

Control Number: 42560



Item Number: 23

Addendum StartPage: 0

SOAH DOCKET NO. 473-14-3897
PUC DOCKET NO. 42560

14 JUN 23 PM 2:45

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

BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE HEARINGS

Contact: Andrew Machtemes
CenterPoint Energy Houston Electric, LLC
1111 Louisiana Street
Houston, Texas 77002
(713) 207-5372
Fax: (713) 207-9840
Andrew.Machtemes@CenterPointEnergy.com

June 23, 2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
CenterPoint Energy Houston Electric, LLC's Response to Public Utility Commission of Texas Third Request for Information	2-17
Certificate of Service	18

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-01**

QUESTION:

Is the Company requesting the EECRF net of energy efficiency costs included in base rates?

ANSWER:

No. Pursuant to the Final Order in Docket No. 38339, the Company's last base rate proceeding, CenterPoint Houston has no energy efficiency costs in base rates.

SPONSOR:

Joseph Jernigan

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-02**

QUESTION:

If your answer to Staff 1-1 is yes, please provide the EECRF amounts (individual component costs) included in base rates. In addition, please provide the FERC accounts and the amounts included in base rates for the years being reconciled, the current energy efficiency program year and the proposed 2015 energy efficiency program year.

ANSWER:

Per the response to PUC03-01 this question is not applicable.

SPONSOR:

Joseph Jernigan

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-03**

QUESTION:

If your answer to Staff 1-1 is no, please provide a detailed explanation.

ANSWER:

The Company does not recover any energy efficiency costs through base rates. Since CenterPoint's latest general rate case, Docket 38339, as of September 1, 2011, energy efficiency costs were removed from base rates and all costs were thereafter recovered through the EECRF Rider.

SPONSOR:

Joseph Jernigan

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897

PUBLIC UTILITY COMMISSISON OF TEXAS
REQUEST NO.: PUC03-04

QUESTION:

Please identify all the individual administrative costs by **rate class** included in the reconciled years, current energy efficiency program year and the proposed 2015 energy efficiency program year. In addition, please provide a schedule for the reconciled period, including at least three years of historical data, and explain any increase or/and decrease from one year to the next.

ANSWER:

The program year to be reconciled in this proceeding is 2013. The administrative costs for the residential rate class for program year 2013 are identified in Table 10 of the EEPR, which is attached to the direct testimony of Jarrett Simon, and the projected administrative costs for the residential rate class for program year 2015 are identified in Table 6 of the EEPR. The total for the residential rate class includes: the residential; the hard-to-reach; and the R&D values. The total costs for the commercial rate classes for program year 2013 are identified in exhibit JFJ-1 Schedule F. The projected costs for the commercial rate classes for program year 2015 are identified in exhibit JFJ-1 Schedule B. The Company does not posses a schedule including 3 years of historical data reflecting increases or/and decreases from one year to the next. For information related to the Company's historical administrative costs, please refer to the current filing, Docket No. 42560, as well as the previous EECRF filings Docket No. 41540, Docket No. 36952, Docket No. 38213, Docket No. 39363, and Docket No. 40356.

The administration costs will increase and/or decrease each year based on numerous variables. Some of those variables are Company staffing, programs operated, outreach required, inspections incurred, R&D expenses, and pilot programs created. Each program year is unique and brings with it its own set of challenges and hurdles. The Company has tried and succeeded each year in maintaining a cost-effective portfolio while meeting all of the PUC rule requirements. The Company has not created a detailed analysis of variables that have increased or decreased the administration costs each year.

Please see the direct testimony of Jarrett E. Simon Pages 7-10 of 34 for a description on how CenterPoint Houston determines its energy efficiency budget.

SPONSOR:

Jarrett Simon

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-05

QUESTION:

Please identify all the different types of incentive compensation costs included in the EECRF by **rate class** for the reconciled years, current energy efficiency program year and the proposed 2015 energy efficiency program year. In addition, please separate the type of incentive compensation measured by operational and financial performance for the reconciled period.

