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PUC DOCKET NO. 50714
SOAH DOCKET NO. 473-20-3301

APPLICATION OF ENTERGY TEXAS, INC. TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS
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PRELIMINARY ORDER

Entergy Texas, Inc. (ETI) filed an application for approval to amend its distribution cost recovery factor (DCRF). This preliminary order identifies the issues that must be addressed in this proceeding.

ETI is seeking to update its current DCRF rider to include additional distribution invested capital placed in service from January 1, 2019 through December 31, 2019. (January 1, 2018 is the day after the end of the test year in Docket No. 48371.) This is ETI's second DCRF application since its last rate case in Docket No. 48371.¹ ETI's previous DCRF filing, Docket No. 49392,² reflected distribution invested capital placed in service only through December 31, 2018. ETI states that it invested approximately \$166.1 million in net distribution system invested capital during the period of January 1, 2018 through December 31, 2019. After adjusting for load growth, ETI is seeking an increase of approximately \$20.4 million in addition to the distribution revenue requirement of \$3,249,127 approved in Docket No. 49392.

ETI filed the application on March 31, 2020, and the Commission referred the docket to the State Office of Administrative Hearings (SOAH) on April 6, 2020. The following parties filed motions to intervene, which remain pending as of April 23, 2020: Texas Industrial Energy Consumers 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, Silsbee, Sour Lake, Splendora, Vidor, and West Orange.

¹ *Entergy Texas Inc. 's Statement of Intent and Application for Authority to Change Rates*, Docket No. 48371, Order (Dec. 20, 2018).

² *Application of Entergy Texas, Inc., for a Distribution Cost Recovery Factor*, Docket No. 49392, Order (Sept. 12, 2019).

ETI contends that the order in Docket No. 47416 allows FERC account 182, reflecting the regulatory asset for non-AMS meters, to be included in the adjusted DCRF.³ If it is determined that the proposed regulatory asset for non-AMS meters cannot be included in the DCRF based on the limitation on includable FERC accounts,⁴ ETI requests a good cause exception to the limitation.

ETI was directed, and Commission Staff and other interested persons were allowed, to file by April 17, 2020 a list of issues to be addressed in the docket and also identify any issues not to be addressed and any threshold legal or policy issues that should be addressed. ETI and Commission Staff each timely filed a list of issues.

I. Issues to be Addressed

The Commission must provide to the administrative law judge (ALJ) a list of issues or areas to be addressed in any proceeding referred to SOAH.⁵ After reviewing the pleadings submitted by the parties, the Commission identifies the following issues that must be addressed in this docket:

1. Does ETI's earnings monitoring report included in the application show that ETI is earning more than its authorized rate of return, using weather-normalized data, such that the application must be denied under 16 Texas Administrative Code (TAC) § 25.243(e)(4)?
2. If not, what is ETI's properly calculated DCRF in accordance with Public Utility Regulatory Act (PURA)⁶ § 36.210 and 16 TAC § 25.243(d)? In making the determination, the following issues should be addressed:
 - a. What were the DCRF-related baseline costs established in ETI's most recent base-rate proceeding, Docket No. 48371, to be used in the DCRF calculation under 16 TAC § 25.243(d)(1)?

³ *Application of Entergy Texas, Inc., for Approval of Advanced Metering System (AMS) Deployment Plan, AMS Surcharge, and Non-standard Metering Service Fees*, Docket No. 47416, Findings of Fact Nos. 60 and 61 (Dec. 14, 2017).

⁴ 16 Texas Administrative Code § 25.243(b)(3) (TAC).

⁵ Tex. Gov't Code § 2003.049(e).

⁶ Public Utility Regulatory Act, Tex. Util. Code §§ 11.013-66.017 (PURA).

