

1 Utility Operations Support organization charges other CNP affiliates or divisions
2 for Utility Operations Support services. All capital and expense costs incurred by
3 the Utility Operations Support organization are charged to all CNP affiliates at cost
4 through either direct charges or allocations. The testimony of Ms. Colvin and Mr.
5 Storey further describe the process for direct charging or allocating costs to
6 CenterPoint Houston and other CNP affiliates or divisions at cost.

7 **IV. UTILITY SUPPORT OPERATIONS SERVICES AND**
8 **RESPONSIBILITIES**

9 **Q. WHAT SERVICES DOES UTILITY OPERATIONS SUPPORT PROVIDE**
10 **TO CENTERPOINT HOUSTON?**

11 A. Utility Operations Support is a centralized support organization that provides
12 Utility Operations Support services and management oversight for
13 business-unit-specific functions and electric utility operations. The five functional
14 departments' roles and responsibilities and their essential support and contributions
15 made to CenterPoint Houston during the test year are discussed in detail in my
16 testimony below.

17 **A. ES&BS Functional Department**

18 **Q. WHAT IS ES&BS'S ROLE IN THE COMPANY'S ELECTRIC**
19 **OPERATIONS?**

20 A. Although the ES&BS group comprises five departments with various
21 responsibilities, the Energy Efficiency department is the only ES&BS department
22 that provides services to CenterPoint Houston and charges the Company for
23 services. The costs associated with the other four departments' activities are not
24 charged to CenterPoint Houston and are not included in this base rate case. The

1 Energy Efficiency department is responsible for facilitating energy conservation
2 initiatives, the costs of which are generally not included in or being sought in this
3 base rate case because energy efficiency costs are included in a separate filing.
4 However, the Company does seek to recover in this rate case the cost of the 2022
5 Interim Winter Load Management Program.

6 **Q. WHAT WAS THE 2022 CENTERPOINT HOUSTON INTERIM LOAD**
7 **MANAGEMENT PROGRAM?**

8 A. On June 8, 2021, S.B. 3 took effect, which, among other things, requires the
9 Commission to “allow a transmission and distribution utility to design and operate
10 a load management program for nonresidential customers to be used where the
11 independent organization certified under Section 39.151 for the ERCOT power
12 region has declared a Level 2 Emergency or a higher level of emergency or has
13 otherwise directed the transmission and distribution utility to shed load.” Given
14 the opportunity provided through S.B. 3, CenterPoint Houston, Texas-New Mexico
15 Power Company, and AEP Texas Inc. (collectively, the “Joint TDUs”) filed an
16 expedited petition with Commission in Docket No. 52689² requesting approval to
17 implement an interim load management program from December 1, 2021, through
18 February 28, 2022, and for each of the Joint TDUs to record a regulatory asset for
19 its necessary costs associated with the program. On January 12, 2022, the

² *Expedited Petition of CenterPoint Energy Houston Electric, LLC for Approval of Interim Load Management Programs for Nonresidential Customers and for an Accounting Order*, Docket No. 52689, Order (Jan. 12, 2022).

1 Commission approved the accounting treatment for necessary costs associated with
2 the Joint TDUs implementing their respective interim load management programs.

3 **Q. PLEASE DESCRIBE CENTERPOINT HOUSTON'S 2022 INTERIM**
4 **WINTER LOAD MANAGEMENT PROGRAM.**

5 A. CenterPoint Houston's Interim Load Management Program sought to attain
6 demand reduction during grid emergencies or when otherwise directed by ERCOT
7 to shed load by incentivizing customers to provide reliable load curtailment that
8 could be initiated when needed. Additionally, the Interim Load Management
9 Program evaluated program impacts and processes and gained insights that can
10 support the design of future load management programs. CenterPoint Houston's
11 Interim Load Management Program operated from January 12, 2022, through
12 February 28, 2022. The program included commercial customers, retail electric
13 providers, and aggregation groups able to curtail load within 30 minutes' notice,
14 and participate in curtailment events 24 hours a day, seven days a week. The total
15 verified demand reduction average for the two test curtailment events on February
16 10, 2022, and February 24, 2022, was 102.24 MW, which met the program goal of
17 100–150 MW. The Company seeks to recover in this base rate case the \$2,984,848
18 in necessary deferred expenses associated with its participation in the Interim
19 Winter Load Management Program. These actual expenses are less than 67% of
20 the budgeted expense for the program, despite meeting the program's goal. Ms.
21 Colvin's testimony further discusses the accounting order and the methodology of
22 recording the \$2,984,848 in reasonable and necessary deferred expenses for the
23 Interim Winter Load Management Program.

Figure 2 - 2022 Interim Winter Load Management Program Results and Performance

	Goal	Actual
Demand Reduction	100 – 150 MW	102.24 MW
Budget	\$4,500,000	\$2,984,848

Performance by Curtailment Event

Curtailment Event	Demand Reduction
February 10, 2022	103.11 MW
February 24, 2022	101.36 MW
Program Total *	102.24 MW

*Average of Events 1 and 2

Q. ARE CENTERPOINT HOUSTON'S 2023 WINTER LOAD MANAGEMENT COSTS EXPECTED TO BE RECOVERED IN BASE RATES?

A. No. CenterPoint only seeks recovery of the 2022 interim program in this base rate case. CenterPoint Houston will seek recovery of reasonable and necessary costs associated with the design and operation of the 2023 Winter Load Management program in a future Energy Efficiency Cost Recovery proceeding.

Q. WERE THERE ANY SIGNIFICANT CHANGES TO THE ES&BS DEPARTMENT THAT IMPACT HOUSTON ELECTRIC SINCE THE LAST RATE CASE?

A. No.

1 **B. EOE Functional Department**

2 **Q. WHAT IS EOE’S ROLE IN THE COMPANY’S ELECTRIC**
 3 **OPERATIONS?**

4 A. EOE comprises four departments:

- 5 • **Enterprise Data Analytics** supports the Company’s electric operations by
 6 providing data and analytics support to enable data-driven decisions and
 7 provide visibility into operational and business performance, including data
 8 visualization, dashboards and scorecards, reports and data pulls, ad-hoc
 9 analytics, artificial intelligence/machine learning modeling, statistics and
 10 probability modeling, data quality, data cataloging, and data engineering and
 11 staging.
- 12 • **Utility Quality (“UQ”)** measures and monitors conformance with utility
 13 requirements and Company policies to maximize public safety, mitigate utility
 14 operations’ risks, and ensure quality records. UQ (1) manages workstream
 15 processes, controls, and corrective action plans; (2) coordinates various
 16 transactions, including Electric Service Identifier acquisitions, account
 17 transfers, and outdoor lighting bill reconciliations; and (3) performs
 18 administrative tasks related to work-order processing, bargaining-unit-payroll
 19 reconciliation, and records maintenance.
- 20 • **Continuous Improvement** supports strategy deployment, workstream
 21 optimization, strategic initiative implementation, continuous improvement
 22 training, and the use of visual management for performance management.

- 1 • **Geographic Information Services (“GIS”)** provides GIS systems and related
2 geospatial technology services for CNP, including CenterPoint Houston. GIS
3 is a mapping technology that allows the user to create and interact with a variety
4 of maps and data sources, which improves CenterPoint Houston’s resiliency,
5 safety, and customer service. GIS data and analyses support several other
6 corporate enterprise systems (e.g., SAP, Advanced Distribution Management
7 System, CIS, and Analytics).

8 **Q. WERE THERE ANY SIGNIFICANT CHANGES TO THE EOE**
9 **DEPARTMENT SINCE THE LAST RATE CASE?**

10 A. The role of the Vice President Enterprise Operational Excellence was formally
11 created in 2023. The components within EOE, such as GIS or Data Analytics,
12 existed in different places in the organization but were organized together within
13 EOE to better serve the Company and leverage capabilities. This role aligns
14 functions that provide Utility Operations Support services to CNP’s business units
15 under a single person and allows for consistent and efficient approaches across CNP.

16 **C. Facilities Management Functional Department**

17 **Q. WHAT IS FACILITIES MANAGEMENT’S ROLE IN THE COMPANY’S**
18 **ELECTRIC OPERATIONS?**

19 A. Facilities Management provides routine building and facility operations services
20 and project management services for building design, modifications, and
21 construction management. Facilities Management also oversees the Office Support
22 Services (e.g., mail, copy center, and forms design and management services) and

1 Corporate Travel (e.g., travel-related and offsite-meeting services) functions, which
2 direct bill CenterPoint Houston at cost for any services provided to the Company.

3 **Q. WERE THERE ANY SIGNIFICANT CHANGES TO THE FACILITIES**
4 **MANAGEMENT DEPARTMENT SINCE THE LAST RATE CASE?**

5 A. No.

6 **Q. DID FACILITIES MANAGEMENT MAKE ANY CAPITAL**
7 **INVESTMENTS FROM JANUARY 1, 2019, TO DECEMBER 31, 2023,**
8 **THAT WERE ALLOCATED TO CENTERPOINT HOUSTON?**

9 A. Yes. Facilities Management made capital investments, including projects such as
10 new facility construction, roof replacements, and existing facility upgrades. Each
11 of these investments was placed into service by December 31, 2023, and was
12 reasonable and necessary to efficiently and effectively operate CenterPoint
13 Houston.

14 **D. Field Services Functional Department**

15 **Q. WHAT IS FIELD SERVICES' ROLE IN THE COMPANY'S ELECTRIC**
16 **OPERATIONS?**

17 A. The Field Services organization is composed of three departments:
18 • **Land & Field Services ("L&FS")** performs land surveying, land acquisitions,
19 and right-of-way maintenance and responds to land-related inquiries from
20 CenterPoint Houston, its affiliates, governmental agencies, and the
21 public. L&FS also (1) supports projects to upgrade facilities in the CenterPoint
22 Houston territory and (2) provides CenterPoint Houston with revenue that
23 L&FS receives from rights of way in CenterPoint Houston's service territory

1 through right-of-way license agreements and consents to encroach. For a
2 further explanation of the total test year revenue, please refer to the testimony
3 of Company witness Ms. Colvin.

- 4 • **Damage Prevention** (1) provides timely and accurate locating and marking of
5 CNP's electric and natural gas facilities and (2) conducts programs to identify
6 high-risk excavators, improve dig practices and Texas 811 awareness, and
7 reduce underground damage. As a member of Texas 811, Damage Prevention
8 provided 729,184 locates in 2023 (up 11% from 654,843 locates in 2020) of
9 CenterPoint Houston buried electric assets prior to excavation activities. And
10 Damage Prevention has completed more than 17,900 locate audit engagements
11 with third-party excavators and documented more than 2,900 near misses
12 during the test year.
- 13 • **Emergency Preparedness & Response ("EP&R")** (1) oversees CNP's
14 emergency management program; (2) develops the Emergency Operations Plan
15 ("EOP") in accordance with regulatory requirements and industry best
16 practices; (3) trains CNP employees on emergency roles; (4) manages CNP's
17 business continuity program; and (5) facilitates emergency operations when an
18 emergency or disaster occurs. During the test year, EP&R staff was embedded
19 with CenterPoint Houston to (1) revise and update the EOP; (2) develop and
20 facilitate training exercises, including testing the EOP response in the event of
21 a hurricane or a similar disaster; and (3) review and update storm-response roles
22 and personnel to ensure all positions have been assigned.

1 **Q. WERE THERE ANY SIGNIFICANT CHANGES TO THE FIELD**
2 **SERVICES ORGANIZATION SINCE THE LAST RATE CASE?**

3 **A.** The role of Vice President of Field Services was established in 2022 and reports to
4 the Senior Vice President of Utility Operations Support. This role aligns functions
5 that provide Utility Operations Support services to CNP's business units under a
6 single person and allows for consistent and efficient approaches across CNP.
7 Additionally, CNP made the following changes to the groups within Field Services:

- 8 • **L&FS:** From 2019 to 2021, CNP reorganized L&FS with managed regional
9 areas in support of CNP's business units and regions to streamline and improve
10 L&FS services across the CNP footprint. Five managers support CNP's
11 regional areas. Three regional managers serve the CenterPoint Houston region:
12 a manager for overall asset management and separate managers for
13 transmission and distribution projects.
- 14 • **Damage Prevention:** The Damage Prevention and Public Awareness functions
15 were centralized in Damage Prevention after the 2019 merger of CNP and
16 Vectren Corp. In 2021, Public Awareness in all regions was consolidated under
17 one manager.
- 18 • **EP&R:** In July 2023, CNP established EP&R with a CNP-wide focus on an
19 all-hazard-based program that responds to emergencies and prepares for,
20 mitigates against, and recovers from them. CNP consolidated existing
21 emergency preparedness and response personnel to EP&R, which has one
22 director and two emergency coordinators.

1 **E. S&TT Functional Department**

2 **Q. WHAT IS S&TT'S ROLE IN THE COMPANY'S ELECTRIC**
3 **OPERATIONS?**

4 A. CNP is committed to protecting employees, contractors, customers and
5 communities, and the systems that serve them. Our goal is to maintain a safe work
6 environment and deliver electricity safely to the communities we serve. To achieve
7 our goal, CNP is guided by the following principles: (1) compliance with applicable
8 safety laws and regulations; (2) understanding and incorporating safety
9 responsibilities into daily work activities and being accountable for reporting
10 incidents, injuries, and unsafe practices or conditions so they can be promptly
11 addressed and corrected; (3) continuous improvement in our safety performance
12 and culture; and (4) the development and maintenance of effective safety programs
13 that educate and inform customers and the public in the communities where we
14 operate. S&TT is composed of the following three departments:

- 15 • **Enterprise Safety** (1) oversees gas and electric safety training, field-operations
16 inspections, and safe-work practices development; (2) facilitates compliance
17 with federal, state, and local safety regulations and standards (e.g.,
18 commercial-motor-vehicle licensing, workplace-exposure monitoring,
19 work-related-injury case management, and drug-and-alcohol testing); (3)
20 provides internal and external electric-safety education resources, including
21 presentations to contractors, public schools, and emergency responders; and (4)
22 oversees incident investigations, including corrective action identification,
23 assignment, and monitoring.

- 1 • **Technical Training** provides technical training services and oversight for CNP,
2 including its electric utility operations business units. Within Technical
3 Training, the CenterPoint Houston Skills Training group provides skills training,
4 including classroom instruction, hands-on demonstrations, and evaluation for
5 Company field-operations personnel to obtain necessary knowledge and
6 qualifications to construct and maintain the components of the electric grid.
- 7 • **Safety Strategy/Transformation** (1) ensures CenterPoint Houston contractors
8 comply with applicable safety regulatory requirements and Company policies
9 and procedures; (2) administers CNP-wide changes to processes, procedures,
10 materials, and equipment to ensure changes are standardized across business
11 units, including CenterPoint Houston; and (3) manages Occupational Safety &
12 Health Administration recordkeeping, safety metric tracking, benchmarking
13 and reporting, and administration of the safety information management
14 platform for business units, including CenterPoint Houston.

15 **Q. WERE THERE ANY SIGNIFICANT CHANGES TO THE S&TT**
16 **ORGANIZATION SINCE THE LAST RATE CASE?**

17 A. No.

18 **V. COST CONTROL**

19 **Q. WHAT TYPES OF COSTS ARE INCURRED BY UTILITY OPERATIONS**
20 **SUPPORT?**

21 A. Generally, the Utility Operations Support departments incur costs for labor,
22 benefits, employee travel, supplies and materials, and software support to
23 effectively carry out the various responsibilities of each department, which I

discussed above in section IV of my testimony. In addition to those general costs, the following groups typically incur specific costs:

- **ES&BS** incurs costs to participate in the Interim Winter Load Management Program.
- **EOE** incurs costs related to technology equipment, data acquisition, and analytic tools.
- **Facilities Management** incurs property management costs, including building maintenance, janitorial/cleaning, groundskeeping, utilities, taxes, insurance, security, and support costs.
- **Field Services** incurs sponsorship and advertising costs to encourage improved dig practices and awareness of Texas 811.

Q. DID UTILITY OPERATIONS SUPPORT MAKE ANY CAPITAL INVESTMENT FROM JANUARY 1, 2019, THROUGH DECEMBER 31, 2023?

A. Utility Operations Support invested \$132.7 million in capital additions from January 1, 2019, through December 31, 2023. Figure 3 illustrates the directly incurred capital investment by department. Company witness Mr. Storey discusses any Service Company allocated capital investments.

