24. In December 2021, Ms. Kennedy joined ESL as Senior Counsel. Ms. Kennedy has 14 years in experience in electric rate and regulatory proceedings before the Commission. She graduated from Texas Tech University School of Law in 2003. Ms. Kennedy worked in the Commission Advising and Document Management Division of the Public Utility Commission of Texas for five years and finished her tenure at the Commission as Senior Advisor for Chairman Donna L. Nelson. In 2016, Ms. Kennedy joined DWMR where she represented several electric utilities before the Commission, including ETI.

25. Ms. Cupero served as Assistant General Counsel for ESL, and served as counsel for ESL from approximately 1992 to 2022. She obtained her J.D. from the University of Houston in 1988.

26. These ESL attorneys performed several necessary functions, including but not limited to: planning for the rate case; analyzing recent rate case issues; engaging witnesses and external consultants; assisting regulatory staff with the preparation and review of the rate filing package; assisting witnesses in preparing their direct testimonies, exhibits and workpapers; and/or developing litigation strategy. Ms. Kennedy and Ms. Yates were assigned to assist specific witnesses on the rate case issues supported by those witnesses. Assignments were put in place to avoid duplication of services and to be efficient and effective. In addition to these attorneys, other ESL attorneys including the following have worked on the preparation of Docket

[7] From December 2020 to March 2022 I served as Senior Counsel for ESL, before transitioning to my current role as Director of Regulatory Affairs for ETI.

No. 53719, and I expect their time to be reflected in subsequent updates to ETI's rate expenses actually incurred: George Hoyt and Kristen Yates.

27. Attachment B shows that ETI has incurred a total of $13,462.50 in payroll and loaders for 84.75 hours worked by ESL attorneys for the time period through March 31, 2022. Dividing the total cost by the total hours results in an average hourly rate of $158.85, which is reasonable compared to the hourly rates charged by attorneys representing utilities before the Commission.

28. Based on my understanding of the issues involved in Docket No. 53719; the amount of time dedicated to preparing and assembling the rate filing package schedules as well as the direct testimony, exhibits, and workpapers; my discussions with the ESL attorneys involved in Docket No. 53719; the professional experience of the ESL attorneys; and my review of the payroll, payroll loaders, and time spent by the ESL attorneys provided in Attachment B; it is my opinion that the total hours spent on Docket No. 53719 through March 31, 2022 and the ETI costs incurred for such time spent by the ESL attorneys is reasonable.

29. In conclusion, I find that the costs incurred for the legal services provided by the ESL attorneys included in ETI's internal rate case expense request are reasonable and not extreme or excessive in accordance with 16 TAC § 25.245 as set forth in Mr. Lain's direct testimony. I also find that the costs incurred for the legal services meet the affiliate standard as set forth in Mr. Dumas's direct testimony. As this case progresses, ETI will replace the estimates with actual rate case expenses incurred through its discovery responses, supplemental testimony, and/or affidavits. ETI seeks recovery only of those rate cases expenses it actually incurs, and rate case expenses that are not reviewed in this proceeding may be deferred to be reviewed in a later proceeding.

Further, Affiant sayeth not.

**ERIKA N. GARCIA**

Subscribed and sworn to before me today, June 29th, 2022.

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

Notary Public, in and for the State of Texas

**ATTACHMENT A**
**ENTERGY TEXAS, INC. RATE CASE EXPENSES - ESL Attorney Costs**
**Incurred in PUC Docket No. 49916**
**For the Period March 1, 2019 through October 31, 2020**

| Billing Resource Desc. | Total Amount |
|---|---|
| Direct Payroll | $72,196.50 |
| Service Company Recipient | $16,837.39 |
| Payroll Loader Allocation | $17,138.26 |
| Benefits and Pension Allocation | $22,373.89 |
| **Total** | $128,546.04 |
| | |
| **Hours Worked** | 944.55 |
| | |
| **Average Rate** | $136.09 |

**ATTACHMENT B**
**ENTERGY TEXAS, INC. RATE CASE EXPENSES - ESL Attorney Costs**
**Incurred in PUC Docket No. 53719**
**For the Period November 1, 2021 through March 30, 2022**

| Billing Resource Desc. | Total Amount |
|---|---|
| Direct Payroll | $6,894.22 |
| Service Company Recipient | $2,319.48 |
| Payroll Loader Allocation | $1,911.38 |
| Benefits and Pension Allocation | $2,337.41 |
| **Total** | $13,462.50 |
| | |
| **Hours Worked** | 84.75 |
| | |
| **Average Rate** | $158.85 |

See Native Excel file Lain Direct_WP_REL-5.

See Native Excel file Lain Direct_WP_Schedule G-14.2.

DOCKET NO. 53719

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

# DIRECT TESTIMONY

OF

CRYSTAL K. ELBE

ON BEHALF OF

ENTERGY TEXAS, INC.

JULY 2022

ENTERGY TEXAS, INC.
DIRECT TESTIMONY OF CRYSTAL K. ELBE
2022 RATE CASE

## TABLE OF CONTENTS

**EXHIBITS**

# I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Crystal K. Elbe. 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 Utility Pricing and Analysis. ESL is the service company for the five Entergy Operating Companies ("EOCs"),[1] including Entergy Texas, Inc. ("ETI" or the "Company").

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

A. I am testifying on behalf of ETI.

## A. Qualifications

Q4. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have a Master of Business Administration from the A. B. Freeman School of Business at Tulane University and both a Master of Science and a Bachelor of Science in Accounting from the E. J. Ourso College of Business at Louisiana State University. I have worked for Entergy since 1995, holding a variety of positions during that time primarily within the Regulatory, Finance, and Accounting

[1] 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.

departments.

In my prior role as the Rates Strategy Manager within the Regulatory Research group, I supported the EOCs' efforts to develop regulatory and rate mechanisms for new customer-centric offerings that address the evolving needs and interests of the EOCs' respective customers. These new offerings include distributed energy resources, energy efficiency, demand response, and customer billing and convenience offerings. Prior to this role, I was a Regulatory Project Coordinator in ESL's Regulatory strategy group and coordinated the development of the EOCs' respective regulatory strategies for potential new customer offerings. I also coordinated the EOCs' Advanced Metering Infrastructure ("AMI") regulatory applications, which included net benefit analysis, revenue requirement estimates, and the development of the regulatory recovery mechanisms for each EOC's AMI deployment.

Also, I have held several leadership positions within the Regulatory Services organization as Manager of ELL Regulatory Filings (2015), Regulatory Strategy Manager (2014), and Manager of Revenue Requirements and Analysis (2013). My primary area of responsibility in these roles included managing regulatory filings for cost recovery mechanisms (Formula Rate Plans and Rate Case Costs of Service), new tariff development, rate design analysis, and financial forecasting. From 2009-2012, I was the Regulatory Affairs Coordinator in the ESL Integrated Energy Management Organization, which led the initial research and analysis into emerging new smart grid technologies and, as such, was responsible for coordinating the financial and regulatory aspects of Entergy New Orleans,

LLC's Department of Energy AMI Stimulus Grant pilot project. Prior to that, I worked within Entergy's Accounting, Finance, and Regulatory Services organizations since December 1995.

Q5. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER OF UTILITY PRICING AND ANALYSIS?

A. I am responsible for the general rate-related regulatory support, including the development of utility retail rates, rate design, and external allocation factors, for EOC regulatory filings.

Q6. ARE YOU FAMILIAR WITH GENERALLY ACCEPTED COST ALLOCATION AND RATE DESIGN METHODS USED BY THE ELECTRIC UTILITY INDUSTRY?

A. Yes. I am familiar with the generally accepted cost allocation and rate design methods used by electric utilities.

Q7. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AUTHORITIES?

