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APPLICATION OF CENTERPOINT
ENERGY HOUSTON ELECTRIC, LLC
FOR APPROVAL OF AN ADJUSTMENT
TO ITS ENERGY EFFICIENCY COST
RECOVERY FACTOR

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PUBLIC UTILITY COMMISSION
OF TEXAS

May 30, 2014

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

**APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR
APPROVAL OF AN ADJUSTMENT TO ITS
ENERGY EFFICIENCY COST RECOVERY FACTOR**

CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company")
files this Application for Approval of an Adjustment to Its Energy Efficiency Cost Recovery
Factor ("Application").

I. AUTHORIZED REPRESENTATIVES

The telephone number and address of CenterPoint Houston's authorized business
representative are:

Laurie A. Burrridge-Kowalik
Manager of Rates
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The telephone numbers and addresses of CenterPoint Houston's authorized legal
representatives are:

Jason M. Ryan
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CenterPoint Houston requests that all information and documents in this filing be served on each of the persons above at their respective addresses or fax numbers.

II. JURISDICTION

The Public Utility Commission of Texas ("Commission") has jurisdiction over the Application pursuant to the Public Utility Regulatory Act § 39.905 ("PURA")¹ and Commission Substantive Rule 25.181.

III. AFFECTED PERSONS AND TERRITORIES

The Application affects all retail electric providers ("REPs") serving end-use retail electric customers in CenterPoint Houston's certificated service territory and will affect the retail electric customers of those REPs to the extent the REPs pass along to their customers the charges under Rider EECRF.

IV. 2015 EECRF REQUEST

As set forth in CenterPoint Houston's Energy Efficiency Plan and Report ("EEPR"), the Company's energy efficiency goal for 2015 is a 0.4% reduction in its peak demand of residential and commercial customers by December 31, 2015.² The projected demand and energy savings necessary to achieve the goal are 57.60 MW and 100,915 MWh.³ In order to achieve its goal and

¹ TEX. UTIL. CODE ANN., Title 2 (Vernon 2009 and Supp. 2012).

² See P.U.C. SUBST. R. 25.181(e)(1)(D). The Company's 2014 EEPR is attached as Exhibit JES-1 to the Direct Testimony of Jarrett E. Simon.

³ See Direct Testimony of Jarrett E. Simon at Exhibit JES-1, p. 5.

associated projected savings, CenterPoint Houston estimates that it will spend approximately \$39,120,000 on energy efficiency program incentives and administrative costs in 2015.⁴

Additionally, CenterPoint Houston's successful 2013 energy efficiency programs caused the Company to exceed its 2013 energy efficiency goals.⁵ The total avoided cost achieved was \$201,439,362, and the net benefit to ratepayers was equal to \$161,892,986.⁶ Per Substantive Rule 25.181(h)(3), the Company's earned performance incentive is equal to 10% of the net benefits achieved or \$16,189,299.

Further, consistent with Substantive Rule 25.181 and Commission precedent, the Company: requests recovery of \$940,616⁷ in certain Evaluation, Measurement and Verification ("EM&V") expenses assigned to the Company by Commission Staff for the 2015 program year; has included a credit in the amount of \$5,101,068 to account for the over-recovery of energy efficiency revenues during 2013; and has made an adjustment of \$5,452 to exclude certain 2013 administrative costs. CenterPoint Houston is also requesting recovery of 2013 Energy Efficiency Cost Recovery Factor ("EECRF") proceeding expenses in the amount of \$240,547.⁸

Accordingly, and pursuant to PURA § 39.905 and Substantive Rule 25.18, CenterPoint Houston requests approval to recover a total of \$51,383,941 through its Rider EECRF in 2015, consisting of: (1) estimated 2015 energy efficiency program costs of \$39,120,000; (2) a performance incentive for 2013 program achievements of \$16,189,299; (3) \$940,616 for 2014 EM&V expenses assigned to the Company by Commission Staff; (4) a credit of \$5,101,068

⁴ *Id.* This amount does not include 2013 Energy Efficiency Cost Recovery Factor proceeding expenses, which are considered an administrative expense under Rule 25.181(i) but are listed separately in the Application to make them more easily identifiable.

⁵ *Id.* at Exhibit JES-1, p. 62.

⁶ *Id.*

⁷ *Id.* at Exhibit JES-1, p. 35.

⁸ This amount includes both the Company's incurred expenses for its 2013 EECRF proceeding, *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to Its Energy Efficiency Cost Recovery Factor*, Docket No. 41540 (Nov. 4, 2013), and the expenses incurred by municipalities that participated in that proceeding.

related to the over-recovery of 2013 program costs; (5) an adjustment of \$5,452 to exclude certain 2013 administrative costs; and (6) \$240,547 in 2013 EECRF proceeding expenses.

V. DESCRIPTION OF FILING PACKAGE

In support of its request, CenterPoint Houston has included the direct testimony, exhibits and schedules of Messrs. Jarrett E. Simon and Joseph F. Jernigan. Mr. Simon, Director of Energy Efficiency for CenterPoint Houston, explains and supports: (1) the background for the Commission's energy efficiency requirements for investor-owned utilities; (2) the reasonableness of CenterPoint Houston's energy efficiency programs and the Company's historical 2013 expenditures; (3) the Company's planned 2015 energy efficiency program expenditures; and (4) how CenterPoint Houston met the Commission's requirements for an energy efficiency performance bonus based on 2013 program achievements and the amount in performance bonus to be included in this year's EECRF filing.

Mr. Jernigan, Senior Regulatory Analyst for CenterPoint Energy Service Company, LLC, explains and supports: (1) the overall level of costs in Rider EECRF to recover energy efficiency costs for 2015; (2) the calculation of rates included in the Company's Rider EECRF for the various rate classes; and (3) the Company's Rider EECRF tariff.

VI. REVIEW OF 2013 PROGRAM COSTS

Pursuant to Rule 25.181(f)(12), the Company is providing the testimony of Mr. Simon to support the reasonableness of its program costs for the 2013 program year. Subsection (f)(12) states that the scope of an EECRF proceeding includes the extent to which the costs recovered through the EECRF complied with PURA and the Commission's rules, and the extent to which the costs recovered were reasonable and necessary to reduce demand and energy growth. As described in Mr. Simon's testimony, the Company's costs recovered through the EECRF in 2013

complied with PURA and the Commission's rules and were reasonable and necessary to reduce demand and energy growth.

