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

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BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY

OF

GEORGE W. PRESSES

ON BEHALF OF

H-E-B, LP

JUNE 6, 2019

399



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1 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC
2 UTILITY COMMISSION OF TEXAS?

3 A. No.

4 Q. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION FOR YOUR
5 TESTIMONY?

6 A. I have reviewed the testimony filed with the Application of CenterPoint Energy Houston
7 Electric, LLC (“CenterPoint”) (the “Application”) that relates to the provision of service
8 and quality of service to its customers. My review of testimony included specifically the
9 Direct Testimonies of Dale Bodden, Robert Hevert, Randal M. Pryor, Julienne P. Sugarek,
10 and Matthew Troxle.

11 **II. PURPOSE OF TESTIMONY**

12 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

13 A. I am providing testimony on behalf of H-E-B.

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. The purpose of my testimony is to describe the lack of quality of service received by H-E-B
16 at its many locations within CenterPoint’s service territory, and the unsuccessful attempts
17 H-E-B made to have CenterPoint correct the reliability issues that resulted in outages of
18 far longer duration and far greater magnitude than the outages described in the Application.
19 I describe the intermittent nature of CenterPoint’s service and the lack of quality or reliable
20 service that H-E-B receives at its multiple locations as a distribution customer of
21 CenterPoint. I also discuss the unilateral capital investment that H-E-B was required to
22 make at multiple locations within CenterPoint’s service territory to address the lack of



1 reliability from CenterPoint due to repeated and sustained distribution outages that resulted
2 in substantial losses to perishable product in H-E-B's core business. I discuss why the
3 various processes identified by CenterPoint to resolve customer reliability issues set forth
4 in CenterPoint's Application failed to be utilized, successfully or otherwise, to address
5 H-E-B's intermittent level of service.

6 **Q. ARE THERE OTHER ISSUES BESIDES RELIABILITY ON WHICH YOU WILL**
7 **PROVIDE TESTIMONY?**

8 A. Yes, my testimony discusses the change in the per customer charge to a per meter charge,
9 with no attendant increase in value or benefit to customers.

10 **Q. ARE THERE ANY OTHER ISSUES ADDRESSED BY YOUR TESTIMONY?**

11 A. Yes, my testimony also addresses the proposed application of the Four Coincident Peak
12 ("4CP") for distribution allocation planned by CenterPoint as its new proposed CenterPoint
13 4CP. The application of the CenterPoint 4CP or the ERCOT 4CP in any rate class distorts
14 the price signals of the energy-only market. Those customers that can avoid the cost, will
15 avoid the cost, shifting the remaining class costs to other customers in that class.
16 Ultimately those costs become shifted between classes. H-E-B believes that all customers
17 that use the grid should pay their share of transmission and distribution costs and that those
18 costs should be allocated on a Non-Coincident Peak ("NCP") basis.

19 **Q. WHAT CHANGES ARE YOU RECOMMENDING TO THE APPLICATION?**

20 A. I recommend that costs be allocated on an NCP basis for both transmission and distribution
21 such that these costs are not, over time, shifted to residential customers. I recommend that
22 CenterPoint's return on equity be reduced to the lower end of the range the Commission
23 finds to be reasonable, and in no event should it exceed CenterPoint's current 10% return



1 on equity. I recommend that CenterPoint's total distribution costs, aside from Hurricane
2 Harvey costs which are not addressed in my testimony, be reduced until CenterPoint
3 provides reliable service. Finally, I recommend that there be a per customer, rather than a
4 per meter, charge as CenterPoint has traditionally charged its customers.

5 **III. BACKGROUND**

6 **Q. PLEASE DESCRIBE H-E-B.**

7 A. H-E-B has been a Texas company since 1905. H-E-B, with sales of \$26 billion, operates
8 400 stores in Texas and Mexico. San Antonio-based H-E-B employs more than 116,000
9 employees, whom we refer to as our Partners, and serves millions of customers in more
10 than 300 communities throughout Texas and Mexico. Known for offering quality products
11 at low prices, H-E-B has several manufacturing facilities that produce H-E-B branded items
12 such as milk, ice cream, bread and meat products. As a digital leader in Texas, H-E-B
13 continues to expand innovative solutions such as H-E-B Curbside, which will be at more
14 than 200 locations by the end of 2019, H-E-B Home Delivery, a resource available from
15 170 H-E-B stores, and H-E-B Go, a mobile solution that allows people to scan their items
16 with their phones and skip the checkout line. Also, a part of the H-E-B family, Favor is an
17 on-demand delivery service available in more than 100 cities throughout Texas. Called the
18 H-E-B Spirit of Giving, the company puts an emphasis on community service by annually
19 contributing five percent of pre-tax earnings to public and charitable programs focused on
20 education, hunger relief, the military, diversity and the environment.



1 Q. WHO IS H-E-B CONCERNED ABOUT IN THIS PROCEEDING?

2 A. H-E-B is concerned about our customers and our Partners. Our customers and Partners are
3 the residential customers of CenterPoint that shop in H-E-B's stores. Because our
4 customers and Partners are also CenterPoint customers, we do not want to see additional
5 costs shifted to residential customers and are not in favor of allocations based on either the
6 proposed new CenterPoint 4CP or the ERCOT 4CP for any customer class.