A. Yes. I have testified before the Mississippi Public Service Commission in the Formula Rate Plan Docket No. 2018-UN-205, the Prepay Electric Service Option Docket No. 2021-UN-177, and the Smart Energy Services Docket No. 2018-UN-133. Additionally, I have filed testimony before the Arkansas Public Service Commission in the Power Through application, Docket No. 20-049-U and before the Louisiana Public Service Commission in the Power Through application,

Docket No. U-36105, Energy Efficiency Docket No. R-31106, and the Business Combination Docket No. U-33244.

## B. Purpose of Testimony

Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony in this proceeding is to discuss and sponsor the:

- development of Test Year[2] external allocation factors utilized in ETI's class cost-of-service study;
- adjustments to Test Year sales revenue;
- certain adjustments to Test Year revenue requirements;
- proposed rate design; and
- proposed changes to ETI's tariffs.

Q9. WHY ARE YOU THE APPROPRIATE PERSON TO SPONSOR THIS TESTIMONY?

A. As stated above, part of my responsibilities as an employee of ESL is the development of rate design and external allocation factors for the EOCs. In that capacity I have done so for ETI in this rate case.

Q10. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.

A. My testimony generally covers the development of the external allocation factors, which were used in the class cost of service study ("CCOSS") to develop the

[2] The Test Year in this proceeding is the 12 months ending December 31, 2021.

revenue requirement applicable to each ETI rate class and to develop the proposed revenue in which to recover this revenue requirement. First, I walk through the Rate Filing Package schedules that I sponsor. Next, I discuss the process and methods ETI used to allocate costs among ETI's rate classes. Then I describe the calculation of ETI's revenues at present rates and the development of ETI's proposed rates.

In the CCOSS, Company witness Richard E. Lain calculated ETI's total retail revenue requirement to be recovered through retail base rates to be $1,220,042,971. I provided adjustments that resulted in total retail revenue requirement of $1,219,022,261 by including the effects associated with changes to the tariff rates, if any, for Additional Facilities Charges ("AFC"), the Standby and Maintenance Service ("SMS"), and the Renewable Portfolio Standard Calculation Opt-Out Credit Rider ("RPSCOC") rate schedules. This adjusted retail revenue requirement by rate class was used to design rates. ETI's present retail base rates recover $890,124,234. Therefore, it is necessary to increase retail base rates to recover an additional $329,918,737, which includes $197,502,903 of revenues associated with the Transmission Cost Recovery Factor ("TCRF"), Distribution Cost Recovery Factor ("DCRF"), and Generation Cost Recovery Rider ("GCRR") to now be recovered through base rates.

As discussed in Mr. Lain's Direct Testimony, the cost of providing service has been allocated to each ETI rate class. I demonstrate that the proposed rates were designed to recover ETI's proposed revenue requirement by rate class, and I recommend that the Commission approve the proposed rate design.

Finally, I outline the Company's proposed modifications to ETI's tariffs (outside of the rate changes) that ETI proposes in this case. The proposed tariff changes are necessary to implement new policies, more closely track cost causation, or otherwise make minor administrative corrections. I therefore recommend that the Commission approve the proposed tariff revisions.

Q11. WHAT EXHIBITS DO YOU SPONSOR IN YOUR DIRECT TESTIMONY?

A. I sponsor the exhibits listed after the Table of Contents at the beginning of my direct testimony.

Q12. WHAT SCHEDULES DO YOU SPONSOR IN ETI'S RATE FILING PACKAGE?

A. I sponsor or co-sponsor the schedules listed in Exhibit CKE-1, which include several O, P, and Q schedules. Unless otherwise indicated, the schedules I sponsor were prepared by me or under my direct supervision and control.

## II. RATE FILING PACKAGE SCHEDULES

Q13. CAN YOU PLEASE WALK US THROUGH THE RATE FILING PACKAGE SCHEDULES THAT YOU SPONSOR OR COSPONSOR?

A. Certainly.

## A. The O Schedules

Q14. PLEASE DESCRIBE THE O-1 SCHEDULES YOU SPONSOR.

A. The O-1 schedules that I sponsor contain information regarding customer counts, sales data, and demand data:

- Schedule O-1.1 contains Test Year data by customer class, including average number of customers, year-end number of customers, Test Year adjusted number of customers, Test Year kWh ("kilowatt-hour") sales, results of weather normalization, changes in customer composition, other increases or decreases in sales, and total adjusted kWh sales.

- Schedule O-1.2 contains the same information as Schedule O-1.1, except the information is broken out by month for the Test Year.

- Schedule O-1.3 contains unadjusted Test Year data by class for each month of the Test Year for coincident peaks ("CPs") at the source and at the meter, non-coincident peaks ("NCPs") at the source and at the meter, energy sales at the source, energy sales by voltage level at the meter, and monthly class coincidence and load factors based on load research for the Test Year and three previous years.

- Schedule O-1.4 contains adjusted Test Year data by class for each month of the Test Year for CPs at the source and at the meter, NCPs at the source and at the meter, energy sales at the source, energy sales by voltage level at the meter, and monthly class coincidence and load factors based on load research for the Test Year and three previous years.

- Schedule O-1.7 contains adjusted kW billing demand, adjustments made to Test Year kW billing demand, and unadjusted kW billing demands by rate class.

- Schedule O-1.8 contains a narrative explanation of all adjustments made to the Test Year.

- Schedule O-1.9 contains peak demand by class for the Test Year and for each month of the Test Year.

- Schedule O-1.10 contains the unadjusted Test Year kWh percentage breakdown of class sales in each revenue class.

Q15. WHAT DO THE O-3 SCHEDULES YOU SPONSOR CONTAIN?

A. Schedules O-3.1 through O-3.3 provide information regarding the monthly Test Year number of customers by rate class and the adjustments to the customer information.

Q16. PLEASE DESCRIBE THE O-4 SCHEDULES YOU SPONSOR.

A. Schedules O-4.1 and 4.2 reflect the revenue impact of adjustments made to kWh sales and kW demand, including rate annualization adjustments, weather normalization adjustments, customer adjustments, and other adjustments and a narrative explanation of how those items were calculated.

## B. The P Schedules

Q17. YOU ALSO INDICATED THAT YOU SPONSOR A NUMBER OF P SCHEDULES. WHAT DOES SCHEDULE P GENERALLY CONTAIN?

A. Schedule P is ETI's class cost of service analysis. I explain in more detail the specific sections of Schedule P that I sponsor below.

Q18. WHAT DOES SCHEDULE P-7.2 CONTAIN?

A. Schedule P-7.2 contains the external allocation factors used to allocate costs among rate classes, along with supporting information.

Q19. WHAT DOES SCHEDULE P-9 INCLUDE?

A. That schedule contains a listing of the demand and energy loss factors used in the

development of the external allocation factors used in this CCOSS, by class and by voltage level.

Q20. WHAT DOES SCHEDULE P-12 CONTAIN?

A. Schedule P-12 supports the justification for the production allocation methodology used in the CCOSS. I describe the development and justification of the production allocation methodology in Section III of my testimony.

## C. The Q Schedules

Q21. YOU ALSO INDICATED THAT YOU SPONSOR A NUMBER OF Q SCHEDULES. PLEASE EXPLAIN THE GENERAL PURPOSE OF SCHEDULE Q.

A. Generally speaking, Schedule Q addresses rate design, which I describe in more detail below.

Q22. WHAT DO SCHEDULES Q-1 AND Q-1.1 CONTAIN?

A. Both schedules contain revenue summaries in tabular form by rate class.

Q23. WHAT DOES SCHEDULE Q-4 CONTAIN?

A. Schedule 4 provides a description of the present and proposed rate classes and designations along with an explanation for the changes in class structure and rate design.

