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**SOAH DOCKET NO. 473-24-13232
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APPLICATION OF CENTERPOINT	§	BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC	§	OF
FOR AUTHORITY TO CHANGE RATES	§	ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

OF

JOHN R. DURLAND

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

July 12, 2024

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1 **REBUTTAL TESTIMONY OF JOHN R. DURLAND**

2 **I. INTRODUCTION**

3 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

4 A. My name is John R. Durland. I am the Director of Rates for CenterPoint Energy
5 Service Company, LLC. My business address is 1111 Louisiana Street, Houston,
6 Texas 77002.

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

8 A. I am testifying on behalf of CenterPoint Energy Houston Electric, LLC
9 ("CenterPoint Houston" or the "Company").

10 **Q. ARE YOU THE SAME JOHN R. DURLAND THAT FILED DIRECT**
11 **TESTIMONY IN THIS DOCKET?**

12 A. Yes.

13 **II. PURPOSE OF REBUTTAL TESTIMONY**

14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

15 A. In my rebuttal testimony, I respond to arguments presented in the direct testimonies
16 of Kit Pevoto on behalf of Houston Coalition of Cities, Jeffry Pollock on behalf of
17 Texas Industrial Energy Consumers ("TIEC"), Lane Kollen on behalf of Gulf Coast
18 Coalition of Cities, Laurie Tomczyk and Kyra Coyle on behalf of Office of Public
19 Utility Counsel ("OPUC"), Lisa Perry on behalf of Walmart, Chris Hickman on
20 behalf of Environmental Defense Fund ("EDF"), and Adrian Narvaez on behalf of
21 Public Utility Commission of Texas ("Commission") Staff.

1 **Q. HOW DOES YOUR REBUTTAL TESTIMONY RELATE TO THE**
2 **REBUTTAL TESTIMONY OF OTHER WITNESSES WHO ARE**
3 **COVERING RELATED TOPICS?**

4 A. In my rebuttal I discuss the Rider IRA which is addressed in the Rebuttal Testimony
5 of Company witnesses Jennifer Story and Kristie Colvin. I also discuss the Load
6 Study Fee and the refund of Transmission customers' contribution in aid of
7 construction ("CIAC") along with Company witness Rina Harris.

8 **Q. WAS THIS REBUTTAL TESTIMONY PREPARED BY YOU OR UNDER**
9 **YOUR DIRECT SUPERVISION AND CONTROL?**

10 A. Yes.

11 **III. ALLOCATION OF DEMAND RELATED DISTRIBUTION COST**

12 **Q. HAS ANY INTERVENOR CHALLENGED THE COMPANY'S PROPOSAL**
13 **TO ALLOCATE ITS DEMAND-RELATED DISTRIBUTION COSTS**
14 **BASED ON THE NON-COINCIDENT PEAK DEMAND?**

15 A. Yes, Ms. Pevoto argues the Company should use the "four class" Non-Coincident
16 Peak ("NCP") demands for June, July, August, and September to allocate costs
17 instead of the NCP.¹ In addition, Ms. Tomczyk recommends the Company should
18 use the adjusted NCP instead of the unadjusted NCP.²

¹ Direct Testimony of Kit Pevoto ("Pevoto Direct") at 15:6-19 (Jun. 21, 2024).

² Direct Testimony of Laurie Tomczyk ("Tomczyk Direct") at 7:13-8:2 (Jun. 19, 2024).

1 **A. Response to Ms. Pevoto**

2 **Q. PLEASE DESCRIBE MS. PEVOTO’S “FOUR CLASS” NCP PROPOSAL.**

3 A. Ms. Pevoto’s proposal is to allocate distribution expenses using each Rate Class’s
4 NCP during each the four summer months—June, July, August, and September.

5 **Q. WHAT IS NCP DEMAND?**

6 A. NCP Demand refers to the highest usage of electricity demanded by a consumer or
7 rate class over a given period. It is distinct from “Coincident Peak (“CP”)
8 Demand,” which is the maximum amount of electricity demanded by a customer or
9 rate class at the time that peak demand occurs on the system.

10 **Q. HOW DOES THE COMPANY CURRENTLY ALLOCATE DEMAND-**
11 **RELATED DISTRIBUTION COSTS?**

12 A. The Company allocates demand-related distribution costs using NCP. Because the
13 Company’s distribution system is designed to serve the peak load requirement of
14 each individual retail customer, it must be constructed to have the capability to
15 reliably serve the peak load demanded by any or all customers regardless of when
16 such load occurs. Thus, allocating according to NCP demand most closely follows
17 cost-causation.

18 **Q. WHY DOES MS. PEVOTO BELIEVE DEMAND-RELATED**
19 **DISTRIBUTION COSTS SHOULD BE ALLOCATED USING HER “FOUR**
20 **CLASS” NCP METHODOLOGY?**

21 A. Ms. Pevoto argues that because CenterPoint Houston is a summer peaking system,
22 her “Four Class” NCP methodology better aligns with cost causation. She also
23 suggests that her approach is consistent with the 4 CP demand used to allocate
24 transmission costs.

1 **Q. DO YOU AGREE THAT MS. PEVOTO’S “FOUR CLASS” NCP**
2 **METHODOLOGY BETTER ALIGNS WITH COST CAUSATION?**

3 A. No. The Company’s distribution system must be capable of serving the peak load
4 of customers whenever required, not only during the summer. As a result, the
5 Company’s investment in the facilities to serve customers is not dependent on the
6 month, day, or time of when peak load occurs. And while the Company’s overall
7 system may peak in the summer, individual circuits often peak during other portions
8 of the year, and these circuits must be designed for those peaks. Residential
9 customers often have winter demands that equal and occasionally exceed their
10 summer peak demand. For example, in 2021, CenterPoint Houston’s residential
11 peak demand was in February, during Winter Storm Uri.

