

**ORDINANCE NO. 07282022-2**

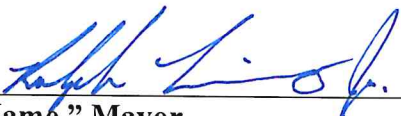
**AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF Town of Woodloch, TEXAS, (or "City") declining to approve the change in rates requested in Entergy Texas, Inc.'s ("ETI" or "Company") Statement of Intent filed with the City on July 1, 2022, AND FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE WAS CONSIDERED WAS OPEN TO THE PUBLIC AND IN ACCORDANCE WITH TEXAS LAW.**

**WHEREAS**, ETI filed with the City its Statement of Intent and *Application of Entergy Texas, Inc. for Authority to Change Rates* ("Statement of Intent");

**WHEREAS**, the City has duly noticed its consideration of the Company's Statement of Intent and is acting within its authority under applicable law;

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF TOWN OF WOODLOCH TEXAS** THAT the City DECLINES to approve any and all changes in rates requested by ETI and included in ETI's Statement of Intent and that ETI's proposed new rates should not be made effective.

**PASSED AND APPROVED ON THE FIRST READING THIS 28<sup>th</sup> day of July, 2022.**

  
\_\_\_\_\_  
"Name," Mayor

**ATTEST:**

  
\_\_\_\_\_  
"NAME," City Secretary (or "title")

**DOCKET NO. 53719**

<b>APPLICATION OF ENTERGY TEXAS, INC. FOR AUTHORITY TO CHANGE RATES</b>	<b>§ § §</b>	<b>PUBLIC UTILITY COMMISSION OF TEXAS</b>
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**ENTERGY TEXAS, INC.’S STATEMENT OF INTENT AND  
APPLICATION FOR AUTHORITY TO CHANGE RATES**

Entergy Texas, Inc. (“ETI” or the “Company”) hereby files this Rate Filing Package (“RFP”) and Statement of Intent and Application for Authority to Change Rates (the “Application”) pursuant to Chapter 36 of the Public Utility Regulatory Act (“PURA”)<sup>1</sup> and applicable Public Utility Commission of Texas (“Commission”) Substantive and Procedural Rules. ETI also moves for approval of its proposed form of notice and for entry of the Commission’s Standard Protective Order.

**I. INTRODUCTION**

16 Tex. Admin. Code (“TAC”) § 25.248(j) requires ETI to file a base rate case by July 1, 2022 in order to move the amounts it is currently collecting through its Generation Cost Recovery Rider (“GCRR”) into base rates. ETI’s GCRR was established in Docket No. 51381 to allow ETI to begin recovering a return of and on its capital investment in the Montgomery County Power Station (“MCPS”) as of January 1, 2021.<sup>2</sup> With this case, ETI is complying with that regulatory requirement. ETI’s most recent base rate change was approved in the Commission’s Final Order issued in Docket No. 48371, dated December 20, 2018.<sup>3</sup>

ETI’s Application, schedules, and testimony support an increase in base rates designed to collect a total non-fuel retail amount of approximately \$1.2 billion per year, an increase of

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016.

<sup>2</sup> *Application of Entergy Texas, Inc. to Establish a Generation Cost Recovery Rider Related to the Montgomery County Power Station*, Docket No. 51381, Order (memorialized Jan. 14, 2022).

<sup>3</sup> *Entergy Texas, Inc.’s Statement of Intent and Application to Change Rates*, Docket No. 48371 (Dec. 20, 2018).

\$131.4 million, or 11.2% on average across all customer classes compared to current adjusted retail base rate and rider revenues. Including fuel, the request represents an increase of 6.95%.

The Application is based on a 12-month test year ending December 31, 2021 (the “Test Year”). ETI requests inclusion in rate base of capital additions closed to plant in the period of January 1, 2018 through the end of the Test Year.

ETI requests that the final rates set in this proceeding be made effective 35 days after the date of this filing. Pursuant to PURA § 36.211(b), ETI requests that if the Commission suspends the proposed rates, that the final rates set in this proceeding relate back and be made effective for consumption on and after the 155th day after the date this Application is filed.

## **II. SUMMARY OF APPLICATION**

The direct testimony of ETI President and Chief Executive Officer Eliecer Viamontes sets out the structure of this filing and introduces each witness. As explained in Mr. Viamontes’s direct testimony, ETI’s requests are necessary to keep the Company in a financially healthy position while it continues to provide its customers with reliable, affordable, and sustainable service. In particular, ETI’s requested rate change is driven by three key factors: (1) the considerable capital investment ETI has made in infrastructure needed to provide resilient and reliable service to customers; (2) updated depreciation rates that reflect the expected lives of assets currently serving customers; and (3) a need to ensure ETI remains a financially healthy utility able to access capital on reasonable terms in order to continue making critical investments needed to serve customers.

