



Control Number: 39363



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August 12, 2011

Honorable Sharon Cloninger
Administrative Law Judge
State Office of Administrative Hearings
300 West 15th Street, Suite 504
Austin, Texas 78701

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PUBLIC UTILITY COMMISSION
FILING CLERK

RE: PUC Docket No. 39363, SOAH Docket No. 473-11-5072, *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*

Dear Judge Cloninger:

For purposes of administrative efficiency and the convenience of the parties, CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company") hereby provides its errata to correct certain typographical errors in its direct and rebuttal testimonies. These errors were revealed through the discovery process and the parties have been provided notice of the errors through the Company's responses to OPUC RFI 01-06, Staff RFIs 01-02 and 01-03, and TIEC RFI 01-03.

Thank you for your consideration of this matter. Please do not hesitate to contact our office should you have any questions.

Sincerely,



Mark Santos
Attorney for CenterPoint Energy
Houston Electric, LLC

cc: All Parties of Record
Filing Clerk, Public Utility Commission of Texas

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DOCKET NO. _____

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC,	§	PUBLIC UTILITY COMMISSION
LLC FOR APPROVAL OF AN	§	
ADJUSTMENT TO ITS ENERGY	§	OF TEXAS
EFFICIENCY COST RECOVERY	§	
FACTOR	§	

DIRECT TESTIMONY OF

CHARLES J. FLYNN III

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

April 29, 2011

- 1 **V. OVER/UNDER RECOVERY OF PROGRAM COST**
- 2 **Q. DO THE COMMISSION RULES PROVIDE THAT AN ELECTRIC**
- 3 **UTILITY CAN ADJUST FOR OVER/UNDER RECOVERY OF**
- 4 **PROGRAM COSTS?**
- 5 A. Yes. Substantive Rule § 25.181(m)(2)(S) states that a utility must include in its
- 6 EEPR the amount of any over- or under-recovery energy efficiency program costs
- 7 whether collected through base rates or the EECRF.
- 8 **Q. DID CENTERPOINT HOUSTON UNDER RECOVER PROGRAM COSTS**
- 9 **FOR 2010 PROGRAMS?**
- 10 A. Yes. CenterPoint Houston under-recovered program costs in 2010. The total
- 11 under-recovered amount is \$525,843.
- 12 **Q WHY DID CENTERPOINT HOUSTON UNDER RECOVER \$525,843 IN**
- 13 **PROGRAM COSTS IN 2010?**
- 14 A. The Company experienced an under-recovery of program costs in 2010 for
- 15 several reasons, including, but not limited to, a downturn in the commercial
- 16 economy and new construction, a postponement of many multi-family
- 17 construction projects, and billing determinants were less than forecasted. Due to
- 18 varying program interest and demand, the Company shifted funds between
- 19 programs during the year. This reallocation of funds resulted in commercial
- 20 spending being reduced by \$531,847 when compared to the original budget set
- 21 forth in the 2010 EECRF (Docket No. ³⁶⁹⁵²~~38213~~) and an additional spending of
- 22 ~~\$772,550~~ ^{\$722,550} in residential programs when compared to the original budget set forth
- 23 in the 2010 EECRF (Docket No. ³⁶⁹⁵²~~38213~~). As an example, the A/C Distributor
- 24 MTP spent an additional \$220,000 in 2010 due to the high demand for high

Direct Testimony of Charles J. Flynn, III
CenterPoint Energy Houston Electric, LLC
Energy Efficiency Cost Recovery Factor Filing

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1 efficiency air-conditioning units throughout the service territory. Likewise, the
 2 Rebuilding Together Houston program, which mainly provides compact
 3 fluorescent light-bulbs and attic insulation to low-income and elderly residents,
 4 spent an additional \$330,000 serving additional customers.

5 The remaining under recovery of ~~\$285,140~~^{\$335,140} is a result of an under-
 6 collection through electric sales. For a discussion of the allocation methodology
 7 proposed by the Company for the under-recovered program costs, please see
 8 Company witness Matthew Troxle's testimony.

