



## **Filing Receipt**

**Filing Date - 2024-03-06 09:40:50 AM**

**Control Number - 56211**

**Item Number - 3**

DOCKET NO. 56211

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

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**DOCKET NO. 56211**

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

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

CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) files this Statement of Intent and Application for Authority to Change Rates (“Application”) pursuant to Subchapter C of Chapter 36 of the Public Utility Regulatory Act (“PURA”).<sup>1</sup>

**I. INTRODUCTION**

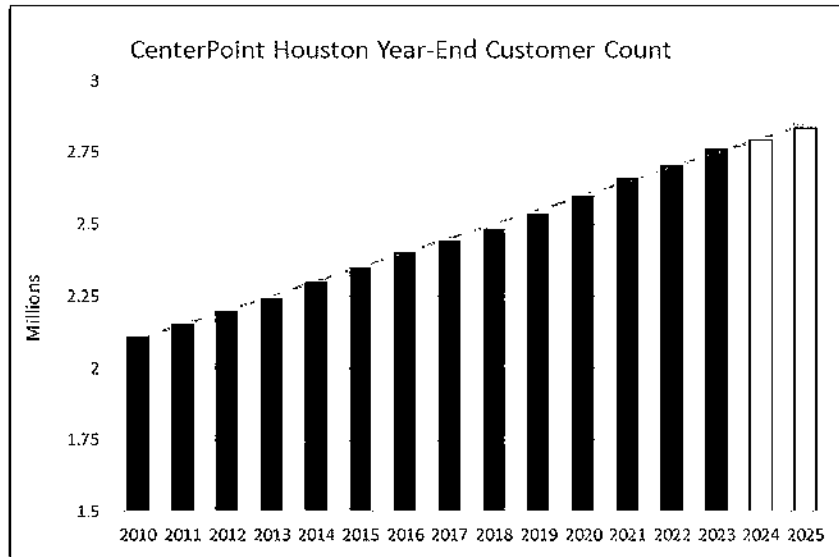
In compliance with the rate scheduling requirements of 16 Texas Administrative Code § 25.247(c)(2)(B) (“TAC”) and the final order in the Company’s last base rate case, Docket No. 49421,<sup>2</sup> CenterPoint Houston presents this Application for a comprehensive rate review.

Since the Company’s last rate case, the Company has continued its long history of providing safe, reliable, value-added service to its customers. As a result, CenterPoint Houston now maintains and operates a transmission and distribution system for the benefit of approximately 2.8 million metered customers—nearly 300,000 more customers than it served when it filed its last rate case in Docket No. 49421. The following table illustrates the rapid and sustained customer growth in the Company’s service area since 2010 and since the Company’s last rate case in Docket No. 49421.

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.017 (Supp.) (“PURA”).

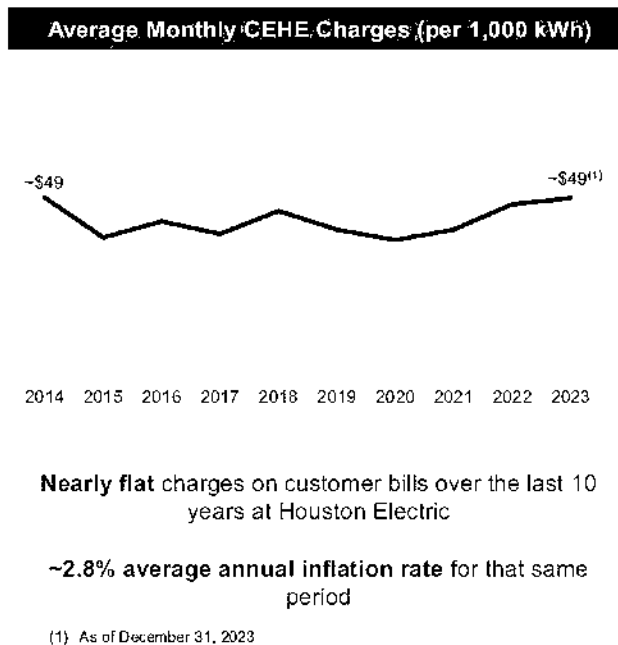
<sup>2</sup> *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421, Order, Ordering Paragraph No. 16 (Mar. 9, 2020).



In response to the approximately 11% increase in the number of metered customers the Company serves over the past five years since the Company’s last rate case, CenterPoint Houston has invested over \$6 billion in transmission and distribution infrastructure to safely and reliably support the population and economic growth in Houston and its surrounding cities. Over the course of the same period, CenterPoint Houston improved the intelligence and resiliency of its transmission and distribution system with investments in resiliency projects, and prudently managed its cash flow so that the Company could take advantage of capital market conditions to lower the Company’s overall cost of debt. Additionally, the Company made these investments throughout unprecedented weather conditions, including Winter Storm Uri (2021), Hurricane Nicholas (2021), Winter Storm Elliott (2022), an F3 tornado (2023), and a microburst event (2023).

In addition to investing in the necessary transmission and distribution infrastructure to safely and reliably support the population and economic growth in Houston and its surrounding cities, the Company has also focused on maintaining stable and affordable rates for the average

residential customer. As illustrated by the table below, the Company's average annual rate for the residential customer has remained flat over the past ten years.



The Company has been able to keep rates flat for the average residential customer due to three factors. First, as previously discussed, rapid and sustained customer growth has increased total revenue without an increase in rates. Second, since 2019, three securitization charges related to the transition to competition and hurricane restoration costs (TC2, TC3, and SRC/ADFIT) have been retired, resulting in a total reduction of \$4.48 per month for the average residential customer. Another securitization charge (TC5) will be retired by October 2024, resulting in a further reduction of \$1.92 per month. Together, the retirement of these securitization charges will reduce average residential customer bills by approximately \$6.40. Third, CenterPoint Houston has managed to reduce its O&M expenses since 2019.

As part of the Company's focus on maintaining stable and affordable rates for the average residential customer, the Company is proposing the following to ensure that the Company's rates remain affordable after this rate case:



- recommending a 10.4% return on equity, even though Company witness Ann E. Bulkley's expert testimony supports a 10.6% return (approximately \$13.8 million reduction in the revenue requirement);
- removing costs associated with having both a chief executive officer and a chief operating officer in the CenterPoint Energy, Inc. corporate structure, which was the case in the test year, but is not the case now (approximately \$12.6 million reduction in the revenue requirement);
- asking to amortize regulatory assets over 5 years, consistent with the Commission's order in Oncor's recent rate case, Docket No. 53601, instead of 3 years as the Company originally intended and believes would be justified (approximately \$17.7 million reduction in the revenue requirement); and
- not recommending an increase in depreciation expense, even though a material increase is supported by the updated depreciation study conducted by Company witness Dane A. Watson and included in this application (approximately \$35 million reduction in the revenue requirement).

In total, and at a high level, these proposals reduce the total revenue requirement requested in this case by almost \$80 million and result in a requested increase on an average residential customer bill of approximately \$1.25.

This filing presents the opportunity to review the investment and expenses that CenterPoint Houston has incurred since the Company's last base rate case and to establish a solid foundation that will enable CenterPoint Houston to continue to meet the expectations of its customers, respond to growth, and support economic development within the State of Texas. This is vitally important because residential customer growth in the Company's service territory is expected to continue at

a rate of approximately two percent annually over the next 20 years. CenterPoint Houston must be solidly positioned to respond to this demand.

As a part of the filing, CenterPoint Houston proposes to set rates that are reflective of the Company's current reasonable and necessary cost of service and operations. This filing presents an opportunity to establish a solid foundation to enable CenterPoint Houston to continue meeting customer needs, address the changing expectations and reliance of our customers, respond to regional growth and increasing electrification, and support Texas' track record of strong economic development. CenterPoint Houston has made significant investments in its ongoing pursuit of providing safe and reliable service. Essential to establishing a solid foundation is the Commission's approval of an updated capital structure and return on equity for CenterPoint Houston. A capital structure of approximately 45% equity and 55% long-term debt and a 10.4% return on equity will place CenterPoint Houston in a strong position to continue the necessary work for its customers.

These factors, coupled with capital investment that has not yet been incorporated into the Company's existing rates, the recovery of regulatory assets that have not yet been reflected in the Company's current rates, and the need to address the potential tax impacts from the Inflation Reduction Act all demonstrate the need for an increase in annual revenues of approximately \$60 million excluding the TCRF revenue requirement and \$3 million to be recovered through the Rate Case Expense rider. As detailed in the attached testimony and schedules, incorporated herein by reference, the requested increase will provide an overall rate of return that will continue to afford the Company the opportunity to attract necessary capital for system investment and allow the recovery of reasonable and necessary operating expenses that are reflective of the Company's current cost of service and operations.

In addition to new rates, CenterPoint Houston requests a prudence determination on all capital investment made in the system from January 1, 2019, through December 31, 2023. CenterPoint Houston also requests recovery of all reasonable and necessary rate case expenses.

## **II. AUTHORIZED REPRESENTATIVES**

The telephone number and address of CenterPoint Houston's authorized business representative are as follows:

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

### **III. JURISDICTION**

The Commission has exclusive original jurisdiction over this proceeding for areas outside municipalities pursuant to PURA § 32.001 and for those municipalities shown on Exhibit A that have ceded their original jurisdiction to the Commission pursuant to PURA § 33.002(b). The Commission also has exclusive original jurisdiction over CenterPoint Houston's wholesale transmission rates pursuant to PURA § 35.004(d). CenterPoint Houston anticipates it will appeal the actions of its original jurisdiction cities to the Commission and that it will seek consolidation of those appeals with this docket. CenterPoint Houston seeks to establish system-wide rates for all customer classes served by the Company, as is the case with the Company's existing rates.

### **IV. AFFECTED PERSONS AND TERRITORIES**

The Application affects all retail electric providers ("REPs") serving end-use retail electric customers in CenterPoint Houston's certificated service territory and will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under the Company's Tariff for Retail Delivery Service. The Application also affects all customers taking service under the Company's Tariff for Wholesale Delivery Service.

## V. OVERVIEW OF THE APPLICATION

This Application contains the testimony of 29 witnesses. The direct testimony of Lynnae K. Wilson presents an overview of the Company's filing and its request for a base rate increase of approximately \$17 million for service to retail customers excluding TCRF and rate case expenses and an increase of approximately \$43 million for wholesale transmission service. The direct testimony of Jason M. Ryan describes population and weather trends impacting CenterPoint Houston operations, the importance of updating the Company's regulatory capital structure to support ongoing system investments, the fact that the average CenterPoint Houston residential customer bills have remained relatively flat over the last ten years, and how the Commission can position the Company to address the need for significant new capital investment while maintaining affordable rates. If approved and implemented through the rates for Retail Delivery Service, the impact on a residential customer using 1,000 kwh per month, including current and proposed tariff riders would be an increase of approximately \$1.25 per month. A customer with a retail plan that charges 17.67 cents a kWh would see their rate go to 17.79 centers per kWh, or a 0.71% increase in their total bill. The extent to which these additional charges would be passed on by REPs is a function of the competitive market. A summary of each witness's testimony is provided below:

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
Lynnae K. Wilson	Ms. Wilson provides an overview of the Company's filing, introduces witnesses that support CenterPoint Houston's request, discusses Company values that drive prudent decision making on a daily basis, and describes the Company's capital investment pillars.	Volume 1 / Pages 41-122
Jason M. Ryan	Mr. Ryan provides an overview of the Company's utility operations and investment strategy and major drivers that impact the Company's decision-making.	Volume 1 / Pages 123-234
Eric D. Easton	Mr. Easton describes the Company's Grid Transformation and Investment Strategy Division, how capital investments are	Volume 1 / Pages 235-302

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
	prioritized and optimized, the reliability reporting process, and how the addition of a Capital Program Management department will support the efficient execution of capital projects and programs. Mr. Easton also supports the reasonableness and necessity of the divisions O&M expense and capital investment.	
David L. Mercado	Mr. Mercado explains the structure and functions of CenterPoint Houston's High Voltage Operations Division, demonstrates the reasonableness of CenterPoint Houston's test-year O&M expenses incurred by the High Voltage Operations Division, and supports the reasonableness and necessity transmission and substation capital investment.	Volume 1 / Pages 303-438
Deryl Tumlinson	Mr. Tumlinson describes the Company's Distribution Operations and Service Delivery Division, supports the reasonableness and necessity of the Company's distribution-related capital costs, and demonstrates the reasonableness of CenterPoint Houston's test-year O&M expenses incurred by the Distribution Operations and Service Delivery Division.	Volume 1 / Pages 439-482
Randal M. Pryor	Mr. Pryor describes the Company's MUG & Distribution Modernization division and the major programs and initiatives that drive distribution investment and expense, supports the reasonableness and necessity of O&M expenses incurred during the test year, and demonstrates the reasonableness and necessity of distribution capital costs during the test year.	Volume 1 / Pages 483-640
Mandie W. Shook	Ms. Shook describes the Company's Electrical Engineering Division, details the processes used to plan, monitor, and control investments and expenditures, and supports the reasonableness and necessity of test-year O&M costs and capital costs incurred by the Electrical Engineering Division.	Volume 1 / Pages 641-676
Rina H. Harris	Ms. Harris explains the Strategic Business Growth & Engagement Division and the Company's efforts to enhance the customer service provided to large customers and supports the reasonableness and necessity of the divisions O&M expenses.	Volume 1 / Pages 677-714

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
John R. Hudson	Mr. Hudson describes CenterPoint Houston's Market Operations group and supports the reasonableness and necessity of test-year O&M expenses incurred by Market Operations.	Volume 1 / Pages 715-754
Kristie L. Colvin	Ms. Colvin sponsors the books and records of CenterPoint Houston, presents the Company's rate filing package schedules, itemizes and explains all test-year adjustments, supports the Company's overall cost of service and requested revenue requirement, and demonstrates the reasonableness and necessity of Planning and Reporting and certain CenterPoint Energy Service Company, LLC ("Service Company") Executive Management, Finance Organization, and Chief Accounting Organization services to CenterPoint Houston.	Volume 1 / Pages 755-936
L. Darren Storey	Mr. Storey describes Service Company, explains how Service Company, Vectren Utility Holdings, LLC ("VUH"), CenterPoint Energy Resources Corp. ("CERC") control costs, details Service Company, VUH, and CERC methodologies for assigning affiliate costs to CenterPoint Houston, confirms that Service Company, VUH, and CERC corporate support service affiliate costs are reasonable and necessary, and addresses the test year O&M billings from Service Company, VUH, and CERC.	Volume 2 / Pages 937-1034
Jennifer K. Story	Ms. Story presents CenterPoint Houston's testimony related to federal income taxes, supports the Company's request for CenterPoint Energy Service Company, LLC Corporate Tax department test year affiliate expenses, addresses issues related to the appropriate treatment of income taxes, and demonstrates that federal income tax, Texas margin tax, and property tax amounts included in the Company's cost of service are reasonable and necessary.	Volume 2 / Pages 1035-1136

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
Steven C. Greenley	Mr. Greenley explains the structure and role of the Utility Operations Support provided by Service Company, describes how costs are budgeted, monitored and controlled, and demonstrates the reasonableness and necessity of test-year Utility Operations Support costs assigned to CenterPoint Houston.	Volume 2 / Pages 1137-1174
Ronald W. Bahr	Mr. Bahr explains the structure and services provided by Service Company's Information Technology group and demonstrates the reasonableness and necessity of test-year Information Technology costs assigned to CenterPoint Houston.	Volume 2 / Pages 1175-1212
Shonda Royston-Johnson	Ms. Royston-Johnson explains the structure and services provided by Service Company's Customer Operations organization and demonstrates the reasonableness and necessity of test-year Customer Operations costs assigned to CenterPoint Houston.	Volume 2 / Pages 1213-1242
M. Shane Kimzey	Mr. Kimzey details the services provided by Service Company's Legal Department and demonstrates the reasonableness and necessity of test-year affiliate costs assigned from the Legal Departments to CenterPoint Houston.	Volume 2 / Pages 1243-1268
Brad A. Tutunjian	Mr. Tutunjian describes the Regulatory Services and Government Affairs Department affiliate services provided to the Company and supports the reasonableness of the department's costs assigned to CenterPoint Houston.	Volume 2 / Pages 1269-1290
Stephanie Bundage Juvane	Ms. Bundage Juvane explains the services provided by Service Company's Internal Audit Department and demonstrates the reasonableness and necessity of test-year Internal Audit costs assigned to CenterPoint Houston.	Volume 2 / Pages 1291-1308
Carla A. Kneipp	Ms. Kneipp describes the structure of and services provided by Service Company's Supply Chain organization and supports the reasonableness and necessity of Supply Chain costs incurred by CenterPoint Houston.	Volume 2 / Pages 1309-1378