ETI is engaged in a major multi-year capital investment plan in order to replace and rebuild aging infrastructure, maintain and improve its level of service reliability and resiliency, and facilitate planned upgrades and expansion. Since January 1, 2018, ETI has closed to plant

approximately \$2.3 billion dollars of capital additions (after certain adjustments), including the construction and recent placement in service of MCPS. Construction of MCPS proceeded expeditiously, despite challenges imposed by the bankruptcy of the parent company of the MCPS contractor, the COVID-19 pandemic, and the 2020 hurricane season. As a result of the Company's careful management of the project, the plant was placed in service on January 1, 2021, roughly five months ahead of its originally scheduled in-service date and under-budget. MCPS's early in-service date was especially valuable to ETI's customers as the plant was online in time to serve customers and support the Southeast Texas power grid during the majority of Winter Storm Uri. The addition of MCPS is continuing to benefit customers both in terms of added reliability in ETI's Western Region and fuel cost savings. ETI's capital additions will allow ETI to continue providing reliable and resilient service to its customers at a reasonable cost. ETI expects to continue making significant investments to serve customer needs in the near future, including over \$2.5 billion in electric infrastructure by the end of 2024.

ETI is also seeking approval of new depreciation rates that will ensure that ETI's net capital investment is recovered over the time period that each of the underlying assets will be used to serve customers. ETI proposes to update the depreciation lives for three of its generating units as well as the Spindletop natural gas storage facility in order to reflect the current expected lifespan of those facilities. As discussed in the testimony of Anastasia R. Meyer, the expected deactivation dates for the three generation plants have been updated based on ETI's long-term resource planning process. Two of those plants (Nelson Unit 6 and Big Cajun II, Unit 3) are expected to be retired earlier than previously assumed, and one (Sabine 1) is expected to be retired at a later date. As discussed in the direct testimony of Andrew L. Dornier, the expected lifespan of the Spindletop facility has been extended. Additionally, as supported by Mr. Dane

Watson, ETI seeks to establish depreciation rates in this proceeding for MCPS and the Hardin County Peaking Facility. ETI's proposed depreciation rates will allow the costs associated with these facilities to be recovered over the same time period that their benefits are flowing to customers.

At the same time, ETI seeks an opportunity to earn a reasonable return on its invested capital as required by PURA § 36.051. As described in the testimony of Ann E. Bulkley, ETI's financial strength is essential to its ability to fulfill its obligation to serve customers. ETI must maintain its stand-alone credit profile to demonstrate that it is a financially healthy utility that is capable of providing a reasonable return to the investors who provide ETI the money needed to invest in Texas, for the benefit of its customers. Therefore, to be in a position to best serve its customers with safe, reliable, affordable, and sustainable utility service, ETI seeks an opportunity to earn a reasonable return on its invested capital. The Company is seeking Commission approval of its capital structure and proposed authorized return on common equity ("ROE") in order to accurately reflect current market conditions and to allow ETI to attract capital on reasonable terms. ETI is requesting an authorized ROE of 10.8%, which is based on a 10.5% ROE resulting from Ms. Bulkley's analytical model results, and a 30-basis point adder recommended by Jess K. Totten.

As discussed in Mr. Totten's testimony, ETI's efforts over the past several years have led to high-quality performance in a number of areas that are especially important to its customers. First, when compared with other utilities in the region and around the United States, ETI has achieved low retail rates overall and low operations and maintenance ("O&M") costs relative to

other utilities, demonstrating efficient utility operations.<sup>4</sup> Second, ETI exhibited superior management in the restoration of its electric system and power to customers in the wake of the historic hurricanes of 2020 notwithstanding the added logistical challenges presented by the global COVID-19 pandemic.<sup>5</sup> Third, ETI exhibited superior management in bringing MCPS online early and under-budget notwithstanding the COVID-19 pandemic, the bankruptcy of its contractor during project construction, and an active 2020 hurricane season.<sup>6</sup>

#### **A. Base Rate Revenue Requirement and Riders**

ETI proposes an increase in its base rates designed to collect a total non-fuel retail revenue requirement for ETI of approximately \$1.2 billion per year, which is an incremental increase of \$131.4 million or 11.2%, compared to adjusted retail base rate and rider revenues resulting from the Commission's Order in Docket No. 48371. This calculation reflects ETI's proposal to reset its GCRR, Distribution Cost Recovery Factor ("DCRF"), and Transmission Cost Recovery Factory ("TCRF") balances to zero as a result of this proceeding. ETI has calculated its revenue requirement based on an overall weighted average cost of capital ("WACC") of 7.24%, an equity ratio of 51.21%, a preferred stock ratio of 0.81%, a long-term debt ratio of 47.97%, a cost of long-term debt of 3.47%, and an ROE of 10.8%. Attachment A provides the details of how the requested revenue requirement would affect each rate class.