12 Using Ms. Pevoto’s method, the system cost would be allocated by the
13 average peak usage for each class over the summer months.³ The system is built
14 to handle peak demand, not the average demand. If a customer’s peak demand is
15 10kVA, the Company’s system must serve them 10kVA. If that customer uses
16 10kVA in June, July, and August, but 0kVA in September, the Company needed
17 the infrastructure to serve them 10kVA, not a hypothetical 7.5kVA average of those
18 four months.

³ Pevoto Direct at 15:14-19.

1 **Q. DO YOU AGREE WITH MS. PEVOTO THAT HER “FOUR CLASS” NCP**
2 **METHOD IS CONSISTENT WITH THE 4CP METHOD USED TO ASSIGN**
3 **TRANSMISSION COSTS?**

4 A. No. The 4CP method used to assign transmission costs averages each distribution
5 service provider’s (“DSP’s”) demand during the four summer CPs. Each DSP’s
6 average 4CP demand is then divided by the total average 4CP demand to determine
7 its proportionate share of transmission charges. This method is different from
8 Ms. Pevoto’s “Four Class” NCP, which relies on NCPs rather than CPs.

9 **Q. DO YOU RECOMMEND THE COMMISSION ADOPT MS. PEVOTO’S**
10 **RECOMMENDATION?**

11 No. A “four class” NCP is not representative of cost causation, and it is
12 inappropriate to shift the difference in their average and their peak to other rate
13 classes. I recommend that the Commission continue to design the Company’s rates
14 based on NCP demand, which is consistent with Commission precedent.⁴

15 **B. Response to Ms. Tomczyk**

16 **Q. PLEASE DESCRIBE MS. TOMCZYK’S DISTRIBUTION ALLOCATION**
17 **PROPOSAL.**

18 A. Ms. Tomczyk proposes that distribution costs be allocated based on weather-
19 adjusted NCP demand billing determinants rather than on the actual NCP demand.

⁴ *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing at 13 (Jun. 30, 2023) (“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.”); *see also Application of CenterPoint Energy Houston Electric, LLC For Authority to Change Rates*, Docket No. 49421, Final Order, Finding of Fact (“FoF”) Nos. 64–66 (Mar. 9, 2020).

1 **Q. WHAT ARE WEATHER-ADJUSTED NCP BILLING DETERMINANTS?**

2 A. As part of the rate design process, the Company uses billing-month data to create
3 billing determinants in order to adjust for variations in weather and customer count,
4 a process which I describe in more depth in my direct testimony. These
5 determinants are then used to set each rate class's rates. Notably, the billing-month
6 data used to create billing determinants are based on billing months, which differ
7 from calendar months. Depending on the billing cycle, the calendar and billing
8 months can be up to a month apart.

9 **Q. WHY DOES THE COMPANY ALLOCATE DISTRIBUTION COSTS**
10 **USING UNADJUSTED NCP DEMAND?**

11 A. The Company uses unadjusted NCP demand data to allocate demand-related
12 distribution costs because it translates to the actual distribution demand impact of
13 the customer classes experienced by the Company. Further, this approach is
14 consistent with transmission cost allocation, which is based on unadjusted demand
15 data.

16 **Q. WOULD USING THE UNADJUSTED NCP TO ALLOCATE COSTS TO**
17 **CUSTOMERS "IMPOSES A HIGHER COST ON RATEPAYERS"⁵ AS**
18 **MS. TOMCZYK ASSERTS?**

19 A. No. Allocation is the process of allocating costs among rate classes. Any change
20 in the allocation factors would only shift those costs to different rate classes, not
21 increase or decrease the actual costs themselves. Using the weather adjusted NCP
22 would shift costs towards the rate classes that are least susceptible to the impacts

⁵ Tomczyk Direct at 7:18-19.

1 of weather. In doing so, Ms. Tomczyk's proposal to use an adjusted NCP would
 2 create rates that are unreasonably preferential and discriminatory.

3 **Q. IS THE COMPANY'S ALLOCATION OF DEMAND RELATED**
 4 **DISTRIBUTION COST USING NCP REASONABLE AND CONSISTENT**
 5 **WITH THE PRINCIPLES OF COST CAUSATION?**

6 A. Yes. The NCP method the Company used in its application is most representative
 7 of demand related distribution investments and therefore ties most closely to cost
 8 causation, consistent with 16 Texas Administrative Code ("TAC") § 25.234(a), and
 9 Commission precedent on the allocation of demand related distribution costs.

10 **IV. CROSS CLASS SUBSIDIZATION (RATE MODERATION)**

11 **Q. PLEASE DESCRIBE MS. PEVOTO'S RATE MODERATION PROPOSAL.**

12 A. Ms. Pevoto recommends the Commission adopt a form of gradualism typically
 13 reserved for exceptional circumstances. In her testimony she proposes "a rate
 14 moderation adjustment mechanism that includes setting the maximum percentage
 15 rate increase for any rate class at *two times the average system percentage rate*
 16 *increase* and reallocating the unrecovered rate increases to rate classes not subject
 17 to the rate increase cap."⁶

18 **Q. HOW DOES MS. PEVOTO JUSTIFY HER PROPOSAL?**

19 A. Ms. Pevoto argues it is unreasonable for some rate classes to be disproportionately
 20 impacted by the Company's proposed rate increase. She further claims that the
 21 Commission has historically approved rate caps similar to the one she's proposed.

