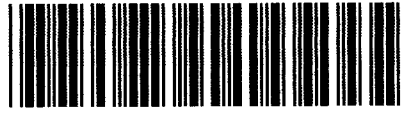


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Item Number: 612

Addendum StartPage: 0

SOAH DOCKET NO. 473-10-5001  
PUC DOCKET NO. 38339

APPLICATION OF CENTERPOINT §  
ENERGY HOUSTON ELECTRIC, §  
LLC FOR AUTHORITY TO CHANGE §  
RATES §

BEFORE THE  
STATE OFFICE OF  
ADMINISTRATIVE HEARINGS

RECEIVED  
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REBUTTAL TESTIMONY

OF

CHERISH T. LOOG (AMS)

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

COST OF SERVICE RATE ADJUSTMENT FILING  
PURSUANT TO PURA SEC. 36.102

Filed: October 1, 2010

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**I. INTRODUCTION ..... 1**

**II. ACCOUNTING TREATMENT OF METER REMOVAL COSTS .....2**

**LIST OF EXHIBITS****EXHIBITS****DESCRIPTION**

Rebuttal Exhibit CTL-1	Calculation of Recommended Deprecation Rates -12/31/84
Rebuttal Exhibit CTL-2	Oral Deposition of Lane Kollen, page 203, Lines 7-10
Rebuttal Exhibit CTL-3	Account 370 Meters, Summary of Salvage Value

**EXECUTIVE SUMMARY OF CHERISH T. LOOG**

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My testimony rebuts the assertion by Gulf Coast Coalition of Cities witness Mr. Kollen that CenterPoint Houston did not properly account for the removal costs of old meters being replaced by the advanced meters. Mr. Kollen contends that 25% of the installation costs are already being recovered by the Company through accumulated depreciation on the old meters and that the Company's accounting is inconsistent with the Uniform System of Accounts. In fact, the cost of removing meters is not included in the Company's depreciation rates and is, in fact, minimal. Outside of the AMS project, meters are generally removed in connection with maintenance and the costs are properly captured in Account 586 (Meter Expenses) as required by the Uniform System of Accounts. In connection with AMS, the removal of the old meters is only necessary because of the installation of the new advanced meters and constitutes a minimal portion of the cost of installation. Accordingly, removal is covered in the installation costs under the Company's contract with Itron, the terms of which, including pricing, were approved by the Commission in Docket No. 35639.

1                                    **REBUTTAL TESTIMONY OF CHERISH T. LOOG**

2  
3                                    **I.    INTRODUCTION**

4    **Q.    WHAT IS YOUR NAME AND OCCUPATION?**

5    A.    My name is Cherish T. Loog. I am employed by CenterPoint Energy Houston Electric  
6            LLC (“CenterPoint Houston” or “Company) as Finance Manager for the Advanced  
7            Metering System (“AMS”) Program Management Office (“PMO”).

8    **Q.    ARE YOU THE CHERISH LOOG THAT OFFERED DIRECT TESTIMONY**  
9            **IN THIS DOCKET?**

10   A.    Yes, I am.

11   **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12   A.    The purpose of my testimony is to address the issues raised by Gulf Coast Coalition  
13            of Cities witness Mr. Kollen concerning the accounting treatment of the removal  
14            costs of the old meters replaced by the advanced meters.

15   **Q.    WHAT IS YOUR RECOMMENDATION?**

16   A.    I recommend that the Commission reject Mr. Kollen’s recommendation that 25% of  
17            the installation costs go to accumulated depreciation on the old meters. The total  
18            installation cost of the meters was deemed reasonable and necessary in Docket No.  
19            35639 and, to my knowledge, no witnesses in this docket have disagreed with those  
20            costs either in the AMS reconciliation or the future AMS costs. Therefore, those costs  
21            should properly remain part of the capital costs included in the AMS surcharge.