7 Q. WHAT PARTICULAR ISSUES DOES H-E-B HAVE AS A RETAIL ELECTRIC
8 CUSTOMER?

9 A. H-E-B procures, produces, and sells groceries and as a result has a great deal of perishable
10 product which must be maintained at an appropriate temperature at all times, or it is no
11 longer suitable for our customers' consumption. H-E-B is responsible for maintaining the
12 "cold chain" for perishable product at an appropriate temperature.

13 Q. WHAT IMPACT DOES QUALITY OF SERVICE HAVE ON THE "COLD
14 CHAIN"?

15 A. The "cold chain" is a temperature-controlled supply chain that must remain in operation
16 and uninterrupted to keep temperatures at appropriate levels at all times for perishable
17 product. If electric service is interrupted we lose the ability to control temperatures,
18 perishable product is rapidly lost, and perishable product must be discarded because it
19 cannot be sold to customers. The value of the loss of electricity to H-E-B is four-fold. The
20 value of lost load to H-E-B is the loss of the product in the "cold chain," which is a large
21 portion of H-E-B's inventory for a store or a manufacturing facility, the cost of removing
22 the product, the inability to be available to our customers during the period of the outage,
23 and the cost to replace the product.



1 Q. PLEASE DESCRIBE THE CENTERPOINT OUTAGES AND THE IMPACT OF
2 THOSE OUTAGES ON H-E-B.

3 A. The lost load due to CenterPoint's outages became so expensive to H-E-B in CenterPoint's
4 territory that we met with CenterPoint, at our request, on July 22, 2015 to discuss ways to
5 mitigate the damage caused by the unreliable service in CenterPoint's territory.

6 Q. WERE THESE OUTAGES RELATED TO HURRICANES OR STORMS?

7 A. No. The outages that prompted the need to meet with CenterPoint were routine disruptions
8 that were everyday events lasting for many hours. These reliability issues were and
9 continue to be faced by our H-E-B locations in CenterPoint's service territory.

10 Q. WHAT ACTION DID CENTERPOINT TAKE AS A RESULT?

11 A. None. CenterPoint indicated that they could not take any action to resolve the issues.

12 IV. CHRONOLOGICAL HISTORY OF DISRUPTIONS IN SERVICE

13 Q. WHAT RELIABILITY PROBLEMS HAS H-E-B EXPERIENCED AS A
14 CUSTOMER OF CENTERPOINT?

15 A. H-E-B has experienced frequent outages at its facilities located within CenterPoint's
16 service area. I am personally aware of frequent outages that have occurred and continue
17 to occur during my time serving as Vice President of Fuel and Energy for H-E-B from 2013
18 through today. The outages range from brief interruptions lasting less than one minute to
19 long-standing outages lasting more than 17 hours.

20 Q. HAVE THESE OUTAGES OCCURRED AT OLDER LOCATIONS OR NEWLY
21 DEVELOPED FACILITIES?

22 A. H-E-B has experienced outages at both older facilities and newly developed facilities.



1 Q. ARE THESE OUTAGES LIMITED TO H-E-B?

2 A. No. Issues related to reliability and outages are not limited to H-E-B. H-E-B does not have
3 any of its own, solely dedicated distribution circuits to serve any locations in CenterPoint's
4 territory. That means that when H-E-B receives intermittent service or experiences an
5 outage, other retail customers on the same circuit will also be experiencing outages.

6 Q. WERE H-E-B'S OUTAGES ALL A RESULT OF A HURRICANE OR OTHER
7 SEVERE WEATHER EVENT?

8 A. No. H-E-B is aware that severe weather events will impact electric service reliability. The
9 outages H-E-B is concerned about were, and continue to be, routine disruptions that are
10 everyday events for many hours, and in some cases more than one outage in a day at a
11 location. These are the reliability issues faced by our H-E-B locations in CenterPoint's
12 service territory. Intermittent reliability of electric service from CenterPoint has been a
13 persistent problem for H-E-B.

14 Q. DO YOU HAVE RECORDS OF THE OUTAGES EXPERIENCED BY H-E-B?

15 A. H-E-B has records for some, but not all, of the outages that have occurred at its facilities.
16 H-E-B has records of outages that occurred at the [REDACTED] facilities where H-E-B has installed
17 on-site generation as a direct result of the lack of quality of service from CenterPoint.
18 Attached to my testimony as Highly Sensitive Confidential Exhibit GWP-1 ("Ex. GWP-1")
19 is a list of the recorded outages H-E-B has experienced at these facilities since H-E-B began
20 installing on-site generation in January 2017. I will discuss H-E-B's installation of on-site
21 generation in detail later in my testimony.



1 Q. PLEASE DESCRIBE THE INFORMATION IN EX. GWP-1.

2 A. Ex. GWP-1 shows a list of the recorded outages H-E-B has experienced at these facilities
3 with on-site generation since H-E-B began installing on-site generation in January 2017.
4 The [REDACTED] facilities with on-site generation experienced 521 outages from January 2017
5 through May 2019 for a total duration of approximately 20,000 minutes or just over 333
6 hours. Some facilities experienced repeated, consistent outages. For example, H-E-B
7 Store [REDACTED] experienced 33 outages during the timeframe,
8 with the longest outage lasting 670 minutes (more than 11 hours).