Table 2 - Figure 3. Capital Investment by Department for the Utility Operations Support Organization

Utility Operations Support Functional Departments:	Capital Investment in Millions:
Energy Solutions & Business Services	\$0
Enterprise Operational Excellence	\$6.9
Facilities Management	\$125.6
Field Services	\$0.1
Safety & Technical Training	\$0.07
Total:	\$132.7

Q. WERE THESE CAPITAL INVESTMENTS PRUDENTLY INCURRED AND REASONABLE AND NECESSARY?

A. Yes. The capital investments associated with the Utility Operations Support organization are prudently, effectively, and carefully managed and maintained through business planning, budget-plan review, and ongoing budget-plan monitoring.

- **EOE's** capital investments were \$6.9 million. This investment was for the enterprise license software cost for the ESRI and Schneider Electric products, which are necessary for EOE department's GIS group to deploy GIS solutions CNP-wide. The use of GIS improves CenterPoint Houston's resiliency, safety, and customer service. Accordingly, these investments are reasonable and necessary for the success and development of the EOE department and Utility Operations Support organization.
- **Facilities Management's** capital investments were \$125.6 million. These capital investments were for the construction of a new service center and a new training center along with normal capital improvements to other service centers.

1 The construction of the new service center was essential for expanding
2 operational capacity, improving response times, and accommodating the
3 growing demand for utility services within the community. The new training
4 center was a strategic investment in employee development, ensuring a
5 well-trained workforce capable of handling evolving industry standards and
6 technologies.

- 7 • **Field Services'** capital investments were \$0.1 million. These investments were
8 focused on equipment and materials that were necessary to support surveying.
- 9 • **S&TT's** capital investments were \$0.07 million. These investments were
10 focused on equipment and materials that were necessary to support ongoing
11 safety, training, and development of company personnel.

12 **Q. ARE THE EOE AND FACILITIES MANAGEMENT CAPITAL**
13 **INVESTMENTS USED AND USEFUL IN THE PROVISION OF**
14 **ELECTRIC SERVICE?**

15 A. Yes. The EOE and Facilities Management capital investments are used and useful
16 in the provision of electric service because EOE and Facilities Management
17 acquired the software and facilities that CenterPoint Houston uses to supply and
18 furnish adequate and uninterrupted service to customers by December 31, 2023.

Q. WHAT O&M EXPENSE AMOUNT WAS REASONABLE AND NECESSARY FOR UTILITY OPERATIONS SUPPORT DURING THE TEST YEAR?

A. Utility Operations Support incurred direct O&M expenses of \$41.7 million during the test year. Notably, \$2.1M of the incurred O&M costs relates to the Corporate Security department, these costs were assigned to my organization for reporting purposes in this rate case. However, Corporate Security's test year costs were budgeted and controlled by Company witness John Sousa. Mr. Sousa's testimony describes the security support services provided to the Company. Figure 4 displays these test year expenses by department. Company witness Mr. Storey discusses any Service Company allocated O&M expenses in his testimony.

Table 3 - Figure 4. Test Year O&M Expenses by Department for the Utility Operations Support Organization

Utility Operations Support Functional Departments:	Test Year O&M Expenses in Millions:
Energy Solutions & Business Services	\$0
Enterprise Operational Excellence	\$1.7
Facilities Management	\$19.1
Field Services	\$9.3
Safety & Technical Training	\$9.5
Corporate Security	\$2.1
Total:	\$41.7

Q. WERE THE O&M EXPENDITURES REASONABLE AND NECESSARY?

A. Yes. The O&M cost associated with the Utility Operations Support organization are effectively and carefully managed and maintained through business planning, budget-plan review, and ongoing budget-plan monitoring. As my direct testimony demonstrates, the services that Utility Operations Support provides to CenterPoint

1 Houston are necessary and must be provided for the Company to provide electric
2 service, and those services are provided at a reasonable cost.

3 **Q. WHAT PROCESSES DOES UTILITY OPERATIONS SUPPORT FOLLOW**
4 **TO MONITOR ACTUAL COSTS INCURRED?**

5 A. Utility Operations Support uses both the CNP budget process and financial system
6 controls, as described in Mr. Storey's direct testimony, to determine its annual
7 expenditures and to monitor results during the year. In concert with its clients,
8 Utility Operations Support carefully plans operations and maintenance activities
9 and investments during the annual budget process and monitors them throughout
10 the year. CNP executives, including myself, review actual performance against
11 the approved plans for the year and provide direction if business changes are
12 identified through the performance reviews. Utility Operations Support monitors
13 and reconciles its costs throughout the year and periodically, based on findings,
14 reviews the financial system to ensure that the costs incurred by Utility Operations
15 Support on behalf of business units are reasonable and appropriately charged to the
16 business unit taking service.

17 **Q. HOW ARE UTILITY OPERATIONS SUPPORT ORGANIZATION**
18 **CAPITAL AND EXPENSE COSTS CHARGED TO CENTERPOINT**
19 **HOUSTON?**

20 A. As I previously discussed in my testimony, the Utility Operations Support
21 organization are either direct charged at cost to CenterPoint Houston or allocated
22 at cost according to the allocation methodologies addressed by Company witness
23 Mr. Storey.

1 **Q. DOES UTILITY OPERATIONS SUPPORT INCUR DIRECT COSTS THAT**
2 **ORIGINATE WITHIN CENTERPOINT HOUSTON?**

3 A. Yes, certain costs incurred for a specific business unit such as CenterPoint Houston
4 are not further distributed within the business unit. Within CenterPoint Houston,
5 direct client support costs provided by Facilities Management support CenterPoint
6 Houston's common facilities. Company witness Ms. Colvin further explains the
7 accounting treatment of these costs.

8 **Q. DOES UTILITY OPERATIONS SUPPORT ROUTINELY UTILIZE**
9 **THIRD-PARTY SERVICES TO SUPPORT CENTERPOINT HOUSTON?**

10 A. Yes, third-party services are routinely used by Utility Operations Support. For
11 example, S&TT periodically incurs certain capital costs for items such as
12 improvements or modifications to facilities or purchase of new support equipment
13 used to provide its services or to improve safety performance in business units.
14 These capital costs, which are primarily third-party costs, are either paid directly
15 by the respective business unit as incurred or assigned by Enterprise Safety to be
16 recovered through its service rates. Additionally, Facilities Management uses
17 third-party services for renovation, remodeling, and furniture projects and many
18 building operations services, including janitorial services, building and building
19 systems repairs and maintenance, office relocation moves, and general operating
20 support. EOE utilizes third-party vendors for various GIS services, data processing
21 and technical support. And within Field Services, L&FS utilizes third-party
22 services to support large-scale projects to better meet the needs of CenterPoint

1 Houston and other affiliates. Field Services also uses third-party contractors to
2 perform most line-locating activities.

3 **Q. HOW DOES UTILITY OPERATIONS SUPPORT TYPICALLY**
4 **EVALUATE OPTIONS TO USE THIRD-PARTY SERVICES?**

5 A. Utility Operations Support evaluates options to use third parties by assessing
6 potential increases in quality of service offered; estimating cost savings; evaluating
7 service expediency (to determine what level of service meets the client timeframe
8 needs); assessing required expertise (to decide if we have or want to keep a
9 comparable level of expertise inside the corporation); and verifying numbers of
10 service providers (to see if there are a few or many providers in the market).
11 Third-party contracts are then competitively bid by Utility Operations Support
12 before final selections are made. For more information regarding CenterPoint
13 Houston's competitive bid process please refer to the testimony of Company
14 witness Ms. Carla Kneipp.

15 **VI. CENTERPOINT ENERGY PROPERTIES**

16 **Q. WHAT IS CENTERPOINT ENERGY PROPERTIES AND WHAT**
17 **FACILITIES DOES IT OWN?**

18 A. CenterPoint Energy Properties, a subsidiary of CNP, owns several facilities
19 including the multi-tenant facilities in the Houston area consisting of CenterPoint
20 Energy Tower ("CNP-T"), the corporate headquarters building, and the Energy
21 Control & Data Center facility ("EC/DC"). Utility Operations Support's Facilities
22 Management department directly oversees and supports building operations for
23 CenterPoint Energy Properties.

1 **Q. DOES CENTERPOINT HOUSTON OCCUPY SPACE IN THE**
2 **CORPORATE HEADQUARTERS BUILDING AND EC/DC?**

3 A. Yes. CenterPoint Houston occupies space in both the corporate headquarters
4 building and EC/DC owned by CenterPoint Energy Properties and leased to Service
5 Company. The EC/DC houses the CenterPoint Houston energy control center as
6 well as certain corporate support personnel and activities, including the information
7 technology data center, office support services, and facilities management.
8 CenterPoint Houston subleases space from Service Company in separate master
9 lease/sublease arrangements for the corporate headquarters building and EC/DC.

10 **Q. PLEASE DESCRIBE THE LEASE ARRANGEMENTS.**

11 A. A master lease agreement is in place between CenterPoint Energy Properties and
12 Service Company for all CNP occupied office space in CNP-T, including parking
13 space in an underground garage. A separate master lease agreement is in place
14 between CenterPoint Energy Properties and Service Company for all CNP occupied
15 office space at EC/DC. Space is sublet from Service Company to CenterPoint
16 Houston to meet its administrative and operational needs at both CNP-T and
17 EC/DC. Additionally, other CNP business units lease office space at CNP-T using
18 sublease arrangements. The master leases and the subleases are co-terminus,
19 one-year leases that continue as a year-to-year tenancy until either Lessor or Lessee
20 terminates the lease.

21 The terms of the lease are the same for each business unit. Each business
22 unit, including CenterPoint Houston, is charged for its net rentable area, which is a
23 combination of the actual square footage of occupancy plus a share of the common

1 space adjusted annually to reflect any changes. The base rent rate component is
2 fixed per the master lease and does not change annually. A standard operations rate
3 component ("additional rent") is adjusted annually in accordance with normal
4 commercial office building practice and includes items such as property
5 management, building maintenance, janitorial/cleaning, grounds keeping, utilities,
6 taxes, insurance, security, and support costs. All CNP business units are charged
7 the same gross rent rates for occupied space (base rent plus additional rent)
8 exclusive of parking requirements at CNP-T, which are normally separate charges.

9 **Q. DO NON-AFFILIATE TENANTS OCCUPY FACILITIES OWNED BY**
10 **CENTERPOINT ENERGY PROPERTIES?**

11 A. Yes. There are currently two non-affiliated third-party tenants leasing space in the
12 CNP-T net rentable area. These leases range from 10 to 15 years in term, with rents
13 at the prevailing market rates at the time the leases were signed. CNP-T operating
14 costs are shared consistent with Building Owners and Managers Association
15 International standards and are adjusted as is standard in the commercial office
16 building market.

17 **Q. HOW IS OCCUPANCY DETERMINED FOR EACH CNP SUBLEASE**
18 **(BUSINESS UNIT)?**

19 A. The CNP-T and EC/DC master leases provide for total leased office space. This
20 total lease space may change during the lease period such that only occupied square
21 footage is included in the master lease. All unoccupied square footage remains at
22 CenterPoint Energy Properties until such time as it is leased and occupied.
23 Facilities Management reviews subleases to determine the actual space occupied

1 by each sub-lessee and any necessary adjustments are identified. Facilities
2 Management meets with the respective business units occupying each building to
3 discuss changes to current square feet ("SF") occupied. Facilities Management
4 then communicates the specific SF needs to CenterPoint Energy Properties and
5 billings are adjusted accordingly. The 2023 occupancy needs for CenterPoint
6 Houston were 152,228 SF at CNP-T out of a total 1,079,525 SF building net
7 rentable area at CNP-T and 109,834 SF at EC/DC out of a total 215,343 SF building
8 net rentable area at EC/DC.

9 **Q. HOW IS BASE RENT DETERMINED FOR EACH CNP BUSINESS UNIT?**

10 A. Base rent for each CNP business unit subleasing space from Service Company is
11 the same as the base rent charged to Service Company in its master lease with
12 CenterPoint Energy Properties. The base rent amount is fixed during the lease term
13 and was developed in 2002 to include recovery of its depreciation expense and a
14 reasonable return on investment. This formula has not changed since it was
15 reviewed and approved by the Commission in the Company's last rate case, Docket
16 No. 49421.

17 **Q. HOW IS ADDITIONAL RENT (SHARED OPERATING COST)**
18 **DETERMINED FOR EACH CNP BUSINESS UNIT?**

19 A. Each year, Facilities Management prepares an operating budget as part of the
20 services provided to CenterPoint Energy Properties. Operating costs include the
21 items described as "additional rent" above. When the budget is finalized, Facilities
22 Management develops annual operating rates based on total building net rentable
23 area square footage and, in the case of EC/DC, space type (high technology and

1 low technology). The operating rates are billed to Service Company and passed to
2 the business units through annual rent adjustments. Since these are strictly cost
3 based operating costs, Facilities Management prepares an annual true-up from
4 budget to actual and rates are adjusted if appropriate. The operating rates at EC/DC
5 are split between low technology and high technology due to the higher operating
6 costs required to support “high tech” space. The sub-lessees pay exactly what is
7 charged to Service Company for additional rent.

8 **Q. IS FURNITURE PROVIDED TO EACH CNP BUSINESS UNIT?**

9 A. Yes. Prior to 2007, the building standard furniture used by business unit occupants
10 in CNP-T and EC/DC was provided as part of a service from Service Company.
11 Subsequently, all building standard furniture assets were transferred to CenterPoint
12 Energy Properties at book value to maintain all assets associated with the
13 multi-tenant buildings in one entity. Rent rates are developed annually to include
14 recovery of depreciation expense and a reasonable return on investment over the
15 net rentable area where CenterPoint Energy Properties has supplied furniture.
16 Business Unit-specific furniture and areas with no furniture were excluded from the
17 net rentable area calculation.

18 **Q. ARE THESE RENT COSTS REASONABLE AND NECESSARY?**

19 A. Yes. The rent costs are necessary to house employees and equipment vital to the
20 success of CenterPoint Houston operations. The total rents charged are reasonable
21 as described above with CenterPoint Houston only responsible for its assigned
22 share of occupied space as described within this testimony.

1 **Q. HAVE THE OPERATIONS OR STRUCTURE OF CENTERPOINT**
2 **PROPERTIES CHANGED SINCE CENTERPOINT HOUSTON'S LAST**
3 **RATE CASE?**

4 **A. No.**

5 **VII. CONCLUSION**

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

7 **A. Yes.**

PUC DOCKET NO. 56211

APPLICATION OF CENTERPOINT	§	PUBLIC UTILITY COMMISSION
ENERGY HOUSTON ELECTRIC, LLC	§	
FOR AUTHORITY TO CHANGE RATES	§	OF TEXAS

DIRECT TESTIMONY

OF

RONALD W. BAHR

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

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1 **EXECUTIVE SUMMARY – INFORMATION TECHNOLOGY**

2 **(RONALD W. BAHR)**

3 Information Technology (“IT”) provides critical services to CenterPoint Energy Houston
4 Electric, LLC (“CenterPoint Houston” or the “Company”) that enable CenterPoint Houston
5 to meet the internal and external needs of employees, customers, and regulators. IT
6 provides traditional information and operational technology services that are necessary to
7 operate CenterPoint Houston’s business in an efficient, effective, and resilient manner. IT
8 supports CenterPoint Houston’s Advanced Distribution Management System, which
9 provides information regarding the types and location of outages, enabling repairs to be
10 effectively scheduled and dispatched to the field through the mobile data system. In
11 addition, IT sends end-use electric usage data to the Electric Reliability Council of Texas
12 (ERCOT) daily, which is forwarded to the appropriate retail electric provider to bill its
13 customers, as required by the Public Utility Commission of Texas. IT provides critical
14 services on a 24/7 basis and enables CenterPoint Houston to operate at optimal
15 performance.

16 My testimony also demonstrates that the Company’s affiliate costs for IT are
17 reasonable and necessary and reflect the IT costs charged to other affiliates for the same
18 services. Thus, the Company’s IT’s affiliate costs should be recovered in full through the
19 Company’s base rate.

I. INTRODUCTION

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

A. My name is Ronald W. Bahr, and I am employed by CenterPoint Energy Service Company, LLC ("Service Company") as Vice President, Information Technology.

Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT, INFORMATION TECHNOLOGY?

A. I am a senior leader in the IT organization responsible for business and customer software solutions, vendor management, service delivery, governance, and IT financial management. In addition, I lead the development and execution of IT strategies and work with CenterPoint Energy, Inc. ("CNP") business leaders across the company to support the achievement of their objectives through IT. I am also an executive sponsor for various strategic IT projects.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND PREVIOUS WORK EXPERIENCE.