<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
John Sousa	Mr. Sousa discusses the services provided by Service Company's Corporate Communications, Community Relations, Utility Marketing, and Corporate Security departments and demonstrates the reasonableness and necessity of test-year costs of those departments assigned to CenterPoint Houston.	Volume 2 / Pages 1379-1424
Bertha R. Villatoro	Ms. Villatoro discusses the services provided by Service Company's Human Resources organization, demonstrates the reasonableness and necessity of test-year Human Resources organization costs assigned to CenterPoint Houston, sets forth the Company's compensation philosophy, describes the types of health and welfare benefits provided to CenterPoint Houston employees, explains the Company's retirement-related plans, and supports the Company's expense requests related to postretirement and postemployment benefits.	Volume 2 / Pages 1425-1534
Timothy S. Lyons	Mr. Lyons sponsors CenterPoint Houston's lead-lag study used to determine the Company's cash working capital requirement.	Volume 2/ Pages 1535-1790
Dane A. Watson	Mr. Watson presents an updated depreciation study.	Volume 2 / Pages 1791-1848
Ann E. Bulkley	Ms. Bulkley supports the Company's requests related to return on equity and capital structure.	Volume 3 / Pages 1849-2226
Jacqueline M. Richert	Ms. Richert supports the reasonableness of CenterPoint Houston's requested capital structure, return on equity and overall rate of return, presents the Company's cost of debt, and demonstrates the reasonableness and necessity of test-year Service Company Treasury Department Organization costs assigned to CenterPoint Houston.	Volume 3 / Pages 2227-2338
Gregory S. Wilson	Mr. Wilson supports the need for the Company's self-insurance reserve and the appropriate level of expense to be included in the Company's cost of service.	Volume 3 / Pages 2339-2372
J. Stuart McMenamin	Dr. McMenamin presents methods and data used to develop weather-related adjustments included in the Company's filing.	Volume 3 / Pages 2373-2440

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
John R. Durland	Mr. Durland presents the Company's proposed allocation of costs to rate classes, rate design, and tariffs, including proposed changes to the Company's retail delivery service tariffs and wholesale transmission tariff.	Volume 3 / Pages 2441-2710 And Volume 4 / Pages 2711-3028
Myles F. Reynolds	Mr. Reynolds supports the Company's request for reimbursement of rate case expenses.	Volume 4 / Pages 3029-3098

#### **A. Effective Date**

The Company's proposed effective date of the requested rate change is April 10, 2024, which is at least 35 days after the filing of this Application pursuant to PURA § 36.102.

#### **B. Test Year**

The Application is based on a test year consisting of the 12-month period ending December 31, 2023.

#### **C. Proposed Tariffs and Schedules**

The Application contains the changes described below to the Tariff for Retail Delivery Service and the Tariff for Wholesale Transmission Service.

##### **1. Tariff for Retail Delivery Service**

The Company's proposed Tariff for Retail Delivery Service sets forth the Company's updated rates, terms, and conditions for the provision of Delivery System Services and Discretionary Services, as those terms are defined in the tariff. The Delivery System Services are composed of six different retail rate classes or base rate schedules and the riders that are associated with each. The rates, terms and conditions for each base rate schedule and associated rider are contained in Chapter 6.1.1 of the Company's proposed retail tariff. The Discretionary Services, including their descriptions and charges, are contained in Chapter 6.1.2 of the Company's proposed retail tariff.

**a. Retail Base Rate Schedules**

CenterPoint Houston proposes to update the Delivery System Charges for each retail rate class to reflect the revenue requirement by function as described in its proposed allocation study. The rate changes for each rate class except the Lighting Services rate class are reflected below.

<b>CURRENT AND PROPOSED CHARGES</b> <b>(General Rate Schedules)</b>					
<b>CLASS</b>	<b>Type of Charge</b>	<b>Current Charge</b>	<b>Proposed Charge</b>	<b>Inc. or Dec.</b>	<b>Billing Unit</b>
<b>RESIDENTIAL</b>	Customer	\$2.30	\$2.16	(\$0.14)	per customer
	Metering	\$2.09	\$2.77	\$0.68	per meter
	Transmission	\$0.000000	\$0.000000	\$0.000000	per kWh
	Distribution	\$0.024277	\$0.026100	\$0.001823	per kWh
<b>SECONDARY =&lt;10 Kva (Small)</b>	Customer	\$2.26	\$2.22	(\$0.04)	per customer
	Metering	\$2.32	\$3.02	\$0.70	per meter
	Transmission	\$0.000000	\$0.000000	\$0.000000	per kWh
	Distribution	\$0.019285	\$0.016460	(\$0.002825)	per kWh
<b>SECONDARY &gt;10 Kva (Large)</b>	Customer				
	NON-IDR	\$3.00	\$3.23	\$0.23	per customer
	IDR	\$44.95	\$40.50	(\$4.45)	per customer
	Metering				
	NON-IDR	\$7.41	\$9.56	\$2.15	per meter
	IDR	\$72.00	\$88.98	\$16.98	per meter
	Transmission				
	NON-IDR	\$0.000000	\$0.000000	\$0.000000	per NCP Kva
<b>PRIMARY</b>	IDR	\$0.000000	\$0.000000	\$0.000000	per 4 CP Kva
	Distribution	\$5.06364	\$4,481.79	(\$0.58185)	per Billing Kva
	Customer				
	NON-IDR	\$4.51	\$9.95	\$5.44	per customer
	IDR	\$57.14	\$49.78	(\$7.36)	per customer
	Metering				
	NON-IDR	\$284.78	\$368.50	\$83.72	per meter
	IDR	\$175.97	\$94.06	(\$81.91)	per meter
	Transmission				
	NON-IDR	\$0.000000	\$0.000000	\$0.000000	per NCP Kva
	IDR	\$0.000000	\$0.000000	\$0.000000	per 4 CP Kva
	Distribution	\$2.717328	\$3.271110	\$0.553782	per Billing Kva

<b>TRANSMISSION</b>	Customer	\$209.26	\$161.68	(\$47.58)	per customer
	Metering	\$799.36	\$615.98	(\$183.38)	per meter
	Transmission	\$0.000000	\$0.000000	\$0.000000	per 4 CP Kva
	Distribution	\$0.609167	\$0.567260	(\$0.041907)	per 4 CP Kva
Distribution includes DCRF Charge, See Schedule IV-J-7 TCRF for TCRF					

The rate changes for the Lighting Services rate class are reflected in Section IV. – Non-Rate Tariff Changes and Exhibit JRD-7 to the direct testimony of Company witness John R. Durland, which is incorporated herein by reference. Revenues by rate class and number of customers are provided below.

<u>Rate Class Description</u>	<u>Number of Customers</u>	<u>Present Revenues<sup>1</sup></u> (a)	<u>Proposed Revenues</u> (b)	<u>Change</u> (c) = (b)-(a)	<u>Change Pct</u> (d)/(a)
Residential	2,455,309	\$ 901,815,248	\$ 975,768,614	\$ 73,953,366	8.2%
Secondary <= 10kva	155,776	\$ 25,410,421	\$ 24,178,448	\$ (1,231,973)	-4.8%
Secondary > 10Kva	151,170	\$ 578,913,742	\$ 520,202,246	\$ (58,711,496)	-10.1%
Primary	1,047	\$ 41,515,394	\$ 48,954,335	\$ 7,438,941	17.9%
Transmission	233	\$ 27,090,086	\$ 24,523,576	\$ (2,566,510)	-9.5%
Miscellaneous Lighting	10,660	\$ 5,783,740	\$ 3,077,136	\$ (2,706,604)	-46.8%
Lighting	5,654	\$ 70,568,628	\$ 71,339,336	\$ 770,708	1.1%
Retail Electric Delivery Revenues	2,779,849	\$ 1,651,097,259	\$ 1,668,043,691	\$ 16,946,432	1.0%
Wholesale Transmission Revenue		\$ 654,236,818	\$ 697,326,740	\$ 43,089,922	6.6%
Total Cost of Service		\$ 2,305,334,077	\$ 2,365,370,431	\$ 60,036,354	2.6%

<sup>1</sup> Test Year revenues have been adjusted to normalize billing units and adjust for DCRF

\* See schedule IV-J-7 TCRF for TCRF costs

Additional non-rate changes to these rate class schedules are generally described in the direct testimony of Company witness Mr. Durland.

#### **b. Associated Retail Delivery Service Riders**

The Company proposes updates, deletions, and additions to several of the riders currently associated with the base rate schedules. It proposes to update: Rider RCE – Rate Case Expenses

Surcharge to recover the rate case expenses determined to be reasonable by the Commission in this case, Rider TCRF – Transmission Cost Recovery Factor to reflect the Company’s updated 4CP class allocation factors and changes in wholesale transmission rates, and Rider DCRF – Distribution Cost Recovery Factor to reflect the results of this case. It proposes to remove two retired Transition Charge Tariffs – Schedules TC2 and TC3 – that are in its Tariff for Retail Delivery Service. The Company further proposes to remove Rider SRC – System Restoration Charges and Rider ADFITC – Accumulated Deferred Federal Income Tax Credit, from its Tariff for Retail Delivery Service. These rate schedules and riders have expired or are no longer applicable. Lastly, the Company proposes to establish a tariff to ensure that the impacts of the Inflation Reduction Act of 2022<sup>3</sup> are captured on an annual basis. This approach of tracking the federal income tax law changes and the impact on rates mirrors the treatment required by the Commission to track impacts from the Tax Cuts and Jobs Act of 2017.<sup>4</sup>

**c. Discretionary Services Charges**

CenterPoint Houston proposes to update the charges for certain Discretionary Services to reflect CenterPoint Houston’s current cost of providing such services. A summary of all Discretionary Service charge changes is attached as Exhibit JRD-6 to the direct testimony of Mr. Durland, which is incorporated herein by reference. The Company is also proposing to update the charge for the Non-Standard Metering Service Recurring Fee. The updated charge is described in the direct testimony of Mr. Durland and included in his Exhibit JRD-6.

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<sup>3</sup> Pub. L. No. 117-169, 136 Stat. 1818 (2022).

<sup>4</sup> Pub. L. No. 115-97, 131 Stat.2054 (2017).

#### **d. Non-Rate Tariff Changes**

The Company is proposing to revise the Tariff for Retail Delivery Service to incorporate the applicable terms of service in the specific rate schedules to which those terms of service apply and to move certain provisions to different sections of the Tariff for Retail Delivery Service where those provisions are more logically addressed. The Company also has incorporated certain forms of agreement that are often used by the Company in common transactions between the Company and its customers. Finally, the Company has updated its Construction Services policies and charges.

The non-rate tariff changes are necessary for two reasons. First, the Company has added and revised language in the Tariff for Retail Delivery Service many times throughout the years, some of which may be confusing or redundant or is no longer applicable, and this proceeding offers an opportunity to harmonize those revisions throughout the Tariff for Retail Delivery Service for clarity and consistency. Also, some of the changes reflect the Company's experience in operating under these provisions over time and its understanding of how the provisions can be better worded so that they are easier for customers to understand and for the Company to apply. These changes are summarized in Exhibit JRD-7 of Company witness Mr. Durland.

#### **2. Tariff for Wholesale Delivery Service**

The Tariff for Wholesale Delivery Service ("Wholesale Tariff") includes CenterPoint Houston's proposed wholesale transmission service rate and the terms under which wholesale transmission service will be provided, as well as the Company's current wholesale distribution service rates. The Company proposes changes to this tariff to reflect CenterPoint Houston's current cost of providing wholesale transmission service. The result of the change will update the Company's wholesale transmission service rate from \$7.829841 per kW to \$ \$8.345537 per kW. The proposed change for the Wholesale Tariff is shown in Exhibit JRD-10.

#### **D. Effect of Proposed Change on Company's Revenues**

The Application supports a net increase in retail transmission and distribution rates of approximately \$17 million over adjusted test year revenues, which is an increase of approximately 1%. It also supports an approximately \$43 million increase for wholesale transmission service, which is an increase of approximately 6.6%. The proposed increase constitutes a "major change" as that term is defined in PURA § 36.101.

#### **E. Rate Case Expenses**

CenterPoint Houston seeks recovery through Rider RCE of all reasonable rate case expenses incurred by the Company and by any intervening city awarded such recovery in this case and deferred costs from prior rate proceedings.

### **VI. PROTECTIVE ORDER**

CenterPoint Houston has designated certain documents included in this Application as either Protected Material or Highly Sensitive Protected Material under the terms of the proposed protective order and anticipates it being necessary for the Company or other parties to submit additional documents containing confidential material during discovery in this case. The Company therefore requests approval of the proposed protective order included in Section VII of the rate filing package. The proposed protective order is the Commission protective order and has been approved in the Company's prior base rate proceeding and each of the Company's prior Distribution Cost Recovery Factor ("DCRF") proceedings. Until a protective order is issued in this proceeding, the Company will provide access to the confidential information submitted with this Application to parties that agree in writing to be bound by the proposed protective order as if it had been issued by the Commission.

## VII. NOTICE

On January 26, 2024, pursuant to PURA § 33.024, CenterPoint Houston provided notice of its intent to file a statement of intent to all municipalities with original jurisdiction over the Company's rates and services. Additionally, the Company intends to provide the following notice of this proceeding as required by 16 TAC § 22.51(a):

- pursuant to 16 TAC § 22.51(a)(1), CenterPoint Houston intends to publish the form of notice attached as Exhibit B in the *Houston Chronicle*, a newspaper having general circulation in each county containing territory affected by the proceeding, once each week for four successive weeks;
- pursuant to 16 TAC § 22.51(a)(2), CenterPoint Houston intends to mail the form of notice attached as Exhibit B to (a) each of the ERCOT wholesale transmission customers on the service list in Docket No. 56050, *Commission Staff's Petition to Set 2024 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas* and (b) each REP listed on the Commission's website as of the date on which notice is sent;
- CenterPoint Houston will provide a copy of its Application to the appropriate officer of each municipality in the Company's service area and will also provide each municipality with a summary package of information, which will include a Summary of Proposed Rates by Customers and Rate Class, the Company's proposed electric tariffs, and testimony summaries; and
- Consistent with General Instruction No. 2 in the Commission's IOU-T&D COS-RFP instructions, CenterPoint Houston will provide all documents created in native electronic format (e.g., Microsoft Word, Microsoft Excel, or similar compatible formats) in the RFP, including testimony and schedules, to each party that participated in Docket No. 49421, the Company's last general rate case.

CenterPoint Houston requests approval of its proposed form of notice prior to publishing and distributing that notice as indicated above.



## VIII. NOTICE TO RETAIL ELECTRIC PROVIDERS

In accordance with the agreement reached among the Company, Texas Energy Association for Marketers, and Alliance for Retail Markets in Docket No. 55744, CenterPoint Houston requests that the rates finally approved by the Commission take effect on the 46<sup>th</sup> day after the date of the final Commission order approving the rates.<sup>5</sup> The Company has agreed to provide notice of the approved rates to retail electric providers no later than the first working day after the date of the final Commission order approving the rates.<sup>6</sup>

## IX. REQUEST FOR RELIEF

CenterPoint Houston requests that the Commission approve the rates requested in this Application and grant CenterPoint Houston such other relief to which it has shown itself entitled.

