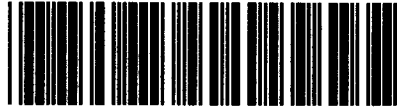




Control Number: 38339



Item Number: 680

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  
PUBLIC UTILITY COMMISSION  
OF TEXAS

10-10-11 11:11 AM  
PUC

OFFICE OF PUBLIC UTILITY COUNSEL'S  
ERRATA TO THE DIRECT TESTIMONY  
OF LACY L. SEYBOLD

The Office of Public Utility Counsel submits these errata to the Direct Testimony of Lacy L. Seybold, filed on September 10, 2010. The corrections are as follows:

Page 4, Lines 8-9: Between "The" and "customer", insert "current Commission-approved methodology for calculating the residential"; Delete "remain at its current amount of \$1.99" and replace it with "be retained";

Page 4, line 18: Delete "alter" and replace it with "include \$10 million in Docket No. 32093 settlement program costs in its performance bonus calculation and claimed lost revenues in";

Page 7, line 13: Between "these" and "customers", insert "low-use";

Page 11, line 6: Between "current" and "residential", insert "Commission-approved rate design methodology for the";

Page 11, lines 7-8: Delete "of \$1.99", and delete "and any change in the revenue requirement not included in specific riders should be reflected in the per kWh energy charge";

Page 19: Delete lines 3 through 5;

Page 19, line 9: Between "from" and "this", insert "base rates and included in an EECRF in";

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Page 19, lines 9-10: Delete the sentence "Docket No. 38213 is the appropriate forum for consideration of the CEHE EECRF amounts."

Page 19, line 10: Delete the word "Specifically" and replace it with "In addition";

Page 19, line 12: After the word "addressed" and before the period, insert "and, therefore, not granted";


Page 30, lines 12-13: Between "The" and "customer", insert "current Commission-approved methodology for calculating the residential"; Delete "remain at its current amount of \$1.99" and replace it with "be retained";

Page 31, line 1: Delete "alter" and replace it with "include \$10 million in Docket No. 32093 settlement program costs in its performance bonus calculation and claimed lost revenues in".

The above changes are shown on the attached pages.

Respectfully submitted,

Sheri Sanders Givens  
Public Counsel  
State Bar No. 24037430



James K. Rourke, Jr.  
Assistant Public Counsel  
State Bar No. 17323700

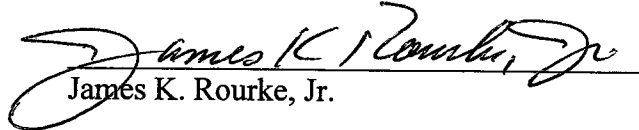
OFFICE OF PUBLIC UTILITY COUNSEL  
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Austin, Texas 78711-2397  
512/936-7500  
512/936-7525 (Facsimile)

**CERTIFICATE OF SERVICE**

SOAH Docket No. 473-10-5001

PUC Docket No. 38339

I certify that on October 6, 2010, I served a true copy of the foregoing Office of Public Utility Counsel's Errata to the Direct Testimony of Lacy L. Seybold on all parties of record via United States First-Class Mail, hand-delivery or facsimile.

  
James K. Rourke, Jr.

1 A. No. My review did not extend to all issues discussed in the Company's filing. I make no  
2 implied assurances with regard to issues that I do not specifically address in my  
3 testimony.

4 **II. SUMMARY OF RECOMMENDATIONS**

5 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

6 A. I recommend the following:

- 7 1. The Company's proposal to increase the residential rate class's customer charge from  
8 *Current Commission-approved methodology for calculating the*  
9 *\$1.99 to \$18.12 should be rejected. The customer charge should remain at its current*  
10 *amount of \$1.99 be retained.*
- 11 2. The Company's proposal to decrease the residential rate class billing determinants for  
12 anticipated energy efficiency savings in the future should be rejected. My  
13 recommendation to remove this EEP-related adjustment would result in total  
14 residential customer class energy billing determinants of 24,160,783,535 kWh,  
15 assuming no other adjustments to billing determinants in this class are made.
- 16 3. I recommend the waiver of the demand ratchet for Secondary > 10kVA class be  
17 expanded to include customers whose maximum demand does not exceed 25 kVA , in  
18 addition to the waiver already available for seasonal agricultural customers.
- 19 4. The Company's request to *alter* the Energy Efficiency Cost Recovery Factor  
20 (EECRF) should be denied. *include \$10 million in Docket No. 32093*  
21 *settlement program costs in its performance*  
*bonus calculation and claimed lost revenues*
5. The Company's proposed new tariff rider SH - System Hardening should be  
rejected.