A. I earned my Bachelor of Science degree in Accounting from Eastern Illinois University and a Master of Business Administration degree from Bowling Green State University. I have over 40 years of energy industry experience and have held Information Technology ("IT") leadership roles for over 22 years, for both non-regulated and regulated companies. In 2017, I joined CNP's nonregulated natural gas subsidiary. My role as Vice President included oversight over all technology functions. In 2020, I accepted a position with the Service Company as

1 Vice President Information Technology for all CNP subsidiaries, including
2 CenterPoint Houston. During my time with the Service Company, I have also led
3 large enterprise-wide information technology projects for CNP and its subsidiaries.

4 **Q. DO YOU HOLD ANY PROFESSIONAL LICENSES OR CERTIFICATES?**

5 A. I hold the following certifications: Certified Financial Management (CFM) and
6 Certified Management Accountant (CMA), both sponsored by the Institute of
7 Management Accountants. I also hold a certification as a Professional in Human
8 Resources (PHR) through the Society of Human Resources (SHRM).

9 **Q. HAVE YOU TESTIFIED PREVIOUSLY?**

10 A. Yes. I have provided testimony to the Indiana Utility Regulatory Commission in
11 Cause No. 45990.

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

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

14 **II. PURPOSE AND SCOPE OF TESTIMONY**

15 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
16 **PROCEEDING?**

17 A. My testimony describes the IT organization's role as an affiliate of the Company
18 and its key strategies as the provider of information technology services that
19 support the Company's customer and business objectives. I further describe the IT
20 services provided by IT to CenterPoint Houston as well as the basis and
21 methodology for charging CenterPoint Houston for these services. I describe
22 several specific IT initiatives and provide information to support a request for
23 deferred accounting treatment for cloud computing. In addition, my testimony

1 demonstrates that the IT charges to CenterPoint Houston are reasonable and
2 necessary.

3 **Q. WHAT AMOUNTS IN THE COMPANY'S PROPOSED COST OF**
4 **SERVICE DOES YOUR TESTIMONY SUPPORT?**

5 A. I support IT's direct costs of approximately \$16.5 million in unadjusted test year
6 expenses for supporting CenterPoint Houston in 2023, as discussed later in my
7 testimony. I also support approximately \$453.2 million in capital additions for the
8 period 2019 through 2023 related to IT.

9 **Q. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULES IN THIS**
10 **PROCEEDING?**

11 A. I do not directly sponsor or co-sponsor any schedule, however, my testimony
12 supports the reasonableness and necessity of various costs included in Schedules
13 V-K-7 and V-K-12, sponsored by Company witness L. Darren Storey, as they relate
14 to IT costs.

15 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF**
16 **OTHER WITNESSES IN THIS PROCEEDING?**

17 A. The parts of my testimony that relate to planning, budgeting, and the assignment of
18 affiliate costs to CenterPoint Houston support and supplement the testimony of
19 Company witness Mr. Storey. Mr. Storey testifies to the overall role and benefits
20 of having a service company, of which I am a part, and discusses the budgeting and
21 allocation methodologies for Service Company affiliate costs charged to
22 CenterPoint Houston. The parts of my testimony discussing the shift to cloud
23 computing support the testimony of Company witness Kristie Colvin, who testifies
24 regarding the associated accounting treatments.

1 **Q. WAS YOUR TESTIMONY, INCLUDING ASSOCIATED SCHEDULES,**
2 **WORKPAPERS AND EXHIBITS, PREPARED BY YOU OR UNDER YOUR**
3 **SUPERVISION AND DIRECTION?**

4 A. Yes, they were.

5 **III. IT ORGANIZATIONAL STRUCTURE**

6 **Q. PLEASE DESCRIBE THE ROLE OF IT IN A UTILITY.**

7 A. IT is critical to efficiently operate an electric utility in a safe and reliable manner.
8 IT systems include software, networks, and hardware that are integrated to provide
9 critical data to both utility workers, performing construction and maintenance, and
10 workers performing back-office functions, such as accounting. In addition, utilities
11 use IT systems that must be securely connected to people and businesses outside
12 the utility, allowing the Company to accomplish essential tasks such as receiving
13 and remitting payments, ordering supplies, and providing customers with
14 information updates. Most importantly, technology enables the Company to
15 respond quickly to safety risks. Through applications, field workers can access
16 information about facility locations, including the locations of electric transmission
17 and distribution lines, substations, electric poles, and other critical data. This
18 information allows the Company to respond to emergency situations quickly and
19 safely.

20 **Q. WHAT IS THE IT ORGANIZATION?**

21 A. The IT Organization is an organization within Service Company that is responsible
22 for implementing, managing, and maintaining the IT systems within CNP's
23 business units, including CenterPoint Houston.

1 **Q. ARE THERE BENEFITS TO HAVING A CENTRALIZED IT**
2 **ORGANIZATION?**

3 A. Yes. A centralized IT organization enables more efficient staffing, reduces some IT
4 system costs, and promotes reliability. Employing a centralized structure will
5 promote common processes, practices, infrastructure, and systems across CNP's
6 business units. This will facilitate use of shared resources to help workload
7 distribution and provide workforce flexibility to deliver technology services in a
8 cost-effective manner.

9 **Q. PLEASE DESCRIBE IT SERVICES PROVIDED TO CENTERPOINT**
10 **HOUSTON.**

11 A. Service Company provides the following general categories of IT services to
12 CenterPoint Houston: (1) Technology and Infrastructure; (2) Application
13 Development and Delivery; (3) Operations and Support; and (4) Data and Cyber
14 Security. These broad categories can be narrowed and described more specifically
15 in terms of eight types of services, which I describe in more detail below.

16 **Desktop Data Device Services** consists of life-cycle management of
17 desktop and desktop-related network devices, such as desktop computers, laptops,
18 printers, convenience copiers, network servers, standard desktop/network software,
19 e-mail, internet and remote access, and disaster recovery and business resumption
20 planning and support. Desktop Data Device Services are necessary for employees
21 to perform their daily responsibilities. Through this desktop and network
22 environment, employees access their business applications and collaboration tools,
23 which include systems such as SAP and Microsoft Office. In addition, employees

1 can create files, print documents, and use internal and external e-mail messaging
2 capabilities.

3 **Data Management** encompasses the use of and support for various storage
4 mediums (or platforms). This includes the related hardware and software used to
5 manage storage, staff, daily operations, and technical management and
6 maintenance of systems that manage storage and data. IT also maintains off-site
7 data archive storage, which supports operations and contingency plans for disaster
8 recovery. Additionally, this service includes all technology and services that
9 replicates mission critical data between primary and secondary data centers.

10 **Enterprise Infrastructure** involves the use and support of hardware
11 platforms (e.g., UNIX/LINUX, gateways, and specialized servers). The hardware
12 platforms support business-specific or enterprise-distributed systems, along with
13 related software, staff, and data center management and maintenance. This service
14 supports the Company's hardware systems, data storage, network systems, and
15 daily operations and maintenance.

16 **Enterprise Applications Development and Support** provides ongoing
17 maintenance services for application software, training, and system enhancements
18 of integrated applications (such as SAP). The integrated applications facilitate
19 numerous critical business processes, which include financial reporting, payroll,
20 accounts payable, accounts receivable, human resources, materials management,
21 purchasing and logistics, budgeting, and work management. This service also
22 supports the Company's Transaction Management Hub, which sends usage data to
23 ERCOT. Every day, the Transaction Management Hub delivers usage data in

1 15-minute intervals from more than 2.5 million AMS meters, as described in the
2 testimony of John Hudson. The 15-minute interval data is required for ERCOT to
3 settle the wholesale power market.

4 **Applications Development and Support** works with the Company to
5 implement packaged and automated solutions to meet operational and internal
6 needs. This service partners with personnel to develop strategic business plans,
7 assess feasibility, understand and gather requirements, perform analyses, and
8 design documents. This service also includes Enterprise Architecture and IT
9 Management oversight including services through the Project Management Office
10 (PMO). Additional services include software development and acquisition,
11 integration testing, implementation, production applications support, technical
12 consultations, and facilitation. In doing so, the services use a variety of software
13 languages and database tools across distributed environments and the
14 Intranet/Internet.

15 **Telephone Service** installs individual telephone line connections and
16 equipment at various CenterPoint Houston offices, service centers, and other
17 locations as needed. The Service Company also works with various
18 telecommunication companies (e.g., ATT) for access and maintenance
19 coordination on their network that may affect CenterPoint Houston. IT, working
20 with Procurement, secures communications service for CenterPoint Houston,
21 including Voice Over Internet Protocol ("VOIP") domestic and international
22 calling.

1 **Telecommunications Move/Add/Change** includes labor and equipment
2 associated with moving, adding, or changing telecommunications equipment for
3 personnel.

4 **Data and Cyber Security Management** includes management oversight
5 and support for Cyber/SAP/Network security. Data and Cyber Security
6 Management involves identifying and implementing the appropriate tools and
7 procedures to ensure Sarbanes-Oxley compliance.

8 **IV. INFORMATION TECHNOLOGY'S STRATEGY**

9 **Q. PLEASE DESCRIBE INFORMATION TECHNOLOGY'S STRATEGY.**

10 A. IT strives to support the Company's objectives by providing sustainable, resilient,
11 and affordable services for the Company's customers and employees. To achieve
12 these objectives, IT has identified two strategies: Cost Optimization and Resiliency.

13 **Q. PLEASE FURTHER DESCRIBE THE COST OPTIMIZATION AND**
14 **RESILIENCY STRATEGIES.**

15 A. The Cost Optimization Strategy focuses on efficient and effective technology
16 operations and delivering services in a more cost-effective manner. The Resiliency
17 Strategy focuses on investments to improve, modernize, or maintain technology
18 operations and infrastructure to ensure secure and reliable technological systems.
19 Implementing both strategies requires maintaining existing technology systems,
20 replacing these systems as they become obsolete, and investing in new
21 infrastructure and software.

22 **Q. WHAT ARE THE DRIVERS FOR MAINTAINING TECHNOLOGY**
23 **SYSTEMS?**

24 A. Software, hardware, and networks all need to be regularly updated, maintained, and
25 frequently replaced. With technology systems, routine maintenance includes
26 updating software or firmware versions, applying vendor patches, monitoring

1 performance, and remediating issues. Routine maintenance is key to protecting
2 against security vulnerabilities. Hackers from around the world are continuously
3 attacking utilities, trying to gain access to data, control systems, employee records,
4 and customer records. In maintaining the Company's technology systems, IT
5 applies security patches, software updates, and firmware upgrades, together with
6 regular upgrades to applications, hardware, and networks. Constant monitoring and
7 diligent maintenance are critical to providing efficient and secure utility operations
8 for the Company's customers.

9 **Q. HOW OFTEN MUST SOFTWARE TECHNOLOGY BE REPLACED?**

10 A. There are many factors involved in determining when software technology needs
11 to be replaced, including supportability, operating costs, functionality,
12 performance, reliability, and age. Supportability means both third-party support to
13 the Company provided by the software vendor and in-house support to the
14 Company provided by employees and contractors. As software applications age,
15 vendor support becomes more expensive and often decreases in availability. It is
16 risky to operate unsupported or under-supported software because if the software
17 breaks or fails, it may be impossible to efficiently repair or replace it, which can
18 impair the Company's operations and service. Moreover, a software's functionality
19 and performance are closely linked. Installations of new software or applications
20 usually result in greater operational efficiencies with faster response times, better
21 system integration, or an improved user-interface. Reliability and age are also
22 linked. As software ages, it reacts more slowly relative to newer applications. Older

1 systems are also familiar targets for cyber-attacks and become unreliable as more
2 security patches must be applied over the life of the asset.

3 **Q. MUST REGULAR INVESTMENTS IN TECHNOLOGY BE MADE TO**
4 **PRUDENTLY MANAGE A PUBLIC UTILITY?**

5 A. Yes, to prudently manage the Company, CenterPoint Houston regularly invests in
6 technology. Regular investments are crucial to safe and reliable operations. These
7 investments include upgrading systems and software applications, adding new
8 business capabilities, and replacing outdated hardware. The Company's rate base
9 reflects ongoing, prudent investments in technology that aim to ensure reliable
10 service to its customers.

11 **Q. WHAT MAJOR INVESTMENTS WERE MADE FOR THE COMPANY**
12 **RELATED TO THE COST OPTIMIZATION AND RESILIENCY**
13 **STRATEGIES?**

14 A. Consistent with the strategies above, the following major IT investments have been,
15 or are in the process of being, implemented.

16 **Cost Optimization Initiatives**

- 17 A. Enterprise Integration Program ("EIP")
- 18 B. Advanced Metering System ("AMS")
- 19 C. Supervisory Control and Data Acquisition ("SCADA")
- 20 D. Digital Delivery Program
- 21 E. Advance Finance Program

22 **Resiliency Initiatives**

- 23 A. Cybersecurity
- 24 B. Texas Retail Market
- 25 C. Mainframe Customer Information System Replacement
- 26 D. Network Transformation
- 27 E. Data Center Refresh and Resiliency

F. Fiber Expansion

G. Cell Relay Replacement

Unless otherwise indicated, all capital investments and expenses provided in this testimony are specific to electric operations within CenterPoint Houston.

Q. WHERE THESE MAJOR INVESTMENTS THE ONLY IT INVESTMENTS MADE BY CENTERPOINT HOUSTON?

A. No. In addition to the above-described major investments, CenterPoint Houston made numerous smaller investments in communications equipment and IT applications and infrastructure. I describe these further in Section VII of my testimony.

V. MAJOR COST OPTIMIZATION CAPITAL INVESTMENTS

A. Enterprise Integration Program (“EIP”) Investment

Q. PLEASE DESCRIBE THE EIP PROGRAM INVESTMENT.

A. On February 1, 2019, CNP acquired an electric utility in Indiana, Vectren Corp. (“Vectren”). Shortly afterwards, IT began the multi-year process of integrating Vectren’s systems with those of the other business units owned by CNP. This integration required upgrading portions of the IT applications and infrastructure of CNP’s other business units, including CEHE’s. We refer to this process as the EIP Core investment. EIP Core, which was completed in 2021, integrated the technology systems supporting finance and accounting, gas and electric operations, human resources, supply chain management, and other related areas.

Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS CUSTOMERS.

A. As I explained earlier in my testimony, CenterPoint Houston benefits from being served by a central IT organization, which enables efficient staffing and reliability.

1 Integrating an additional utility, Vectren, ultimately increases efficiency for all
2 CNP subsidiaries, including CenterPoint Houston.

3 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
4 **ASSOCIATED WITH THE EIP CORE PROGRAM.**

5 A. The capital investments allocated to CenterPoint Houston for EIP Core are \$21.0
6 million over the 2019 through 2023 time period.

7 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
8 **AND PRUDENT.**

9 A. The investments associated with EIP Core were reasonable and prudent considering
10 the operational synergies and business efficiencies gained by consolidating
11 CenterPoint's utilities into a single platform. By consolidating its technology,
12 CenterPoint Houston will continue to provide safe, reliable, and secure delivery of
13 electricity to customers. It will enhance the customer experience and drive efficient
14 and effective operations in the future.

15 **B. Advanced Metering System (AMS)**

16 **Q. PLEASE DESCRIBE THE ADVANCED METERING SYSTEM (AMS)**
17 **PROGRAM.**

18 A. AMS is a software platform comprised of three core subsystems: the Data
19 Collection Engine (Advanced Metering Infrastructure Head End System), the
20 Meter Data Management (MDM) system, and AMS Services. This software
21 platform enables CEHE to integrate meter data and control functions into CEHE's
22 electric market and electric distribution processes. AMS is a core component in the
23 processing of most transactions related to the competitive retail electric market,
24 including but not limited to enrollments, service orders, billing transactions and

1 usage transactions. The AMS system also serves a key role in the use of smart
2 meters in CEHE's outage to restoration processes.

3 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
4 **CUSTOMERS.**

5 A. Both the MDM system and the DCE underwent major version upgrades between
6 2019 and 2023. With each major software upgrade, additional capabilities were
7 introduced or strengthened to support the electric market and CEHE electric
8 operations, which included:

- 9 • the ability to deliver large commercial and industrial (IDR) metered customer
10 daily interval usage/settlement data to ERCOT, retail electric providers, and
11 customers;
- 12 • improved identification of meter failures;
- 13 • increased ability to identify customer outages using smart meters; and
- 14 • improved outage communications with customers via the Power Alert Service
15 (PAS).

16 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
17 **ASSOCIATED WITH THE AMS PROGRAM.**

18 A. The capital investments directly charged to CenterPoint Houston for AMS
19 Investments are \$15.8 million over 2019 through 2023.