9 Ex. GWP-1 does not include outage records for H-E-B's stores that do not have on-site
10 generation within CenterPoint's service area. Although H-E-B does not maintain granular
11 data for these stores, outages at these facilities have occurred frequently and continue to be
12 problematic for H-E-B. It is also important to note that H-E-B's on-site generation came
13 online gradually over the last two and half years, so H-E-B's outage data is not reflective
14 of all H-E-B outages that have occurred at the locations with on-site generation since
15 January 2017. Locations with recent on-site generation will only have recent data. For
16 example, only H-E-B Store [REDACTED] contains data for the entire period because it was H-E-B's
17 first on-site generation project in CenterPoint's service area.

18 As discussed below, H-E-B is currently developing plans to implement on-site generation
19 throughout its facilities within CenterPoint's service area because intermittent electric
20 service from CenterPoint continues to be a persistent problem for H-E-B.



1 **Q. HOW HAS CENTERPOINT HANDLED NEW H-E-B FACILITIES?**

2 A. CenterPoint witness Mr. Pryor states that CenterPoint actively monitors new developments
3 to meet the needs of its customers and provide reliable service,¹ but that has not been
4 H-E-B's experience. For example, H-E-B had reliability issues with CenterPoint during
5 the grand opening of a new store that forced H-E-B to shed load to avoid shutting down
6 the store entirely during the grand opening.

7 **Q. HAS H-E-B MADE CENTERPOINT AWARE OF THE RELIABILITY**
8 **PROBLEMS?**

9 A. Yes, H-E-B first raised these issues with CenterPoint in 2015 and requested a meeting to
10 discuss the problems that H-E-B was encountering and options for resolving the reliability
11 issues. On July 22, 2019, several H-E-B personnel, including myself, met with CenterPoint
12 senior executives. My calendar records of those in attendance at the meeting include Mr.
13 Dale Bodden, who has filed testimony on behalf of CenterPoint in this proceeding. At the
14 meeting, we informed CenterPoint of the frequent outages that H-E-B was experiencing
15 and sought CenterPoint's assistance in mitigating the reliability problems.

16 **Q. DID THE MEETING RESULT IN IMPROVED RELIABILITY FOR H-E-B?**

17 A. No, CenterPoint did not make any commitments to take any actions to address the
18 reliability concerns raised by H-E-B. After the meeting, H-E-B facilities continued to
19 experience frequent outages. Because CenterPoint would not commit to address H-E-B's
20 concerns, H-E-B began to explore options to fix the problem ourselves. That is when we
21 began considering installing on-site generation at our stores and facilities. In order to fix
22 the problems, H-E-B had to make significant capital investments to obtain reliable service

¹ See Direct Testimony of Randal M. Pryor at 6:3–10:11 (Apr. 5, 2019).



1 from on-site generation, despite being obligated to continue paying CenterPoint rates for
2 service that was not reliable.

3 **Q. HOW DID H-E-B COME TO THE CONCLUSION TO INSTALL ON-SITE**
4 **GENERATION?**

5 A. When it became clear that CenterPoint was not going to take action to prevent our stores
6 from experiencing further outages, we essentially had no other option than to install our
7 own on-site generation since the ample generation in the market could not reliably reach
8 us through CenterPoint's distribution system. As mentioned earlier, H-E-B Store [REDACTED]
9 experienced 33 outages over a period of 28 months. The frequency and duration of outages
10 at this store led H-E-B to select it as the first site for installing on-site generation. H-E-B
11 made the business decision that it was more cost-efficient for the company to spend more
12 than [REDACTED] to install on-site generation at H-E-B Store [REDACTED] than to continue to accrue
13 the costs incurred by CenterPoint's frequent power outages. H-E-B would not have
14 undertaken this expense if not for the lack of reliable service provided by CenterPoint.

15 **Q. WHAT COSTS DOES H-E-B INCUR WHEN AN OUTAGE OCCURS?**

16 A. As described earlier, protecting the "cold chain" is of the utmost importance to H-E-B.
17 Depending on the size and type of store, losses can be in the [REDACTED]

18 [REDACTED]

19 **Q. HOW HAS INSTALLING ON-SITE GENERATION RESOLVED H-E-B'S**
20 **RELIABILITY ISSUES?**

21 A. H-E-B's installation of on-site generation at H-E-B Store [REDACTED] between H-E-B's facilities
22 and the CenterPoint system was so successful at resolving the issues caused by
23 CenterPoint's frequent outages that H-E-B decided to expand the installation of on-site



1 generation to additional stores. H-E-B began installing on-site generation at its facilities
2 that were determined to have the highest economic risk associated with an outage.

3 H-E-B's on-site generation is the canary in the coal mine for H-E-B's electric reliability.
4 The generators come on virtually instantaneously, in a matter of seconds, whenever an
5 outage occurs on CenterPoint's distribution line, ensuring that H-E-B is insulated from
6 CenterPoint's reliability problems. Because of our intermittent service from CenterPoint,
7 H-E-B now includes on-site generation in all of its plans for new facilities in the
8 CenterPoint service area.

