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**SOAH DOCKET NO. 473-22-2353
PUC DOCKET NO. 53442**

**APPLICATION OF CENTERPOINT
ENERGY HOUSTON ELECTRIC, LLC
TO AMEND ITS DISTRIBUTION
COST RECOVERY FACTOR**

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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**

**WORKPAPERS TO THE
DIRECT TESTIMONY AND EXHIBITS OF JEFFRY POLLOCK**

**ON BEHALF OF
TEXAS INDUSTRIAL ENERGY CONSUMERS**

September 19, 2022

PUBLIC UTILITY REGULATORY ACT

Title II, Texas Utilities Code

(As Amended)

Effective as of September 1, 2021

PUBLIC UTILITY COMMISSION
OF TEXAS

- (1) the Texas Division of Emergency Management;
- (2) the United States Department of Energy;
- (3) the United States Department of Homeland Security;
- (4) the North American Electric Reliability Corporation;
- (5) the Texas Reliability Entity;
- (6) federal and state agencies;
- (7) members of the electric industry; and
- (8) grid security experts.

(i) On a request by the governor, the lieutenant governor, the chair of the house of representatives committee having jurisdiction over energy utility regulation, or the chair of the senate committee having jurisdiction over energy utility regulation, the council shall issue to the requestor recommendations regarding:

- (1) the development of educational programs or marketing materials to promote the development of a grid security workforce;
- (2) the development of grid security best practices;
- (3) preparation for events that threaten grid security; and
- (4) amendments to the state emergency management plan to ensure coordinated and adaptable response and recovery efforts after events that threaten grid security.

(j) The council may prepare a report outlining grid security response efforts that do not involve classified or highly sensitive, company-specific information. If the council prepares the report, the council shall deliver the report to the governor, lieutenant governor, and legislature on or before the December 1 immediately preceding a regular session of the legislature.

(k) The meetings of the council and information obtained or created by the council are not subject to the requirements of Chapter 551 or 552, Government Code.

(Added by Acts 2016, 68th Leg., R.S., ch. 516 (SB 475) § 1.)

Sec. 39.918. UTILITY FACILITIES FOR POWER RESTORATION AFTER WIDESPREAD POWER OUTAGE.

(a) In this section, "widespread power outage" means an event that results in:

- (1) a loss of electric power that:
 - (A) affects a significant number of distribution customers of a transmission and distribution utility; and
 - (B) has lasted or is expected to last for at least eight hours; and
- (2) a risk to public safety.

(b) Notwithstanding any other provision of this subtitle, a transmission and distribution utility may:

(1) lease and operate facilities that provide temporary emergency electric energy to aid in restoring power to the utility's distribution customers during a widespread power outage in which:

- (A) the independent system operator has ordered the utility to shed load; or
- (B) the utility's distribution facilities are not being fully served by the bulk power system under normal operations; and

(2) procure, own, and operate, or enter into a cooperative agreement with other transmission and distribution utilities to procure, own, and operate jointly, transmission and distribution facilities that

have a lead time of at least six months and would aid in restoring power to the utility's distribution customers following a widespread power outage. In this section, long lead time facilities may not be electric energy storage equipment or facilities under Chapter 35, Utilities Code.

(c) A transmission and distribution utility that leases and operates facilities under Subsection (b)(1) may not sell electric energy or ancillary services from those facilities.

(d) Facilities described by Subsection (b)(1):

- (1) must be operated in isolation from the bulk power system; and
- (2) may not be included in independent system operator:
 - (A) locational marginal pricing calculations;
 - (B) pricing; or
 - (C) reliability models.

(e) A transmission and distribution utility that leases and operates facilities under Subsection (b)(1) shall ensure, to the extent reasonably practicable, that retail customer usage during operation of those facilities is adjusted out of the usage reported for billing purposes by the retail customer's retail electric provider.

(f) A transmission and distribution utility shall, when reasonably practicable, use a competitive bidding process to lease facilities under Subsection (b)(1).

(g) A transmission and distribution utility that leases and operates facilities under Subsection (b)(1) or that procures, owns, and operates facilities under Subsection (b)(2) shall include in the utility's emergency operations plan filed with the commission, as described by Section 186.007, a detailed plan on the utility's use of those facilities.

