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

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

Direct Testimony and Exhibits

of

BILLIE S. LACONTE

On Behalf of

Texas Industrial Energy Consumers

June 3, 2019

J. POLLOCK
INCORPORATED

417

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AFFIDAVIT OF BILLIE S. LACONTE

State of Missouri)
) **SS**
County of St. Louis)

Billie LaConte, being first duly sworn, on his oath states:

1. My name is Billie S. LaConte. I am an energy advisor and Associate Consultant at J. Pollock, Incorporated, 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141. We have been retained by Texas Industrial Energy Consumers to testify in this proceeding on its behalf;

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony, Exhibits and Appendices A and B, which have been prepared in written form for introduction into evidence in SOAH Docket No. 473-19-3864 and Public Utility Commission of Texas Docket No. 49421; and,

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.

Billie S. LaConte

Subscribed and sworn to before me this 6th day of June 2019.

KITTY TURNER
Notary Public - Notary Seal
State of Missouri
Commissioned for Lincoln County
My Commission Expires: April 25, 2023
Commission Number: 15390610

Kitty Turner, Notary Public
Commission #: 15390610

My Commission expires on April 25, 2023.

GLOSSARY OF ACRONYMS

Term	Definition
ADIT	Accumulated Deferred Income Taxes
ARAM	Average Rate Assumption Method
CenterPoint	CenterPoint Energy Houston Electric, LLC
DCRF	Distribution Cost Recovery Factor
EDIT	Excess Deferred Income Taxes
LTI	Long-Term Incentive Compensation
O&M	Operations and Maintenance
Rider UEDIT	Unprotected Excess Deferred Income Tax Rider
STI	Short-Term Incentive Compensation
TCJA	Tax Cuts and Jobs Act
TCRF	Transmission Cost Recovery Factor
TIEC	Texas Industrial Energy Consumers

DIRECT TESTIMONY OF BILLIE S. LACONTE

1. INTRODUCTION, QUALIFICATIONS AND SUMMARY

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Billie S. LaConte; 12647 Olive Blvd., Suite 585; St. Louis, Mo., 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A. I am an energy advisor and Associate Consultant at J. Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I have a Bachelor of Arts degree in Mathematics from Boston University and a Master's degree in Business Administration from Washington University. Since graduation in 1995, I have been engaged in a variety of consulting assignments, including energy and regulatory matters in both the United States and several Canadian provinces. My qualifications are documented in **Appendix A.** A list of my appearances is provided in **Appendix B** to this testimony.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Texas Industrial Energy Consumers (TIEC).

Q WHAT ISSUES ARE YOU ADDRESSING IN YOUR TESTIMONY?

A. I will discuss two of the proposals presented by CenterPoint Energy Houston Electric, LLC (CenterPoint), including:

- The Unprotected Excess Deferred Income Tax Rider (Rider UEDIT); and
- The recovery of certain incentive compensation expenses.

Q DOES THE FACT THAT YOU ARE NOT ADDRESSING EVERY POTENTIAL ISSUE IN THIS PROCEEDING IN ANY WAY IMPLY YOUR ACCEPTANCE OF ALL OF CENTERPOINT'S PROPOSALS?

A. No.

Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes. I am sponsoring **Exhibits BSL-1** and **2**. These exhibits were prepared by me or under my direction and supervision.

Summary

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. My recommendations are as follows:

- CenterPoint's proposed Rider UEDIT (unprotected excess deferred income taxes) should be modified to return unprotected excess deferred income taxes (EDIT) more quickly, which would increase the refund to at least $71.3 million during the first year. My proposed modifications include:
    - amortizing and returning the unprotected excess deferred income taxes over two years; and
    - amortizing the first year of reclassified protected excess deferred income taxes over one year.
- CenterPoint has included $20.3 million of short-term incentive compensation (STI) related to financial goals in its revenue requirement. The Commission should disallow STI related to achieving financial goals because these expenses benefit only shareholders.
- CenterPoint has also included all of its long-term incentive compensation (LTI), or $11.3 million, in its revenue requirement, which is solely related to financial goals. Again, because the LTI expenses benefit shareholders only, the Commission should disallow the LTI in its entirety.