9 **Q. HAS CENTERPOINT TAKEN ACTIONS TO ADDRESS THE OUTAGES SINCE**
10 **H-E-B BEGAN INSTALLING ON-SITE GENERATION?**

11 A. No. H-E-B has received no indication from CenterPoint that any actions have been taken.
12 In fact, in recent discussions about the outages, Ms. Julienne Sugarek informed me that
13 CenterPoint has determined the majority of the outages are caused by an issue with
14 H-E-B's equipment. I do not agree with CenterPoint's conclusion. While H-E-B does
15 occasionally experience outages that are due to failures of H-E-B's equipment, H-E-B's
16 on-site generation allows us to easily detect when a problem is occurring on our side of the
17 meter. If an outage occurs and H-E-B is unable to take power from the facility's on-site
18 generation, that demonstrates that the issue lies with H-E-B's equipment. However,
19 problems with H-E-B's facilities are an outlier. At facilities where H-E-B has installed
20 on-site generation, the vast majority of outages are caused by outages on CenterPoint's
21 facilities. That is why H-E-B has seen such dramatic improvement in electric service
22 reliability at its facilities that have on-site generation between CenterPoint and H-E-B's
23 facilities. It is the reason that H-E-B has chosen to replicate that successful, albeit capital



1 intensive, remedial action at facilities throughout CenterPoint's service area. H-E-B does
2 not experience service quality, reliability issues, voltage fluctuations, or power outages
3 when its on-site generators are running.

4 **Q. HAS H-E-B CONTINUED TO INCUR COSTS RELATED TO OUTAGES AT**
5 **OTHER FACILITIES WITHIN CENTERPOINT'S SERVICE AREA?**

6 A. Yes, H-E-B continues to incur costs related to outages at other H-E-B facilities.
7 CenterPoint's repeated and sustained distribution outages continue to result in substantial
8 losses to perishable product in H-E-B's core business. It is critically important to H-E-B
9 to protect the "cold chain" for H-E-B's perishable product. Anytime the "cold chain" is
10 broken and a perishable item is not maintained at the proscribed temperature range, the
11 perishable product must be discarded. As shown in Highly Sensitive Confidential Exhibit
12 GWP-2 ("Ex. GWP-2"), in 2018, H-E-B incurred losses of [REDACTED] in CenterPoint's
13 service territory due to outages for stores without on-site generation. Those amounts
14 cannot be quantified with accuracy. However, H-E-B can calculate the losses it would
15 have incurred for the 333 hours of outages at the sites with on-site generation. For those
16 sites, H-E-B would have incurred [REDACTED] in losses, the majority of which
17 were due to CenterPoint's failure to provide reliable service to H-E-B's stores and other
18 facilities, while paying CenterPoint's rate for "reliable" service.



1 **V. H-E-B's OUTAGES**

2 **Q. HOW MANY OUTAGES HAS H-E-B EXPERIENCED OVER THE LAST**
3 **THREE YEARS?**

4 A. Ex. GWP-1 shows that H-E-B's facilities with on-site generation experienced 55 outages
5 in 2017, 312 in 2018, and 154 in 2019 through May 23, 2019 for a total of 521 outages for
6 a total duration of approximately 20,000 minutes. Some facilities experienced repeated,
7 consistent outages. For example, H-E-B Store [REDACTED] experienced 33 outages during the
8 timeframe, with the longest outage lasting 670 minutes. In addition, H-E-B has
9 experienced 31 outages lasting over three hours. As discussed earlier, this presents
10 significant problems related to H-E-B's ability to preserve the "cold chain" and to avoid
11 costs related to the loss of H-E-B's perishable product.

12 **Q. HOW LONG IS H-E-B'S AVERAGE OUTAGE?**

13 A. Data from H-E-B's locations with on-site generation indicates H-E-B's average outage
14 duration is 38 minutes long. However, H-E-B's average outage duration is not indicative
15 of the long outage durations upwards of 17 hours experienced by H-E-B, nor is it indicative
16 of the harm and associated costs incurred by H-E-B because of an outage.

17 **Q. PLEASE EXPLAIN.**

18 A. As noted above, H-E-B's outage durations range from brief interruptions lasting less than
19 one minute to long-standing outages lasting more than 17 hours. CenterPoint's failure to
20 correct the reliability issues identified by H-E-B have resulted in outages of far longer
21 duration and far greater magnitude than described in the Application. Although many of
22 H-E-B's recorded outages indicate an outage duration of less than one minute, these values
23 are not reflective of the wide range of outage durations experienced by H-E-B. Further,



1 even outages of less than one minute may negatively impact H-E-B's "cold chain" by
2 causing H-E-B's equipment to malfunction. For example, H-E-B has experienced
3 instances when refrigeration equipment shuts down during a momentary interruption and
4 will not restart when power is restored.

5 **Q. DOES H-E-B'S AVERAGE OUTAGE DURATION INDICATE THAT**
6 **CENTERPOINT IS MEETING ITS OBLIGATION TO PROVIDE RELIABLE**
7 **SERVICE TO H-E-B?**

8 A. No, it does not. CenterPoint witness Mr. Bodden asserts that CenterPoint's System
9 Average Interruption Duration Index ("SAIDI") levels indicate that an "average customer"
10 experienced "less than two hours of outage minutes" during the entire year.² While this
11 may be true for an average customer, this is not true for H-E-B, as H-E-B has experienced
12 45 separate outages over two-hours in duration over the last three years just at the locations
13 supported by on-site generation and not including the remaining multiple locations for
14 which H-E-B's data is not as granular. Stated differently, there were 45 separate instances
15 where H-E-B experienced a longer outage in a single day that was greater than the outage
16 duration experienced by an "average customer" for an entire year. These outages pose a
17 significant threat to the preservation of H-E-B's "cold chain" and our perishable product.

