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

2019 JUL 21 PM 3:00

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

June 21, 2019

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**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-01**

QUESTION:

Please provide the amounts of financially based and non-financially based incentive compensation that CenterPoint incurred, by year, for 2014 through 2018.

ANSWER:

Please see PUC16-01 Attachment 1 (confidential).xlsx for Short-Term and Long-Term Incentive Compensation directly incurred by CenterPoint Houston for year 2014 through 2018. Please see PUC16-01 Attachment 2 (confidential).xlsx for estimated Short-Term and Long-Term Incentive Compensation incurred by CenterPoint Energy Service Company and CERC and allocated to CenterPoint Houston for years 2014 through 2018.

For both direct and affiliate schedules, the capitalized STI amounts shown in the attachments do not reflect when it has been placed in service. LTI is not capitalized.

The attachments are confidential and are being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):

Kristie Colvin / Michelle Townsend (Kristie Colvin / Michelle Townsend)

RESPONSIVE DOCUMENTS:

PUC16-01 Attachment 1 (confidential).xlsx

PUC16-01 Attachment 2 (confidential).xlsx

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-02

QUESTION:

Please identify any years since the end of the test year in Docket No. 38339 in which CenterPoint or CNP failed to achieve any of the earnings-per-share criteria relating to the payment or calculation of financially based incentive compensation.

ANSWER:

STI

CenterPoint Energy Inc.'s ("CNP") STI design has included an earnings per share goal only for the most recent three years (2016-2018), and the goal was achieved in all three years.

Over the 2010-2018 period, STI design has also included other financial goals, and the goals were achieved each year.

LTI

CenterPoint's LTI design has included an earnings per share goal only in two cycles (2012-2014 and 2013-2015) during this time period, and the goal was achieved for both cycles.

Over the 2010-2018 period, the performance awards portion of LTI design has also included goals focused on total shareholder return (TSR), operating income and cash flow. For the cycles ending in 2010-2015, the restricted stock portion of LTI design was subject to declared dividends exceeding specified levels during the vesting period.

Over the 2010-2018 period, there have been years in which the TSR goal was not achieved at threshold levels of performance. For the cycles ending in 2010, 2014, 2015 and 2016, TSR performance was 0%.

SPONSOR (PREPARER):

Lynne Harkel-Rumford (Lynne Harkel-Rumford)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-03**

QUESTION:

Troxle Rebuttal, Page 7 (NCP): Please provide test year Billing kVA for the Transmission Service rate class, calculated consistent with the manner in which the Billing kV A for the Primary Service rate class was calculated (i.e. NCP kVA and 80% ratchet). Please include unadjusted test year data as well as workpapers showing all adjustments from the unadjusted data.

ANSWER:

If Mr. Abbott is asking for the Transmission class NCP kVa calculated with the 80% demand ratchet, that calculation has not been done. The NCP kW (MW) for the Transmission class can be found in the H-I-J and CA Schedule, II-H-1.3.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-04**

QUESTION:

Troxle Rebuttal, Page 30 (EEP): Identify with specificity and quote in its entirety the portion of Mr. Abbott's testimony in which Mr. Troxle alleges that Mr. Abbott "asserts that energy efficiency programs are more likely to *increase* overall energy usage than to decrease it."

ANSWER:

Please see:

