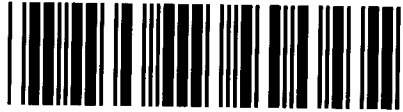




Control Number: 44572



Item Number: 2

Addendum StartPage: 0

DOCKET NO. 44572

**APPLICATION OF CENTERPOINT
ENERGY HOUSTON ELECTRIC, LLC
FOR APPROVAL OF A
DISTRIBUTION COST RECOVERY
FACTOR PURSUANT TO P.U.C.
SUBST. R. 25.243**

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§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

**RECEIVED
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FILING CLERK**

April 6, 2015

**Contact: Denise Gaw
CenterPoint Energy Service Company, LLC
1111 Louisiana Street
Houston, Texas 77002
Tel No: (713) 207-5956
Fax: (713) 207-9840
email: denise.gaw@centerpointenergy.com**

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Application.....	2-8
Attachment A – List of Cities Relinquishing OJ	9-10
Attachment B – Rider DCRF	11-15
Attachment C – Sworn Statement of David E. Baker.....	16-19
Attachment D – Proposed Protective Order.....	20-39
Direct Testimony and Exhibits of Matthew A. Troxle	40-72
Direct Testimony and Exhibits of Mary A. Kirk	73-152
Direct Testimony and Exhibits of David E. Baker	153-229
Schedules	230-287
Workpapers.....	288
Certificate of Service	289

DOCKET NO. 44572

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC, LLC	§	PUBLIC UTILITY COMMISSION
FOR APPROVAL OF A DISTRIBUTION	§	OF TEXAS
COST RECOVERY FACTOR	§	
PURSUANT TO P.U.C. SUBST. R. 25.243	§	

**APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
FOR APPROVAL OF A DISTRIBUTION COST RECOVERY FACTOR
PURSUANT TO P.U.C. SUBST. R. 25.243**

CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company") files this Application for Approval of a Distribution Cost Recovery Factor ("DCRF") pursuant to Section 36.210 of the Public Utility Regulatory Act ("PURA") and Substantive Rule 25.243 and asks that its regulatory authorities, which include the Public Utility Commission of Texas ("Commission") and municipalities, approve CenterPoint Houston's proposed Rider DCRF.

I. INTRODUCTION

This is CenterPoint Houston's first DCRF filing. CenterPoint Houston's most recent comprehensive base rate case was Docket No. 38339.¹ The test year in Docket No. 38339 ended December 31, 2009 and established the base-line determinations used by the Company to develop its proposed DCRF rates. For the period January 1, 2010 through December 31, 2014, the change in CenterPoint Houston's net distribution system invested capital as booked in FERC Accounts 303, 352, 353, 360-374, 391 and 397 was \$417,086,853. As shown in the Application schedules and workpapers, which are incorporated herein by reference, the total revenue requirement associated with the allowed return, depreciation, income and other taxes on this investment is \$73,720,787. Adjusted for load growth, the requested revenue requirement is \$16,704,985.

¹ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 38339, Order on Rehearing (June 23, 2011).

II. AUTHORIZED REPRESENTATIVES

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

Denise Gaw
CenterPoint Energy Service Company, LLC
1111 Louisiana Street
Houston, Texas 77002
713.207.5956
713.207.9840 (fax)
denise.gaw@centerpointenergy.com

The telephone numbers and addresses of CenterPoint Houston's authorized legal representatives are:

Stephanie Bundage Juvane
State Bar No. 24054351
CenterPoint Energy Service Company, LLC
1111 Louisiana, 46th Floor
Houston, Texas 77002
713.207.5863
713.454.7194 (e-fax)
stephanie.bundage@centerpointenergy.com

Ann Coffin
State Bar No. 00787941
Mark Santos
State Bar No. 24037433
Parsley Coffin Renner LLP
P.O. Box 13366
Austin, TX 78711
512.879.0900
512.879.0912 (fax)
ann.coffin@pcrllp.com
mark.santos@pcrllp.com

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.

