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**SOAH DOCKET NO. 473-24-13232
PUC DOCKET NO. 56211**

**APPLICATION OF CENTERPOINT
ENERGY HOUSTON ELECTRIC, LLC
FOR AUTHORITY TO CHANGE RATES**

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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**



**DIRECT TESTIMONY OF
JAMES EUTON
INFRASTRUCTURE DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
JUNE 26, 2024**

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ATTACHMENTS:

Attachment JE-1	Qualifications of James Euton
Attachment JE-2	List of Previously Filed Testimony
Attachment JE-3	Depreciation Expense Adjustment Workpaper

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name, occupation, and business address.

A. My name is James Euton. I am employed by the Public Utility Commission of Texas (“PUC” or “Commission”) as a Project Manager within the Infrastructure Division. My business address is 1701 N. Congress Avenue, Austin, Texas 78701.

Q. Please outline your educational and professional background.

A. I have a Bachelor of Science degree in Mechanical Engineering and a Master of Business Administration degree. I have been employed at the PUC since October of 2021. Attachment JE-1 details my educational and professional background.

Q. Are you a registered professional engineer?

A. No. I am an Engineer-in-Training (EIT) and my Texas EIT certification number is 71024.

Q. Have you testified as an expert before the Commission or the State Office of Administrative Hearings (SOAH)?

A. Yes. Attachment JE-2 provides a summary of the dockets in which I have filed direct testimony.

Q. On whose behalf are you testifying?

I am testifying on behalf of the Commission Staff (Staff) of the Commission.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present Staff’s recommendation regarding the depreciation rates and depreciation expense presented by CenterPoint Energy Houston Electric, LLC (CenterPoint or Company).

Q. What information did you rely on to perform your analysis?

A. I relied on the information found in the rate application filed by CenterPoint, the direct testimonies and workpapers filed on behalf of CenterPoint, and CenterPoint's responses to Requests for Information (RFI).

Q. What issues identified by the Commission in the Preliminary Order of the docket will you address?

A. In my testimony, I will address the following issues identified in the Preliminary Order issued on April 11, 2024:¹

11. What is the amount, if any, of accumulated depreciation on that property?

27. What is CenterPoint's reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate rates and methods for depreciation, including service lives and salvage value?

Q. If you do not address an issue in your testimony, should that be interpreted as Staff supporting the Company's position on that issue?

A. No. The fact that I do not address an issue in my testimony should not be construed as agreeing with, endorsing, or consenting to any position taken by CenterPoint on that issue.

III. SUMMARY OF DEPRECIATION STUDY

Q. What standards did you apply to review CenterPoint's depreciation rates?

A. I applied Public Utility Regulatory Act² (PURA) § 36.056(a), which requires the

¹ Preliminary Order (April 11, 2024).

² Public Utility Regulatory Act Tex. Util. Code §§ 11.001-66.016.

Commission to establish proper and adequate rates and methods of depreciation for each class of property of an electric utility. I also applied 16 Texas Administrative Code (TAC) § 25.231(b)(1)(B), which states that depreciation expense shall be based on original cost and computed on a straight-line basis as approved by the Commission and that other methods of depreciation may be used when it is determined that an alternate depreciation methodology is a more equitable means of recovering the cost of the plant.

Q. Did CenterPoint engage an outside consultant to perform the depreciation study on all CenterPoint-owned assets?

A. Yes. Dane A. Watson with Alliance Consulting Group conducted the depreciation study.

Q. Please summarize the depreciation study.

A. The depreciation study was based on CenterPoint's depreciable plant in service as of December 31, 2022, and analyzed the Company's Electric Intangible, Transmission, Distribution, and General utility plant assets.

Q. What depreciation system was used in the depreciation study?

A. Mr. Watson utilized a straight-line, broad group, remaining-life depreciation system.

Q. Do you have any adjustments to the annual accrual rates proposed in the depreciation study?

A. No. I believe the annual accrual rates proposed in the depreciation study and the methods used to determine them meets the standards of PURA § 36.056(a) and 16 TAC § 25.231(b)(1)(B).

Q. Will the company be using the depreciation rates proposed in the depreciation study?

A. No. The company is proposing to use current depreciation rates, as approved in Docket No.

49421.³ By maintaining current depreciation rates, the company will reduce the overall revenue request by \$35 million, which I support.

IV. INVESTED CAPITAL DISALLOWANCES

Q. Please summarize the disallowances to invested capital proposed by Staff.

A. Staff witness John Poole recommends a disallowance of \$118,103,948.32 from invested capital projects. Please refer to the direct testimony of John Poole for further details. Table 1 below summarizes these disallowances.