VII. NOTICE

Consistent with the notice provisions in Substantive Rule 25.181(f)(13), within seven days of this filing, CenterPoint Houston proposes to provide notice to each party that participated in the Company's 2013 EECRF proceeding, Docket No. 41540;⁹ to all REPs that are authorized to provide service in CenterPoint Houston's service area at the time the EECRF application is filed; to all parties that participated in the Company's most recent base rate case, Docket No. 38339;¹⁰ and to the state agency that administers the federal weatherization program. Attachment 1 to the Application is CenterPoint Houston's proposed form of notice. The Company requests approval of the attached notice as sufficient and in accordance with Procedural Rule 22.55. The Company will file proof of notice within 14 days after this Application is filed.

VIII. REQUEST FOR PROTECTIVE ORDER

In accordance with Substantive Rule 25.181(f)(10)(H), CenterPoint Houston is including with this Application a list of each energy efficiency administrator and/or service provider receiving more than 5% of its overall incentive payments and the percentage of the Company's incentives received by those providers. The rule provides that this information may be treated as confidential. Additionally, in response to requests for information, CenterPoint Houston may be compelled to provide information that is considered confidential or highly sensitive under the Commission's rules, PURA § 32.101 or the Texas Public Information Act.¹¹ Therefore,

⁹ *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to Its Energy Efficiency Cost Recovery Factor*, Docket No. 41540.

¹⁰ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 38339.


¹¹ TEX. GOV'T CODE ANN. §§ 552.001-552.353 (Vernon 2008 & Supp. 2011).

CenterPoint Houston proposes that the Commission adopt the protective order included as Attachment 2, which is the same protective order approved the Company's last EECRF proceeding, Docket No. 41540.

IX. PRAYER

CenterPoint Houston requests that this Application be granted, that the proposed adjustments to Rider EECRF be approved effective with the commencement of the Company's March 2015 billing month, that the Commission find that the Company's 2013 EECRF program costs were reasonable, and that CenterPoint Houston be granted such other relief to which it may be entitled.

Respectfully submitted,



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**ATTORNEYS FOR CENTERPOINT ENERGY
HOUSTON ELECTRIC, LLC**

**NOTICE OF APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC,
LLC FOR APPROVAL OF AN ADJUSTMENT TO ITS ENERGY
EFFICIENCY COST RECOVERY FACTOR**

On May 30, 2014, CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston") filed with the Public Utility Commission of Texas ("Commission") an Application for Approval of an Adjustment to Its Energy Efficiency Cost Recovery Factor ("the Application").

CenterPoint Houston's energy efficiency goal for 2015, as required by Commission Substantive Rule 25.181(e)(1)(C)-(D), is a 0.4% reduction in its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year. To achieve that goal and the accompanying savings, CenterPoint Houston plans to implement 15 energy efficiency programs in 2015. Commission Substantive Rule 25.181(f)(1) permits CenterPoint Houston to recover funding for its energy efficiency programs through an Energy Efficiency Cost Recovery Factor ("EECRF"). The Application therefore seeks recovery of the following costs through Rider EECRF beginning with the commencement of the Company's March 2015 billing month: (1) estimated 2015 energy efficiency program costs of \$39,120,000; (2) a performance bonus for 2013 program achievements of \$16,189,299; (3) \$940,616 for CenterPoint Houston's allocated share of 2015 evaluation, measurements and verification expenses; (4) a credit of \$5,101,068 related to the over-recovery of 2013 program costs; (5) an adjustment of \$5,452 to exclude certain 2013 administrative costs; and (6) \$240,547 in 2013 EECRF proceeding expenses. The Company's total EECRF revenue requirement is \$51,383,941. In addition, pursuant to Rule 25.181(f)(12), the Company is seeking a determination as to the reasonableness of its program costs for the 2013 program year.

The 2015 Rider EECRF will apply to all retail electric providers ("REPs") serving end-use retail electric customers in CenterPoint Houston's certificated service territory. Rider EECRF will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under Rider EECRF.

The 2015 Rider EECRF will include the following charges on bills rendered to REPs:

Rate Class	EECRF Charge	Billing Unit
Residential Service	\$0.000848	Per kWh of Usage Per Month
Secondary Service Less than or Equal to 10 kVA	\$0.006466	Per kWh of Usage Per Month
Secondary Service Greater than 10 kVA	\$0.000457	Per kWh of Usage Per Month
Primary Service	\$0.000937	Per kWh of Usage Per Month
Transmission Non-Profit Governmental	\$0.000185	Per kWh of Usage Per Month

Persons with questions or who want more information about this filing may contact CenterPoint Energy, 1111 Louisiana, Houston, Texas 77002, or call Ms. Laurie A. BurrIDGE-

Kowalik at (713) 207-7245. Persons who wish to intervene in or comment upon these proceedings should notify the Public Utility Commission of Texas as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136. All communications should refer to Docket No. _____.

DOCKET NO. _____

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

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials) by a party providing information to the Public Utility Commission of Texas (Commission), including information whose confidentiality is currently under dispute.

It is ORDERED that:

1. Designation of Protected Materials. Upon producing or filing a document, including, but not limited to, records stored or encoded on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face "PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____" or words to this effect and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include not only the documents so designated, but also the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. Materials Excluded from Protected Materials Designation. Protected Materials shall not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Texas Public Information Act. Protected Materials also shall not include documents or information which at the time of, or prior to disclosure in a proceeding, is or was public knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

3. Reviewing Party. For the purposes of this Protective Order, a Reviewing Party is a party to this docket.
4. Procedures for Designation of Protected Materials. On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party shall file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (1) any and all exemptions to the Public Information Act, Tex. Gov't. Code Ann., Chapter 552, claimed to be applicable to the alleged Protected Materials; (2) the reasons supporting the providing party's claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (3) that counsel for the providing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. Persons Permitted Access to Protected Materials. Except as otherwise provided in this Protective Order, a Reviewing Party shall be permitted access to Protected Materials only through its Reviewing Representatives who have signed the Protective Order Certification Form. Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in these proceedings. At the request of the Commissioners or their staff, copies of Protected Materials may be produced by the Staff of the Public Utility Commission of Texas (Commission Staff) or the Commission's Policy Development Division (PDD) to the Commissioners. The Commissioners and their staff shall be informed of the existence and coverage of this Protective Order and shall observe the restrictions of the Protective Order.
6. Highly Sensitive Protected Material Described. The term Highly Sensitive Protected Materials is a subset of Protected Materials and refers to documents or information which

a producing party claims is of such a highly sensitive nature that making copies of such documents or information or providing access to such documents to employees of the Reviewing Party (except as set forth herein) would expose a producing party to unreasonable risk of harm, including but not limited to: (1) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act; (2) contractual information pertaining to contracts that specify that their terms are confidential or which are confidential pursuant to an order entered in litigation to which the producing party is a party; (3) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; and (4) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party shall bear the designation "HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. ____" or words to this effect and shall be consecutively Bates Stamped in accordance with the provisions of this Protective Order. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party's designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.