⁶ Pevoto Direct at 19:3-7 (emphasis in original).

1 **Q. ARE ANY RATE CLASSES DISPROPORTIONATELY IMPACTED BY**
 2 **THE COMPANY’S PROPOSED RATE INCREASE?**

3 A. Although the Company has proposed small increases for some classes while
 4 proposing significant cuts for other classes, I would not consider these impacts to
 5 be disproportionate as the Company designed the proposed rates to reflect the actual
 6 cost of service to serve each class.

7 **Q. HAS THE COMMISSION ADOPTED PROPOSALS SIMILAR**
 8 **MS. PEVOTO’S IN PAST CASES?**

9 Q. Yes, but those instances are typically in relation to non-ERCOT transmission and
 10 distribution utilities (“TDUs”).⁷ As a TDU, CenterPoint Houston’s rates do not
 11 include the cost of generation and therefore the Company’s portion of a retail
 12 customers bill is only a fraction of a customer’s total bill.⁸ The magnitude of a rate
 13 change that would induce “rate shock” is certainly much greater than the proposed
 14 increase in this base rate case.⁹

⁷ I am aware of only a single instance where the Commission has approved a gradualism adjustment with respect to the retail rates of an ERCOT TDU, *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 35717, Proposal for Decision at 236-239 (Jun. 2, 2009), *adopted in part by Order on Rehearing* (Nov. 30, 2009) (Approving a utility proposed gradualism adjustment to the lighting class because it is a public good that benefits customers in other rate classes and has unique demand characteristics).

⁸ See *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 28840, Final Order at 23 (Aug. 15, 2005) (declining to apply gradualism in a transmission-and-distribution rate case because “the T&D rates are only a subset of the total rates paid by customers, [so] changes to the T&D rates would not have as large an impact as they would if the broader rates for a customer class were changed by the same percentage”); see also *Rulemaking Relating to Periodic Rate Adjustments*, Project No. 39465, Order Adopting New § 25.243 as Approved at the September 15, 2011 Open Meeting (Sept. 27, 2011) (declining to add a rate moderation provision to the DCRF rule “because the DCRF will make up only a small part of a customer’s bill and the DCRF formula is consistent with the principle of cost causation”).

⁹ See, e.g., *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing at 10 (Feb. 23, 2016) (declining to adopt a gradualism adjustment when the largest revenue-responsibility increase for an individual class was 24.28% and noting that “[w]hile there is no magic threshold at which a change in rates automatically justifies an aberration from basing rates

1 **Q. CAN YOU PROVIDE AN EXAMPLE OF A RESIDENTIAL RETAIL**
2 **CUSTOMER’S BILL IMPACT CONSIDERING ALL CHARGES.**

3 A. Yes. As demonstrated in “Workpaper LKW 03 and WP LKW 04 ERRATA 3.xlsx”
4 on tab “WP 03 RES TOTAL BILL,” the total bill impact is a 1.8% increase when
5 considering the other portions of a residential customer’s retail bill. Furthermore,
6 before rates from this proceeding go into effect, I anticipate CenterPoint Houston
7 will stop billing Rider TC5 which further reduces the net impact to 0.7%.

8 **Q. HAS THE COMMISSION GIVEN ANY RECENT DIRECTION IN**
9 **REGARD TO CROSS-CLASS SUBSIDIZATION?**

10 A. The Commission recently rejected a rate moderation proposal in Oncor Electric
11 Delivery Company LLC’s (“Oncor’s”) most recent rate case.¹⁰

12 **Q. WHAT DO YOU RECOMMEND?**

13 A. I do not believe that there is justification for any form of gradualism, rate
14 moderation, or cross class subsidization in this case. I recommend that the
15 Commission adopt CenterPoint Houston’s proposed rates at the true cost of service,
16 without any subsidization among the rate classes.

on classes’ costs of service, . . . the Commission determined that an increase as large as 29% did not warrant rate mitigation”).

¹⁰ Docket No. 53601, Order on Rehearing, FoF Nos. 299-311.

1 **V. POST TEST YEAR CUSTOMER COUNT ADJUSTMENT**

2 **Q. HOW DID CENTERPOINT HOUSTON DETERMINE THE NUMBER OF**
3 **CUSTOMERS FOR THE RESIDENTIAL AND SECONDARY VOLTAGE**
4 **SMALL CLASS IN THIS PROCEEDING?**

5 A. The customer adjustment is accomplished by scaling, either up or down, each
6 month's billing determinants, weather normalized if applicable, to the customer
7 count as of December 31, 2023.

8 **Q. WHAT IS THE PURPOSE OF THE CUSTOMER ADJUSTMENTS?**

9 A. The purpose of the customer adjustments is to recognize the change in the number
10 of customers over the course of the Test Year by updating the billing determinants
11 for each rate class to levels consistent with electric usage as if the year-end number
12 of customers had been present the entire Test Year.

13 **Q. WHY DID THE COMPANY USE THIS METHOD OF DETERMINING**
14 **CUSTOMER COUNT?**

15 A. In Project No. 49199, *Project to Revise Rate Filing Package for Investor-Owned*
16 *Transmission and Distribution Utilities*, the Commission adopted revisions to the
17 cost-of-service rate filing package. The current rate filing package instructions
18 requires TDUs to file with their application Schedule II-H-1.1: Test Year Sales
19 Data, which lists the

- 20 1. Average number of customers.
21 2. *Year-end number of customers.*
22 3. Test Year kWh (unadjusted) sales.
23 4. Increase or decrease in kWh sales due to adjustment for abnormal
24 weather.
25 5. Increase or decrease in kWh sales due to adjustment for changes in
26 customer composition and for changes in the number of customers.

