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

REBUTTAL TESTIMONY

OF

JEFFREY S. MYERSON

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

June 2019

594¹

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LIST OF EXHIBITS

Exhibit R-JSM-1	CenterPoint Energy, Inc. Company History
Exhibit R-JSM-2	Response to PUC02-18 (HIGHLY SENSITIVE)

REBUTTAL TESTIMONY OF JEFFREY S. MYERSON

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. My name is Jeffrey S. Myerson, and I am employed by CenterPoint Energy Service Company (“Service Company”), a subsidiary of CenterPoint Energy, Inc. (“CNP”), as Director of the Integration Management Office (“IMO”). I was hired by Houston Lighting & Power in 1981 immediately after graduation from Purdue University. I earned a Master’s in Business Administration from the University of Houston in 1988. My early career involved work as a licensed professional land surveyor, and I later moved into a role implementing and managing an enterprise Geographic Information System (“GIS”) for the regulated electric and gas businesses of CNP across six states.

Since then, my roles have included Director of Land & Field Services, with responsibilities for surveying, right-of-way management, joint use of electric facilities, GIS, and underground line locating across the regions in the six states served by Regulated Operations; Director of AMS Integration, responsible for the successful integration of technologies, organizations, processes, and communications through monitoring, diagnostics, performance analysis, and environment testing of AMS; Director of Smart Grid Deployment, with responsibility to oversee the integration of the AMS and Intelligent Grid (“IG”) projects, and with responsibility for governance activities including project planning, tracking and reporting; communications; risk management; financial reporting; program integration; end-to-end system performance monitoring; and

1 issue resolution; Service Area Director, with responsibilities for the South Houston
 2 service area of CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston”
 3 or the “Company”) Distribution Operations; and Senior Director of Technology
 4 Operations with responsibilities for enterprise application environments including
 5 SAP and Oracle Fusion, analytics and technology portfolio and project
 6 management. In June 2018, I moved into my current role.

7 **Q. WHAT IS YOUR CURRENT POSITION AND WHAT ARE YOUR JOB**
 8 **RESPONSIBILITIES?**

9 A. In June, 2018, I became Director of the IMO, with responsibility to oversee and
 10 manage the integration activities of CNP, the parent of CenterPoint Houston, with
 11 Vectren Corporation (“Vectren”), and with responsibility for planning,
 12 implementing, managing, and reporting on progress related to the integration
 13 activities. These activities including project planning, tracking and reporting;
 14 communications; risk management; financial reporting; integration; and issue
 15 resolution. My rebuttal testimony in this proceeding relates to my role as Director
 16 of the IMO.

17 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

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

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
 20 **PROCEEDING?**

21 A. I respond to the direct testimony of Gulf Coast Coalition of Cities (“GCCC”)
 22 witness Lane Kollen and his proposals to either establish a “Merger Savings Rider”
 23 or make an adjustment to the Company’s test year costs related to the Vectren
 24 acquisition. In addition, I respond to Public Utility Commission of Texas

1 (“Commission”) Staff witness. Mark Filarowicz and his proposal to recognize gross
 2 labor savings associated with the post-test year restructuring following the Vectren
 3 acquisition, as a known and measurable change. In each instance, I discuss Vectren
 4 acquisition related savings and the costs to achieve those savings (“costs to
 5 achieve”). My testimony demonstrates that net savings related to the Vectren
 6 acquisition are not known and measurable at this time and that CNP is currently
 7 incurring significant costs to achieve future savings. In addition, my testimony
 8 shows that both Mr. Kollen’s and Mr. Filarowicz’s proposals to address potential
 9 savings from the Vectren acquisition are extraneous and inapplicable and that the
 10 existing regulatory construct is already in place to address any net savings that may
 11 accrue to CenterPoint Houston during the interim period between this proceeding
 12 and 2023, the Company’s next expected base rate proceeding.

13 **Q. HAVE YOU INCLUDED ANY EXHIBITS WITH YOUR TESTIMONY?**

14 A. Yes. I supervised the preparation of the exhibits listed in the table of contents.

15 **II. INTERVENOR AND STAFF PROPOSALS RELATED TO VECTREN**

16 **Q. PLEASE DESCRIBE MR. KOLLEN’S PROPOSALS RELATED TO**
 17 **VECTREN.**

18 A. Mr. Kollen’s primary recommendation is to establish a rider that would remain in
 19 effect until savings associated with the integration of Vectren and CNP can be
 20 reflected in the Company’s base revenue requirement through its next base rate
 21 proceeding. [REDACTED]

22 [REDACTED]

23 [REDACTED] Alternatively, he appears to propose adjusting test year

1 cost of service by the estimated first year acquisition related savings as a “known
2 and measurable” adjustment.