7. Restrictions on Copying and Inspection of Highly Sensitive Protected Material. Except as expressly provided herein, only one copy may be made of any Highly Sensitive Protected Materials except that additional copies may be made in order to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. A record of any copies that are made of Highly Sensitive Protected Material shall be kept and a copy of the record shall be sent to the producing party at the time the copy or copies are made. The record shall include

information on the location and the person in possession of the copy. Highly Sensitive Protected Material shall be made available for inspection only at the location or locations provided by the producing party, except as provided by Paragraph 9. Limited notes may be made of Highly Sensitive Protected Materials, and such notes shall themselves be treated as Highly Sensitive Protected Materials unless such notes are limited to a description of the document and a general characterization of its subject matter in a manner that does not state any substantive information contained in the document.

8. Restricting Persons Who May Have Access to Highly Sensitive Protected Material. With the exception of Commission Staff, the Office of Public Utility Counsel (OPC), and the Office of the Attorney General (OAG) when the OAG is representing a party to the proceeding and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are: (1) outside counsel for the Reviewing Party; (2) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel; or (3) employees of the Reviewing Party working with and under the direction of Reviewing Party's counsel who have been authorized by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party shall limit the number of Reviewing Representatives that review each Highly Sensitive Protected document to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives whenever possible. Reviewing Representatives for Commission Staff, OAG and OPC, for the purpose of access to Highly Sensitive Protected Materials, shall consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.
9. Copies Provided of Highly Sensitive Protected Material. A producing party shall provide one copy of Highly Sensitive Protected Materials specifically requested by the Reviewing

Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8, and be either outside counsel or an outside consultant. Other representatives of the reviewing party who are authorized to view Highly Sensitive Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected documents provided to a Reviewing Party may not be copied except as provided in Paragraph 7 and shall be returned along with any copies made pursuant to Paragraph 7 to the producing party within two weeks after the close of the evidence in this proceeding. The restrictions contained herein do not apply to Commission Staff, OPC, and the OAG when the OAG is representing a party to the proceeding.

10. Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict. The procedures set forth in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflict with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.
11. Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC, and the OAG. When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC (if OPC is a

party), and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures set forth herein.

12. Delivery of the Copy of Highly Sensitive Protected Material to Staff and Outside Consultants. The Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification provided in Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification attached hereto.
13. Restriction on Copying by Commission Staff, OPC, and the OAG. Except as allowed by Paragraph 7, Commission Staff, OPC, and the OAG may not make additional copies of the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the Presiding Officer directs otherwise. Limited notes may be made by Commission Staff, OPC (if OPC is a party), and the OAG (if the OAG is representing a party) of Highly Sensitive Protected Materials furnished to them and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.
14. Public Information Requests. In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being

furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.

15. Required Certification. Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification set forth in the attachment to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of Commission Staff or OPC shall be used only for the purpose of the proceeding in DOCKET NO. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification set forth in the Attachment to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

A copy of each signed certification shall be provided by the reviewing party to counsel for the producing party and served upon all parties of record.

16. Disclosures Between Reviewing Representatives and Continuation of Disclosure Restrictions After a Person is no Longer Engaged in the Proceeding. Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected

Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the Protected Material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.

17. Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials. Except for Highly Sensitive Protected Materials, which shall be provided to the Reviewing Parties pursuant to Paragraph 9, and voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.
18. Procedures Regarding Voluminous Protected Materials. Production of voluminous Protected Materials will be governed by P.U.C. PROC. R. 22.144(h). Voluminous

Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.

19. Reviewing Period Defined. The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. Procedures for Making Copies of Voluminous Protected Materials. Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical, or electronic copies of the Protected Materials, subject to the conditions hereof; provided, however, that before photographic, mechanical, or electronic copies can be made, the Reviewing Party seeking photographic, mechanical, or electronic copies must complete a written receipt for copies on the attached form identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.
21. Protected Materials to be Used Solely for the Purposes of These Proceedings. All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (1) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise from or be subject to these proceedings; or (2) any business or competitive endeavor of

whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.

22. Procedures for Confidential Treatment of Protected Materials and Information Derived from those Materials. Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the Reviewing Party except as permitted and provided in this Protected Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to ensure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.
23. Procedures for Submission of Protected Materials. If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion, or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the Presiding Officer and served under seal to the counsel of record for the Reviewing Parties. The Presiding Officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (1) shall notify the party which provided the

information within sufficient time so that the providing party may seek a temporary sealing order; and (2) shall otherwise follow the procedures set forth in Rule 76a, Texas Rules of Civil Procedure.

24. Maintenance of Protected Status of Materials During Pendency of Appeal of Order Holding Materials are Not Protected Materials. In the event that the Presiding Officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the Presiding Officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a Presiding Officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.
25. Notice of Intent to Use Protected Materials or Change Materials Designation. Parties intending to use Protected Materials shall notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. _____ at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such information or material has entered the public domain, such Reviewing Party shall first

file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.

26. Procedures to Contest Disclosure or Change in Designation. In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality shall file with the appropriate Presiding Officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response shall include a statement by counsel for the party challenging such confidentiality that he or she has reviewed all portions of the materials in dispute and without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or alternatively that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it shall do so no later than five (5) working days after the party challenging confidentiality has made its written filing.
27. Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation. If the party asserting confidentiality files an objection, the appropriate Presiding Officer will determine whether the proposed disclosure or change in designation is appropriate. Upon the request of either the producing or reviewing party or upon the Presiding Officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that

such proposed disclosure or change in designation should not be made. If the Presiding Officer determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such Presiding Officer's ruling.