#### **1. Base Rates**

ETI's Application includes the following base rate adjustments:

- (a) ETI seeks to establish just and reasonable rates that reflect its total revenue requirement, including affiliate transaction payments, non-affiliate operations and

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<sup>4</sup> PURA § 36.052(3).

<sup>5</sup> PURA § 36.052(4).

<sup>6</sup> PURA § 36.052(4).

maintenance expenses, federal income tax expense, expenses for taxes other than income, depreciation and amortization expense, nuclear decommissioning expense, and an authorized rate of return that reflects a 10.8% ROE.

- (b) ETI proposes certain pro forma adjustments to its Test Year results, as explained in the direct testimonies of Allison P. Lofton, Bobby R. Sperandeo, and Richard E. Lain. These adjustments are necessary to ensure that the rates charged as a result of this proceeding are more closely aligned with the costs ETI will incur during the period in which the rates resulting from this proceeding will be in effect. Additionally, some of these adjustments are for items that the Company has removed because they are not being sought for recovery and/or because they are not recoverable pursuant to 16 TAC § 25.231(b)(2).
- (c) ETI proposes to include in rate base capital additions closed to plant in service from January 1, 2018 through the December 31, 2021, including the generation-related additions currently reflected in the GCRR, the distribution-related additions currently reflected in the DCRF, and the transmission-related additions currently reflected in the TCRF. ETI seeks a finding that the costs incurred for those capital additions are reasonable and prudent.
- (d) In regard to affiliate transactions, ETI has segregated its affiliate payments into classes of service and is presenting testimony and supporting evidence (e.g., discussion of budgeting and cost control efforts, benchmarking results as available, review of the costs of major components for each class, and historical cost trends) for each class, demonstrating that the affiliate transaction payments satisfy the standard for recovery set out in PURA § 36.058. Ryan M. Dumas's

direct testimony explains how the evidence supporting affiliate payments is organized. The presentation of ETI's affiliate expenses is consistent with the presentation of affiliate expenses in the Company's last several rate cases.

- (e) ETI also requests Commission approval of the waivers to the RFP instructions presented in RFP Schedule V that accompany this Application.

## 2. Riders

ETI's request includes a limited-term Rate Case Expense ("RCE") Rider to recover approximately \$9.2 million over three years, which includes currently estimated costs associated with this proceeding and the actual costs incurred in ETI's prior fuel reconciliation (Docket No. 49916).<sup>7</sup> ETI will file updates over the course of this proceeding reflecting actual amounts incurred related to this docket.

ETI also requests Commission approval of four new voluntary riders in this case:

- (a) TECI Rider: A rider designed to allow ETI to partner with interested non-residential customers to plan, construct, own, operate, and maintain transportation electrification ("TE") related infrastructure and equipment (such as electric vehicle charging and Shore Power)<sup>8</sup> on customer-owned property, with costs incurred by ETI to be added to the interested customers' monthly electric bill as a fixed payment;
- (b) TECDA Rider: A rider designed to provide targeted demand charge relief and reduce electric bill uncertainty exclusively for non-residential customers installing

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<sup>7</sup> *Application of Entergy, Texas Inc. for Approval to Reconcile Fuel and Purchased Power Costs*, Docket No. 49916, Order (Aug. 27, 2020).

<sup>8</sup> See Direct Testimony of Samantha Hill at p. 6. Shore power connections can be used by marine vessels to plug into the local electricity grid and turn off auxiliary engines while at-dock.



electric vehicle charging infrastructure and taking new separately metered electric service under Rate Schedule GS;

- (c) Rider MVDR: A rider designed to facilitate ETI customers or Aggregators of Retail Customers (“ARCs”) with firm loads over a minimum amount participating as demand response resources in the Midcontinent Independent System Operator wholesale marketplace, with ETI acting as the sole Market Participant, pursuant to a Commission-approved tariff that will enhance oversight and transparency; and
- (d) Schedule Green Future Option (“GFO”): A rider designed to allow eligible customers to access ETI utility-scale renewable resources to take advantage of the economies of scale of such projects to satisfy their sustainability objectives. In exchange for a fixed monthly payment corresponding to a certain portion of the resource’s capacity, customers receive an energy credit based on market conditions and the ability to claim any associated Renewable Energy Credits (“RECs”) that ETI will retire on their behalf. This tariff was developed in response to interest received from ETI customers, including larger customers seeking more renewable options from the Company to help meet their corporate sustainability goals. It is also consistent with ETI’s commitment to a cleaner, sustainable energy future while maintaining reliability and affordability.

To the extent that any requested rider is not approved, ETI requests that it be allowed to recover the associated costs, if any, through its base rates or other rate mechanism designed to recover non-fuel costs.