- 1 6. Increase or decrease in kWh sales due to adjustments other than for the
- 2 effects of weather and customers (e.g. reclassification of customers),
- 3 reflecting each adjustment separately.
- 4 7. Total adjusted kWh sales.¹¹

5 The customer adjustments in this proceeding are consistent with the rate

6 filing package instructions and with those approved by the Commission in the

7 Company's last rate case in Docket No. 49421,¹² and are reflective of electric usage

8 going forward based on the information known and measurable as of the end of the

9 Test Year.

10 **Q. WHAT ADJUSTMENT TO TEST YEAR CUSTOMER COUNT DOES**

11 **MR. KOLLEN PROPOSE?**

12 A. Mr. Kollen proposes the Commission adopt a post-test year adjustment to increase

13 present revenues to reflect customer growth through March 31, 2024,¹³ without

14 proposing an increase to the revenue requirement needed to serve the additional

15 customers.

16 **Q. IS MR. KOLLEN'S RECOMMENDATION THE SAME AS ADJUSTING**

17 **THE CUSTOMER COUNT FOR YEAR-END?**

18 A. No. Mr. Kollen is proposing to adjust the year-end customer count to include

19 customers added *after* the end of test year without considering all the costs that

20 would naturally offset this adjustment or changes in usage patterns.

¹¹ *Transmission & Distribution (TDU) Investor-Owned Utilities: Rate Filing Package for Cost-of-Service Determination* at Schedule II-H-1.1, Test Year Sales Data (2020) (emphasis added).

¹² Docket No. 49421, Final Order.

¹³ Direct Testimony of Lane Kollen ("Kollen Direct") at 46:4-48:19 (Jun. 19, 2024).

1 **Q. IS MR. KOLLEN’S RECOMMENDATION CONSISTENT WITH THE**
2 **MANNER IN WHICH THE COMMISSION HAS PREVIOUSLY**
3 **DISCUSSED BILLING DETERMINANTS?**

4 A. No. In Docket No. 46449, *Application of Southwestern Electric Power Company*
5 *[“SWEPCO”]* for Authority to Change Rates, SWEPCO sought to set its rates in
6 part based on the Federal Energy Regulatory Commission’s (“FERC”)
7 methodology. The Commission rejected SWEPCO’s proposal in part because
8 “[t]he billing determinants used to set transmission rates at FERC include forward-
9 looking future test-year costs, which are mismatched against historical test-year
10 Texas billing determinants, thereby inflating SWEPCO’s rates.”¹⁴ Stated
11 differently, the Commission found it was unreasonable to pair a forward test year
12 with historical billing determinates. Mr. Kollen is recommending the same
13 mismatch—albeit reversed—and it too should be rejected.

14 **Q. SHOULD THE COMMISSION CONSIDER A POST-TEST YEAR**
15 **ADJUSTMENT FOR INCREASES OR DECREASES IN THE NUMBER OF**
16 **CUSTOMERS FROM THE END OF THE TEST YEAR.**

17 A. I recommend the Commission reject Mr. Kollen’s post-test year adjustment for
18 customer count and continue to approve the long-standing, required practice of
19 using the historical test year adjusted for year-end customer counts. Continuing to
20 use the year-end customer count provides consistency, simplicity, and objectivity
21 in this base rate case and in regulatory filings that depend on the weather
22 adjustments and billing determinants determined in this proceeding. The historical

¹⁴ Docket No. 46449, Order on Rehearing at FoF No. 102 (Mar. 19, 2018).

1 test year acts as a snapshot in time, capturing the Company's financial and
2 operational conditions during a specific period, with adjustments considered for
3 specific price increases, which helps regulators assess the Company's needs
4 accurately. Post-test-year adjustments for customer growth are also unnecessary
5 because the distribution cost recovery factor ("DCRF") already accounts for
6 changes in customer growth. It is not appropriate to scale revenue upward to
7 represent March customer levels without also scaling costs and revenue
8 requirements upward to represent March customer levels.

9 **VI. STAFF'S PROPOSED RATES FOR RETAIL SERVICE AND CLASS**
10 **COST OF SERVICE MODEL**

11 **Q. DO YOU AGREE WITH THE CLASS COST OF SERVICE MODEL AND**
12 **RATES THAT STAFF WITNESS ADRIAN NARVAEZ PROPOSES?**

13 A. I do not take issue with Staff's Class Cost of Service model used to design rates,
14 but several other Company witnesses do disagree with various aspects of Staff's
15 proposed revenue requirement.

16 **Q. ARE THERE ANY ISSUES YOU WOULD LIKE TO ADDRESS**
17 **REGARDING THE DCRF BASELINE THAT IS A PART OF THE CLASS**
18 **COST OF SERVICE MODEL?**

19 A. Yes, I have 3 concerns about the DCRF Baseline proposed by Staff.

- 20 1. The DCRF baseline schedule provided by Staff uses the incorrect billing
21 determinant units of measurement. I recommend the billing determinant units
22 of measurement be updated from kW to kVA for the Secondary Voltage Large
23 (SVL), Primary Voltage Service ("PVS") and 4CP kVA for the Transmission

1 Voltage Service (TVS) rate classes, in the column heading and in the BD_{RC}-
2 CLASS BASIS row.

3 2. Also, the ALLOCCLASS factor is calculated using DCRF Net Plant, which is
4 not according to the DCRF rule, 16 TAC § 25.243(d)(1). I recommend updating
5 the ALLOCCLASS factor according to the rule which uses Total Net
6 Distribution Plant.