2. UNPROTECTED EXCESS DEFERRED INCOME TAX RIDER

Q PLEASE DESCRIBE THE COMMISSION'S ORDER IN PROJECT NO. 47945 REGARDING THE RATE IMPACT OF THE TAX CUTS AND JOBS ACT.

A The Commission ordered CenterPoint (among other utilities) to record as a regulatory liability two items to recognize the impact of the TCJA. These are:

(1) the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates; and

(2) the balance of excess accumulated deferred income taxes that now exists because of the decrease in the federal income tax rate from 35% to 21%.[1]

Q HOW HAS THE TAX CUTS AND JOBS ACT AFFECTED CENTERPOINT'S PROPOSED REVENUE REQUIREMENT?

A. The specific impacts of the TCJA on CenterPoint's test-year revenue requirements include:

- Lowering current and deferred federal income tax expenses;
- Lowering the tax "gross-up" factor used to translate a net operating income deficiency into a corresponding revenue deficiency or increase;
- Requiring CenterPoint to: (1) revalue the ADIT balance, which was accumulated at the 35% pre-TCJA tax rate, at the current 21% tax rate; (2) place the EDIT in a regulatory liability account; and (3) return the EDIT to the customers that funded it in their past electricity bills.

[1] *Proceeding to Investigate and Address the Effects of Tax Cuts And Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Order Related To Changes In Federal Income Tax Rates at 2-3 (Jan. 25, 2018).

Q IS CENTERPOINT PROPOSING TO REFLECT THE IMPACT OF THE TAX CUTS AND JOBS ACT IN THIS CASE?

A. Yes. The Tax Cuts and Jobs Act (TCJA), which became effective on January 1, 2018, lowered the federal corporate income tax rate from 35% to 21%. Thus, CenterPoint's income tax expense has decreased, which is reflected in the proposed rates. CenterPoint accounted for the difference between revenue collected under the existing rates and the revenue that would have been collected if existing rates had been set using the revised income tax rate in its DCRF and TCRF filings in 2018. CenterPoint is now proposing Rider UEDIT to reflect the impact of the TCJA on the balance of CenterPoint's EDIT. Through Rider UEDIT, CenterPoint proposes to return to customers unprotected EDIT. The refund of the protected EDIT will occur over a longer period of time through a reduction in base rates.

Q WHAT ARE ACCUMULATED DEFERRED INCOME TAXES (ADIT)?

A. ADIT are income taxes that CenterPoint has already collected in rates but has not yet paid to the government. They represent ratepayer-supplied capital; that is, customers have already paid the ADIT in their past electricity bills. Further, these future tax expenses were accumulated on the assumption that the corporate federal income tax rate would remain at 35%.

Q WHAT ARE EXCESS ACCUMULATED DEFERRED INCOME TAXES?

A. EDIT are the portion of ADIT that CenterPoint will not pay due to the reduction in the corporate federal income tax rate from 35% to 21%. As a result, CenterPoint recorded EDIT as a regulatory liability.

Q HOW DOES CENTERPOINT PROPOSE TO REFLECT THE IMPACT OF THE TAX CUTS AND JOBS ACT ON THE BALANCE OF ITS EXCESS ACCUMULATED DEFERRED INCOME TAXES?

A. CenterPoint has proposed Rider UEDIT as a vehicle to return EDIT to customers. Through Rider UEDIT CenterPoint proposes to return to customers *unprotected* EDIT. The refund of the *protected* EDIT will occur over a longer period of time through a reduction in base rates.

Q WHAT ARE CENTERPOINT'S EDIT BALANCES?

A CenterPoint's EDIT balances are:

Table 1[2]
CenterPoint EDIT Balances
($Millions)

Description	EDIT 12/31/2018	Regulatory Asset/(Liability) 12/31/2018
Protected	$562.5	($718.5)
Unprotected PP&E	$100.8	($128.5)
Unprotected Other	($17.2)	$23.1
Total	$646.1	($823.9)

Q WHAT ARE THE COMPONENTS OF CENTERPOINT'S PROPOSED RIDER UEDIT?

A. Table 2 summarizes the components of CenterPoint's proposed Rider UEDIT.

[2] Direct Testimony of Charles W. Pringle at 19.