1           **II.    ACCOUNTING TREATMENT OF METER REMOVAL COSTS**

2

3   **Q.    DO YOU AGREE WITH MR. KOLLEN THAT THE COMPANY'S**  
4           **ACCOUNTING FOR THE COST OF REMOVING THE METERS BEING**  
5           **REPLACED BY AN AMS METER IS INCONSISTENT WITH THE FERC**  
6           **UNIFORM SYSTEM OF ACCOUNTS?**

7   **A.    No, I do not. Electric Plant Instruction 10 (F), upon which Mr. Kollen bases his**  
8           **conclusion, provides:**

9            “net salvage of depreciable plant retired shall be charged in its entirety to account  
10           108, Accumulated Provision for Depreciation of Electric Plant in Service”.

11           This instruction is applicable to electric plant when there is a removal cost percentage  
12           component in the depreciation rate of the plant being retired. Having a removal cost  
13           component in depreciation expense creates a credit in account 108, against which  
14           removal costs are applied as incurred. There is an exception in the FERC Uniform  
15           System of Accounts applicable to Electric Plant for plant account 370 Meters. Note  
16           B reads, “The cost of removing meters shall be charged to account 586, Meter  
17           Expenses.” Under this instruction, the Company would not include removal costs in  
18           depreciation expense or an offsetting amount in Account 108.

19   **Q.    DO THE CURRENT APPROVED DEPRECIATION RATES FOR THE OLD**  
20           **METERS INCLUDE THE COST OF REMOVING THE METER?**

21   **A.    No, they do not. As evidence, I have attached to my testimony as Rebuttal Exhibit**  
22           **CTL-1, Exhibit JBG-10 from the direct testimony of JB Gillet in Docket No. 6765,**  
23           **which is the basis for the current depreciation rates for plant account 370 (i.e., meters)**

1 used by CenterPoint Houston. As shown on that exhibit, the depreciation rate for  
2 meters does not include a percentage for cost of removal.

3  
4 **Q. WHAT WAS THE DATE OF THE LAST DEPRECIATION STUDY**  
5 **PERFORMED FOR ACCOUNT 370, METERS BY THE COMPANY?**

6 A. The most recent study was dated April 6, 2006 and was done in connection with  
7 Docket No. 32093. It contained retirement cost and salvage data through 2005.

8 **Q. BASED ON THE INFORMATION IN THAT STUDY, HOW MUCH**  
9 **RETIREMENT COST AND SALVAGE VALUE WAS RECOGNIZED**  
10 **DURING THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2005?**

11 A. The Company recognized no retirement cost and \$9,962 in salvage value. During the  
12 same period, retirements were \$16,843,777. This portion of the study is included in  
13 Rebuttal Exhibit CTL-3.

14 **Q. BASED ON THAT INFORMATION, WHAT WAS THE SALVAGE**  
15 **PERCENTAGE REALIZED DURING THE FIVE-YEAR PERIOD ENDING**  
16 **DECEMBER 31, 2005?**

17 A. Salvage as a percent of retirements was .06%, which is essentially zero.

18 **Q. WHAT HAS BEEN THE ACCOUNTING TREATMENT FOR THE**  
19 **REMOVAL COSTS OF METERS PRIOR TO THE AMS DEPLOYMENT?**

20 A. Prior to the deployment of AMS, meters were generally replaced in connection with  
21 meter maintenance. Only when service is permanently terminated was a meter  
22 simply removed from a customer's premise. In both of these instances, CenterPoint



1 Houston accounted for the expense in Account 586, as directed in Note B to Plant  
2 Account 370, as quoted above.

3 **Q. WHY DID THE COMPANY NOT FOLLOW THIS ACCOUNTING  
4 PRACTICE WITH RESPECT TO THE DEPLOYMENT OF AMS METERS?**

5 A. These meters were not being replaced in connection with maintenance or the  
6 permanent termination of service. They were being replaced only due to the  
7 installation of the new advanced meters. Mr. Kollen acknowledged in his deposition  
8 that the Company would not be removing most of these meters but for the fact that  
9 they are being replaced by an advanced meter.<sup>1</sup> The job of removing the meters was  
10 a necessary but minimal part of the effort required to install the new advanced meters.