7 3. Additionally, synchronized interest was not calculated according to the
8 proposed numbers provided by Staff. The numbers were copied and pasted
9 from the Company's proposed Errata-3. I recommend that synchronized
10 interest be calculated according to the final numbers as shown in the Final Order
11 or Settlement.

12 **VII. REFUND OF TRANSMISSION CIAC AND THE COMPANY'S LINE**
13 **EXTENSION POLICY**

14 **Q. WHAT TOPICS DOES TIEC WITNESS JEFFRY POLLOCK ADDRESS IN**
15 **HIS DIRECT TESTIMONY REGARDING THE TRANSMISSION LINE**
16 **EXTENSION POLICY?**

17 A. Mr. Pollock recommends that the Company adopt language in its Transmission
18 Line Extension Policy that would provide a refund in certain circumstances to a
19 customer that funds a facility interconnected to CenterPoint Houston's transmission
20 system through a CIAC in the event the Company uses such facility to serve other
21 loads.¹⁵

¹⁵ Direct Testimony of Jeffry Pollock ("Pollock Direct") at 12:6-17 (Jun. 19, 2024).

1 **Q. HAS TIEC PREVIOUSLY REQUESTED THAT OTHER UTILITIES**
2 **ADOPT A CIAC REIMBURSEMENT PROVISION IN A RECENT BASE**
3 **RATE CASE?**

4 A. Yes. In Docket No. 53601, TIEC proposed a nearly identical recommendation in
5 Oncor's base rate case and was denied in the order on rehearing. The order states
6 as follow:

7 The Commission disagrees with the ALJs' recommendation. TIEC
8 and Pioneer did not demonstrate that a 10-year refund program
9 should be implemented. Addressing this type of policy issue is more
10 appropriate in a rulemaking project rather than in a base-rate
11 proceeding. Accordingly, the Commission reverses the ALJs'
12 recommendation to add TIEC and Pioneer's proposed tariff
13 language.¹⁶

14 **Q. DO YOU AGREE WITH THE COMMISSION'S HOLDING IN DOCKET**
15 **NO. 53601 THAT THIS ISSUE IS BEST ADDRESSED IN A RULEMAKING**
16 **PROJECT RATHER THAN A BASE RATE CASE?**

17 A. Yes. I recommend that any consideration by the Commission of Mr. Pollock's
18 transmission-CIAC-refund recommendation take place in a rulemaking project
19 rather than this base rate proceeding.

20 **VIII. TRANSMISSION COST RECOVERY FACTOR UPDATE ("TCRF")**

21 **Q. DOES WITNESS ADRIAN NARVAEZ RECOMMEND WAITING UNTIL**
22 **THE NEXT REQUIRED TCRF FILING TO UPDATE THE TCRF?**

23 A. Yes. Mr. Narvaez recommends that the TCRF remain unchanged until the next
24 required TCRF update.¹⁷

¹⁶ Docket No. 53601, Order on Rehearing at 15-16.

¹⁷ Rate Design Direct Testimony of Adrian Narvaez ("Narvaez Rate Design Direct") at 9:13-11:9 (Jun. 28, 2024).

1 **Q. DO YOU AGREE WITH MR. NARVAEZ?**

2 A. As Mr. Narvaez correctly points out, the Company is not harmed because the TCRF
3 contains a true-up provision to capture any over or under recovery of TCRF
4 revenue. However, my concern is with customer affordability. Due, in part, to the
5 large disparity in billing determinants between summer and winter in the Houston
6 area, the swing in the TCRF over/under has grown to nearly \$227,936,475
7 (sometimes as much as \$15.40 a month using a flat 1000kWh per month).¹⁸ By
8 updating the allocations at the conclusion of this case and updating the TCRF rate,
9 the Commission can reduce the under recovery that the Company anticipates will
10 occur due to the existing over/under and the change in revenue requirement
11 attributable to updated allocation percentages. TCRF rates should result in a
12 somewhat flat monthly TCRF charge, by giving residential customers a higher rate
13 in the winter when they tend to use less energy and a lower rate in the summer when
14 they tend to use more energy. However, the rate goes up in September, September
15 in Houston is still hot and September usage at the higher rate has been known to
16 result in significant bill impacts for some customers. Customers will see a lower
17 (than otherwise) bill in March if the weather is warm when the rate goes down. If
18 the TCRF is updated “out of cycle” at the conclusion of this case the contribution
19 to the over/under swing can be lowered in future true-ups.

¹⁸ *Petition of CenterPoint Energy Houston Electric, LLC to Update its Transmission Cost Recovery Factor*, Docket No. 56680, *Petition of CenterPoint Energy Houston Electric, LLC to Update its Transmission Cost Recovery Factor* at 30 (Attachment D – Workpapers) (May 31, 2024).

IX. CUSTOMER LOAD STUDY CHARGE

Q. WHAT TOPICS DOES TIEC WITNESS JEFFRY POLLOCK ADDRESS IN HIS DIRECT TESTIMONY REGARDING THE CUSTOMER LOAD STUDY CHARGE TARIFF LANGUAGE?

