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

APPLICATION OF CENTERPOINT	§	BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC	§	OF
FOR AUTHORITY TO CHANGE RATES	§	ADMINISTRATIVE HEARINGS



CROSS-REBUTTAL TESTIMONY OF
WILLIAM B. ABBOTT
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS

JULY 10, 2024

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LIST OF ATTACHMENTS

Attachment WBA-1	Curriculum Vitae
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I. PROFESSIONAL QUALIFICATIONS

Q. Please state your name and business address.

A. William B. Abbott, 1701 N. Congress Avenue, Austin, Texas 78701.

Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utility Commission of Texas (Commission) as the Director of the Tariff and Rate Analysis Section of the Rate Regulation Division.

Q. What are your principal responsibilities at the Commission?

A. In addition to the supervision and management of the Tariff and Rate Analysis Section, my principal area of responsibility involves performing analyses of issues such as utility cost allocation, rate design, and tariff filings. My specific responsibilities include: analyzing cost allocation studies, as well as revenue distribution and rate design issues, for regulated electric, water, and wastewater utilities; analyzing policy issues associated with the regulation of regulated utilities; reviewing tariffs of regulated utilities to determine compliance with Commission requirements; preparing and presenting testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings (SOAH); and working on or leading teams in contested cases, rulemaking projects, reports, and research concerning rates, pricing, and other Commission-related issues.

Q. Please state your educational background and professional experience.

A. I earned Bachelor of Science degrees in Chemistry, Psychology, and Economics with a minor in Mathematics from the University of Houston. I earned a Master of Arts degree in Economics from George Mason University while successfully completing all non-dissertation requirements for a Ph.D., with field concentrations in Law and Economics as

1 well as Public Choice Economics. My field concentrations involved the study of the
2 dynamics and social welfare implications of behavior in non-commercial domains such as
3 the legal, political, legislative, and regulatory arenas. For several years as an undergraduate
4 and post-baccalaureate student, I was employed teaching introductory and organic
5 chemistry laboratory courses. As a graduate student, I taught several undergraduate lecture
6 courses including Law and Economics, Money and Banking, Introductory
7 Microeconomics, and Introductory Macroeconomics. After my graduate studies and prior
8 to my employment at the Commission, I was engaged as a freelance consultant to perform
9 econometric analyses. In 2010, I was hired as a Rate Analyst at the Commission. In 2012,
10 I was promoted to my current position of Director, Tariff and Rate Analysis. I have
11 provided a summary of my educational background and professional regulatory experience
12 in Attachment WBA-1.

13 **Q. Have you previously testified before the Commission or SOAH?**

14 A. Yes. Attachment WBA-1 includes a listing of my previously filed written testimony.
15

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

17 **Q. What is the purpose of your cross-rebuttal testimony in this case, PUC Docket No.**
18 **56211 and SOAH Docket No. 473-24-13232, *Application of CenterPoint Energy***
19 ***Houston Electric for Authority to Change Rates?***

20 A. My cross-rebuttal testimony regarding CenterPoint Energy Houston Electric's (CEHE)
21 application will address the proposal by the Houston Coalition of Cities (HCC) witness Kit
22 Pevoto regarding the class allocation of distribution demand-related costs.

The fact that I remain silent on certain issues associated with CEHE's request, or any issues presented by any other party to this proceeding, does not imply any agreement on those issues.

Q. Was your testimony prepared by you or someone working under your direct supervision?

A. Yes.

III. SUMMARY OF RECOMMENDATIONS

Q. What is your recommendation?

A. I recommend that the Commission reject HCC witness Pevoto's proposal to use only the class non-coincident peak (NCP) demands that occur during June, July, August, and September to allocate distribution demand-related costs among the rate classes. This proposal directly conflicts with recent Commission precedent, cost causation principles, Texas Administrative Code (TAC) § 25.234(a), and would result in rates that are unreasonably preferential and not based on cost. The standard NCP demand allocator, which includes each class's peak demand regardless of when it occurs, should be used as CEHE has proposed.