20 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
21 **AND PRUDENT.**

22 A. The investments for the AMS effort are reasonable and prudent given the
23 efficiencies and benefits achieved, as described earlier in my testimony. During
24 this period, investments were made to ensure that software—that developed by the
25 vendor and that developed internally—remains up-to-date and secure.

C. Energy Management System (“EMS”)/Supervisory Control and Data Acquisition (“SCADA”)

Q. PLEASE DESCRIBE THE EMS AND SCADA.

A. Several CenterPoint Energy Houston Electric departments, such as Real Time Operations (“RTO”) and Distribution Operations and Control (“DOC”), rely upon a technology system known as EMS/SCADA that enables 24x7 grid monitor and control functions, such as remotely switching transmission or distribution equipment in or out of service. It is critical that CEHE invests in the EMS/SCADA to ensure the hardware, software, and data on the EMS/SCADA remain up-to-date and secure, as well as compliant with federal regulation, such as the North American Electric Reliability Corporation (“NERC”) Critical Infrastructure Protection (“CIP”) standards.

Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS CUSTOMERS.

A. The EMS/SCADA capital investments allow CenterPoint Energy Houston Electric systems to remain reliable and operate more efficiently and securely. Specifically, the EMS/SCADA updates provide enhanced load shed capabilities (as explained by Mr. David Mercado’s testimony) and harden the systems to better detect and prevent issues related to equipment failure, software vulnerabilities, and potential malware events from external threats.

Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS ASSOCIATED WITH EMS/SCADA.

A. The capital investments directly charged to CenterPoint Houston for the EMS/SCADA program are \$11.7 million over 2019 through 2023.

1 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
2 **AND PRUDENT.**

3 A. As explained earlier, several CEHE operational departments rely upon the
4 EMS/SCADA, making it critical the systems remain secure and available 24/7. It
5 is therefore necessary to ensure the systems receive regular maintenance and
6 upgrades to the hardware and software to ensure not only the EMS/SCADA and
7 associated infrastructure remain supported by the manufacturers but also provide
8 the functionality necessary for RTO and DOC to operate efficiently, effectively,
9 and securely, day-to-day. In addition, as Federal and other regulatory or compliance
10 requirements evolve or change, CEHE must add new capabilities or modify existing
11 hardware or software to remain not only secure, but also compliant with the various
12 externally mandated requirements.

13 **D. Digital Delivery Program**

14 **Q. PLEASE DESCRIBE THE DIGITAL DELIVERY PROGRAM.**

15 A. The Digital Delivery Program establishes a secure front-end cloud application
16 platform to support the Company's digital products, targeted to increase operational
17 efficiencies and support accelerated capital deployment. The digital products focus
18 on usability to ensure high satisfaction and maximum adoption from both
19 employees and customers.

20 **Q. PLEASE PROVIDE AN EXAMPLE OF HOW CENTERPOINT HOUSTON**
21 **HAS USED THE DIGITAL DELIVERY PROGRAM.**

22 A. After the completion of the Digital Delivery platform, CenterPoint Houston
23 developed the CrewPoint digital product. CrewPoint is a new digital tool that allows
24 CenterPoint Houston to manage distributed field crew resources more effectively
25 from a centralized location. Specifically, CrewPoint provides dashboards to track

1 crew utilization across service center boundaries and facilitate resource sharing to
2 maximize productivity. CrewPoint also includes a portal that streamlines work
3 packet distribution to contractors and minimizes manual tasks. With the
4 implementation of CrewPoint, contractors can now access a portal to provide status
5 updates on their assigned work, which minimizes delays in downstream activities.
6 CrewPoint also provides employees and contractors with access to productivity
7 dashboards to communicate impediments and ensure efficient work practices. For
8 example, CenterPoint Houston employees may communicate a delay in materials
9 for a particular work order, while a contractor may communicate challenges with
10 site readiness or access to property. CenterPoint Houston began using the tool
11 starting in the fourth quarter of 2022.

12 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
13 **CUSTOMERS.**

14 A. The Digital Delivery Program provides an efficient method to deliver new
15 technology, with a focus on products that are functional, intuitive, adoptable, and
16 scalable. The Digital Delivery Program provides a foundation for technology
17 support to increase the Company's operational efficiencies and productivity.

18 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
19 **ASSOCIATED WITH THE DIGITAL DELIVERY PROGRAM.**

20 A. The capital investments allocated to CenterPoint Houston associated with the
21 Digital Delivery Program are \$19.7 million over 2019 through 2023.

22 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
23 **AND PRUDENT.**

24 A. Digital Delivery aligns with the overall IT strategy of Cost Optimization. These
25 costs are reasonable and necessary as the Digital Delivery Program creates an

operating model that allows IT to effectively meet business demands while relying increasingly on technology and automation to control costs in the delivery of safe and reliable service by CenterPoint Houston.

E. Advance Finance Program

Q. PLEASE DESCRIBE THE ADVANCE FINANCE PROGRAM.

A. The Advance Finance Program implemented new systems (as well as enhancing existing systems) that automate reporting and analysis related to financial management. The automated systems included:

- an updated FERC accounting ledger;
- a system to intake invoices automatically;
- a regulatory filing templates;
- a treasury management system and a wires automation system for greater compliance and tracking;
- a robotics automation tool; and
- a system for financial planning and reporting.

The Program also simplified cost allocations in the SAP system.

Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS CUSTOMERS.

A. CenterPoint Houston and its customers will generally realize benefits related to cost optimization and operational efficiency as the Advance Finance Program equips the Finance Department with enhanced systems to reduce manual efforts and improve decision making and reporting capabilities.

Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS ASSOCIATED WITH THE ADVANCE FINANCE PROGRAM.

1 A. The capital investments allocated to CenterPoint Houston associated with the
2 Advance Finance Program are \$21.8 million over 2019 through 2023.

3 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
4 **AND PRUDENT.**

5 A. The Service Company's financial systems had remained largely unchanged since
6 the early 2000s. Improvements to these systems allow the Company to be supported
7 by new technologies that added new capabilities and automation. The Advance
8 Finance Program provided several systems that offer leaders more data
9 transparency and better reporting capabilities to develop comprehensive insights
10 into performance metrics and improvements. The Advance Finance Program was
11 undertaken through a rigorous and competitive bidding process. The bidding
12 process ensured that there was a comprehensive evaluation of alternative solutions.

13 **VI. MAJOR RESILIENCY CAPITAL INVESTMENTS**

14 **A. Cybersecurity Programs**

15 **Q. PLEASE DESCRIBE THE COMPANY'S CYBERSECURITY PROGRAMS.**

16 A. Since 2019, the Service Company initiated the following Cybersecurity Programs:

17 **The Information Technology/Operational Technology ("IT/OT")**
18 **Cybersecurity Program** addresses threats to the Company's core business. IT/OT
19 enhances network visibility and combines the response and monitoring capabilities
20 of the Security Operations Center ("SOC"). The SOC includes IT/OT, Threat
21 Intelligence Management, and Physical Security. The IT/OT Cybersecurity
22 Program will create a deployment factory, which will serve as a design and testing
23 center for changes and mass deployment of new technology.

24 **The Application Security Program** integrates security practices and
25 principles into each stage of the software development lifecycle, instead of only

1 prior to deployment. This process accelerates how code is tested, packaged, and
2 deployed. It builds controls around the introduction of code into the Company's
3 environment and remediates vulnerabilities before the code is implemented in
4 production and legacy application code.

5 **Vulnerability Management** is an ongoing process of identifying,
6 assessing, prioritizing, and mitigating cybersecurity vulnerabilities across systems.
7 This will reduce the likelihood and impact of security incidents by addressing
8 system weaknesses. This helps the Company anticipate threats and minimize the
9 likelihood of security breaches, which in return protects the Company's data.

10 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
11 **CUSTOMERS.**

12 A. Each of the cybersecurity investments listed in my testimony enables day-to-day
13 business activities across the Company. Careful attention to cybersecurity allows
14 the Company to manage cyber-related risks. In particular, these efforts help ensure
15 system resiliency, network and application resiliency, and security hardening
16 across all aspects of the Company's network and applications.

17 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
18 **ASSOCIATED WITH THE CYBERSECURITY PROGRAMS.**

19 A. The capital investments allocated to CenterPoint Houston for the Cybersecurity
20 Programs are \$8.2 million over 2019 through 2023.

21 **Q. PLEASE EXPLAIN WHY THE INVESTMENTS ARE REASONABLE AND**
22 **PRUDENT.**

23 A. Each investment associated with the Cybersecurity Programs is reasonable and
24 prudent because each program enables the Company to manage cyber-related risks
25 to the systems and network. Specifically, each program allows the Company to:

- comply with regulatory and statutory requirements such as federal cybersecurity regulations like the Payment Card Industry Data Security Standard (“PCI DSS”), Health Insurance Portability and Accountability Act, (“HIPAA”), General Data Protection Regulation (“GDPR”), and NERC CIP, as well as cybersecurity regulations of the Federal Energy Regulatory Commission (“FERC”);
- ensure business continuity by protecting against system downtime and preventing operation disruptions;
- respond to the ever-evolving cyber threat landscape as these investments help mitigate risk associated with data breaches, financial losses, legal consequences, and reputational damage;
- maintain customer trust and ensure that personal information will be safeguarded;
- and protect Company assets, confidential data, intellectual property, and critical infrastructure from damage, unauthorized access, or theft.

B. Texas Retail Market Program

Q. PLEASE DESCRIBE THE TEXAS RETAIL MARKET PROGRAM.

A. The Texas Retail Market Program’s purpose is to design, develop, test, and implement new enhancements for the Texas Electric Market. This effort is led by the Information Technology team, working closely with the Electric Market Operation (EMO) department. The Texas Retail Market customer base consists of large electric commercial and industrial customers as well as mass residential and small commercial customers. These customers are billed on 15-minute interval data. The two main systems involved in processing the market transactions are the company’s Transaction Management Hub (TMH) system and the SAP system. The main areas of support come from electric meters to cash/payment processing. This includes transactions such as move-ins, move-outs, switches to different

1 service providers, services orders involving electric disconnects and reconnects,
2 billing and invoicing, usage, and payments.

3 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
4 **CUSTOMERS.**

5 A. Aside from the Electric Market benefits discussed in the testimony of John Hudson,
6 the Texas Retail Market investment helps CNP to serve competitive retailers and
7 customers more efficiently by processing market transactions in a timely manner.
8 It also helps to ensure our compliance with the tariff and market rules. The
9 investments allow for continuous improvement with system enhancements,
10 processes, exception management, automation, system monitoring alerts, and
11 compliance reporting.

12 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
13 **ASSOCIATED WITH THE TEXAS RETAIL MARKET PROGRAM.**

14 A. The capital investments allocated to CenterPoint Houston for the Texas Retail
15 Market Program are \$10.7 million over 2019 through 2023.

16 **Q. PLEASE EXPLAIN WHY THE INVESTMENTS ARE REASONABLE AND**
17 **PRUDENT.**

18 A. The investments associated with the Texas Retail Market initiative are reasonable
19 and prudent because they allow CNP to meet market rule obligations and
20 compliance requirements on a daily basis. These investments also help us serve
21 competitive retailers and customers more efficiently.

22 **C. Mainframe Customer Information System Replacement Program**

23 **Q. PLEASE DESCRIBE THE MAINFRAME CUSTOMER INFORMATION**
24 **SYSTEM REPLACEMENT PROGRAM.**

25 A. The Houston Electric Mainframe Customer Information System was a technology
26 system that CenterPoint Houston built to process electric market transactions and

1 billings. The Mainframe was over 35 years old and was not designed to process
2 the amount of data necessary for the Company to run a modern, efficient utility.
3 Additionally, as it was outdated technology, it was becoming increasingly difficult
4 to find personnel trained to maintain it. The Mainframe replacement program
5 migrated the processes on the Mainframe to CNP's existing SAP platform, enabling
6 a consolidation of business processes and eliminating the personnel risk associated
7 with operating an obsolete technology. In addition, the scalability of the SAP
8 system is better poised to handle the growth in customer data generated by the AMS
9 deployment and to enable the integration of emerging technologies.

10 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
11 **CUSTOMERS.**

12 A. The mainframe replacement program moved applications responsible for the Texas
13 Electric market to long-term supportable platforms that allow the Company to adapt
14 to changing customer and regulatory demands more easily. This transition also
15 eliminated people risk related to supporting mainframe technology by shifting to a
16 technology platform where skills are more readily available in the marketplace.
17 Furthermore, this transition allowed greater security compliance as the needs
18 related to cyber security increased over time which became more difficult to
19 implement on the mainframe.

20 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
21 **ASSOCIATED WITH THE MAINFRAME CUSTOMER INFORMATION**
22 **SYSTEM REPLACEMENT PROGRAM.**

23 A. The capital investments allocated to CenterPoint Houston for the Mainframe
24 Customer Information System Replacement Program are \$88.3 million over 2019
25 through 2023.

1 **Q. PLEASE EXPLAIN WHY THE INVESTMENTS ARE REASONABLE AND**
2 **PRUDENT.**

3 A. The investments associated with the Mainframe Customer Information System
4 Replacement are reasonable and prudent because the program allowed moving
5 mission critical systems to a more modern, resilient, and scalable platform that
6 allows improved operations, performance, and risk management. The transition
7 enhanced business and technical capabilities by using a platform where there are
8 more people available in the market to support the systems, and where processes
9 could be performed with more automation to increase efficiency. Moreover, this
10 positions IT to deliver future capabilities as required in a more efficient and secure
11 manner.

12 **D. Network Transformation**

13 **Q. PLEASE DESCRIBE THE NETWORK TRANSFORMATION PROGRAM.**

14 A. Network Transformation consists of replacing aged data communications hardware
15 with a more scalable and manageable environment enabled by Cisco's Application
16 Centric Infrastructure ("ACI") and Meraki Platforms. The Network Transformation
17 is designed to simplify and automate the creation, deployment, and enforcement of
18 network security policies to improve CenterPoint Houston's overall data
19 communications posture. This Network Transformation enables advanced
20 networking capabilities to increase availability for critical applications at data
21 centers. This will further reduce the need for disaster recovery planning for select
22 applications. In turn, this will ensure availability of critical applications in an
23 adverse event and allow the Company to continue providing information and
24 support for resiliency and recovery events.

1 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
2 **CUSTOMERS.**

3 A. The Network Transformation moves the Company to a more software-defined
4 network model. Overall, this network is more resilient because it enables
5 centralized application policy enforcement across all data center networks, remote
6 locations, and public clouds. It minimizes risk, increases flexibility, scales demand,
7 and efficiently allocates resources to customers.

8 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
9 **ASSOCIATED WITH THE NETWORK TRANSFORMATION PROGRAM.**

10 A. The capital investments allocated to CenterPoint Houston for the Network
11 Transformation are \$8.8 million over 2019 through 2023.

12 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
13 **AND PRUDENT.**

14 A. The investments associated with the Network Transformation initiative are
15 reasonable and prudent because the Network Transformation delivers a cloud ready
16 solution, improves resiliency, allows for remote automation, and enhances the
17 Company's security posture. It allows for simple remote management of the
18 security policies.

19 **E. Data Center Refresh and Resiliency**

20 **Q. PLEASE DESCRIBE THE DATA CENTER REFRESH AND RESILIENCY**
21 **PROGRAM.**

22 A. IT implemented hardware refreshes to add capacity and update CNP's data center
23 hardware operating systems (for example, Windows, Linux, and AIX – IBM's
24 propriety UNIX operating system). Further, IT refreshed storage hardware at data
25 centers to enhance resiliency of critical applications. This involved providing a
26 highly available architecture environment within the primary data center and a

1 backup copy of the application at a secondary data center. The hardware refresh
2 supported applications and systems utilized by all business units of the Company.

3 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
4 **CUSTOMERS.**

5 A. The Data Refresh and Resiliency Program is designed to enhance the resiliency,
6 reliability, and recovery of critical IT applications and systems. This is done by
7 adding capacity, refreshing and updating server or storage hardware at all primary
8 and secondary data centers. Without this effort, the Company would be hampered
9 in business operations that provide safe and reliable electric utility service to the
10 customer as the workforce would have to follow manual processes.

11 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
12 **ASSOCIATED WITH THE DATA CENTER REFRESH AND RESILIENCY**
13 **PROGRAM.**

14 A. The capital investments allocated to CenterPoint Houston for the Data Center
15 Refresh and Resiliency effort are \$25.3 million over 2019 through 2023.