Respectfully submitted,



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<sup>5</sup> *Application of CenterPoint Energy Houston Electric, LLC for An Extension of Rate Filing Requirement Under 16 TAC § 25.247*, Docket No. 55744, Application for Extension of the Rate Filing Deadline Under 16 TAC § 25.247(b)(3) at 2-3 (Oct. 23, 2023).

<sup>6</sup> *Id.*

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**COUNSEL FOR CENTERPOINT ENERGY  
HOUSTON ELECTRIC, LLC**

## **EXHIBIT A**

### **Municipalities in CenterPoint Houston's Service Area**

#### **Municipalities that have relinquished original jurisdiction to the Public Utility Commission of Texas:**

Arcola	Hitchcock	Magnolia	Piney Point Village
Bayou Vista, Village of	Humble	Mont Belvieu	Prairie View
Beasley	Iowa Colony	Morgan's Point	San Felipe
Bonney	Jacinto City	Nassau Bay	Stagecoach
Brookshire	Jamaica Beach Village	Needville	Tomball
Cove	Katy	Old River-Winfree	Waller
Galena Park	Kemah	Orchard	Wallis
Hillcrest Village	Kendleton	Pattison	
Hilshire Village	Liverpool	Pine Island	

#### **Municipalities that have retained original jurisdiction:**

Alvin	Friendswood	Oyster Creek	Spring Valley
Baytown	Fulshear	Pasadena	Stafford
Beach City	Galveston	Pearland	Sugar Land
Bellaire	Hedwig Village	Pleak	Surfside Beach Village
Brazos Country	Houston	Quintana	Taylor Lake Village
Brookside Village	Hunters Creek	Richmond	Texas City
Bunker Hill	Jersey Village	Richwood	Thompsons
Clear Lake Shores	Jones Creek	Rosenberg	Tiki Island
Clute	Lake Jackson	Sandy Point	Webster
Danbury	La Marque	Santa Fe	West Columbia
Deer Park	La Porte	Seabrook	West University Place
Dickinson	League City	Sealy	Weston Lakes
East Bernard	Manvel	Shoreacres	Wharton
El Lago	Meadows Place	Simonton	
Fairchilds	Missouri City	South Houston	
Freeport	Oak Ridge North	Southside Place	

## **NOTICE OF RATE CHANGE REQUEST**

On March 6, 2024, CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) filed with the Public Utility Commission of Texas (“Commission”) a Statement of Intent and Application for Authority to Change Rates (“Application”). The Company is filing the Application in compliance with the rate review scheduling requirements under 16 Texas Administrative Code § 25.247(c)(2)(B) and the final order in the Company’s last rate case, Docket No. 49421. The Application has been assigned Docket No. 56211.

The Application is based on a 12-month test year ending December 31, 2023, as adjusted for known and measurable changes. The Application supports a net increase in retail transmission and distribution rates excluding the Transmission Cost Recovery Factor (“TCRF”) and rate case expenses of approximately \$17 million over adjusted test year revenues, which is an increase of around 1%. It also supports an approximately \$43 million increase for wholesale transmission service, which is an increase of around 6.6%. For residential customers the TCRF without the over-under is expected to increase by approximately \$0.74. The Rate Case Expense Rider is expected to be approximately \$0.05 per 1000 kWh and TC5 is expected to be retired during this proceeding and results in a decrease of \$1.92 per 1000 kWh. If approved and implemented through the rates for Retail Delivery Service, the impact on a residential customer using 1,000 kwh per month, including current and proposed tariff riders would be an increase of approximately \$1.25 per month. A customer with a retail plan that charges 17.67 cents a kWh would see their rate go to 17.79 cents per kWh, or a 0.71% increase in their total bill. The extent to which these additional charges would be passed on by Retail Electric Providers (“REPs”) is a function of the competitive electric market. The Company’s proposed effective date of the requested rate change is April 10, 2024.

CenterPoint Houston proposes to change delivery charges to reflect the revenue requirement by function as described in its proposed allocation study. The changes by rate class are reflected in the table below.

CURRENT AND PROPOSED CHARGES (General Rate Schedules)					
CLASS	Type of Charge	Current Charge	Proposed Charge	Inc. or Dec.	Billing Unit
<b>RESIDENTIAL</b>	Customer	\$2.30	\$2.16	(\$0.14)	per customer
	Metering	\$2.09	\$2.77	\$0.68	per meter
	Transmission	\$0.000000	\$0.000000	\$0.000000	per kWh
	Distribution	\$0.024277	\$0.026100	\$0.001823	per kWh
<b>SECONDARY =&lt;10 Kva (Small)</b>	Customer	\$2.26	\$2.22	(\$0.04)	per customer
	Metering	\$2.32	\$3.02	\$0.70	per meter
	Transmission	\$0.000000	\$0.000000	\$0.000000	per kWh
	Distribution	\$0.019285	\$0.016460	(\$0.002825)	per kWh
<b>SECONDARY &gt;10 Kva (Large)</b>	Customer				
	NON-IDR	\$3.00	\$3.23	\$0.23	per customer
	IDR	\$44.95	\$40.50	(\$4.45)	per customer
	Metering				
	NON-IDR	\$7.41	\$9.56	\$2.15	per meter
	IDR	\$72.00	\$88.98	\$16.98	per meter
	Transmission				
	NON-IDR	\$0.000000	\$0.000000	\$0.000000	per NCP Kva
<b>PRIMARY</b>	IDR	\$0.000000	\$0.000000	\$0.000000	per 4 CP Kva
	Distribution	\$5.06364	\$4.48179	(\$0.58185)	per Billing Kva
	Customer				
	NON-IDR	\$4.51	\$9.95	\$5.44	per customer
	IDR	\$57.14	\$49.78	(\$7.36)	per customer
	Metering				
	NON-IDR	\$284.78	\$368.50	\$83.72	per meter
	IDR	\$175.97	\$94.06	(\$81.91)	per meter
<b>TRANSMISSION</b>	Transmission				
	NON-IDR	\$0.000000	\$0.000000	\$0.000000	per NCP Kva
	IDR	\$0.000000	\$0.000000	\$0.000000	per 4 CP Kva
	Distribution	\$2.717328	\$3.271110	\$0.553782	per Billing Kva
	Customer	\$209.26	\$161.68	(\$47.58)	per customer
	Metering	\$799.36	\$615.98	(\$183.38)	per meter
	Transmission	\$0.000000	\$0.000000	\$0.000000	per 4 CP Kva
	Distribution	\$0.609167	\$0.567260	(\$0.041907)	per 4 CP Kva
Distribution includes DCRF Charge, See Schedule IV-J-7 TCRF for TCRF					

Revenues by rate class and number of customers are provided below.

<u>Rate Class Description</u>	<u>Number of Customers</u>	<u>Present Revenues<sup>1</sup></u> (a)	<u>Proposed Revenues</u> (b)	<u>Change</u> (c) = (b)-(a)	<u>Change Pct</u> (d)/(a)
Residential	2,455,309	\$ 901,815,248	\$ 975,768,614	\$ 73,953,366	8.2%
Secondary <= 10kva	155,776	\$ 25,410,421	\$ 24,178,448	\$ (1,231,973)	-4.8%
Secondary > 10Kva	151,170	\$ 578,913,742	\$ 520,202,246	\$ (58,711,496)	-10.1%
Primary	1,047	\$ 41,515,394	\$ 48,954,335	\$ 7,438,941	17.9%
Transmission	233	\$ 27,090,086	\$ 24,523,576	\$ (2,566,510)	-9.5%
Miscellaneous Lighting	10,660	\$ 5,783,740	\$ 3,077,136	\$ (2,706,604)	-46.8%
Lighting	5,654	\$ 70,568,628	\$ 71,339,336	\$ 770,708	1.1%
<b>Retail Electric Delivery Revenues</b>	<b>2,779,849</b>	<b>\$ 1,651,097,259</b>	<b>\$ 1,668,043,691</b>	<b>\$ 16,946,432</b>	<b>1.0%</b>
<b>Wholesale Transmission Revenue</b>		<b>\$ 654,236,818</b>	<b>\$ 697,326,740</b>	<b>\$ 43,089,922</b>	<b>6.6%</b>
<b>Total Cost of Service</b>		<b>\$ 2,305,334,077</b>	<b>\$ 2,365,370,431</b>	<b>\$ 60,036,354</b>	<b>2.6%</b>
<b>1 Test Year revenues have been adjusted to normalize billing units and adjust for DCRF</b>					
<b>* See schedule IV-J-7 TCRF for TCRF costs</b>					

CenterPoint Houston's proposed tariff for Wholesale Delivery Service includes CenterPoint Houston's proposed wholesale transmission service rate and the terms under which wholesale transmission service will be provided as well as the Company's current wholesale distribution service rates. The Company proposes changes to this tariff to reflect CenterPoint Houston's current cost of providing this service. The result of the change will update the Company's wholesale transmission service rate from \$7.829841 per kW to \$8.345537 per kW.

In addition to new rates, and to the extent not already reviewed by the Commission for prudence, CenterPoint Houston requests a prudence determination on all capital investment made in the system since January 1, 2019.

Additional non-rate changes intended to improve the readability and clarity of the Company's tariffs are addressed in the direct testimony of Company witness John R. Durland. The Company is also proposing Rider RCE to recover rate case expenses determined to be reasonable

by the Commission in this proceeding. Finally, CenterPoint Houston proposes to update the charges for Discretionary Services to reflect CenterPoint Houston's current cost of providing such services, including its Non-Standard Metering Service Recurring Fee, of which the Company is required to notify REPs prior to making any changes. Proposed changes to Discretionary Services charges are identified in Exhibit JRD-6 to the direct testimony of Mr. Durland.

The Application affects all REPs serving end-use retail electric customers in CenterPoint Houston's certificated service territory and will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under the Company's Tariff for Retail Delivery Service. The Application also affects all customers taking service under the Company's Tariff for Wholesale Delivery Service.

Persons with questions or who want more information about the Application may contact CenterPoint Houston at 1111 Louisiana Street, Houston Texas 77002, or by calling Alice Hart at 713-207-5322. A complete copy of the filing will be available for inspection at the address listed above and at the Company's offices in Austin, Texas. In addition, questions may be sent to [CEITERATECASE@CenterPointEnergy.com](mailto:CEITERATECASE@CenterPointEnergy.com).

Persons who wish to intervene in or comment upon these proceedings should notify the Commission as soon as possible, as an intervention deadline will be established. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the Commission at (512) 936-7136. The deadline for intervention in the proceeding is 45 days after the date the application was filed with the Commission. The 45<sup>th</sup> day after the date CenterPoint Houston filed its application is April 20, 2024.

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served on all parties of record in this proceeding, the Public Utility Commission Staff, Office of Public Utility Counsel, and the attorneys of record to the parties in Docket No. 56211 by hand delivery, overnight delivery or first class mail on this 6th day of March, 2024.



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**PUC DOCKET NO. 56211**

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

**DIRECT TESTIMONY**

**OF**

**LYNNAE K. WILSON**

**ON BEHALF OF**

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

**MARCH 2024**

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## GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym	Definition
ADMS	Advanced distribution management system
Application	CenterPoint Houston's application and statement of intent
CAMT	Corporate Alternative Minimum Tax
CenterPoint Houston or Company	CenterPoint Energy Houston Electric, LLC
CNP	CenterPoint Energy, Inc.
Commission	Public Utility Commission of Texas
EEI	Edison Electric Institute
EMP	Electromagnetic Pulse
ERCOT	Electric Reliability Council of Texas
Foundation	CenterPoint Energy Foundation
IRA	Inflation Reduction Act of 2022
kV	Kilovolts
MUG	Major Underground
MW	Megawatt
O&M	Operations and Maintenance
PURA	Public Utility Regulatory Act
RFP	Rate filing package
Rider IRA	Rider to address tax impacts from the IRA
Rider RCE	Rate case expense rider
ROE	Return on equity
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
TCRF	Transmission Cost Recovery Factor
Test Year	12 months ending December 31, 2023

**EXECUTIVE SUMMARY – OVERVIEW****(LYNNAE K. WILSON)**

CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) has a long history of providing safe, reliable, value-added service to our customers. Since the Company’s last base rate proceeding in 2019, Docket No. 49421, the Company has continued to successfully meet the demands of our customers and the communities we serve with a more resilient, reliable, and dynamic transmission and distribution system. As a result, the Company now maintains and operates a transmission and distribution system for the benefit of approximately 2.8 million metered customers—nearly 300,000 more customers than the Company served when it filed its last rate base proceeding in 2019.

This filing presents both the opportunity to review CenterPoint Houston’s annual operations and maintenance (“O&M”) expenses, capital investment since the beginning of 2019, and to establish a solid foundation that enables CenterPoint Houston to continue meeting customer needs and the changing expectations and reliance of our customers, respond to regional growth and increasing electrification, and support Texas’ track record of strong economic development. This is vitally important because residential customer growth in the Company’s service territory is expected to continue at a rate of approximately two percent per year and CenterPoint Houston must be solidly positioned to respond to this demand. Additionally, the pace of industrial electrification and interconnections of renewable resources is continuing to increase in the Company’s service territory. Strong residential customer growth partnered with increased industrial electrification and generation interconnection activity require investment to ensure grid infrastructure meets

1 the current and future needs of our customers.

2 In establishing new transmission and distribution rates for CenterPoint Houston,  
3 the Company asks the Public Utility Commission of Texas ("Commission") to provide it  
4 with the opportunity to earn a reasonable rate of return on its investment and to recover its  
5 necessary O&M expenses, so that it can continue to provide safe and reliable electric  
6 service. As shown in the Company's application, the total cost of service for CenterPoint  
7 Houston using a test year based on the 12 months ending December 31, 2023 ("Test Year"),  
8 as adjusted for known and measurable changes, is approximately \$2.4 billion, excluding  
9 costs related to wholesale transmission from others. This includes a proposed return on  
10 equity of 10.4%, a capital structure of 55.1% debt and 44.9% equity, and a proposed overall  
11 weighted cost of capital of 7.03% on a rate base of approximately \$12.1 billion. The  
12 Company has invested over \$6.5 billion in transmission and distribution infrastructure  
13 since the Company's last rate case. If approved and implemented through the rates for  
14 Retail Delivery Service, the impact on a residential customer using 1,000 kilowatt-hours  
15 per month would be an increase of approximately \$1.25 per month.

16 My testimony provides an overview of the Company's filing, its operations, and its  
17 rate request. I also introduce the Company witnesses that support the requested rates. In  
18 addition, my testimony highlights the Company's commitment to its customers—a  
19 commitment to modernizing electric delivery to create a stronger, smarter, more resilient,  
20 and adaptable grid enabling continuing evolution of our customers' and communities'  
21 energy future. As a result, the Company has established investment pillars of system  
22 growth, reliability, modernization, and clean energy enablement to focus efforts, enhance  
23 resiliency, and drive system performance results.

1       The testimony and material provided in this filing evidence the Company's  
2       commitment to our customers and our dedication to delivering safe and reliable electricity,  
3       service and value. I look forward to working with the Commission and all stakeholders to  
4       ensure the new rates established for CenterPoint Houston continue to allow the Company  
5       to make necessary investments in its system to safely and reliably serve its customers and  
6       support economic growth throughout Houston and the state of Texas.

**DIRECT TESTIMONY OF LYNNAE K. WILSON**

**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME AND POSITION.**

A. My name is Lynnae K. Wilson, and I am employed by CenterPoint Energy as Senior Vice President, Electric Business, leading all areas of CenterPoint Houston and Indiana Electric, serving approximately 2.9 million metered customers in the greater Houston and southwestern Indiana areas, and execution of the company's generation transition plan in Indiana.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.**

A. I graduated from Missouri University of Science and Technology with a Bachelor of Science degree in Mining Engineering. I have 20 years of experience in combined natural gas and electric utilities and electric generation with CenterPoint Energy and predecessor companies, in addition to manufacturing and mining experience. Prior to my role as Senior Vice President, Electric Business, I held the role of Senior Vice President Houston Electric, leading the company's Houston-based electric utility, and Senior Vice President, High Voltage Operations, responsible for transmission, substation, three phase major underground and transmission system control operations in Indiana and Texas. I have also held executive roles with oversight for the Indiana Electric business and Generation transition and led predecessor Indiana/Ohio Gas and Electric utilities.