III. JURISDICTION

CenterPoint Houston is an electric utility as that term is defined in PURA §§ 11.004(1) and 31.002(6) and a transmission and distribution utility as defined in PURA § 31.002(19). CenterPoint Houston operates solely within the Electric Reliability Council of Texas areas of Texas. The Company's distribution system covers approximately 5,000 square miles located in and around Houston, Texas, and is comprised of approximately 50,000 miles of overhead and underground distribution lines. The Company's electric distribution system also includes conductors and substations operating at voltages of 35 kV and less.

The Commission has exclusive original jurisdiction over this proceeding for areas outside municipalities pursuant to PURA §§ 32.001(a) and 36.210(a), and for those municipalities shown on Attachment A that have ceded their original jurisdiction to the Commission pursuant to PURA § 33.002(b). Further, the Commission has exclusive appellate jurisdiction under PURA § 32.001(b) to review *de novo* an order or ordinance of a municipality exercising original jurisdiction under PURA.

Pursuant to PURA §§ 36.210(a), 36.210(f)(4) and 33.001(a), municipalities that have not ceded their jurisdiction to the Commission have exclusive original jurisdiction over this filing as it affects service within their municipal boundaries. In recognition of this fact, CenterPoint Houston is filing this Application simultaneously with all municipal authorities that have retained jurisdiction over CenterPoint Houston's rates. Further, with regard to municipal proceedings on the Company's Application, CenterPoint Houston requests that it be deemed to have appealed the filing to the Commission 60 days from the date of the municipal filing and that any interim or final orders issued by a municipality's governing body be suspended at the time such order took effect, pursuant to Substantive Rule 25.243(c)(1)(B).

IV. AFFECTED PERSONS AND TERRITORIES

CenterPoint Houston's 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 that the REPs choose to pass along those charges to their customers under the Company's DCRF Tariff.

If the DCRF requested in this Application is approved, CenterPoint Houston's distribution revenues will increase by approximately \$16,704,985 on an annual basis as compared to the distribution revenues approved in its most recent rate case, Docket No. 38339.

V. PROPOSED DCRF RIDER AND EFFECTIVE DATE

CenterPoint Houston's proposed Rider DCRF is attached to this Application as Attachment B. The filing date of CenterPoint Houston's Application complies with Procedural Rule 25.243(c)(2). Pursuant to PURA § 36.210(a)(1)(C) and Substantive Rule 25.243(e)(6)(C), the Company's proposed effective date for rates under Rider DCRF is September 1, 2015.

VI. SCOPE OF THE PROCEEDING

With regard to the scope of this proceeding, CenterPoint Houston requests that issues regarding the statutory determinations required under PURA §§ 36.053 and 36.058 and the reasonableness, necessity and prudence of the distribution system investment included in this filing not be addressed in this proceeding and, instead, be deferred until the Company's next comprehensive general base rate case. CenterPoint Houston's request is made in accordance with Substantive Rule 25.243(e)(5) and (f). To the extent the presiding officer determines that these issues should be addressed in this proceeding, CenterPoint Houston expressly reserves its right to make supplemental filings to fully address those issues.

VII. OVERVIEW OF THE APPLICATION AND SUPPORTING DOCUMENTS

This Application contains the testimony of three witnesses. Company witness David E. Baker describes and sponsors the distribution system capital investment projects included in this filing. In addition, since the Company is seeking to recover costs associated with its intelligent grid (“IG”) project in this filing, Mr. Baker provides the cost-benefit analysis required by the Commission’s Order on Rehearing in Docket No. 38339.² Company witnesses Mary A. Kirk and Matthew A. Troxle sponsor and support the Company’s Rider DCRF revenue requirement and supporting schedules and workpapers required by the Application Form Instructions for DCRF filings. These three witnesses collectively demonstrate CenterPoint Houston’s compliance with the standards for DCRF recovery set forth in PURA, Substantive Rule 25.243(e)(5), and the Commission’s DCRF application form.