3 **Q. PLEASE DESCRIBE MR. FILAROWICZ’S PROPOSAL RELATED TO**
4 **VECTREN.**

5 A. Mr. Filarowicz proposes [REDACTED]
6 [REDACTED] following the
7 Vectren acquisition as a known and measurable change applicable to the
8 Company’s test year cost of service.

9 **Q. ARE EITHER OF MR. KOLLEN’S OR MR. FILAROWICZ’S PROPOSALS**
10 **RELATED TO ANTICIPATED VECTREN SAVINGS REASONABLE?**

11 A. No. As detailed below, Mr. Kollen’s proposals ignore the fact that, before savings
12 related to the acquisition of Vectren can occur, significant costs must be incurred
13 on the front-end to achieve any potential resulting savings. Last year, this year, and
14 for at least the next couple of years, the costs to achieve future savings are expected
15 to offset some or all of the amount of savings being realized as a result of CNP’s
16 synergy efforts. Additionally, CNP does not expect substantial direct savings for
17 CenterPoint Houston. [REDACTED]

18 [REDACTED]
19 [REDACTED]

20 [REDACTED] Further, both proposals
21 ignore the current regulatory construct surrounding CenterPoint Houston, which
22 will appropriately address any potential net acquisition savings that may accrue to
23 CenterPoint Houston.

III. SAVINGS AND COSTS TO ACHIEVE SAVINGS

Q. PLEASE BRIEFLY DESCRIBE THE VECTREN ACQUISITION.

A. In April 2018, CNP entered into an agreement and plan of merger with Vectren. Following the satisfaction of various closing conditions, including federal and state regulatory approvals, the transaction closed on February 1, 2019.¹

Q. PLEASE BRIEFLY DESCRIBE VECTREN'S CURRENT OPERATIONS.

A. As noted in Company witness Mr. Kenny M. Mercado's direct testimony, Vectren's natural gas utility operations (comprised of Indiana Gas Company, Inc., Vectren Energy Delivery of Ohio, Inc. and Southern Indiana Gas and Electric Company) provide natural gas distribution and transportation services to nearly 67% of Indiana and about 20% of Ohio, primarily in the west-central area. Vectren's electric operations (comprised of Indiana Electric) provide electric transmission and distribution services to southwestern Indiana, and include power generating and wholesale power operations. In total, these utility operations supply natural gas and electricity to over one million customers in Indiana and Ohio. Vectren also has activities in infrastructure and energy services businesses.

Q. IS CNP SEEKING ANY VECTREN-RELATED TRANSACTION COSTS IN THIS PROCEEDING?

A. No. CNP has committed to not seek recovery of any transaction costs from Texas electric customers.

¹ See Exhibit R-JSM-1 for a brief overview of CNP's history, including the Vectren transaction.

1 **Q. IS THE ACQUISITION OF VECTREN IMPACTING THE DAY-TO-DAY**
2 **OPERATIONS OF CENTERPOINT HOUSTON?**

3 A. No.

4 **Q. WHY NOT?**

5 A. Obviously, from a geographic perspective, utility operations in Indiana and Ohio
6 are unlikely to impact utility operations in Texas. Also, CenterPoint Houston and
7 Indiana Electric have separate organizational and reporting structures within CNP.
8 Additionally, Indiana Electric is a “fully bundled” electric utility regulated by the
9 Indiana Utility Regulatory Commission and operates in a unique location with a
10 much smaller customer base than CenterPoint Houston. CenterPoint Houston is a
11 transmission and distribution (“T&D”) only utility operating in the ERCOT market,
12 subject to the regulation of the Commission. Thus far, CNP has identified no
13 instances or planned any initiatives where the day-to-day operation of Indiana
14 Electric would affect the day-to-day operations of CenterPoint Houston or vice
15 versa.