IV. ALLOCATION OF DEMAND-RELATED DISTRIBUTION COSTS

Q. How did CEHE propose to allocate demand-related distribution costs among the rate classes?

A. CEHE used the standard approach and allocated these costs using an allocation factor that is based on each class's peak demand regardless of the time it occurred – a class NCP allocation.

Q. Is HCC's proposal to modify CEHE's NCP class allocation factor to exclude consideration of monthly peak demands from the non-summer months reasonable?

A. No. In addition to being unprecedented, by excluding the actual class peak NCP demands from eight months of the year, a lower value would be used for certain classes, resulting in an inappropriate shifting of costs from those classes onto the other rate classes. Such a proposal conflicts with Commission precedent, Commission rules, and would result in rates that are unduly preferential and unreasonable.

Q. Was a nearly identical proposal rejected by the Commission in a recent rate case?

A. Yes. In the most recent fully litigated base rate proceeding for a transmission and distribution utility (TDU) such as CEHE, the Commission rejected a nearly identical proposal to exclude from the Class NCP allocation factor the actual annual class peaks occurring during the winter. In the order on rehearing in Docket No. 53601, Oncor Electric Company, LLC's rate case, the Commission stated [internal citations omitted]:

Hunt Energy proposed to adjust the NCP allocation factors by excluding class-specific NCP data collected for the month of February 2021, when Winter Storm Uri occurred. The peak demands of the Residential, Secondary < 10 kW, Wholesale XFMR, and Wholesale DLS classes occurred during February 2021. Under Hunt Energy's proposal, the NCP class allocation factors of these classes would be based on their second-highest peak demands, which occurred during June through September.

NCP class allocation factors are used to allocate demand-related distribution costs consistent with cost-causation principles. NCP class allocation factors are the appropriate mechanism to allocate these costs because they allocate costs in proportion to the maximum load each rate class places on a distribution system. For these reasons, it would be inappropriate to set NCP class allocation factors without considering the effect of February 2021's cold weather on customer demand. Doing so

would result in inappropriate cost shifting from certain rate classes to other rate classes.¹

The Commission found:

The non-coincident peak (NCP) for four of Oncor's rate classes—Residential Service, Secondary Service ≤ 10 kW, Wholesale Substation Service, and Wholesale Distribution Line Service—are based on peak loads that occurred during February 2021.²

Hunt Energy's proposed weather-normalization adjustment to the class NCP allocation factors to exclude February 2021 as an outlier due to the impact of Winter Storm Uri is inappropriate and should not be applied.³

The Commission's decision clearly acknowledged that if a class's monthly NCP demand occurred outside the summer months, then that non-summer peak should be the one used for that class in allocating distribution demand-related costs.

Q. Why is it inappropriate to exclude the actual class NCP demand when calculating the NCP class allocation factors, as Ms. Pevoto proposes?

A. Distribution system elements must be sized to serve the maximum demand that customers place upon those elements, regardless of the time at which those demands occur. Thus, it is NCP demand which is the primary driver of distribution demand-related costs, and it would be inconsistent with cost causation and 16 TAC § 25.234(a) to exclude any months that include the actual class NCP value as the distribution system must be sized to meet non-summer peak demands in addition to summer peak demands. In other words, it is entirely appropriate, even for a utility that experiences its overall system peak in the summer, to allocate distribution demand-related costs using a class's non-summer peak

¹ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing at 12-13 (Jun. 30, 2023).

² *Id.* at Finding of Fact No. 254.

³ *Id.* at Finding of Fact No. 255A.