In addition, CenterPoint Houston includes as Attachment C to this Application the sworn statements of Matthew A. Troxle, Mary A. Kirk and David E. Baker affirming that the filing is in compliance with the requirements of PURA § 36.210(a)(6) and Substantive Rule 25.243(e)(1). CenterPoint Houston also includes as Schedule K to this Application the Company’s most recent earnings monitoring report filed with the Commission.

² *Id.* at Conclusion of Law No. 10.

VIII. NOTICE AND INTERVENTION DEADLINE

CenterPoint Houston intends to provide notice of this proceeding as required by Procedural Rule 25.243(e)(2). Specifically, CenterPoint Houston will provide notice of this filing to all parties in CenterPoint Houston's last comprehensive base-rate proceeding no later than the day after CenterPoint Houston files this Application. Notice shall be accomplished by serving the aforementioned parties with a copy of this Application, including all accompanying materials. Proof of notice will be filed with the Commission upon completion of notice.

Pursuant to Substantive Rule 25.243(e)(2), the intervention deadline is 30 days from the date service of notice is completed.

IX. PROTECTIVE ORDER

CenterPoint Houston anticipates it may be necessary for the Company to furnish confidential material or for other parties to submit documents containing confidential material during this case. Accordingly, CenterPoint Houston has included as Attachment D of the Application a proposed protective order. The proposed protective order is the same as the protective order issued in Docket No. 38339, the Company's most recent comprehensive base rate case.

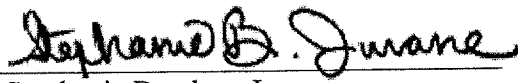
The Company requests approval of the proposed protective order included in Attachment D of the Application. Until a protective order is issued in this proceeding, the Company will provide access to the confidential information submitted with this Application to parties that agree in writing to be bound by the proposed protective order as if it had been issued by the Commission.

X. REQUEST FOR RELIEF AND INFORMAL DISPOSITION

CenterPoint Houston requests that the Commission approve the proposed protective order. CenterPoint Houston further requests that the Commission defer consideration of issues

involving PURA §§ 36.053 and 36.058 and the reasonableness, necessity and prudence of the distribution system investment included in this filing until the Company's next comprehensive general base-rate case. CenterPoint Houston submits that its Application is eligible for informal disposition pursuant to Substantive Rule 25.243(e)(6)(D) and requests approval of the DCRF rates and tariff requested in this Application. Finally, CenterPoint Houston requests that it be granted such other relief to which it has shown itself entitled.

Respectfully submitted,

By: 
Stephanie Bundage Juvane
State Bar No. 24054351
CenterPoint Energy Service Company, LLC
1111 Louisiana, 46th Floor
Houston, Texas 77002
713.207.5863
713.454.7194 (e-fax)
stephanie.bundage@centerpointenergy.com

Ann M. Coffin
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State Bar No. 24037433
Parsley Coffin Renner LLP
P.O. Box 13366
Austin, TX 78711
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512.879.0912 (fax)
ann.coffin@pcrllp.com
mark.santos@pcrllp.com

**COUNSEL FOR CENTERPOINT
HOUSTON ELECTRIC, LLC**

ATTACHMENT A

**LIST OF CITIES WHICH HAVE CEDED ORIGINAL JURISDICTION
TO THE PUBLIC UTILITIES COMMISSION OF TEXAS**

Arcola
Village of Bayou Vista
Beasley
Bonney
Brookshire
Cove
Galena Park
Hillcrest Village
Hilshire Village
Hitchcock
Humble
Iowa Colony
Jacinto City
Jamaica Beach Village
Katy
Kemah
Kendleton
Liverpool
Magnolia
Mont Belvieu
Morgans Point
Nassau Bay
Needville
Old River-Winfree
Orchard
Pattison
Pine Island
Piney Point Village
Prairie View
San Felipe
Stagecoach
Tomball
Waller
Wallis

ATTACHMENT B

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

6.1.1.6.13 RIDER DCRF - DISTRIBUTION COST RECOVERY FACTOR

APPLICABILITY

Each Retail Customer connected to the Company's distribution system will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule §25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

MONTHLY RATE

The REP, on behalf of the Retail Customer, will be assessed this distribution service charge adjustment based on the monthly per unit cost (DCRF) multiplied times the Retail Customer's appropriate monthly billing determinant (kWh, Billing kVA, or 4 CP kVA).

