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APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES	§ § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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**TEXAS INDUSTRIAL ENERGY CONSUMERS' ERRATA TO
THE DIRECT TESTIMONY OF JEFFRY POLLOCK**

Texas Industrial Energy Consumers (TIEC) files the following errata to the Direct Testimony of Jeffry Pollock. The errata reflects clarifications to Mr. Pollock's testimony based on information CenterPoint Energy Houston Electric, LLC (CEHE) provided in rebuttal testimony.

- Page 3, Line 39: Replace "make an Upfront Payment to pay for" with "negotiate the terms and conditions for making Construction Payments for the interconnecting"; and

- Page 3, Line 39: Delete "the Transmission Voltage System"; and

- Page 4, Line 1: Replace "However, the amount of the Upfront Payment" with "Thus, it is unclear whether transmission customers are required to make Construction Payments"; and

- Page 4, Line 2: Delete "entirely"; and

- Page 4, Line 2: Replace "estimated costs. There" with "estimate of the cost of the interconnecting facilities, as is the case for other types of Construction Services, and, if so, whether there is any"; and

- Page 4, Line 3: Delete "no"; and

- Page 4, Line 6: Replace "Two" with "Three"; and

- Page 4, Line 14: Replace "Upfront" with "Construction"; and

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- Page 4, Line 18: Insert “Third, all of the terms and conditions applicable to Transmission Voltage Facility Extensions should be included in CenterPoint’s Tariff for Retail Delivery Service.”; and
- Page 18, Line 10: Replace “an Upfront” with “a Construction”; and
- Page 37, Line 8: Delete “to be constructed by CenterPoint”; and
- Page 37, Line 9: Replace “may enter into a Utility” with “must pay for” and
- Page 37, Line 9: Replace “Study Agreement (proposed Tariff Section 6.3.4.7) to determine the scope of any required construction services” with “However, the terms and conditions applicable to the payment for”; and
- Page 37, Line 11: Delete “and a Utility”; and
- Page 37, Line 11: Replace “Agreement to formalize installing or extending the Transmission Voltage System to the customer’s facility” with “are subject to negotiation. They are not specified in CenterPoint’s tariff. Thus, it is unclear whether transmission customers are required to make payments based on CenterPoint’s estimate of the costs of constructing the interconnecting facilities, as is the case for the other types of”; and
- Page 37, Line 15: Replace “described in the” with “the customer pays only actual construction costs.
- Page 37, Line 15: Delete sentences beginning with “Utility Construction Services Agreement” and ending with “(Emphasis added)”; and
- Page 38, Line 3: Replace “Because” with “Presumably”; and
- Page 38, Line 13: Replace “of the Upfront Payment if its” with “Construction Payments to customer if the”; and

- Page 39, Line 1: Replace "Upfront" with "Construction"; and
- Page 39, Line 19: Replace "two" with "three"; and
- Page 39, Line 21: Replace "Upfront" with "Construction"; and
- Page 39, Line 28: Replace "Upfront" with "customer's Construction"; and
- Page 39, Line 29: Insert "Third, all of the terms and conditions applicable to extending facilities to serve transmission customers should be stated in CenterPoint's Tariff for Retail Delivery Service."; and
- Page 40, Line 18: Replace "Upfront" with "Construction Payments made by the customer"; and
- Page 40, Line 23: Insert "and, lastly, to include all of the applicable terms and conditions in CenterPoint's Tariff for Retail Delivery Service.".

Clean and redline errata pages are attached.

Respectfully submitted,

THOMPSON & KNIGHT LLP



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**ATTORNEYS FOR TEXAS INDUSTRIAL
ENERGY CONSUMERS**

CERTIFICATE OF SERVICE

I, Katie L. Coleman, Attorney for TIEC, hereby certify that a copy of the foregoing document was served on all parties of record in this proceeding on this 21st day of June, 2019 by facsimile, electronic mail and/or First Class, U.S. Mail, Postage Prepaid.