(h) The commission shall permit:

(1) a transmission and distribution utility that leases and operates facilities under Subsection (b)(1) to recover the reasonable and necessary costs of leasing and operating the facilities, including the present value of future payments required under the lease, using the rate of return on investment established in the commission's final order in the utility's most recent base rate proceeding; and

(2) a transmission and distribution utility that procures, owns, and operates facilities under Subsection (b)(2) to recover the reasonable and necessary costs of procuring, owning, and operating the facilities, using the rate of return on investment established in the commission's final order in the utility's most recent base rate proceeding.

(i) The commission shall authorize a transmission and distribution utility to defer for recovery in a future ratemaking proceeding the incremental operations and maintenance expenses and the return, not otherwise recovered in a rate proceeding, associated with the leasing or procurement, ownership, and operation of the facilities.

(j) A transmission and distribution utility may request recovery of the reasonable and necessary costs of leasing or procuring, owning, and operating facilities under this section, including any deferred expenses, through a proceeding under Section 36.210 or in another ratemaking proceeding. A lease under Subsection (b)(1) must be treated as a capital lease or finance lease for ratemaking purposes.

(k) This section expires September 1, 2029.

(Added by Acts 2021, 87th Leg., R.S., ch. 698 (HB 2483) § 1.)

**SOAH DOCKET NO. 473-22-2353
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**APPLICATION OF CENTERPOINT § BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC §
FOR APPROVAL TO AMEND ITS § OF
DISTRIBUTION COST RECOVERY §
FACTOR § ADMINISTRATIVE HEARINGS**

**AMENDED APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC,
LLC FOR APPROVAL TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR**

CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) files this Amended Application for Approval to amend its Distribution Cost Recovery Factor (“DCRF”) pursuant to Section 36.210 of the Public Utility Regulatory Act (“PURA”), ~~and~~ 16 Tex. Admin. Code (“TAC”) § 25.243, and the Public Utility Commission of Texas’ (“Commission”) Order on the Appeal of State Office of Administrative Hearings (“SOAH”) Order No. 5 and asks that its regulatory authorities, which include the ~~Public Utility Commission of Texas~~ (“Commission”) and municipalities, approve CenterPoint Houston’s Rider DCRF and Rider Temporary Emergency Electric Energy Facilities (“TEEEF”), as filed, and approve any other necessary changes to the Company’s tariffs resulting from the establishment of Rider TEEEF.

I. INTRODUCTION

CenterPoint Houston’s filing requests an update to the Company’s current Rider DCRF to include additional distribution invested capital placed in service from January 1, 2019 to December 31, 2021 and is CenterPoint Houston’s first DCRF filing since the Company’s last comprehensive base rate proceeding in Docket No. 49421.¹ As detailed below and in the Company’s testimony, exhibits, and workpapers, CenterPoint Houston invested \$1,097,973,841 in net distribution system invested capital booked to FERC Accounts 303, 352, 353, 360-374, 391 and 397 from January 1,

¹ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421, Final Order (Mar. 9, 2020).

2019 through December 31, 2021. In addition, pursuant to PURA § 39.918 the Company invested \$199,566,430 in temporary emergency electric energy (“mobile generation”) facilities during the calendar year ending December 31, 2021. The total revenue requirement associated with allowed return, depreciation, income and other taxes on net distribution invested capital since the Company’s last rate case is \$138,518,172 and ~~\$56,584,169~~~~59,903,845~~ for the mobile generation program, for a total of ~~\$195,102,341~~~~198,422,017~~. Adjusted for load growth, the resulting increase to the Company’s current revenue requirement for net distribution invested capital is ~~\$85,776,965~~~~145,680,810~~. Pursuant to the Commission’s Order on the Appeal of SOAH Order No. 5, CenterPoint Houston, through this Amended Application is now requesting recovery of the \$56,584,169 in mobile generation costs separately through Rider TEEEF.