Q24. WHAT DOES SCHEDULE Q-5 CONTAIN?

A. In Schedule Q-5, I provide a description of the method used to develop demand estimates, including the sources of the data used to develop the estimates.

Q25. WHAT DOES SCHEDULE Q-6 CONTAIN?

A. Schedule Q-6 provides a description ETI's cost justification for consumption level-based rates.

Q26. WHAT IS SCHEDULE Q-7?

A. Schedule Q-7 is the proof of revenue statement showing the adjusted billing units, the proposed rates, and the resulting base rate revenues. The proof of revenue is broken out by rate class.

Q27. WHAT DOES SCHEDULE Q-8 ADDRESS?

A. Schedule Q-8 contains several sub-schedules that summarize rate design. Relevant to my testimony, Schedule Q-8.5 contains estimated billing determinants for peak and off-peak periods for all rate classes for which hourly demand data is available for customers. Schedule Q-8.8 provides a complete set of proposed tariff schedules, and Schedule Q-8.9 provides a billing comparison of present and proposed rates for the rate classes.

## III. PROPOSED EXTERNAL ALLOCATION FACTORS

Q28. WHAT ARE THE BASIC STEPS FOR PREPARING A CLASS COST OF SERVICE STUDY?

A. Mr. Lain describes ETI's CCOSS provided with this filing in more detail, but generally speaking, class cost of service studies are developed in three distinct steps. First, the various components of the utility's overall revenue requirement are assigned to their functional use, e.g., production, transmission, distribution, and customer service. Next, the functionalized costs are classified based on cost causation factors to the cost categories of fixed or capacity-related (demand), variable or energy-related (energy), and customer-related (customer). Finally, the costs are directly assigned or allocated to rate classes using allocation factors (i.e., external and internal allocation factors) developed for each functionalized and classified cost category. Various methodologies or approaches exist for conducting each step in the CCOSS process.

Q29. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I explain how ETI developed its proposed external allocation factors used to allocate costs among its rate classes—the third step just described.

Q30. WHAT IS THE SIGNIFICANCE OF YOUR USE OF THE PHRASE "*EXTERNAL* ALLOCATION FACTORS"?

A. ETI refers to the allocation factors developed independently from the CCOSS as "external" allocation factors. The external allocation factors are developed using

cost causation characteristics of customers that are external to the CCOSS such as peak demands, energy usage, number of customers, number of meters, etc. Examples of external allocation factors are production demand, production energy, and transmission demand. I sponsor the development of the external allocation factors for this rate filing. By contrast, internal allocation factors are those factors developed as a function of the CCOSS; i.e., they are developed within the CCOSS itself. Examples of internal allocation factors are total plant by class, total rate base by class, and labor allocators.

Q31. IN THIS RATE FILING, DID ETI ALLOCATE ANY COSTS TO WHOLESALE CUSTOMERS?

A. No. ETI did not allocate costs to wholesale load, because ETI did not have any wholesale customers during the Test Year.

Q32. WHAT ARE THE RATE CLASSES AMONG WHICH ETI ALLOCATED COSTS?

A. In the CCOSS, ETI allocated costs among the following rate classes:

- Residential Service;
- Small General Service;
- General Service;
- Large General Service;
- Large Industrial Power Service; and
- Lighting.

The allocation of costs to these classes is consistent with ETI's last rate case (Docket No. 48371).

Q33. GENERALLY SPEAKING, HOW DID YOU DEVELOP THE EXTERNAL ALLOCATION FACTORS FOR THESE RATE CLASSES?

A. As I will explain in more detail later in my testimony, production costs, transmission costs, and distribution costs are allocated based on each rate class's share of various system peak demands (measured in kW), each rate class's energy use compared to the system energy use (measured in kWh), or a combination of the two. This demand and energy information is based upon rate class system demands and kWh information from the updated Test Year, adjusted for line losses. Allocation factors for customer-related functions were based upon customer counts, weighted average costs of meters, and weighted meter investment.

Q34. PLEASE SUMMARIZE THE EXTERNAL ALLOCATION METHODOLOGIES USED IN ETI'S RETAIL CCOSS.

A. Table 1 below lists the allocation methods that were developed for each of the major function/classification cost categories in the retail CCOSS.

**Table 1: Allocation Methods**

| Function | Classification | Allocation Method |
|---|---|---|
| 1) Production | | |
| A) Capacity related | Demand | Average & Excess 4CP |
| B) Energy related | Energy | Energy |
| 2) Transmission | Demand | Average & Excess 4CP |
| 3) Distribution/Customer Service | | |

| Function | Classification | Allocation Method |
|---|---|---|
| A) Substations | Demand | Maximum Diversified Demand |
| B) Lines | | |
| Primary | Demand | Maximum Diversified Demand at Primary |
| Secondary | Demand | 50/50 Weighting of Maximum Diversified Demand and Non-Coincident Maximum Demand at Secondary |
| C) Line Transformers | Demand | 50/50 Weighting of Maximum Diversified Demand and Non-Coincident Maximum Demand |
| D) Services | Customer | Weighted Customers |
| E) Meters | Customer | Weighted Customers |
| F) Street Lighting | N/A | Assigned to Lighting Class |
| G) Customer Related Services | Customer | Weighted Customers |

Q35. HAVE THESES ALLOCATION METHODS CHANGED SINCE ETI'S LAST RATE CASE?

A. No. The allocation methods are the same methods used in ETI's last rate case (Docket No. 48371).

Q36. PLEASE DESCRIBE IN MORE DETAIL HOW THE PROPOSED EXTERNAL ALLOCATION FACTORS WERE DEVELOPED?

A. I present detailed workpapers in support of the proposed external allocation factors in Rate Filing Package Schedule P-7.2. As further support, I provide the following narrative explanation of the development of these factors.

## A. Capacity-Related Production

Q37. PLEASE DESCRIBE THE METHOD UTILIZED BY ETI FOR ALLOCATING CAPACITY-RELATED PRODUCTION.

A. The allocation of ETI's capacity-related production costs is based on the average

and excess four coincident peak ("A&E 4CP") methodology. This allocation method was calculated by adding each rate class's average demand for the Test Year (the "average" component representing the rate class's average energy consumption), weighted by the ETI system load factor, to each rate class's amount of average coincident peak demand for the months of June through September in excess of its average demand, weighted by one minus the ETI system load factor.

Q38. WHY DID ETI UTILIZE THE A&E 4CP METHOD TO ALLOCATE ETI'S CAPACITY-RELATED PRODUCTION COSTS?

A. The A&E 4CP allocation is appropriate for capacity-related production costs because it is a method that reasonably reflects the mix of ETI's customers, their respective electrical load characteristics, and the relative costs incurred to serve such loads. The A&E 4CP method provides a reasonable balance between the two primary costing concerns: contribution to the system peak and energy requirements. While the contribution made to the system peak is inherently recognized with the use of the average four coincident peaks, energy is also recognized by reflecting the average demands.

Q39. DOES THE CLASS ALLOCATION METHODOLOGY FOR CAPACITY-RELATED PRODUCTION PROPOSED BY ETI RESULT IN A FAIR AND REASONABLE ALLOCATION OF COSTS?

A. Yes. The A&E 4CP method recommended by ETI takes into consideration the differences in the consistency of demand and usage among the rate classes, and it

is based upon customer demand and usage that the system was required to serve during peak periods in the Test Year.

Q40. WHAT ARE INTERRUPTIBLE CREDITS?

A. Interruptible load is a "generation" resource that can be used by ETI to aid in maintaining the system operating integrity. Certain customers qualify for a credit in exchange for reducing their demand to their firm demand level when necessary, freeing up generation for all other retail customers.