16 **Q. PLEASE DESCRIBE THE INTEGRATION EFFORTS THAT ARE**
17 **UNDERWAY TO COMBINE THE COMPANIES.**

18 A. CNP and Vectren are both committed to integrating our talent, processes, systems
19 and infrastructure into a combined company. The Company began planning for the
20 integration shortly after the transaction was announced in 2018. The
21 implementation of the integration efforts began immediately after the closing of the
22 transaction and are ongoing. Some examples of the integration efforts undertaken
23 thus far include: internal labor reductions due to restructuring and/or reorganizing

1 CNP, and non-labor operations changes relating to external fees, subscriptions, and
2 administrative and general (“A&G”) costs.

3 **Q. MR. KOLLEN ASSERTS THAT CNP’S ACQUISITION OF VECTREN**
4 **WILL RESULT IN SAVINGS TO CENTERPOINT HOUSTON. IS THAT**
5 **ASSERTION TRUE?**

6 A. Possibly. However, it has been less than 140 days since the closing of the
7 transaction and at this time we do not know for certain what savings or costs to
8 achieve will be realized. Accordingly, we cannot calculate what net savings may
9 ultimately flow through to CenterPoint Houston. We do know for certain that costs
10 are currently being incurred so as to attempt to achieve future cost savings. As
11 such, any discussion of synergies related to the Vectren acquisition must include
12 both expected savings and costs to achieve those savings.

13 **Q. ARE YOU AWARE OF ANY FACTORS THAT MAKE IT DIFFICULT TO**
14 **ESTIMATE THE IMPACT OF ANY EVENTUAL NET SAVINGS**
15 **RELATED TO THE ACQUISITION?**

16 A. Yes. The most significant unknown is the cost to integrate technology systems.
17 This is due to the fact that the Company must standardize all of its processes for
18 operations, customer experience, accounting, and finance. In addition, many of the
19 Company’s expected savings will be impacted by factors that include the future
20 cost of goods and services and labor. Some examples include labor costs for
21 electric line skills that are being affected by increases in demand in California;
22 increased cost of materials because of new or increased tariffs on goods from China
23 and Mexico, such as computers and transformers; and increased cost of services

1 that are due to events in non-CNP jurisdictions, such as costs of insurance
2 premiums. We are unable to project how these factors will ultimately impact net
3 savings at this point.

4 **Q. DOES MR. KOLLEN ADDRESS COSTS TO ACHIEVE IN HIS**
5 **TESTIMONY?**

6 A. Not explicitly, nor even consistently between his two alternate proposals. Only in
7 his proposed rider does he suggest that savings be reduced by “estimated ongoing
8 expenses.” [REDACTED]

9 [REDACTED] In his
10 second alternate proposal, he simply suggests that the test year cost of service be
11 reduced by projected first year merger savings as a “known and measurable”
12 adjustment, with no recognition of costs to achieve.

13 **Q. DOES MR. FILAROWICZ ADDRESS COSTS TO ACHIEVE IN HIS**
14 **TESTIMONY?**

15 A. No, he does not. He only considers information related to gross savings.

16 **Q. WERE BOTH MR. KOLLEN AND MR. FILAROWICZ MADE AWARE**
17 **THAT GROSS SAVINGS ASSOCIATED WITH THE VECTREN**
18 **ACQUISITION WERE ACCOMPANIED BY REQUIRED COSTS TO**
19 **ACHIEVE?**

20 A. Yes they were. CNP provided numerous projections of gross savings and costs to
21 achieve in response to the GCCC01-14 data request. In addition, in response to
22 PUC02-18,² the Company identified the severance costs incurred through the first

² See Exhibit R-JSM-2.

1 quarter of 2019 that had been required to achieve the ensuing labor savings portion
 2 of 2019 targeted O&M savings. Company witness Lynne Harkel-Rumford speaks
 3 to the reasonableness of severance costs attributed to CenterPoint Houston.

4 **Q. MR. FILAROWICZ SUGGESTS THAT THE COMPANY IS**
 5 **POTENTIALLY HIDING OTHER VECTREN-RELATED SAVINGS**
 6 **BECAUSE IT HAD NOT REFLECTED GROSS LABOR SAVINGS FROM**
 7 **THE VECTREN RESTRUCTURING AS A KNOWN AND MEASURABLE**
 8 **CHANGE TO ITS FILING. IS THIS TRUE?**

9 A. No. Mr. Filarowicz's assertion that CNP has been anything less than transparent is
 10 misplaced. Since the beginning stages of the announced acquisition, CNP has
 11 focused on transparency as it has thoughtfully, methodically, and collaboratively
 12 proceeded through the acquisition process with industry experts
 13 PricewaterhouseCoopers ("PWC") and others. Unfortunately, there are still many
 14 unknowns with respect to costs and savings that won't become knowable until
 15 associated savings have been realized and attendant costs incurred. I discuss the
 16 Company's current savings targets and estimated costs to achieve below. In fact,
 17 had the Company attempted to quantify *both estimated* labor savings and now
 18 known associated costs to achieve as a known and measurable change to its test
 19 year, an increased cost of service would have resulted.