Table 1: Staff's Disallowances to Invested Capital

FERC Account	Disallowance
350.01	(266,243.15)
350.02	(14,422.66)
352	(949,574.53)
353	(9,352,508.14)
354	(33,949,351.20)
355	(1,277,380.30)
356	(35,271,936.49)
359	(34,809,823.55)
360.01	(33,564.52)
361	(300,041.78)
362	(1,699,122.33)
364	(43,203.34)
365	(76,344.59)
366	(11,452.04)
367	(4,902.06)
397.02	(44,077.64)
Total	(118,103,948.32)

Q. Do you support these adjustments to invested capital?

³ Docket No. 49421, Stipulation and Settlement Agreement, Exhibit F.

1 A. Yes.

2 **Q. Do these adjustments impact depreciation?**

3 A. Yes. The disallowances to invested capital affect the Company's proposed accumulated
4 depreciation and depreciation expense amounts.

5 **Q. Please summarize your adjustments to accumulated depreciation.**

6 A. Staff does not have the information to determine the total amount of accumulated
7 depreciation associated with Mr. Poole's adjustments. I anticipate that CenterPoint will
8 calculate these adjustments in rebuttal.

9 **Q. Please summarize your adjustments to depreciation expense.**

10 A. I have applied the existing accrual rates approved in Docket No. 49421 to the
11 disallowances to invested capital to yield an adjusted depreciation expense by FERC
12 account. Attachment JE-3 details these adjustments. Table 2 below summarizes these
13 adjustments.

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Table 2: Staff's Adjustments to Depreciation Expense

FERC Account	CapEx Disallowances	Existing Accrual Rates	Depreciation Expense Adjustment
<u>Transmission Plant</u>			
350.01	(266,243.15)	0.00%	-
350.02	(14,422.66)	1.31%	(188.94)
352	(949,574.53)	1.74%	(16,522.60)
353	(9,352,508.14)	2.05%	(191,726.42)
354	(33,949,351.20)	2.15%	(729,911.05)
355	(1,277,380.30)	2.47%	(31,551.29)
356	(35,271,936.49)	3.21%	(1,132,229.16)
359	(34,809,823.55)	1.90%	(661,386.65)
Subtotal	(115,891,240.02)		(2,763,516.10)
<u>Distribution Plant</u>			
360.01	(33,564.52)	0.00%	-
361	(300,041.78)	1.68%	(5,040.70)
362	(1,699,122.33)	2.14%	(36,361.22)
364	(43,203.34)	3.84%	(1,659.01)
365	(76,344.59)	3.24%	(2,473.56)
366	(11,452.04)	1.96%	(224.46)
367	(4,902.06)	3.34%	(163.73)
Subtotal	(2,168,630.66)		(45,922.68)
<u>General Plant</u>			
397.02	(44,077.64)	12.50%	(5,509.71)
Subtotal	\$ (44,077.64)		\$ (5,509.71)
TOTAL	(118,103,948.32)		(2,814,948.49)

V. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, but I reserve the right to supplement this testimony during the course of the proceeding

1 as new evidence is presented.

Academic Experience

Bachelor of Science in Engineering: Texas A&M University, Corpus Christi January 2014 - May 2018
Major: Mechanical Engineering

October 2021 – December 2023

January 2024 – Present

- Identify, analyze, and provide recommendations on issues relating to electric and water infrastructure planning, construction, operations, and maintenance.
- Prepare written testimony for filing in contested proceedings, including certificate of convenience and necessity; sale, transfer, or merger; complaint; fuel reconciliation; and rate proceedings; and defend testimony under cross-examination.

Attachment JE-2
List of Previously Filed Testimony

- Docket No. 56551 – *Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for the Texas 138-kV Transmission Line Project in Walker County*
- Docket No. 55867 – *Application of LCRA Transmission Services Corporation for Authority to Change Rates*
- Docket No. 55563 – *Application of South Texas Electric Cooperative, Inc. to Amend its Certificate of Convenience and Necessity for the Hondo Creek-to-Pearson 69-kV Transmission Line Rebuild and Upgrade in Medina County*
- Docket No. 55120 – *Joint Application of LCRA TSC and WETT to Amend their Certificates of Convenience and Necessity for the Proposed North McCamey to Bearkat 245-kV Transmission Line Project in Glasscock, Reagan & Upton Counties*
- Docket No. 54634 – *Application of Southwestern Public Service Company for Authority to Change Rates*
- Docket No. 54565 – *Application of CSWR-Texas Utility Operating Company, LLC for Authority to Change Rates*
- Docket No. 53973 – *Application of AEP Texas Inc. to Amend its Certificate of Convenience and Necessity for the Naismith-to-Resnik Double-Circuit 138-kV Transmission Line in San Patricio County*
- Docket No. 53759 – *Application of Nerro Supply, LLC for Authority to Change Rates*
- Docket No. 52794 – *Application of Chammel Oaks Water System for Authority to Change Rates*

The following files are not convertible:

Adjustment WP.xlsx	Attachment JE-3 - Depreciation Expense
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Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

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