Q41. WAS A SEPARATE A&E 4CP DEVELOPED TO ALLOCATE INTERRUPTIBLE CREDITS TO THE RATE CLASSES?

A. Yes. A separate A&E 4CP was developed to allocate the credits paid to customers taking service under the Large Industrial Power Service ("LIPS") schedule and the LIPS-Time of Day ("LIPS-TOD") schedule who are also Rate Schedule Interruptible Service ("Schedule IS") customers. This separate A&E 4CP was calculated in the same manner as the capacity-related production A&E 4CP except that interruptible demands and energy were not included.

Q42. WHY IS IT NECESSARY TO HAVE A SEPARATE A&E 4CP TO ALLOCATE INTERRUPTIBLE CREDITS TO THE RATE CLASSES?

A. As mentioned above, the interruptible credits represent the cost of acquiring this interruptible load. Since this separate A&E 4CP does not include the interruptible demands and energy, the cost of the interruptible credits are allocated only to those

customers who benefit from the credits.

## B. Energy-Related Production

Q43. PLEASE DESCRIBE THE ENERGY-RELATED PRODUCTION ALLOCATION METHODOLOGY ETI PROPOSES.

A. The allocation of energy-related production costs is based on the energy consumption of each rate class as a percentage of the total energy consumption during the Test Year. This allocation is used to allocate those production costs that are associated with energy and usage, such as generation plant boiler maintenance.

Q44. DOES THE CLASS ALLOCATION METHODOLOGY FOR ENERGY-RELATED PRODUCTION COSTS PROPOSED BY ETI RESULT IN A FAIR AND REASONABLE ALLOCATION OF COSTS?

A. Yes. Using the energy consumption of each rate class as a percentage of the total energy consumption develops an allocator that is appropriate to apply to those costs that varies directly with the amount of energy produced and ultimately consumed, such as generation plant boiler maintenance.

## C. Transmission

Q45. PLEASE DESCRIBE THE METHOD UTILIZED BY ETI FOR ALLOCATING TRANSMISSION COSTS.

A. The allocation of ETI's transmission costs is based on the A&E 4CP methodology. This allocation method is calculated in the same manner described in the capacity-

related production section above.

Q46. WHY DID ETI UTILIZE THE A&E 4CP METHOD TO ALLOCATE ETI'S TRANSMISSION COSTS?

A. The A&E 4CP allocation is appropriate for transmission costs for the same reasons I described in the capacity-related production section above.

Q47. DOES THE CLASS ALLOCATION METHODOLOGY FOR TRANSMISSION COSTS PROPOSED BY ETI RESULT IN A FAIR AND REASONABLE ALLOCATION OF COSTS?

A. Yes. The A&E 4CP method recommended by ETI takes into consideration the differences in the consistency of demand and use among the rate classes, and it is based upon customer demand and usage that the system was required to serve during peak periods in the Test Year.

## D. Distribution

Q48. PLEASE DESCRIBE THE DISTRIBUTION-RELATED ALLOCATION METHODOLOGIES ETI PROPOSES.

A. Distribution substation and primary line costs are localized in nature and are designed and constructed to handle loads close to the point of ultimate use. Consequently, the simultaneous peak load of each rate class was used, which is referred to as the Maximum Diversified Demand ("MDD"), as the basis for allocation of these costs.

Line transformer and secondary line costs are even more localized than distribution substations and primary lines. In some cases, line transformers and secondary lines are installed to supply power to a single customer. At most, these facilities serve a very limited number of customers. Accordingly, an allocation factor that consists of a 50/50 weighting of the MDD and the Non-Coincident Maximum Demand ("NCP") of each rate class was used. The NCP for each rate class represents the summation of the maximum individual demands of all customers in each rate class. Constructing the allocation factor in this manner recognizes that each class exhibits some diversity of load among customers, which is captured in the use of NCPs, while at the same time including loads that are somewhat coincident in nature, which is captured in the use of the MDDs.

Q49. DO THE CLASS ALLOCATION METHODOLOGIES FOR DISTRIBUTION-RELATED COSTS PROPOSED BY ETI RESULT IN A FAIR AND REASONABLE ALLOCATION OF COSTS?

A. Yes. As explained in response to the prior question, these allocation methods result in a fair and reasonable allocation of distribution-related costs.

## E. Customer-Related

Q50. PLEASE DESCRIBE THE CUSTOMER-RELATED ALLOCATION METHODOLOGY ETI PROPOSES.

A. The allocation factors for service drops, meters, and customer-related services are based on the adjusted average number of customers in each rate class during the

Test Year, weighted by the applicable estimated typical meter investment for that class.

Q51. DOES THE CLASS ALLOCATION METHODOLOGY FOR CUSTOMER-RELATED COSTS PROPOSED BY ETI RESULT IN A FAIR AND REASONABLE ALLOCATION OF COSTS?

A. Yes. This allocation methodology recognizes that as a customer's load and usage increases, meter cost and investment increases and so does the time and cost associated with serving that customer.

## F. Lighting

Q52. PLEASE DESCRIBE HOW LIGHTING IS ALLOCATED.

A. Costs are allocated to the Lighting rate class in the same manner as described above except for those costs associated with light fixtures. These costs are directly assigned to the Lighting rate class.

## G. Demand and Energy Calculations and Adjustments

Q53. WHAT WAS THE BASIS FOR DETERMINING THE RESPECTIVE CUSTOMER LOAD DEMANDS CONTRIBUTED BY EACH RATE CLASS USED TO DEVELOP THE EXTERNAL ALLOCATION FACTORS?

A. Customer load demands were established for the Test Year based on ETI's load research sample data for each rate class except for the LIPS rate class, which uses the Test Year data for each LIPS customer.

Q54. WHAT WAS THE BASIS FOR THE DEVELOPMENT OF THE ENERGY CALCULATION AND NUMBER OF CUSTOMERS USED TO DEVELOP THE EXTERNAL ALLOCATION FACTORS?

A. The starting point for these allocation factors was the sales (kWh) and customer count from ETI's billing system for the Test Year. Sales and customer count are based on the month of actual usage and not the month the usage was recorded on ETI's books. This removes out-of-period adjustments such as variations in monthly data caused by late billings, re-billings, and summary billing for multiple accounts.

Q55. ARE ANY OTHER ADJUSTMENTS MADE TO THE LOAD RESEARCH OR BILLING SYSTEM INFORMATION TO DEVELOP ALLOCATION FACTORS FOR THE RATE EFFECTIVE YEAR?

A. Yes. The calculations include known and measurable adjustments for changes to certain individual large usage customers for certain rate schedules. These adjustments were made so that the customer's load would reflect usage that is representative of the rate effective year.

Q56. PLEASE DESCRIBE THESE ADJUSTMENTS.

A. The historical load and billing system information does not capture changes in customer demand and usage due to changes in how specific large-usage customers operate, such as expansions or shut-downs. Adjustments were made for known and measurable changes to individual customers with large usage to better represent the demand and energy requirements of those customers in the rate effective year.

Similar adjustments were made to annualize changes in the rate schedule the customer is being served under and/or to annualize the customer's demand and energy consumption. This included known and measurable individual customer changes during the Test Year. Also, adjustments were made to annualize changes resulting from customers moving from one rate schedule to another.

Q57. WERE THERE ANY EXCEPTIONS TO THIS APPROACH?

A. Yes. Any billing and load research data related to customers served under Standby and Maintenance Service ("SMS") are excluded from the analysis.

Schedule SMS is for standby service to customers with self-generation. The actual usage of standby power is intermittent and difficult to predict. There may be a significant amount of standby usage in one year, while another year may have an insignificant amount. In fact, this same fluctuation often occurs from month to month.