16 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
17 **AND PRUDENT.**

18 A. This Program aligns with the overall IT strategy of resiliency. The investments are
19 reasonable and prudent because the investments help provide a resilient, reliable,
20 and supported server and storage environment with enhanced ability to recover
21 critical applications.

22 **F. Fiber Expansion Initiative**

23 **Q. PLEASE DESCRIBE THE FIBER EXPANSION INITIATIVE?**

24 A. Fiber optic communication lines are used to transmit information from field
25 equipment to other places for processing. In 2019 and 2020, the fiber expansion
26 was limited to incremental efforts that provided resiliency for the future where the

1 sites were identified where CenterPoint Houston had easement rights for the fiber.
2 The fiber expansion initiative spanned from 2021 to 2024 and increased
3 CenterPoint Houston's Fiber footprint from 26% to 45% by adding 263 miles of
4 fiber. The fiber expansion project added fiber to 42 substations and 3 service
5 centers, increased microwave capacity by 20% (decreasing the number of
6 microwave links between fiber) and removed 5 leased circuits and 41 microwave
7 sites. This provided ample bandwidth for future increases in throughput demands
8 (security, AMS/IG, substation automation, metering) and improved overall storm
9 resiliency as circuits and microwaves are less reliable in storm events.

10 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
11 **CUSTOMERS.**

12 A. Fiber enables increased efficiency and resilience by providing near unlimited
13 bandwidth capacity, which reduces latency. Fiber is also highly resilient against
14 severe weather events, not susceptible to outside interference or electromagnetic
15 pulse, and can support middle mile broadband services.

16 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
17 **ASSOCIATED WITH THE FIBER EXPANSION INITIATIVE.**

18 A. The capital investments directly charged to CenterPoint Houston for the Fiber
19 Expansion Initiative are \$25.2 million over 2019 through 2023.

20 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
21 **AND PRUDENT.**

22 A. The Fiber Expansion Program aligns with the overall IT strategy of resiliency. The
23 investments are reasonable and prudent because they improve the communication
24 capabilities in the CenterPoint Houston service area. Expanding communication
25 paths underground improves resiliency during weather events by having fewer

1 interruptions. Moreover, the effort utilizes contractors where there are competitive
2 bids to obtain competitive market rates.

3 **G. Cell Relay Replacement Initiative**

4 **Q. PLEASE DESCRIBE THE CELL RELAY REPLACEMENT INITIATIVE.**

5 A. CenterPoint Houston uses cell relay and radio to enable electric meters to
6 communicate with CenterPoint Houston's AMS Platform. In advance of AT&T's
7 planned retirement of its 3G cellular network and the FCC's restrictions on WiMax
8 Radio, the Company launched the Cell Relay End of Life ("EOL") and the WiMax
9 Radio EOL initiatives to upgrade its equipment on 6,600 remote locations.

10 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
11 **CUSTOMERS.**

12 A. The upgrades were required to continue the features provided by AMS systems
13 such as remote meter reading, remote service order execution, outage detection and
14 restoration, and access to usage information.

15 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
16 **ASSOCIATED WITH THE CELL RELAY INITIATIVE.**

17 A. The capital investments directly charged to CenterPoint Houston for the Cell Relay
18 initiative are \$51.2 million over 2019 through 2023.

19 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
20 **AND PRUDENT.**

21 A. The Cell Relay Replacement Initiative aligns with the overall IT strategy of
22 resiliency. The investments are necessary and reasonable to enable the Company
23 to continue operating the AMS system that meets the standards of vendor
24 compatibility and government rules. The equipment replaced has the ability to

continue supporting the existing AMS system over the life of the asset without broader changes to other systems or other associated equipment.

VII. ADDITIONAL IT INVESTMENTS

Q. EXCLUDING THE ABOVE-DESCRIBED MAJOR INVESTMENTS, PLEASE DESCRIBE IT'S CAPITAL INVESTMENTS BETWEEN 2019 AND 2023.

A. In addition to the major investments described above, IT has invested \$145.5 million between 2019 and 2023. These investments are classified as follows:

IT Capital Investments	2019-2023 Total (in Millions)
IT Applications and Infrastructure	\$78.6
Communications Equipment	\$66.9
Major Investments (described above)	\$307.7
Total All IT Capital Investments	\$453.2

Q. PLEASE DESCRIBE THE IT APPLICATIONS AND INFRASTRUCTURE INVESTMENTS.

A. The IT Applications and Infrastructure investments are for software and hardware initiatives to improve business capabilities for customers, such as advanced data management, analytics and predictive asset management, upgrades of field dispatching applications, outage tracker enhancements, and updates to hardware backup technology.

Q. PLEASE DESCRIBE THE COMMUNICATIONS EQUIPMENT INVESTMENTS.

A. The Communications Equipment investments are related to purchases of general equipment to enhance existing or new growth related to AMS communication

1 systems, intelligent grid devices, microwave projects, network and
2 telecommunications devices, and field devices. These investments support the safe
3 and reliable transmission of customer and operations data.

4 **Q. ARE THE THESE INVESTMENTS REASONABLE AND PRUDENT**

5 A. Yes. The IT Applications and Infrastructure investments and the Communication
6 Equipment investments were necessary to support the safe, reliable and
7 cost-effective provision of electric service to CenterPoint Houston's customers.

8 **VIII. CLOUD COMPUTING**

9 **Q. PLEASE EXPLAIN CLOUD COMPUTING AND HOW IT IS BEING USED.**

10 A. Cloud computing is the delivery mechanism for Information Technology products,
11 which includes servers, storage, databases, networking, software, and the
12 internet-based computing. Increasingly, companies can access complex and
13 flexible IT infrastructure and software through a cloud delivery model. It reduces
14 in-house technical support requirements and costly hardware systems. The use of
15 cloud-based IT infrastructure and software will grow over time as more companies
16 move away from purchasing stationary IT products or applications. Primarily, the
17 Company's cloud computing arrangements ("CCAs") are for infrastructure as a
18 service ("IaaS") and software as a service ("SaaS").

19 **Q. HOW DO CCAS DIFFER FROM TRADITIONAL ON-PREMISE IT**
20 **SOLUTIONS?**

21 A. On-premise IT solutions typically refers to IT products, including servers storage,
22 databases, networking, and software that a company manages and maintains within
23 their own data centers. The primary difference between traditional on-premise IT
24 solutions and CCAs is ownership. With on-premise, a company purchases and

owns software licenses, infrastructure software licenses, and infrastructure and is responsible for any maintenance and replacement. Specifically, an on-premise approach requires the owner to manage and maintain an in-house server hardware, software licenses, integration capabilities, and personnel necessary to support and manage the applications as issues arise. With on-premise, identifiable assets with a useful life greater than one year is capitalized, such as licenses for hardware and software. Costs associated with operation and maintenance of those assets is expensed. Under a CCA, a company purchases a service for the delivery of the IT products and pays a fee for the delivery of the product. Under either approach, the user has access to the same level of hardware and software solutions. The only difference is where the hardware is located—whether on-site under an on-premise approach or off-site if accessed through a CCA.

Q. PLEASE EXPLAIN WHAT “INFRASTRUCTURE AS A SERVICE” MEANS AND PROVIDE AN EXAMPLE.

A. Infrastructure as a Service (“IaaS”) is a type of cloud service that provides company computing, storage, and networking resources typically consumed on-demand or on a ‘pay as you go’ basis. In this scenario, a company does not have to purchase servers, storage capacity, or networking equipment, as that is the responsibility of the cloud service provider. The company instead has the flexibility to increase or decrease IT resources consumed to meet the demand. An example of IaaS is when a company activates one server (computer processors) in the cloud (using a cloud provider like Microsoft, Google, Amazon, IBM, etc.) and assigns a specific storage (for example, a hard drive of 1TB) amount to the server.

1 **Q. PLEASE EXPLAIN WHAT “SOFTWARE AS A SERVICE” MEANS AND**
2 **PROVIDE AN EXAMPLE.**

3 A. Software as a Service (or “SaaS”) is a type of cloud service that provides a complete
4 application solution for end users that is a ‘pay as you go’ model. SaaS solutions
5 are usually accessed by an internet browser or mobile device. Depending on the
6 SaaS solution, companies may be required to configure the SaaS solution. Data
7 related to the SaaS is also stored in the cloud which allows companies to access
8 data anywhere via the internet and prevents data loss in case of a desktop or laptop
9 failure. In this case, typically all application components and infrastructure are
10 managed by the SaaS provider. An example of SaaS solutions are email services
11 like Gmail, Yahoo, or Microsoft Office 365.

12 **Q. PLEASE EXPLAIN THE BENEFITS OF INVESTING IN CLOUD-BASED**
13 **TECHNOLOGY RATHER THAN THE TRADITIONAL DELIVERY OF**
14 **ON-PREMISE IT SOLUTIONS.**

15 A. Investing in cloud-based technology benefits CenterPoint Houston and its
16 customers through enhanced security, reliability, and flexibility. When the
17 infrastructure is owned and maintained by the cloud provider, a company can avoid
18 some upfront costs and the complexity of owning and maintaining IT infrastructure.
19 Many technology vendors that offer both owned and leased usage options, as well
20 as options delivered via the cloud, include more features in the cloud version than
21 in the on-premise version. For instance, a cloud service may include features like
22 patches, software enhancements, and automatic security updates. Updates and
23 upgrades have a lower burden on in-house staff and can be delivered more quickly
24 than on-premise based technology. A cloud computing arrangement may offer
25 additional applications and services while only charge a company for the resources

1 it consumes. In terms of security, the cloud model adds layers of defense and
2 multiple security measures to protect an organization's assets. Some examples of
3 additional security in the cloud include: intrusion detection and prevention, web
4 firewalls to prevent web attacks (e.g., denial of service), authentication for
5 authorized users, and expansion of network security groups to prevent or limit
6 access to certain data inside a network. The security measures are a shared
7 responsibility between the cloud provider and an organization.

8 **Q. IS CENTERPOINT HOUSTON PROPOSING ANY ACCOUNTING**
9 **AUTHORITY ASSOCIATED WITH THE MOVE TO CLOUD-BASED**
10 **COMPUTING?**

11 A. Yes, Please Refer To The Direct Testimony Of Witness Kristie Colvin, Who
12 Discusses Accounting.

13 **Q. AS PART OF MS. COLVIN'S PROPOSED ACCOUNTING TREATMENT**
14 **FOR CLOUD-BASED COMPUTING, MS. COLVIN REFERENCES THE**
15 **RATIO OF SOFTWARE O&M IN COMPARISON TO SOFTWARE**
16 **COSTS. WHAT IS THAT RATIO?**

17 A. On average, the annual O&M costs for on-premise (i.e. not cloud) software is
18 roughly 20%.

19 **IX. OPERATIONS AND MAINTENANCE EXPENSES**

20 **Q. PLEASE DESCRIBE THE DIRECT O&M EXPENSES FOR IT TO**
21 **SUPPORT CENTERPOINT HOUSTON AND ITS CUSTOMERS.**

22 A. As mentioned earlier, there is approximately \$16.5 million of unadjusted expenses
23 for 2023 to support CenterPoint Houston. The three largest areas of expense are in
24 ADMS, AMS, and Telecommunications. The ADMS expenses are primarily
25 comprised of labor for operations support of the ADMS specific systems, and
26 software maintenance paid to vendors for the AMDS systems to receive product

1 support, updates, and security patches. The AMS expenses are also primarily
2 comprised of labor for operations support of the AMS specific systems, and
3 software maintenance paid to vendors for the AMS systems to receive product
4 support, updates, and security patches. The Telecommunications expenses are
5 primarily comprised of labor, software maintenance, and wireline and wireless
6 access fees to telecommunication providers.

7 **Q. PLEASE DESCRIBE THE AFFILIATE OPERATING EXPENSES FOR IT**
8 **TO SUPPORT CENTERPOINT HOUSTON AND ITS CUSTOMERS.**

9 A. The traditional IT operating expenses related to Infrastructure, Application
10 Development and Delivery, Operations Support, and Data and Cyber Security are
11 approximately \$50.0 million, unadjusted for the test year. Please refer to the Direct
12 Testimony of Witness L. Darren Storey who discusses the affiliate expenses
13 allocation process.

14 **Q. ARE THE O&M EXPENSES REASONABLE AND NECESSARY?**

15 A. Yes. The 2023 test-year O&M expenses are reasonable and necessary, because the
16 utility requires technology services to provide cost-effective, reliable, and resilient
17 service. The total cost of these services is reasonable and is based on the actual
18 costs of providing each service.

19 **X. CONCLUSION**

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes, it does.

PUC DOCKET NO. 56211

APPLICATION OF CENTERPOINT	§	PUBLIC UTILITY COMMISSION
ENERGY HOUSTON ELECTRIC, LLC	§	
FOR AUTHORITY TO CHANGE RATES	§	OF TEXAS

DIRECT TESTIMONY

OF

SHONDA ROYSTON-JOHNSON

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

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LIST OF EXHIBITS

Exhibit SRJ-1	2023 YTD CSAT Rating
Exhibit SRJ-2	2023 YTD PAS Rating
Exhibit SRJ-3	ACSI Benchmark Index

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym	Definition
ACSI	American Customer Satisfaction Index
CenterPoint Houston	CenterPoint Energy Houston Electric, LLC
CNP	CenterPoint Energy, Inc.
Company	CenterPoint Energy Houston Electric, LLC
CRs	Competitive Retailers
CS	Customer Services
CSAT	Customer Satisfaction
Customer Operations	Customer Operations organization
ESID	Electric Service Identifier
IVR	Interactive Voice Response
PAS	Power Alert Service
Service Company	CenterPoint Energy Service Company, LLC
TDSPs	Transmission and Distribution Service Providers
WFM	Call Center Workforce Management

EXECUTIVE SUMMARY – CUSTOMER OPERATIONS**(SHONDA ROYSTON-JOHNSON)**

The Customer Operations organization (“Customer Operations”) supports the electric utility service offered by CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”). Customer Operations is responsible for providing support services to Competitive Retailers (“CRs”)¹ and end-use retail electric customers to whom the Company delivers electricity. To deliver and ensure positive customer experiences and maintain operational efficiency, Customer Operations oversees many end-user touch points. The customer-focused structure aligns responsibilities under centralized leadership, which includes performance management, contact center operations, operations support (quality assurance, customer advocate & regulatory liaison), credit & collections, electric market operations and billing operations. Customer Operations’ purpose is to consistently meet the evolving needs of customers and CRs in an economic and efficient manner.

My testimony:

- describes the Customer Experience, Performance Management, and Customer Billing functions and responsibilities within Customer Operations;
- outlines the cost controls that are in place to monitor Customer Experience, Performance Management, and Customer Billing activities while delivering superior service;
- demonstrates that Customer Operations provides exceptional customer service; and

¹ Competitive Retailers are also known as retail electric providers.

- 1 • defines how Customer Experience, Performance Management, and Billing
2 Operations cost allocations are made to ensure only expenses related to
3 CenterPoint Houston's electric operations are included in this filing.

4 My testimony demonstrates that the affiliate costs for Customer Experience, Performance
5 Management, and Customer Billing are reasonable and necessary. As explained in the
6 direct testimony of Company witness Mr. L. Darren Storey, these costs are not priced
7 higher to CenterPoint Houston than the prices charged for the same services to other
8 affiliates. Thus, the costs in relation to Customer Operations should be fully recovered in
9 CenterPoint Houston's rates.

DIRECT TESTIMONY OF SHONDA ROYSTON-JOHNSON

I. INTRODUCTION

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

A. My name is Shonda Royston-Johnson. I am the Vice President of Customer Experience for CenterPoint Energy Services Company, LLC ("Service Company"). My business address is 1111 Louisiana Street, Houston, Texas 77002.

Q. WHAT ARE YOUR RESPONSIBILITIES AS THE VICE PRESIDENT OF CUSTOMER EXPERIENCE?

A. As the Vice President of Customer Experience, my responsibilities include overseeing contact center operations and operations support (quality assurance, customer advocacy/regulatory liaison). I oversee Customer Services ("CS") for the entire CenterPoint Energy, Inc. ("CNP") electric service area footprint, which includes both the greater Houston area and Southern Indiana.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND PREVIOUS WORK EXPERIENCE.

A. I graduated from Texas Southern University with a bachelor's degree in business administration. I began my career with CNP in 1992 in Houston, Texas, as an agent in CS. Following that, I've held multiple positions within the CS organization within a 31-year span (Quality Assurance Auditor, Process Optimization Consultant, CS Supervisor, CS Manager, CS Director, Billing Director, and Credit Director). Most recently, in February 2023, I assumed the responsibilities of Vice President of Customer Experience.