Katie L. Coleman

- The second flaw is that MFF should be allocated to retail delivery classes using in-city kilowatt-hour (kWh) sales, weighted to reflect the different MFF rates charged by the various cities in CenterPoint's service area. Weighting in-city kWh sales by the specific MFF rates properly reflects cost-causation because different cities charge different MFF rates, and the proportion of class kWh sales varies widely between each city. This will ensure that customers located in cities that charge below-average MFF rates are not subsidized by customers located in cities that charge above-average MFF rates.

- **The TCRF should not be "zeroed out."** CenterPoint is proposing to reset its TCRF to zero and recover all test-year pro-forma wholesale transmission costs in base rates through the Transmission System Charge (TSC) for each delivery rate class.

- This proposal should be rejected because it would ignore load growth; that is, load growth allows CenterPoint to recover incremental TSC revenues, but these additional revenues would be ignored in setting CenterPoint's future TCRF charges. These incremental TSC revenues can offset higher wholesale transmission costs. Hence, CenterPoint's proposal would allow it to over-recover wholesale transmission costs. It is not in the public interest to allow a utility to over-recover wholesale transmission costs.

- CenterPoint's proposal is also contrary to the current TCRFs of Oncor Electric Delivery (Oncor) and Texas-New Mexico Power Company (TNMP), which have set their respective TSCs to zero and recover the entirety of their wholesale transmission costs in the TCRF. This same practice is being proposed by American Electric Power (AEP) in its pending rate case.

- **Transmission Service Rate Design.** CenterPoint is proposing to retain the current design of the Transmission Service rate. This includes the practice of billing the TSC, Distribution System Charge (DSC), and MFF charges on a 4CP kilovolt-ampere (kVA) basis. Although different in design from other utilities, the current 4CP kVA charges are a long-standing practice and changing this practice solely to conform with other utility rate designs would be disruptive.

- **Facility Extension Policy.** CenterPoint's proposed Transmission Voltage Facilities Extension policy would require a transmission customer to negotiate the terms and conditions for making Construction Payments for the interconnecting facilities constructed by CenterPoint

1. Introduction, Qualifications and Summary

1 that are required for the customer to take transmission service. Thus,
2 it is unclear whether transmission customers are required to make
3 Construction Payments based on CenterPoint's estimate of the cost of
4 the interconnecting facilities, as is the case for other types of
5 Construction Services, and, if so, whether there is any true-up between
6 CenterPoint's estimate and the actual costs. Further, the customer that
7 originally funded the facilities would not receive any credit if those
8 facilities are subsequently used to serve other customers. Three
9 changes should be made to CenterPoint's proposed Transmission
10 Voltage Facilities Extension policy:

- 11 ○ First, a transmission customer should pay only the actual costs
12 incurred by CenterPoint. Thus, the customer should receive a
13 credit if the actual cost is less than CenterPoint's cost estimate,
14 and vice versa.
- 15 ○ Second, if the same facilities are subsequently used, either in
16 whole or in part, to serve other customers, CenterPoint should
17 allocate a portion of the original customer's Construction Payment
18 to the new customers and, thus, refund this portion to the customer
19 that originally funded the facilities.
- 20 ○ Third, all of the terms and conditions applicable to Transmission
21 Voltage Facility Extensions should be included in CenterPoint's
22 Tariff for Retail Delivery Service.

3. RATE DESIGN

1 **Q WHAT RATE DESIGN ISSUES ARE YOU ADDRESSING?**

2 A I am addressing the design of the Transmission Service rate, the proposed TCRF, and
3 the policy surrounding how the 4CP allocation factors used in the TCRF should be
4 reset in rate cases.