A. Mr. Pollock opposes the load study fee but recommends that if the customer load study charge is adopted that it is modified so that each transmission customer can request up to three load studies per year before any fee is applied and such fee should be credited toward the customer's CIAC if their interconnection project moves forward.¹⁹

Q. DOES MR. POLLOCK USE THE CORRECT TARIFF LANGUAGE FOR THE CUSTOMER LOAD STUDY CHARGE?

A. No. Mr. Pollock uses the tariff language from the Company's original filing in his testimony which has since been revised in the Company's Errata 3 filing to state:

Company may conduct a load study for Retail Customers requesting Delivery Service under this Rate Schedule for a new load or load addition of 10 MW or more, and Company will charge, and Retail Customer must pay, an additional charge of \$50,000.00 for the load study. The Company will waive this load study requirement and study fee for load additions of less than 10 MW, unless Company or ERCOT determines that a load study is required prior to connecting the additional load of less than 10 MW to the Transmission Voltage System. Additionally, if Company or ERCOT require a stability study to be performed, an additional charge of \$50,000.00 will be applied to Retail Customer, for a total of \$100,000.00.²⁰

¹⁹ Pollock Direct at 11:17-23.

²⁰ CenterPoint Houston's Errata 3 Filing at 93 (Exhibit JRD-08) (Jun. 14, 2024).

1 **Q. WHAT IS THE COMPANY’S POSITION ON THE PROPOSED**
2 **MODIFICATIONS TO THE CUSTOMER LOAD STUDY FEE?**

3 A. The Company does not oppose a modification to the customer load study fee that
4 would credit the fee towards the customer’s CIAC if such interconnection project
5 moves forward.²¹

6 **X. ELECTRIC VEHICLE CHARGING RATE**

7 **Q. DOES WALMART WITNESS LISA PERRY RECOMMEND THE**
8 **COMPANY ADOPT A SPECIFIC RATE FOR PUBLIC ELECTRIC**
9 **VEHICLE (“EV”) CHARGING?**

10 A. Yes. Walmart recommends that the Company be required to work with
11 stakeholders to develop a new retail rate for public EV chargers and seek approval
12 for the new rate within six months of a final order in this proceeding.²²

13 **Q. WHAT ARE SOME CONSIDERATIONS IN DESIGNING AN EV RATE?**

14 A. The distribution system serving an EV charger must be built to handle its peak load.
15 The charging station may only be used intermittently for short periods of time, but
16 the load from that EV charger may be as high as possible to facilitate expedient
17 charging. Thus, EV chargers would impose a high demand on the distribution
18 system but only be used intermittently. Demand rates are used to promote a more
19 economical use of the distribution system, and are specifically designed for to
20 properly allocate costs to customers with sporadic use, like commercial EV
21 chargers.

²¹ Pollock Direct at 11-15:23.

²² Direct Testimony of Lisa V. Perry at 15:3-9 (Jun. 19, 2024).

1 Q. IS THIS THE APPROPRIATE AVENUE TO ESTABLISH AN EV
2 SPECIFIC RATE?

3 A. No. Implementation of an EV specific rate is a topic that should be addressed in a
4 Commission rulemaking. The Commission currently has an open project, Project
5 No. 49125, *Review of Issues Related to Electric Vehicles*, and I believe that project
6 is the appropriate avenue for addressing an EV specific rate. In a rulemaking
7 project all parties can weigh in on the impacts of developing an EV rate, whereas
8 in a base rate proceeding interested parties may not be afforded the same
9 opportunity.

10 XI. RIDER IRA

11 Q. WHICH WITNESSES DISCUSS THE PROPOSED TARIFF FOR RIDER
12 IRA OR THE COST ALLOCATION FOR RIDER IRA?

13 A. Ms. Ruth Stark of Commission Staff proposes that if the Commission were to adopt
14 an IRA rider, it should also order a compliance proceeding.²³ Mr. Pollock opposes
15 the Rider IRA on the basis that it is single-issue ratemaking.²⁴ Mr. Kollen opposes
16 the Rider IRA but recommends that if the Rider IRA is adopted that the tariff should
17 include the purpose of the tariff, applicability of the tariff, a detailed calculation of
18 the revenue requirement including a calculation template, sources of the data used
19 for the calculation of the revenue requirement and the procedural aspects of the
20 tariff.²⁵ Mr. Kollen also proposes an IRA rider tariff sheet that includes details he

²³ Direct Testimony of Ruth Stark (“Stark Direct”) at 25:17-20 (Jun. 26, 2024).

²⁴ Pollock Direct at 14:12-15:20.

²⁵ Kollen Direct at 65:1-75:7.

1 believes should be included in the new rider.²⁶ Additionally, Ms. Kyra Coyle of
2 OPUC “recommend[s] that the Commission reject the Company’s proposal for the
3 tracking of the [Corporate Alternative Minimum Tax] as part of this docket” but
4 “require[] [CenterPoint Houston] to track and defer the benefits of any renewable
5 electricity production tax credits and clean energy investment tax credits to refund
6 to customers in the future.”²⁷ Below, I respond to the above issues raised by
7 Ms. Stark, Mr. Pollock, and Mr. Kollen. Further, Ms. Story rebuts Ms. Coyle’s
8 recommendations and joins me in addressing the arguments of Ms. Stark,
9 Mr. Pollock, and Mr. Kollen. Finally, Ms. Colvin provides additional information
10 supporting CenterPoint Houston’s proposed Rider IRA.

11 **Q. DO YOU OPPOSE MS. STARK’S RECOMMENDATION FOR A**
12 **COMPLIANCE PROCEEDING BEFORE THE RIDER IRA GOES INTO**
13 **EFFECT?**

14 A. No, I do not oppose Ms. Stark’s recommendation for a compliance proceeding
15 before the rider goes into effect. Although the Rider IRA has been introduced to
16 establish the Tariff, specific details, such as the amount and the start date need to
17 be determined prior to implementation to ensure clarity and adherence to the final
18 order in this proceeding.