18 **Q. WHAT HAS H-E-B DONE IN RESPONSE TO THESE OUTAGES?**

19 A. As I previously stated, H-E-B has made significant capital investments to install on-site
20 generation at many H-E-B locations within CenterPoint's service territory to address the
21 frequent and sustained outages on CenterPoint's distribution system. The installation of

² Direct Testimony of Dale Bodden at 33:15-33:16 (Apr. 5, 2019).



1 on-site generation has enabled H-E-B to preserve its “cold chain” at significant cost to
2 H-E-B while H-E-B continues to pay CenterPoint’s existing rates.

3 **VI. IMPACTS TO H-E-B**

4 **Q. WHAT CAPITAL COSTS HAS H-E-B INCURRED TO IMPLEMENT ON-SITE**
5 **GENERATION AT ITS FACILITIES?**

6 A. [REDACTED]
7 [REDACTED] H-E-B would not have pursued on-site
8 generation if not for the consistent, frequent outages that continued to occur at H-E-B’s
9 facilities within CenterPoint’s service territory.

10 **Q. WHAT OTHER COSTS IS H-E-B EXPOSED TO BY CENTERPOINT’S POOR**
11 **QUALITY OF SERVICE?**

12 A. H-E-B is a company that prides itself on being there for the community; reliable service is
13 of paramount importance. For every outage that prevents us from being able to serve our
14 community, our reputation in the community and our mission are put at risk.

15 **Q. HOW WILL CENTERPOINT’S RATE CASE PROPOSAL IMPACT H-E-B?**

16 A. Under CenterPoint’s proposal, H-E-B would pay even higher rates with no improvement
17 in service quality. The proposal would result in H-E-B paying significant increases for all
18 of its facilities regardless of rate class based on CenterPoint’s Application.³ For H-E-B’s
19 facilities that are Secondary Service greater than 10kV customer class, H-E-B will see an
20 increase of 81% for transmission and 58% for distribution. H-E-B’s facilities that are in
21 the Primary Service customer class would see an increase of 83% for transmission, and

³ Application at 11 (Apr. 5, 2019).



1 26% for distribution. CenterPoint's proposal would also shift all of H-E-B's facilities that
2 are currently paying ERCOT 4CP or NCP to the new CenterPoint 4CP.

3 **Q. WHAT DO YOU MEAN BY "CENTERPOINT 4CP"?**

4 A. For the first time a utility, CenterPoint, is proposing to use its own allocation for 4CP that
5 is different from the ERCOT 4CP.

6 **Q. DOES H-E-B SUPPORT CENTERPOINT'S PROPOSAL TO SHIFT LOAD TO
7 THE "CENTERPOINT 4CP"?**

8 A. No, H-E-B does not support shifting loads to either the CenterPoint 4CP or the ERCOT
9 4CP. H-E-B favors the NCP cost allocation because it more fairly allocates costs among
10 those that use the electric grid and it better aligns with the market principles of ERCOT's
11 energy-only market. Further, using the NCP protects H-E-B's customers and Partners from
12 future cost shifting to residential customers that results from 4CP customers continuing to
13 "game the system" to avoid paying 4CP charges. The 4CP is inherently flawed because it
14 incentivizes gaming of the system and disproportionately benefits the type of businesses
15 that are able to drastically reduce their load on certain days of the year. While H-E-B could
16 economically benefit from the ERCOT 4CP and potentially the CenterPoint 4CP, H-E-B
17 advocates that all customer classes should pay NCP to more accurately allocate costs
18 among loads.

19 **Q. HOW WILL THE NEW CENTERPOINT 4CP AFFECT H-E-B?**

20 A. That is unclear from the Application. In Errata 1, filed on May 20th by CenterPoint, all of
21 the references to using the ERCOT 4CP were changed to using the CenterPoint 4CP. The
22 CenterPoint 4CP is not defined and would be set by CenterPoint based on CenterPoint's



1 peak demand in its service territory instead of the ERCOT 4CP.⁴ CenterPoint will be billed
2 on the ERCOT 4CP but then will allocate that amount to H-E-B and other customers based
3 on a Houston area weather peak when demand is highest in CenterPoint's service territory.
4 This CenterPoint 4CP allocation is not defined or published through an open process or
5 established by the Commission in a contested case such as the Transmission Cost of
6 Service matrix docket, as is the ERCOT 4CP. The CenterPoint 4CP is neither transparent
7 nor predictable and customers have no way of knowing the resulting rate impacts of this
8 significant change in cost allocation from previous CenterPoint rates.

9 **Q. HOW HAS CENTERPOINT DETERMINED THE RATE IMPACTS OF ITS**
10 **PROPOSED CENTERPOINT 4CP?**

11 A. CenterPoint stated in its Technical Conference on June 4th that it has not modeled any rate
12 impacts and does not know how customer classes would be impacted by its new
13 CenterPoint 4CP allocation. CenterPoint did state that all classes would be charged some
14 portion of this new CenterPoint 4CP, including the residential class, which includes our
15 customers and Partners.