5 **Transmission Service Rate**

6 **Q PLEASE DESCRIBE THE TRANSMISSION SERVICE RATE.**

7 A The Transmission Service rate applies to customers that take delivery at 60,000 volts
8 or higher. As discussed later in connection with the proposed Transmission Voltage
9 Facilities Extension policy, a transmission customer would be required to pay
10 CenterPoint a Construction Payment for the costs to construct facilities required to
11 interconnect the customer to CenterPoint's Transmission Voltage System. Like
12 CenterPoint's other retail delivery rates, the monthly rate consists of Transmission and
13 Distribution charges, Transition Charges, a Nuclear Decommissioning charge, a
14 TCRF, and other charges or credits. There is also a credit for Competitive Metering.
15 The Transmission and Distribution charges include a Customer Charge, Metering
16 Charge, a TSC, and a DSC. Both the TSC and DSC are billed on a per 4CP kVA
17 basis.

18 **Q IS CENTERPOINT PROPOSING ANY CHANGES TO THE DESIGN OF THE**
19 **TRANSMISSION SERVICE RATE?**

20 A No. The design of the current Transmission Service rate has remained the same since
21 retail competition commenced, on January 1, 2002. Further, even prior to retail

3. Rate Design

1 CenterPoint to extend its transmission voltage facilities) would remain essentially
2 unchanged.

3 **Q HOW IS THE COST OF THE FACILITIES EXTENSION FOR A TRANSMISSION**
4 **SERVICE CUSTOMER DETERMINED?**

5 A The customer is required to enter into a Facilities Extension Agreement for
6 Transmission Voltage Facilities (proposed Tariff Section 6.3.1.2). Under this
7 Agreement, the customer must fund construction of (and agree to operate and
8 maintain) a retail customer-owned substation. Also, the customer must pay for
9 Construction Services. However, the terms and conditions applicable to the payment
10 for Construction Services are subject to negotiation. They are not specified in
11 CenterPoint's tariff. Thus, it is unclear whether transmission customers are required
12 to make payments based on CenterPoint's estimate of the costs of constructing the
13 interconnecting facilities, as is the case for other types of Construction Services and,
14 if so, whether there would be any true-up to ensure that the customer pays only actual
15 construction costs.

16 Presumably the Agreement must be signed prior to CenterPoint commencing
17 construction, the customer has no opportunity to determine the reasonableness of
18 CenterPoint's original cost estimate and any subsequent revisions. CenterPoint's
19 Transmission Voltage Facility Extensions policy does allow the customer, at
20 customer's expense, to audit the books and records of the company to verify the actual
21 costs incurred by the company on the Project. However, such audit rights would expire
22 one year after the project completion date.

4. Transmission Service Facility Extensions

1 **Q DOES CENTERPOINT'S TRANSMISSION SERVICE FACILITY EXTENSIONS**
2 **POLICY RAISE ANY CONCERNS?**

3 **A Yes.** First, notwithstanding the customer's audit rights, there is no tariff provision that
4 requires CenterPoint to refund any Construction Payments to customers if the actual
5 construction costs is less than CenterPoint's estimated costs. A customer should have
6 to pay for the actual construction costs, no more and no less.

7 Second, CenterPoint's Policy does not address the circumstance when
8 customer-funded facilities are subsequently used to serve other customers.

9 **Q DO OTHER UTILITY LINE EXTENSION POLICIES ADDRESS THE**
10 **CIRCUMSTANCE WHEN A CUSTOMER-FUNDED FACILITY IS USED TO SERVE**
11 **OTHER CUSTOMERS?**

12 **A Yes.** Under the circumstance where a customer-funded facility is used to serve other
13 customers within a few years, a utility may charge a portion of the customer's
14 Construction Payment to the new customer(s) and to refund that amount to the
15 customer that provided the project funding. For example, Entergy Texas Inc. (ETI)
16 provides the following in Section II(B)(6) of its Electric Extension Policy:

17 If the Company is reimbursed more than \$10,000,000 (including all
18 applicable tax gross-up costs) by a Customer per Section II Paragraph
19 (B)(1) above, and more large commercial or industrial customers are
20 served by the New Facilities within a four-year period following
21 Construction as defined in Section II Paragraph (B)(1) above, then the
22 initial Customer that reimbursed the Company shall be entitled to
23 receive a prorated refund of the reimbursement for common facilities
24 (a) when additional large commercial or industrial customers execute
25 an agreement for electric service within the four-year period following
26 Construction as defined in Section II Paragraph (B)(1), and, (b) upon
27 fulfillment of the refund process described in Section II Paragraph