ANSWER:

Consistent with the Commission's incentive compensation decision in Docket No. 38339 allowing recovery for all of CenterPoint Houston's STI costs, the following costs related to incentive compensation have been included in CenterPoint Houston's 2013 energy efficiency administrative costs. These costs were directly incurred by the energy efficiency department, combined with employee salary costs, and allocated to specific programs, not to specific rate classes. The Company forecasts labor expenses based on headcount and these expenses are included in the 2015 administrative expenses. Projected administrative costs for the residential rate class for program year 2015 are identified in Table 6 of the EEPR, Project No. 42264. The projected costs for the commercial rate classes for program year 2015 are identified in exhibit JFJ-1 Schedule B. For information related to all administrative costs, please refer to the current filing, Docket No. 42560, as well as the previous EECRF filings Docket No. 41540, Docket No. 36952, Docket No. 38213, Docket No. 39363, and Docket No. 40356. Please also see attached PUC03-05 Financial Incentives Per Rate Class document.

	2013
Total Incentives	\$121,364
Financial Performance	\$48,546
Operational Performance	\$72,818

For program year 2013, the Energy Efficiency performance bonus was calculated on a program level as detailed in workpaper JESWP2 - Detailed Bonus Calculation. The performance bonuses are then allocated to the rate classes based upon the proportions of the 2013 actual Energy Efficiency expenditures associated with the rate class. The 2013 bonus amounts assigned to each rate class are detailed in Schedule A of Exhibit JFJ-1. The Company has not forecasted a 2015 Energy Efficiency performance bonus. For information related to all Energy Efficiency performance bonus costs, please refer to the current filing, Docket No. 42560, as well as the previous EECRF filings Docket No. 41540, Docket No. 36952, Docket No. 38213, Docket No. 39363, and Docket No. 40356.

SPONSOR:
Jarrett Simon

RESPONSIVE DOCUMENTS:
PUC03-05 Financial Incentives Per Rate Class.xlsx

Financial Incentives Per Rate Class	Residential	Secondary <10kVA	Secondary > 10 kVA	Primary	Transmission	Total
	\$ 28,682	\$ 3,099	\$ 15,013	\$ 1,717	\$ 34	\$ 48,546

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-06**

QUESTION:

Please provide a reconciliation of all the EECRF costs included in base rates if any and included in the EECRFs for the reconciled years, current energy efficiency program year and the proposed 2015 energy efficiency program year. If any of the periods referenced exceed established costs caps, please provide a detailed justification.

ANSWER:

There were no EECRF costs included in base rates for the reconciled year (2013), current energy efficiency program year (2014) or the proposed 2015 energy efficiency program year. None of the periods referenced exceed established cost caps.

SPONSOR:

Joseph Jernigan

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-07**

QUESTION:

Did the Company make any affiliate payments during the reconciled or current period on the EECRFs? If yes, please identify the different types of services obtained and/or products purchased that resulted these affiliate transactions.

ANSWER:

Yes, affiliate expenses are discussed on page 31 of 34 in the direct testimony of Jarrett E. Simon as well as in the affidavit of Karen C. Dominguez, Exhibit JES-2. The affiliate expenses paid in 2013 are detailed in workpaper JESWP6 - Administrative Expenses.

SPONSOR:

Jarrett Simon

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-08**

QUESTION:

If your answer to Staff 1-7 is yes, please provide the Company's analysis that demonstrates the price paid for services and/or products was not greater than the current market fees.

ANSWER:

Affiliate expenses are discussed in the affidavit of Karen C. Dominguez, Exhibit JES-2. All affiliate expenses are provided by the Company's Shared Services division and are billed pursuant to the methodology approved by the commission in the Company's last general rate proceeding, Docket No. 38339.

SPONSOR:

Jarrett Simon

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-09**

QUESTION:

Please provide a summary (vendor's name, date of contract, expiration date, types of contracts and percentage ownership) of the affiliate contracts by product and/or services for the reconciled years, current energy efficiency program year and the 2015 proposed energy efficiency program year.

ANSWER:

Affiliate services are covered by an annual Master Services Agreement between CenterPoint Energy Houston Electric and CenterPoint Energy Service Company, LLC.

- Vendor Name: N/A - Agreement between CenterPoint Energy Houston Electric and CenterPoint Energy Service Company, LLC
- Date of Contract and expiration date: A new contract begins on January 1 each year and is valid until the new agreement becomes effective
- Percentage Ownership: N/A
- Monthly/Annual Costs: For charges included in the EECRF, see workpaper JESWP6 - Administrative Costs

SPONSOR:

Jarrett Simon

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-10

QUESTION:

Is the Company requesting rate case expenses in the current EECRF filing? If yes, please provide the requested rate case expense amount. Please also provide information for the prior three years where rate case expenses have been requested in an EECRF proceeding, and explain the increase or/and decrease from one year to the next.