9 **Q HOW DOES THE COMPANY PROPOSE TO ADDRESS THE UNDER-**
 10 **RECOVERY OF 2010 PROGRAM COSTS IN THE 2012 RIDER EECRF?**

11 A. As discussed in the direct testimony of Mr. Troxle, the Company proposes to
 12 recover in 2012 the additional ~~\$772,550~~^{\$722,550} in 2010 residential program expenditures
 13 from residential customers and to return \$531,847 to commercial customers for
 14 2010 under-expenditures. The Company proposes to collect the remaining under-
 15 recovery amount of ~~\$285,140~~^{\$335,140} from all customers using the percentage of energy
 16 efficiency costs in base rates in 2010 as an allocator. Please see Mr. Troxle's
 17 direct testimony for further detail.

18 **VI. ENERGY EFFICIENCY PERFORMANCE BONUS**

19 **Q. DO THE COMMISSION RULES PROVIDE THAT AN ELECTRIC**
 20 **UTILITY CAN RECEIVE AN ENERGY EFFICIENCY PERFORMANCE**
 21 **BONUS?**

22 A. Yes. Substantive Rule § 25.181(h) provides that a utility that exceeds its demand
 23 reduction goal "shall be awarded a performance bonus." (emphasis added) The
 24 Rule states that the performance bonus shall equal 1% of the net benefits the

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 Energy Efficiency Cost Recovery Factor Filing

1 utility's energy efficiency programs achieve for every 2% that the utility exceeds
2 the demand reduction goal, up to a maximum of 20% of the utility's program
3 costs.

4 **Q. DID CENTERPOINT HOUSTON QUALIFY FOR A BONUS BASED ON**
5 **ITS 2010 ENERGY EFFICIENCY PROGRAMS?**

6 A. Yes. CenterPoint Houston exceeded its 2010 goal by 209%, and costs were well
7 within avoided cost limits defined by Substantive Rule § 25.181. Net benefits
8 (avoided cost minus program costs) generated by the 2010 programs totaled
9 ~~\$107,445,385~~ ~~\$112,250,373~~. As such, absent the 20% of program costs cap in Substantive Rule
10 § 25.181, CenterPoint Houston would be entitled to a performance bonus of
11 ~~\$112,251,134~~ ~~\$117,053,153~~. The Company's program costs in 2010 were \$28,143,399.
12 CenterPoint Houston is therefore requesting a performance bonus of \$5,761,382.

13 **Q. HOW WAS THE AMOUNT OF THE REQUESTED PERFORMANCE**
14 **BONUS CALCULATED?**

15 A. The calculation for the requested performance bonus can be found at Table 12 of
16 the revised EEPR, attached as Exhibit CJF-1.

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Direct Testimony of Charles J. Flynn, III
CenterPoint Energy Houston Electric, LLC
Energy Efficiency Cost Recovery Factor Filing

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Table 12: Performance Incentive Calculation

Performance Incentive for Calendar Year 2010	kW	kWh
2010 Program Goals	39,209	68,693,818
2010 Program Savings		
Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)	120,982	139,664,780
Reported/Verified Hard-to-Reach	4,622	13,265,515
Percentage Excess of Goal		209%
Avoided Cost		
per kW		\$80
per kWh		\$0.064
Inflation Rate		2.0%
Discount Rate		-7.5%
PV(Avd Capacity Cost)		\$606.142
where - $\$80 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$		
PV(Avd Energy Cost)		\$0.485
where - $\$0.064 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$		
Measure Life Avg. Yrs		10
Total Avoided Cost		\$141,057,282
where - TTL Av. Cost = (Reported kW * PV(Av. \$/kW) + Reported kWh * PV(Av. \$/kWh))		
2010 Program Costs		\$28,806,909
Net Benefits = Total Avoided Cost - Total Program Costs		
Net Benefits		\$112,250,373
Bonus Based on Net Benefits = (% Excess of Goal/2) * Net Benefits		
Bonus based on 20% of Program Costs		\$5,761,382

8.21%

\$136,452,294

\$107,645,385

\$112,251,134

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APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC,	§	PUBLIC UTILITY COMMISSION
LLC FOR APPROVAL OF AN	§	
ADJUSTMENT TO ITS ENERGY	§	OF TEXAS
EFFICIENCY COST RECOVERY	§	
FACTOR	§	

DIRECT TESTIMONY OF

MATTHEW A. TROXLE

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

April 29, 2011

Direct Testimony of Matthew A. Troxle
CenterPoint Energy Houston Electric, LLC
Energy Efficiency Cost Recovery Factor Filing

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1 calculation for over/under recovery of 2010 program costs is provided in Exhibit
2 MAT-2, Schedule I, page 1.