4. Transmission Service Facility Extensions

1 (B)(7) below. The Company will collect the full amount identified in
2 Section II Paragraph (B)(1) above from the initial Customer.¹⁷

3 **Q WHAT DO YOU RECOMMEND?**

4 A The Commission should require CenterPoint to make three changes to its
5 Transmission Service Facility Extensions policy. First, CenterPoint should be required
6 to refund any Construction Payment in excess of the actual cost of a Transmission
7 Voltage extension. Second, CenterPoint should be required to provide a further
8 refund in the event that the facilities originally funded by the customer are
9 subsequently used to serve other customers irrespective of the completion date. No
10 customer should have to subsidize the facilities that are used to serve other customers,
11 particularly in this instance when a Transmission Service customer is obligated to pay
12 the entirety of the costs of receiving delivery service at a transmission voltage.
13 Requiring a partial refund of the customer's Construction Payment would help to
14 provide a more balanced policy. Third, all of the terms and conditions applicable to
15 extending facilities to serve transmission customers should be stated in CenterPoint's
16 Tariff for Retail Delivery Service.

¹⁷ Entergy Texas, Inc., Section IV Rules and Regulations, Sheet No. 18B, Extension Policy (Eff. Date Oct. 17, 2018).

4. Transmission Service Facility Extensions

5. CONCLUSION

1 **Q WHAT FINDINGS SHOULD THE COMMISSION MAKE BASED ON YOUR DIRECT**
2 **TESTIMONY?**

3 **A The Commission should make the following findings:**

- 4 • Reject CenterPoint's proposed 4CP allocation factors and reset the 4CP
5 allocation factors based on each class's actual demand coincident with
6 the ERCOT 4CPs during the test year.
- 7 • Apply the Direct method of allocating MFF on a city-by-city basis to
8 recognize the widely varying MFF rates established by each city, thereby
9 eliminating MFF cross-subsidies between cities.
- 10 • Retain the status quo on the design of the Transmission Service rate.
- 11 • Set the TSC of each delivery rate schedule to zero.
- 12 • Collect all pro-forma test-year wholesale transmission costs in the TCRF.
- 13 • Apply moderation in resetting the 4CPs when necessary to avoid rate
14 shock due to the flaws in the existing Commission rule.
- 15 • Reopen 16 T.A.C. § 25.193 to allow for periodic changes in the 4CP
16 allocation factors.
- 17 • Revise CenterPoint's proposed Transmission Service Facility Extensions
18 policy by requiring CenterPoint to refund any Construction Payments
19 made by the customer in excess of the actual cost of a Transmission
20 Voltage extension and to provide a further refund in the event that the
21 facilities originally funded by the customer are subsequently used to
22 serve other customers irrespective of the completion date and, lastly, to
23 include all of the applicable terms and conditions in CenterPoint's Tariff
24 for Retail Delivery Service.

25 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

26 **A Yes.**

5. Conclusion

- The second flaw is that MFF should be allocated to retail delivery classes using in-city kilowatt-hour (kWh) sales, weighted to reflect the different MFF rates charged by the various cities in CenterPoint's service area. Weighting in-city kWh sales by the specific MFF rates properly reflects cost-causation because different cities charge different MFF rates, and the proportion of class kWh sales varies widely between each city. This will ensure that customers located in cities that charge below-average MFF rates are not subsidized by customers located in cities that charge above-average MFF rates.
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- **Facility Extension Policy.** CenterPoint's proposed Transmission Voltage Facilities Extension policy would require a transmission customer to negotiate the terms and conditions~~make an Upfront Payment to pay for making Construction Payments for the~~

