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

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

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

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THIRD ERRATA
TO
CROSS-REBUTTAL TESTIMONY AND EXHIBITS
OF
JAMES W. DANIEL

ON BEHALF OF
THE CITY OF HOUSTON
AND
THE COALITION OF CITIES

October 12, 2010

PUC DOCKET NO. 38339
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APPLICATION OF CENTERPOINT	§	BEFORE THE
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ENERGY HOUSTON ELECTRIC, LLC	§	PUBLIC UTILITY COMMISSION
	§	
FOR AUTHORITY TO CHANGE RATES	§	OF TEXAS

THIRD ERRATA TO THE CROSS-REBUTTAL TESTIMONY OF JAMES DANIEL

- Page 4, line 17 - Deleted “(4) PUC Staff witness...” through “a portion of these costs should also be classified as customer related.”
- Page 4, line 21 - Deleted “(5)” inserted “(4)”.
- Page 20, line 6 - Deleted “proposed classification of distribution costs, his”.
- Page 20, line 9 - Deleted “Q. Would you briefly explain...” through “... and I will defer to him on this issue.”
- Page 24, line 4 - Deleted “(4) PUC Staff witness...” through “a portion of these costs should also be classified as customer related.”
- Page 24, line 8 - Deleted “(5)”, inserted “(4)”.

1 (1) TIEC witness Jeffrey Pollock incorrectly allocates municipal franchise fees to
2 customer classes. The allocation methodology proposed by Mr. Pollock is
3 contrary to both cost allocation principals and prior Commission precedent and
4 should be rejected.

5 (2) PUC Staff witness Mary Jacobs incorrectly disallows a portion of the municipal
6 franchise fees incurred by CenterPoint Energy Houston Electric, LLC (“CEHE”
7 or “the Company”) during the test year. Ms. Jacobs direct testimony is contrary to
8 the Commission’s Final Order in CEHE’s previous rate case, fails to address the
9 reasons provided in my direct testimony as to why the test year municipal
10 franchise fees are reasonable, and incorrectly interprets the Public Utility
11 Regulatory Act and the Commission’s Substantive Rules.

12 (3) PUC Staff witness Richard Lain’s direct testimony refuses to consider gradualism
13 when determining revenue changes by customer class. Mr. Lain’s class cost of
14 service study (“COSS”) results in widely disparate revenue changes among the
15 customer classes and, therefore, should not be the only factor or criteria
16 considered in setting customer class revenue levels.

17 ~~(4) PUC Staff witness Richard Lain is proposing to incorrectly classify 100% of~~
18 ~~certain distribution cost accounts as demand related. As supported by CEHE and~~
19 ~~the Gulf Coast Coalition of Cities (“GCCC”), a portion of these costs should also~~
20 ~~be classified as customer related.~~

21 ~~(5)~~(4) TIEC witness Jeffrey Pollock and PUC Staff witness Richard Lain propose to
22 directly assign uncollectible accounts expenses to customer classes. The

1 agreement resulted in a balance between the benefits and rights received by CEHE
2 and the franchise fees received by the COH.

3 **IV. DIRECT TESTIMONY OF PUC STAFF WITNESS LAIN**

4 **Q. WHAT ISSUES DO YOU HAVE WITH THE DIRECT TESTIMONY OF PUC**
5 **STAFF WITNESS RICH LAIN?**

6 A. I disagree with PUC Staff witness Lain's proposed classification of distribution costs,
7 his proposed allocation of uncollectible expenses and his proposed revenue
8 distribution among the customer classes.

9 ~~Q. WOULD YOU BRIEFLY EXPLAIN PUC STAFF WITNESS LAIN'S~~
10 ~~PROPOSED CLASSIFICATION OF CERTAIN DISTRIBUTION RELATED~~
11 ~~COSTS?~~

12 ~~A. Yes. As stated on pages 15 through 18 of his direct testimony, Mr. Lain is proposing~~
13 ~~to classify all costs related to FERC Accounts 364 through 368 as entirely demand-~~
14 ~~related. CEHE proposes to classify a portion of these plant accounts as customer~~
15 ~~related.~~

16 ~~Q. DO YOU AGREE WITH PUC STAFF WITNESS LAIN'S PROPOSED~~
17 ~~REVISION TO THE CLASSIFICATION OF DISTRIBUTION COSTS?~~

18 ~~A. No, I do not. Gulf Coast Coalition of Cities (GCCC) witness Clarence Johnson~~
19 ~~addresses this cost classification issue in his direct testimony and I will defer to him~~
20 ~~on this issue.~~

1 service study (“COSS”) results in widely disparate revenue changes among the
2 customer classes and, therefore, should not be the only factor or criteria
3 considered in setting customer class revenue levels.