I am a member of the Electric Power Research Institute Research Advisory Council, Edison Electric Institute ("EEI") Member OpCo Leadership Working Group, Osmose Advisory Council, and I previously served as Vice Chair of the

**Direct Testimony of Lynnae Wilson  
CenterPoint Energy Houston Electric, LLC**



1 Board of Directors of Reliability *First*. Additionally, I serve on the board for the  
2 United Way of Greater Houston.

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

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

5 **Q. HAVE YOU PREVIOUSLY SPONSORED TESTIMONY BEFORE THE**  
6 **COMMISSION OR OTHER REGULATORY AUTHORITIES?**

7 A. Yes. I have sponsored testimony in Cause No. 44910 before the Indiana Utility  
8 Regulatory Commission on behalf of the predecessor Indiana Electric utility in  
9 support of the description and development of the Company's Transmission,  
10 Distribution, and Storage Improvement Charge Plan.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
12 **PROCEEDING?**

13 My testimony provides an overview of CenterPoint Houston and its operations. I  
14 explain the Company's organizational and management structure and describe the  
15 Company's commitment to its core values. I summarize the Company's  
16 application, including the reasons and need for this filing and the witnesses  
17 testifying in support of the request. I discuss the Company's efforts related to  
18 reliability and resiliency, and the impact of economic and customer growth in the  
19 Company's service territory since its last base rate case.

20 **Q. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULES IN THIS**  
21 **PROCEEDING?**

22 A. I am co-sponsoring the following Company schedules with Company witness  
23 Kristie L. Colvin:

1 II-C-2.7 Capital Requirements and Acquisition Plans

2 II-C-2.7a Future Capital Requirements and Acquisition Plans

3 **Q. HAVE YOU INCLUDED ANY EXHIBITS WITH YOUR TESTIMONY?**

4 A. Yes. I supervised the preparation of the exhibits listed at the beginning of my  
5 testimony.

6 **II. COMPANY DESCRIPTION**

7 **Q. PLEASE DESCRIBE CENTERPOINT HOUSTON'S CORPORATE**  
8 **STRUCTURE.**

9 A. CenterPoint Houston is an indirect, wholly-owned subsidiary of CenterPoint  
10 Energy, Inc. ("CNP"). Headquartered in Houston, Texas, CNP is an energy  
11 delivery company with regulated utility businesses in six states. Through its  
12 electric transmission and distribution, power generation and natural gas distribution  
13 businesses, CNP serves more than seven million metered customers. Additional  
14 information concerning CNP and its affiliates is available in CNP's Annual Reports  
15 and SEC Form 10-K filings, which can be found on CNP's website,  
16 [www.centerpointenergy.com](http://www.centerpointenergy.com).

17 **Q. WHERE IS THE COMPANY'S PRINCIPAL OFFICE LOCATED, AND**  
18 **WHERE ARE ITS RECORDS KEPT?**

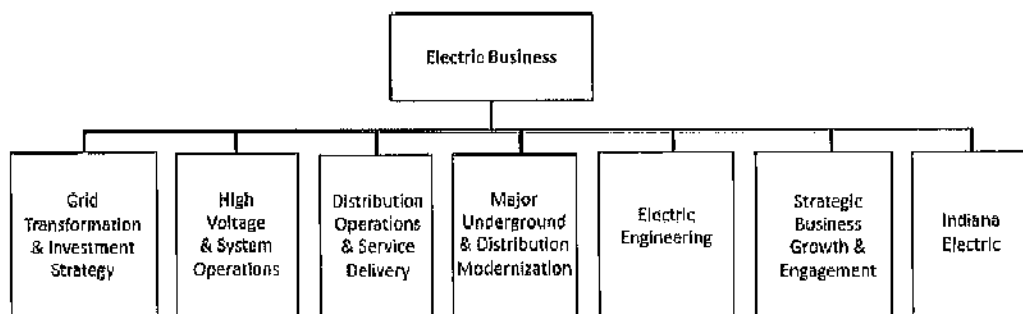
19 A. The Company's principal office is located at 1111 Louisiana Street, Houston,  
20 Texas, and its books, accounts, and records are kept at that same location.

21 **Q. PLEASE DESCRIBE THE ORGANIZATIONAL STRUCTURE OF THE**  
22 **COMPANY'S ELECTRIC OPERATIONS.**

23 A. The Company's organizational structure as of the end of the Test Year is shown in

the Figure 1 below.

**Figure 1. Electric Operations Organizational Chart**



CNP has two electric utilities – CenterPoint Houston and Indiana Electric. At the end of the Test Year, the Electric Business consisted of seven divisions shown above. Indiana Electric is shown for completeness of the Electric Business organizational structure, but Indiana Electric costs are not included in this filing. Within the six Operations divisions that comprise CenterPoint Houston, a variety of personnel, materials, supplies, vehicles, warehouses, offices, equipment and facilities located throughout CenterPoint Houston’s service area support the transmission and distribution delivery system around the clock every day of the year.

**Q. HOW HAS THIS STRUCTURE CHANGED SINCE THE LAST RATE CASE, DOCKET NO. 49421?**

A. At the time of the last rate case, Electric Operations consisted of four divisions: Engineering & Asset Optimization, High Voltage Operations, Distribution Operations, and Power Delivery Solutions. In December 2022, CenterPoint Houston implemented an organizational redesign to anticipate and respond to a rapidly transforming electric grid and align core engineering and operation functions.

Direct Testimony of Lynnae Wilson  
CenterPoint Energy Houston Electric, LLC

1           The Grid Transformation and Investment Strategy officer was created to  
2           ensure that CenterPoint Houston anticipates and responds to transformative  
3           challenges, such as distributed generation, electric vehicles and mass  
4           electrification, as well as ensure that our executed plans provide the modern and  
5           resilient service that our customers demand. Additionally, this organization  
6           oversees the capital program management department that provides clear line of  
7           sight from project identification to project completion to enhance capital  
8           deployment and management.

9           In January 2023, the Strategic Business Growth and Engagement officer  
10          was created to engage with customers more meaningfully to support future growth  
11          and reliability needs.

12          As shown in Figure 1, during the Test Year, CenterPoint Houston consisted  
13          of six divisions: (1) the Grid Transformation and Investment Strategy division led  
14          by company witness Eric D. Easton, (2) the High Voltage & System Operations  
15          division led by company witness David L. Mercado, (3) the Distribution Operations  
16          & Service Delivery division led by company witness Deryl Tumlinson, (4) the  
17          Major Underground (“MUG”) & Distribution Modernization division led by  
18          company witness Randal M. Pryor, (5) the Electric Engineering division led by  
19          company witness Mandie W. Shook, and (6) the Strategic Business Growth and  
20          Engagement division led by company witness Rina H. Harris<sup>1</sup>. Each company  
21          witness further describes their division in their testimony.

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<sup>1</sup> Based on organizational structure on 12/31/2023, Strategic Business Growth & Engagement division led by Rina Harris is included with Operations in this proceeding. The division has since moved to the Customer Experience Organization.

1    **Q.   HOW MANY CUSTOMERS ARE SERVED BY CENTERPOINT**  
2       **HOUSTON?**

3    A.   CenterPoint Houston serves approximately 2.8 million metered customers. The  
4       Company's electric system covers approximately 5,000 square miles located in and  
5       around Houston, Texas and is comprised of over 60,000 miles of overhead and  
6       underground transmission and distribution lines. Company witness John R.  
7       Durland calculates the adjusted Test Year average number of customers. A map of  
8       the CenterPoint Houston service area appears in Exhibit LKW-1.

9    **Q.   ARE THE COMPANY'S SERVICE AREA AND CUSTOMER PROFILE**  
10       **UNIQUE?**

11   A.   Yes. CenterPoint Houston's service area is a uniquely compact and dense region  
12       on the Texas Gulf coast. While the Company's service area is only about 2% of  
13       the geographic area of Texas, the customers who live and work in the Company's  
14       service area account for approximately 25% of the Electric Reliability Council of  
15       Texas' ("ERCOT") total load.

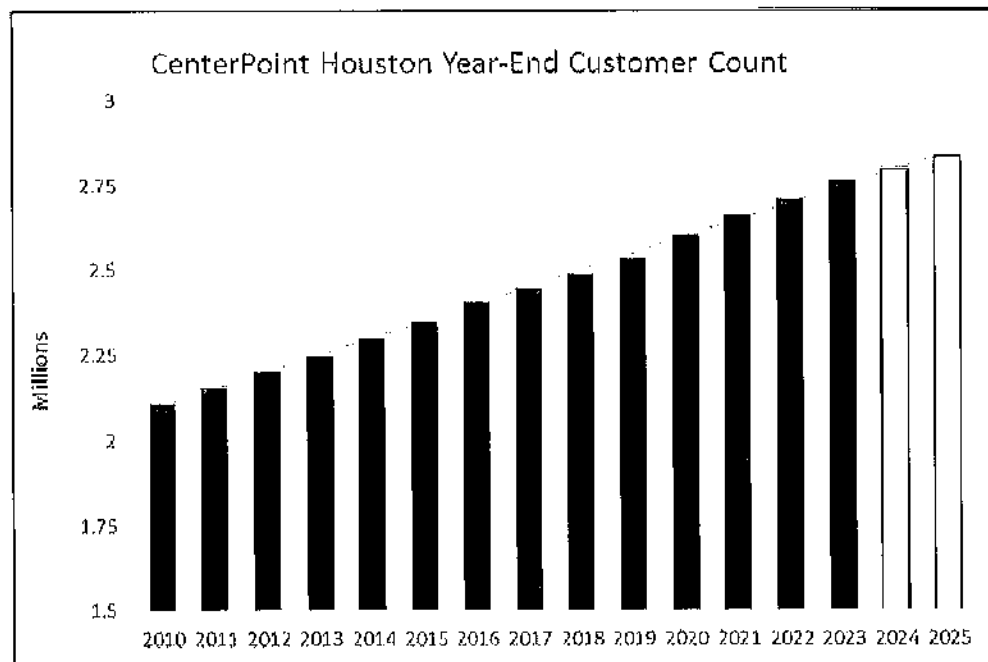
16   **Q.   PLEASE EXPLAIN FURTHER.**

17   A.   The uniquely concentrated nature of the Company's service area is attributable to  
18       a few factors. First, from a population perspective, the city of Houston is the largest  
19       city in the state, and the Greater Houston area is the fifth largest metropolitan area  
20       in the country and ranked second among the country's major metro areas in  
21       population growth in 2022. As a result of the large population and anticipated  
22       population growth in the Greater Houston area, the Company serves a large number  
23       of residential and commercial customers. Second, the Greater Houston area has a

1 large presence of petroleum and petrochemical refineries, meaning the Company  
2 has many industrial customers with high demand which consume large amounts of  
3 electricity. Third, the Greater Houston area has several important public-serving  
4 facilities and infrastructure. For example, the Texas Medical Center, which is the  
5 world's largest medical complex and home to multiple medical and research  
6 institutions, is in the city of Houston. Likewise, the Port of Houston, which is one  
7 of the country's busiest container ports, is in the Greater Houston area. Finally, the  
8 city of Houston has two airports, George Bush Intercontinental Airport and William  
9 P. Hobby Airport, which serve millions of passengers and are local hubs for  
10 connecting flights.

11 **Q. HAS CENTERPOINT HOUSTON SEEN RESIDENTIAL AND**  
12 **COMMERCIAL CUSTOMER GROWTH SINCE THE LAST RATE CASE,**  
13 **DOCKET NO. 49421?**

14 **A.** Yes. The Greater Houston area is the fifth largest metropolitan area in the country.  
15 As shown on Figure LW-2, CenterPoint Houston serves much of this fast-growing  
16 area.

**Figure LW-2: CenterPoint Houston Year End Customer Count**

The population in and around Houston grew from approximately 5.9 million in 2010 to nearly 7.34 million in 2022, an increase of more than 24 percent. Among the Houston area's 10 counties, two—Harris and Fort Bend—ranked among the top nationwide for largest population gains in 2022. Additionally, Harris County is leading the top five largest-gaining counties in Texas, and Fort Bend is among the top five fastest-growing counties in the state. As a result, the Company has experienced the addition of nearly 300,000 metered customers from January 1, 2019, through December 31, 2023. Company witnesses Mr. Easton, Mr. Tumlinson, Mr. Pryor, Mr. Mercado and Ms. Harris discuss the impact of this customer growth from an infrastructure perspective.

**Q. HAS CENTERPOINT HOUSTON ALSO SEEN LOAD GROWTH IN THE INDUSTRIAL SECTOR?**

1 A. Yes. As with residential customer growth, CenterPoint Houston has also seen  
2 tremendous industrial load growth, both in areas with existing transmission  
3 infrastructure and also in areas where transmission infrastructure is less  
4 concentrated. Electrification of existing industrial customer processes, as well as  
5 future hydrogen projects that may also be sited in the Company's service area,  
6 would contribute to further industrial load growth. Company witness Mr. Mercado  
7 discusses the impact of industrial load growth on the system.

8 **Q. HOW DOES CENTERPOINT HOUSTON VIEW ITS ROLE IN**  
9 **PROVIDING SERVICE TO ITS CUSTOMERS?**

10 A. The Company takes its obligation to provide safe and reliable service very seriously  
11 and is committed to providing safe and reliable service. The Greater Houston area  
12 is a vital economic hub in Texas, and the Company is keenly aware of the role it  
13 plays supporting the stability and economic growth of the Greater Houston area.  
14 The service provided by the Company enriches the communities it serves and  
15 enables millions of homes and businesses to function. The Company's investment  
16 in its transmission and distribution system ensures that the Company continues to  
17 provide safe and reliable service to the Company's residential, commercial, and  
18 industrial customers.

19 Customers are a CenterPoint Houston central priority. As a result, in 2023,  
20 the Company created a new division – Strategic Growth and Engagement, led by  
21 company witness Ms. Harris to provide intentional focus and formalize supporting  
22 growth in our communities and to provide a higher level of customer engagement  
23 to better understand customers' business objectives and in turn better support



1 customers' growth and reliability needs.

2 **Q. IS THERE A MEASUREMENT THAT CENTERPOINT HOUSTON USES**  
 3 **TO ASSESS SERVICE QUALITY OF ITS CUSTOMERS?**

4 A. Yes. The Company uses and reports to the Commission System Average  
 5 Interruption Duration Index ("SAIDI") and System Average Interruption  
 6 Frequency Index ("SAIFI") performance annually. SAIDI is the average number of  
 7 forced outage minutes per customer per year. SAIFI is the average number of times  
 8 that a customer's service is interrupted per year. Taken together SAIDI and SAIFI  
 9 are an indication of system reliability and performance. Company witnesses Mr.  
 10 Easton, Mr. Pryor, Mr. Tumlinson, and Ms. Shook discuss programs and  
 11 investments to enhance reliability and thereby SAIDI and SAIFI performance.