1            *A REP that wishes to market to, and gain customers that benefited*  
2            *from, the previous rate design would still be free to maintain its*  
3            *current Customer Charge in an attempt to gain or retain those*  
4            *customers. This outcome may actually benefit the deregulated*  
5            *market as it would create another opportunity for REPs to*  
6            *differentiate themselves and their product offerings in an attempt*  
7            *to compete.*<sup>3</sup>

8    **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH THE COMPANY'S**  
9    **PROPOSAL TO INCREASE THE RESIDENTIAL CUSTOMER CHARGE.**

10 A. First, CenterPoint's proposal adversely affects to the greatest degree residential  
11 customers who consume the least amount of electricity, typically low income customers.  
12 Such a dramatic increase in the residential customer charge as CenterPoint proposes will  
13 significantly increase the electric bills of these <sup>low-use</sup> customers, despite their minimal use of  
14 electricity.

15            Second, the proposal works against the objectives of state energy efficiency  
16 programs because it reduces the incentive to save energy. By paying a higher fixed  
17 charge in lieu of a higher variable energy charge on their electricity bills, customers will  
18 not realize as great a savings benefit from undertaking energy efficiency measures  
19 because energy efficiency measures reduce only their variable costs, not the fixed costs  
20 included in their bills.

21            Third, the customer charge is not the only means by which fixed costs are  
22 recovered. A portion of the fixed charge is recovered through the energy charge in the  
23 current rates. To the extent that the customer charge does not cover all allocated fixed

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<sup>3</sup> See Troxle Direct at 38.

	Current	Proposed		Proposed 500 kWh	Proposed 1000 kWh	Proposed 1500 kWh	Proposed 2000 kWh
Base Charge	Customer \$ 1.99	\$ 18.12 per customer		\$ 18.12	\$ 18.12	\$ 18.12	\$ 18.12
	Metering \$ 1.79	\$ 3.99 per customer		\$ 3.99	\$ 3.99	\$ 3.99	\$ 3.99
	Transmission \$ 0.005342	\$ 0.007861 per kWh		\$ 3.93	\$ 7.86	\$ 11.79	\$ 15.72
	plus TCRF \$ 0.001641	\$ 0.000004 per kWh		\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
	Distribution \$ 0.017648	\$ 0.005149 per kWh		\$ 2.57	\$ 5.15	\$ 7.72	\$ 10.30
<b>Total Base</b>				<b>\$ 28.62</b>	<b>\$ 85.12</b>	<b>\$ 41.63</b>	<b>\$ 48.14</b>
<b>** Per kWh effective base rate (with TCRF but not other riders):</b>				<b>\$ 0.0572</b>	<b>\$ 0.0951</b>	<b>\$ 0.0278</b>	<b>\$ 0.0241</b>
Other NBC	NDC \$ 0.000049	\$ 0.000049 per kWh		\$ 0.02	\$ 0.05	\$ 0.07	\$ 0.10
	AMS \$ 3.24	\$ 3.05 per customer		\$ 3.05	\$ 3.05	\$ 3.05	\$ 3.05
	SBF \$ 0.000555	\$ 0.000556 per kWh		\$ 0.33	\$ 0.66	\$ 0.98	\$ 1.31
	SH NA	\$ - per kWh		\$ -	\$ -	\$ -	\$ -
Securitization Related	TC1 \$ 0.002161	\$ 0.002161 per kWh		\$ 1.08	\$ 2.16	\$ 3.24	\$ 4.32
	TC2 \$ 0.003133	\$ 0.003133 per kWh		\$ 1.57	\$ 3.13	\$ 4.70	\$ 6.27
	TC3 \$ 0.000362	\$ 0.000362 per kWh		\$ 0.18	\$ 0.36	\$ 0.54	\$ 0.72
	SRC \$ 0.001760	\$ 0.001760 per kWh		\$ 0.88	\$ 1.76	\$ 2.64	\$ 3.52
	ADFIT \$ (0.000723)	\$ (0.000723) per kWh		\$ (0.36)	\$ (0.72)	\$ (1.08)	\$ (1.45)
Energy Eff.	EECRF \$ 0.50	\$ 0.96 per customer		\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.96
<b>Total TDU</b>				<b>\$ 36.33</b>	<b>\$ 46.54</b>	<b>\$ 56.74</b>	<b>\$ 66.95</b>
<b>** Per kWh effective rate at TDU level (all riders included):</b>				<b>\$ 0.0727</b>	<b>\$ 0.0465</b>	<b>\$ 0.0378</b>	<b>\$ 0.0335</b>
<b>Total REP Bill at 11.5 cents per kWh</b>				<b>\$ 57.50</b>	<b>\$ 115.00</b>	<b>\$ 172.50</b>	<b>\$ 230.00</b>

Note: 2010 EECRF not effective until 7/1, but \$23 million EE related costs within current base rates included  
Proposed has all EE contained within EECRF and no \$\$ in base rates.  
Municipal Franchise credit excluded.