Table 2[3] CenterPoint Proposed Rider UEDIT Balances and Amortization	
Description	**Amount**
Unprotected EDIT	($23,795,720)
Unprotected EDIT PP&E	($104,733,844)
Unprotected EDIT Other	$23,080,495
Total EDIT Unprotected	($105,449,495)

Q HOW MUCH IS CENTERPOINT PROPOSING TO REFUND IN RIDER UEDIT DURING ITS FIRST YEAR?

A. If approved, CenterPoint's proposal would refund approximately $42.6 million during the first year of Rider UEDIT (including the income tax gross up).[4]

Q HOW IS CENTERPOINT PROPOSING TO REFUND THE EDIT?

A. CenterPoint is proposing to refund all $718.5 million of *protected* EDIT consistent with the average rate assumption method (or ARAM). The ARAM method amortizes the protected EDIT over the regulatory life of an asset. The *unprotected* EDIT would be refunded over three years.

Q WHY AMORTIZE EDIT OVER DIFFERENT TIME PERIODS?

A. The TCJA requires that the ARAM be used to refund EDIT that are designated as protected. For CenterPoint, the ARAM would result in amortizing $18.7 million per

[3] CenterPoint Response to GCCC01-06, Attachment 1.

[4] *Id.*

year of protected EDIT over approximately 30 years.[5] However, the TCJA has no similar requirements applicable to a utility's EDIT that are designated unprotected. Thus, unprotected EDIT can be refunded to customers over any period deemed reasonable by the Commission.

Q **PLEASE COMMENT ON CENTERPOINT'S PROPOSAL TO RECLASSIFY A PORTION OF PROTECTED EDIT TO THE UNPROTECTED EDIT BALANCE.**

A CenterPoint is transferring approximately $18.7 million of protected EDIT to the unprotected balance because it has not been refunded to customers and is available to be refunded.[6] The reclassified amount will be refunded using Rider UEDIT over three years.

Q **IS CENTERPOINT'S PROPOSED THREE-YEAR AMORTIZATION OF THE RECLASSIFIED EDIT REASONABLE?**

A No. The $18.7 million EDIT would have been refunded over one year if it had not been reclassified.

Q **IS CENTERPOINT'S PROPOSED THREE-YEAR AMORTIZATION OF THE UNPROTECTED EDIT BALANCE NECESSARY OR REASONABLE?**

A. No. First, a three-year amortization is not required. Absent a statutory requirement otherwise (like the TCJA's requirement for amortizing protected EDIT), customer supplied capital should be returned reasonably promptly. Second, the TCJA is an

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[5] Schedule II-E-3.19.

[6] Direct Testimony of Charles W. Pringle at 17-18.

extraordinary once-in-a-generation change in the tax law — the last time a similar tax law change was enacted was in 1986. Among the TCJA's primary objectives is to put money back into customers' pockets to encourage new investment, thereby helping the national economy to grow at a faster pace. If CenterPoint is allowed to refund the unprotected EDIT over three years, customers will not receive the full refunds until the end of 2022, or five years after the enactment of the TCJA.

EDIT was financed by CenterPoint's customers and those customers are entitled to be fully compensated for the excess income taxes they have previously paid. The majority of the EDIT are protected. Thus, customers will have to wait several decades to receive their full benefit. Obviously, many customers that helped finance the current protected EDIT will not be around at the end of the 30-year amortization period. Particularly since protected EDIT cannot be passed back to customers any quicker, there is a compelling reason to require CenterPoint to refund the entirety of the unprotected EDIT balance over as short a time period as reasonably possible.

Q ARE YOU AWARE OF ANY OTHER UTILITIES THAT ARE CURRENTLY REFUNDING UNPROTECTED EDIT TO THEIR RETAIL CUSTOMERS OVER VERY SHORT TIME PERIODS?

A. Yes. For example, Entergy Arkansas, Inc., is refunding $466 million of unprotected EDIT over a period ranging from 7 to 21 months.[7] Similarly, Gulf Power Company

[7] *In the Matter of the Application of Entergy Arkansas, Inc. for a Proposed Tariff Revision Regarding the Request for Approval of a Tax Adjustment Rider to Provide Tax Benefits to its Retail Customers*, Docket No. 18-014-TF, Order No. 2 at 3 (Mar. 27, 2018).

refunded $69 million of unprotected EDIT during 2018.[8]

Q WHAT DO YOU RECOMMEND?