12 **Q. HAVE THERE BEEN PARTICULAR CHALLENGES THAT AFFECT**  
 13 **CENTERPOINT HOUSTON'S SAIDI AND SAIFI PERFORMANCE?**

14 A. Yes. First, the rapid growth I described above forces the Company to undertake the  
 15 repair or replacement of equipment that are nearing end of useful life at the same  
 16 time we are working to build brand new facilities to interconnect new customers.  
 17 Second, weather has an effect on SAIDI and SAIFI. While longer duration weather  
 18 events are excluded, weather still has a strong influence in the SAIDI and SAIFI  
 19 calculations. For example, in 2019, CenterPoint Houston's Velasco 03 feeder  
 20 exceeded the Company's SAIFI system-wide average by more than 300% primarily  
 21 because of weather-related issues. We completed a distribution development plan  
 22 for the feeder and spent more than \$300,000 in capital improvements and trimmed  
 23 vegetation along the entire circuit. The Company has not identified a SAIFI or

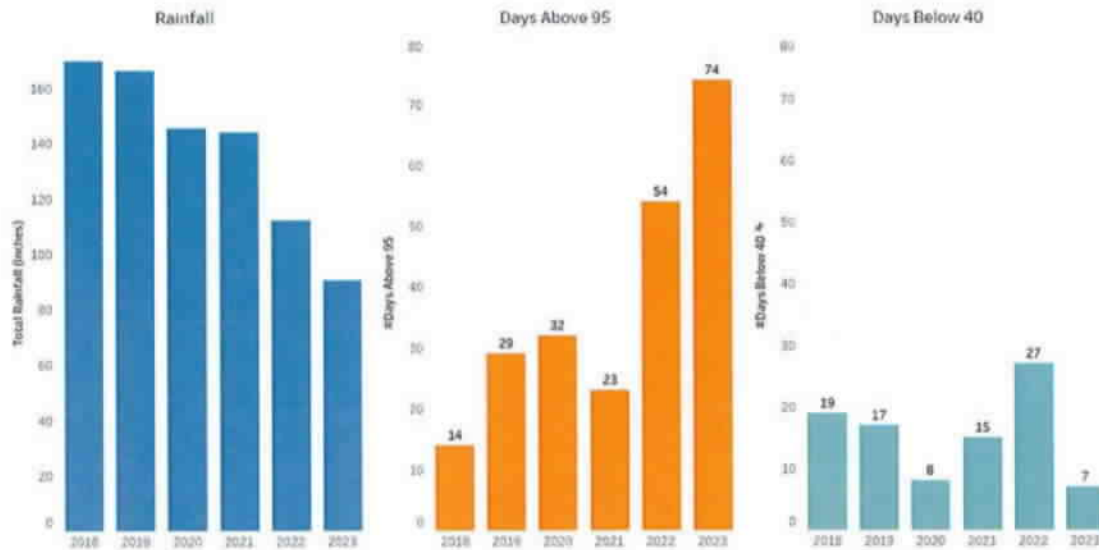
1 SAIDI violation on that circuit since 2019.

2 **Q. ARE THE CORRECTIVE ACTIONS TAKEN BY THE COMPANY WITH**  
3 **REGARD TO VELASCO 03 PURSUANT TO THE COMPANY'S PROCESS**  
4 **WITH REGARD TO DISTRIBUTION FEEDERS THAT HAVE SAIDI OR**  
5 **SAIFI ISSUES?**

6 A. Yes. As further explained in the testimony of Mr. Tumlinson, the Company has a  
7 Root Cause Analysis Program in which the Company annually reviews the SAIDI  
8 and SAIFI for each distribution feeder. Corrective action plans are created and  
9 implemented for each distribution feeder that is in the bottom 10% of either SAIDI  
10 or SAIFI. Similarly, inspections and corrective action plans are created and  
11 implemented for distribution feeders that have SAIDI or SAIFI values that are  
12 300% greater than the Company's systemwide SAIDI or SAIFI, like Velasco 03 in  
13 2019.

14 **Q. HAS CENTERPOINT HOUSTON SEEN AN INCREASE IN MAJOR**  
15 **WEATHER ACTIVITY?**

16 A. Yes. The following graph summarizes the precipitation and temperature changes in  
17 the Company's service area from 2018 to 2023.



Notable major weather condition-related events that occurred in the Company's service area in recent history are the Memorial Day flooding in 2015, Hurricane Harvey in 2017, a microburst event in Sealy in 2017, an ice storm in 2018, Winter Storm Uri in 2021, Hurricane Nicholas in 2021, Winter Storm Elliott in 2022, an F3 tornado in January 2023, and a microburst event in June 2023. Additionally, the Houston area experienced drought conditions in 2022 and 2023.

**Q. WHAT HAS BEEN THE IMPACT TO CUSTOMERS FROM THE INCREASE IN MAJOR WEATHER?**

A. These major weather events ranged from winter storms to high wind events caused by hurricanes or tornadic activity to drought conditions. Each event had its impact on the system. Drought conditions lead to dead or stressed trees that are more susceptible to high winds. Any system damage as a result of weather events in turn caused customer outages. Company witnesses Mr. Tumlinson and Mr. Mercado further describe the impact on customers in their direct testimonies.

1    **Q.    HAS THE COMPANY TAKEN ACTION TO IMPROVE ITS SAIDI AND**  
 2    **SAIFI PERFORMANCE?**

3    A.    Yes. The Company is and always will be committed to focus its efforts and  
 4    implement programs to limit the number of outages and the duration of those  
 5    outages. This work includes enhancing the Company's advanced distribution  
 6    management system ("ADMS") used by its distribution controllers to decrease the  
 7    time required to assign a crew to improve restoration time. The Company also  
 8    committed to piloting its ADMS's automated fault locating, isolating, and service  
 9    restoration functionality to further reduce restoration times. In addition,  
 10    CenterPoint Houston has:

- 11            • increased the number of distribution switching devices that can be remotely  
 12            controlled by the Company's distribution SCADA system;
- 13            • increased spending on reliability and maintenance projects to enhance  
 14            reliability including grid hardening, installation of intelligent grid switching  
 15            devices (IGSDs), overhead reliability, pole improvements and  
 16            replacements, and URD improvements and replacements;
- 17            • focused on proactive and reactive vegetation management (2020: \$28.8  
 18            million spent; 2021: \$30 million spent; 2022: \$31.9 million spent);
- 19            • increased infrared inspections on distribution circuits to identify pending  
 20            equipment failures before they occur.
- 21            • used its Root Cause Analysis Program to identify the projected 10% worst  
 22            performing circuits;
- 23            • performed inspections of distribution laterals that had recurring outages  
 24            through its Hot Fuse Program; and
- 25            • continued to replace damaged or failed meters.

26    The Company's automation efforts, such as the strategic installation of IGSDs has  
 27    enabled the Company to avoid approximately 55.69 million and 83.37 million  
 28    customer outage minutes (or approximately 20.65 and 30.47 SAIDI minutes) in

1        2022 and 2023, respectively. This work as well as the ongoing work described by  
 2        Company witnesses Mr. Easton, Mr. Pryor, Ms. Shook and Mr. Tumlinson,  
 3        continues to support the safe and reliable operation of CenterPoint Houston's  
 4        system.

5        **Q.    HAS CENTERPOINT HOUSTON REPORTED ITS SAIDI AND SAIFI**  
 6        **PERFORMANCE FOR 2023?**

7        A.    Yes. CenterPoint Houston reported its 2023 performance to the Commission on  
 8        February 15, 2024. While CenterPoint Houston exceeded the system-wide  
 9        standards for its SAIDI and SAIFI metrics and four feeders that had a SAIFI value  
 10       more than 300% greater than the system SAIFI, it improved its metrics over its  
 11       performance in 2022. CenterPoint Houston takes its obligations to provide reliable  
 12       service to customers very seriously, and although the Company can continue to  
 13       improve, the challenges it has faced related to the intense growth in our service  
 14       territory and impacts from extreme weather has limited the ability of the Company  
 15       to make the level of improvement it's striving to achieve. And as discussed by  
 16       Company witnesses Shonda Royston-Johnson and Ms. Harris in their testimony  
 17       and as I discuss later in my testimony, despite the need to improve performance,  
 18       the Company has received high praise from its customers and awards for its  
 19       customer service.

20       **Q.    WHAT OTHER STEPS HAS THE COMPANY TAKEN SINCE ITS LAST**  
 21       **RATE CASE TO ENHANCE SYSTEM SAFETY, RELIABILITY AND**  
 22       **RESILIENCY?**

23       A.    CenterPoint Houston has implemented a number of programs and initiatives

1 designed to enhance the safety, reliability, and resiliency of the transmission and  
2 distribution system as further described in the direct testimonies of Company  
3 witnesses Mr. Easton, Mr. Pryor, and Mr. Tumlinson. CenterPoint Houston's  
4 experiences with Hurricanes Ike and Harvey have additionally led the Company to  
5 engage in system hardening and resilience activities. As discussed in the direct  
6 testimony of Company witness David Mercado, the Company has retrofitted  
7 several substations with an elevated substation design to account for storm surge or  
8 other flooding. New coastal substations are designed and constructed such that the  
9 control cubicles are elevated above the potential storm surge for a Category 5 storm,  
10 while inland substations are designed to elevations that consider flood plain maps.  
11 These and other storm hardening activities<sup>2</sup> are designed to improve system  
12 performance during and after major weather events. The Company also continues  
13 to modernize its practices and infrastructure through the use of new technologies,  
14 distribution automation, data analytics and other system improvements further  
15 described in the direct testimony of Company witness Mr. Easton.

16 **Q. HOW DOES THE COMPANY ENSURE SAFETY, RELIABILITY AND**  
17 **RESILIENCY ON A DAY-TO-DAY BASIS?**

18 A. Our employees adhere to the core values of Safety, Integrity, Accountability,  
19 Initiative, and Respect in serving our customers and communities. CenterPoint  
20 Houston employees and contractors are expected to abide by all applicable laws,  
21 regulations, Company policies, procedures and guidelines for safely working and

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<sup>2</sup> See *Report for Electric Utility Infrastructure Storm Hardening Pursuant to P.U.C. Subst. R. 25.95*, Project No. 39339, CenterPoint Energy Houston Electric, LLC Storm Hardening Report Summary (April 28, 2023).

1 operating the Company's systems. Employees are held accountable for reporting  
2 incidents, and unsafe practices and conditions, so that they can be promptly  
3 addressed. The Company continually works to improve by embracing innovation  
4 and technology that modernizes the grid and enhances performance. CenterPoint  
5 Houston also develops and maintains safety programs to educate and inform  
6 customers and the public in the communities where we operate.

7 **Q. WHAT APPROACH HAS CENTERPOINT HOUSTON TAKEN TO**  
8 **MINIMIZE THE RISK OF MAJOR WEATHER?**

9 A. To mitigate the impact of extreme weather events, the Company has invested in  
10 and continues to invest in a variety of reliability, modernization, and resiliency  
11 projects.

12 **Q. HOW HAS THE COMPANY POSITIONED ITSELF TO ADDRESS THE**  
13 **NEEDS OF A GROWING CUSTOMER BASE AND RAPIDLY**  
14 **TRANSFORMING GRID?**

15 A. To meet the demands of a growing customer base and rapidly transforming grid,  
16 CenterPoint Houston has focused capital investments in four main pillars: system  
17 growth, reliability, modernization, and clean energy enablement. System growth  
18 consists of investments supporting the 2% annual organic customer growth  
19 experienced in the Company's service territory. Reliability improvements consists  
20 of investments made to extend the life of assets and replace aging infrastructure.  
21 Modernization consists of investments in enhanced technology, and philosophy and  
22 design updates to increase resiliency. Clean energy enablement consists of  
23 investments made to interconnect renewable generation resources. As further

1 discussed by Company witness Mr. Easton, the clean energy enablement pillar was  
2 identified in response to observed trends related to the types of generation requests  
3 CenterPoint Houston has received. The number of interconnections and the  
4 timeframe for interconnection differ for inverter-based resources (solar, wind, and  
5 energy storage) compared to dispatchable generation. Factors such as the passage  
6 of the Infrastructure Investment and Jobs Act<sup>3</sup> which has accelerated the number of  
7 projects seeking interconnection, has prompted the Company to create this pillar to  
8 highlight the drivers of these types of interconnections and refocus the way the  
9 Company approaches new interconnections.

10 Collectively these investments contribute to overall performance and  
11 resiliency of the electric system serving the Greater Houston area. Each of the  
12 operations witnesses will discuss drivers for capital investments in their areas of  
13 responsibility that all underlie these four pillars.

14 **Q. HAVE THE COMPANY'S EFFORTS PROVIDED VALUE TO ITS**  
15 **CUSTOMERS?**

16 **A.** Yes. CenterPoint Houston is committed to putting the customer at the center of  
17 everything we do, and our customer service organization prides itself on its ability  
18 to consistently provide reliable, value-added service to customers. This emphasis  
19 on customer service and reliable performance has led our customers to highly value  
20 the service we provide. For example, the American Customer Satisfaction Index  
21 ranked CenterPoint Houston first for residential customer satisfaction among  
22 national investor-owned utilities in 2022 and second in 2023.

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<sup>3</sup> Pub. L. No. 117-58, 135 Stat.429 (2021).



1           Additionally, in 2023 Cogent Syndicated ranked CenterPoint Houston  
2           second among Texas Transmission and Distribution Service Providers on Engaged  
3           Customer Relationship with residential customers and first with business  
4           customers. Company witnesses Ms. Royston-Johnson and John Sousa provide  
5           additional detail regarding the broad recognition the Company has received for its  
6           customer service and other activities.

7           Furthermore, the Strategic Business Growth and Engagement division  
8           provides focus to large customers, while ensuring that customers of all sizes receive  
9           reliable service. Efforts in 2023 have resulted in several large customers providing  
10          letters of support for CenterPoint Houston as further described in the direct  
11          testimony of Company Witness Ms. Harris.

12   **Q.   HOW HAS CENTERPOINT HOUSTON SUPPORTED COMMUNITIES**  
13   **IN ITS SERVICE TERRITORY?**

14   A.   CenterPoint Houston is a key partner in the communities we serve. To fulfill that  
15          role, the CenterPoint Energy Foundation (“Foundation”) supports communities in  
16          ways that improve lives today and build a strong, sustainable foundation for the  
17          future. Grant funding from the Foundation is invested in two main strategic areas:  
18          community vitality and education. The Foundation also responds to communities  
19          during times of disaster and plays an essential role in providing disaster relief grants  
20          to support recovery efforts. Company witness Mr. Sousa provides more detail  
21          around the Foundation’s activities.

22   **Q.   HAS THE COMPANY BEEN RECOGNIZED FOR ANY PARTICULAR**  
23   **SUCSESSES SINCE ITS LAST RATE CASE, DOCKET NO. 49421?**

1 A. Yes, it has. CenterPoint Houston has received several awards for technology and  
2 innovation including:

- 3 • Association of Edison Illuminating Companies – Achievement Award – for  
4 Resiliency Model for Electromagnetic Pulse (“EMP”) Mitigation, 2020;
- 5 • EPRI – Technology Transfer Award – for E1 EMP & Hardening of  
6 Substations, 2021; and
- 7 • Public Utilities Fortnightly – Edith Clarke Top Innovator Award in  
8 Reliability, 2023.

9 From 2019 through 2023, CenterPoint Houston has received 12 EEI Emergency  
10 Assistance Awards in recognition of its outstanding efforts to restore service  
11 following a storm or other natural disaster through mutual assistance, including six  
12 hurricanes in 2020 alone.

13 Additionally, CenterPoint Houston has received numerous awards and recognition  
14 from the National Diversity Council and the Texas Diversity Council for its work  
15 and leadership in diversity, equity, and inclusion including:

- 16 • National Diversity Council
  - 17 ○ Individual Diversity First Award, 2023
  - 18 ○ National Latino Leaders Award, 2023
  - 19 ○ Top 50 Companies for Inclusion in Texas, 2022
  - 20 ○ Top General Counsel Award, 2022
- 21 • Texas Diversity Council
  - 22 ○ Diversity Leadership Award, 2022
  - 23 ○ Top 100 Influential Women in Energy, 2021
  - 24 ○ Top 100 Diverse Leaders in Energy, 2021

25

**III. OVERVIEW OF THE COMPANY'S RATE CASE FILING**

**Q. WHY IS THE COMPANY FILING THIS CASE AND WHAT DOES IT HOPE TO ACCOMPLISH?**

A. The Company is making this filing in compliance with the Commission's final order in Docket No. 49421, the Company's last base rate proceeding, and the Commission's rules.<sup>4</sup> This filing will allow the Commission to determine the prudence of the capital investment made in the CenterPoint Houston system since the test year in the Company's last base rate case, Docket No. 49421, and consider updates to CenterPoint Houston's capital structure and return on equity ("ROE"). The rates requested in this filing are reflective of the Company's current reasonable and necessary cost of service and operations. Moving forward, the filing will allow the Company to address its current revenue requirement deficiency so the Company may continue investing in safe and reliable infrastructure now and in the future.

