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EXPEDITED PETITION FOR	§	
APPROVAL OF INTERIM LOAD	§	PUBLIC UTILITY COMMISSION
MANAGEMENT PROGRAMS FOR	§	
NONRESIDENTIAL CUSTOMERS	§	OF TEXAS
AND FOR AN ACCOUNTING	§	
ORDER	§	

**TESTIMONY IN SUPPORT OF
STIPULATION AND SETTLEMENT AGREEMENT**

ROBERT CAVAZOS

FOR

AEP TEXAS INC.

NOVEMBER 9, 2021

TABLE OF CONTENTS

I. INTRODUCTION AND BACKGROUND3

II. THE PROGRAM.....5

III. THE AGREEMENT8

IV. RECOMMENDATION AND CONCLUSION.....9

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Robert Cavazos. I am the Energy Efficiency & Consumer Programs Manager for AEP Texas Inc. My business address is 539 N. Carancahua, Corpus Christi, Texas 78401.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Business Administration degree from Texas A&M University – Corpus Christi in 1998. From 1986 until 1993, I served as a meter reader with Central Power and Light Company, the predecessor to AEP Texas. In 1993, I transferred to the Customer Service Center as a Sr. Telephone Representative and later to the after-hour dispatch center. In 1996, I was appointed to the position of Lead Telephone Representative and in 1998 became Customer Service Supervisor. In 2002, I held the position of Demand Side Management Coordinator and in 2004, transferred to Competitive Retail Relations as a Market Specialist. In 2005, I transferred to AEP’s Human Resource (“HR”) department as a HR Field Representative and prior to my departure, I had held the position as a Senior HR Consultant. In early 2014, I accepted the position of Business Operations Supervisor and by mid-July had accepted my current position as the Energy Efficiency & Consumer Programs Manager for the former AEP Texas Central Company and AEP Texas North Company, now AEP Texas, overseeing the implementation and administration of energy efficiency programs in

1 compliance with the Public Utility Regulatory Act (“PURA”)¹ and with Public
2 Utility Commission of Texas (“Commission”) rules for such programs.

3 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

4 A. I am testifying on behalf of AEP Texas Inc.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. The purpose of my testimony is to: (1) detail AEP Texas’ Interim Winter Load
7 Management Pilot Program (the “Program”); (2) detail the commitments made by
8 AEP Texas as part of the Stipulation and Settlement Agreement (the “Agreement”)
9 regarding the Program; and (3) provide AEP Texas’ recommendation to the
10 Commission regarding the Program and the Agreement. A copy of the Program is
11 attached to the Agreement.

12 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATION.**

13 A. On October 8, 2021, AEP Texas, CenterPoint Houston, and TNMP (collectively,
14 the “Joint TDUs”) requested expedited Commission approval to: (1) design and
15 operate load management programs for nonresidential customers during the period
16 of December 1, 2021 through February 28, 2022 (the “Interim Load Management
17 Programs”); and (2) record a regulatory asset for reasonable and necessary costs
18 associated with the design and operation of the Interim Load Management
19 Programs and for future load management programs for nonresidential customers.

20 After negotiation and compromise, on November 9, 2021, the Joint TDUs
21 and Commission Staff entered into the Agreement, which resolves all issues in this
22 proceeding. The Agreement addresses, among other things: (1) the design and

¹ PURA is codified at Tex. Util. Code Ann. §§ 11.001–66.016.

1 operation of the Interim Load Management Programs; (2) the recording of a
2 regulatory asset for reasonable and necessary costs associated with the design and
3 operation of the Interim Load Management Programs; and (3) certain cost issues.
4 I believe the Agreement is reasonable. Thus, I recommend the Commission approve
5 the Agreement.

6 **II. THE PROGRAM**

7 **Q. WHAT IS THE PURPOSE OF AEP TEXAS' PROGRAM?**

8 A. The purpose of the Program is to attain demand reduction when the ERCOT power
9 region has declared a Level 2 Emergency or a higher level of emergency or has
10 otherwise directed AEP Texas to shed load. AEP Texas seeks to achieve this
11 objective through the Program by incentivizing non-residential customers, national
12 or local energy service customers, and commercial aggregation groups to curtail
13 load within 30 minutes' notice. Additionally, the Program will evaluate program
14 impacts and processes to gain insights that support the design of future load
15 management programs.

16 **Q. WHO IS ELIGIBLE TO PARTICIPATE IN THE PROGRAM?**

17 A. Entities that are eligible to participate in the Program are non-residential customers,
18 national or local energy service customers, and aggregation groups that identify
19 curtailable load in their own facilities. Each participant must subscribe a minimum
20 of 100 kW of load reduction to be eligible for the Program. Critical load and
21 customers participating in other load management programs, such as ERS are
22 ineligible. Eligibility is determined at the ESIID level. Additionally, load
23 curtailment that will result in negative environmental or health effects are

1 ineligible. This restriction does not preclude the use of self-generation that is in
2 compliance with applicable environmental and health and safety laws.

3 **Q. HOW MUCH CURTAILABLE LOAD DOES AEP TEXAS SEEK TO**
4 **ENROLL IN ITS PROGRAM?**

5 A. The Program seeks to achieve 10 MW in load reduction during the Program
6 operating period, which is the period from December 1, 2021 through February 28,
7 2022.