The DCRF shall be calculated for each rate according to the following formula:

DCRF =

$$\begin{aligned} & [((DIC_C - DIC_{RC}) * ROR_{AT}) + (DEPR_C - DEPR_{RC}) + (FIT_C - FIT_{RC}) + (OT_C - \\ & OT_{RC}) - \sum(DISTREV_{RC-CLASS} * \%GROWTH_{CLASS})] * ALLOC_{CLASS} / BD_{C-CLASS} \end{aligned}$$

Where:

DIC_C = Current Net Distribution Invested Capital.

DIC_{RC} = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

ROR_{AT} = After-Tax Rate of Return as defined in Substantive Rule §25.243(d)(2).

$DEPR_C$ = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.

$DEPR_{RC}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.

FIT_C = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.

FIT_{RC} = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

OT_C = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested Capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

OT_{RC} = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$DISTREV_{RC-CLASS}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the last comprehensive base-rate proceeding) = $(DIC_{RC-CLASS} * ROR_{AT}) + DEPR_{RC-CLASS} + FIT_{RC-CLASS} + OT_{RC-CLASS}$.

$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = $(BD_{C-CLASS} - BD_{RC-CLASS}) / BD_{RC-CLASS}$

$DIC_{RC-CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC-CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC-CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC-CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

Residential Service	53.0715%
Secondary Service Less Than or Equal to 10 kVA	2.1103%
Secondary Service Greater Than 10 kVA	35.1158%
Primary Service	1.6447%
Transmission Service	0.1383%
Street Lighting Service	7.9193%

$BD_{C-CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

$BD_{RC-CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

Rate Class	DCRF Charge	Billing Units
Residential Service	\$ 0.000309	per kWh
Secondary Service Less Than or Equal to 10 kVA	\$ 0.000410	per kWh
Secondary Service Greater Than 10 kVA	\$ 0.051512	per Billing kVA
Primary Service	\$ 0.022684	per Billing kVA
Transmission Service	\$ 0.001012	per 4CP kVA
Lighting Services	\$ 0.004337	per kWh

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

DETERMINATION OF BILLING DEMAND FOR DISTRIBUTION SYSTEM CHARGES

Determination of Billing kVA For loads whose maximum NCP kVA established in the 11 months preceding the current billing month is less than or equal to 20 kVA, the Billing kVA applicable to the Distribution System Charge shall be the NCP kVA for the current billing month. For all other loads, the Billing kVA applicable to the Distribution System Charge shall be the higher of the NCP kVA for the current billing month or 80% of the highest monthly NCP kVA established in the 11 months preceding the current billing month (80% ratchet). The 80% ratchet shall not apply to seasonal agricultural Retail Customers.

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

ATTACHMENT C


STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF MATTHEW A. TROXLE

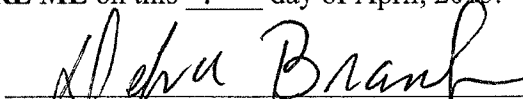
BEFORE ME, the undersigned authority, on this day personally appeared Matthew A. Troxle, who being by me first duly sworn, on oath, deposed and said the following:

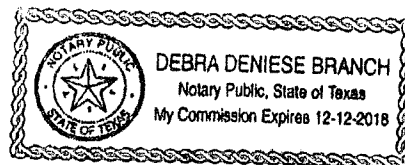
1. "My name is Matthew A. Troxle. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based on my personal knowledge.
2. I am Director of Rates for CenterPoint Energy Service Company, LLC ("CenterPoint Energy"). I am testifying on behalf of the applicant in this proceeding, CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston").
3. CenterPoint Houston has prepared an application for authority from the Public Utility Commission of Texas ("Commission") to implement a distribution cost recovery factor (the "Application").
4. The Application complies with CenterPoint Houston's tariff and Commission Substantive Rule 25.243.
5. The Application is true and correct to the best of my knowledge, information, and belief."