1 ~~interconnecting the Transmission Voltage System~~ facilities constructed
2 by CenterPoint that are required for the customer to take transmission
3 service. ~~Thus, it However, the amount of the Upfront Payment is~~
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7 ~~case for other types of Construction Services, and, if so, whether there~~
8 ~~is any true-up between CenterPoint's estimate and the actual costs.~~
9 Further, the customer that originally funded the facilities would not
10 receive any credit if those facilities are subsequently used to serve
11 other customers. ~~Three~~Two changes should be made to CenterPoint's
12 proposed Transmission Voltage Facilities Extension policy:

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14 incurred by CenterPoint. Thus, the customer should receive a
15 credit if the actual cost is less than CenterPoint's cost estimate,
16 and vice versa.
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18 whole or in part, to serve other customers, CenterPoint should
19 allocate a portion of the original customer's ~~Construction Upfront~~
20 Payment to the new customers and, thus, refund this portion to the
21 customer that originally funded the facilities.
- 22 ○ Third, all of the terms and conditions applicable to Transmission
23 Voltage Facility Extensions should be included in CenterPoint's
24 Tariff for Retail Delivery Service.

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1 **Q WHAT RATE DESIGN ISSUES ARE YOU ADDRESSING?**

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3. Rate Design

CenterPoint to extend its transmission voltage facilities) would remain essentially unchanged.

Q HOW IS THE COST OF THE FACILITIES EXTENSION FOR A TRANSMISSION SERVICE CUSTOMER DETERMINED?

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~~**Q ARE THERE ANY COSTS OF CONSTRUCTING INVOLVED WITH THESE STUDIES?**~~

~~A Yes. The customer is responsible for making a Customer Upfront Payment to cover the interconnecting facilities, as is ~~east of the~~ case for other types of Construction Services and, if so, whether there would be any true-up to ensure that ~~described in the~~ customer pays only actual construction costs. ~~Utility Construction Services Agreement. The Agreement states:~~~~

4. Transmission Service Facility Extensions

3. ~~Customer Upfront Payment. Customer agrees to pay the cost of the Construction Services described in this Agreement. CenterPoint Energy estimates the cost of the Construction Services to be \$_____ (the "Estimated Amount"). Customer shall pay the Estimated Amount to CenterPoint Energy prior to CenterPoint Energy's commencement of the Construction Services. CenterPoint Energy may revise the Estimated Amount at any time after receiving payment thereof based on Good Utility Practice, and Customer shall pay the revised Estimated Amount prior to CenterPoint Energy's commencement or continued performance of the Construction Services.~~ Customer's payment of the Estimated Amount is non-refundable.⁴⁷ (Emphasis added)

Because Presumably the Agreement must be signed prior to CenterPoint commencing construction, the customer has no opportunity to determine the reasonableness of CenterPoint's original cost estimate and any subsequent revisions. CenterPoint's Transmission Voltage Facility Extensions policy does allow the customer, at customer's expense, to audit the books and records of the company to verify the actual costs incurred by the company on the Project. However, such audit rights would expire one year after the project completion date.

Q DOES CENTERPOINT'S TRANSMISSION SERVICE FACILITY EXTENSIONS POLICY RAISE ANY CONCERNS?

A Yes. First, notwithstanding the customer's audit rights, there is no tariff provision that requires CenterPoint to refund any Construction Payments to customer of the Upfront Payment if theits actual construction costs is less than CenterPoint's estimated costs. A customer should have to pay for the actual construction costs, no more and no less.

⁴⁷ Direct Testimony of Matthew A. Troxle, Exhibit MAT-9 at 358 (Sheet No. A-1, page 9 of 11).

4. Transmission Service Facility Extensions

1 Second, CenterPoint's Policy does not address the circumstance when
2 customer-funded facilities are subsequently used to serve other customers.