A. I recommend that the Commission modify CenterPoint's proposed Rider UEDIT. CenterPoint's proposal uses an unreasonably long amortization period to return unprotected EDIT to customers and inappropriately refunds the reclassified protected EDIT over an unreasonable amortization period as well. My recommendations include:

- **Unprotected EDIT** – All unprotected EDIT should be amortized and returned to customers over a period not to exceed two years.
- **Reclassified EDIT** – The reclassified protected EDIT should be amortized and returned to customers over one year.

Applying these adjustments would result in a refund of $71.3 million during the first year of the rider. The refund during the second and final year would be approximately $43.3 million. The derivation of my recommended Rider UEDIT is provided in **Exhibit BSL 1**.

[8] *In re: Consideration of the Stipulation and Settlement Agreement between Gulf Power Company , the Office of Public Counsel, Florida* Industrial *Power Users Group, and Southern Alliance for Clean Energy regarding the Tax Cuts and Jobs Act of 2017*, Docket No. 20180039-EI, Final Order Approving Joint Motion to Approve Stipulation and Settlement Agreement at 2 (Apr. 12, 2018).

3. INCENTIVE COMPENSATION

Q WHAT IS MEANT BY INCENTIVE COMPENSATION?

A. Incentive compensation is additional compensation paid to employees to encourage certain behavior and/or results. It is paid as a reward to an individual and/or business group contingent upon achieving pre-established goals and objectives.

Q WHY IS INCENTIVE COMPENSATION AN ISSUE IN SETTING RATES?

A Not all incentive compensation benefits customers. As I discuss below, incentive compensation based on achieving certain operational goals may be a reasonable and necessary expense that may benefit customers. However, incentive compensation targeted to achieve certain financial goals is only for the benefit of shareholders and provides little, if any, benefit to customers. In fact, certain activities may benefit shareholders at customers' expense. Thus, this type of incentive compensation should not be charged to customers.

Q HOW HAS THIS COMMISSION TREATED INCENTIVE COMPENSATION IN THE PAST?

A The Commission has disallowed incentive compensation amounts that are targeted to achieve financial goals. For example, in Docket No. 43695, the Commission stated:

> It is well-established that a utility may not include in its rates the costs of incentives that are tied to financial-performance measures.[9]

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[9] *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order at 5 (Dec. 18, 2015). See also, *Order on Rehearing* at 5 (Feb. 23, 2016).

In a more recent Order, the Commission ruled:

> The Commission has repeatedly ruled that a utility cannot recover the cost of financially-based incentive compensation because financial measures are of more immediate benefit to shareholders and financial measures are not necessary or reasonable to provide utility services.[10]

Based on the Commission's comments in previous Orders, it is apparent that CenterPoint should be denied recovery of financially-based incentive compensation from its customers.

Q DO OTHER REGULATORY COMMISSIONS ALSO EXCLUDE INCENTIVE COMPENSATION RELATED TO ACHIEVING FINANCIAL GOALS IN SETTING RATES?

A Yes. For example, the Public Service Commission of Maryland has disallowed the portion of incentive compensation tied to financial goals. Specifically, in a Potomac Edison Company rate case, the Commission stated:

> The Commission is not directing Potomac Edison to discontinue its incentive programs; the financial goals of these programs appear to benefit the Company's shareholders. However, the Commission is charged with determining which expenses should reasonably be passed on to ratepayers and the Commission will continue to disallow costs associated with financial-related goals as not benefitting ratepayers.[11]

The Ohio Public Utilities Commission reached a similar conclusion in a case involving Duke Energy Ohio. The Commission found:

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[10] *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing at FoF 194 (Mar. 19, 2018).

[11] *In the Matter of the Application of The Potomac Edison Company for Adjustments to Its Retail Rates for the Distribution of Electric Energy*, Case No. 9490, Order at 40 (Mar. 22, 2019).