- Mr. Abbott's testimony page 5, lines 20-22: "the Company's assumption that increased energy efficiency necessarily results in a lower level of kWh sales is untenable."
- Id. page 12, lines 3-4: "**upgrading the efficiency of air conditioners actually increased energy consumption.**" (Emphasis added by Mr. Abbott, quoting a published study evaluating a large-scale appliance replacement program in Mexico).
- Id. page 21, lines 9-14: The claim that "energy usage is reduced due to the implementation of energy efficiency measures" is not a "reasonable" or "appropriate" claim.
- Id. page 21, lines 15-17: It is "inappropriate" to "conflate energy efficiency with energy conservation."
- Id. page 21 line 18 to page 22 line 1: "Efficiency improvements . . . do not necessarily mean that less of the resource input will be used overall."
- Id. page 22, lines 1-6: It is "very likely" that energy efficiency improvements will cause consumers to use more energy ("consumer behavior is very likely to change in response to increases in energy efficiency . . . if a more efficient LED light is available . . . customers would be expected to increase the amount of lighting consumed" and that "It is a fundamental law of microeconomics that as the relative price of a normal good decrease, the quantity demanded increases (the 'law of demand')").
- Id. page 22, lines 8-10: "A customer that installs energy efficiency measures . . . is seeing an increase in energy efficiency but also an increase in energy usage."
- Id. page 22, lines 13-15: "more energy efficient appliances can actually induce more energy usage, or at least offset a large portion of what would otherwise be energy reductions."
- Id. page 22, lines 15-19: It "has been shown empirically . . . that more efficient air conditioners resulted in an increase to overall energy usage."
- Id. page 23, lines 3-4: To prove his point that energy efficiency results in increased energy usage, he attributes the increase in energy usage experienced by CenterPoint "at the total-system level since 2013" to the inability of energy efficiency programs to reduce usage and implying the programs may be responsible for the increase in energy usage (CenterPoint has not "experienced reductions in the overall energy consumption of its customers [but rather] has seen increases in both actual and weather-adjusted energy consumption at the total-system level since 2013").

Mr. Abbott's testimony in this regard is at odds with PURA § 39.905, which aims "to reduce energy consumption" through the availability of mandated, utility-administered energy efficiency programs and measures.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-05**

QUESTION:

Troxle Rebuttal, Page 30 (EEP): Identify with specificity and quote in its entirety the portion of Mr. Abbott's testimony in which Mr. Troxle alleges that Mr. Abbott "believes that the more efficient an appliance is, the more a consumer will use it, offsetting any energy savings gained by the increased efficiency."

ANSWER:

See response to PUC 16-4.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-06**

QUESTION:

Troxle Rebuttal, Page 31 (EEP): Identify with specificity and quote in its entirety the portion of Mr. Abbott's testimony in which Mr. Troxle alleges that Mr. Abbott states, regarding energy efficiency programs under PURA § 39.905, that "there are no benefits to these programs in reducing usage."

ANSWER:

Mr. Troxle does not claim that Mr. Abbott stated "there are no benefits to these programs in reducing usage." Mr. Troxle states that if Mr. Abbott's position (which is that customers who implement energy efficiency measures are more likely to increase overall energy usage than to decrease it) is correct, then the Legislature's expected benefits from the energy efficiency programs mandated by PURA §39.905 are unachievable.

SPONSOR (PREPARER):

Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-07**

QUESTION:

Troxle Rebuttal, Page 31 (EEP): Confirm that the Company's proposed EEP adjustment involves an adjustment that lowers the billing determinants used to calculate rates. If the response is anything other than an unqualified "confirm," please explain fully and provide all relevant citations and workpapers.

ANSWER:

The EEP adjustment captures the known and measurable changes to usage based on energy efficiency programs that were installed in the test year. Because certain programs were installed in the middle of the test year, the test year does not capture the full impacts of these being in place for a full year. The adjustment annualizes the impacts of these programs in order to capture a full year of usage, which decreases the billing determinants from what they would be if they only reflected a portion of the test year, instead of a full year.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-08**

QUESTION:

Troxle Rebuttal, Page 31 (EEP): Confirm that the Company's proposed EEP adjustment results in proposed rates that are higher than they would be in the absence of the adjustment, all other things equal. If the response is anything other than an unqualified "confirm," please explain fully and provide all relevant citations and workpapers.