II. AUTHORIZED REPRESENTATIVES

The telephone number and address of CenterPoint Houston’s authorized business representative is:

Denise Gaw
CenterPoint Energy Service Company, LLC
1111 Louisiana Street
Houston, Texas 77002
713.207.5956
713.207.9840 (fax)
denise.gaw@centerpointenergy.com

The telephone numbers and addresses of CenterPoint Houston’s authorized legal representatives are:

Mickey Moon
State Bar No. 00791291
CenterPoint Energy Service Company, LLC
1111 Louisiana, 19th Floor
Houston, Texas 77002
713.207.7231
713.454.7197 (e-fax)
mickey.moon@centerpointenergy.com

Mark Santos
State Bar No. 24037433
Kate Norman
State Bar No. 24051121
Coffin Renner LLP
P.O. Box 13366
Austin, TX 78711
512.879.0900
512.879.0912 (fax)
mark.santos@crtxlaw.com
kate.norman@crtxlaw.com

CenterPoint Houston requests that all information and documents in this filing be served on each of the persons above at their respective addresses, emails and/or fax numbers.

III. JURISDICTION

CenterPoint Houston is an electric utility as that term is defined in PURA §§ 11.004(1) and 31.002(6) and a transmission and distribution utility as defined in PURA § 31.002(19). CenterPoint Houston operates solely within the Electric Reliability Council of Texas areas of Texas. The Company's distribution system covers approximately 5,000 square miles located in and around Houston, Texas, and is comprised of approximately 57,000 miles of overhead and underground distribution lines. The Company's electric distribution system also includes conductors and substations operating at voltages of 35-kV and less.

The Commission has exclusive original jurisdiction over this proceeding for areas outside municipalities pursuant to PURA §§ 32.001(a) and 36.210(a), and for those municipalities shown on Attachment A that have ceded their original jurisdiction to the Commission pursuant to PURA § 33.002(b). Further, the Commission has exclusive appellate jurisdiction under PURA § 32.001(b) to review *de novo* an order or ordinance of a municipality exercising original jurisdiction

1 **Q. IS IT APPROPRIATE TO USE TOTAL REVENUES IN THE**
2 **CALCULATION OF MARGIN TAX FOR THE DCRF CALCULATION?**

3 A. Yes. Using total revenues in the calculation of the DCRF TMT is consistent with
4 the methodology approved in the Docket No. 49421 baseline amount¹³ and outlined
5 in 16 TAC §25.243(d).

6 **Q. DOES THE TREATMENT OF THE TMT IN DOCKET NO. 49421**
7 **DICTATE HOW THE TMT IS CALCULATED IN THIS FILING?**

8 A. Yes. Per the final order in Docket No. 49421, the Company is permitted to reflect
9 TMT expense based on the rate applicable in the period that rates are recovered.¹⁴
10 The current rate is 0.75%.¹⁵

11 **Q. IS THE COMPANY REQUESTING RECOVERY OF ADDITIONAL**
12 **COSTS OTHER THAN DISTRIBUTION-RELATED COSTS SHOWN ON**
13 **SCHEDULE A - DCRF?**

14 A. Yes. Consistent with PURA §39.918 and the Commission's Order on the Appeal
15 of SOAH Order No. 5, the Company is requesting recovery of mobile generation
16 costs as described below in Section ~~VIII~~VII. The mobile generation costs were
17 separately stated in the Company's original application on Schedule Mobile
18 Generation. The Company is also now showing those costs on a separate schedule
19 that is similar to Schedule A and includes only mobile generation costs.

¹³ Docket No. 49421, Order at Finding of Fact 122.

¹⁴ Docket No. 49421, Order at Finding of Fact 96.

¹⁵ Texas Tax Code, Title 2, Subtitle F, Chapter 171, Section 171.002 Rates; Computation of Tax (a).