**Q. HAS THE CURRENT REGULATORY FRAMEWORK IN TEXAS ENABLED THE COMPANY TO INVEST IN SAFE AND RELIABLE INFRASTRUCTURE SINCE DOCKET NO. 49421?**

A. Yes. The current regulatory framework has been constructive and has allowed CenterPoint Houston to make necessary investments in its system. In particular, the periodic adjustments CenterPoint Houston is able to make to its base rates through Transmission Cost of Service adjustments in accordance with 16 TAC § 25.192 and Distribution Cost Recovery Factor adjustments in accordance with the Public Utility Regulatory Act ("PURA") and 16 TAC § 25.243 have allowed

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<sup>4</sup> *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421, Final Order at Finding of Facts, 124 and Ordering Paragraph 17 (Mar. 9, 2020).

1 the Company to gradually modify its rates to track ongoing changes in its invested  
2 capital, thereby avoiding the necessity for an even larger incremental rate change  
3 in this proceeding. These mechanisms, combined with the Company's disciplined  
4 financial approach and adherence to its core values, have enabled the Company to  
5 maintain its credit rating so it can access the credit markets on reasonable terms to  
6 obtain the capital required to invest in system safety, reliability, and modernization.  
7 As I discuss below, however, Commission approval of an updated capital structure  
8 and return on equity are necessary to maintain this constructive framework going  
9 forward in light of the impacts of customer growth on CenterPoint Houston.

10 **Q. HOW HAS GROWTH IMPACTED THE COMPANY SINCE ITS LAST**  
11 **BASE RATE PROCEEDING?**

12 A. The significant growth in the Company's service territory and the state of Texas  
13 has been the primary driver of the Company's capital investment since the final  
14 order was issued in Docket No. 49421. Since January 1, 2019, CenterPoint Houston  
15 has invested over \$6.5 billion in transmission and distribution infrastructure to  
16 safely and reliably support economic and population growth in Houston and its  
17 surrounding cities. This is approximately the same level of capital investment the  
18 Company made between January 1, 2010, and December 31, 2018, the capital  
19 investment period in Docket No. 49421, which was almost twice as long as the  
20 capital investment period here. Since the beginning of 2019, CenterPoint Houston  
21 has built six new distribution substations and two new transmission substations.  
22 This investment has allowed CenterPoint Houston to extend service to nearly  
23 300,000 new customers. Additionally, CenterPoint Houston has leveraged its

1 approximately 2.8 million advanced meters and improved the intelligence and  
2 resiliency of its transmission and distribution system. With customer growth in the  
3 Company's service territory expected to continue at approximately two percent per  
4 year, it is important through this filing to establish rates that will allow CenterPoint  
5 Houston to continue to efficiently and innovatively meet the needs of its customers  
6 for years to come.

7 **Q. HAS GROWTH IN THE COMPANY'S SERVICE TERRITORY BEEN**  
8 **LIMITED TO RESIDENTIAL CUSTOMERS?**

9 A. No. As a port city and trade center, economic and industrial growth in the Houston  
10 area has been a key driver of the Company's investment needs. From 2019 through  
11 the end of 2023, the Company has energized ten new transmission-connected  
12 customer substations and anticipates load growth at another four existing sites. The  
13 most significant load growth has been in the Freeport, Mont Belvieu and Houston  
14 Ship Channel areas supporting a large liquified natural gas complex and chemical  
15 refining presence. Transmission Planning is also studying 29 new customer load  
16 projects, with an aggregate demand of approximately 9,899 MW, nearly twice the  
17 size of the entire peak transmission customer demand in Summer 2023. Please see  
18 the testimony of Company witness Mr. Mercado for further discussion of this large  
19 non-residential load growth.

20 **Q. HOW HAS ECONOMIC GROWTH IN THE COMPANY'S SERVICE**  
21 **TERRITORY IMPACTED THE COMPANY'S NEED TO INVEST IN ITS**  
22 **SYSTEM?**

23 A. Houston is a vibrant, growing, international port city and trade hub. The Port of

1 Houston complex alone ranked first in the United States in foreign waterborne  
2 tonnage, first in total foreign and domestic waterborne tonnage, and second in terms  
3 of total foreign cargo value. It is the largest port in Texas and largest Gulf Coast  
4 container port, handling 73% of United States Gulf Coast container traffic, up from  
5 69% in 2018. Similarly, the Texas Medical Center is the largest medical complex  
6 in the world, with an estimated 8 million patients per year visiting a campus of over  
7 50 million square feet. Investments necessary to connect large scale commercial  
8 operations to the Company's system, such as those described in the testimony of  
9 Ms. Harris, serve to ensure the continued economic success of Houston, the state  
10 of Texas, and the country. That investment has been a necessary component of the  
11 area's economic growth and driver of the Company's capital investment plan.

12 **Q. HOW HAS THE INCREASE IN INTERCONNECTION REQUESTS BY**  
13 **NEW GENERATION RESOURCES IMPACTED THE COMPANY'S NEED**  
14 **TO INVEST IN ITS SYSTEM?**

15 A. The increase in interconnection requests by new generation resources has been a  
16 significant driver for investing in the transmission system. From 2019 through the  
17 end of 2023, the Company has interconnected 25 new generation resources with a  
18 planned capacity of approximately 6,500 MW. Ten generation resources were  
19 interconnected at existing switching stations. The remaining fifteen generation  
20 resources required the construction of new 138 kV or 345 kV switching stations as  
21 further described by Company witness Mr. Mercado.

22 **Q. WHAT FACTORS HAVE IMPACTED THE COMPANY'S ONGOING**  
23 **FINANCING NEEDS?**

1     A.     As discussed in the direct testimony of Company witnesses Jacqueline M. Richert  
2             and Jennifer K. Story, the Inflation Reduction Act of 2022 (“IRA”) imposes a new  
3             Corporate Alternative Minimum Tax (“CAMT”) and the Company expects that  
4             CNP will be subject to the 15% minimum tax payment in 2024. The cash outlay  
5             associated with the CAMT will likely impair CenterPoint Houston’s credit  
6             metrics. In particular, reduced cash from operations and earnings before interest,  
7             taxes, depreciation, and amortization metrics have the strong potential to cause  
8             rating agencies to issue lower credit ratings for CenterPoint Houston absent a  
9             constructive response from the Commission that includes an increase in the  
10            Company’s authorized equity ratio and ROE.

11            To counter this negative impact and facilitate CenterPoint Houston’s ability  
12            to respond to economic growth, the Company is requesting that its actual capital  
13            structure of 44.9% equity and 55.1% long-term debt and an ROE of 10.4% be used  
14            to set rates. Ms. Richert explains that a 44.9% equity ratio will help CenterPoint  
15            Houston move its current issuer rating to A3. Company witness Ann Bulkley  
16            explains that an ROE of 10.6% is supported by her analysis, but the Company has  
17            decided to propose an ROE of 10.4% which as explained by Company witnesses  
18            Ms. Richert and Jason M. Ryan will continue to allow the Company to attract  
19            capital and fund the necessary system investment required to safely and reliably  
20            respond to system growth, and efficiently and innovatively meet the needs of its  
21            customers.

22     **Q.     PLEASE DESCRIBE CENTERPOINT HOUSTON’S FILING IN THIS**  
23     **CASE.**

1 A. The Company's filing has been prepared consistent with the requirements of PURA  
2 and the Commission's Substantive and Procedural Rules, including the  
3 Transmission and Distribution Investor-Owned Utilities Rate Filing Package  
4 ("RFP") for Cost-of-Service Determination, adopted by the Commission in Docket  
5 No. 49199. CenterPoint Houston's filing is based on a test year ended December  
6 31, 2023. In addition to the Company's Application and Statement of Intent  
7 ("Application"), the components of the filing include the sworn direct testimony of  
8 29 internal and external witnesses, direct testimony workpapers, revised tariffs,  
9 required schedules, and schedule workpapers. The filing reflects the considerable  
10 efforts of many Company employees and additional external resources, and it  
11 provides an accurate and transparent view of our business. The witnesses  
12 submitting direct testimony in support of CenterPoint Houston's Application and  
13 the topics they address are described in the table attached to my testimony as  
14 Exhibit LKW-2.

15 **Q. WHAT IS THE TOTAL COST CENTERPOINT HOUSTON INCURS TO**  
16 **PROVIDE SERVICE TO ITS CUSTOMERS?**

17 A. As described and supported in the Company's RFP, CenterPoint Houston's total  
18 cost of service based on a Test Year ended December 31, 2023, as adjusted for  
19 known and measurable changes, is approximately \$2.4 billion, excluding costs  
20 related to wholesale transmission from others. This includes a proposed ROE of  
21 10.4%, a capital structure of 55.1% debt and 44.9% equity, and a proposed overall  
22 weighted average cost of capital of 7.03% on a rate base of approximately \$12.1  
23 billion. As demonstrated by Company witness Ms. Colvin's testimony, the



1 Company has prepared the filing using actual Test Year books and records, adjusted  
2 for known and measurable changes, and using traditional and widely accepted  
3 ratemaking principles.

4 **Q. WHY IS NECESSARY TO REMOVE COSTS RELATED TO**  
5 **WHOLESALE TRANSMISSION FROM OTHERS FROM THE COST OF**  
6 **SERVICE?**

7 A. As described by witness Mr. Durland, the Company is not proposing a transmission  
8 function charge in this rate case since the retail transmission costs are recovered  
9 through the Transmission Cost Recovery Factor ("TCRF") and not through base  
10 rates. Additionally, as explained by Company witness Mr. Durland, consistent with  
11 16 TAC § 25.193 and Rider TCRF, the Company will be required to update the  
12 TCRF to reflect any changes in wholesale transmission rates separate from this rate  
13 case.

14 **Q. WHAT EFFECT WOULD THE COMPANY'S PROPOSED RATE HAVE**  
15 **ON RESIDENTIAL CUSTOMERS?**

16 A. As a result of IRA, the Company could be subject to the CAMT. Therefore, the  
17 Company is requesting approval of a tax rider ("Rider IRA") to ensure that the  
18 impacts of the IRA are captured on an annual basis. As set out in the direct  
19 testimony of Company witness Mr. Durland, the Company's filing shows an  
20 increase for residential customers over adjusted test year Retail Delivery Service  
21 revenues of approximately \$74 million, or approximately 8%, for the Customer,  
22 Meter, and Distribution portion of the bill. The TCRF without the over-under is  
23 expected to increase by approximately \$0.74. TC5 is expected to be retired during

1 this proceeding and results in a decrease of \$1.92 per 1000kWh. If approved and  
2 implemented through the rates for Retail Delivery Service, the impact on a  
3 residential customer using 1,000 kwh per month, including current and proposed  
4 tariff riders would be an increase of approximately \$1.25 per month. A customer  
5 with a retail plan that charges 17.67 cents a kWh would see their rate go to 17.79  
6 cents per kWh, or a 0.71% increase in their total bill. The extent to which these  
7 additional charges would be passed on by Retail Electric Providers is a function of  
8 the competitive market.

9 **Q. WHAT ARE THE PRIMARY DRIVERS OF THE REVENUE**  
10 **REQUIREMENT IN THIS CASE?**

11 A. As also discussed by Company witness Mr. Ryan, the area served by CenterPoint  
12 Energy Houston is growing rapidly and faces extreme weather. The combination of  
13 rapid growth and extreme weather demands significant levels of investment in the  
14 Company's transmission and distribution system. CenterPoint Houston's total  
15 gross plant in service since the end of the test year presented in Docket No. 49421  
16 has increased approximately \$6.3 billion. This investment includes 2,188  
17 additional miles of distribution lines, 101 new miles of transmission lines, six new  
18 distribution substations and six new transmission substations, and associated plant  
19 in service necessary to meet the demands of a growing service territory. Since the  
20 Company's last base rate case, there has been an approximate 11% increase in the  
21 number of metered customers, yet during that same time, O&M (excluding  
22 wholesale transmission costs that are recovered through the TCRF) have decreased,  
23 even without considering the impact of inflation. This reduction from 2019 level

1 of O&M has helped to partially offset the increase in other costs needed to safely  
2 and reliable serve an increased number of customers. Additionally, the Company's  
3 need to install technology upgrades and conversions required to maintain support  
4 or ensure data and cybersecurity are impacting the Company's cost of service. As  
5 discussed in the direct testimonies of CenterPoint Houston's witnesses, these are  
6 reasonable and necessary costs incurred to safely and reliably serve the Company's  
7 larger and expanding footprint.

8 **Q. HAS THE COMPANY PROVIDED A SUMMARY COMPARISON OF THE**  
9 **PROPOSED COST OF SERVICE AND THE APPROVED COST OF**  
10 **SERVICE IN DOCKET NO. 49421?**

11 A. Yes. Consistent with RFP General Instruction No. 2, my Exhibit LKW-3 contains  
12 a comparison of the rate base, rate of return, sales/other revenues, operating  
13 expenses by major category and operating income as authorized in CenterPoint  
14 Houston's last rate case and as proposed in this proceeding. In addition to the  
15 required summary information presented on page 1 of Exhibit LKW-3, I am  
16 including more detailed comparisons of rate base and cost of service components  
17 on pages 2 and 3 of this exhibit.

18 **Q. IS THE COMPANY MAKING ANY OTHER REQUESTS IN THIS CASE?**

19 A. Yes. CenterPoint Houston seeks approval of various tariff and rate schedule  
20 changes, including as noted above the establishment of the Rider IRA to address  
21 the impact of the CAMT on the Company going forward. Other tariff revisions  
22 include updating the Nuclear Decommissioning Rider based on the final order in  
23 Docket No. 55303, updating the TCRF Rider, removing the system restoration

charge from the Tariff for Retail Delivery Service, removing the Accumulated Deferred Federal Income Tax Credit rider, and removing the Transmission Charge in the Tariff for Retail Delivery Service. In addition, the Company is proposing to update the charges for Discretionary Services consistent with the methodology approved in 49421. The Company also proposes to revise the Tariff for Retail Delivery Service to incorporate the applicable terms of service in the relevant rate schedules to which the terms apply, and to reorganize some provisions in a more logical structure. CenterPoint Houston proposes to update the Wholesale Transmission Service Tariff to reflect CenterPoint Houston's current cost of providing this service.

Regarding the cost-of-service portion of the request, the Company's filed cost of service data demonstrates that CenterPoint Houston's total annual cost of service (excluding wholesale transmission from others) totals approximately \$2.365 billion while current annual revenues are approximately \$2.305 billion (including the revenue from the interim DCRF rates set in docket 55993 that will soon be implemented). Consequently, there is a total annual net revenue deficiency under existing rates of approximately \$60 million<sup>5</sup>, after adjustments for known and measurable changes. The Company proposes to eliminate this annual earnings deficiency and to have its rates set at a level to provide a reasonable opportunity to earn a reasonable ROE of 10.4%.

**Q. HAS THE COMPANY MANAGED O&M EXPENSES SINCE ITS LAST BASE RATE PROCEEDING?**

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<sup>5</sup> Note that Schedule I-A which shows a \$63.8 million proposed adjustment to rates includes the impact of updated Nuclear Decommission charges and proposed Rider RCE.

1 A. Yes. As noted above, the Company has continued its efforts to manage its O&M  
2 expenses while continuing to provide safe and reliable electric service. In fact and  
3 as shown on page 3 of my Exhibit LKW-3, the Company has experienced a \$44  
4 million net decrease in O&M since 2019. The CenterPoint Houston witnesses that  
5 support the Company's request for recovery of its O&M expenses discuss the cost  
6 control measures and budget management used to effectively manage overall  
7 expenses.