11 **Q. IF THE CURRENT DEPRECIATION RATE WAS DETERMINED  
12 WITHOUT CONSIDERATION OF THE COST OF REMOVAL, AND  
13 HISTORICALLY NO SALVAGE OR NET REMOVAL COSTS HAVE BEEN  
14 CHARGED TO THIS ACCOUNT, WHAT IS YOUR CONCLUSION?**

15 A. My conclusion is that historical removal costs and any net salvage have been  
16 immaterial.

17 **Q. DOES THE ITRON CONTRACT STATE HOW MUCH OF THE COST OF  
18 METER INSTALLATION RELATES TO THE COSTS OF REMOVING THE  
19 OLD METERS?**

20 A. No. The contract for meter installation does not break out the costs for removing the  
21 old meter separately from the installation of the new meter. The majority of the costs  
22 would be incurred for the purpose of installing the new meters. The cost of extracting

---

<sup>1</sup> Oral Deposition of Lane Kollen, page 203, lines 7-10, (September 24, 2010)

1 the old meter would be minimal in comparison and nowhere near the 25% estimated  
2 by Mr. Kollen in his workpapers for the revised AMS Model. The majority of the  
3 labor costs, transportation, and materials are required by the installation of the new  
4 meters. The pulling of the old meter is a minimal labor charge.

5 **Q. DID THE COMPANY INVESTIGATE OPTIONS FOR DISPOSING OF THE**  
6 **OLD METERS?**

7 A. Yes. Our revenue recovery group attempted to find a buyer and was unsuccessful.  
8 The only option available was to grind up the meters and sell the glass and metal to a  
9 recycler. The cost would have exceeded any proceeds. As discussed in the direct  
10 testimony of Mr. Mann, the Company negotiated a deal with ITRON that it would  
11 assume responsibility for the removal and disposal of the old meters as part of its  
12 meter installation contract in exchange for pricing considerations.

13 **Q. DO YOU KNOW WHAT ITRON IS DOING WITH THE OLD METERS OR**  
14 **WHETHER THEY HAVE A MARKET FOR THEM?**

15 A. No, I do not.

16 **Q. DOES THE COMPANY RECEIVE ANY SALVAGE FOR THE RETIRED**  
17 **METERS?**

18 A. No. The company does not receive any salvage for the old retired meters.

1 **Q. WHAT IS YOUR CONCLUSION AS TO THE COMPANY'S ACCOUNTING**  
2 **FOR THE RETIREMENT AND SALVAGE OF THE OLD METERS?**

3 A. CenterPoint Houston's accounting has been consistent with the Uniform System of  
4 Accounts. The accounting recommended by Mr. Kollen is not. Historically there has  
5 been no removal costs assumed in the depreciation rate for this account and none has  
6 been reflected in the related accumulated depreciation in the recent past. Salvage is  
7 virtually zero. The Company investigated the market for used electro-mechanical  
8 meters and found no viable market. Further, even if one were to try to separate the  
9 cost of removal, it would be immaterial. Accordingly, there is no practical effect to  
10 either base rates or the AMS surcharge from the Company's accounting for the cost  
11 of removal and salvage of the old meters being replaced by AMS meters.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes, it does.

EXHIBIT JBG-10

07-Msr-85

HOUSTON LIGHTING & POWER COMPANY  
 CALCULATION OF RECOMMENDED DEPRECIATION RATES  
 DECEMBER 31, 1984  
 \$(000)