Accordingly, Schedule SMS does not lend itself to the traditional costing logic employed by ETI with regard to standard rate schedules. Therefore, this rate schedule has been excluded for cost allocation purposes.

Q58. ARE THERE ANY ADDITIONAL ADJUSTMENTS MADE IN THE DEVELOPMENT OF THE TEST YEAR ALLOCATION FACTORS?

A. Yes. The energy usage, coincident peaks ("CPs"), and MDDs are adjusted to reflect normal weather for the appropriate rate classes. However, weather adjustments are not made to the NCPs due to the variability of when the individual customer peak

demand may occur and the inability to accurately reflect what effects weather may have on the individual customer peaks. Company witness Kristin Sasser discusses the development of weather adjustment factors in her direct testimony.

Additionally, the energy, CPs, MDDs, and NCPs are adjusted to reflect the number of customers at the end of the Test Year for those rate classes where individual customer adjustments were not pro formed. The adjustments are made to the applicable class CPs, MDDs, and NCPs monthly demands by the same proportions as that resulting from the year-end customer level adjustments used in the energy allocation factor changes.

Q59. WERE THE DEMANDS AND ENERGY USAGE ADJUSTED FOR LINE AND TRANSFORMATION LOSSES?

A. Yes. The demands and energy usage data are adjusted to the generation level by applying a loss factor for each voltage level in order to put all data on the same cost basis.

Q60. WHY IS IT APPROPRIATE TO MAKE THE VARIOUS ADJUSTMENTS YOU HAVE DISCUSSED TO THE ALLOCATION FACTORS?

A. These adjustments are made to produce a normalized level of demand and energy that will be representative of the rate effective year.

## H. Summary of Rate Class Allocations

Q61. WHERE DO YOU PRESENT A SUMMARY OF THE VARIOUS ALLOCATION FACTORS YOU SUPPORT?

A. Please refer to Schedule P-7.2 for a summary of the Production, Transmission, Distribution, and Customer Related allocation factors used to determine the revenue requirements for each rate class.

Q62. IS THERE A COMPARISON OF THE CHANGES IN CLASS ALLOCATION FACTORS TO THOSE ETI FILED IN DOCKET NO. 48371 AND PROPOSED BY ETI IN THIS FILING?

A. Yes. Please refer to Rate Filing Package Schedule P-13, sponsored by Mr. Lain, for a comparison of the major proposed class allocation factors to those proposed by ETI in Docket No. 48371.

Q63. IN GENERAL, WHY DO CLASS ALLOCATION FACTORS CHANGE FROM ONE RATE CASE TO THE NEXT?

A. There are a variety of reasons rate class allocation factors can change from one case to another. The overarching reason is a difference in test years. Other reasons include but are not limited to changing circumstances and inputs (such as dates and times of system peaks) from year to year, general trends in improved efficiency in customer equipment, changes in business conditions, and changes in the application in the use of electricity. Revised allocation factors reflect the overall change in how the ETI electrical system was used among rate classes during the Test Year.

## IV. PRESENT TEST YEAR SALES REVENUE

Q64. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I explain how ETI calculated its revenues for the Test Year at present rates.

Q65. WHAT IS BASE RATE SALES REVENUE?

A. Base rate sales revenue is revenue ETI receives from general base rate schedules, excluding revenue from riders designed to collect specific costs such as fuel costs. It is significant because base rate sales revenue for the Test Year is compared to the revenue requirement from ETI's CCOSS to determine the revenue deficiency or sufficiency for the various rate classes. Existing rates for each rate class must be revised to account for the revenue deficiency or sufficiency in that rate class.

Q66. WHY IS IT NECESSARY TO CALCULATE PRESENT REVENUE?

A. ETI adjusted Test Year base rate sales revenue in the present revenue calculation in order to develop a Test Year that would be representative of the proposed rate effective year. The purpose of the present revenue calculation is to reflect these changes and show the amount of revenue presently available to recover the cost of servicing ETI's retail customers.

Q67. IS PRESENT REVENUE DEVELOPED BY RATE CLASS?

A. Yes. The present revenues are calculated at the rate schedule level within each rate class, and then aggregated to arrive at the retail total at the respective present rates.

Q68. WHAT INFORMATION IS REQUIRED FOR ETI TO CALCULATE PRESENT REVENUE?

A. To calculate present revenues, billing determinants and the currently approved rates are required. Billing determinants are billed kW for demand charges, billed kWh for energy charges, and the number of bills in each rate class for customer charges or minimum bill calculations. These billing determinants are aggregated for each rate schedule within their respective rate class. The billing determinants are then multiplied by their currently approved rates set forth in the applicable ETI approved tariff.

Q69. HOW DOES ETI OBTAIN THE NECESSARY BILLING DETERMINANT INFORMATION?

A. The initial Test Year billing determinants were obtained from the ETI billing system. Then as previously mentioned, these billing determinants were adjusted to reflect normalized weather, year-end customer count, and customer load and usage changes during the Test Year.

Q70. WHY ARE THESE ADJUSTMENTS TO THE TEST YEAR REVENUE APPROPRIATE?

A. The methodology I described above produces reasonable results and reflects the known and measurable standard for changes in circumstances which may occur within 12 months after the end of the Test Year. ETI's three types of pro forma adjustments described above (weather adjustments, year-end customer

adjustments, and individual customer adjustments) are made from an objective standpoint based on the most recent factual information available. This methodology produces a reasonable customer and usage level for the period when rates from this case will be in effect. In summary, these adjustments are appropriate and produce a reasonable level of revenue that would be representative of the rate year under present rates.

Q71. FINALLY, PLEASE EXPLAIN HOW THE TEST YEAR REVENUES ARE CALCULATED.

A. The applicable rate or charge is applied to the Test Year number of adjusted customer bills, billing demands, and energy totals for each rate class to determine annual revenues, which are then summed to determine total retail revenues at present rates. The resulting present revenues total $890,124,234.

## V. ADJUSTMENTS TO REVENUE REQUIREMENT

Q72. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. Generally speaking, a utility's CCOSS determines the revenue required for the utility to provide electric service for each of its rate classes. Rate design is the process of determining how that revenue is to be collected. In order to design rates, I needed to first adjust the revenue requirement provided by the CCOSS to account for any changes in the level of revenue, if any, collected from the AFC, SMS, and RPSCOC rate schedules.

Q73. WERE YOU PROVIDED A REVENUE REQUIREMENT BY RATE CLASS?

A. Yes. Mr. Lain, via the CCOSS, established the initial revenue requirement for each rate class and provided those revenue requirements to me.

Q74. WHAT DID THE CLASS COST OF SERVICE STUDY CALCULATE THE RETAIL REVENUE REQUIREMENT TO BE?

A. Mr. Lain calculated ETI's total retail revenue requirement to be recovered through retail base rates to be $1,220,042,971, which was used as the initial step in designing the proposed rates.

Q75. WERE ANY ADJUSTMENTS MADE TO THE RETAIL REVENUE REQUIREMENT?

A. Yes. The total retail revenue requirement initially provided by Mr. Lain was adjusted to reflect any changes to the tariff rates charged for SMS, RPSCOC, and AFC, if appropriate.

Q76. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO THE REVENUE REQUIREMENT RESULTING FROM THE PROPOSED RATE CHANGES TO THE AFC, SMS, AND RPSCOC RATE SCHEDULES.

A. The proposed rate changes, if any, for the SMS and AFC rate schedules are developed based on information obtained from the completed CCOSS prepared by Mr. Lain. The proposed rates for the RPSCOC are developed from updates to the renewable energy program costs provided by Company witness Allison P. Lofton.

Using the proposed rates for these rate schedules, a revenue adjustment was calculated and applied to the amount of revenue to be collected from these customers. Once the amount of these adjustments was determined, they were provided to Mr. Lain as an additional input in the CCOSS.