8 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER REASONABLE**  
9 **RATE CASE EXPENSES?**

10 A. As addressed in the testimony of Company witness Mr. Durland, the Company is  
11 including a rate case expense recovery rider ("Rider RCE") to ensure that the  
12 Company can recover the reasonable and reimbursable rate case expenses incurred  
13 in this proceeding as well as other prior rate proceedings. Company witness Myles  
14 Reynolds supports the reasonableness of CenterPoint Houston's rate case expenses  
15 eligible for recovery.

16 **Q. IS THE COMPANY ALSO SEEKING RATE RELIEF IN THE**  
17 **INCORPORATED AREAS OF CENTERPOINT HOUSTON'S SERVICE**  
18 **TERRITORY?**

19 A. Yes. Concurrent with this filing, the Company is filing Statements of Intent and  
20 underlying support with each of the cities in CenterPoint Houston's service territory  
21 that have retained original jurisdiction. CenterPoint Houston has calculated its  
22 proposed rates on a system-wide basis. Accordingly, the proposed rates and tariff  
23 changes filed with the cities are identical to the proposed rates and tariff changes

1 filed with the Commission. The Company expects that it will appeal and  
2 consolidate with this docket any municipal actions as they occur.

3 **Q. HAVE SOME CITIES SURRENDERED THEIR ORIGINAL**  
4 **JURISDICTION TO THE COMMISSION?**

5 A. Yes. Currently, 34 cities have surrendered their original jurisdiction to the  
6 Commission. The cities that have surrendered their original jurisdiction to the  
7 Commission are identified in Exhibit JRD-9 of Mr. Durland's direct testimony.

8 **IV. CONCLUSION**

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

10 A. Yes.

STATE OF Texas §  
COUNTY OF Harris §

**AFFIDAVIT OF LYNNAE K. WILSON**

BEFORE ME, the undersigned authority, on this day personally appeared Lynnae K. Wilson who having been placed under oath by me did depose as follows:

1. "My name is Lynnae K. Wilson. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

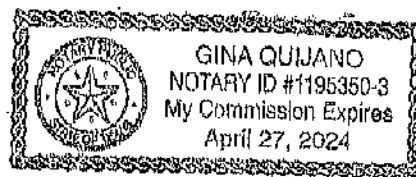
Further affiant sayeth not.

Lynnae K. Wilson  
Lynnae K. Wilson

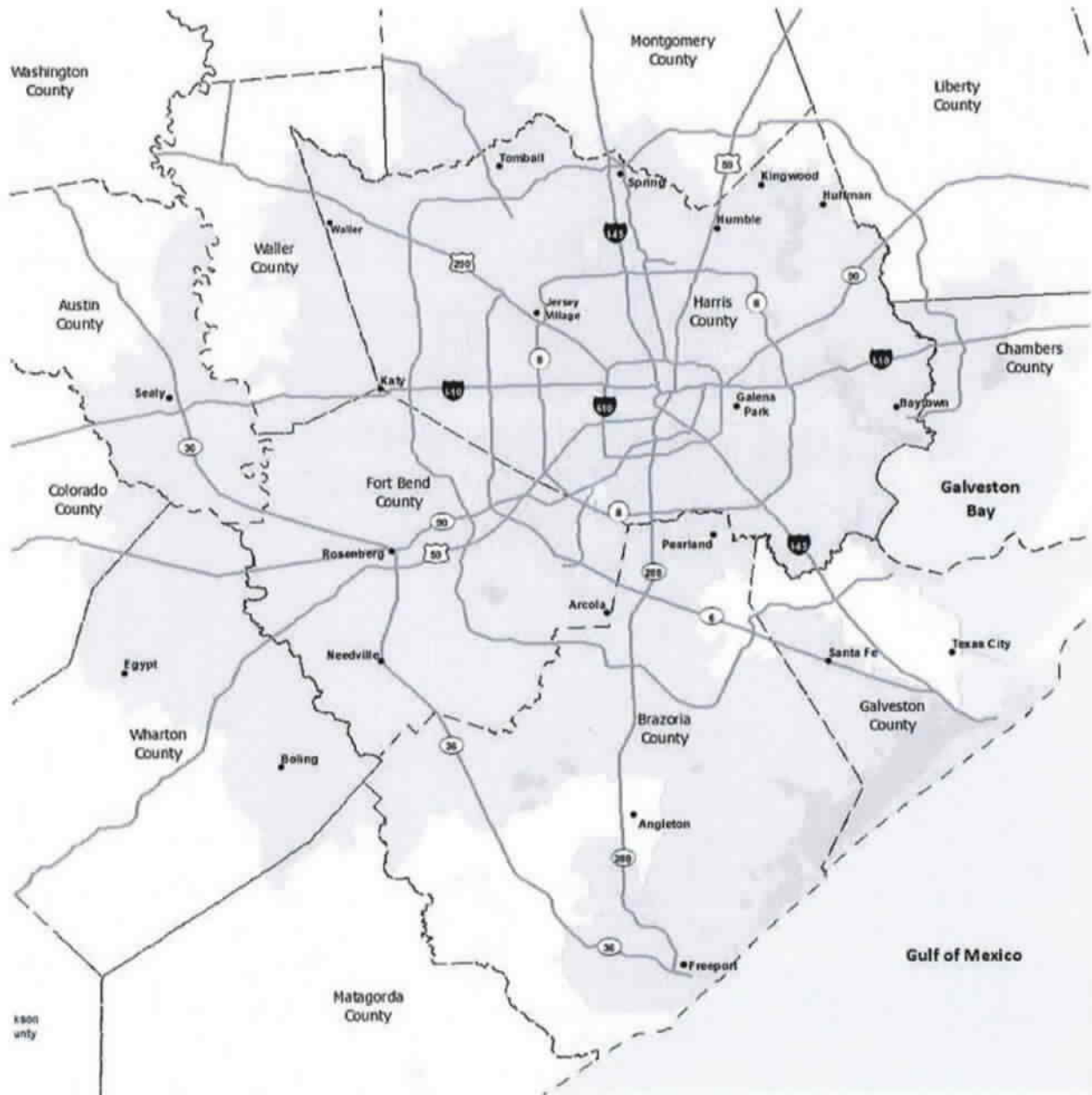
SUBSCRIBED AND SWORN TO BEFORE ME on this 12<sup>th</sup> day of February, 2024.

Gina Quijano  
Notary Public in and for the State of Texas

My commission expires: April 27, 2024



## CENTERPOINT HOUSTON SERVICE AREA





<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
Lynnae K. Wilson	Ms. Wilson provides an overview of the Company's filing, introduces witnesses that support CenterPoint Houston's request, discusses Company values that drive prudent decision making on a daily basis, and describes the Company's capital investment pillars.	Volume 1 / Pages 41-122
Jason M. Ryan	Mr. Ryan provides an overview of the Company's utility operations and investment strategy and major drivers that impact the Company's decision-making.	Volume 1 / Pages 123-234
Eric D. Easton	Mr. Easton describes the Company's Grid Transformation and Investment Strategy Division, how capital investments are prioritized and optimized, the reliability reporting process, and how the addition of a Capital Program Management department will support the efficient execution of capital projects and programs. Mr. Easton also supports the reasonableness and necessity of the divisions O&M expense and capital investment.	Volume 1 / Pages 235-302
David L. Mercado	Mr. Mercado explains the structure and functions of CenterPoint Houston's High Voltage Operations Division, demonstrates the reasonableness of CenterPoint Houston's test-year O&M expenses incurred by the High Voltage Operations Division, and supports the reasonableness and necessity transmission and substation capital investment.	Volume 1 / Pages 303-438
Deryl Tumlinson	Mr. Tumlinson describes the Company's Distribution Operations and Service Delivery Division, supports the reasonableness and necessity of the Company's distribution-related capital costs, and demonstrates the reasonableness of CenterPoint Houston's test-year O&M expenses incurred by the Distribution Operations and Service Delivery Division.	Volume 1 / Pages 439-482

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
Randal M. Pryor	Mr. Pryor describes the Company's MUG & Distribution Modernization division and the major programs and initiatives that drive distribution investment and expense, supports the reasonableness and necessity of O&M expenses incurred during the test year, and demonstrates the reasonableness and necessity of distribution capital costs during the test year.	Volume 1 / Pages 483-640
Mandie W. Shook	Ms. Shook describes the Company's Electrical Engineering Division, details the processes used to plan, monitor, and control investments and expenditures, and supports the reasonableness and necessity of test-year O&M costs and capital costs incurred by the Electrical Engineering Division.	Volume 1 / Pages 641-676
Rina H. Harris	Ms. Harris explains the Strategic Business Growth & Engagement Division and the Company's efforts to enhance the customer service provided to large customers and supports the reasonableness and necessity of the divisions O&M expenses.	Volume 1 / Pages 677-714
John R. Hudson	Mr. Hudson describes CenterPoint Houston's Market Operations group and supports the reasonableness and necessity of test-year O&M expenses incurred by Market Operations.	Volume 1 / Pages 715-754
Kristie L. Colvin	Ms. Colvin sponsors the books and records of CenterPoint Houston, presents the Company's rate filing package schedules, itemizes and explains all test-year adjustments, supports the Company's overall cost of service and requested revenue requirement, and demonstrates the reasonableness and necessity of Planning and Reporting and certain CenterPoint Energy Service Company, LLC ("Service Company") Executive Management, Finance Organization, and Chief Accounting Organization services to CenterPoint Houston.	Volume 1 / Pages 755-936
L. Darren Storey	Mr. Storey describes Service Company, explains how Service Company, Vectren Utility Holdings, LLC ("VUH"), CenterPoint Energy Resources Corp. ("CERC") control costs, details Service Company, VUH, and CERC methodologies for assigning affiliate costs to CenterPoint Houston, confirms that Service	Volume 2 / Pages 937-1034

Witness	Subjects Addressed	Volume/Pages
	Company, VUH, and CERC corporate support service affiliate costs are reasonable and necessary, and addresses the test year O&M billings from Service Company, VUH, and CERC.	
Jennifer K. Story	Ms. Story presents CenterPoint Houston's testimony related to federal income taxes, supports the Company's request for CenterPoint Energy Service Company, LLC Corporate Tax department test year affiliate expenses, addresses issues related to the appropriate treatment of income taxes, and demonstrates that federal income tax, Texas margin tax, and property tax amounts included in the Company's cost of service are reasonable and necessary.	Volume 2 / Pages 1035-1136
Steven C. Greenley	Mr. Greenley explains the structure and role of the Utility Operations Support provided by Service Company, describes how costs are budgeted, monitored and controlled, and demonstrates the reasonableness and necessity of test-year Utility Operations Support costs assigned to CenterPoint Houston.	Volume 2 / Pages 1137-1174
Ronald W. Bahr	Mr. Bahr explains the structure and services provided by Service Company's Information Technology group and demonstrates the reasonableness and necessity of test-year Information Technology costs assigned to CenterPoint Houston.	Volume 2 / Pages 1175-1212
Shonda Royston-Johnson	Ms. Royston-Johnson explains the structure and services provided by Service Company's Customer Operations organization and demonstrates the reasonableness and necessity of test-year Customer Operations costs assigned to CenterPoint Houston.	Volume 2 / Pages 1213-1242
M. Shane Kimzey	Mr. Kimzey details the services provided by Service Company's Legal Department and demonstrates the reasonableness and necessity of test-year affiliate costs assigned from the Legal Departments to CenterPoint Houston.	Volume 2 / Pages 1243-1268

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
Brad A. Tutunjian	Mr. Tutunjian describes the Regulatory Services and Government Affairs Department affiliate services provided to the Company and supports the reasonableness of the department's costs assigned to CenterPoint Houston.	Volume 2 / Pages 1269-1290
Stephanie Bundage Juvane	Ms. Bundage Juvane explains the services provided by Service Company's Internal Audit Department and demonstrates the reasonableness and necessity of test-year Internal Audit costs assigned to CenterPoint Houston.	Volume 2 / Pages 1291-1308
Carla A. Kneipp	Ms. Kneipp describes the structure of and services provided by Service Company's Supply Chain organization and supports the reasonableness and necessity of Supply Chain costs incurred by CenterPoint Houston.	Volume 2 / Pages 1309-1378
John Sousa	Mr. Sousa discusses the services provided by Service Company's Corporate Communications, Community Relations, Utility Marketing, and Corporate Security departments and demonstrates the reasonableness and necessity of test-year costs of those departments assigned to CenterPoint Houston.	Volume 2 / Pages 1379-1424
Bertha R. Villatoro	Ms. Villatoro discusses the services provided by Service Company's Human Resources organization, demonstrates the reasonableness and necessity of test-year Human Resources organization costs assigned to CenterPoint Houston, sets forth the Company's compensation philosophy, describes the types of health and welfare benefits provided to CenterPoint Houston employees, explains the Company's retirement-related plans, and supports the Company's expense requests related to postretirement and postemployment benefits.	Volume 2 / Pages 1425-1534
Timothy S. Lyons	Mr. Lyons sponsors CenterPoint Houston's lead-lag study used to determine the Company's cash working capital requirement.	Volume 2/ Pages 1535-1790
Dane A. Watson	Mr. Watson presents an updated depreciation study.	Volume 2 / Pages 1791-1848
Ann E. Bulkley	Ms. Bulkley supports the Company's requests related to return on equity and capital structure.	Volume 3 / Pages 1849-2226

<b>Witness</b>	<b>Subjects Addressed</b>	<b>Volume/Pages</b>
Jacqueline M. Richert	Ms. Richert supports the reasonableness of CenterPoint Houston's requested capital structure, return on equity and overall rate of return, presents the Company's cost of debt, and demonstrates the reasonableness and necessity of test-year Service Company Treasury Department Organization costs assigned to CenterPoint Houston.	Volume 3 / Pages 2227-2338
Gregory S. Wilson	Mr. Wilson supports the need for the Company's self-insurance reserve and the appropriate level of expense to be included in the Company's cost of service.	Volume 3 / Pages 2339-2372
J. Stuart McMenamin	Dr. McMenamin presents methods and data used to develop weather-related adjustments included in the Company's filing.	Volume 3 / Pages 2373-2440
John R. Durland	Mr. Durland presents the Company's proposed allocation of costs to rate classes, rate design, and tariffs, including proposed changes to the Company's retail delivery service tariffs and wholesale transmission tariff.	Volume 3 / Pages 2441-2710 And Volume 4 / Pages 2711-3028
Myles F. Reynolds	Mr. Reynolds supports the Company's request for reimbursement of rate case expenses.	Volume 4 / Pages 3029-3098

**CENTERPOINT HOUSTON ELECTRIC**  
**2023 RATE CASE REVENUE REQUIREMENT**  
*(Thousands)*

	Prior Rate Case Docket No. 49421 /1/	Test Year Ending December 31, 2023 Proposed Rates
Total Rate Base	\$ 6,233,718	\$ 12,099,745
Rate of Return	6.51%	7.03%
Operating and Maintenance Expense	\$ 586,317	\$ 542,431
Wholesale Transmission from Others	\$ 929,975	\$ 1,407,130
Depreciation and Amortization Expense	\$ 352,141	\$ 583,418
Taxes Other Than Federal Income Tax	\$ 275,047	\$ 329,581
Federal Income Tax Expense	\$ 39,218	\$ 132,409
Return on Rate Base	\$ 394,594	\$ 850,808
Total Cost of Service	\$ 2,577,292	\$ 3,845,777
Other Revenues	\$ 67,903	\$ 73,277
Total Adjusted Revenue Requirement	\$ 2,509,389	\$ 3,772,500
Total Revenue Requirement not including Wholesale Transmission from others:	\$ 1,579,414	\$ 2,365,370

/1/ Prior Rate Case information from Rev 1.18.2020 Final Version-49421-Settlement Model of CEHE's CCOS-Final Order.xlsx attached to Kristie L. Colvin Testimony In Support of Agreement filed 1-24-2020 Case 49421-786, approved by PUCT in its March 9, 2020 Order (49421-792); Rate of Return from Conclusion of Law 15 in PUCT March 9, 2020 Order (49421-792).