28. Maintenance of Protected Status During Periods Specified for Challenging Various Orders. Any party electing to challenge, in the courts of this state, a Commission or Presiding Officer determination allowing disclosure or a change in designation shall have a period of ten (10) days from: (1) the date of an unfavorable Commission order; or (2) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials shall be afforded the confidential treatment and status provided for in this Protective Order during the periods for challenging the various orders referenced in this Paragraph. For purposes of this Paragraph, a favorable ruling of a state district court, state appeals court, supreme court or other appellate court includes any order extending the deadlines set forth in this Paragraph.
29. Other Grounds for Objection to Use of Protected Materials Remain Applicable. Nothing in this Protective Order shall be construed as precluding any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless and until such additional

disclosure is ordered by the Commission or a court, all parties will abide by the restrictions imposed by the Protective Order.

30. Protection of Materials from Unauthorized Disclosure. All notices, applications, responses, or other correspondence shall be made in a manner, which protects Protected Materials from unauthorized disclosure.
31. Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials. Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, "conclusion of these proceedings" refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the "conclusion of these proceedings" is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit, or other

pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel shall remain subject to the provisions of this Protective Order.

32. Applicability of Other Law. This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act, and any other applicable law, provided that parties subject to those acts will give the party asserting confidentiality notice, if possible under those acts, prior to disclosure pursuant to those acts.
33. Procedures for Release of Information Under Order. If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (1) the Reviewing Party shall notify the party asserting confidentiality of such order at least five (5) calendar days in advance of the release of the information in order for the party asserting confidentiality to contest any release of the confidential information; (2) the Reviewing Party shall notify the producing party that there is a request for such information within five (5) calendar days of the date the Reviewing Party is notified of the request for information; and (3) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein.
34. Best Efforts Defined. The term "best efforts" as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body or written opinion of the Texas Attorney General which was sought in compliance with the Public Information Act. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under

the provisions of § 552.301 of the Public Information Act, or intends to comply with the final governmental or court order.

35. Notify Defined. Notify, for purposes of Paragraphs 33 and 34, shall mean written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission, OAG or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. Requests for Non-Disclosure. If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Order, the producing party shall tender the information for in camera review to the presiding officers within ten (10) calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information. Parties wishing to respond to the producing party's argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the Presiding Officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the Presiding Officer shall stay the order of disclosure for such period of time as the Presiding Officer deems necessary to allow the producing party to appeal the ruling to the commission.
37. Sanctions Available for Abuse of Designation. If the Presiding Officer finds that a producing party unreasonably designated material as Protected Material or as Highly

Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the Presiding Officer may sanction the producing party pursuant to P.U.C. PROC. R. 22.161.

38. Modification of Protective Order. Each party shall have the right to seek changes in this Protective Order as appropriate from the Presiding Officer.
39. Breach of Protective Order. In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of Commission Staff or OPC shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

 Signature

 Party Represented

 Printed Name

 Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

 Signature

 Party Represented

 Printed Name

 Date

DOCKET NO. _____

I request to view/copy the following documents:

<u>Document Requested</u>	<u># of Copies</u>	<u>Non-Confidential</u>	<u>Confidential and/or H.S.</u>

Signature_____
Party Represented_____
Printed Name_____
Date

DOCKET NO. _____

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

DIRECT TESTIMONY OF

JARRETT E. SIMON

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

May 30, 2014

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TABLE OF EXHIBITS

<u>Exhibit</u>	<u>Description</u>
Exhibit JES-1	CenterPoint Houston's 2014 Energy Efficiency Plan and Report filed in Project No. 42264
Exhibit JES-2	Affidavit of Ms. Karen Dominguez
Exhibit JES-3	Affidavit of Ms. Mary Kirk
Exhibit JES-4	Affidavit of Mr. Ira Winsten
Exhibit JES-5	Affidavit of Mr. Jason Ryan

DIRECT TESTIMONY OF JARRETT E. SIMON

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND POSITION.

A. My name is Jarrett E. Simon. I am Director of Energy Efficiency for CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company").

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science in Mechanical Engineering from Tulane University in New Orleans, LA in 1995. I spent 10 of my first 12 years working for performance contracting firms, where I designed energy savings projects for large energy users. The other two years I spent in the mechanical, electrical, and plumbing design industry working for CHP & Associates Consulting Engineers, where I worked on engineering projects related to commercial, educational and institutional building systems.

I joined CenterPoint Houston in 2007 as Manager, Program Implementation. In that capacity, I oversaw several aspects of the energy efficiency programs including program design, budget development, and annual and quarterly reporting.

In 2012, I was named Director, Energy Efficiency, and my duties expanded to include budget design, development, and oversight, personnel development, regulatory requirements, and department strategic planning. I currently am responsible for all aspects of the Company's energy efficiency and load management programs.

1 I am a member of the Association of Energy Engineers, a Certified Energy
2 Manager, and a Certified Measurement and Verification Professional. I am also
3 Chairman of the Electric Utility Marketing Managers of Texas ("EUMMOT").

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

5 A. I am testifying on behalf of CenterPoint Houston.

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

7 A. The purpose of my testimony is to: (1) provide background on the Public Utility
8 Commission of Texas' ("Commission") energy efficiency requirements for
9 investor-owned utilities; (2) support the reasonableness of CenterPoint Houston's
10 energy efficiency programs and the Company's 2013 expenditures on those
11 programs; (3) describe the Company's planned 2015 energy efficiency program
12 expenditures; and (4) explain how CenterPoint Houston met the Commission's
13 requirements for an energy efficiency performance bonus based on 2013 program
14 achievements and the amount of the performance bonus to be included in the
15 Energy Efficiency Cost Recovery Factor ("EECRF").

16 **Q. WHAT EXHIBITS HAVE YOU INCLUDED WITH YOUR TESTIMONY?**

17 A. Exhibit JES-1 is CenterPoint Houston's 2014 Energy Efficiency Plan and Report
18 ("EEPR"), filed in Project No. 42264. Exhibit JES-2 is an affidavit from Ms.
19 Karen Dominguez supporting affiliate expenses. Exhibit JES-3 is an affidavit
20 from Ms. Mary Kirk verifying accounting practices, and Exhibit JES-4 is an
21 affidavit from Mr. Ira Winsten regarding compensation of employees.