3 **Q. HOW HAVE YOU ALLOCATED THE OVER/UNDER RECOVERY OF**
4 **2010 PROGRAM COSTS TO THE RATE CLASSES?**

5 A. The overall 2010 under-recovery of \$525,843 is comprised of a 2010 residential-
6 class over-expenditure (compared to the 2010 program budget) of ~~\$772,550~~ ^{\$722,550}, a
7 commercial-class under-expenditure of ~~\$240,703~~ ^{\$531,847} and an overall under-collection
8 of revenues. Substantive Rule §25.181(f)(3) requires that Rider EECRF's costs
9 be recovered "... from the customer classes that receive services under each
10 program." Consistent with this, I have allocated the 2010 residential over-
11 expenditure to the residential class in 2012 and credited the 2010 commercial
12 class under-expenditure to the secondary < 10 kVA and secondary > 10 kVA
13 commercial classes in 2012. I have allocated the remaining 2010 under-recovery
14 of ~~\$285,140~~ ^{\$335,139.96} to all classes in 2012 in proportion to program expenditures in base
15 rates in 2010. This 2012 allocation of over/under recovery of 2010 program costs
16 is provided in Exhibit MAT-2, Schedule I, page 2.

17 **Q. WHAT BILLING DETERMINANTS ARE USED TO CALCULATE**
18 **RIDER EECRF CHARGES?**

19 A. Consistent with CenterPoint Houston's most recent EECRF applications approved
20 by the Commission, a monthly fixed charge per customer is used except for the
21 lighting class where a per-lamp charge is utilized. These decisions include the
22 Company's 2009 EECRF Application in Docket No. 36952, and the compliance
23 Tariff which was administratively approved by the Commission on June 3, 2010,

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC Calculation of Rider EECRF (Energy Efficiency Cost Recovery Factor) Effective January - December 2012 Billing Months								Schedule A - page 4 Alternative Calculation Combo. of both alternatives: No Lost Revs. and Perf. Bonus based only on \$12.925492/MM	
Customer Class	2012 Energy Efficiency Costs (1)	2010 Performance Bonus Recovery (2)	2010 Lost Revenue Recovery (3)	2010 Under-recovery of Program Costs (4)	2012 Total Rider EECRF Recovery (5) (1) + (2) + (3) + (4)	2012 Billing Determinants (6)	Rider EECRF Charges Effective January 1, 2012 (7) (5) / (6)		
Residential	\$ 20,356,200	\$ 1,699,452	\$ -	\$ 882,033	\$ 22,937,686	23,047,716	\$0.995	Per Retail Customer Per Month	
Secondary <=10 Kva	\$ 102,405	\$ 40,678	\$ -	\$ (14,548)	\$ 128,534	1,751,904	\$0.073	Per Retail Customer Per Month	
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	\$ 15,400,095	\$ 1,463,617	\$ -	\$ (371,980)	\$ 16,491,732	1,303,654	\$12.650	Per Retail Customer Per Month	
Transmission - Industrial	\$ -	\$ 416,762	\$ -	\$ 29,901	\$ 446,662	2,112	\$211.488	Per Retail Customer Per Month	
Lighting	\$ -	\$ 8,172	\$ -	\$ 436	\$ 8,608	5,298,844	\$0.0016	Per Lamp Per Month	
Total	\$35,858,700	\$3,628,680	-	\$525,843	\$40,013,223	31,404,230			

Schedule I
Page 1

2010 EECRF Estimated Over/Under Calculation and Allocation to Rate Classes
Calculation of 2010 Over/Under Calculation

Revenue Requirement	Actual	Approved EECRF	Source
2010 Program Costs excluding Carryover expenditures:*			
2008 Bonus:	\$28,143,399	\$27,952,697	CEHE for 2010 Actual; 2010 Budget from EECRF filing
2010 Carrying Costs:	\$2,854,336	\$2,854,336	PUCT Order in Docket No. 36952, Finding of Fact 14
Total	\$123,049	\$123,049	PUCT Order in Docket No. 36952, Finding of Fact 33
	\$31,120,784	\$30,930,082	
Revenue			
EE in Base Rates in 2010:	\$22,925,492		PUCT Order in Docket No. 36952, Finding of Fact 27, 33.
EECRF			
July	907,800.22		CenterPoint Energy Revenue Statistics for 2010
August	1,347,204.21		" "
September	1,349,214.34		" "
October	1,345,331.75		" "
November	1,352,586.56		" "
December	1,367,311.96		" "
Total EECRF	7,669,449.04		Total of above
Total 2010 Revenue:	\$30,594,941.04		
EECRF Over/(Under):	(\$525,842.96)		
* Excludes \$663,510 in carryover expenditures made in 2010.			