Further affiant sayeth not.


Matthew A. Troxle

SUBSCRIBED AND SWORN TO BEFORE ME on this 1st day of April, 2015.


Notary Public in and for the State of Texas



STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF MARY A. KIRK

BEFORE ME, the undersigned authority, on this day personally appeared Mary A. Kirk,
who being by me first duly sworn, on oath, deposed and said the following:

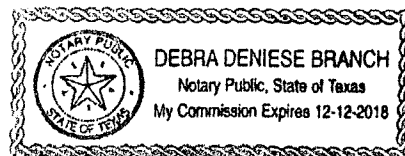
1. "My name is Mary A. Kirk. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based on my personal knowledge.
2. I am Director of Financial Accounting for CenterPoint Energy Service Company, LLC ("CenterPoint Energy"). I am testifying on behalf of the applicant in this proceeding, CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston").
3. CenterPoint Houston has prepared an application for authority from the Public Utility Commission of Texas ("Commission") to implement a distribution cost recovery factor (the "Application").
4. The Application complies with Commission Substantive Rule 25.243.
5. The distribution invested capital in the Application includes only costs for plant that complies with PURA § 36.053 and § 36.058.
6. The Application is true and correct to the best of my knowledge, information, and belief."

Further affiant sayeth not.

Mary A. Kirk
Mary A. Kirk

SUBSCRIBED AND SWORN TO BEFORE ME on this 1st day of April, 2015.

Debra Branch
Notary Public in and for the State of Texas




STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF DAVID E. BAKER

BEFORE ME, the undersigned authority, on this day personally appeared David E. Baker, who being by me first duly sworn, on oath, deposed and said the following:

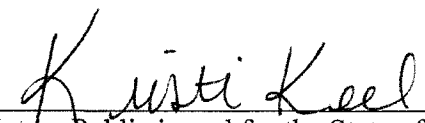
1. "My name is David E. Baker. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based on my personal knowledge.
2. I am Division Vice President of Distribution Power Delivery for CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston"). I am testifying on behalf of the applicant in this proceeding, CenterPoint Houston.
3. CenterPoint Houston has prepared an application for authority from the Public Utility Commission of Texas ("Commission") to implement a distribution cost recovery factor (the "Application").
4. The Application complies with Commission Substantive Rule 25.243.
5. The distribution invested capital in the Application includes only costs for plant that has been placed into service; complies with PURA, including § 36.053; and is prudent, reasonable, and necessary.
6. The Application is true and correct to the best of my knowledge, information, and belief."

Further affiant sayeth not.



David E. Baker

SUBSCRIBED AND SWORN TO BEFORE ME on this 1st day of April, 2015.



Notary Public in and for the State of Texas



ATTACHMENT D

DOCKET NO. 44572

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC, LLC	§	PUBLIC UTILITY COMMISSION
FOR APPROVAL OF A	§	OF TEXAS
DISTRIBUTION COST RECOVERY	§	
FACTOR PURSUANT TO P.U.C.	§	
SUBST. R. 25.243	§	

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. 44572" 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. 44572" 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 (OPUC), 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 OPUC, 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, OPUC, and the OAG when the OAG is representing a party to the proceeding.
10. Procedures in Paragraphs 10-14 Apply to Commission Staff, OPUC, 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, OPUC, 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, OPUC, 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, OPUC (if OPUC 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, OPUC (if OPUC is a party), and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPUC (if OPUC 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, OPUC (if OPUC 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, OPUC, 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, OPUC, and the OAG. Except as allowed by Paragraph 7, Commission Staff, OPUC, 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, OPUC (if OPUC 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, OPUC, 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 OPUC shall be used only for the purpose of the proceeding in Docket No. 44572. 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 OPUC.