1 **Q. WERE YOUR TESTIMONY AND THE EXHIBITS ATTACHED**
2 **THERETO PREPARED BY YOU OR UNDER YOUR DIRECT**
3 **SUPERVISION AND CONTROL?**

4 A. Yes, they were.

5 **Q. DOES YOUR TESTIMONY RELATE TO THE DIRECT TESTIMONY OF**
6 **ANY OTHER WITNESS?**

7 A. Yes. Company witness Joseph Jernigan's testimony focuses on the design of the
8 tariff and calculation of the rates for the 2015 Rider EECRF.

9 **Q. PLEASE SUMMARIZE THE COSTS REQUESTED BY THE COMPANY**
10 **IN THIS CASE.**

11 A. As described below and in the testimony of Mr. Jernigan, CenterPoint Houston
12 requests approval to recover a total of \$51,383,941 through its 2015 Rider EECRF
13 consisting of: (1) estimated 2015 energy efficiency program costs of \$39,120,000;
14 (2) a performance bonus for 2013 program achievements of \$16,189,299; (3)
15 \$940,616 for anticipated 2014 Evaluation, Measurement & Verification
16 ("EM&V") expenses; (4) \$240,547 in 2013 EECRF rate-case expenses; (5) a
17 credit of \$5,101,068 for over-recovery of 2013 program costs; and (6) an
18 adjustment of \$5,452 to exclude certain historical administrative costs.

II. THE COMMISSION'S ENERGY EFFICIENCY RULES

Q. WOULD YOU PLEASE PROVIDE A SUMMARY OF THE ANNUAL ENERGY EFFICIENCY GOALS PRESCRIBED BY COMMISSION RULES?

A. Certainly. Substantive Rule 25.181(e) requires investor-owned utilities to achieve savings goals through market-based standard offer programs ("SOPs") and limited, targeted, market transformation programs ("MTPs"). Specifically, the rule requires the lesser of a 30% reduction of the electric utility's annual growth in demand of residential and commercial customers or 0.4% of peak for the 2014 program year and for subsequent program years. Substantive Rule 25.181(m) sets forth the requirements for the SOPs and MTPs.

Q. ARE THERE ANY LIMITS ON WHAT THE COMPANY MAY SPEND IN ORDER TO ACHIEVE THESE GOALS?

A. Yes. Substantive Rule 25.181(f)(7) states that the sum of energy efficiency costs shall not exceed the following:

- For residential customers for program year 2015, \$0.001244 per kWh;
- For commercial customers for program year 2015, rates may not be designed to recover more than \$0.000778 per kWh times the aggregate of all eligible commercial customers' kWh consumption;
- The residential and commercial cost caps must be calculated to be the prior period's cost caps (\$0.001225 per kWh for residential customers and \$0.000766 per kWh for commercial customers in 2014) increased by a rate equal to the most recently available calendar year's percentage change in

1 the South Urban Consumer Price Index (“CPI”), as determined by the
2 Federal Bureau of Labor and Statistics. The current CPI is 1.56%.
3 Accordingly, the cost cap for residential customers will increase from
4 \$0.001225 per kWh to \$0.001244 per kWh and the commercial cost cap
5 will increase from \$0.000766 per kWh to \$0.000778.

6 **Q. IS THE COMPANY ADMINISTERING ITS ENERGY EFFICIENCY**
7 **PROGRAMS IN COMPLIANCE WITH THE COMMISSION’S RULES?**

8 A. Yes.

9 **Q. IS THE AMOUNT THAT CUSTOMERS WILL BE REQUIRED TO PAY**
10 **AS A RESULT OF THE COMPANY’S EECRF REQUEST LESS THAN**
11 **THE BUDGET CAP IMPOSED BY SUBSTANTIVE RULE 25.181(F)(7)?**

12 A. Yes. If the Company’s request is approved as filed, the 2015 residential monthly
13 per-customer EECRF charge will be \$0.000848¹ per kWh and the aggregate
14 commercial rate will be \$0.000628 per kWh.

15 **Q. HAVE THERE BEEN ANY STATUTORY CHANGES TO SECTION**
16 **39.905 OF THE PUBLIC UTILITY REGULATORY ACT (“PURA”)**
17 **SINCE THE COMPANY’S LAST EECRF FILING?**

18 A. No.

¹ The average residential monthly per-customer EECRF charge is \$0.000831 when municipal rate case expenses and EM&V costs are excluded per Substantive Rule 25.181.

III. CENTERPOINT HOUSTON'S CURRENT AND FUTURE ENERGY EFFICIENCY PROGRAMS

Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY PROGRAMS CENTERPOINT HOUSTON CURRENTLY OFFERS.

A. CenterPoint Houston currently offers sixteen programs. These programs target broad market segments as well as specific market sub-segments and technologies. Six programs target the Company's commercial customers, seven programs involve residential customers, and three programs serve the hard-to-reach class.

The sixteen programs are listed as follows:

1. Commercial SOP
2. Commercial MTP
3. Large Commercial Load Management SOP
4. Retro-Commissioning MTP
5. Advanced Lighting Commercial
6. Sustainable Schools Pilot
7. ENERGY STAR[®] Homes MTP
8. Residential SOP
9. Advanced Lighting Residential
10. A/C Distributor MTP
11. Retail Electric Provider Pilot MTP (REP MTP)
12. Pool Pump Pilot
13. Energy Wise Resource Action MTP
14. Hard-to-Reach SOP
15. Multi-Family Water & Space Heating (W&S Htg) MTP

1 16. Agencies in Action MTP

2 A description of each program can be found in Section I of Exhibit JES-1.

3 **Q. DOES CENTERPOINT HOUSTON OFFER ENERGY EFFICIENCY**
 4 **PROGRAMS TO ALL OF ITS ELIGIBLE CUSTOMERS?**

5 A. Yes. CenterPoint Houston's energy efficiency programs meet the Commission's
 6 requirement in Substantive Rule 25.181(a) that all eligible customers "have a
 7 choice of and access to the utility's portfolio of energy efficiency programs that
 8 allow each customer to reduce energy consumption, summer and winter peak
 9 demand, or energy costs."