1 demand if that is the highest monthly peak for that class. This is especially true with the
2 utilities in Texas making additional investments in their distribution system to promote
3 resilience in the face of potentially more extreme winter weather. To exclude non-summer
4 months from the NCP allocator for any class would be inappropriately shifting costs to
5 other customers. In a previous base rate proceeding, the Commission found:

6 SPS properly allocated the costs of distribution substations among customer
7 classes based on a non-coincident peak allocator.⁴

8
9 Distribution substations are built by SPS to transform transmission voltage
10 and provide distribution voltage to customers taking service at distribution
11 voltage in localized areas.⁵

12
13 The substations are not sized to handle the system peak, but instead are sized
14 to handle the customer loads in specific localized areas of the system.⁶

15
16 A non-coincident peak allocation better reflects the end-use load
17 characteristics of the transformation provided at the substations and is,
18 therefore, reasonably applied.⁷
19

20 Excluding any class's actual NCP demand from the non-summer months as HCC proposes
21 would lead to rates that are unreasonably preferential for certain classes, and be unduly
22 discriminatory towards the other distribution-level rate classes.

23 **Q. Is Ms. Pevoto's argument regarding the allocation of transmission costs relevant?**

24 A. No. The recovery of retail transmission costs through the Transmission Cost Recovery
25 Factor (TCRF) represent a "pass-through" of wholesale transmission costs which are billed
26 to CEHE on a four-coincident peak (4CP) basis, based on the ERCOT system peak

⁴ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695
Order on Rehearing at Finding of Fact No. 278 (Feb. 23, 2016).

⁵ *Id.* at Finding of Fact No. 279.

⁶ *Id.* at Finding of Fact No. 281.

⁷ *Id.* at Finding of Fact No. 282.

1 intervals in the months of June, July, August, and September. (Notably, Ms. Pevoto's
2 proposal would be inconsistent with this transmission cost allocation methodology, as it
3 would not be based on the *ERCOT* system peak intervals but rather the class NCP values
4 for the four summer months, which may occur at different times.) Therefore, the 4CP
5 allocation factor associated with the TCRF is properly established using the 4CP intervals;
6 however, the same situation does not apply for *distribution-related* costs and charges, as
7 Ms. Pevoto implies. This distinction can be seen in Docket No. 22344 Order No. 40, where
8 "IDR" corresponds to "4CP" and "non-IDR" corresponds to "NCP." Regarding retail
9 *transmission* charges, the order states:

10 With respect to a facilities/delivery charge, the Commission finds that the
11 NCP billing determinant should be used for non-IDR metered customers.
12 For those possessing IDR meter capabilities, the transmission per-kilowatt
13 (kW) rate shall be billed according to the Commission's relevant
14 transmission rule, which currently mandates a four coincident peak (4CP)
15 method.⁸
16

17 Regarding *distribution* charges, the order indicates that 4CP customers are to be charged
18 in a manner identical to NCP customers: "The distribution facilities/delivery charge for
19 IDR metered customers shall be billed on the NCP billing determinant."⁹ In other words,
20 for distribution cost recovery NCP is the primary cost driver and the summer months are
21 irrelevant.

⁸ *Generic Issues Associated With Applications for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule § 25.344*, Docket No. 22344, Order No. 40 (Nov. 22, 2000) at 6-7.

⁹ *Id.* at 7.

V. CONCLUSION

Q. Please summarize your recommendation.

A. HCC witness Pevoto's recommendation regarding the allocation of distribution demand-related costs is unprecedented and, in fact, directly conflicts with recent Commission precedent, cost causation principles, 16 TAC § 25.234(a), and would result in rates that are unreasonably preferential and not based on cost. The standard NCP demand allocator, which includes each class's peak demand regardless of when it occurs, should be used as CEHE has proposed.