- b. Under PURA § 36.210(a) and the definition of distribution invested capital in 16 TAC § 25.243(b)(3), what items should be categorized as ETI's distribution invested capital, and what are ETI's costs for distribution invested capital?
 - c. Under the definition in 16 TAC § 25.243(b)(4), what is ETI's net distribution invested capital that is to be used in the DCRF calculation in 16 TAC § 25.243(d)(1)?
 - d. What is the appropriate weather normalization adjustment using weather data for the most recent ten calendar years in accordance with PURA § 36.210(a)(2) and 16 TAC § 25.243(b)(5)?
 - e. Did ETI appropriately account for load growth under PURA § 36.210(a)(2) and 16 TAC § 25.243(d)(1)?
 - f. What is ETI's appropriate rate of return under 16 TAC § 25.243(d)(2)?
 - g. In accordance with 16 TAC § 25.243(d)(3), has ETI clearly identified costs, if any, included as distribution invested capital because of a change in accounting rules or practices since the test year in ETI's most recent base-rate proceeding, Docket No. 48371? If so, has ETI proven that those costs are appropriate for recovery through the DCRF?
 - h. Has ETI included any costs in its proposed DCRF revenue requirement that were previously recovered from ETI's existing base rates or other rates such as transmission cost of service or transmission recovery factor? If so, does the proposed treatment result in improper double recovery of costs?
 - i. What is ETI's incremental revenue requirement to be collected through the DCRF as calculated under 16 TAC § 25.243(d)?
- 3. Are the DCRF rates to be applied by ETI on a system-wide basis in accordance with PURA § 36.210(a)(5) and 16 TAC § 25.243(e)(6)(C)?
 - 4. What are the appropriate class allocations to set the DCRF rates, if any, in accordance with PURA § 36.210(a)(3) and 16 TAC § 25.243(d)(1)?
 - 5. Does the proposed DCRF comply with PURA § 36.210(c) by not including an adjustment to the portion of a nonfuel rate relating to the generation of electricity?

6. Does the DCRF application comply with the requirements of PURA § 36.210(a)(6) and 16 TAC § 25.243(e)(1), including being supported by the sworn statement of an appropriate employee of ETI?
7. What rates, if any, should the Commission approve in ETI's DCRF rate schedule?
8. What is the appropriate effective date for the DCRF rider in compliance with 16 TAC § 25.243(e)(6)(C)?
9. Should any party recover the cost of participating in this proceeding? If so, the following issues should be addressed.
 - a. What are the reasonable costs of participating municipalities in this proceeding under PURA § 33.023 and 16 TAC § 25.245?
 - b. What are the reasonable costs of participation incurred by ETI that should be allowed as a cost or expense in this proceeding under PURA § 36.061(b)(2) and 16 TAC § 25.245?
 - c. Should these costs be addressed in this proceeding or deferred to a subsequent proceeding?
 - d. In what manner should these costs be recovered?
10. Did ETI properly account for the effects of the Tax Cuts and Jobs Act of 2017?⁷
11. Should FERC account 182 reflecting the regulatory asset for non-AMS meters be included in the requested adjusted DCRF in view of 16 TAC § 25.243(b)(3)?

This list of issues is not intended to be exhaustive. The parties and the ALJ are free to raise and address any issues relevant in this docket that they deem necessary, subject to any limitations imposed by the ALJ, or by the Commission in future orders issued in this docket. The Commission may identify and provide to the ALJ in the future any additional issues or areas that must be addressed, as permitted under Texas Government Code § 2003.049(e).

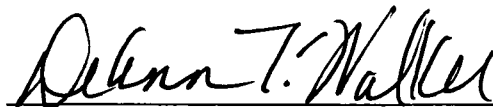
⁷ *Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018*, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

II. Effect of Preliminary Order

This Order is preliminary in nature and is entered without prejudice to any party expressing views contrary to this order before the SOAH ALJ at hearing. The SOAH ALJ, upon his or her own motion or upon the motion of any party, may deviate from this Order when circumstances dictate that it is reasonable to do so. Any ruling by the SOAH ALJ that deviates from this Order may be appealed to the Commission. The Commission will not address whether this Order should be modified except upon its own motion or the appeal of a SOAH ALJ's order. Furthermore, this Order is not subject to motions for rehearing or reconsideration.

Signed at Austin, Texas the 15th day of May 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