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. 44572 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 OPUC 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 OPUC shall be used only for the purpose of the proceeding in Docket No. 44572. 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. 44572

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. 44572

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC,	§	PUBLIC UTILITY COMMISSION
LLC FOR APPROVAL OF A	§	
DISTRIBUTION COST RECOVERY	§	OF TEXAS
FACTOR PURSUANT TO P.U.C.	§	
SUBSTANTIVE RULE 25.243	§	

DIRECT TESTIMONY OF

MATTHEW A. TROXLE

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

April 6, 2015

TABLE OF CONTENTS

I.	INTRODUCTION AND BACKGROUND	1
II.	OVERVIEW OF DCRF RULE	3
III.	SCOPE OF DCRF APPLICATION AND PROCEEDING	4
IV.	REQUIREMENTS OF DCRF APPLICATION	5
V.	PROPOSED RIDER DCRF AND EFFECTIVE DATE	14
VI.	SUMMARY AND RECOMMENDATIONS.....	14

TABLE OF EXHIBITS AND WORKPAPERS

<u>Exhibits</u>	<u>Description</u>
Exhibit MAT-1	Professional Qualifications of Matthew A. Troxle
Exhibit MAT-2	Electronic Schedules From Docket 38339
Exhibit MAT-3	Summary of DCRF & DCRF Updates
Exhibit MAT-4	History of DCRF Charges
Exhibit MAT-5	Revised Tariff Pages – Annotated
Exhibit MAT-6	Revised Tariff Pages – Clean Copy

<u>Workpapers</u>	<u>Description</u>
WP/Schedule H/1	Billing Determinants-Rate Case
WP/Schedule H/2	Billing Determinants-DCRF
WP/Schedule H/3	Year End Customer Adjustment
WP/Schedule J/1	Baseline Rate Case Values
WP/Schedule J/2	Distribution Revenue Growth
WP/Schedule J/3	DCRF Baseline Rate Case Values

DIRECT TESTIMONY OF MATTHEW A. TROXLE

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Matthew A. Troxle. I am the Director of Rates for CenterPoint Energy Service Company, LLC ("CenterPoint Energy"). My business address is 1111 Louisiana St., Houston, Texas 77002.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. Exhibit MAT-1, included with this direct testimony, summarizes my education and professional experience.

Q. WHAT ARE YOUR PRESENT RESPONSIBILITIES?

A. My duties include the development and implementation of cost of service, cost allocation, rate design, and tariffs for energy delivery in various jurisdictions across six different states. I also coordinate the development and implementation of risk mitigation strategies relating to revenues and costs. This includes review, analysis, and participation in the formulation of law, rules, and policy at both the state and federal level.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company").

1 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE PUBLIC**
2 **UTILITY COMMISSION OF TEXAS (“COMMISSION”)?**

3 A. Yes. I have previously filed testimony at the Commission in several proceedings.
4 In addition, I have offered testimony in proceedings before the Railroad
5 Commission of Texas, the Arkansas Public Service Commission, and the
6 Minnesota Public Utilities Commission. A list of these proceedings is provided in
7 Exhibit MAT-1.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
9 **PROCEEDING?**

10 A. The purpose of my testimony is to support the application of CenterPoint Houston
11 for a Distribution Cost Recovery Factor (“DCRF”) filed pursuant to Commission
12 Substantive Rule 25.243(c). Specifically, I sponsor the required Schedules H and
13 J and the supporting workpapers, and the calculation of CenterPoint Houston’s
14 proposed DCRF rates. In addition, I support the proposed new Rider DCRF to be
15 added to the Company’s Tariff for Retail Delivery Service.

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

18 A. In addition to Exhibit MAT-1, I have prepared or supervised the preparation of
19 the exhibits and workpapers listed in the table of contents.