> While not all of the performance goals may be explicitly tied to financial objectives, they are correlated with Duke's bottom line and meeting shareholder interests (See e.g. 2016 Recovery Case, Duke Comments, att. A at 40, Oct. 11, 2018). Thus, the Commission finds Staff appropriately excluded these expenses.[12]

Similarly, in a case involving El Paso Electric Company, the New Mexico Public Regulation Commission excluded the portion of incentive compensation related to financial goals, stating that its "general policy is to exclude financially-driven incentive compensation."[13]

Q WHAT INCENTIVE COMPENSATION PLANS DOES CENTERPOINT OFFER ITS EMPLOYEES?

A CenterPoint has two primary types of incentive compensation plans:

1. Short-Term Incentive Plan; and
2. Long-Term Incentive Plan.

Q IS CENTERPOINT PROPOSING TO RECOVER COSTS INCURRED UNDER VARIOUS INCENTIVE COMPENSATION PROGRAMS IN BASE RATES?

A Yes. CenterPoint has included $40.7 million of incentive compensation expenses in the test year as shown on **Exhibit BSL-2**.

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[12] *In the Matter of the Application of Duke Energy Ohio, Inc. for Recovery of Program Costs, Lost Distribution Revenue, and Performance Incentives Related to its Energy Efficiency and Demand Response Programs*, Case Nos. 16-664-EL-RDR, 17-781-EL-RDR, Finding and Order at 3 (May 15, 2019).

[13] *In the Matter of the Application of El Paso Electric Company for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 2436*, Case No. 15-00127-UT, Final Order Partially Adopting Recommended Decision at FoF 100 (Jun. 8, 2016).

Q SHOULD CENTERPOINT BE ALLOWED FULL RECOVERY OF ALL INCENTIVE COMPENSATION PAYMENTS?

A No. Incentive compensation that is based on achieving certain financial goals should be disallowed on the basis that it benefits only shareholders and not customers.

Q WHAT IS THE SHORT-TERM INCENTIVE PLAN?

A The STI provides for annual payout based on the achievement of financial and operational targets.

Q WHAT PERFORMANCE GOALS TRIGGER PAYOUTS UNDER STI?

A In general, the payouts under the STI are based on financial measures of operating income, earnings per share, operating measures of operations and maintenance (O&M) expenditures, customer satisfaction, and safety.[14] As can be seen in **Exhibit BSL-2**, the STI accounted for $29.5 million of test-year expenses.

Q HOW IS THE FUNDING LEVEL AMOUNT FOR THE STI DETERMINED?

A The funding level for the STI is based on a weighting of individual goals. Table 3 summarizes the weighting applied to each goal.

Table 3
Test Year Short-Term Incentive Funding by Goals[15]

Type of Goal	Goal Description	Percent of STI
Financial	CNP Core Operating Income	38.4%
Financial	CNP Consolidated Diluted Earnings per Share	30.5%
Operational	CNP Operations and Maintenance Expenditures	13.7%
Operational	Customer Satisfaction Composite	7.1%
Operational	CNP Safety Composite	10.2%

[14] Direct Testimony of Lynne Harkel-Rumford at 22.

[15] *Id.* at 26; Schedule II-D.3.6.1 (redacted).

Q WHAT PORTION OF THE TEST-YEAR STI GOALS IS SOLELY RELATED TO ACHIEIVING FINANCIAL OBJECTIVES?

A The financial goals of overall core operating income and earnings per share solely benefit shareholders. Accordingly, the portion of STI expenses associated with this goal (69%) should be disallowed. On the other hand, the Commission should allow recovery of expenses associated with achieving overall company operations and maintenance (O&M) expenditures, customer satisfaction and safety because cost containment is a customer benefit.

Q WHAT DO YOU RECOMMEND FOR STI EXPENSES?

A I recommend that the Commission disallow 69% of the proposed CenterPoint STI expenses. These account for \$20.3 million of the \$29.5 million of STI expense proposed for the test year. The derivation of the \$20.3 million is shown on line 2 of **Exhibit BSL-2**.

Q WHAT IS THE LONG-TERM INCENTIVE PLAN?

A The LTI provides for annual common stock grants based on the achievement of financial targets.

Q WHAT PERFORMANCE GOALS TRIGGER PAYOUTS UNDER THE LTI?