Q77. WHY WAS THIS ADJUSTMENT APPROPRIATE?

A. This adjustment was necessary to reflect the correct level of revenue to be received from these customers during the rate effective year in the revenue requirement used to design the proposed base rates for all other base rate schedules.

Q78. WHAT IS ETI'S TOTAL ADJUSTED RETAIL REVENUE REQUIREMENT?

A. The adjusted total retail revenue requirement calculated by the CCOSS and provided to me by Mr. Lain was then used to design all other base rate schedules rates. This adjusted total revenue requirement provided by Mr. Lain was $1,219,022,261.

Q79. WHAT IS THE RESULTING SHORTFALL IN RETAIL BASE RATES?

A. As mentioned above, the adjusted total retail revenue requirement used to design base rates was $1,219,022,261. ETI's present retail base rates recover $890,124,234. Therefore, there is a $328,898,027 shortfall, or in other words, it is necessary to increase retail base rates to recover an additional $328,898,027. As stated above, this revenue deficiency includes $197,502,903 of revenues associated with the riders TCRF, DCRF, and GCRR now to be recovered through base rates.

## VI. PROPOSED RATE DESIGN

Q80. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I explain how ETI designed the rates for each rate class in this filing.

Q81. WHAT IS THE PURPOSE AND MAIN OBJECTIVE OF RATE DESIGN?

A. Generally speaking, a utility's CCOSS determines the revenue required for the utility to provide electric service for each of its rate classes. Rate design is the process of determining how that revenue is to be collected. Usually, this process results in billing rates for each rate class based on some combination of a fixed customer charge, an energy rate ($ per kWh) charge, and a demand rate ($ per kW) charge.

While there are a number of objectives that are important to consider in the process of rate design, I focused primarily on cost causation using the CCOSS.

Q82. ARE RATES DESIGNED FOR ALL RATE CLASSES IN THE SAME WAY?

A. No. The design of a particular rate is partly dependent on the resources available to measure the customer's consumption. Residential customers, for example, until recently have not had meters capable of measuring demand, so they do not have rates that include demand charges at this time. Instead, all of their costs are recovered through customer charges and energy charges. As another example, it is not feasible to install a meter on each streetlight, so rates for streetlights are based on a per-light charge.

Q83. HOW ARE CAPACITY-RELATED CHARGES BILLED TO CUSTOMERS?

A. When the rate design is based on the cost to serve, production, transmission, and distribution capacity-related costs are billed to the rate classes through a kW demand charge. However, as I explained above, some rate classes are not billed on kW demand charges; therefore, the capacity-related costs are billed through a kWh charge. Billing for capacity-related costs varies with differences in monthly kW demand or differences in monthly kWh, if a kW demand charge is not billed.

Q84. HOW ARE ENERGY-RELATED COSTS BILLED?

A. When the rate design is based on the cost to serve, energy-related costs are recovered through a kWh charge.

Q85. ARE THERE SEASONALLY DIFFERENTIATED KW AND/OR KWH RATES?

A. Yes. The current and proposed kW and/or kWh rates are seasonally differentiated on some of ETI's rate schedules. Seasonal differentiated rates are applied to kW demand charges and, if applicable, kWh charges during the summer months of May through October.

Q86. WHY ARE KW AND/OR KWH RATES SEASONALLY DIFFERENTIATED?

A. A seasonal differential is a price signal which indicates to the customer that it is more costly to provide the facilities necessary for service during peak summer months. At these times, a higher level of production, transmission, and distribution capacity is necessary to provide service at higher summer levels, resulting in higher

costs than service in off-peak months.

Q87. HOW ARE CUSTOMER-RELATED CHARGES RECOVERED?

A. When the rate design is based on the cost to serve, customer-related costs are recovered through a monthly customer charge that does not vary with monthly changes in a customer's demand or energy usage. The customer charge generally recovers costs associated with making service available to a customer, such as meters, meter reading, service connections to the customer from the distribution system, and billing. Non customer-specific distribution system costs, such as substations and primary and secondary conductor are recovered through the applicable capacity charge to each rate class, whether it is a kW-demand charge or part of the kWh-energy charge.

Q88. DID YOU PROVIDE THE NUMERIC DETAILS OF THE RATE DESIGN FOR ALL RATE CLASSES?

A. Yes. The numeric details of the rate design are contained in Schedule Q-7, as well as in my supporting workpapers. A summary of the proposed revenues and associated revenue impacts by rate class is contained in Schedule Q-1.

Q89. DID YOU PROVIDE TYPICAL BILLS REFLECTING THE IMPACT OF YOUR PROPOSED RATE DESIGN?

A. Yes. The typical bills for all classes with and without an estimated Incremental Franchise Fee Rider charge are contained in Schedule Q-8.9.

Q90. CAN YOU PLEASE WALK US THROUGH RATE DESIGN FOR EACH RATE CLASS AND THE CHANGES IN THE CHARGES THAT CUSTOMERS WILL SEE?

A. Certainly. I describe each rate class design and the changes the customer will see below.

## A. Residential Service

Q91. HOW WERE THE RESIDENTIAL RATES DESIGNED TO RECOVER THE REVENUE REQUIREMENT?

A. The base rate design structure of Residential Service will not change in that the applicable charges in the residential customer rate design include a customer charge and an energy charge that reflects a seasonal charge that decreases for those kWh above 1,000 kWh during the billing months of November through April. Overall, the base rate revenue from residential customers will increase $184,736,537 or 39.4%. This includes $100,987,597 of revenues associated with the TCRF, DCRF, and GCRR now to be recovered through base rates.

ETI proposes to increase the customer charge in the Schedule Residential Service to $16.96 from $10.00. The increase in customer charge is reasonable in that it moves the customer charge to the fully-costed rate. Then, the remaining energy components for the Residential rate class were increased by approximately equal percentages in order to recover the revenue requirement for the Residential rate class. ETI also proposes to increase the customer charge for Residential Service – Time of Day ("Schedule RS-TOD") using the same level as the

Residential Service with like-type changes to the energy charges.

Q92. WAS THE RESIDENTIAL REVENUE REQUIREMENT ADJUSTED TO ACCOUNT FOR THE PUBLIC BENEFIT FUND?

A. Yes. ETI is currently funding a Public Benefit Fund ("PBF") at an annual rate of $2.5 million. ETI is not proposing to change this annual funding level as long as the funding expense is not disallowed and the means to administer the fund continues to be available to ETI; therefore, the residential revenue requirement is modified by the current funding of the PBF.

Q93. IS ETI PROPOSING ANY CHANGES TO HOW RESIDENTIAL RATES ARE ADMINISTERED?

A. No.

## B. Small General Service

Q94. HOW WERE THE SMALL GENERAL SERVICE ("SGS") RATE CLASS RATES DESIGNED TO RECOVER THE REVENUE REQUIREMENT?

A. The base rate design structure of SGS will not change in that the applicable charges include a customer charge and an energy charge. Overall, base rate revenue from SGS will increase by approximately $9,851,062 or 27.0%. This includes $6,487,693 of revenues associated with the TCRF, DCRF, and GCRR now to be recovered through base rates.

ETI proposes to increase the customer charge for Schedule SGS to $24.52

from $14.19. This change moves the customer charge to the fully-costed rate. ETI also proposes to increase the customer charge for Unmetered Service ("Schedule UMS") using the same percentage increase as was used for Schedule SGS. Additionally, ETI proposes to implement a monthly minimum bill provision of $8.00 to the Traffic Signal Service rate schedule. ETI's proposal would then increase the remaining energy components by approximately equal percentages in order to recover the revenue requirement for the SGS rate class.