20 **Q. WHAT SCHEDULES ARE YOU SPONSORING?**

21 A. I sponsor Schedules H and J.

1 **Q. HOW DOES YOUR DIRECT TESTIMONY RELATE TO THE**
2 **TESTIMONY OF OTHER COMPANY WITNESSES?**

3 A. I speak directly to the calculation of the DCRF rate and I sponsor the new tariff
4 rider. Company witness Mary A. Kirk supports the Company's revenue
5 requirement and the supporting schedules and calculations required by the
6 Commission's Distribution Cost Recovery Factor Rate Filing Package
7 ("DCRF-RFP") instructions. Company witness David E. Baker sponsors and
8 supports the distribution-related projects included in the DCRF filing.

9 **II. OVERVIEW OF DCRF RULE**

10 **Q. PLEASE GIVE A GENERAL OVERVIEW OF COMMISSION**
11 **SUBSTANTIVE RULE 25.243.**

12 A. Commission Substantive Rule 25.243 is the DCRF rule, which implements Public
13 Utility Regulatory Act ("PURA") § 36.210. PURA § 36.210 states that the
14 Commission may approve a rate schedule that may be periodically adjusted based
15 upon changes in the utility's invested capital that are categorized as distribution
16 plant, distribution-related intangible plant, and distribution-related communication
17 equipment. Under the DCRF rule, an eligible utility is allowed to file an
18 application to include a DCRF in its Commission approved Tariff. The DCRF for
19 each rate class is determined by a formula that reflects changes in Net
20 Distribution Invested Capital, Depreciation Expense, Federal Income Taxes, and
21 Other Taxes adjusted for changes in Distribution Revenue due to growth in billing
22 determinants.

1 Q. HAS CENTERPOINT HOUSTON PREVIOUSLY FILED A DCRF
2 APPLICATION?

3 A. No.

4 III. SCOPE OF DCRF APPLICATION AND PROCEEDING

5 Q. PLEASE GIVE A BRIEF DESCRIPTION OF THE SCOPE OF
6 CENTERPOINT HOUSTON'S DCRF APPLICATION.

7 A. CenterPoint Houston's DCRF application reflects the additions and retirements of
8 distribution investment capital since the Commission's Order on Rehearing
9 approving CenterPoint Houston's distribution rates in Docket No. 38339,
10 *Application of CenterPoint Energy Houston Electric, LLC for Authority to*
11 *Change Rates*. As a result, this DCRF application includes distribution invested
12 capital from January 1, 2010 to December 31, 2014. The various schedules
13 included in this filing reflect the additions and retirements in distribution invested
14 capital; the appropriate after-tax rate of return; the appropriate depreciation
15 expense, federal income taxes, and other associated taxes; as well as the growth in
16 distribution revenues due to billing determinant growth; and the allocation to the
17 customer classes. The total revenue requirement increase requested to be
18 reflected in the DCRF is \$16,704,985 as shown in column (3) of Schedule J. The
19 revenue requirement increase by customer class is shown in the table below:

Table 1: DCRF Revenue Requirement Increase

Customer Class	DCRF Revenue Requirement Increase
Residential	\$ 8,865,586
Secondary <= 10 KVA	\$ 352,534
Secondary > 10 KVA	\$ 5,866,090
Primary	\$ 274,744
Transmission	\$ 23,109
Lighting	\$ 1,322,922

IV. REQUIREMENTS OF DCRF APPLICATION

Q. IS THE INFORMATION PROVIDED WITH THE FILING TAKEN FROM THE ACCOUNTS AND RECORDS PRESCRIBED IN THE FEDERAL ENERGY REGULATORY COMMISSION CHART OF ACCOUNTS, PURSUANT TO GENERAL INSTRUCTION NO. 1 OF THE DCRF-RFP?

A. Yes.

Q. DOES YOUR TESTIMONY SUPPORT THE REQUIRED SCHEDULES AND WORKPAPERS, AS REQUIRED BY GENERAL INSTRUCTION NO. 2?

A. Yes. My testimony supports the schedules and workpapers described in the Table of Exhibits and Workpapers. Ms. Kirk sponsors the remaining schedules and workpapers required by General Instruction No. 2.