1 **Q. SETTING ASIDE THE INCONSISTENCIES BETWEEN MR. KOLLEN’S**
2 **PROPOSALS AS WELL AS THE FAILURE OF EITHER WITNESS TO**
3 **ADDRESS COSTS TO ACHIEVE, DO BOTH INTERVENOR WITNESSES**
4 **ATTEMPT TO BYPASS THE EXISTING REGULATORY CONSTRUCT**
5 **THAT IS DESIGNED TO ASSESS AND ADDRESS A UTILITY’S**
6 **EARNINGS BETWEEN RATE CASES?**

7 A. Yes. It is my understanding that the Texas Administrative Code (“TAC”) requires
8 each Texas electric utility subject to Securities and Exchange Commission
9 reporting to file an earnings report (“Earnings Monitoring Report” or “EMR”) with
10 the Commission.³ Based on the annual EMR filing, the Commission can assess
11 whether the utility is meeting or exceeding its allowed rate of return.

12 **Q. IS THE REQUIRED EMR FILING RELEVANT IN THE CONTEXT OF**
13 **ADDRESSING ACQUISITION SAVINGS?**

14 A. Yes, especially as it relates to the provisions of the Distribution Cost Recovery
15 Factor (“DCRF”) rule,⁴ which provides utilities the opportunity to receive a return
16 of and on distribution capital expenditures between base rate proceedings.

17 **Q. CAN YOU PLEASE EXPLAIN?**

18 A. Yes. The EMR filing will appropriately reflect any gross allocated acquisition
19 savings and associated costs to achieve assigned to CenterPoint Houston. If
20 potential net acquisition savings result in CenterPoint Houston exceeding its
21 allowed rate of return, no DCRF adjustment is permissible.⁵ As a result,

³ 16 TAC §25.73.

⁴ 16 TAC §25.243.

⁵ 16 TAC §25.243(e)(4).

1 CenterPoint Houston's earnings from potential acquisition savings or any other
2 factor will never go unchecked.

3 **Q. WHAT TYPES OF SAVINGS DOES CNP EXPECT TO BE ACHIEVED AS**
4 **A RESULT OF THE VECTREN ACQUISITION?**

5 A. Initially, CNP estimated that (for all of CNP and its affiliates) savings from the
6 acquisition might reach \$50-\$100 million annually, pre-tax, and excluding certain
7 one-time costs associated with the acquisition. Currently, CNP's internal estimates
8 are targeting operations and maintenance ("O&M") savings of greater than \$50
9 million in 2019 and greater than \$75 million in 2020, pre-tax and excluding costs
10 to achieve. CNP is also targeting capital savings. However, such amounts will
11 necessarily be determined by the needs of its business units in future years.

12 **Q. WHAT ARE CNP'S EXPECTED COSTS TO ACHIEVE THE ABOVE O&M**
13 **SAVINGS OVER THE COURSE OF THE NEXT FIVE YEARS?**

14 A. As noted above, at this time we do not know for certain what savings or costs to
15 achieve will be realized. [REDACTED]

16 [REDACTED]

17 **Q. WHICH CNP BUSINESSES ARE EXPECTED TO BENEFIT MOST FROM**
18 **ANTICIPATED SAVINGS AND SYNERGIES?**

19 A. Our gas operations and corporate services will likely benefit the most from net
20 savings and synergies.

1 **Q. IS CENTERPOINT HOUSTON EXPECTED TO EXPERIENCE DIRECT**
2 **BENEFITS FROM THE COMPANY'S SAVINGS AND SYNERGY**
3 **EFFORTS?**

4 A. Yes, but not to the extent of CNP's other business units, because of the different
5 business processes associated with a T&D service provider compared to the gas
6 utilities or legacy-Vectren's fully integrated electric utility, and also because of the
7 other differences between the two electric utilities that I had described earlier.