3 **Q DO OTHER UTILITY LINE EXTENSION POLICIES ADDRESS THE**
4 **CIRCUMSTANCE WHEN A CUSTOMER-FUNDED FACILITY IS USED TO SERVE**
5 **OTHER CUSTOMERS?**

6 **A** Yes. Under the circumstance where a customer-funded facility is used to serve other
7 customers within a few years, a utility may charge a portion of the customer's
8 Construction Upfront Payment to the new customer(s) and to refund that amount to the
9 customer that provided the project funding. For example, Entergy Texas Inc. (ETI)
10 provides the following in Section II(B)(6) of its Electric Extension Policy:

11 If the Company is reimbursed more than \$10,000,000 (including all
12 applicable tax gross-up costs) by a Customer per Section II Paragraph
13 (B)(1) above, and more large commercial or industrial customers are
14 served by the New Facilities within a four-year period following
15 Construction as defined in Section II Paragraph (B)(1) above, then the
16 initial Customer that reimbursed the Company shall be entitled to
17 receive a prorated refund of the reimbursement for common facilities
18 (a) when additional large commercial or industrial customers execute
19 an agreement for electric service within the four-year period following
20 Construction as defined in Section II Paragraph (B)(1), and, (b) upon
21 fulfillment of the refund process described in Section II Paragraph
22 (B)(7) below. The Company will collect the full amount identified in
23 Section II Paragraph (B)(1) above from the initial Customer.¹⁸

24 **Q WHAT DO YOU RECOMMEND?**

25 **A** The Commission should require CenterPoint to make threetwo changes to its
26 Transmission Service Facility Extensions policy. First, CenterPoint should be required

¹⁸ Entergy Texas, Inc., Section IV Rules and Regulations, Sheet No. 18B, Extension Policy (Eff. Date Oct. 17, 2018).

4. Transmission Service Facility Extensions

1 to refund any Construction-Upfront Payment in excess of the actual cost of a
2 Transmission Voltage extension. Second, CenterPoint should be required to provide
3 a further refund in the event that the facilities originally funded by the customer are
4 subsequently used to serve other customers irrespective of the completion date. No
5 customer should have to subsidize the facilities that are used to serve other customers,
6 particularly in this instance when a Transmission Service customer is obligated to pay
7 the entirety of the costs of receiving delivery service at a transmission voltage.
8 Requiring a partial refund of the customer's Construction-Upfront Payment would help
9 to provide a more balanced policy. Third, all of the terms and conditions applicable to
10 extending facilities to serve transmission customers should be stated in CenterPoint's
11 Tariff for Retail Delivery Service.

4. Transmission Service Facility Extensions

5. CONCLUSION

1 **Q WHAT FINDINGS SHOULD THE COMMISSION MAKE BASED ON YOUR DIRECT**
2 **TESTIMONY?**

3 **A The Commission should make the following findings:**

- 4 • Reject CenterPoint's proposed 4CP allocation factors and reset the 4CP
5 allocation factors based on each class's actual demand coincident with
6 the ERCOT 4CPs during the test year.
- 7 • Apply the Direct method of allocating MFF on a city-by-city basis to
8 recognize the widely varying MFF rates established by each city, thereby
9 eliminating MFF cross-subsidies between cities.
- 10 • Retain the status quo on the design of the Transmission Service rate.
- 11 • Set the TSC of each delivery rate schedule to zero.
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14 shock due to the flaws in the existing Commission rule.
- 15 • Reopen 16 T.A.C. § 25.193 to allow for periodic changes in the 4CP
16 allocation factors.
- 17 • Revise CenterPoint's proposed Transmission Service Facility Extensions
18 policy by requiring CenterPoint to refund any Construction Payments
19 ~~made by the customer~~Upfront Payment in excess of the actual cost of a
20 Transmission Voltage extension and to provide a further refund in the
21 event that the facilities originally funded by the customer are
22 subsequently used to serve other customers irrespective of the
23 completion date; ~~and, lastly, to-~~ include all of the applicable terms and
24 conditions in CenterPoint's Tariff for Retail Delivery Service.

25 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

26 **A Yes.**

5. Conclusion