ACCOUNT	SURVIVOR CURVE	DEPRECIABLE COST	ANNUAL ACCRUALS	FUTURE ACCRUALS	COMPOSITE REMAINING LIFE	DEPRECC. RESERVE	COST LESS RESERVE	REM. LIFE DEPRECC. EXPENSE	10 YR AVG SALVAGE RATIO (%)		ANNUAL SALVAGE ADJUSTMT	TOTAL DEPRECC. EXPENSE	DEPRECC. RATE ADJ. FOR SALVAGE
									SALVAGE	ADJUSTMT			
<b>TRANSMISSION PLANT</b>													
352	R4-40	11,331	283	9,037	31.87	2,721	8,610	270	2	0	0	270	2.38
363	R2-34	169,919	4,998	128,969	25.79	62,648	117,271	4,548	9	692	3,956	3,956	2.32
364	R3-38	168,315	4,186	128,492	30.84	28,726	129,590	4,202	4	206	3,996	3,996	2.82
365	RO, S-28	13,787	482	9,275	19.85	2,483	11,304	599	-37	(270)	869	869	6.31
366	R2-37	123,449	3,336	102,144	30.62	16,758	106,686	3,486	-4	(161)	3,646	3,646	2.96
367	R6-40	2,367	59	1,429	24.16	947	1,420	59	2	0	59	59	2.48
368	R6-40	2,152	64	1,170	21.75	1,007	1,145	63	2	0	53	53	2.45
369	R6-40	3,430	86	2,786	32.48	1,074	2,357	73	2	0	73	73	2.12
TOTAL		484,724	13,474	383,191	28.44	106,342	378,382	13,288	367			12,921	
<b>DISTRIBUTION PLANT</b>													
261	R4-40	19,731	492	16,229	32.50	3,094	16,637	508	-89	(414)	919	919	4.86
262	R2-34	270,676	7,987	217,763	27.33	68,900	202,076	7,393	12	1,189	6,204	6,204	2.29
264	RO, S-23	165,073	7,177	136,123	18.97	21,614	143,509	7,569	5	435	7,134	7,134	4.32
265	S5-16	210,264	11,686	147,361	12.51	23,966	186,388	14,782	-20	(3,227)	18,119	18,119	8.81
266	L3-48	59,920	1,248	51,932	41.68	8,676	51,245	1,233	14	202	1,031	1,031	1.72
267	L0-38	140,614	3,696	127,873	34.60	12,280	128,234	3,718	8	326	3,392	3,392	2.41
268	L1, S-28	402,742	15,490	322,039	20.79	79,900	323,142	16,543	7	1,268	14,187	14,187	3.52
269	LD-24	34,235	1,431	28,320	18.80	(103)	34,428	1,740	-85	(607)	2,347	2,347	6.83
270	R1-22	186,087	6,140	109,266	17.79	21,779	112,368	6,369	1	76	6,292	6,292	4.68
272	NEW PLANT 29	0	0	-	-	-	-	-	-	-	-	-	-
273	S0-30	77,965	2,599	63,269	24.35	16,169	61,806	2,539	-9	(288)	2,827	2,827	3.63
TOTAL		1,616,695	57,930	1,219,804	21.06	266,714	1,250,892	61,391			(1,062)	62,453	
<b>GENERAL PLANT</b>													
390	R3-40	171,169	4,279	156,791	31.95	32,021	128,148	4,322	-22	(1,178)	5,500	5,500	3.21
391	L6-21	17,104	814	12,088	14.84	6,937	10,167	688	9	104	681	681	3.40
392	L2-5	84,338	14,166	62,874	3.74	25,674	69,364	15,894	23	5,230	10,664	10,664	12.55
393	L3-18	3,655	198	2,773	14.04	661	3,004	214	20	51	163	163	4.59
394	S1-40	11,018	276	9,640	35.00	1,639	9,379	268	14	44	224	224	2.03
395	R3-48	8,682	178	7,874	42.02	1,161	7,411	172	0	0	172	172	2.01
396	S2-11	9,429	357	6,960	8.12	3,130	6,238	776	23	267	609	609	6.39
397.1	R1-16	20,728	1,296	17,810	12.69	6,572	15,167	1,116	8	122	993	993	4.79
397.2+3	R5-8	32,712	4,089	23,001	6.83	14,687	18,025	3,204	5	291	2,914	2,914	8.91
398	L3-14	2,829	202	2,081	10.30	792	2,037	198	22	80	187	187	4.88
TOTAL		362,044	26,346	271,482	10.30	93,064	268,990	26,848			4,991	21,857	

\* Retirement samples too small; neglect adjustments.

1           A. I think it's -- it's in the AMS model, but I  
2 think it's 2.4 million.

3           Q. All right. And how many of those meters would  
4 continue to remain in the field but for the fact that  
5 they are being replaced by an advanced meter?

6           A. I don't know.

7           Q. Would you agree that CenterPoint would not be  
8 removing most of these meters but for the fact that it  
9 is installing the AMS meters?