8 **Q. HOW ARE SAVINGS EXPECTED TO OCCUR AND BE REALIZED?**

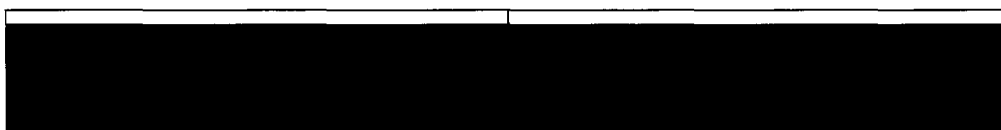
9 A. Savings can be categorized into three areas: labor, non-labor operations, and non-
10 labor sourcing. Labor savings result from internal labor reductions due to
11 restructuring and/or reorganizing CNP. Non-labor operations savings result from
12 less spend on contract resources, technology rationalization, external fees,
13 subscriptions, and A&G costs. Non-labor sourcing savings are expected to follow
14 lower negotiated unit costs over time due to the greater buying power of a larger
15 CNP, and due to consolidation of the number of suppliers across the combined
16 company.

17 **Q. WHAT ARE COSTS TO ACHIEVE AND HOW ARE THEY INCURRED?**

18 A. The most significant costs to achieve are integration costs, systems integration
19 costs, and separation costs. Integration costs include costs to execute the
20 integration planning and integration implementation activities. CNP retained PwC
21 as a consultant to aid in identifying synergies. Systems integration costs will be
22 significant and are critical to integrate CNP and Vectren technology, including
23 operations, customer experience, accounting, and financial systems. This will take

time. Finally, CNP will incur separation costs – costs paid to CNP and Vectren employees that are severed as a result of the attempt to achieve future synergies after the acquisition. While Figure 1 presents early estimates of O&M costs to achieve in each of those categories for the next 5 years, CNP is still working on determining what its capital system integration costs will be. It is important to recognize that all of these estimates are changing daily.

Figure 1. Early Estimate of O&M Costs to Achieve (\$ millions, pre-tax)⁶



Q. CAN YOU EXPLAIN THE PROCESS THAT CNP HAS UNDERTAKEN TO ARRIVE AT ITS CURRENT ESTIMATES OF COST SAVINGS AND COSTS TO ACHIEVE?

A. Yes. In collaboration with PwC, CNP and Vectren conducted a disciplined, four-step process over eight months prior to the acquisition to engage business leaders to identify both best practices and savings opportunities, or synergies. That Integration Planning process ended following the close of the acquisition, and was followed by the Integration Implementation process, that is underway and will continue for the next couple of years.

Q. HAS THE PROCESS BEEN SUCCESSFUL THUS FAR?

A. Yes. First and foremost, we successfully completed the transaction on February 1, 2019, as planned, without impact to our customers or shareholders. An

⁶ The anticipated costs to achieve shown in Figure 1 exclude additional minor costs to achieve associated with internal/external communication costs.

1 organizational redesign across the new company was implemented, and our
2 employees and officers are engaged in implementing a series of about 380 cost-
3 saving initiatives that were chartered by our integration teams.

4 **Q. CAN YOU EXPLAIN THE TERM “TARGET” AS IT RELATES TO CNP’S**
5 **PROJECTED O&M AND CAPITAL SAVINGS RELATED TO THE**
6 **ACQUISITION?**

7 A. CNP uses the term “target” frequently in reference to savings simply because those
8 savings cannot be known at this time. They are savings CNP is attempting, but not
9 guaranteed, to achieve.

10 **Q. ARE ANY SAVINGS OR COSTS TO ACHIEVE REFLECTED IN THE**
11 **COMPANY’S RATE FILING?**

12 A. Yes, those savings and costs known during the test year are included. More
13 specifically, [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED] We have included these amounts in the Company’s rate filing.

19 **Q. HAVE ANY SAVINGS OCCURRED SINCE THE END OF THE TEST**
20 **YEAR ON DECEMBER 31, 2018?**

21 A. Yes. To date, savings, excluding costs to achieve, have been realized in several
22 areas: Labor – savings from the salaries of severed employees, Non-Labor
23 Operations – reduced costs for insurance, external fees, consulting, subscriptions,

1 A&G costs, and Non-Labor Sourcing – reduced costs for software,
2 materials/supplies, services.

3 **Q. WHAT COSTS TO ACHIEVE HAVE BEEN INCURRED BY CNP SINCE**
4 **THE END OF THE TEST YEAR ON DECEMBER 31, 2018?**

5 A. CNP has incurred [REDACTED]
6 [REDACTED]
7 [REDACTED] The remaining costs are related to
8 integration costs for our consultant, PwC and some system integration costs.