8 **Q. HOW WILL AEP TEXAS ENROLL PROGRAM PARTICIPANTS?**

9 A. AEP Texas will conduct outreach to eligible program participants, including
10 aggregation groups and non-residential customers that can identify curtailable load.
11 Program promotion and outreach will utilize existing email distribution lists for
12 non-residential customers.

13 **Q. WHAT ARE THE REQUIREMENTS FOR THE PARTICIPANTS IN AEP**
14 **TEXAS' PROGRAM?**

15 A. Participants with eligible curtailable loads approved by AEP Texas must meet the
16 following requirements:

- 17 • Participants must be able to curtail load twenty-four hours a day, seven days
18 a week and must be capable of curtailing load within 30 minutes' notice;
- 19 • Participants must commit to making their curtailable load available for the
20 Program operating period; and
- 21 • Participants must commit to one scheduled test curtailment of up to one
22 hour during the Program operating period and a maximum of four
23 unscheduled curtailments during the Program operating period, with any
24 single event lasting no more than four hours.

1 **Q. HOW WILL AEP TEXAS MEASURE AND VERIFY THE DEMAND**
2 **SAVINGS?**

3 A. AEP Texas will identify and verify a Program participant's load data through AEP
4 Texas' Advanced Metering System. This load data will be used to perform the
5 measurement and verification process after each scheduled and unscheduled
6 curtailment. AEP Texas will use the methodology approved by the Commission in
7 the Texas Technical Reference Manual to calculate and verify the demand savings
8 for each participating project site. Demand savings will be based on the actual load
9 reduction verified from each curtailment event.

10 **Q. HOW ARE INCENTIVES STRUCTURED UNDER THE PROGRAM?**

11 A. At the conclusion of the Program operating period, AEP Texas will pay each
12 participant an incentive payment of \$35.00 per kW of the verified curtailed load,
13 up to the approved kW amount for each site participating in the Program, based on
14 the average performance over all unscheduled events. If there are no unscheduled
15 events, the Participant incentive will be established based on performance during
16 the test event.

17 **Q. IS THE PROGRAM BEING OPERATED OUTSIDE OF AEP TEXAS'**
18 **COMMISSION-APPROVED ENERGY EFFICIENCY PROGRAMS?**

19 A. Yes. The Joint TDUs have requested to design and operate their respective Interim
20 Load Management Programs outside of their respective Commission-approved
21 energy efficiency programs due to the timing of S.B. 3, the law that permits the
22 Interim Load Management Programs and load management programs in general.
23 S.B. 3 was effective June 8, 2021. CenterPoint Houston's, AEP Texas', and
24 TNMP's respective energy efficiency applications were filed before the June 8,

1 2021 effective date and therefore do not address or include costs related to their
2 respective Interim Load Management Programs.

3 **III. THE AGREEMENT**

4 **Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF THE AGREEMENT.**

5 A. On November 9, 2021, AEP Texas, CenterPoint Houston, TNMP, and Commission
6 Staff entered into the Agreement, which addressed: (1) the design and operation of
7 the Interim Load Management Programs; (2) the recording of a regulatory asset for
8 reasonable and necessary costs associated with the design and operation of the
9 Interim Load Management Programs; and (3) certain cost issues.

10 **Q. DOES THE AGREEMENT ADDRESS THE DESIGN AND OPERATION**
11 **OF THE INTERIM LOAD MANAGEMENT PROGRAMS?**

12 A. Yes. Under the Agreement, AEP Texas, CenterPoint Houston, and TNMP are
13 permitted to design and operate their respective Interim Load Management
14 Programs, as further described in the Agreement.

15 **Q. WHAT ARE OTHER TERMS OF THE AGREEMENT?**

16 A. Under the Agreement, AEP Texas, CenterPoint Houston, and TNMP may each
17 record a regulatory asset for the reasonable and necessary costs associated with the
18 design and operation of their respective Interim Load Management Programs.

19 **Q. IS RECORDING A REGULATORY ASSET APPROPRIATE?**

20 A. Yes. S.B. 3, the law that permits the Interim Load Management Programs and load
21 management programs in general, also permits the recovery of reasonable and
22 necessary costs of load management programs. The recording of a regulatory asset
23 permits booking such costs until they are recovered in the future.

1 **Q. DID AEP TEXAS MAKE ANY COMMITMENTS IN THE AGREEMENT?**

2 A. Yes. AEP Texas committed to the following:

- 3 • Incremental costs associated with the design and operation of the Program
4 for nonresidential customers that will be included in the regulatory asset
5 must not be costs that are recovered through other means;
- 6 • Any affiliate costs that will be included in the regulatory asset must comply
7 with the standards set by statute and the Commission's rules;
- 8 • Determination of the reasonableness and necessity of the costs associated
9 with the Program, as well as their recovery, will be addressed in subsequent
10 proceedings, including AEP Texas' next base rate case; and
- 11 • AEP Texas agrees to confer and coordinate with Commission Staff and
12 ERCOT regarding deployment and operation of the Program.

13 **IV. RECOMMENDATION AND CONCLUSION**

14 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE**
15 **AGREEMENT?**

16 A. In my opinion, the Agreement and its terms are reasonable. Accordingly, I
17 recommend that the Commission approve the Agreement.

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

19 A. Yes.

CERTIFICATE OF SERVICE

I certify that on November 9, 2021, a true and correct copy of this document was served on all parties of record by electronic service consistent with the Commission's Second Order Suspending Rules filed on July 16, 2020 in Project No. 50664.

/s/ Leila Melhem