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

A. I am testifying on behalf of the Company.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to describe the Customer Experience, Performance Management, and Customer Billing functions and responsibilities within Customer Operations and the affiliate services each department within Customer Operations provided to CenterPoint Houston during the 2023 test year. I will explain how the affiliate costs, for those departments—Customer Experience, Performance Management, and Billing Operations—in relation to Customer Operations are charged to CenterPoint Houston, and that the costs for these services were reasonable and necessary and charged at rates no higher than those charged to other Service Company business units (i.e., affiliates) for the same services. In addition, I support the expenses incurred directly by CenterPoint Houston related to activities supporting Customer Billing, specifically revenue protection costs and responding to irregular meter issues.

Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A. Yes. I have prepared three exhibits:
Exhibit SRJ-1 2023 YTD CSAT Rating;
Exhibit SRJ-2 2023 YTD PAS Rating; and
Exhibit SRJ-3 ACSI Benchmark Index.

1 **Q. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULES IN THIS**
2 **PROCEEDING?**

3 A. Yes, I co-sponsor Schedule L with Ms. Kristie Colvin.

4 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF OTHER**
5 **WITNESSES IN THIS PROCEEDING?**

6 A. The parts of my testimony that relate to planning, budgeting, and the assignment of affiliate
7 costs to CenterPoint Houston support and supplement the testimony of Mr. L. Darren
8 Storey, who testifies about the overall role and benefits of having a service company, of
9 which I am a part, including the budgeting and allocation methodologies for Service
10 Company affiliate costs charged to CenterPoint Houston. Furthermore, Mr. Storey
11 addresses any necessary test year adjustments to Customer Experience, Performance
12 Management, and Customer Billing in relation to Customer Operations affiliate costs.
13 Company witness Mr. John Hudson will address the Market Operations and Retail Electric
14 Provider Credit & Collections divisions and their roles in support of Customer Operations
15 during the test year.

16 **Q. WAS YOUR TESTIMONY, INCLUDING ASSOCIATED SCHEDULES,**
17 **WORKPAPERS, AND EXHIBITS, PREPARED BY YOU OR UNDER YOUR**
18 **CONTROL AND DIRECTION?**

19 A. Yes.

20 **III. OVERVIEW OF CUSTOMER OPERATIONS**

21 **Q. WHAT IS THE CURRENT ORGANIZATIONAL STRUCTURE OF CUSTOMER**
22 **OPERATIONS?**

A. Customer Operations is a part of the Service Company, which is an affiliate of CenterPoint Houston that provides administrative and operational support services. The six functional departments within Customer Operations are:

- Customer Experience;
- Credit & Collections;
- Electric Market Operations;
- Performance Management;
- Billing Operations; and
- Home Serve, a warranty service offered to certain CNP gas utility customers whose costs are not being sought to be recovered in CenterPoint Houston's rates.

Q. WHAT CHANGES HAVE BEEN MADE TO THE CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE SINCE THE LAST CENTERPOINT HOUSTON RATE CASE?

A. Customer Operations now reports to the Senior Vice President and Chief Customer Officer. This structure, put in place in 2023, aligns multiple business units with customer touchpoints under common leadership and assures the implementation of a unified customer-centric vision, mission, and strategy across all CNP electric and gas utilities. This centralized reporting allows for efficiencies in technology, planning, project implementation, and customer life cycle maintenance. This effort has enhanced operational efficiencies and effectiveness and improved experience to CRs and end-use retail customers.

1 **Q. WHAT SERVICES DOES CUSTOMER OPERATIONS PROVIDE TO**
2 **CENTERPOINT HOUSTON?**

3 A. Customer Operations is responsible for providing support services to CRs and end-use
4 retail electric customers to whom CenterPoint Houston delivers electricity. The Customer
5 Operations activities outlined in this testimony are essential to the provision of electric
6 utility service. The services provided are needed to support CenterPoint Houston's role in
7 the retail electric market. Without the combined Customer Operations organization,
8 CenterPoint Houston's ability to provide exceptional customer service would be at risk.
9 My testimony describes the Company's efforts to provide excellent customer service to all
10 customers. Company witness Rina Harris discusses the Company's work to improve
11 service for its largest customers. Company witness Mr. Hudson will address the Electric
12 Market Operations and Credit & Collections functions and responsibilities and describe the
13 support services to CRs and end-use retail customers to whom CenterPoint Houston
14 delivers electricity.

15 **Q. DOES CUSTOMER OPERATIONS PROVIDE SERVICES TO ANY EXTERNAL**
16 **ENTITIES?**

17 A. No, Customer Operations only provides services to CNP and its subsidiaries, including
18 CenterPoint Houston.

19 **IV. OVERVIEW OF CUSTOMER EXPERIENCE OPERATIONS AND**
20 **PERFORMANCE MANAGEMENT**

21 **Q. WHAT ARE THE FUNCTIONS AND RESPONSIBILITIES OF THE VICE**
22 **PRESIDENT OF CUSTOMER EXPERIENCE?**

23 A. The Vice President of Customer Experience provides executive oversight of the
24 organization, which is necessary to ensure that the Customer Experience department

operates in an effective, efficient, and cost-effective manner, contributing to the overall success of the CS organization. This centralized structure allows CenterPoint Houston to leverage resources across multiple business units, thereby giving the business units access to specialized skills and resources in an efficient and cost-effective manner.

Q. WHAT ARE THE FUNCTIONS AND RESPONSIBILITIES OF THE CUSTOMER EXPERIENCE AND PERFORMANCE MANAGEMENT DEPARTMENTS?

A. With respect to electric utility service functions, the Customer Experience department is responsible for operations support activities (quality assurance, customer advocate, and regulatory liaison), responding to end-use customer and CR inquiries regarding: (1) service order status updates for the connection and disconnection of power; (2) customer usage disputes; (3) order processing for meter relocation, electric outages, and downed power lines; and (4) establishment of new service locations and creation of Electric Service Identifiers ("ESID"). Contact Center Operations is the first point of contact for reporting system or premise emergencies. Contact Center Operations personnel conduct research and interface with other departments to resolve customer inquiries regarding their electric utility service.

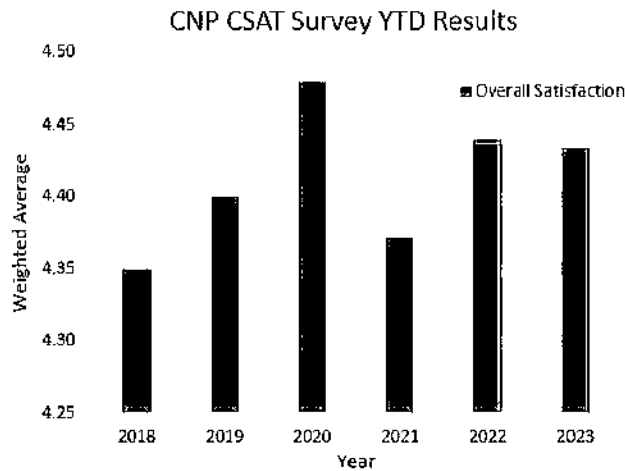
The Customer Performance Management department includes the following customer support teams: Call Center Workforce Management ("WFM"), Customer Service Program and Project Management, as well as Organizational Change Management. This group also serves as business owner for existing customer technologies and future technology roadmaps. WFM is responsible for call volume forecasting, financial planning, agent schedules, and real-time management for our universal call center operations. The other teams primarily lead and support ongoing process improvement initiatives across all

1 lines of business and any associated change management activities and communications.
2 From a technology perspective, the team administers and outlines strategic roadmaps for
3 the call handling and routing systems, agent interaction screens, and our inbound/outbound
4 Interactive Voice Response (“IVR”) application as well as the web customer self-service
5 application and CNP’s Power Alert Service (“PAS”), an application that provides alert
6 notifications for existing and restored outages and allows end-use customers to report an
7 outage, view their electric usage history, and obtain their ESID.

8 **Q. WHAT ACTIONS DOES CUSTOMER PERFORMANCE MANAGEMENT TAKE**
9 **TO ENSURE THAT IT PROVIDES QUALITY CUSTOMER CARE?**

10 A. The Customer Performance Management group has both internal and external controls and
11 measures in place to ensure quality customer care is being provided. One of these measures
12 employs post-call surveying to capture customer sentiment about their experiences with
13 CS agents and our IVR system. In 2023, the Company surveyed over 314,582 callers,
14 yielding an overall satisfaction score of 4.43 out of 5. Of those surveyed, 84.08% of
15 customers indicated that they were either “satisfied” or “extremely satisfied” with the
16 service they received. Additionally, the Company surveyed customers who receive phone,
17 text message, or e-mail alerts via our PAS. In 2023, the Company surveyed over 6,958
18 PAS customers, 88% of whom reported being either “satisfied” or “extremely satisfied,”
19 and producing an overall satisfaction score of 4.45 out of 5. These quality measures are in
20 addition to internal audits that help analyze business processes, procedures, and activities.
21 The internal call evaluations monitor and assess the adequacy and effectiveness of the
22 Company’s operational, financial, information systems, and administrative controls and
23 recommend solutions that allow the organization to better achieve its objectives.

Chart 1: Customer Satisfaction Survey Results 2018 to 2023 YTD



Q. WHAT TECHNOLOGY DO THE CONTACT CENTER AND CUSTOMER PERFORMANCE GROUPS USE TO PROVIDE CONSISTENT QUALITY SERVICE?

A. Customer Operations has invested heavily in technology to improve the customer experience. Since September 2020, end-use customers have been able to authenticate their service address through an automated software application. Additionally, end use customers can sign up for the aforementioned PAS.

Q. WHAT PERCENTAGE OF CS AGENTS CURRENTLY WORK REMOTELY?

A. The percentage of CS agents working remotely is 100%.

Q. HOW DO YOU ENSURE THAT CUSTOMER CARE QUALITY REMAINS CONSISTENTLY HIGH CONSIDERING 100% OF CUSTOMER AGENTS WORK REMOTELY?

1 A. To ensure that our customer care quality remains consistently high, we record 100% of the
2 calls fielded by customer agents. In addition, we have a Quality Assurance team that
3 assesses calls daily and rates agents on interpersonal skills, customer sentiment, process
4 and procedure accuracy, and compliance adherence. In addition, leadership randomly
5 monitors calls in real-time and listens to recorded calls to ensure quality of service.

6 **Q. PLEASE EXPLAIN HOW THE COMPANY MEASURES THE SUCCESS OF AND**
7 **OVERALL CUSTOMER SATISFACTION WITH CUSTOMER OPERATIONS?**

8 A. The Company measures success and overall customer satisfaction as follows:

9 **Power Alert Service**

10 The Utility Marketing group supports the growth and continued success of the Company's
11 PAS program, which provides customers with in-the-moment notifications about outage
12 and restoration events at or near the customer's home. These alerts have achieved a
13 Customer Satisfaction ("CSAT") score of 88%. In addition to a highly satisfying user
14 experience, PAS reduces registered user calls made to the Contact Center during outage
15 events.

16 In 2023, the Company reached over one million customers through social media
17 during dozens of weather events in addition to delivering over sixteen million email, text,
18 and phone messages through PAS. CenterPoint Houston's electric utility web pages
19 (including PAS), which promote electric safety, efficiency, and technology, received 5.4
20 million page views. In the same year, the Company implemented a machine learning
21 process that predicts a customer's estimated time of restoration based upon several factors
22 from field personnel to location of the outage.

Market Research and Analytics

Another way the Customer Operations team measures success and overall satisfaction is through the Utility Trusted Brand & Customer Engagement Study for Transmission and Distribution Service Providers (“TDSPs”). This is an online survey of residential electric customers within competitive market areas in Texas administered by Cogent Syndicated Energy.² In 2023, CenterPoint Houston was ranked second among four utilities on Engaged Customer Relationship, a measure of overall satisfaction. Additionally, CenterPoint Houston was rated Best-in-Class for:

- Communications Effectiveness
- Company Reputation
- Community Support
- Reliable Quality
- Customer Focus
- Environmental Dedication
- Benefits Awareness
- Design Features
- Safety & Reliability
- Customer & Field Service

Awards & Industry Recognition

Lastly, according to the American Customer Satisfaction Index (“ACSI”),³ in 2023 the Company ranked second among investor-owned utilities in customer satisfaction. This success demonstrates that customer satisfaction is very high even as the Company works to reduce its customers’ outage time and service interruptions, as further discussed by Company witnesses Eric Easton, Deryl Tumlinson, and Mandie Shook.

² Cogent Syndicated Energy is a data analytics and advisory firm that offers energy research, provides energy market data, and reports industry trends. Cogent Syndicated Energy’s website: <https://escalent.co/industries/energy/cogent-syndicated-reports/>

³ ACSI measures the satisfaction of U.S. consumers with the quality of products and services offered by firms. ACSI company website: <https://theacsi.org/industries/energy-utilities/>.

1 **Q. WHY DOES THE CONTACT CENTER RECEIVE CALLS FROM CRS?**

2 A. The calls that the Contact Center receives from CRs concern the status of service orders,
3 permitting, ESID validation, and other transaction inquires. CRs' calls may also involve
4 support needs for CenterPoint Houston's on-line competitive retail portal or Smart Meter
5 Texas data questions. These calls are in addition to transferred customer calls we receive
6 from CRs.

7 **Q. DOES THE CONTACT CENTER RELY ON AUTOMATED PROCESSES TO**
8 **PROVIDE CUSTOMER CARE?**

9 A. Yes. Customer Operations has invested heavily to build both IVR and web-based
10 automated solutions for CRs and end-use retail customers. Our IVR containment rate⁴ in
11 2023 was 55.8% in 2023, which combined with our award-winning PAS has led to
12 increased customer satisfaction and operating efficiencies. Additional web enhancements
13 have also simplified how customers establish preference settings and review usage history.

14 **Q. WHAT ARE YOUR EXPECTATIONS REGARDING FUTURE CONTACT**
15 **CENTER VOLUMES?**

16 A. Customer Operations expects overall call volumes will continue to increase as new meters
17 are added, but there could be some relief afforded as self-service adoption continues and
18 with the evolution of artificial intelligence. Customer Operations anticipates call lengths
19 for agent-handled calls to grow as these options begin to satisfy most customer support
20 needs, leaving only the most complex issues requiring telephone interaction.

⁴ IVR containment rates measure the percentage of customer calls that are effectively resolved through the IVR system without the need for a live CS agent.

V. CUSTOMER BILLING

Q. WHAT ARE THE FUNCTIONS AND RESPONSIBILITIES OF THE CUSTOMER BILLING DEPARTMENT?

A. The purpose of the department is to provide accurate and timely monthly billing services for the Houston Electric service territory. The territory encompasses approximately 2.8 million total metered customers. The Revenue Protection team is responsible for identifying, investigating, and collecting lost revenue resulting from the theft of services and irregular meter conditions.

Q. WHAT SERVICES DOES CUSTOMER BILLING PROVIDE TO CENTERPOINT HOUSTON?

A. Customer Billing provides a plethora of analytics to maintain quality control and produce accurate billing services. The group collaborates with internal stakeholders to:

- Maintain system tables for rate factor and rate code changes.
- Prepare monthly and yearly read schedules and processing schedules.
- Perform audit bills to confirm accuracy of billing.
- Support and facilitate billing data interfaces between the automated systems (SAP, EAI, TMH, MV90, MDM).
- Develop, monitor and prioritize legacy systems change activities and coordinate system testing and implementation with Technology Operations.
- Support ad hoc data retrieval as needed for various information requests.
- Provide data and schedules for regulatory filings and requests for information.
- Support audit functions relating to revenue related items.

Q. HOW DOES BILLING OPERATIONS ENSURE CRS RECEIVE QUALITY CARE?

A. CenterPoint Houston provides client support to CRs by:

- Communicating with internal and external (MarkeTrak⁵) customers on inquiries related to billing matters;
- Providing support regarding billing disputes and/or general questions regarding any electric invoicing; and
- Monitoring, identifying, and resolving billing system exceptions.

VI. COST CONTROL

Q. WHAT DO THE CUSTOMER EXPERIENCE, PERFORMANCE MANAGEMENT, AND CUSTOMER BILLING GROUPS DO TO BUDGET, MONITOR, AND CONTROL COSTS?

A. The Customer Experience, Performance Management, and Customer Billing groups' cost control efforts include the preparation of a budget. Leadership of the respective groups monitor and manage the budget on a monthly basis, and variances are investigated against historical call volume trends, current retail market activity, planned changes, and other key drivers.