9 **Q. DID CNP'S SHAREHOLDERS INCUR ANY COSTS TO ACHIEVE IN**
10 **2018?**

11 A. Yes. CNP shareholders incurred approximately \$155 million in transaction costs
12 through 3/31/19.⁷

13 **Q. THE MATERIALS REVIEWED BY MR. KOLLEN IN DISCOVERY**
14 **REFERENCE POTENTIAL CAPITAL INVESTMENT TARGETS AND**
15 **SAVINGS. HOW ARE CAPITAL INVESTMENT SAVINGS ACHIEVED?**

16 A. Primarily, capital savings are achieved through lower negotiated prices for capital
17 purchases, because of the increased scale and buying power of CNP.

⁷ As identified by CenterPoint Houston in response to RFI OPC01-13.

1 **Q. IF CNP IS ABLE TO PROCURE LOWER PRICES FOR MATERIALS**
2 **USED BY CENTERPOINT HOUSTON, SUCH AS POLES OR**
3 **TRANSFORMERS, WILL THOSE SAVINGS BE PASSED ON TO**
4 **CUSTOMERS?**

5 A. Yes. Through the Company's Distribution Cost Recovery Factor and Transmission
6 Cost of Service Filings, any capital savings created as a result of CenterPoint
7 Houston being an affiliate of CNP, with its ability to make use of increased scale,
8 will be reflected in those filings.

9 **IV. NO RIDER OR ADJUSTMENT RELATED TO VECTREN SHOULD BE**
10 **APPROVED**

11 **Q. IS APPROVAL OF MR. KOLLEN'S "MERGER SAVINGS RIDER" OR,**
12 **ALTERNATIVELY, HIS PROPOSED ADJUSTMENT TO THE COST OF**
13 **SERVICE APPROPRIATE?**

14 A. No. At this time, final savings estimates are just that – estimates. They are not
15 known. And, while CNP expects there will be savings as a result of acquisition of
16 Vectren, those savings require expenditures to achieve them. Most savings are
17 achieved by elimination of duplicate costs, such as corporate functions, fees,
18 memberships, etc. Additional savings are achieved through the larger scale of the
19 combined companies, in areas such as sourcing of materials and supplies. To
20 achieve these savings in a sustainable manner that maintains the current levels of
21 service and safety takes a coordinated and concerted effort, primarily by employees
22 and consultants with subject matter expertise in the specific areas of potential
23 savings.

1 These integration activities cost money and take time, and will offset some
2 or all of the savings for the next few years. The tracking of and attempting to return
3 only gross integration savings, without recognizing the associated costs to achieve
4 those savings, provides an incomplete analysis and should not occur. For example,
5 if actual costs to achieve were included in Mr. Kollen's proposed "Merger Savings
6 Rider," the result for 2019 would be a surcharge to customer bills – not a refund.
7 Similarly, if Mr. Filarowicz's proposed test year adjustment for known and
8 measurable changes accurately reflected gross savings and attendant costs, an
9 increased cost of service would also result in higher customer bills.

10 More importantly, however, Mr. Kollen's and Mr. Filarowicz's proposals
11 on how to handle acquisition related savings are unnecessary and ignore the
12 ratemaking provisions of and interplay between the EMR and DCRF recovery
13 mechanism. The annual EMR filing will appropriately reflect both potential gross
14 savings and the associated and necessary costs to achieve. If potential net savings
15 result in CenterPoint Houston exceeding its allowed rate of return, no DCRF
16 adjustment is permissible. As a result, CenterPoint Houston's earnings from
17 potential net savings will be both captured and addressed. Moreover, it is my
18 understanding that under the Commission's rules, CenterPoint Houston will be
19 required to file a base rate case approximately four years following the
20 implementation of rates in this case, unless the Commission extends the filing date.
21 At that time, gross savings and the associated and necessary costs to achieve will
22 be known and captured in the test year cost of service.

1 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

2 **A. Yes.**

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF JEFFREY S. MYERSON

BEFORE ME, the undersigned authority, on this day personally appeared Jeffrey S. Myerson who having been placed under oath by me did depose as follows:

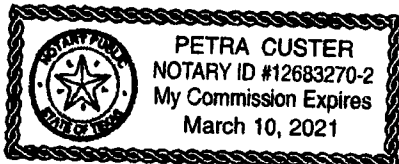
1. “My name is Jeffrey S. Myerson. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. I have prepared the foregoing Rebuttal Testimony and the information contained in this document is true and correct to the best of my knowledge.”