Q. Does this complete your cross-rebuttal testimony?

A. Yes.

William B. Abbott
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78701

REGULATORY EXPERIENCE:

Public Utility Commission of Texas, Rate Regulation Division

June 2010 - Present

Director, Tariff and Rate Analysis Section as of May 1, 2012

Responsible for activities related to utility cost allocation, cost unbundling, rate design, and incentive regulation in areas subject to rate regulation. Key activities include managing staff engaged in rulemaking projects, contested cases, and tariff reviews. Perform in a technical capacity similar to that of a senior economic analyst including: analysis of economic issues and cost studies; review of rate requests and specific tariffs; and participation as an expert witness in major regulatory proceedings. Maintain contact with representatives of industry and consumers, other state agencies, and other Commission staff members, and advise the Division Director regarding the status of current projects and economic perspectives on utility regulatory issues.

EDUCATION:

- | | |
|------|--|
| 2008 | George Mason University
<i>Master of Arts: Economics</i>
<i>(All requirements for Ph.D. completed, except for dissertation)</i> |
| 2004 | University of Houston
<i>Bachelor of Science: Economics</i>
<i>Minor in Mathematics</i> |
| 2003 | University of Houston
<i>Bachelor of Science: Psychology</i> |
| 2002 | University of Houston
<i>Bachelor of Science: Chemistry</i> |

List of Testimony Filed at the Public Utility Commission of Texas:

Docket No. 56165 – *Application of AEP Texas, Inc. for Authority to Change Rates* – March 23 and June 7, 2024.

Docket No. 55338 – *Proceeding to Resolve Issues in Docket No. 53719 Related to Transportation Electrification and Charging Infrastructure* – March 5, 2024.

Docket No. 53625 – *Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Generation Facilities* – November 22, 2022.

Docket No. 53719 – *Application of Entergy Texas Inc. for Authority to Change Rates* – November 2, 2022.

Docket No. 53601 – *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates* – September 16, 2022.

Docket No. 52195 – *Application of El Paso Electric Company to Change Rates* – October 29, 2021.

Docket No. 51802 – *Application of Southwestern Public Service Company for Authority to Change Rates* – August 20 and September 14, 2021.

Docket No. 51484 – *Compliance Filing of AEP Texas Inc. for Rider TC-2 Refund Refund of Transition Charges-2* – August 6, 2021.

Docket No. 51239 – *Application of Carroll Water Company, Inc. for Authority to Change Rates* – May 14, 2021.

Docket No. 51547 – *Joint Report and Application of Texas-New Mexico Power Company, NM Green Holdings, Inc. and Avangrid, Inc. for Regulatory Approvals Under PURA §§ 14.101, 39.262, and 39.915* – March 2, 2021.

Docket No. 50714 – *Application of Entergy Texas, Inc. to Amend its Distribution Cost Recovery Factor* – May 27, 2020.

Docket No. 49189 – *Application of the City of Austin DBA Austin Water for Authority to Change Water and Wastewater Rates* – November 15, 2019.

Docket No. 49421 – *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates* – June 12 and 19, 2019.

Docket No. 48181 – *Application of El Paso Electric Company to Expand Solar Generation Capacity and Change Rates for the Community Solar Pilot Program* – October 24, 2018.

Docket No. 48401 – *Application of Texas-New Mexico Power Company for Authority to Change Rates* – August 20 and 28, 2018.

Docket No. 48371 – *Entergy Texas, Inc.'s Statement of Intent and Application for Authority to Change Rates* – August 16, 2018.

Docket No. 48233 – *Application of Southwestern Electric Power Company to Implement a Base Rate Decrease in Compliance With Docket No. 46449* – July 19 and October 16, 2018.

Docket No. 45979 – *Review of the Rate Case Expenses Incurred by Sharyland Utilities, L.P. in Docket No. 45414* – June 27, 2018.

Docket No. 47527 – *Application of Southwestern Public Service Company for Authority to Change Rates* – May 2 and 22, 2018.

Docket No. 46602 – *Appeal of AEP Texas Central Company From an Order of the City of McAllen Regarding Complaint of L&F Distributors* – October 10, 2017.