## **B. Class cost allocation and rate design**

ETI's Application also addresses (1) inter- and intra-class cost allocation; (2) rate design; and (3) proposed revisions to its tariffs and rate schedules as detailed in RFP Schedule Q-8.8, which tariffs and schedules are addressed by ETI witnesses Crystal K. Elbe, Samantha Hill, David Hunt, Stuart Barrett, Melanie Taylor, and Richard Lain.

## **C. Summary of Request**

ETI's Application requests that the Commission establish the Company's revenue requirement as set out in the RFP, including a determination that the Company has satisfied PURA's standards for recovery of affiliate costs. ETI further requests that the Commission approve ETI's proposed rate riders and schedules and grant good-cause exceptions to the extent necessary to support any variance from the Commission's Rules.

## **III. DESCRIPTION OF APPLICANT AND AFFECTED PARTIES**

ETI is an electric utility, a public utility, and a utility as those terms are defined in PURA §§ 11.004(1) and 31.002(6). ETI provides fully bundled electric delivery service to approximately 486,000 customers across 27 counties in Southeast Texas. ETI's Regulatory Affairs office is located at 919 Congress Avenue, Suite 740, Austin, Texas 78701; telephone number (512) 487-3999. This Application affects ETI and all its Texas retail customers (all rate classes and rate schedules).

## **IV. STATEMENT OF JURISDICTION**

The Commission has original jurisdiction over this Application pursuant to PURA §§ 14.001, 32.001, 32.102, 36.001-36.112, and 36.201-36.212. The Commission has exclusive original jurisdiction over this Application for service provided to ETI's environs customers and to customers within the corporate limits of those cities that have ceded their regulatory

jurisdiction to the Commission. ETI is also filing this Application with all of the municipalities that retain original jurisdiction over ETI's rates within their corporate limits. ETI anticipates that it will appeal the actions of its original jurisdiction cities to the Commission and that it will seek consolidation of those appeals with this docket.

## **V. AUTHORIZED REPRESENTATIVES**

ETI's authorized representatives in this proceeding are:

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Erika N. Garcia, Director  
Richard Lain, Manager  
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ETI requests that all documents related to this proceeding be served on Mr. Hoyt's office, as listed in the previous paragraph.

## **VI. PROPOSED PROCEDURAL SCHEDULE**

ETI will work with parties to attempt to reach an agreed procedural schedule. ETI proposes that the following procedural schedule is reasonable and would allow the proceeding to conclude by the jurisdictional deadline established in PURA § 36.108:

Application Filed	July 1, 2022
Intervention Deadline (Day 45)	August 15, 2022
Objections to ETI's Direct Testimony	August 22, 2022
Intervenor Direct Testimony	August 29, 2022
Commission Staff Direct Testimony	September 6, 2022
End of Discovery on ETI's Direct Case	September 6, 2022
ETI Rebuttal Testimony; Intervenor/Staff Cross-Rebuttal Testimony	September 19, 2022
End of Discovery on Rebuttal Testimony and Cross-Rebuttal Testimony	September 26, 2022
Hearing Start Date	October 5, 2022
Relate-Back Date (Day 155)	December 3, 2022
Jurisdictional Deadline (Day 185)	January 2, 2023

#### **VII. MOTION FOR APPROVAL OF PROPOSED NOTICE**

ETI will provide notice in accordance with PURA § 36.103 and 16 TAC § 22.51(a). The proposed notice is provided as Attachment B to this Application. ETI requests that the Commission approve this method and form of notice.

#### **VIII. MOTION FOR ENTRY OF PROTECTIVE ORDER**

Certain information required by the Commission's RFP consists of proprietary or commercially sensitive information that is confidential or highly sensitive data or that unaffiliated third parties have provided to the Company under agreements restricting dissemination. Finally, certain components of and documents included in ETI's pre-filed direct testimony, exhibits, and/or workpapers include confidential and/or highly sensitive information. To facilitate evaluation of this information by the Commission Staff and other parties, ETI requests entry of the Commission's Standard Protective Order as soon as possible.

Attachment C to this Application presents a complete listing of the information that the Company designates as confidential or highly sensitive. Pending Commission approval of a protective order in this proceeding, ETI will make confidential or highly sensitive information available through a secure File Transfer Protocol (“FTP”) site to parties who execute a protective order certification as attached to the Commission’s standard Protective Order.

## **IX. CONCLUSION**

For the reasons set out in this Application, the accompanying direct testimony, and the RFP schedules and workpapers, ETI requests that the Commission: (1) approve ETI’s proposed method and form of notice; (2) enter the Commission’s standard Protective Order; (3) grant the requested waivers of Commission rules and RFP instructions; (4) approve and authorize the changes in the Company’s rates, schedules, and riders proposed in this filing; and (6) grant ETI such other relief to which the Company may be entitled.

Dated: July 1, 2022

Respectfully submitted,



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