Schedule I
Page 2

2012 Allocation of 2010 Over/Under Calculation to Rate Classes

Customer Class	Total Over (Under)-recovery Amount for 2010:	% of 2010 EE Expenditures in base rates (see Schedule I - WP1)	2010 Over (Under) expenditure by Class * (See below for Commercial allocation)	Remaining Under-recovery amount to Recover in 2012	Total Net Over/Under recovery for 2012:
	(1)	(2)	(3)	(4) = Col. (2) % * Col. 4 total of \$335,139.96	Sum of Col. (3) plus Col. (4)
Totals:	(\$525,842.96)		\$ 190,703	\$ 335,139.96	\$ 525,842.96
Residential		47.587%	\$ 722,550	\$ 159,483.46	\$ 882,033.46
Secondary <= 10 Kva		1.632%	\$ (20,017)	\$ 5,469.44	\$ (14,547.88)
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental		41.729%	\$ (511,830)	\$ 139,849.92	\$ (371,979.77)
Transmission - Industrial		8.922%	\$ -	\$ 29,900.66	\$ 29,900.66
Lighting		0.130%	\$ -	\$ 436.48	\$ 436.48
Total:		100.000%	\$ 190,703	\$ 335,139.96	\$ 525,842.96

* Allocation of 2010 Commercial under-expenditures credit to Commercial classes:				
Commercial class:	% of 2010 EE Expenditures in base rates	% of 2010 Commercial EE Expenditures (3) = Col. (2) / Total % in Col. 2	Commercial class Credit to Allocate = \$531,847	2010 Commercial Credit (5) = Col. (3) * (4) Total of \$531,847.
(1)	(2)		(4)	
Secondary <= 10 Kva	1.632%	3.76%		\$ 20,017
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	41.729%	96.24%		\$ 511,830
Total:	43.361%		\$ 531,847	\$ 531,847

SOAH DOCKET NO. 473-11-5072
PUC DOCKET NO. 39363

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC,	§	BEFORE THE
LLC FOR APPROVAL OF AN	§	STATE OFFICE OF
ADJUSTMENT TO ITS ENERGY	§	ADMINISTRATIVE HEARINGS
EFFICIENCY COST RECOVERY	§	
FACTOR	§	

REBUTTAL TESTIMONY OF
MATTHEW A. TROXLE
FOR
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

August 9, 2011

1 over-expenditures for 2010 was \$722,550.” Thus, OPUC appears to now claim
 2 that the amount that the Company should not be permitted to recover is ~~\$772,550~~ ^{\$722,550},
 3 not \$190,703.

4 **Q. PLEASE ELABORATE**

5 A. As noted in my direct testimony, and as summarized in Table 1 below, the
 6 Company’s 2010 EECRF under-recovery amount of \$525,843 indicated in line M
 7 in Table 1 represents the amount by which the Company’s actual 2010 energy
 8 efficiency program costs exceeded projected EECRF costs (i.e., \$190,703 in line
 9 F of Table 1) and, as shown in line L, an overall under-collection of \$335,139.96
 10 in revenues due to differences in billing determinants.