Q95. IS ETI PROPOSING ANY CHANGES TO HOW SGS RATES ARE ADMINISTERED?

A. No.

## C. General Service

Q96. HOW WERE THE GENERAL SERVICE ("GS") RATE CLASS RATES DESIGNED TO RECOVER THE REVENUE REQUIREMENT?

A. The base rate design structure of GS will not change in that the applicable charges include a customer charge, a demand charge, and an energy charge. Overall, base rate revenue from GS will increase $57,739,699 or 36.0%. This includes $38,553,721 of revenues associated with the TCRF, DCRF, and GCRR now to be recovered through base rates.

ETI proposes to increase the customer charge for Schedule GS from $39.20 to $55.52 in order to move it to the fully-costed rate. The remaining demand and energy components of Schedule GS would increase by approximately equal

percentages in order to recover the revenue requirement for the GS rate class. ETI also proposes to increase the customer charge for General Service – Time of Day ("Schedule GS-TOD") using the same percentage increase as was used for General Service with like-type changes to the demand and energy charges.

Q97. IS ETI PROPOSING ANY CHANGES TO HOW GS RATES ARE ADMINISTERED?

A. No.

## D. Large General Service

Q98. HOW WERE THE LARGE GENERAL SERVICE ("LGS") RATE CLASS RATES DESIGNED TO RECOVER THE REVENUE REQUIREMENT?

A. The base rate design structure of LGS will not change in that the applicable charges include a customer charge, a demand charge, and an energy charge. Overall, base rate revenue from LGS will increase $16,070,597 or 33.0%. This includes $11,799,900 of revenues associated with the TCRF, DCRF, and GCRR now to be recovered through base rates.

ETI proposes to increase the customer charge for Schedule LGS from $125.73 to $181.38. This moves the customer charge to the fully-costed rate. Then the remaining demand and energy components of Schedule LGS would increase by approximately equal percentages in order to recover the revenue requirement for the LGS rate class. ETI also proposes to increase the customer charge for Large General Service – Time of Day ("Schedule LGS-TOD") using the same percentage

increase as was used for Large General Service with like-type changes to the demand and energy charges.

Q99. IS ETI PROPOSING ANY CHANGES TO HOW LGS RATES ARE ADMINISTERED?

A. No.

## E. Large Industrial Power Service

Q100. HOW WERE THE LARGE INDUSTRIAL POWER SERVICE ("LIPS") RATES DESIGNED TO RECOVER THE REVENUE REQUIREMENT?

A. The base rate design structure of LIPS will not change in that the applicable charges include a customer charge, a seasonal demand charge that decreases during the months of November through April, and an energy charge. Overall, base rate revenue from LIPS will increase $56,776,802 or 35.0%. This includes $37,866,648 of revenues associated with the TCRF, DCRF, and GCRR now to be recovered through base rates.

The interruptible credit from Schedule IS is a rider to the LIPS rate and included in the LIPS revenue calculation. There were no changes made to the interruptible credit.

ETI proposes to increase the customer charge for Schedule LIPS from $2,500.00 to $4,000.00. This change moves the customer charge closer to the fully-costed rate, which is $7,659. ETI's proposal would then increase the remaining demand and energy components of the LIPS rate by approximately equal

percentages to recover the LIPS revenue requirement. ETI also proposes to increase the customer charge for Large Industrial Power Service – Time of Day ("Schedule LIPS-TOD") using the same percentage increase as was used for Large Industrial Power Service with like-type changes to the demand and energy charges.

Q101. IS ETI PROPOSING ANY CHANGES TO HOW LIPS RATES ARE ADMINISTERED?

A. No.

## F. Lighting Service

Q102. HOW WERE THE LIGHTING RATES DESIGNED TO RECOVER THE REVENUE REQUIREMENT?

A. First, the percent change between the revenue requirement and the present revenue for the lighting rate class were calculated. Then the percent change was applied to each of the current lighting rates with the result being the proposed rates.

Q103. IS ETI PROPOSING ANY CHANGES TO HOW LIGHTING RATES ARE ADMINISTERED?

A. No.

## G. Other Rates Schedules and Optional Riders

### 1. Competitive Generation Service ("CGS")

Q104. DID YOU MAKE ANY CHANGES TO THE DESIGN OF THE CGS SCHEDULE RATES?

A. Presently, ETI has no customers taking service under the CGS rate schedule. However, the monthly Supplied Capacity Credit has been changed from $6.33 to $9.51 per kW to reflect the embedded cost of generation for Rate Schedules LIPS and LIPS-TOD and the Unserved Energy rates were updated to reflect the proposed SMS rates.

Q105. IS ETI PROPOSING ANY CHANGES TO HOW CGS RATES ARE ADMINISTERED?

A. No.

### 2. Standby and Maintenance Service ("SMS")

Q106. WHAT IS SMS?

A. SMS is applicable to those customers that have their own generation but need the ability to obtain generation from ETI during times of outages, whether planned as when their generating unit needs periodic maintenance, or unplanned events, such as when its generating unit fails.

Q107. HOW WERE THE STANDBY AND MAINTENANCE SERVICE OR SMS RATES DESIGNED?

A. The SMS rates were designed using the same structure as agreed to in Docket No. 39896. However, ETI proposes that the SMS change in rates be adjusted based on the percentage increases in present revenues proposed for the LIPS change in rates (excluding the revenues associated with the TCRF, DCRF, and GCRR riders) or approximately 9.6%.

ETI proposes to increase the customer charge for Schedule SMS from $950 to $4,000. This change results in a customer charge equivalent to the proposed LIPS customer charge. Then the remaining demand and energy components of the SMS rate were changed by approximately equal percentages to attain the proposed revenue requirement for the SMS rate schedule. The detail of this proposed change is provided in the workpaper to Schedule Q-7.

Q108. WHY DOES ETI PROPOSE THESE MODIFICATIONS?

A. Updating the rate development calculations with the current test year billing determinants as indicated in Docket No. 39896 resulted in increases in the SMS rates that were substantially greater than the Company's overall proposed increase in rates. To mitigate this impact, the Company's proposal excludes the impacts of riders TCRF, DCRF, and GCRR on base rates since these riders are not applicable to the SMS schedule.

### 3. Renewable Portfolio Standard Calculation Opt-Out Credit Rider ("RPSCOC")

Q109. WHAT IS THE RPSCOC?

A. The RPSCOC provides a credit to eligible customers who have provided the appropriate opt-out notification to the Commission and whose load has been excluded from the Renewable Energy Credit ("REC") program calculations. The opt-out credit is based on the costs attributable to the REC program that are included in base rates.

Q110. WHAT MODIFICATIONS WERE MADE TO THE RPSCOC RIDER?

A. The RPSCOC credit rates were updated to reflect the level of the REC program costs that were included in base rates.

Q111. IS ETI PROPOSING ANY CHANGES TO HOW RPSCOC RATES ARE ADMINISTERED?

A. No.

## VII. CHANGES TO ETI'S TARIFF

Q112. OUTSIDE THE PRICING CHANGES DISCUSSED ABOVE, DOES ETI PROPOSE ANY OTHER CHANGES TO ITS TARIFF SCHEDULES?

A. Yes. ETI is proposing to make several modifications to its Tariff Schedules, including the addition of, modifications to, and withdrawal of rate and rider schedules, agreements, and other provisions, which I describe in the following

sections.

## A. Proposed New Rate Schedules and Agreements

Q113. WHAT NEW RATE SCHEDULES, RIDERS, AND AGREEMENTS DOES ETI PROPOSE IN ITS RATE FILING?