²⁶ *Id.* at Attachment LK-17.

²⁷ Direct Testimony of Kyra Coyle at 36:3-10 (Jun. 19, 2024).

1 **Q. DO YOU AGREE WITH TIEC WITNESS JEFFRY POLLOCK THAT**
 2 **RIDER IRA SHOULD BE DENIED BECAUSE IT IS A FORM OF**
 3 **PIECEMEAL RATEMAKING?**

4 A. No. As Ms. Stark correctly points out in her testimony:

5 Although CenterPoint Houston’s request represents a type of
 6 piecemeal ratemaking, the Commission has in the past used the
 7 deferred accounting mechanism in the form of a regulatory liability
 8 to capture changes in federal income tax laws between rate cases
 9 that reduced utility taxes to the benefit of ratepayers. It is therefore
 10 not unreasonable in this case to capture the impacts of the change in
 11 the tax law between rate cases that could potentially increase income
 12 taxes, given that the tax law change is recent and its impact on
 13 CenterPoint Houston is uncertain.²⁸

14 Thus, the Commission has recognized addressing single and discrete issues in
 15 certain situations, particularly in tax-related issues like when implementing changes
 16 resulting from the Tax Cuts and Jobs Act of 2017.²⁹ The use of a rider is appropriate
 17 for recovering specific and identifiable costs, like those imposed by the IRA. Rider
 18 IRA will allow for adjustments to rates outside of a general rate case, ensuring that
 19 customers only bear cost directly related to the specific issue addressed by the rider.

²⁸ Stark Direct at 22:12-18.

²⁹ See, e.g., *Application of El Paso Electric Company to Expand Solar Generation Capacity and Change Rates for the Community Solar Pilot Program*, Docket No. 48181, Final Order at FoF No. 52 (May 9, 2019) (“The Commission has recently adjusted the rates of utilities . . . to account for a change in federal income tax expense without regard to other elements of the utility’s cost of service.”).

1 **Q. MR. KOLLEN OPPOSES THE RIDER IRA BUT RECOMMENDS THAT**
2 **IF THE RIDER IRA IS ADOPTED THAT THE TARIFF SHOULD**
3 **INCLUDE ADDITIONAL SPECIFICITY. IS ADDITIONAL SPECIFICITY**
4 **REQUIRED TO IMPLEMENT THE RIDER IRA?**

5 A. No. CenterPoint Houston is not opposed to incorporating specific elements into
6 Rider IRA's tariff language, such as the purpose, applicability of the tariff, a
7 detailed calculation, or any other information the Commission determines should
8 be included in the rider. There is, however, no requirement for the level of detail
9 Mr. Kollen is requesting for Rider IRA. In fact, in all of Company's Commission-
10 approved tariff riders only Transition Charge 5 (and the other expired bond-related
11 riders) contains the information requested by Mr. Kollen, two of the Company's
12 existing riders (DCRF and TCRF) have four out of five pieces of the requested
13 information, and seven (including two inactive riders CERP and Rider Remand)
14 have the same level or less of the requested information than the current proposed
15 Rider IRA (Base rate tariff, TC5, NDC, TCRF, DCRF, RCE, EECRF, TEEEF,
16 CERP, Rider Remand).

17 **Q. DO ALL RIDERS WITHOUT SPECIFIC INFORMATION HAVE**
18 **DETAILED RULES TO DETERMINE THE REVENUE REQUIREMENT,**
19 **PROCEDURAL ASPECTS, SOURCES OF DATA, CALCULATION OF**
20 **REVENUE REQUIREMENT, APPLICABILITY OR PURPOSE**
21 **STATEMENT?**

22 A. No, not all of them. While tariffs can be a mechanism used to explain these
23 components, they are not the only way. Non-tariff-based approaches are more

1 common in establishing revenue requirements, procedural aspects, and the sources
2 of data.

3 **Q. WHAT COMPANY WITNESS DISCUSSES HOW CENTERPOINT**
4 **HOUSTON WILL DETERMINE THE REVENUE REQUIREMENT FOR**
5 **THE RIDER IRA?**

6 A. Ms. Colvin addresses how CenterPoint Houston will determine the revenue
7 requirement.

8 **XII. SUBTRACTIVE METERING**

9 **Q. WHAT IS SUBTRACTIVE METERING?**

10 A. Large customers are eligible to request the installation of Company-owned
11 submeters. The Company manually subtracts the data from the submeter(s) from
12 the primary meter, so as to enable the submetered to be separately billed.

13 **Q. DOES EDF WITNESS CHRIS HICKMAN PROPOSE ANY CHANGES TO**
14 **THE AGREEMENT FOR SUBTRACTIVE METERING?**

15 A. Mr. Hickman proposes that the Company offer subtractive metering to individual
16 customers seeking to separately meter multiple meters on their own premises, to
17 the extent that it doesn't already do so. He recommends that the Company add
18 clarifying language to the tariff and that the Company eliminate the fee charged to
19 subtractive metered customers.³⁰

³⁰ Direct Testimony of Chris Hickman at 27:4-18 (Jun. 19, 2024).