A The LTI goals are based on the total shareholder return and operating income.[16] As shown in **Exhibit BSL-2**, the LTI accounts for \$11.3 million of test-year expenses.

[16] Direct Testimony of Lynne Harkel-Rumford at 30.

Q ARE THESE GOALS ESSENTIALLY FINANCIAL BASED GOALS THAT BENEFIT ONLY SHAREHOLDERS?

A Yes. As stated by Ms. Harkel-Rumford:

> LTI pay is a variable compensation component that rewards participates with shares of CNP stock called performance shares, based on the achievement of predetermined goals measured over three-year overlapping performance periods. LTI pay also rewards participants with shares of CNP stock called restricted stock awards.[17]

Shareholder return and earnings can be impacted by operational measures and cost containment, which can benefit customers. However, CenterPoint chose to make LTI goals only dependent on parameters that directly benefit *shareholders*. Instead of basing the LTI goals on measures that can benefit customers, such as O&M cost containment, reliability, and safety, as the STI is, the LTI is based on measures that only benefit shareholders.

Q WHAT DO YOU RECOMMEND FOR LTI EXPENSES?

A I recommend that the Commission disallow 100% of the proposed LTI expenses. These account for $11.3 million of expenses proposed for the test year. Combined with the STI disallowance of $20.3, I recommend the Commission disallow $31.6 million of incentive compensation expenses. The derivation of the $31.6 million is shown in column 3 of **Exhibit BSL-2**.

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A The Commission should disallow $31.6 million of incentive compensation consisting of 69% of the test-year STI expenses and 100% of the test-year LTI expenses.

[17] *Id.*

4. CONCLUSION

Q PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. The Commission should accept the following recommendations:

- For the proposed Rider UEDIT, amortize all unprotected EDIT over two years and amortize the reclassified protected EDIT over one year. This would make the amount of the credit in Rider UEDIT in the first year $71.3 million instead of the $42.6 million proposed by CenterPoint.
- Disallow $31.6 million of incentive compensation that is related to achieving financial goals, consistent with past precedent and practice.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

APPENDIX A
Qualifications of Billie S. LaConte

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Billie S. LaConte. My business mailing address is 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and am currently employed by J. Pollock, Incorporated as Associate Consultant.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Arts Degree in Mathematics from Boston University and a Masters in Business Administration from Washington University.

Upon graduation in May 1995, I joined Drazen Consulting Group, Inc. (DCGI). DCGI was incorporated in 1995 assuming the utility rate and economic consulting activities of Drazen Associates, Inc., active since 1937. I joined J.Pollock in May 2015.

During my tenure at DCGI and J.Pollock my work has focused on revenue requirement issues, cost of capital (return on equity and capital structure), integrated resource plans, formula rate plans, asset management agreements, cost allocation, rate design, sales and price forecasts, power cost forecasting, electric restructuring issues and contract interpretation.

I have been engaged in a wide range of consulting assignments including energy and regulatory matters in both the United States and several Canadian provinces. This has included advising clients on economic and strategic issues concerning the natural gas pipeline, oil pipeline, electric, wastewater and water utilities. I have prepared cost allocation and rate design studies to provide timely support to clients engaged in settlement negotiations in electric and gas utilities, provided power cost forecasting studies to assist clients in project planning and negotiated contracts with electric utilities for standby services and interruptible rates. I have also prepared studies on electric and gas utilities' performance-based rates (PBR) and benchmarking programs to evaluate their success and to provide recommendations on methods to be used. I worked on contract interpretation to resolve contract disputes for several clients. I have provided financial and cost of service analysis for natural gas pipelines certificate approval from the Federal Energy and Regulatory Commission (FERC) and the Canadian National Energy Board (NEB).

I have worked on various projects located in many states and several Canadian provinces including Alberta, British Columbia, Saskatchewan, Nova Scotia and Quebec. I have testified before the state regulatory commissions of Arkansas, Iowa, Michigan, Minnesota, Missouri, New Mexico, Pennsylvania, and South Carolina, and the provincial regulatory boards of Alberta and Nova Scotia. I similarly have appeared before the St. Louis Metropolitan Sewer District Commission.

Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.

A J. Pollock assists clients to procure and manage energy in both regulated and competitive markets. The J. Pollock team also advises clients on energy and regulatory issues. Our clients include commercial, industrial and institutional energy customers. J. Pollock is a registered Class I aggregator in the State of Texas.

Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY LOUISIANA, LLC	Occidential Chemical Corporation	U-35130	Direct	LA	Fuel Tracking Mechanism	5/10/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	20322	Rebuttal	MI	Return on Equity	4/26/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	18-057	Supplemental Surrebuttal	AR	Gas Distribution Uprstream Services Contracting Process	4/23/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	18-057	Surrebuttal	AR	Gas Distribution Uprstream Services Contracting Process	4/12/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	20322	Direct	MI	Return on Equity; Capital Structure; Project vs Historical Test Year; Earnings Sharing Mechanism	4/5/2019
DUKE ENERGY PROGRESS, LLC	Nucor Steel - South Carolina	2018-318-E	Direct	SC	Excess Deferred Income Tax Rider, Post-Test Year Adjustments, Coal Ash Pond Closure Expense, End-of-Life Nuclear Costs, Regulatory Assets, Return on Equity and Equity Ratio	3/4/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Direct	AR	Gas Distribution Uprstream Services Contracting Process	2/12/2019
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2018
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct	AR	Formula Rate Plan Tariff, Long-Term Debt Cost and Preferred Equity; Projected Year Capital Additions, Historical Year Capital Additions	10/4/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	20134	Rebuttal	MI	Return on Equity	10/1/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	20134	Direct	MI	Return on Equity, Capital Structure and Long-Term Debt Cost, Investment Recovery Mechanism Excess Sharing Mechanism	9/10/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Opposition	AR	Opposition to Settlement Agreement	8/3/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017, Forecast Revenues, Uncollectible Expense, Pipeline Integrity Assessment and Remediation Expense	7/2/2018
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	17-052	Surrebuttal	AR	Utility Restructuring Costs and Tax Effects	5/31/2018
PUBLIC SERVICE COMPANY OF NEW MEXICO	City of Farmington, New Mexico, Board of County Commissioners for San Juan County	17-00174	Direct	NM	Integrated Resource Plan, Future of San Juan Generation Station	5/4/2018
ENTERGY ARKANSAS, INC and CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Electric Energy Consumers, Inc. and Arkansas Gas Consumers, Inc	18-006	Direct	AR	Effect on Revenue Requirement due to 2017 Tax Cuts and Jobs Act	3/29/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	18424	Rebuttal	MI	Rate of Return	3/21/2018
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	18-014-TF	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017 and Tax Adjustment Rider	3/19/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	18424	Direct	MI	Rate of Return, Capital Structure	2/28/2018

Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc	17-050-U	Surrebuttal	AR	Asset Management Agreement Proposal	1/12/2018
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc	17-050-U	Direct	AR	Asset Management Agreement Proposal	12/8/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/31/2017
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Direct	AR	Forecast Revenues, Cost of Debt, Revenue Requirement and Capital Additions	10/4/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	18322	Rebuttal	MI	Return on Equity	9/7/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	18322	Direct	MI	Return on Equity, Capital Structure	8/10/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc	17-010-FR	Direct	AR	Rate of Return, Capital Structure, Labor Expense	7/3/2017
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	16-036-FR	Settlement Support	AR	Support of Settlement	10/24/2016
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Rate of Return, Forecast Revenue, Capitalization	9/30/2016
METROPOLITAN EDISON COMPANY; PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPII	2016-2537349, 2016-2537352, 2016-2537359	Surrebuttal	PA	Return on Equity	8/31/2016
METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPII	2016-2537349, 2016-2537352, 2016-2537359	Direct	PA	Return on Equity	7/22/2016
NORTHERN STATES POWER	Xcel Large Industrials	15-826	Direct	MN	Return on Equity, Multi-Year Rate Plan	6/14/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc.	15-098-U	Surrebuttal	AR	Return on Equity, Formula Rate Plan, Capital Structure	6/7/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc	15-098-U	Direct	AR	Return on Equity, Captial Structure	4/14/2016
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Rebuttal	MO	Return on Equity	1/19/2012
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Direct	MO	Return on Equity	11/17/2011
METROPOLITAN ST LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Supplemental	MO	Rate Model	9/16/2011
METROPOLITAN ST LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Surrebuttal	MO	Rate Increase, CIRP, Consent Decree	8/19/2011
METROPOLITAN ST LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Rebuttal	MO	Rate Increase, CIRP, Consent Decree	7/18/2011