ANSWER:

Confirm.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-09**

QUESTION:

Troxle Rebuttal, Page 32-33 (EEP): Regarding Mr. Troxle's claim that "Using deemed savings calculated based on the TRM ... is necessary in order to make the adjustments required by 16 TAC § 25.234," Please confirm that the Commission has never approved such an energy efficiency adjustment to Test Year billing determinants under 16 TAC § 25.234 in a base rate proceeding in the entire history of energy efficiency programs. If the response is anything other than an unqualified "confirm," please explain fully and provide all relevant citations and workpapers.

ANSWER:

The Company has not performed the requested analysis.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-10**

QUESTION:

Troxle Rebuttal, Page 33 - 34 (EEP): Identify every EECRF proceeding in which deemed savings values were used to adjust billing determinants downwards for establishing base rates.

ANSWER:

The Company has not performed the requested analysis.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-11**

QUESTION:

Troxle Rebuttal, Page 33 - 34 (EEP): Identify with specificity the portions of the EECRF rule which require that billing determinants be adjusted downwards based on deemed savings values.

ANSWER:

The EECRF rule requires the use of deemed savings values to determine the energy savings to be attributed to a utility's energy efficiency programs, and to judge and approve those programs in EECRF proceedings, and the rules governing base rate proceedings require the use of test year billing determinants adjusted for known and measurable changes to set base rates.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-12**

QUESTION:

Troxle Rebuttal, Page 33 - 34 (EEP): Please confirm that a utility's deemed savings are used to determine if the utility has met its energy efficiency goals under PURA §39.905 and the EECRF rule. If the response is anything other than an unqualified "confirm," please explain fully and provide all relevant citations and workpapers.

ANSWER:

Deemed savings are used by the Commission under PURA § 39.905 to judge and approve the energy efficiency programs by which the utility is required to achieve its energy efficiency goals to reduce energy usage on its system.

SPONSOR (PREPARER):

Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-13**

QUESTION:

Troxle Rebuttal, Page 33 - 34 (EEP): Please confirm that a utility's deemed savings are used to determine the performance bonus under PURA §39.905 and the EECRF rule. If the response is anything other than an unqualified "confirm," please explain fully and provide all relevant citations and workpapers.

ANSWER:

Confirm. See response to PUC 16-12. To the extent deemed savings are used to determine if a utility has achieved its energy efficiency goals, and to the extent the achievement of those goals is a factor in determining if a utility is entitled to a performance bonus, then deemed savings are a factor that goes into determining performance bonuses.

SPONSOR (PREPARER):

Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-14**

QUESTION:

Troxle Rebuttal, Page 33 - 34 (EEP): Please confirm that, unlike base rates, a utility's EECRF is trued-up every year. If the response is anything other than an unqualified "confirm," please explain fully and provide all relevant citations and work papers.

ANSWER:

Confirm.

In traditional rate making, base rates are not typically trued up when rates are established using historical test year; however, in order to capture a representative test year reflective of the time period when rates take effect, under PURA and Commission Rules 25.231 and 25.234, an electric utility is directed to adjust its usage to account for known and measurable changes to its test year data so that rates are calculated based on the most current usage available during the test year. This is the whole purpose of the Energy Efficiency Adjustment. It captures the known and measurable changes to usage based on energy efficiency programs that were installed in the test year. Because certain programs were installed in the middle of the test year, the test year does not capture the full impacts of these being in place for a full year.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC16-15**

QUESTION:

Troxle Rebuttal, Page 45 (UEDIT): Please confirm that the wholesale customers which would receive a refund under Staff witness Murphy's recommendation are distribution service providers that serve retail customers.

ANSWER:

I can confirm that customers that pay the wholesale transmission cost of service, based upon the wholesale transmission rate are distribution service providers. I believe that Mr. Murphy's recommendation would give them a refund.

SPONSOR (PREPARER):
Matthew Troxle (Matthew Troxle)

RESPONSIVE DOCUMENTS:
None

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of June 2019, a true and correct copy of the foregoing document was served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.

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