Source: CEHE Response to OPUC03-03 and -04 (bold, italicized lines, noted by \*\*, added by OPUC)

Figure 1. Illustration of effect of \$18.12 customer charge on various levels of energy consumption.

2 Q. WHAT IS YOUR RECOMMENDATION REGARDING THE RESIDENTIAL  
3 RATE CLASS CUSTOMER CHARGE?

4 A. The development of the existing residential customer charge, used by CEHE and its  
5 predecessors in prior dockets, has a long-standing and reasoned precedent at the  
6 Commission and has not outlived its usefulness. *Commission-approved* The current residential customer charge  
7 *rate design methodology for the* of \$1.99 should be retained and any change in the revenue requirement not included in  
8 ~~specific riders should be reflected in the per kWh energy charge.~~

1 Q. WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE EECRF  
2 REQUESTED IN THIS DOCKET?

3 ~~A. The Company's request to alter the Energy Efficiency Cost Recovery Factor in this~~  
4 ~~docket (EECRF) should be denied.~~

5 ~~Q. WHY ARE YOU RECOMMENDING REJECTION OF THE EECRF?~~

6 A. PUC Subst. R. 25.181(f)(2) states that all EECRF costs must be removed from a utility's  
7 base rates, and Subst. R. 25.181(f)(1) provides for recovery of energy efficiency costs

8 through an EECRF. Therefore, all energy efficiency-related costs should be removed  
9 from this docket. *base rates and included in an EECRF in* ~~Docket No. 38213 is the appropriate forum for consideration of the~~

10 ~~CEHE EECRF amounts.~~ *In addition* Specifically, the preliminary order in this docket has listed two  
11 energy efficiency-related issues from the Company's request that are not to be  
12 addressed<sup>15</sup> *and, therefore, not granted* These are:

- 13 1. The Company's inclusion of approximately \$10 million in energy efficiency program  
14 costs resulting from the settlement of Docket No. 32093 in its EECRF performance  
15 bonus calculation; and
- 16 2. The Company's proposal to include \$1,436,550 of Lost Revenue Adjustment  
17 Mechanism (LRAM) costs in the calculation of its Energy Efficiency Cost Recovery  
18 Factor (EECRF).

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<sup>15</sup> See Preliminary Order at 10, Docket No. 38339 (PUC Interchange #106). A copy of the pertinent portion of this document is included in the Documents Supporting Footnotes section of this testimony as LLS-FN-15



1 A. There is no PUC requirement or authorization that dictates completion of the Grid  
2 Hardening “initiatives” CEHE has defined in any given timeframe. CEHE’s base rates  
3 already include costs for vegetation management, pole inspection and replacement and  
4 feeder inspection. The expenditures outlined in these Grid Hardening “initiatives” are  
5 nothing out of the ordinary, do not represent special activities outside the bounds of  
6 prudent operations and, therefore, should fall into the category of normal costs of doing  
7 business for a utility. The requested adjustment to test year for these “initiatives” should  
8 be disallowed.

9 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

10 A. I recommend the following:

- 11 1. The Company’s proposal to increase the residential rate class’s customer charge from  
12 \$1.99 to \$18.12 should be rejected. *Current Commission-approved methodology for calculating the residential*  
13 ~~amount of \$1.99~~ *be retained.* <sup>A</sup> ~~remain at its current~~
- 14 2. The Company’s proposal to decrease the residential rate class billing determinants for  
15 anticipated energy efficiency savings in the future should be rejected. My  
16 recommendation to remove this EEP-related adjustment would result in total  
17 residential customer class energy billing determinants of 24,160,783,535 kWh,  
18 assuming no other adjustments to billing determinants in this class are made.
- 19 3. I recommend the waiver of the demand ratchet for Secondary > 10kVA class be  
20 expanded to include customers whose maximum demand does not exceed 25 kVA , in  
21 addition to the waiver already available for seasonal agricultural customers.

*Include \$10 million in Docket No. 32093  
settlement program costs in its  
performance bonus calculation and  
claimed lost revenues in*

- 1 4. The Company's request to ~~alter~~ the Energy Efficiency Cost Recovery Factor in this  
2 docket (EECRF) should be denied.
- 3 5. The Company's proposed new tariff rider SH – System Hardening should be  
4 rejected.
- 5 6. The Company's proposed test year adjustment to include an estimated \$9,650,000 in  
6 revenue requirements to fund future grid hardening initiatives should be rejected.

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

8 **A.** Yes, at this time.