ANSWER:

Yes, the Company is requesting \$240,547 in rate case expenses in the current EECRF filing.

Rate Case Expenses				
Year	Docket	CEHE	Municipal	
2011	39363	\$0	\$0	1
2012	40356	\$114,102	\$0	2
2013	41540	\$50,698	\$6,827	3
2014	42560	\$223,158	\$17,389	4

¹ No rate case expenses requested in this year.

² This was the first year CenterPoint requested recovery of rate case expenses. The amount requested was from the 2011 EECRF. Legal guidance was given throughout the lengthy process of approving the filing. The proceeding required additional briefing of the parties on the issue of rate case expenses. That issue was certified to the Commissioners and an Order on Certification was issued. Legal guidance was provided throughout the original filing preparation, issue certification process, and settlement agreement.

³ This amount is from the 2012 EECRF. In that proceeding there were no contested issues. A hearing was requested in and later canceled. Necessary legal services were primarily related to the preparation of the filing and coordination of the settlement agreement.

⁴ This amount is from the 2013 EECRF. The Company's 2013 EECRF filing was the first EECRF filing to include a reconciliation component. The reconciliation component of that filing included a review of 3 historical program years and approximately \$80 million of historical energy efficiency program spending. In 2012, the Commission also substantially revised Substantive Rule 25.181 to include new requirements for EECRF applications. In light of these changes, the Company retained an outside consultant to review the Company's historical spending and that consultant provided direct testimony in the filing. Further, the settlement negotiations in the 2013 proceeding were extensive, as the parties agreed to certain changes in program spending levels and the Commission required additional evidence to support the settlement on rate case expenses. The changes and extended settlement negotiations that led to an increase in the 2013 EECRF rate case expenses are not expected to continue.

SPONSOR:
Joseph Jernigan

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
DOCKET NO. 42560
SOAH DOCKET NO. 473-14-3897**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC03-11**

QUESTION:

Did the Company provide all the supporting documentation for all rate case expenses being requested in the current application filing. If no, please provide all engagement agreements for each consultant, summary schedules for each consultant and copies of third party invoices to support each expense.

ANSWER:

The Company is requesting \$240,546 in rate case expenses in this EECRF proceeding. Please see JESWP5 - GCCC Invoices, Exhibit JES-5 affidavit from Jason Ryan, and the Direct Testimony of Joseph Jernigan, page 4, footnote 2 for an explanation of the Company's requested rate case expenses. Attached are all of the engagement agreements:

PUC03-11 PCR Engagement Letter
PUC03-11 Stratus Engagement Letter

SPONSOR:

Jarrett Simon

RESPONSIVE DOCUMENTS:

PUC03-11 PCR Engagement Letter
PUC03-11 Stratus Engagement Letter

Jason M. Ryan
Assistant General Counsel

P.O. Box 61867
Houston, Texas 77208-1867
Voice: (713) 207-7261
Fax: (713) 207-0101

21 December 2012

Julie Parsley
Mark Santos
Parsley Coffin Renner LLP
98 San Jacinto Blvd., 14th Floor
Austin TX 78701

Re: Addendum to engagement letter dated 23 September 2009 (the "Engagement Letter"); 2013 EECRF (Internal Number 2012 9295)

Dear Julie and Mark:

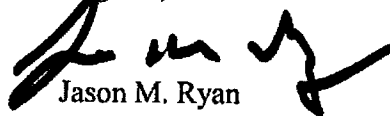
As we discussed and agreed, Parsley Coffin Renner LLP will represent CenterPoint Energy Houston Electric, LLC ("CEHE") in connection with its 2013 EECRF matter before the Public Utility Commission of Texas at the firm's standard 2013 rates. Specifically, CEHE expects that the following attorney(s) will work on this matter, at the hourly rate(s) shown below.

Julie Parsley	\$475
Mark Santos	\$335

If this accurately states our agreement for this matter, please have an authorized representative of the firm execute and return to me this addendum to the Engagement Letter.

I am looking forward to working with you and your team on this case.