Q. PURSUANT TO GENERAL INSTRUCTION NO. 2, ARE THE WORKPAPERS PROVIDED IN NATIVE ELECTRONIC FORMAT, INCLUDING ACTIVE EXCEL WORKBOOKS, LINKED, AND WITH ALL FORMULAS, CELL REFERENCES, LINKS, ETC. INTACT?

A. Yes, except where Excel data was derived from a non-Excel source and was directly entered into the Excel spreadsheet. Otherwise all workbooks are "active"

1 as described in General Instruction No. 2. Additionally, as the schedules
2 sponsored by Ms. Kirk were developed at the same time as my schedules, some
3 values had to be directly entered into the WP/Schedule J Excel sheets. These
4 values have been highlighted and noted in the Excel workpapers.

5 **Q. ARE THERE ANY OTHER VALUES THAT ARE NOT LINKED WITHIN**
6 **THE EXCEL SHEETS?**

7 A. Yes. The Commission's rate case model in Docket No. 38339 is very large, very
8 iterative, and easily defaults to circular errors. While the full Docket No. 38339
9 rate case models have been provided in Exhibit MAT-2, to preserve the integrity
10 of the DCRF schedules, it is necessary to copy relevant data from the Docket
11 No. 38339 schedules into the Schedule J workpapers, to serve as the starting point
12 for the fully active, linked, and intact DCRF schedules.

13 **Q. IN REFERENCE TO GENERAL INSTRUCTION NO. 3, ARE THE COSTS**
14 **AND RETURN CALCULATED IN COMPLIANCE WITH COMMISSION**
15 **SUBSTANTIVE RULE 25.243?**

16 A. Yes. The Company has included in its DCRF calculation the costs and return
17 necessary to comply with Commission Substantive Rule 25.243.

18 **Q. CONSISTENT WITH GENERAL INSTRUCTION NO. 5, HAVE THE**
19 **SCHEDULES BEEN PREPARED AS NOTED IN THE DCRF-RFP**
20 **SAMPLE FORMS?**

21 A. Yes. While some of the sample forms have necessarily been modified to conform
22 to the particulars of CenterPoint Houston, all of the schedules have been prepared
23 per the guidance in the sample forms.

1 **Q. IN ACCORDANCE WITH GENERAL INSTRUCTION NO. 5, NOTE 3,**
2 **HAVE YOU PROVIDED WORKPAPERS TO SUPPORT THE**
3 **ALLOCATION METHODS AND WEATHER ADJUSTMENTS?**

4 **A.** Yes. WP/Schedule J/3 shows the allocation percentages to the customer classes
5 and WP/Schedule H/2 shows the weather adjustments to billing determinants as
6 required by General Instruction No. 5, Note 3.

7 **Q. IN ACCORDANCE WITH GENERAL INSTRUCTION NO. 6, HAVE YOU**
8 **PROVIDED A COPY OF THE DISTRIBUTION SCHEDULES OR**
9 **AMOUNTS APPROVED IN THE COMPANY'S LAST**
10 **COMPREHENSIVE BASE-RATE PROCEEDING?**

11 **A.** Yes. The electronic schedules from Commission Staff's final model in Docket
12 No. 38339 are provided as Exhibit MAT-2.1. Additionally an updated
13 Commission Staff's final model reflecting the alternative rate of return required to
14 be used is provided as Exhibit MAT-2.2. These electronic schedules include both
15 Transmission and Distribution. As the DCRF-RFP requires all Excel workbooks
16 to be "active" and "functioning," it is not possible to break the Transmission
17 schedules out of Commission Staff's model and still have the model function
18 properly.

19 **Q. HAVE YOU PROVIDED A COMPARISON THAT SUMMARIZES THE**
20 **DCRF AND DCRF UPDATES APPROVED BY THE COMMISSION**
21 **SINCE THE COMPANY'S LAST COMPREHENSIVE BASE RATE**
22 **CASE?**