Appendix B

Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
AMEREN UE	Missouri Energy Group	ER-2011-0028	Surrebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	4/15/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Rebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	3/25/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Direct	MO	Return on Equity	2/8/2011
AMEREN UE	Missouri Energy Group	EO-2010-0255	Direct	MO	Prudence Audit of FAC Periods 1 and 2	11/22/2010
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	09-084-U	Direct - In Support	AR	Supporting the Proposed Settlement Agreement	5/11/2010
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc	09-084-U	Surrebuttal	AR	Return on Equity	4/14/2010
ENTERGY ARKANSAS, INC	Arkansas Electric Energy Consumers, Inc.	09-084-U	Direct	AR	Return on Equity	2/26/2010
AMEREN UE	Missouri Energy Group	ER-2010-0036	Direct	MO	Energy Efficiency Costs	12/18/2009
AMEREN UE	Missouri Energy Group	ER-2008-0318	Surrebuttal	MO	Return on Equity	11/5/2008
AMEREN UE	Missouri Energy Group	ER-2008-0318	Direct	MO	Return on Equity, Off-System Sales	8/28/2008
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Long-Term Financial Plan, Capital Financing	5/2/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Surrebuttal	MO	Return on Equity, Interruptible Demand, Response Pilot	2/27/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Interruptible Rate	12/29/2006
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Return on Equity, Off-System Sales, Sharing Mechanism, 10% Cap on Residentials	12/15/2006
AMEREN UE	Missouri Energy Group	EA-2005-0180	Rebuttal	MO	Economic Analysis	1/31/2005
NOVA SCOTIA POWER INC.	Avon Valley Greenhouses	NSUARB-P-881	Direct	NS	Cost of Capital	10/12/2004
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Surrebuttal	MO	Working Capital, Return on Equity, Cost Allocation	12/5/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Rebuttal	MO	Rate Design	11/10/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Direct	MO	Return on Equity, Acquisition Adjustment, Cash Working Capital	10/3/2003
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Direct	MO	Revenue Requirement, Financial Planning	4/22/2003
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Surrebuttal	IA	Revenue Requirement, Return on Equity	9/19/2002

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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Capital Financing	8/13/2002
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Captial Financiaing, Cost Allocation	7/28/2002
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Direct	IA	Revenue Requirement, Return on Equity	7/26/2002
METROPOLITAN ST LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Revenue Requirement, Capital Financing	7/10/2002

CENTERPOINT ENERGY HOUSTON ELECTRIC
Rider UEDIT
($000)

Line	Description	Proposed Test Year Expense Year 1	Revised Test Year Expense Year 1
		(1)	(2)
1	Unprotected EDIT Liberalized Depreciation Amortization	($7,931,907)	($23,795,720)
2	Unprotected EDIT PP&E Amortization	($34,911,281)	($52,366,922)
3	Unprotected EDIT Other Amortization	$7,693,498	$11,540,248
4	Total	($35,149,690)	($64,622,394)
5	Impact of Change to Rate Base on Revenue Requirement	($7,294,061)	($6,564,655)
6	Tax Credit (Expense) due to Interest Expense	($128,090)	($137,422)
7	Impact to Base Rate Revenues	($42,571,841)	($71,324,471)

Source: Response to GCCC01-06 Attachment 1.

CENTERPOINT ENERGY HOUSTON ELECTRIC
Annual Incentive Compensation Plans
($000)

Line	Description	Proposed Test Year Expense	Percent Related To Financial Income Goals	Recommended Disallowance
		(1)	(2)	(3)
1	Long-Term Incentive	$11,250	100%	$11,250
2	Short-Term Incentive	$29,462	69%	$20,317
3	Total	$40,712		$31,567

Source: Response to TIEC 1-9 and Schedule II-D-3.6.1a.