4 ~~(4) PUC Staff witness Richard Lain is proposing to incorrectly classify 100% of~~
5 ~~certain distribution cost accounts as demand related. As supported by CEHE and~~
6 ~~the Gulf Coast Coalition of Cities (“GCCC”), a portion of these costs should also~~
7 ~~be classified as customer related.~~

8 ~~(5)(4)~~ TIEC witness Jeffrey Pollock and PUC Staff witness Richard Lain propose to
9 directly assign uncollectible accounts expenses to customer classes. The
10 allocation methodology used by CEHE is superior to the direct assignment
11 method and should be approved by the Commission.

12
13 **Q. DOES THIS CONCLUDE YOUR CROSS-REBUTTAL TESTIMONY?**

14 **A.** Yes, it does.

1 (1) TIEC witness Jeffrey Pollock incorrectly allocates municipal franchise fees to
2 customer classes. The allocation methodology proposed by Mr. Pollock is
3 contrary to both cost allocation principals and prior Commission precedent and
4 should be rejected.

5 (2) PUC Staff witness Mary Jacobs incorrectly disallows a portion of the municipal
6 franchise fees incurred by CenterPoint Energy Houston Electric, LLC (“CEHE”
7 or “the Company”) during the test year. Ms. Jacobs direct testimony is contrary to
8 the Commission’s Final Order in CEHE’s previous rate case, fails to address the
9 reasons provided in my direct testimony as to why the test year municipal
10 franchise fees are reasonable, and incorrectly interprets the Public Utility
11 Regulatory Act and the Commission’s Substantive Rules.

12 (3) PUC Staff witness Richard Lain’s direct testimony refuses to consider gradualism
13 when determining revenue changes by customer class. Mr. Lain’s class cost of
14 service study (“COSS”) results in widely disparate revenue changes among the
15 customer classes and, therefore, should not be the only factor or criteria
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18 directly assign uncollectible accounts expenses to customer classes. The
19 allocation methodology used by CEHE is superior to the direct assignment
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1 agreement resulted in a balance between the benefits and rights received by CEHE
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3 **IV. DIRECT TESTIMONY OF PUC STAFF WITNESS LAIN**

4 **Q. WHAT ISSUES DO YOU HAVE WITH THE DIRECT TESTIMONY OF PUC**
5 **STAFF WITNESS RICH LAIN?**

6 A. I disagree with PUC Staff witness Lain's proposed allocation of uncollectible
7 expenses and his proposed revenue distribution among the customer classes.

8 **Q. WHY DO YOU DISAGREE WITH PUC STAFF WITNESS LAIN'S**
9 **PROPOSED ALLOCATION OF UNCOLLECTIBLE ACCOUNTS**
10 **EXPENSES?**

11 A. Mr. Lain is proposing to allocate uncollectible accounts expenses similar to the
12 approach proposed by TIEC witness Mr. Pollock. Mr. Lain also claims that CEHE
13 has not maintained the information necessary to directly assign uncollectible accounts
14 expenses to customer classes so he would delay this allocation approach until
15 CEHE's next rate case when better information would be available. For the same
16 problems I previously identified with Mr. Pollock's proposed allocation of
17 uncollectible account expenses, Mr. Lain's proposal should also be rejected.

18 **Q. HOW IS THE PUC STAFF PROPOSING TO DISTRIBUTE ITS**
19 **RECOMMENDED RETAIL REVENUE INCREASE AMONG CUSTOMER**
20 **CLASSES?**

1 (2) PUC Staff witness Mary Jacobs incorrectly disallows a portion of the municipal
2 franchise fees incurred by CenterPoint Energy Houston Electric, LLC (“CEHE”
3 or “the Company”) during the test year. Ms. Jacobs direct testimony is contrary to
4 the Commission’s Final Order in CEHE’s previous rate case, fails to address the
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14 directly assign uncollectible accounts expenses to customer classes. The
15 allocation methodology used by CEHE is superior to the direct assignment
16 method and should be approved by the Commission.

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18 **Q. DOES THIS CONCLUDE YOUR CROSS-REBUTTAL TESTIMONY?**

19 **A.** Yes, it does.