Regards,


Jason M. Ryan

AGREED:


for Parsley Coffin Renner LLP



A: 1206 San Antonio St.
Austin, TX 78746
P: 512-415-0510
E: info@stratusenergy.com
W: www.stratusenergy.com

February 22, 2013

Via E-Mail

Mr. Jason Ryan
CenterPoint Energy Houston Electric, LLC

Subject: Stratus Energy Group LLC Engagement Agreement

Dear Mr. Ryan,

Stratus Energy Group (SEG) appreciates the opportunity to offer a defined set of services in connection with a proceeding to reconcile energy-efficiency expenses of CenterPoint Energy Houston Electric, LLP (CenterPoint or the Company) that will be filed with the Public Utility Commission of Texas (PUC) on or before June 1, 2013.

The following defines the Scope of Work, Schedule, Fees for Services, and Additional Terms for this engagement.

Scope of Work

- Assist as a consulting expert¹ in evaluation and planning activities related to the Company's 2013 Energy Efficiency Plan & Report and Energy Efficiency Cost Recovery Factor filings before the PUC.
- As a consulting expert, coordinate with internal CenterPoint personnel and external counsel regarding energy efficiency evaluation and planning activities to include, but not limited to, an analysis of the reasonableness of the Company's 2009, 2010, 2011 and 2012 energy efficiency programs and activities related thereto.
- Consult, review, and analyze as a pure consulting witness unless and until the Company determines that testimony is necessary, at which time I will be designated as a testifying expert and will provide written direct and/or rebuttal testimony in CenterPoint's 2013 Energy Efficiency Cost Recovery Factor proceeding as well as any necessary live testimony at hearing.
- Other duties consistent with the above, requested by CenterPoint personnel, and approved by the Company throughout the term of this agreement.

Schedule

The Company's Energy Efficiency Plan & Report filing will be made on or before April 1, 2013. The Company's Energy Efficiency Cost Recovery filing will be made on or before June 1, 2013. It is anticipated that services may be necessary through the end of the 2013 calendar year.

Fees for Services

¹ The term "consulting expert" in this agreement is understood to have a meaning and privilege consistent with that described in Texas Rule of Civil Procedure 192.3(e).

Mr. Jason Ryan
February 22, 2013
Page 2 of 3

The fee for services is \$350 per hour plus normally reimbursed out-of-pocket expenses such as travel, duplication, etc. We will invoice you on the first day of each month for time and expenses, with invoices due and payable within 30 days.

Additional Terms

This agreement is subject to the following terms:

- Each party releases and indemnifies the other party and its personnel from any and all third party claims or liabilities, and any costs and expenses arising there from, attributable to the performance by SEG of the services hereunder, except to the extent arising from the gross negligence or willful misconduct of SEG or its personnel. Any liability SEG may have to CenterPoint, or which CenterPoint may have to SEG, in connection with the services described in this engagement letter shall be limited to direct damages not to exceed the total fees paid under this engagement agreement. In any event, neither party shall be liable for any indirect, incidental, consequential, or related damages (including lost profits), regardless of the form of action, whether in contract or tort (including negligence, strict liability or otherwise) and whether or not such damages are foreseen.
- SEG and CenterPoint will treat all non-public written and oral information provided by the other party as confidential and will not use such information or otherwise disclose it, unless the disclosing party independently develops such information or obtains such information from a source not under an obligation of confidentiality, or unless the disclosing party receives the prior written consent of the other party, or otherwise required by law.
- CenterPoint acknowledges that SEG may participate in other client engagements during the pendency of the work covered by this agreement, and SEG agrees to fully disclose any potential conflicts of interest and will avoid those clients or issues that SEG and CenterPoint in good faith agree are problematic.
- This agreement is governed and construed in accordance with the laws of the State of Texas.

We look forward to working with you. Please execute a copy and return it to Stratus Energy Group LLC either by mail at the above address, or send a pdf copy to the following email address: jess.totten@stratusenergy.com

Very truly yours,

Stratus Energy Group LLC

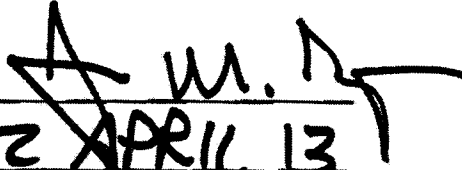


Jess Totten
Principal

Mr. Jason Ryan
February 22, 2013
Page 3 of 3

Approved and Agreed:

CenterPoint Energy Houston Electric, LLC

Signature 
Date 22 APRIL 13

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 transmission, hand delivery, electronic mail, overnight delivery or United States first class mail on this 23rd day of June, 2014.