**CENTERPOINT HOUSTON ELECTRIC**  
**2023 RATE CASE REVENUE REQUIREMENT**  
*(Thousands)*

	Prior Rate Case Docket No. 49421 /1/	Test Year Ending December 31, 2023 Proposed Rates
Total Plant in Service	\$ 11,451,236	\$ 17,795,166
Accumulated Depreciation	(3,799,299)	(4,404,443)
Net Plant in Service	\$ 7,651,937	\$ 13,390,723
Plant Held for Future Use	929	6,260
Accumulated Provisions	(13,880)	24,434
Accumulated Deferred Federal Income Taxes	(962,480)	(1,278,618)
Materials and Supplies	109,729	399,097
Cash Working Capital Allowance	24,269	12,226
Prepayments	117,523	70,490
Other Rate Base Items	(694,309)	(524,868)
Total Rate Base	\$ 6,233,718	\$ 12,099,745

/1/ Prior Rate Case information from Rev 1.18.2020 Final Version-49421-Settlement Model of CEHE's CCOSS-Final Order.xlsx attached to Kristie L. Colvin Testimony In Support of Agreement filed 1-24-2020 Case 49421-786, approved by PUCT in its March 9, 2020 Order (49421-792); Rate of Return from Conclusion of Law 15 in PUCT March 9, 2020 Order (49421-792).

**CENTERPOINT HOUSTON ELECTRIC**  
**2023 RATE CASE REVENUE REQUIREMENT**  
*(Thousands)*

	Prior Rate Case Docket No. 49421 /1/	Test Year Ending December 31, 2023 Proposed Rates
Transmission O&M (exclude FERC 565)	\$ 51,964	\$ 52,412
Distribution O&M Expense	272,092	227,904
Customer Accounting Expense	32,495	18,718
Customer Service & Information Expense	6,905	2,047
Sales Expense	-	-
Admin & General Expenses	222,860	241,350
Subtotal	\$ 586,316	\$ 542,431
Wholesale Transmission from Others	929,975	1,407,130
Depreciation and Amortization Expense	352,141	583,418
Taxes Other Than Federal Income Tax	275,047	329,581
Federal Income Tax Expense	39,218	132,409
Return on Rate Base	394,594	850,808
Total Cost of Service	\$ 2,577,291	\$ 3,845,777
Other Revenues	67,903	73,277
Total Adjusted Revenue Requirement	\$ 2,509,388	\$ 3,772,500
Total Revenue Requirement not including Wholesale Transmission from others:	\$ 1,579,413	\$ 2,365,370

/1/ Prior Rate Case information from Rev 1.18.2020 Final Version-49421-Settlement Model of CEHE's CCOSS-Final Order.xlsx attached to Kristie L. Colvin Testimony In Support of Agreement filed 1-24-2020 Case 49421-786, approved by PUCT in its March 9, 2020 Order (49421-792); Rate of Return from Conclusion of Law 15 in PUCT March 9, 2020 Order (49421-792).



**LYNNAE K. WILSON**  
**LIST OF WORKPAPERS**

Workpaper LKW-01	Change in customers since 2018
Workpaper LKW-02	Change in mileage since 2018
Workpaper LKW-03	Residential bill impact – no change to TC5
Workpaper LKW-04	Residential bill impact – TC5 to \$0 in 2024
Workpaper LKW-05	TMC, Port of Houston
Workpaper LKW-06	Change in gross plant since 2018
Workpaper LKW-07	Revenue Requirement
Workpaper LKW-08	Growth in the Nations Largest Counties Rebounds in 2022
Workpaper LKW-09	Population Growth Surges
Workpaper LKW-10	Customer count by year
Workpaper LKW-11	Weather activity – KHOU (voluminous)
Workpaper LKW-12	Weather activity – Galveston Scholes (voluminous)
Workpaper LKW-13	Weather activity – KIAH (voluminous)
Workpaper LKW-14	Weather activity – tableau workbook (electronic)

**Number of Metered Customers**  
(End of Period)

	<u>2018</u>	<u>2023</u>	<u>2023 less 2018</u>
Residential	2,198,225	2,455,309	257,084
Total	2,485,413	2,763,535	278,122
Calc Non-Res	287,188	308,226	21,038

Sources: Dkt 49421 2023 10-K  
Sch II-H-3.1

2023 10k

	<u>Overhead</u>	<u>Underground</u>	<u>Total</u>
Transmission lines - 69 kV	132	2	
Transmission lines - 138 kV	2,333	24	
Transmission lines - 345 kV	<u>1,445</u>	<u>-</u>	
Total transmission lines	3,910	26	3,936
Distribution lines	29,270	27,267	56,537

2018 10k

	<u>Overhead</u>	<u>Underground</u>	<u>Total</u>
Transmission lines - 69 kV	266	2	
Transmission lines - 138 kV	2,207	24	
Transmission lines - 345 kV	<u>1,336</u>	<u>-</u>	
Total transmission lines	3,809	26	3,835
Distribution lines	29,094	25,255	54,349

2023 less 2018

	<u>2018 less 2009</u>	<u>2018 less 2009</u>	<u>Total</u>
	<u>Overhead</u>	<u>Underground</u>	<u>2018 less 2009</u>
Trans lines	101	-	101
Dist lines	176	2,012	2,188

**Residential Bill impact - no change to TC5**

CEHE Charges	Current	Proposed
Customer Charge	\$ 2.30	\$ 2.16
Metering Charge	\$ 2.09	\$ 2.77
Distribution System Charge	\$ 0.020314	\$ 0.026100
Transition Charge S	\$ 0.001916	\$ 0.001916
Nuclear Decommissioning Charge	\$ 0.000003	\$ 0.000013
Energy Efficiency Cost Recovery Factor (EECRF)	\$ 0.000826	\$ 0.000826
Rate Case Expense Rider	\$ -	\$ 0.000050
Temp Emergency Electric Energy Facilities	\$ 0.002392	\$ 0.002392
Distribution Cost Recovery Factor (9/1/2024)	\$ 0.003963	\$ -
Transmission Cost Recovery Factor (Annualized)	\$ 0.020894	\$ 0.021635
<b>*, **REP Charges</b>	<b>\$ 121.99</b>	<b>\$ 121.99</b>
kWh	\$ 0.050308	\$ 0.052932
CEHE@1000kWh Month	\$ 54.70	\$ 57.86
<b>Total Bill</b>	<b>\$ 176.69</b>	<b>\$ 179.85</b>

\*<https://ftp.puc.texas.gov/public/puct-info/industry/electric/rates/RESrate/rate23/Dec23Rates.pdf>  
 \*\*Added 1.29 for DCRF 9/1 increase to REP Charges

Current  
 TDU as a % of total bill 31%

Proposed	\$	%
TDU Increase	\$ 3.16	6%
Total Bill Increase	\$ 2.36	1.8%
	Current	Proposed
TDU Base and TC5	\$ 30.58	\$ 32.95
	% Change	
Base & TC5 / Total TDU	4.3%	

**Residential Bill impact - TC5 to \$0 during 2024**

CEHE Charges	Current	Proposed
Customer Charge	\$ 2.30	\$ 2.16
Metering Charge	\$ 2.09	\$ 2.77
Distribution System Charge	\$ 0.020314	\$ 0.026100
Transition Charge 5	\$ 0.001916	\$ -
Nuclear Decommissioning Charge	\$ 0.000003	\$ 0.000013
Energy Efficiency Cost Recovery Factor (EECRF)	\$ 0.000826	\$ 0.000826
Rate Case Expense Rider	\$ -	\$ 0.000050
Temp Emergency Electric Energy Facilities	\$ 0.002392	\$ 0.002392
Distribution Cost Recovery Factor (9/1/2024)	\$ 0.003963	\$ -
Transmission Cost Recovery Factor (Annualized)	\$ 0.020894	\$ 0.021635
<b>*,**REP Charges</b>	<b>\$ 121.99</b>	<b>\$ 121.99</b>
kWh	\$ 0.050308	\$ 0.051016
CEHE@1000kWh Month	\$ 54.70	\$ 55.95
Total Bill	\$ 176.69	\$ 177.94

\*<https://ftp.puc.texas.gov/public/puct-info/industry/electric/rates/RESrate/rate23/Dec23Rates.pdf>  
 \*\*Added 1.29 for DCRF 9/1 increase to REP Charges

Current  
 TDU as a % of total bill 31%

Proposed	\$	%
TDU Increase	\$ 1.25	2%
Total Bill Increase	\$ 0.45	0.7%
	Current	Proposed
TDU Base and TC5	\$ 30.58	\$ 31.03
	% Change	
Base & TC5 / Total TDU	0.8%	

ABOUT US

Leadership

Our Members

TMC BioBridge

# About Us



Texas Medical Center (TMC) — the largest medical complex in the world

what's possible.

## TMC at a Glance

Home to the **world's largest children's hospital & world's largest cancer hospital**. TMC delivers one baby every 20 minutes, resulting in approximately 26,280 births per calendar year. TMC begins one surgery every three minutes.

▼ RECEIVE PDF

10 million

patient encounters per year

180,000+

annual surgeries

750,000

ER visits per year

9,200

total patient beds

50 million

developed square feet

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ABOUT US

Leadership

Our Members

TMC BioBridge

13,600+

**total heart surgeries**

billion

**in construction projects underway**

000+

**total employees**

largest

**business district in the U.S.**



For the first time in the history of the Texas Medical Center, leaders throughout the TMC community have joined together in a visionary initiative to drive the next generation of life science advancements. Their goal: To become the world leader in health and life sciences by leveraging the collective power of TMC's renowned institutions in a shared, centrally managed environment. The result is a research collaborative unlike anything TMC has ever known or health care has ever seen.

The initiative is a natural extension of TMC's original mission to serve the health, education and research needs of Texas and the world. As health care's largest and most diverse community, TMC is positioned to make a difference in ways no other single institution can. By uniting its unrivaled resources and expertise, the Texas Medical Center can more readily drive the commercialization of breakthrough ideas, expand its reach as a global medical leader and ultimately transform human health.

## History

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98 years ago

THE TEXAS MEDICAL CENTER PORT OF HOUSTON (TMC PH) IS A 501(c)(3) NON-PROFIT CORPORATION. WE ARE A 501(c)(3) NON-PROFIT CORPORATION.

1900 1930 1940 1950 1960 1970 1980 1990 2000 2024



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## TRADE HIGHLIGHTS AND PERFORMANCE DATA

The Houston Ship Channel complex and its more than 200 public and private facilities is the nation's largest port for waterborne tonnage, and an essential economic engine for the Houston region, the state of Texas, and the U.S.



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### OUR PORT

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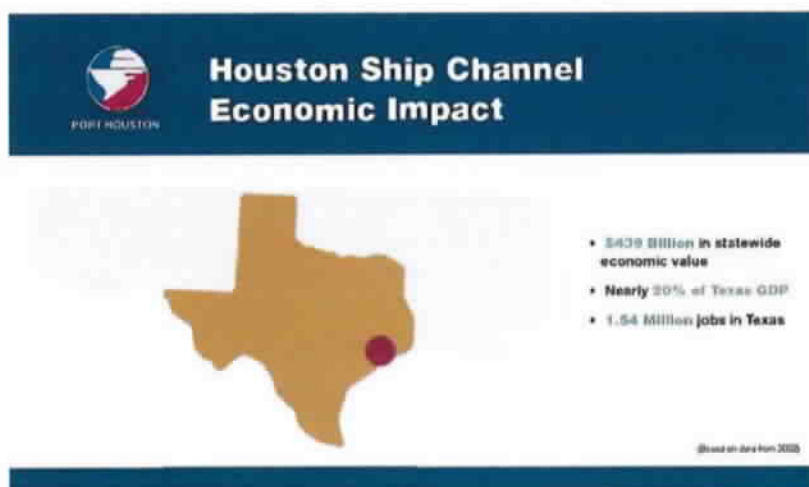
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## ECONOMIC IMPACT OF THE HOUSTON SHIP CHANNEL



The Houston Ship Channel complex and its more than 200 private and eight public terminals, collectively known as the Port of Houston, is the nation's largest port for waterborne tonnage and an essential economic engine for the Houston region, the state of Texas, and the U.S. A 2022 study by Martin Associates reports that business activity at the Port of Houston supports **1.54M jobs throughout the state of Texas and 3.37M jobs nationwide**. This activity helps generate more than **\$439B in statewide economic value and \$906B in nationwide economic value**. Moreover, the Houston Ship Channel contributes nearly **\$10.6B in state and local tax revenue and \$62.8B in national tax revenue**.

### 2022 ECONOMIC REPORT

[Click to download the state impact executive summary.](#) 

[Click to download the full state impact report.](#) 

[Click to download the national impact report.](#) 

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## STATISTICAL HIGHLIGHTS FOR PORT HOUSTON

- 5th ranked U.S. container port by total TEUs
- Largest Gulf Coast container port, handling 73% of U.S. Gulf Coast container traffic
- Largest Texas port with 97% market share in containers

## STATISTICAL HIGHLIGHTS FOR THE HOUSTON SHIP CHANNEL COMPLEX

- 1st ranked U.S. port in foreign waterborne tonnage – 220.5 million short tons (2022)
- 1st ranked U.S. port in total foreign and domestic waterborne tonnage – 266 million short tons (2021)
- 2nd ranked U.S. port in terms of total foreign cargo value (\$240.1 billion) 2022
- Largest Texas port with 38% of market share by tonnage

Sources: USACE Navigation Data Center (facts 1,2), U.S. Dept. of Commerce Bureau of Census, Customs Data from Census Bureau (fact 3), Journal of Commerce PERS (facts 4 and 5), American Association of Port Authorities (fact 6).

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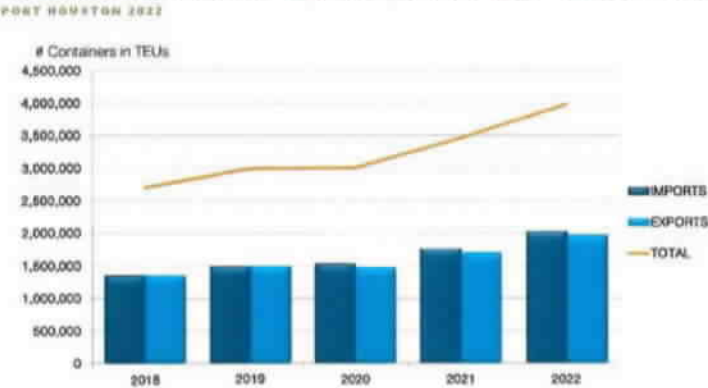
# CONTAINER TRADE SHARE



Note: \*As of 2022, exports only containers  
Source: \*As of 2022, exports only containers & forwarding



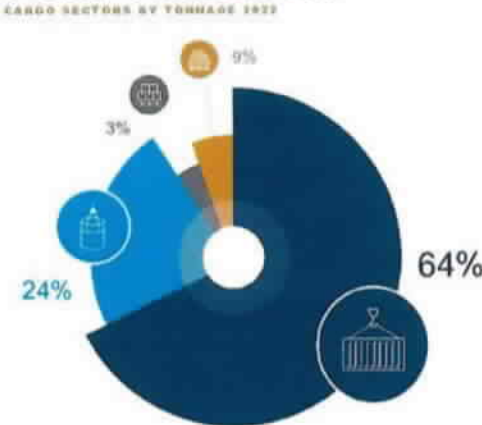
# CONSISTENT GROWTH OF CONTAINERS



Note: Total includes empty containers  
Source: \*As of 2022, exports only containers & forwarding










# PORT HOUSTON



● Containerized  
● Bulk Cargo  
● General Cargo (Steel)  
● General Cargo (Other)



## Statistical Data in Depth

- [Monthly Statistics Overview](#) 
- [Container Volume by Trade Statistics \(annual\)](#) 
- [Container Volume by Trade Statistics \(Y.O.Y\)](#) 
- [Container Volume by Country Statistics \(annual\)](#) 
- [Container Volume by Commodity Statistics \(annual\)](#) 
- [Annual Summary of Port Houston Cargo Tonnage Statistics](#) 
- [Detailed Monthly Container Performance Statistics](#) 



PORT HOUSTON

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