Further affiant sayeth not.



Jeffrey S. Myerson

SUBSCRIBED AND SWORN TO BEFORE ME on this 17th day of
June, 2019.



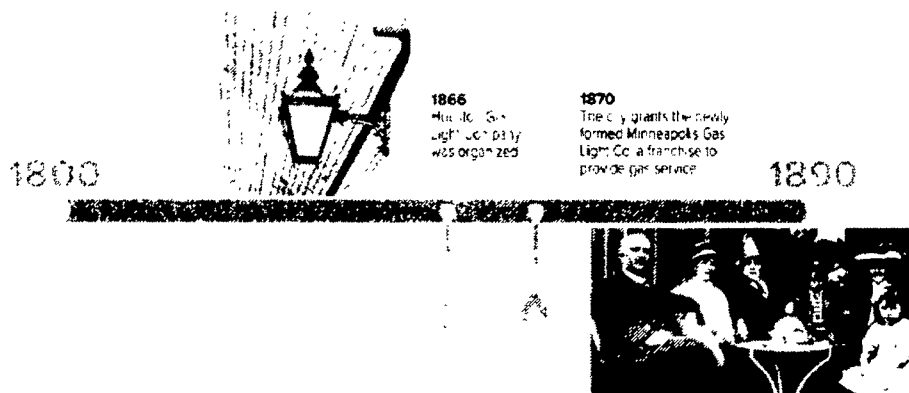


Notary Public in and for the State of Texas

My commission expires: March 10, 2021



Company History



With more than 14,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 140 years.

- 1866** Houston Gas Light Company was organized to supply gas made from oyster shells and coal for the street lights in a coastal village in southeast Texas
- 1870** The city of Minneapolis granted the newly formed Minneapolis Gas Light Co. a franchise to provide gas service with gas manufactured from coal or oil at a plant along the Mississippi River.
- 1882** Houston Electric Light & Power filed a charter and was granted a franchise by the Houston City Council. Over the next century, HL&P generated electricity from steam, natural gas, coal or lignite and finally nuclear fission for sale and delivery to retail customers in the rapidly growing greater Houston area.
- 1905** An organization of businessmen was granted the first franchise for distribution of natural gas in Shreveport, La.
- 1990** These three businesses merged to form a company that became NorAm Energy Corp.

- 1995** NorAm Energy Services began marketing wholesale electric power nationwide. NorAm Energy Management was established for retail energy marketing and NorAm gas gathering assets were unbundled and transferred to NorAm Field Services.
- 1997** NorAm merged with Houston Industries, Inc., the parent company of HL&P to become one of the United States' largest integrated energy companies
- 1999** The company was named Reliant Energy, Inc
- 2002** With the restructuring of the electric market in Texas, the company spun off its retail electric as Reliant Resources. Within two years, the company would also sell its electric generation assets. The remaining mostly regulated energy delivery company adopted the name CenterPoint Energy to reflect our role in the center of the energy value chain and the center of our customers' lives
- 2013** On March 14, CenterPoint Energy announced it was teaming up with ArcLight Capital Partners LLC and Oklahoma City-based OGE Energy Corp (NYSE: OGE) in an \$11 billion deal to create one of the largest master limited partnerships in the U.S. The joint venture includes OGE Energy and ArcLight's midstream transportation, gathering and processing business, Enogex LLC, and all of CenterPoint Energy's interstate pipelines and field service businesses. ArcLight Capital Partners is a Boston-based energy investment firm.
- On May 1, CenterPoint Energy combined its interstate pipeline and field services businesses with the midstream operations of OGE Energy and ArcLight Capital to create a new master limited partnership Enable Midstream Partners.
- 2018** On April 23, CenterPoint Energy and Vectren Corporation entered into a definitive merger agreement to form a leading energy delivery, infrastructure and services company.
- 2019** In February, Vectren Energy becomes a subsidiary of CenterPoint Energy and the combined company serves more than 7 million metered customers across the U.S. and employs approximately 14,000.

Exhibit R-JSM-2 is Highly Sensitive and will be provided pursuant to the terms of the Protective Order issued in Docket No. 49421.