10 **Q. WILL CENTERPOINT HOUSTON OFFER THESE SAME PROGRAMS**
 11 **IN 2015?**

12 A. Yes. However, in 2015, the Company plans to combine the Commercial
 13 Advanced Lighting Program with Commercial SOP. Additionally, the Company
 14 is currently planning to implement a Data Centers Pilot program in 2015, as
 15 outlined in Exhibit JES-1 at 29.

16 **Q. WHAT IS THE COMPANY'S 2015 ENERGY EFFICIENCY PROGRAM**
 17 **BUDGET?**

18 A. The total 2015 budget amount reflected in Table 6 of Section IV of Exhibit JES-1
 19 is \$39,120,000, excluding any EM&V costs.

20 **Q. HOW DID CENTERPOINT HOUSTON DETERMINE THE BUDGET**
 21 **FOR ITS ENERGY EFFICIENCY PROGRAMS IN 2015?**

22 A. Several factors went into the determination of CenterPoint Houston's 2015 energy
 23 efficiency budget. First and foremost, CenterPoint Houston must meet the

1 requirements set forth in PURA § 39.905 and Substantive Rule 25.181. The key
2 requirements of the statute and rule can be summarized as follows:

- 3 • Meet a demand goal of a 0.4% reduction of peak demand;
- 4 • Meet an energy goal based on a 20% capacity factor applied to the
5 demand goal;
- 6 • Achieve savings for hard-to-reach customers of at least 5% of the total
7 demand goal;
- 8 • Offer programs to all eligible customer classes;
- 9 • Ensure programs are cost-effective;
- 10 • Spend not less than 10% of the energy efficiency program budget on low-
11 income energy efficiency programs; and
- 12 • Spend up to 15% of total program cost on program administration and up
13 to 10% of costs on R&D but spend no more than 20% on program
14 administration and R&D combined.

15 Other key factors that played a role in establishing CenterPoint Houston's 2015
16 energy efficiency budget included:

- 17 • Maintaining the continuity of standard offer and MTPs;
- 18 • Responding to market and customer needs;
- 19 • Positioning CenterPoint Houston to meet future goals through R&D and
20 pilot program investments; and
- 21 • Ramping up programs that are particularly cost-effective and will be relied
22 on to meet future goals.

1 Additional details of CenterPoint Houston's 2015 energy efficiency budget can be
2 found in Exhibit JES-1.

3 **Q. PLEASE EXPLAIN THE BASIS FOR THE \$4,395,000 OF PROJECTED**
4 **2015 ADMINISTRATION COSTS AS SHOWN ON TABLE 6 OF EXHIBIT**
5 **JES-1.**

6 A. The estimated administration costs include labor to administer the programs,
7 outreach for those programs, research and development ("R&D") projects and
8 verification activities. To project the 2015 costs, I started with 2013 actual costs,
9 increased those costs to account for new and expanded programs in 2014 and
10 additional labor to run those programs, and then further adjusted those 2014 costs
11 based on expected 2015 programs to meet 2015 goals as well as future goal
12 requirements. The budgeted amount is less than the 20% limit on administration
13 and R&D combined costs provided by the Commission's Substantive Rules.

14 **Q. PLEASE EXPLAIN THE BASIS FOR THE \$350,000 OF PROJECTED**
15 **2015 R&D COSTS AS SHOWN ON TABLE 6 OF EXHIBIT JES-1.**

16 A. To stimulate the market for new energy efficiency technologies, the Company
17 budgeted that amount for the continuation of projects with the Electric Power and
18 Research Institute ("EPRI") in 2015. Current R&D projects are described on
19 pages 26 through 28 of Exhibit JES-1. That budgeted amount is reasonable based
20 on prior years' budgets and possible new programs and is less than the 10% limit
21 on recoverable R&D costs provided by the Commission's Substantive Rules. As
22 in past years, additional projects may be added during the 2015 program year as
23 needed or as demand increases.

1 **Q. WOULD YOU PROVIDE AN EXAMPLE OF A COMPANY R&D**
 2 **PROJECT OR PILOT PROGRAM AND EXPLAIN HOW THE**
 3 **COMPANY IMPLEMENTS THOSE PROGRAMS?**

4 **A.** Yes, a good example is the R&D project being implemented with Frontier, which
 5 will focus on ductless mini-splits and applications in new construction and retrofit
 6 projects. Mini-split air conditioning systems offer a unique savings potential by
 7 eliminating electric strip heating and offering single space conditioning vs. whole
 8 premise heating and cooling. Frontier is conducting market research and
 9 determining potential energy and demand savings for various applications.
 10 As discussed in Exhibit JES-1, CenterPoint Houston will conduct three R&D
 11 projects in 2014:

- 12 • Plug-In Electric Vehicle (PEV) Smart Charging Demonstration Project;
- 13 • Green Proving Ground – Collaborative Study with General Services
- 14 Administration (GSA) and Oncor; and
- 15 • Ductless Mini-Split Study.

16 Each R&D project will be evaluated at the end of 2014 to test for cost
 17 effectiveness. The programs listed above that show future viability at the end of
 18 2014 will be considered for continuation in 2015 as standalone programs or will
 19 be combined with existing programs. As in the 2014 projects and programs,
 20 CenterPoint Houston will only utilize third parties for marketing to residential
 21 customers. Refer to Exhibit JES-1 for a description of each project.

1 **Q. WHAT SAVINGS WILL OCCUR IF THE COMPANY SUCCESSFULLY**
2 **IMPLEMENTS ITS PLANNED ENERGY EFFICIENCY PROGRAMS IN**
3 **2015?**

4 A. The Company projects program savings at the meter of 148.94 MW and
5 199,999.0 MWh for 2015. Please see Table 5 in Exhibit JES-1 for additional
6 detail.

7 **Q. PLEASE COMMENT ON THE OVERALL COST-EFFECTIVENESS OF**
8 **CENTERPOINT HOUSTON'S 2015 ENERGY EFFICIENCY**
9 **PROGRAMS.**

10 A. The average cost of peak demand reduction expected by CenterPoint Houston's
11 programs in 2015 is projected to be approximately \$263 per kW.² This value is
12 far below the cost of new generation and the Commission's defined avoided cost.
13 In fact, as detailed below, CenterPoint Houston's energy efficiency program
14 portfolio has always been among the most cost effective program portfolios in the
15 state and provides a valuable component to the mix of resources available to meet
16 the state's power needs.

² Total Projected Program Spend in 2015 divided by Projected Demand Savings over the life of the measures installed in 2015.