11 Table 1: CenterPoint Houston’s 2010 EECRF Under-Recovery

Line	EECRF Under-Recovery Categories		Amount
	Differences in 2010 Program Costs (excluding Carryover):		
-	Consisting of:	Amount	
A	Residential:	\$ 722,550	
B	Secondary <=10 Kva:	\$ (20,017)	
C	Secondary > 10 Kva:	\$ (453,337)	
D	Primary:	\$ (53,445)	
E	Transmission - Non-Profit/Governmental:	\$ (5,047)	
F	Total:	\$ 190,703	\$ 190,703
	Differences in 2010 Billing Determinants:		
-	Consisting of:	Amount	
G	Residential:	\$ 159,483	
H	Secondary <=10 Kva:	\$ 5,469	
I	Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental:	\$ 139,850	
J	Transmission - Industrial:	\$ 29,901	
K	Lighting:	\$ 436	
L	Total:	\$ 335,140	\$ 335,140
M	Total Company Under-recovery for 2010:		\$ 525,843

12
 13 The \$722,550 amount referenced by the OPUC in its RFI responses, found on line
 14 A of Table 1, is just *one component* of the \$190,703 amount shown on line F of

1 Table 1. (See Revised Exhibit MAT-2, Schedule I of my Direct Testimony in the
 2 Company's Responses to TIEC01-03 and Commission Staff RFI 01-03U,
 3 attached, respectively, as Exhibit MAT-R1³ and Exhibit MAT-R2). As indicated
 4 in Company's revised Exhibit MAT-2, Schedule I in Exhibit MAT-R1 the
 5 ~~\$772,550~~ ^{\$722,550} Residential class over-expenditure amount in line A of Table 1 is netted
 6 against the Commercial-class under-expenditure found in the sum of lines B to E
 7 of \$531,847 (which is credited to the applicable commercial classes in Schedule I)
 8 to yield a net overall 2010 EECRF over-expenditure in line F of \$190,703.
 9 However, as represented in OPUC's data responses to the Company and in
 10 contradiction to OPUC's Statement of Position, OPUC would attempt to deny the
 11 Company the ability to recover this ~~\$722,250~~ ^{\$722,550} amount shown in line A, even
 12 though this amount is properly netted against under-expenditures in the
 13 Company's EECRF application. As discussed below, both of these internally
 14 inconsistent OPUC positions (its RFI Response and Statement of Position) are
 15 contrary to the Commission's EECRF ratemaking precedents and applicable
 16 Substantive Rules.

17 **Q. PLEASE DISCUSS HOW OPUC'S STATEMENT OF POSITION IS**
 18 **INCONSISTENT WITH AND CONTRARY TO THE COMMISSION'S**
 19 **SUBSTANTIVE RULES REGARDING EECRF RATEMAKING?**

20 **A.** Commission Substantive Rule 25.181(f)(4) states that:

³Revised Exhibit MAT-2, Schedule I included in the Company's response to TIEC01-03 includes a correction for a \$50,000 mis-allocation to the Residential class as an over-expenditure. Thus, the revised Schedule I attached in response to TIEC01-03, attached as Exhibit MAT-R1, shows that the expenditures in 2010 to be recovered from the Residential class in 2012 should be \$722,550 - not \$772,550. The total net 2010 EECRF under-recovery remains the same, at \$525,843.

1 Q. IN YOUR OPINION, HOW SHOULD THE COMMISSION VIEW OVER-
2 SUBSCRIPTION OF ANY PARTICULAR ENERGY EFFICIENCY
3 PROGRAM?

4 A. In my opinion, the Commission should view energy efficiency program over-
5 subscription (and the resulting differential from the program cost estimates) as a
6 resounding success of the company's energy efficiency programs. Over-
7 subscription means that the presented energy efficiency program is more popular
8 than estimated and the program is providing a real benefit to rate payers and
9 society as a whole. I would ~~think~~ also think that the authors of Section 39.905 of
10 PURA and the Commission's rules would be pleased with such a successful
11 result. Indeed, it is hard for me to understand why OPUC, an organization that
12 represents residential customers in this state, would oppose its customers
13 receiving more benefits under the Company's energy efficiency programs than
14 originally estimated (which is what occurred in 2010). This is especially true in
15 the case of CenterPoint Houston where the proposed residential customer charge
16 of \$.995 is well below the cap of \$1.30 imposed by Substantive Rule
17 25.181(f)(8)(A) and OPUC does not dispute that the Company's programs are
18 among the most cost-effective in the state. Moreover, if approved by the
19 Commission, the practical impact of OPUC's position is that in the future the
20 Company will have to end any energy efficiency program when its estimated
21 budget is reached, regardless of the success and demand from ratepayers for the
22 programs or risk not being able to recover those dollars. In my opinion, this is

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 12th day of August, 2011.

Linda A Johnston