10          A. Yes.

11          Q. Okay. We looked at the AMS rule one more time?

12          A. Oh, sure.

13          Q. Can you look at K-5 -- can you look at K-5 on --  
14 I don't know what page it's on.

15          A. Yes, I have it.

16          Q. You have it, okay. And if you look at the fourth  
17 sentence I think of that rule, it reads: For a  
18 levelized surcharge the Commission may alter the length  
19 of the surcharge collection period based on the -- based  
20 on review of information concerning changes in  
21 deployment costs or operating costs savings in the  
22 annual report or changes in WACC.

23                   Did I read that right?

24          A. Yes. That's in the provision addressing the  
25 annual report filings.

26

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

ACCOUNT 370 METERS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1974	824,355	0	0	1,816	0	1,816	0
1975	965,813	0	0	2,227	0	2,227	0
1976	673,876	0	0	8,419	1	8,419	1
1977	1,284,525	0	0	62,479	5	62,479	5
1978	2,300,925	0	0	11,853	1	11,853	1
1979	2,554,075	0	0	16,404	1	16,404	1
1980	2,754,029	0	0	17,112	1	17,112	1
1981	2,607,239	0	0	8,397	0	8,397	0
1982	1,934,812	0	0	10,109	1	10,109	1
1983	2,373,811	0	0	6,300	0	6,300	0
1984	2,462,163	0	0	1,873	0	1,873	0
1985	5,073,742	0	0	3,230	0	3,230	0
1986	2,551,008	0	0	8,999	0	8,999	0
1987	2,333,688	0	0	834	0	834	0
1988	2,364,020	0	0	1,400	0	1,400	0
1989	1,685,373	0	0	451	0	451	0
1990	2,433,387	0	0	4,309	0	4,309	0
1991	1,583,008	0	0	5,645	0	5,645	0
1992	2,182,029	0	0	25,508	1	25,508	1
1993	11,798,484	0	0	17,155	0	17,155	0
1994	2,838,992	0	0	12,997	0	12,997	0
1995	13,258,586	0	0	11,542	0	11,542	0
1996	5,017,964	0	0	820,366	16	820,366	16
1997	505,155	0	0	0	0	0	0
1998	2,519,503	0	0	0	0	0	0
1999	385,902	0	0	0	0	0	0
2000	658,006	0	0	0	0	0	0
2001	643,485	0	0	0	0	0	0
2002	4,489,907	0	0	0	0	0	0
2003		0	0	0	0	0	0
2004	7,371,018	0	0	9,962	0	9,962	0
2005	4,339,367	0	0				
<b>TOTAL</b>	<b>94,768,247</b>	<b>0</b>	<b>0</b>	<b>1,069,387</b>	<b>1</b>	<b>1,069,387</b>	<b>1</b>

THREE-YEAR MOVING AVERAGES

74-76	821,348	0	0	4,154	1	4,154	1
75-77	974,738	0	0	24,375	3	24,375	3
76-78	1,419,775	0	0	27,584	2	27,584	2
77-79	2,046,508	0	0	30,245	1	30,245	1

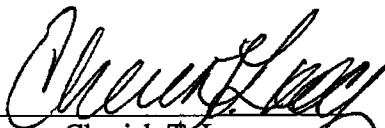
STATE OF Texas §  
  §  
COUNTY OF Harris §

**AFFIDAVIT OF CHERISH T. LOOG**

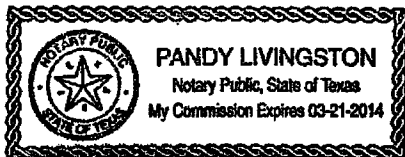
BEFORE ME, the undersigned authority, on this day personally appeared [Name] who having been placed under oath by me did depose as follows:

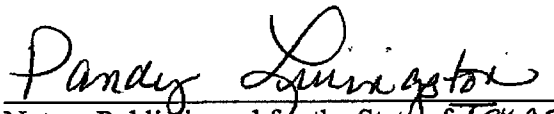
1. "My name is Cherish T. Loog. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. I have prepared the foregoing Rebuttal Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

  
Cherish T. Loog

SUBSCRIBED AND SWORN TO BEFORE ME on this 29<sup>th</sup> day of September, 2010.



  
Notary Public in and for the State of Texas

My commission expires: 03-21-2014

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served on all parties of record in this proceeding, by facsimile, hand delivery, e-mail, or United States first class mail on this 1<sup>st</sup> day of October, 2010.

Linda A Johnston