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Temporary Emergency Electric Energy Facilities
Mobile Generation
Update Period January 1, 2019 - December 31, 2021
Sponsor: Jeff W. Garmon

As of December 31, 2021									
			(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Account Description	FERC	Balance at End of December 31, 2021 [1]	ADIT [2]	Total Rate Base	Amortization Period (yrs) [3]	Annual Amortization Expense	Taxes	Net Impact
1	Rate Base Balances at End of Period								
2	144010 Prepayments - Other	1650 Prepayments	\$ 3,830,395	\$ -	\$ 3,830,395	7.50	\$ 510,719	\$ -	\$ 510,719
3	179052 Regulatory Assets-Emergency Generation	1823 Oth Regulatory Asset	20,269,958	(4,224,766)	16,045,193	1.00	20,269,958		20,269,958
4	179054 Emergency Gen LT	1823 Oth Regulatory Asset	150,568,510	(31,453,636)	119,114,874	7.50	20,075,801		20,075,801
5	188010 Misc Def Debits - Other	1860 Misc Deferred Debits	24,897,566	-	24,897,566	7.50	3,319,675		3,319,675
6		Subtotal	\$ 199,566,430	\$ (35,678,402)	\$ 163,888,028		\$ 44,176,154	\$ -	\$ 44,176,154
7									
8	Rate of Return				6.51%				
9	Return on Rate Base (Ln 6 Rate Base Subtotal x Ln 8 Rate of Return)				<u>\$ 10,669,111</u>				10,669,111
10									
11	Impact on Expense								
12	Weighted Cost of Debt						2.52%		
13	Synchronized Interest (Ln 6 Rate Base Subtotal x Ln 12 Weighted Cost of Debt)						4,127,520		
14									
15	Taxable Component of Return (Ln 9 Return on Rate Base - Ln 13 Synchronized Interest)						6,541,591		
16	Tax Factor						26.582278%		
17									
18	Federal Income Taxes (Ln 15 Taxable Component of Return x Ln 16 Tax Factor)						1,738,904		1,738,904
19									
20	Texas Margin Tax						-		
21									
22	Total Taxes (Ln 18 Federal Income Taxes + Ln 20 Texas Margin Tax)						<u>\$ 1,738,904</u>		
23									
24	Net Impact								<u>\$ 56,584,169</u> [4]

Note

- [1] Source SAP, balance includes carrying costs.
 [2] Source : Tax Department
 [3] Amortization period dependent on life of the contract.
 [4] To: Schedule A

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APPLICATION OF CENTERPOINT	§	BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC,	§	
LLC FOR APPROVAL TO AMEND	§	OF
ITS DISTRIBUTION COST	§	
RECOVERY FACTOR	§	ADMINISTRATIVE HEARINGS

AMENDED DIRECT TESTIMONY OF

JOHN R. DURLAND

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

July 1~~April 5~~, 2022

Table 2: Proposed DCRF Rates

Customer Class	Proposed DCRF Rate Effective 9/1/2022	Per
Residential	\$0.001624 \$0.002758	kWh
Secondary <= 10 KVA	\$0.001471 \$0.002499	kWh
Secondary > 10 KVA	\$0.248876 \$0.422682	Billing KVA
Primary	\$0.160887 \$0.273246	Billing KVA
Transmission	\$0.005885 \$0.009995	4CP KVA
Lighting	\$0.029900 \$0.050782	kWh

Q. WHAT IS THE PROPOSED EFFECTIVE DATE OF RIDER DCRF?

A. Consistent with 16 TAC §25.243(e)(6)(C), CenterPoint Houston requests a system-wide effective date for its DCRF rates of September 1, 2022.

Q. ARE THE RATES CALCULATED ON A SYSTEM-WIDE BASIS IN ACCORDANCE WITH PURA AND 16 TAC § 25.243(e)(6)(C)?

A. Yes, they are.

Q. DOES THE PROPOSED DCRF RATE INCLUDE ANY ADJUSTMENT FOR THE PORTION OF A NON-FUEL RATE RELATING TO THE GENERATION OF ELECTRICITY?