IV. CENTERPOINT HOUSTON'S 2013 ENERGY EFFICIENCY PROGRAMS

Q. WHAT FACTORS HAVE BEEN IDENTIFIED BY THE COMMISSION AS RELEVANT TO THE EVALUATION OF ENERGY EFFICIENCY PROGRAM COSTS?

A. Substantive Rule 25.181(f)(12) explicitly identifies certain factors that are to be addressed in the evaluation of program costs. I address each of these factors below.

Q. CAN YOU PROVIDE A BRIEF SUMMARY OF HOW CENTERPOINT HOUSTON HAS DEVELOPED AND IMPLEMENTED ITS ENERGY EFFICIENCY PROGRAM PORTFOLIO SINCE 2009?

A. The Company has been developing and implementing an energy efficiency program portfolio since 2002 when the Legislature initially began requiring utilities to achieve savings equal to a 10% reduction in annual growth in demand for residential and commercial customers. In 2005, as a result of a settlement in its then pending base rate case,³ CenterPoint Houston's existing programs were expanded to include additional low-income and hard-to-reach programs. Since 2009, following the Legislature's direction related to increasing goals, these programs have been further expanded. Throughout this entire period, the Company has consistently and diligently followed Commission rule requirements, engaged program participants and stakeholders for feedback on market demand and needs (both inside and outside of the Energy Efficiency Implementation Project process), and developed an annual review process for assessing

³ See *Petition by Commission Staff for a Review of the Rates of CenterPoint Energy Houston Electric LLC Pursuant to PURA § 36.151*, Docket No. 32093 (Sep. 5, 2006).

1 accomplishment and challenges in individual programs. In recent years, this
2 annual review has taken place after the close of the calendar year while the
3 Company was preparing its annual EEPR filing and allows the Company to
4 annually assess the effectiveness of the program portfolio and make necessary
5 changes in order to maintain successful and cost effective programs.

6 **Q PLEASE ASSESS THE OVERALL SUCCESS OF AND BENEFITS**
7 **PROVIDED BY CENTERPOINT HOUSTON'S ENERGY EFFICIENCY**
8 **PROGRAMS.**

9 A. Since the start of programs in 2002, CenterPoint Houston's energy efficiency
10 programs have performed well and achieved significant benefits. The Company
11 exceeded its energy efficiency goal each year. Approximately 380,000 customers
12 have participated in and benefited from the programs, system peak demand has
13 been reduced by 970 MW, and energy savings of over 1,487,000 MWh have been
14 achieved. In 2013, the Company achieved 357% of the statutory peak demand
15 reduction goal and 111% of the energy goal. CenterPoint Houston's low-income
16 customers also benefited greatly from the Company's energy efficiency program
17 in 2013, with \$8,119,581 out of total expenditures of \$38,283,194 (approximately
18 21%) going to low-income programs. Over 1,560 low-income customers
19 participated in 2013 programs, and these customers will enjoy electric bill savings
20 that total about \$14.9 million over the life of the efficiency measures installed.
21 Finally, CenterPoint Houston once again received a national award from the U.S.
22 Environmental Protection Agency and Department of Energy for its ENERGY
23 STAR® New Homes program.

1 **Q. WHAT WERE CENTERPOINT HOUSTON'S ENERGY EFFICIENCY**
2 **PROGRAM COSTS IN 2013?**

3 A. The Company's historical program costs are provided on Table 10 of the EEPR,
4 Exhibit JES-1.

5 **Q. WERE THE COMPANY'S ENERGY EFFICIENCY PROGRAM COSTS**
6 **LESS THAN OR EQUAL TO THE AVOIDED COST OF THOSE**
7 **PROGRAMS, AS CALCULATED IN SUBSECTION (d) OF**
8 **SUBSTANTIVE RULE 25.181 IN 2013?**

9 A. The energy efficiency program costs were less than the avoided cost of those
10 programs, resulting in positive total benefits to ratepayers.

11 **Q. HAVE CENTERPOINT HOUSTON'S SAVINGS BEEN ACHIEVED IN A**
12 **MANNER THAT IS CONSISTENT WITH THE COST-EFFECTIVENESS**
13 **STANDARD IN SUBSTANTIVE RULE 25.181?**

14 A. Yes. The benefits of each program, at the customer-class level, exceed the costs
15 of the program. The method that CenterPoint Houston uses is based on the
16 comparison of program costs with the avoided energy and capacity costs
17 prescribed by Substantive Rule 25.181, over the life of each efficiency measure
18 that is employed in the program.

19 **Q. WHAT DO SECTION 39.905 OF PURA AND SUBSTANTIVE RULE**
20 **25.181 SAY ABOUT MATCHING OF COSTS AND REVENUE?**

21 A. Section 39.905(b-1) is set out below.

22 The energy efficiency cost recovery factor under Subsection (b)(1)
23 may not result in an over-recovery of costs but may be adjusted
24 each year to change rates to enable utilities to match revenues
25 against energy efficiency costs and any incentives to which they

1 are granted. The factor shall be adjusted to reflect any over-
2 collection or under-collection of energy efficiency cost recovery
3 revenues in previous years.

4 This provision calls for a process of setting rates to match revenues and costs of
5 the energy efficiency program. In this context, the first sentence, which says that
6 an EECRF may not result in an over-recovery of costs, suggests the kind of
7 process that the Commission has established in Substantive Rule 25.181, in which
8 rates are adjusted on an annual basis. This annual adjustment process prevents the
9 over-recovery of energy efficiency program costs. Among the provisions of the
10 Rule that address the matching issue in Section 39.905(b-1) are provisions that
11 require the review of key rate elements in each EECRF, namely, estimated costs
12 in subsection (f)(12)(A), calculations of over- or under-recovery of costs in
13 subsection (f)(12)(B), cost allocations in subsection (f)(12)(D), estimated billing
14 determinants in subsection (f)(12)(E), and system losses and line losses in
15 subsection (f)(12)(F).

16 **Q. HAVE CENTERPOINT HOUSTON'S COSTS AND REVENUES**
17 **MATCHED?**

18 A. Yes. As detailed below and in the testimony of Mr. Jernigan, in 2013 CenterPoint
19 Houston had an over-recovery of \$5,101,068 on \$38,283,194 of program
20 expenditures. The Company proposes to return \$2,639,120 in over-collection for
21 2013 residential programs to residential customers and to return \$2,461,948 in
22 over-collection for 2013 commercial programs to commercial customers.