A. The table below lists the new rate schedules, riders, and agreements ETI proposes, together with the ETI witnesses who sponsor them:

**Table 2: 2022 New Rate Schedules, Riders, and Agreements**

| Schedule | Description | Sponsor |
|---|---|---|
| GFO | Green Future Option | David E. Hunt, Crystal K. Elbe |
| RCE-5 | Rate Case Expense Rider 5 | Crystal K. Elbe, Richard E. Lain, Meghan E. Griffiths |
| DTA | Deferred Tax Accounting Rider | Crystal K. Elbe, Stacey L. Whaley |
| MVDR | Market Valued Demand Response Rider and Agreement | David E. Hunt, Crystal K. Elbe |
| TECI | Transportation Electrification and Charging Infrastructure Rider and Agreement | Samantha Hill, Crystal K. Elbe |
| TECDA | Transportation Electrification and Charging Demand Adjustment Rider | Samantha Hill, Crystal K. Elbe |

### 1. Green Future Option ("GFO") Rate Schedule

Q114. PLEASE GENERALLY DESCRIBE THE GFO RATE SCHEDULE PROPOSED IN THIS CASE.

A. Schedule GFO is a green tariff offering that provides a new option for ETI customers to receive benefits of renewable power associated with ETI's utility-

scale renewable resources. Customers participating in Schedule GFO will pay a fixed monthly charge based on the kW size/subscription of their portion of the overall renewable resource portfolio, receive offsetting bill credits based on their share of MISO energy revenue, and will have the RECs associated with their share of actual energy output retired on their behalf. In his direct testimony, David E. Hunt describes the policy reasons for approving Schedule GFO, describes how the participating customer subscription rates were determined, how participant credits will be applied, and sponsors the new tariff as Exhibit DEH-1.

**2. Rate Case Expense Rider**

Q115. PLEASE GENERALLY DESCRIBE THE RATE CASE EXPENSE RIDER PROPOSED IN THIS CASE.

A. The new rate case expense rider (RCE-5) proposes to recover reasonable and necessary costs incurred by ETI resulting from this rate proceeding as described by Mr. Lain and Meghan E. Griffiths in their direct testimonies. I have attached the RCE-5 Rider as Exhibit CKE-2 to my testimony. In his direct testimony, Mr. Lain provides more detail about the rider and its contents and supports the reasonableness of the internal rate case expenses. Ms. Griffiths testifies to the reasonableness of the rate case expenses related to outside counsel and outside consultants in her direct testimony.

Q116. WHY IS ETI PROPOSING TO ADD THE RCE-5 RIDER?

A. Rate case expense riders are a common mechanism by which a utility can recover its rate case expenses over a certain period of time or until the total amount is collected, rather than including them in base rates, which will continue to be collected until the utility initiates another rate proceeding. Once ETI recovers the costs associated with the RCE-5 Rider, the RCE-5 Rider rate will be set to zero.

### 3. Deferred Tax Accounting ("DTA") Rider

Q117. WHAT IS THE PURPOSE OF THE DTA RIDER PROPOSED IN THIS CASE?

A. Rider DTA is established to recover, on a prospective basis, the after-tax return currently approved by the PUCT for the applicable period on amounts paid to the Internal Revenue Service ("IRS") that result from an unfavorable FIN-48 Uncertain Tax Position ("UTP") audit. Rider DTA will track unfavorable IRS FIN-48 rulings and the return will be applied prospectively to FIN-48 amounts paid to the IRS after such amounts are actually paid. If the Company prevails in an appeal of an unfavorable FIN-48 UTP decision, then any amounts collected under Rider DTA related to that overturned decision will be credited back to customers. I have attached the DTA Rider as Exhibit CKE-3 to this testimony. This tracker is addressed in more detail in the Direct Testimony of Company witness Stacey L. Whaley.

**4. Market Valued Demand Response ("MVDR") Rider**

Q118. PLEASE GENERALLY DESCRIBE THE MVDR RIDER PROPOSED IN THIS CASE.

A. Rider MVDR defines the parameters under which the Company's end-use customers can voluntarily participate in the MISO demand response ("DR") markets as well as how Aggregators of Retail Customers ("ARCs") who represent eligible retail customer DR capabilities can operate in those same MISO DR markets if they wish to engage with ETI's retail customers. Rider MVDR outlines which customers are eligible to participate in the tariff, defines technical terms, and describes how the tariff will work for participants in the tariff ("Participants"). In general, ETI customers or ARCs who engage with ETI retail customers with firm loads of a minimum amount defined in Rider MVDR may participate as DR resources in the MISO wholesale marketplace after executing a MVDR Agreement to curtail a specified amount of firm electric load. ETI would act as the sole Market Participant ("MP") for any DR resources registered pursuant to Rider MVDR and a corresponding MVDR Agreement. ETI will register these DR resources with MISO and pass through proceeds from MISO to the ARC to in-turn pass on to the retail customer(s) whose loads comprise the DR resource(s) and who reduce their load(s) in response to a signal from MISO. Depending on whether the DR capabilities are registered as DRRs, LMRs, and/or EDRs, different payment structures, requirements, and penalties exist within MISO's tariff. Mr. Hunt provides more detailed explanations of Rider MVDR in his direct testimony and sponsors the proposed tariff as Exhibit DEH-2 and the proposed Customer

Agreement as Exhibit DEH-3.

## 5. Transportation Electrification and Infrastructure ("TECI") Rider

Q119. PLEASE GENERALLY DESCRIBE THE TECI RIDER PROPOSED IN THIS CASE.

A. As explained in the Direct Testimony of Company witness Samantha Hill, Rider TECI provides the parameters under which the Company, working with interested customers, will facilitate increased investment in Transportation Electrification ("TE") infrastructure and equipment, including EV chargers or shore power, through a recovery mechanism in which those participating customers pay the associated costs of the level of the TE investment agreed upon between ETI and the participating customers. In her direct testimony, Ms. Hill provides additional details on the TECI policy, supports the calculations underlying the proposed recovery mechanism, and provides the proposed new tariff as Exhibit SFH-1 and the proposed Customer Agreement as Exhibit SFH-3.

## 6. Transportation Electrification and Charging Demand Adjustment ("TECDA") Rider

Q120. PLEASE GENERALLY DESCRIBE THE TECDA RIDER PROPOSED IN THIS CASE.

A. ETI is proposing Rider TECDA to reduce the electric bill uncertainty for customers who have installed separately metered electric vehicle charging infrastructure ("EVCI") equipment caused by low electric vehicle adoption rates resulting in low

EVCI utilization and high demand charges. The TECDA Rider would only be applicable to customers taking service under ETI's existing Rate Schedule GS and would only be available to qualifying, separately metered TE charging equipment, regardless of whether the equipment is owned by ETI or the customer. The TECDA Rider would limit the amount of demand billed under Rate Schedule GS to a qualifying customer during any billing period in which the actual calculated load factor is less than 15%. In her direct testimony, Ms. Hill provides additional details on the TECDA policy, supports the calculations underlying the demand adjustment mechanism and provides the proposed new tariff as Exhibit SFH-2.

## B. Proposed Schedule Modifications

Q121. WHAT SCHEDULES DOES ETI PROPOSE MODIFYING?

A. The table below sets out the rate schedules and riders, agreements, Rules and Regulations, and Terms and Conditions that ETI proposes to modify along with a description of those non-rate related changes. Rate schedules and rate riders that only have rate changes are not included:

**Table 3: 2022 Modified Schedules**

| Schedule/ Rate Rider | Description | Description of Changes |
|---|---|---|
| | Index to Rate Schedules | Updated the order of some rate schedules and included the proposed new schedules. |
| RLU | Residential Street Lighting Service | Updated the lumens descriptions for the relevant lighting options. |
| GS | General Service | Updated Delivery Voltage Adjustment section to include "230KV" with 69KV and 138KV as transmission voltage. |