16 **Q. WHAT INFORMATION DID CENTERPOINT PROVIDE WITH RESPECT TO**
17 **THE CENTERPOINT 4CP?**

18 A. CenterPoint directed H-E-B to Schedule II-H-1.3.

19 **Q. DOES THAT SCHEDULE CONTAIN A COMPARISON OF CENTERPOINT'S**
20 **4CP ALLOCATION METHODOLOGY TO THE ERCOT 4CP ALLOCATION**

⁴ Based upon statements made by CenterPoint during the Technical Conference held on June 4, 2019 pursuant to SOAH Order No. 6.



1 **METHODOLOGY TEST YEAR TO BE ABLE TO IDENTIFY RATE IMPACTS**
2 **FOR THE TEST YEAR?**

3 A. No, it does not contain any comparison of the CenterPoint 4CP methodology to the ERCOT
4 4CP methodology and CenterPoint stated during the Technical Conference that no such
5 comparison has been done for the Test Year. There are also no rate comparisons of the
6 impacts of the changes from the ERCOT 4CP used in the Test Year for the Primary class,
7 nor the NCP used in the Test Year for the Secondary >10kVa class, to the proposed rates
8 using the new CenterPoint 4CP.

9 **Q. HOW WOULD THIS IMPACT ERCOT?**

10 A. If CenterPoint is allowed to calculate a separate 4CP from ERCOT, then entities in
11 CenterPoint will try to avoid the CenterPoint 4CP on which CenterPoint allocates costs,
12 rather than attempting to avoid the ERCOT 4CP. That will mean that loads are not focusing
13 on curtailing during the ERCOT 4CP, which may negatively impact ERCOT's reserve
14 margins by decreasing the amount of load that is off-line during ERCOT 4CP events.
15 Should this set a precedent for other utilities, the ERCOT reserve margin that relies on
16 large loads attempting to avoid the ERCOT 4CP in order to keep the system reliable will
17 be further at risk. As a result, the potential ramifications from a CenterPoint 4CP allocation
18 would likely be to the detriment of reliability in ERCOT. However, both can be gamed at
19 the expense of other customers, so H-E-B believes that it is fair to all rate classes to use an
20 NCP calculation.



1 Q. DOES H-E-B SUPPORT CENTERPOINT'S PROPOSED RATE INCREASE FOR
2 DISTRIBUTION SERVICE?

3 A. No, H-E-B does not support the proposed rate increase for distribution service customers
4 because CenterPoint has not demonstrated that the money currently being spent by
5 CenterPoint is resulting in the provision of reliable electric service. CenterPoint should
6 not be rewarded for providing intermittent service. PURA⁵ § 36.052 requires that a utility's
7 rate of return be calculated based in part on whether the utility provides reliable electric
8 service. CenterPoint has not and does not provide reliable electric service to H-E-B.
9 H-E-B has incurred significant costs to mitigate the impacts of frequent outages and these
10 outages continue at our locations. At locations where H-E-B does not have on-site
11 generation, H-E-B is unable to mitigate its exposure to CenterPoint's poor quality of
12 service. H-E-B should not now have to incur greater expense in the form of higher rates.

13 Q. WHAT MODIFICATIONS TO CENTERPOINT'S RATE CASE PROPOSAL
14 DOES H-E-B RECOMMEND?

15 A. H-E-B recommends that CenterPoint's overall rate of return be reduced. H-E-B also
16 recommends that CenterPoint's return on equity be reduced below its current return on
17 equity as recommended by other intervenors and certainly not exceed the current 10%.
18 CenterPoint's return on equity should be set consistent with the low end of the range the
19 Commission finds to be reasonable due to CenterPoint's poor quality of service. In no
20 event should CenterPoint be granted its proposed 4% increase to a 10.4% return on equity.
21 Finally, I recommend that CenterPoint's proposed distribution service rates be reduced.

⁵ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001–66.016 (“PURA”).



1 **VII. CENTERPOINT'S FAILURE TO ADDRESS ISSUES RAISED BY H-E-B**

2 **Q. WHAT IS YOUR UNDERSTANDING OF CENTERPOINT'S PROGRAMS AND**
3 **INITIATIVES THAT CENTERPOINT ASSERTS ARE USED TO ADDRESS THE**
4 **RELIABILITY OF ITS DISTRIBUTION SYSTEM?**

5 A. CenterPoint asserts that it has several programs that it utilizes to address the reliability of
6 its distribution system, including the Infra-red Program, the Root Cause Analysis Program,
7 the Hot Fuse Program, and the Distribution Automation Program.

8 CenterPoint witness Mr. Bodden asserts that the Hot Fuse program and Infra-red program
9 reduce the number and frequency of outages.⁶ Mr. Bodden further claims that
10 CenterPoint's Distribution Automation program minimizes the duration of outages while
11 CenterPoint's service restoration process reduces restoration times.⁷

12 **Q. DID CENTERPOINT EVER APPROACH H-E-B ABOUT UTILIZING THESE**
13 **PROGRAMS OR INITIATIVES TO ADDRESS H-E-B'S QUALITY OF SERVICE**
14 **AND RELIABILITY ISSUES?**

15 A. No. CenterPoint never informed H-E-B of these programs during the discussions of
16 H-E-B's concerns about the poor quality of service H-E-B received from CenterPoint.
17 H-E-B did not learn about these programs until the filing of the Direct Testimony of
18 Julienne Sugarek. CenterPoint never mentioned these programs to H-E-B or any other
19 programs designed to address reliability issues to H-E-B.