Q. DO ANY EMPLOYEES WITHIN CUSTOMER OPERATIONS PROVIDE SERVICE FOR CNP BUSINESS UNITS OTHER THAN CENTERPOINT HOUSTON?

A. Yes. Customer Operations provides services to both CenterPoint Houston and its affiliates.

⁵ ERCOT hosted secured portal that ERCOT and Market Participants use to track market issues and data discrepancies.

1 **Q. WHAT ACTIONS DOES THE SERVICE COMPANY TAKE TO ENSURE THE**
2 **PROPER ASSIGNMENT OF CUSTOMER OPERATIONS COSTS TO**
3 **CENTERPOINT HOUSTON?**

4 A. Extensive efforts are taken to ensure proper cost allocation is in place, and regular review
5 of the allocation methodology is conducted. As discussed by Mr. Storey, the Service
6 Company assigns costs to CenterPoint Houston via direct-billing or cost allocation. Costs
7 are direct-billed when Customer Operations personnel determine that the cost is directly
8 related to CenterPoint Houston services or operations. For example, activities supporting
9 Customer Billing, specifically revenue protection costs and responding to irregular meter
10 issues, are directly billed to CenterPoint Houston. Alternatively, costs are allocated to
11 CenterPoint Houston when Customer Operations incurs costs that benefit multiple CNP
12 business units. For example, managing customer contact operations, customer account
13 support, customer service training, and service agent performance analytics.

14 **Q. WERE CUSTOMER OPERATIONS SERVICE COST ALLOCATIONS UPDATED**
15 **IN THE TEST YEAR?**

16 A. Yes, as previously noted, the group is responsible for managing and reviewing the
17 Customer Operations budget. As part of this group's regular review, following formation
18 of Customer Operations and additional investments in technology, cost of service expenses
19 were updated. These changes were made to identify and reflect all expenses incurred by
20 the entire Customer Operations organization and allocate those expenses that were for the
21 benefit of CenterPoint Houston.

1 **Q. ARE THE COMPANY’S TEST YEAR COSTS FOR CUSTOMER OPERATIONS**
2 **REASONABLE AND NECESSARY?**

3 A. Yes, Customer Operations provides critical support between CenterPoint Houston, CRs
4 and end-use customers. As described in my testimony and that of Mr. Hudson and Mr.
5 Storey, Customer Operations costs are necessarily incurred and accurately allocated to
6 CenterPoint Houston and should be recovered in rates. In addition, the \$1.6M in direct
7 O&M costs that originated within CenterPoint Houston were reasonable and necessarily
8 incurred and should be recovered in rates.

9 **VII. CONCLUSION**

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 A. Yes.

2023 YTD Customer Satisfaction (CSAT) Survey Score

Year of Date	Response ¹	% of Total OSAT ² Response Count	OSAT Response Count
2023	1	6.68%	21,021
	2	4.28%	13,479
	3	4.95%	15,586
	4	7.16%	22,509
	5	76.92%	241,987
Grand Total		100.0%	314,582

YTD Weighted Average: 4.434



Notes:

1. Post call survey allows the customer to make a selection based on a scale from 1 to 5. Selecting "1" indicates the customer was Not Satisfied. Selecting "5" indicates the customer was Completely Satisfied.

2. The acronym OSAT stands for Overall Satisfaction

3. The pictured diagram YTD Weighted Average score 4.443 excludes certain storm related data.

Source: Qualtrics Experience Management is the dashboard from where the data was compiled.

2023 YTD Power Alert Service (PAS) Customer Satisfaction Score

Year of Date	Response ¹	% of Total Survey Score Responses	Survey Score Responses
2023	1	3.35%	233
	2	3.35%	233
	3	5.39%	375
	4	20.44%	1,422
	5	67.48%	4,695
Grand Total		100.0%	6,958

2023 YTD Weighted Average: 4.45

Notes:

1. Post call survey allows the customer to make a selection based on a scale from 1 to 5. Selecting "1" indicates the customer was Not Satisfied. Selecting "5" indicates the customer was Completely Satisfied.

Source: Qualtrics Experience Management is the dashboard from where the data is compiled.





American Customer
Satisfaction Index

AMERICAN CUSTOMER SATISFACTION INDEX

ACSI Energy Utilities Study 2022-2023

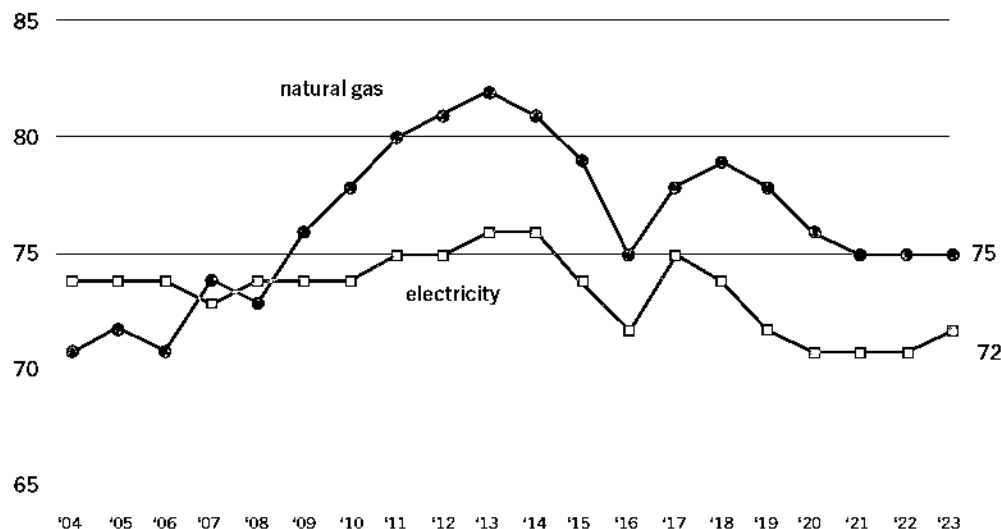
March 21, 2023

Customer satisfaction is a driving force that impacts the financial outlook of individual firms and the health of the U.S. economy at large. New results from the American Customer Satisfaction Index (ACSI®) provide customer satisfaction benchmarks for the energy utilities industry, including both investor-owned and municipal utilities. The ACSI also captures consumer opinions about critical elements of the customer experience, tailored specifically to the industry.

The **ACSI Energy Utilities Study 2022-2023** is based on interviews with 20,873 residential customers, chosen at random and contacted via email between January 2022 and December 2022. Customers are asked to evaluate their recent experiences with the largest energy utilities in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—companies.

Energy Utilities

AMERICAN CUSTOMER SATISFACTION INDEX: ELECTRICITY AND NATURAL GAS



0-100 Scale

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ACSI Energy Utilities Study 2022-2023

AMERICAN CUSTOMER SATISFACTION INDEX: ENERGY UTILITIES

COMPANY	2022	2023	% CHANGE
Energy Utilities	72	72	0%
Atmos Energy	76	77	1%
CenterPoint Energy	78	76	-3%
NextEra Energy	75	75	0%
NiSource	73	75	3%
Southern Company	75	75	0%
Berkshire Hathaway Energy	73	74	1%
Exelon	72	74	3%
All Others	NM	73	NA
Dominion Energy	74	73	-1%
Duke Energy	72	73	1%
Public Service Enterprise Group	71	73	3%
Salt River Project	76	73	-4%
Xcel Energy	72	73	1%
Ameren	72	72	0%
American Electric Power	69	72	4%
CMS Energy	72	72	0%
Consolidated Edison	73	72	-1%
DTE Energy	69	72	4%
PPL	72	72	0%
Sempra	73	72	-1%
WEC Energy Group	75	72	-4%
Los Angeles Department of Water and Power	68	71	4%
FirstEnergy	70	70	0%
Entergy	69	69	0%
National Grid	69	69	0%
CPS Energy	63	68	8%
Edison International	69	68	-1%
Eversource	66	65	-2%
PG&E	61	63	3%

NM = Not Measured
NA = Not Available

0-100 Scale

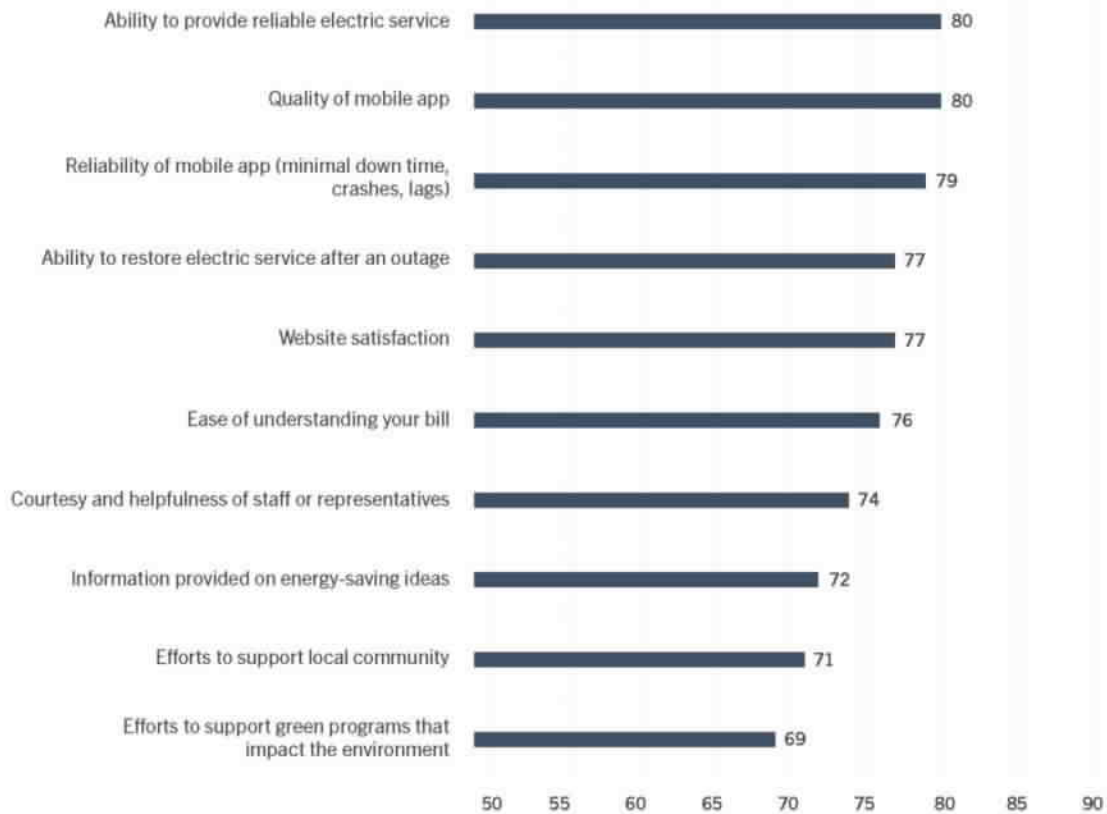
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ACSI Energy Utilities Study 2022-2023

ENERGY UTILITIES

2023 Customer Experience Benchmarks



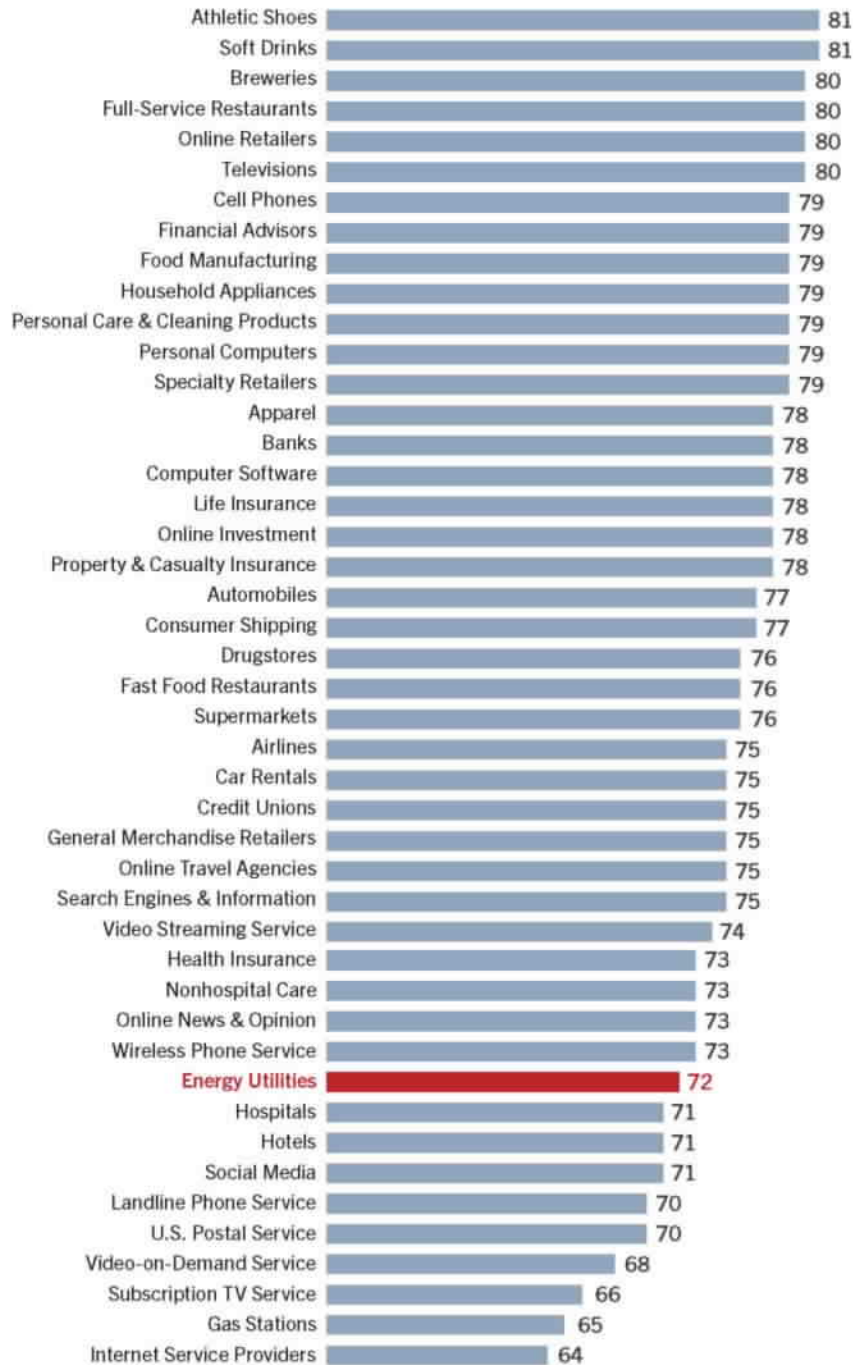
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ACSI Energy Utilities Study 2022-2023

CUSTOMER SATISFACTION BENCHMARKS BY INDUSTRY



0-100 Scale

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ACSI Energy Utilities Study 2022-2023

ACSI survey data are used as inputs to the Index's cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI clients receive confidential results that include industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

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2018 – 2023 QA Scores

Year	Quality Average (Gas & Electric)	Quality Average (Electric Only)	FCR Electric Only	Quality Average (Gas Only)	FCR Gas Only
2018	85.37%				
2019	95.61%				
2020	95.21%				
2021	95.37%				
2022	89.91%				
2023	90.32%	91.96%	98.48%	89.96%	96.17%

**Data remains accurate and valid through December 31, 2023.*

Footnote: You will find that the QA score variation between gas and electric evaluations is consolidated for the period spanning from 2018 to May 2023. This is due to the absence of classifications within our QA reporting prior to May 2023, making it challenging to segregate an electric evaluation score from a gas evaluation score. The QA team later initiated classifications, enabling distinction by call type accurately. Our exhibit speaks to the consolidated score for 2018 - May 2023, and the segregated QA score for gas and electric evaluations, thereafter.

PUC DOCKET NO. 56211

APPLICATION OF CENTERPOINT	§	PUBLIC UTILITY COMMISSION
ENERGY HOUSTON ELECTRIC, LLC	§	
FOR AUTHORITY TO CHANGE RATES	§	OF TEXAS

DIRECT TESTIMONY

OF

M. SHANE KIMZEY

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

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EXECUTIVE SUMMARY – LEGAL DEPARTMENT**(M. SHANE KIMZEY)**

The affiliate services that the Legal Department (or “Legal”) provides to CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) are critical to the Company’s provision of safe and reliable electric service, ensuring compliance with federal, state, and local legal and regulatory requirements, and risk mitigation. In this regard, my testimony:

- describes the organization, function, and responsibilities of the Legal Department;
- describes how Legal costs are controlled and monitored through the budgeting process and other strategies;
- addresses how the costs of Legal are assigned; and
- supports the reasonableness of the Legal affiliate services incurred by CenterPoint Houston during the test year.