A. No.

Q. HAS CENTERPOINT PROPOSED A WHOLESALE DCRF?

A. No, it has not.

1 ~~Q. HOW ARE THE MOBILE GENERATION PROGRAM COSTS ALLOCATED?~~

2 ~~A. The costs associated with the mobile generation program are included with the incremental~~
3 ~~revenue requirement as shown on Schedule A, Line 15. These costs are allocated in~~
4 ~~WP Schedule J-1 based on the customer class percentages presented in WP/Schedule J/3~~
5 ~~from Docket No. 49421.~~

6 ~~Q. DID THE USE OF MOBILE GENERATION IMPACT BILLING~~
7 ~~DETERMINANTS?~~

8 ~~A. No. The usage reported to the REPs for billing purposes excluded retail customer usage~~
9 ~~of the mobile generation facilities.~~

10 **VI. PROPOSED RIDER TEEEF AND EFFECTIVE DATE**

11 **Q. PLEASE EXPLAIN THE COMPANY'S REQUEST RELATING TO RIDER**
12 **TEEEF.**

13 A. Rider TEEEF is a separate tariff rider designed to recover the cost of the Company's
14 investment in mobile generation. CenterPoint Houston's request relating to Rider TEEEF
15 is a result of the Commission's instructions following a decision on the Company's appeal
16 of SOAH Order No. 5.

17 **Q. HOW ARE THE MOBILE GENERATION PROGRAM COSTS ALLOCATED?**

18 A. Rider TEEEF costs are allocated on the customer class percentages presented in
19 WP/Schedule J/3 from Docket No. 49421.

20 **Q. IS THERE A REVENUE REQUIREMENT IMPACT BY MOVING THESE**
21 **COSTS TO THE RIDER TEEEF?**

22 A. No. However, the overall revenue requirement related to mobile generation has been
23 reduced since the Company's initial filing as discussed in Mr. Garmon's testimony.

Q. HAVE YOU PREPARED A PROPOSED RIDER?

A. Yes. The proposed Rider TEEEF is presented in Exhibit JRD-5.1. The proposed Rider TEEEF appropriately allocates the TEEEF Revenue Requirement increase to the customer classes and designs the TEEEF rates per the guidance in 16 TAC §25.243(d)(1). The proposed Rider TEEEF rates are shown below:

Table 2: Proposed TEEEF Rates
TEEEF Effective for Scheduled Meter Read Dates on and after September 1, 2022

<u>Rate Class</u>	<u>TEEEF Charge</u>	<u>Billing Units</u>
<u>Residential Service</u>	<u>\$0.001071</u>	<u>per kWh</u>
<u>Secondary Service Less Than or Equal to 10 kVA</u>	<u>\$0.000971</u>	<u>per kWh</u>
<u>Secondary Service Greater Than 10 kVA</u>	<u>\$0.164175</u>	<u>per Billing kVA</u>
<u>Primary Service</u>	<u>\$0.106132</u>	<u>per Billing kVA</u>
<u>Transmission Service</u>	<u>\$0.003882</u>	<u>per 4CP kVA</u>
<u>Lighting Services</u>	<u>\$0.019724</u>	<u>per kWh</u>

Q. WHAT IS THE PROPOSED EFFECTIVE DATE OF RIDER TEEEF?

A. Consistent with 16 TAC §25.243(e)(6)(C), CenterPoint Houston requests a system-wide effective date for its TEEEF rates of September 1, 2022. However, as noted in the testimony of Mr. Garmon, if rates are not implemented on September 1, 2022, the rates will need to be adjusted to account for carrying charges and the time period for recovery.

Q. ARE THE RATES CALCULATED ON A SYSTEM-WIDE BASIS IN ACCORDANCE WITH PURA AND 16 TAC § 25.243(e)(6)(C)?

A. Yes, they are.

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 53442
SOAH NO. DOCKET NO. 473-22-2353**

**Texas Industrial Energy Consumers
REQUEST NO.: TIEC02-03**

QUESTION:

Referring to the Amended Direct Testimony of Martin W. Narendorf Jr. at page 15, lines 15–18, state whether the mobile generators are physically capable of serving transmission voltage customers.

ANSWER:

Mobile generators procured by CEHE are not physically capable of serving transmission voltage customers. These generators have a terminal voltage of approximately 13kV and require use of additional step-up transformers to connect to transmission voltage customers.

SPONSOR (PREPARER):
Martin Narendorf

RESPONSIVE DOCUMENTS:
None

NATIVE FILE UPLOADED TO PUC INTERCHANGE

 Revised Rider TEEEF Calculation.xlsx

The following files are not convertible:

Revised Rider TEEEF Calculation.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.