⁶ Direct Testimony of Dale Bodden at 33:18-33:19 (Apr. 5, 2019).

⁷ *Id.* at 33:22-34:2.

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1 **Q. HAVE THESE PROGRAMS BEEN EFFECTIVE IN ADDRESSING THE**
2 **FREQUENCY OR DURATION OF OUTAGES EXPERIENCED BY H-E-B?**

3 A. No. To the best of my knowledge, there is no indication that any of CenterPoint's
4 programs, initiatives, or analysis regarding reliability were ever performed for H-E-B.
5 CenterPoint never indicated to H-E-B that these initiatives were being utilized to address
6 H-E-B's issues. Even if CenterPoint has undertaken efforts under these programs and
7 initiatives to address H-E-B's issues, the various identified processes to resolve customer
8 reliability issues set forth in CenterPoint's Application failed to address H-E-B's
9 intermittent level of service, as evidenced by the continued frequency of outages
10 experienced by H-E-B.

11 **Q. HOW SHOULD THESE ISSUES BE ADDRESSED BY THE COMMISSION?**

12 A. CenterPoint's programs have not been effective in addressing the reliability concerns of
13 H-E-B. CenterPoint either has not performed the proper analysis to identify problems with
14 reliability, or its programs have identified the problems but have not effectively addressed
15 the underlying issues. H-E-B would not have made the significant capital expenditures
16 associated with the installation of on-site generation but for CenterPoint's unreliable, poor
17 quality of service. The Commission should not reward CenterPoint with higher rates of
18 return for poor service quality. H-E-B should not have to pay higher rates until CenterPoint
19 has demonstrated it is effectively using the revenue it collects to address reliability issues
20 and provide reliable service to its customers.



1 Q. HOW DID CENTERPOINT RESPOND TO H-E-B'S COMPLAINTS REGARDING
2 ITS QUALITY OF SERVICE AND RELIABILITY OF SERVICE?

3 A. It has been four years since H-E-B notified CenterPoint about CenterPoint's poor service,
4 the lack of reliability, and the resulting H-E-B outages, including the frequency and
5 duration of such outages. CenterPoint first denied that any such issues existed.

6 Q. NOW THAT CENTERPOINT HAS ACKNOWLEDGED THAT ISSUES EXIST,
7 HAS CENTERPOINT TAKEN ANY STEPS TO ADDRESS H-E-B'S IDENTIFIED
8 ISSUES?

9 A. No. CenterPoint has not taken any steps to mitigate H-E-B's issues. At the facilities
10 where H-E-B has had to resolve the risk created by CenterPoint's failures, it has been at
11 great expense to H-E-B. However, several H-E-B facilities remain exposed to
12 CenterPoint's failures.

13 **VIII. CHANGES RECOMMENDED BY H-E-B DUE TO POOR SERVICE QUALITY**

14 Q. ARE YOU RECOMMENDING CHANGES TO THE APPLICATION AS A
15 RESULT OF CENTERPOINT'S FAILURE TO PROVIDE RELIABLE SERVICE
16 TO H-E-B FACILITIES?

17 A. Yes, I recommend changes to CenterPoint's return on equity and to its distribution rates
18 due to CenterPoint's poor service quality.

19 Q. SPECIFICALLY, WHAT ARE YOUR RECOMMENDED CHANGES?

20 A. I recommend that CenterPoint's return on equity be reduced as recommended by other
21 intervenors and in any event be capped at no more than the current 10%, which in and of
22 itself is high compared to other utilities in ERCOT. I also recommend that the total



1 distribution costs, aside from Hurricane Harvey costs which are not addressed in my
2 testimony, not be increased. CenterPoint has failed to provide reliable service. Under
3 CenterPoint's proposal, H-E-B, our customers, and our Partners will pay higher rates with
4 no benefit in service quality.

5 As noted by CenterPoint witness Mr. Bodden, "customers expect reliable electric service
6 for their residences and businesses."⁸ Mr. Bodden says this means fewer interruptions of
7 service, reductions in outage times experienced by customers, and faster response times
8 from CenterPoint.⁹ Unfortunately, H-E-B has experienced frequent interruptions of
9 service, lengthy outage times, and a lack of urgency from CenterPoint's response teams
10 when it comes to H-E-B's outages and interruptions in service.

11 CenterPoint should not be rewarded for providing intermittent service and H-E-B, our
12 Partners and our customers, should not have to incur greater expenses in the form of higher
13 rates.

14 **Q. WHY DO YOU RECOMMEND A REDUCTION OF RETURN ON EQUITY?**

15 A. I agree with other intervenors that even the 10%, which is the lowest level that Mr. Hevert
16 supports as reasonable in his testimony, is high given CenterPoint's failure to reliably serve
17 its customers.

⁸ *Id.* at 31:4.

⁹ *Id.* at 31:4–31:6.