My testimony demonstrates that the affiliate costs for Legal, as set out in the direct testimony of Company witness L. Darren Storey, are reasonable and necessary and, as explained in the direct testimony of Company witness Mr. Storey, are not priced higher to CenterPoint Houston than the prices charged for the same services to other affiliates. My testimony also demonstrates that the Company’s procurement of insurance is reasonable and necessary and explains that Transmission & Distribution (“T&D”) property insurance is not available at a reasonable cost, which supports the use of a self-insurance reserve to cover property losses, as explained in the direct testimony of Company witness Gregory S. Wilson. Thus, CenterPoint Houston’s legal costs should be recovered in full through rates.

DIRECT TESTIMONY OF M. SHANE KIMZEY

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND CURRENT POSITION.

A. My name is Michael Shane Kimzey. I am Senior Vice President, Deputy General Counsel, and Chief Ethics & Compliance Officer of CenterPoint Energy Service Company, LLC ("Service Company").

Q. PLEASE SUMMARIZE YOUR BACKGROUND AND CURRENT RESPONSIBILITIES.

A. I received a B.A. in History from Washington & Lee University in 1992 and a law degree from the University of Texas School of Law in 1997. I was a federal law clerk from 1997-1998 and worked in private practice at Baker Botts LLP. I have worked as in-house counsel at Burlington Resources and ConocoPhillips and as Global Litigation Director, Deputy Chief Legal Officer, and Chief Compliance Officer at CEVA Logistics.

I joined CenterPoint Energy, Inc. ("CNP") in November 2014 as Vice President & Associate General Counsel – Litigation. Along with my team, I am responsible for (i) managing litigation and other disputes in which CNP and its subsidiaries, including the Company, are involved; (ii) advising management and the business on litigation risk; and (iii) developing and implementing litigation prevention and risk mitigation strategies. The Litigation team is also responsible for supporting CNP's environmental team and program, including assisting in (i) managing legal aspects and disputes concerning legacy environmental sites, (ii) advising and supporting the Company before environmental agencies, and (iii)

1 developing and implementing environmental programs and strategies.
2 Additionally, my team supports CNP subsidiaries, including the Company, with
3 regard to land use and acquisition of property rights and facilities, including capital
4 investments, transactions and disputed matters.

5 Along with my team, I am also responsible for the Claims Department and
6 the Ethics & Compliance Program, including Integrated Records and Information
7 Management and Data Privacy. Effective September 2020, along with my team, I
8 am also responsible for Enterprise Risk Management.

9 I serve on our General Counsel's Legal Leadership Team and assist in
10 managing the Legal Department. I also consult with and advise internal clients on
11 a range of issues.

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

13 A. The purpose of my testimony is to describe the organization and affiliate services
14 provided by the Legal Department.¹ My testimony demonstrates that the Legal
15 Department efficiently and effectively provides legal services to CenterPoint
16 Houston and that the Legal Department maintains proper controls to ensure that the
17 costs for each of these services are reasonable and necessary. My testimony further
18 establishes that the affiliate costs incurred by the Company during the test year are
19 properly assigned to CenterPoint Houston, are reasonable and necessary, and, as
20 explained by Company witness Mr. Storey, are not priced higher to CenterPoint
21 Houston than the prices charged for the same services to other affiliates.

¹ In addition to the Legal Department services described in my testimony, CNP Executive Vice President and General Counsel, Monica Karuturi, is also responsible for Supply Chain Management and Cyber Security, which are being covered by the testimony of Company Witnesses Carla Kneipp and Ron Bahr, respectively.

1 Additionally, my testimony demonstrates that the Company's procurement of
2 insurance is reasonable and necessary and also explains that T&D property
3 insurance is not available at a reasonable cost, which supports the use of a
4 self-insurance reserve to cover property losses, as explained in the direct testimony
5 of Company witness Mr. Wilson.

6 **Q. DO YOU SPONSOR ANY EXHIBITS OR SCHEDULES INCLUDED IN**
7 **THE RATE FILING PACKAGE?**

8 A. Yes. I sponsor Schedule II-C-4, which provides a list of Board of Directors
9 meetings held during and subsequent to the test year as well as the date of the
10 meetings and agendas. I also co-sponsor the reasonableness and necessity of
11 various costs included in Schedules V-K-7 and V-K-12 sponsored by Mr. Storey,
12 insofar as they are related to Legal services.

13 **Q. HOW DOES YOUR TESTIMONY RELATE TO THAT OF OTHER**
14 **WITNESSES IN THIS PROCEEDING?**

15 A. I serve as CenterPoint Houston's witness supporting the recovery of reasonable and
16 necessary test year costs for the Legal Department. These are affiliate costs that
17 CenterPoint Houston seeks to recover as part of its cost of service.

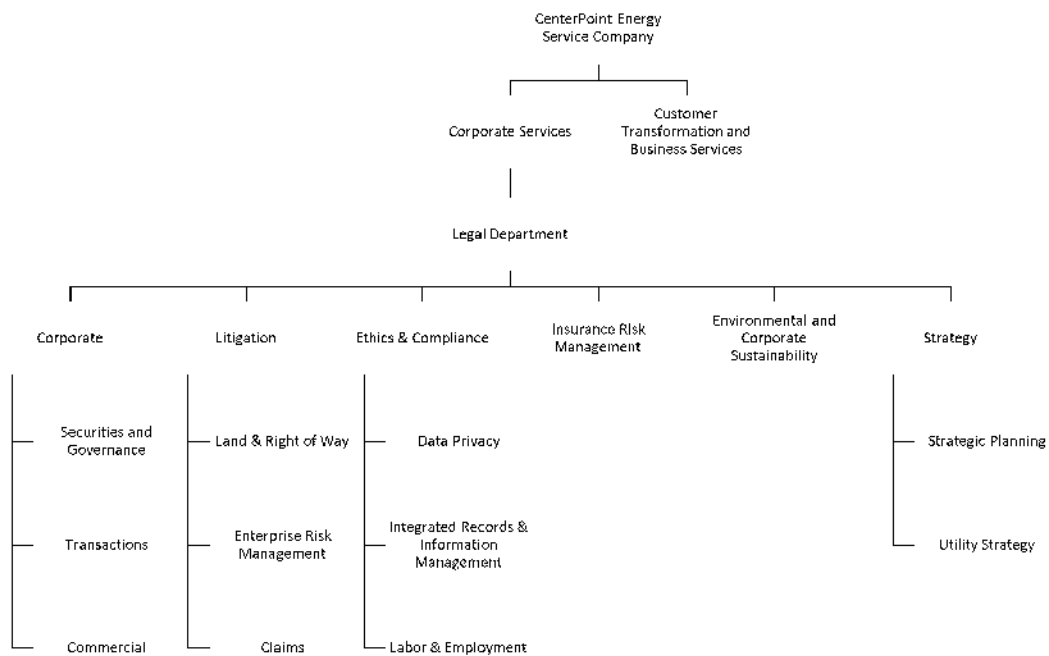
18 Mr. Storey provides direct testimony that supports CenterPoint Houston's
19 recovery of its affiliate costs, including affiliate billings and methodologies,
20 budgeting, cost controls, and the use of Service Level Agreements. Mr. Wilson
21 provides direct testimony that supports CenterPoint Houston's decision to use a
22 self-insurance reserve to cover property losses.

II. LEGAL

Q. WHERE DOES LEGAL FALL WITHIN THE SERVICE COMPANY ORGANIZATION?

A. As shown in the figure below, Legal falls within Corporate Services:²

Figure 1



A. Legal Services Provided to CenterPoint Houston

Q. WHAT IS THE LEGAL DEPARTMENT'S PRIMARY FUNCTION?

A. The primary function of the Legal Department is to ensure that client needs for legal services are satisfied in a competent and cost-effective manner and that legal and certain other risks within its areas of responsibility for CNP are effectively mitigated. Those services are provided through use of the Legal Department's

² As noted in footnote 1, Supply Chain Management and Cyber Security also report into the Legal Department, but, because other witnesses are providing testimony about them, they are not reflected in this figure.

1 attorneys, paralegals, and support staff, and through the retention of and
2 consultation with outside counsel or other outside vendors or consultants where it
3 is determined that services can best be provided from sources outside the Legal
4 Department. In addition to these services, the Legal Department oversees the
5 Ethics & Compliance Department, which includes Integrated Records &
6 Information Management and Data Privacy; the Environmental and Corporate
7 Sustainability Department and Claims Department (effective February 2019); the
8 Enterprise and Insurance Risk Management Teams (effective September 2020);
9 Supply Chain Management (effective January 2022); and Strategy and Cyber
10 Security (effective January 2023).

11 **Q. DOES THE LEGAL DEPARTMENT HANDLE OR SUPERVISE ALL**
12 **LEGAL MATTERS FOR CENTERPOINT HOUSTON?**

13 A. Yes, the Legal Department handles or supervises all legal matters³ for CenterPoint
14 Houston. The General Counsel (or the General Counsel's designee) is responsible
15 for engaging all lawyers providing advice and legal services to CenterPoint
16 Houston, regardless of whether those lawyers are members of the Legal Department
17 or are from private law firms retained for specific matters. Moreover, in all
18 instances where outside counsel is retained, it is our policy that at least one attorney
19 within the Legal Department monitors the quality and progress of the legal work
20 being performed.

³ Some regulatory and government affairs matters may be legal in nature or have legal components to them and are managed by the Regulatory Affairs and Government Services team. The handling and supervision of those matters is being covered by the testimony of Brad Tutunjian; my testimony covers those handled and supervised by the Legal Department.

1 When a new matter arises requiring legal advice, the matter is referred to
2 the General Counsel, or the General Counsel's designee, who determines whether
3 the matter can be most effectively and efficiently handled by attorneys in the Legal
4 Department or by outside counsel. In general, outside counsel is retained for
5 matters that call for expertise not available within the Legal Department, or that
6 could be more efficiently handled by outside counsel, or when the overall volume
7 of legal work exceeds the capabilities of the Legal Department. Attorneys within
8 the Legal Department will coordinate efforts with outside counsel to maximize the
9 most efficient use of resources, including, where appropriate, the use of fixed fee
10 or alternative fee arrangements, as described in more detail below.

11 **Q. PLEASE DESCRIBE THE VARIOUS LEGAL SERVICES PROVIDED BY**
12 **THE LEGAL DEPARTMENT TO CENTERPOINT HOUSTON?**

13 A. The Legal Department provides the following services to the Company.

14 **Corporate Securities, Governance and Transactions.** The lawyers and
15 others on these teams are responsible for (i) maintaining compliance with
16 securities laws and regulations, including periodic filings with the Securities &
17 Exchange Commission, and other public company requirements; (ii) representing
18 the Company in corporate transactions such as mergers and acquisitions, finance
19 and capital markets and utility transactional matters; (iii) overseeing matters of
20 corporate governance; (iv) maintaining accurate records relating to the legal
21 entities in the CNP group of companies; (v) insider trading training and
22 awareness; and (vi) advising on benefits plans and various other matters.

1 **Commercial.** The Commercial Legal team of CNP's Legal Department
2 is responsible for the legal aspects of the Company's commercial contracting
3 process. Our commercial team (i) drafts, reviews, and negotiates contracts with
4 customers and vendors; (ii) provides guidance on commercial and contracting
5 risks and issues more generally; and (iii) supports our Supply Chain Management
6 department. This team is also responsible for the Company's intellectual property
7 work.

8 **Litigation, Land & Right of Way.** The lawyers on this team are
9 responsible for managing litigation and other disputes that CNP and its
10 subsidiaries become involved in, as well as supporting CenterPoint Houston's and
11 other entities' Land and Right of Way Work, such as procuring easements and
12 other such rights and working with landowners.

13 **Enterprise Risk Management.** CNP's Enterprise Risk Management Team
14 supports executive management's, operational management's, and functional
15 management's execution of CNP's strategic business objectives by conducting
16 periodic and ongoing risk assessments and assisting with risk mitigation planning.
17 The Enterprise Risk Management Team helps CNP and its business units and
18 functions identify, assess, and monitor various enterprise, business, and project
19 risks. Team members do so by gathering risk information, facilitating risk
20 discussions, evaluating and monitoring action plans, and using other risk analysis
21 tools to provide guidance and advice to and help leaders understand, prioritize, and
22 appropriately mitigate risks.

1 **Claims.** The Claims Department is responsible for intaking, processing,
2 and resolving various personal injury and property damage claims that are
3 submitted to CNP, as well as pursuing claims against other persons and entities
4 that cause damage to CNP property. The Claims Department also provides critical
5 support to incident investigations involving CNP's operations and to the litigation
6 team on litigated and other claims and disputes.

7 **Ethics & Compliance, Data Privacy, and Integrated Records and**
8 **Information Management.** This team is responsible for (i) overseeing,
9 supporting, and educating the CNP organization on ethics and compliance with
10 laws and regulations, and investigating and responding to ethics or compliance
11 concerns; (ii) Integrated Records and Information Management; (iii) providing
12 guidance on data privacy laws and regulations, privacy incident management, and
13 privacy risk mitigation; and (iv) supporting Human Resources and managing and
14 advising on labor-and-employment matters. The team is also responsible for
15 providing guidance and overseeing: (i) fines and penalties imposed by any
16 government or regulatory authority; (ii) compliance-related inquiries from any
17 government or regulatory authority; and (iii) compliance-related audits or due
18 diligence requests from third parties.

19 **Insurance Risk Management.** CNP's Insurance Risk Management
20 ("IRM") team is responsible for assessing CNP's risks, advising on appropriate
21 insurance levels to insure against those risks, and procuring insurance at
22 reasonable rates. Additionally, the IRM team works with business personnel, the

1 Legal Department, outside counsel, and our broker and underwriters to submit
2 and process claims and otherwise recover insurance proceeds.

3 **Environmental and Corporate Sustainability.** The Environmental and
4 Corporate Sustainability Department is responsible for managing all of CNP's
5 environmental matters and risks, including developing and implementing
6 environmental programs and strategies. These include current environmental risks
7 and regulatory compliance and reporting requirements arising out of our
8 operations, handling environmental incidents and events, and managing legacy
9 environmental matters. Environmental and Corporate Sustainability Department
10 personnel provide training, advice, and other support to operations and other
11 personnel on environmental issues and represent the Company before
12 environmental agencies. The Environmental and Corporate Sustainability
13 Department also oversees certain environmental activities such as waste disposal
14 associated with CenterPoint Houston operations and construction activities,
15 permitting of maintenance and new construction projects, system maintenance,
16 and the investigation and handling of oil and materials management and disposal
17 (primarily from electrical equipment that contains mineral oil). Those costs,
18 which amount to approximately \$10 million, are monitored and controlled in the
19 same way as other Company costs. For example, contractors, who provide many
20 of these services, are required to competitively bid for their services. Such cost
21 controls, coupled with the Company's budgeting process, ensure that these costs
22 are reasonable and necessary.

1 The Environmental and Corporate Sustainability Department also
2 oversees CNP's Environmental, Social & Governance programs, publications,
3 and other work. Among its publications is CNP's Corporate Sustainability
4 Report. CNP's Corporate Sustainability Report follows the Global Reporting
5 Initiative ("GRI") standards, which is the leading framework used by
6 organizations to disclose economic, environmental and social performance. In
7 line with CNP's core values of safety, integrity, accountability, initiative and
8 respect, the Environmental and Corporate Sustainability Department strives to
9 address issues that are important to Company stakeholders in a thoughtful and
10 transparent way. Material topics include governance, ethics and compliance,
11 environmental impacts and greenhouse gas emissions, energy efficiency,
12 biodiversity, community relations and economic development, customers,
13 employees and safety. The 2024 Corporate Sustainability Report will be
14 published later this year when statistics for the full year 2023 are available.

15 **Strategy.** The Strategic Planning team is responsible for considering,
16 advising on, and leading various strategic initiatives for CNP, including mergers,
17 acquisitions, and divestitures, and our Utility Strategy team is responsible for
18 developing our organic growth strategy, including CNP's perspectives and
19 priorities on various industry and policy matters.

20 **Q. YOU MENTIONED INSURANCE RISK MANAGEMENT. IS INSURANCE**
21 **AVAILABLE TO COVER LOSSES TO CENTERPOINT HOUSTON'S T&D**
22 **PROPERTY?**