1 **Q. HAVE ANY EXISTING MARKET CONDITIONS IN THE COMPANY'S**
2 **SERVICE TERRITORY AFFECTED CENTERPOINT HOUSTON'S**
3 **ENERGY EFFICIENCY COSTS?**

4 A. While CenterPoint Houston has been able to keep its program costs low and
5 maintain the cost effectiveness of its programs over the years, market conditions
6 are increasing program costs gradually at this point. For instance, as in 2013, an
7 adjustment in local codes made it harder to achieve savings at lower levels. This
8 adjustment directly impacted the Company's ENERGY STAR® New Homes
9 Program. This program pays incentives to new home builders for constructing
10 homes that adhere to strict EPA ENERGY STAR® standards. The adjustment
11 mentioned above caused the cost of the ENERGY STAR® New Homes program
12 to continually increase over the past few years. Outside of the ENERGY STAR®
13 New Homes Program, the Company has also needed to periodically increase
14 incentive payments for various measures in additional programs to encourage
15 participation. The incentive increases were made to encourage the market in
16 areas that lacked participation.

17 **Q. WERE THE ENERGY EFFICIENCY COSTS INCURRED BY**
18 **CENTERPOINT HOUSTON CONSISTENT WITH THE**
19 **ACHIEVEMENTS OF ITS ENERGY EFFICIENCY PROGRAMS IN 2013?**

20 A. Yes. While CenterPoint Houston's portfolio costs have slightly increased over
21 the past few years, the Company's programs have nevertheless consistently
22 produced outstanding net benefits in 2013.

1 **Q. HOW DO CENTERPOINT HOUSTON'S COSTS COMPARE TO COSTS**
 2 **IN OTHER MARKETS WITH SIMILAR CONDITIONS?**

3 A. CenterPoint Houston's programs are more cost-effective, on a dollar-per-MW
 4 basis, than the programs of almost all of the other ERCOT utilities.⁴

5 **Q. HAVE ANY CIRCUMSTANCES CHANGED IN THE COMPANY'S**
 6 **SERVICE TERRITORY THAT AFFECTED CENTERPOINT**
 7 **HOUSTON'S ABILITY TO IMPLEMENT ANY OF ITS ENERGY**
 8 **EFFICIENCY PROGRAMS?**

9 A. Market conditions in the CenterPoint Houston service territory have generally
 10 been consistent over time and this consistency has helped the Company to reach
 11 its goals. However, one example of market conditions that negatively affected
 12 program implementation occurred in the 2013 program year. CenterPoint
 13 Houston implemented the Home Performance with ENERGY STAR®, which
 14 offered home energy assessments for existing home, and provided incentives for
 15 upgrades that were identified. There was a limited contractor base in place to
 16 perform the audits, so recruitment and training were offered to local air
 17 conditioning contractors as well as energy raters. Despite growing this trade base,
 18 customers' interest in the program was low and participants were not interested in
 19 implementing the suggested energy measures that would have made the program
 20 cost-effective. Therefore, the Company will end the Home Performance with
 21 ENERGY STAR® program by mid-year 2014.

⁴ Refer to JESWP9 for a detailed calculation of program cost effectiveness versus other ERCOT utilities.

1 **Q. HOW DID THE NUMBER OF ENERGY EFFICIENCY SERVICE**
2 **PROVIDERS OPERATING IN THE COMPANY'S TERRITORY AFFECT**
3 **ITS ABILITY TO IMPLEMENT PROGRAMS IN 2013?**

4 **A.** Since 2002, CenterPoint Energy has attempted to encourage the growth of service
5 providers in its territory. The Company has furthered this development through
6 training, seminars, and adjusting to changes in the market as they arise. Annually,
7 the number of service providers available has been sufficient for the Company to
8 meet its goals.

9 **Q. WERE THE COMPANY'S PROGRAMS IMPLEMENTED IN**
10 **ACCORDANCE WITH RECOMMENDATIONS OF THE**
11 **COMMISSION'S EM&V CONTRACTOR?**

12 **A.** Because the Commission's EM&V contractor was retained and began providing
13 services in 2013, the Company could not have received any recommendations
14 from that entity prior to the design of 2013 programs. However, the Annual
15 Statewide Portfolio Evaluation, Measurement, and Verification Report received
16 from the EM&V team on November 5, 2013 included several recommendations
17 that the Company has integrated into its programs for the 2014 program year.

18 For example, the SCORE portion of the Commercial MTP is now
19 requesting invoices for every project that is submitted per the EM&V auditor's
20 request. The Company has also agreed to share any new or complex
21 Measurement and Verification ("M&V") plans submitted into the program with
22 the EM&V auditors for review and feedback. Additionally, the ENERGY
23 STAR® New Homes MTP now requires the builder to submit a home's permit

1 date to distinguish which code standards the home should be built to as well as an
2 upload of the Fuel Summary Report

3 **Q. CAN YOU DESCRIBE THE COMPANY'S BIDDING AND**
4 **ENGAGEMENT PROCESS FOR CONTRACTING WITH PROGRAM**
5 **IMPLEMENTERS AND/OR PROGRAM ADMINISTRATORS?**

6 A. The selection process for energy efficiency program implementers and/or
7 program administrators is governed by the Company's Purchasing Policy.
8 CenterPoint Energy's Purchasing Policy (July 1, 2010) states:

9 Competitive bidding is required for all purchases that equal or
10 exceed \$25,000. As part of that process, if the requisition provides
11 compelling business reasons to forgo the bidding process and
12 award a sole source contract or if competitive bids have been
13 received and evaluated and the decision is made not to award to
14 ensuing purchase to the lowest evaluated bidder, such must be
15 documented with sufficient detail to justify it and be properly
16 approved by the next authorization above that required for the
17 transaction in the Authorization Policy.
18

19 The steps to the formal competitive bid process, which may vary slightly
20 depending on the nature of the project, are outlined below:

- 21 1. Secure Authorization for the purchase per Authorization Policy
- 22 2. Collaborate with Client to define the Scope of Work/Specifications,
23 including
- 24 3. Contract Value and Term
- 25 4. Compensation basis
- 26 5. Contract form & format
- 27 6. Determine performance metrics/service level agreement
- 28 7. Develop RFP Document