1 **IX. CHANGES RECOMMENDED TO MONTHLY CUSTOMER AND METER**
2 **CHARGES**

3 **Q. WHAT IS CENTERPOINT PROPOSING IN ITS APPLICATION REGARDING**
4 **ITS MONTHLY CUSTOMER AND METER CHARGES?**

5 A. CenterPoint is proposing a change in the per customer charge to a per meter charge, with
6 no attendant increase in benefit to customers.

7 **Q. WOULD THIS PROPOSAL AFFECT H-E-B?**

8 A. Yes. H-E-B has multiple meters installed at its facilities and given the automated nature
9 of these meters, it will not cost CenterPoint any more expense, on a per meter basis, to
10 read these meters than it does today on a per customer basis.

11 **Q. WHAT CHANGES ARE YOU RECOMMENDING TO CENTERPOINT'S**
12 **PROPOSAL REGARDING ITS CUSTOMER AND METER CHARGES?**

13 A. I recommend that CenterPoint maintain a per customer charge rather than a per meter
14 charge. CenterPoint is seeking to recover the costs associated with multiple meters arguing
15 that customers that require multiple meters should pay the costs for the meters used to serve
16 them. Advanced meter technology allows CenterPoint to read its meters remotely. A per
17 customer charge more accurately reflects the administrative costs associated with the
18 provision of service.

19 **X. CONCLUSION**

20 **Q. PLEASE SUMMARIZE YOUR TESTIMONY**

21 A. H-E-B does not support the proposed return on equity increase sought by CenterPoint and
22 believes that the return on equity should be reduced to the lower end of the range the



1 Commission finds to be reasonable. H-E-B does not support the rate increase for
2 distribution service customers because CenterPoint has not demonstrated that the money
3 currently being spent by CenterPoint is resulting in the provision of reliable electric service.
4 H-E-B has experienced frequent outages over the last several years at its existing and newly
5 developed facilities located within CenterPoint's service area. Unfortunately, H-E-B has
6 been unsuccessful in its attempts to have CenterPoint correct the reliability issues that
7 resulted in outages of far longer duration and far greater magnitude than described in the
8 Application. CenterPoint has repeatedly failed to successfully resolve its reliability issues
9 to address H-E-B's intermittent level of service. To date, H-E-B continues to receive
10 intermittent service at its multiple locations as a distribution customer of CenterPoint.
11 CenterPoint's failure to provide reliable service required H-E-B to make significant capital
12 investments at several H-E-B locations within CenterPoint's service territory. The lack of
13 reliability from CenterPoint has resulted in substantial losses to perishable product causing
14 economic losses to H-E-B in H-E-B's core business. CenterPoint should not be rewarded
15 for providing poor quality, unreliable, and sporadic service.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A. Yes.**



SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 49421

APPLICATION OF CENTERPOINT § BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC §
FOR AUTHORITY TO CHANGE RATES § OF
§ ADMINISTRATIVE HEARINGS

AFFIDAVIT OF GEORGE W. PRESSES

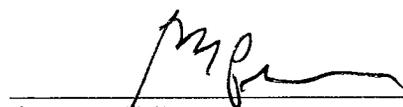
STATE OF TEXAS §
§
COUNTY OF BEXAR §

ON THIS DAY, before the undersigned authority, personally appeared George W. Presses, who, being first duly sworn, deposes and states:

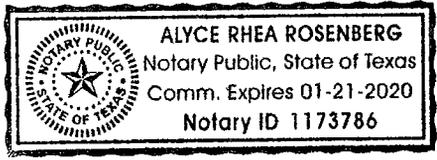
1. My name is George W. Presses. I am the Vice President for Fuel and Energy for H-E-B, LP.

2. I am at least 21 years of age, fully competent, and authorized to make the statements herein and in the Direct Testimony of George W. Presses filed in the above-styled proceeding.

3. Statements made by me in my Direct Testimony, to which this Affidavit is attached, are true and correct to the best of my knowledge and belief, and the opinions stated therein are, based on my judgment and my professional experience, true and correct.


George W. Presses

Subscribed and sworn before me on this 4th day of June 2019.



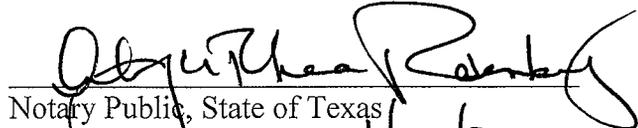

Notary Public, State of Texas
My Commission Expires: 1/21/20



EXHIBIT GWP - 1

HIGHLY SENSITIVE CONFIDENTIAL PROTECTED
MATERIALS SUBMITTED SEPARATELY UNDER SEAL
PURSUANT TO THE PROTECTIVE ORDER IN THIS PROCEEDING

- 30 -

DIRECT TESTIMONY OF GEORGE W. PRESSES
H-E-B, LP
SOAH DOCKET NO 473-19-3864 • PUC DOCKET NO. 49421



EXHIBIT GWP - 2

HIGHLY SENSITIVE CONFIDENTIAL PROTECTED
MATERIALS SUBMITTED SEPARATELY UNDER SEAL
PURSUANT TO THE PROTECTIVE ORDER IN THIS PROCEEDING

4847-6441-3080 v.2

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DIRECT TESTIMONY OF GEORGE W. PRESSES
H-E-B, LP
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