Docket No. 46936 – *Application of Southwestern Public Service Company for Approval of Transactions with ESI Energy, LLC and Invenergy Wind Development North America, LLC, to Amend a Certificate of Convenience and Necessity for Wind Generation Projects and Associated Facilities in Hale County, Texas and Roosevelt County, New Mexico, and for Related Approvals* – October 9, 2017.

Docket No. 46831 – *Application of El Paso Electric Company to Change Rates* – June 30, July 21, and November 2, 2017.

Docket No. 46449 – *Application of Southwestern Electric Power Company for Authority to Change Rates* – May 2 and 19, 2017.

Docket No. 45414 – *Review of the Rates of Sharyland Utilities, L.P., Establishment of Rates for Sharyland Distribution & Transmission Services, L.L.C., and Request for Grant of a Certificate of Convenience and Necessity and Transfer of Certificate Rights* – March 7 and 16, 2017.

Docket No. 44941 – *Application El Paso Electric Company to Change Rates* – January 15 and April 22, 2016.

Docket No. 45084 – *Application of Entergy Texas, Inc. for Approval of a Transmission Cost Recovery Factor* – November 24, 2015.

Docket No. 44620 – *Application of Sharyland Utilities, L.P. to Revise its TCRI² Class Allocation Factors and Request for Good Cause Exception From P.U.C. Subst. R. 25.193(c)* – August 21 and September 8, 2015.

Docket No. 44677 – *Application of El Paso Electric Company for Approval to Revise its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Cap* – July 31 and August 7, 2015.

Docket No. 44060 – *Application of Brazos Electric Power Cooperative, Inc. to Amend a Certificate of Convenience and Necessity for a 138-kV Transmission Line in Denton County* – June 15, 2015.

Docket No. 43695 – *Application of Southwestern Public Service Company for Authority to Change Rates* – June 8, 2015.

Docket No. 42370 – *Application of Southwestern Electric Power Company for Rate Case Expenses Severed From PUC Docket No. 40443* – December 12, 2014.

Docket No. 43111 – *Application of Entergy Texas, Inc. for Approval of a Distribution Cost Recovery Factor* – November 5, 2014.

Docket No. 42448 – *Application of Southwestern Electric Power Company for Approval of a Transmission Cost Recovery Factor* – July 31, 2014.

Docket No. 42449 – *Application of El Paso Electric Company for Approval to Revise its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Caps* July 10, 2014.

Docket No. 42042 – *Application of Southwestern Public Service Company for Approval of a Transmission Cost Recovery Factor* May 1, 2014.

Docket No. 41791 – *Application of Entergy Texas, Inc. for Authority to Change Rates and to Reconcile Fuel Costs* – January 17 and April 4, 2014.

Docket No. 41474 – *Application of Sharyland Utilities, L.P. to Establish Retail Delivery Rates, Approve Tariff for Retail Delivery Service, and Adjust Wholesale Transmission Rate* – October 28, 2013.

Docket No. 41430 – *Joint Report and Application of Sharyland Utilities, LP, Sharyland Distribution & Transmission Services, LLC, and Southwestern Public Service Company for Approval of Purchase and Sale of Facilities, for Regulatory Accounting Treatment of Gain on Sale, and for Transfer of Certification Rights* August 9, 2013.

Docket No. 40627 – *Petition by Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-055* February 14, 2013.

Docket No. 40443 – *Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs* – December 17, 2012.

Docket No. 39896 – *Application of Entergy Texas, Inc. for Authority to Change Rates and Reconcile Fuel Costs* – April 3, 2012.

Docket No. 39375 – *Oncor Electric Delivery Company LLC's Application for 2012 Energy Efficiency Cost Recovery Factor* August 9, 2011.

Docket No. 39366 – *Application of Entergy Texas, Inc. for Authority to Redetermine Rates for the Energy Efficiency Cost Recovery Factor Tariff and Request to Establish a Revised Energy Efficiency Goal and Cost Caps* July 26, 2011.

Docket No. 39363 – *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor* – July 22, 2011.