1 **Q. DOES THE COMPANY’S TARIFF ALLOW FOR A SINGLE ENTITY TO**
2 **HAVE TWO SERVICES ON A SINGLE PREMISE?**

3 A. Yes. A single entity may utilize subtractive metering under the current Subtractive
4 Metering Agreement.

5 **Q. WHY DOESN’T THE COMPANY EXPLICITLY STATE THE SPECIFIC**
6 **INSTANCES WHERE SUBTRACTIVE METERING IS ALLOWED?**

7 A. By its very nature, subtractive metering is an exception to the Company’s standard
8 process. The agreement is written to allow consideration of more customer
9 requests, as opposed to limiting them. Adding descriptions of instances where
10 subtractive metering arrangements have been previously approved would likely
11 create confusion as these arrangements are complex. If a Customer wants to
12 evaluate the possibility of using subtractive metering, it should reach out to the
13 Company directly.

14 **Q. DO YOU AGREE WITH MR. HICKMAN’S POSITION THAT THE**
15 **COMPANY SHOULD ELIMINATE THE CHARGE FOR SUBTRACTIVE**
16 **METERING?**

17 A. No. The \$290 fee offsets costs that would otherwise need to be borne by other
18 ratepayers. Subtractive metering is not a standard service, so the costs of providing
19 that service are not included in the Company’s standard billing charges.

XIII. WHOLESALE DISTRIBUTION SERVICE

Q. IS THERE ANOTHER TOPIC FROM YOUR DIRECT TESTIMONY YOU WOULD LIKE TO DISCUSS IN YOUR REBUTTAL TESTIMONY.

A. Yes. Hunt Energy Network (“HEN”) asked several clarifying questions regarding the tariff for Wholesale Distribution Service (“WDS”). I am including a clarifying statement in my rebuttal testimony to address ambiguity in my direct testimony.

Q. WHAT CLARIFYING STATEMENT WOULD YOU LIKE TO INCLUDE IN YOUR REBUTTAL TESTIMONY?

A. CenterPoint Houston does not seek in this base rate proceeding to finalize the interim rate currently charged for WDS. That rate was approved on an interim basis in Docket No. 53606 with no objection from HEN.³¹ CenterPoint Houston seeks approval to continue that interim rate in this proceeding. The interim WDS tariff, as CenterPoint Houston seeks to continue in this case, will be subject to a true up as needed based on the outcome of the Commission’s pending Project No. 54224.³²

Q. WHAT DOES COMMISSION STAFF WITNESS ADRIAN NARVAEZ RECOMMEND FOR THE WDS TARIFF?

A. Commission Staff recommends that the Company modify the WDS tariff to allow any DSP to take WDS service and to update the rate to the PVS rate approved in this proceeding.³³

³¹ *Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend Its Wholesale Transmission Service Tariff*, Docket No. 53606, SOAH Order No. 3 at 2 (Nov. 14, 2022).

³² *Cost Recovery for Service to Distributed Energy Resources (DERs)*, Project No. 54224 (pending).

³³ Narvaez Rate Design Direct at 7:11-8:10.

1 **Q. DO YOU OPPOSE STAFF WITNESS NARVAEZ’S RECOMMENDATION**
 2 **TO UPDATE THE WDS RATE IN THE COMPANY’S WDS TARIFF?**

3 A. I do not support or oppose his recommendation. I agree that if the rulemaking in
 4 Project No. 54224 determines that the current rates in effect are less than the rates
 5 that are a result of that project that customers may experience a significant bill
 6 increase. However, the Company currently does not have any WDS customers, the
 7 Company and parties have an agreement in Docket No. 53606 and the Company
 8 and customers are protected by the true-up provision as part of that agreement. If
 9 the Commission ultimately decides that the rate should reflect the PVS rate
 10 approved in this proceeding, I recommend that the true-up provision be maintained
 11 until final rates resulting from Project No. 53606 become effective.

12 **Q. DO YOU BELIEVE THE WDS TARIFF SHOULD BE UPDATED TO**
 13 **INCLUDE ANY WHOLESALE CUSTOMER AT DISTRIBUTION?**

14 A. I do not. CenterPoint Houston does not serve any DSPs at wholesale distribution
 15 voltage and does not anticipate interconnecting any Co-Ops or DSPs at distribution
 16 voltage. When 16 TAC § 25.191 was originally adopted in 2001 in Project
 17 No. 23157, CenterPoint Houston was not “currently providing wholesale
 18 transmission service at distribution voltage.”³⁴ CenterPoint Houston has never
 19 provided, and has never been requested to provide, WDS until now. CenterPoint
 20 Houston currently has a WDS tariff specific to Battery Energy Storage Systems to
 21 address a specific type of customer, because a tariff to address that specific type of

³⁴ 16 TAC § 25.191(d)(2)(C)(i) (requiring a distribution service provider to file a tariff for wholesale transmission service at distribution level voltage if it “is currently providing wholesale transmission service at distribution voltage”).

1 customer is required when a request from a customer wishing to interconnect a
2 wholesale battery is received. The Company has not received a request from a DSP
3 to take WDS. 16 TAC § 25.501(m)(2) differentiates batteries from standard
4 wholesale customers at distribution.

5 **XIV. 4CP USED FOR DETERMINING THE WTS RATE**

6 **Q. DOES STAFF WITNESS ADRIAN NARVAEZ CORRECTLY IDENTIFY**
7 **THE CURRENT ERCOT 4CP TO BE USED IN DETERMINING THE WTS**
8 **RATE?³⁵**

9 A. Yes. The Company used the initial reported ERCOT 4CP from Docket No. 56050
10 when filing its initial application, however that value changed during this
11 proceeding. The Company intends to update the 4CP to the most recently approved
12 ERCOT 4CP for the WTS rate in its compliance filing before the rate is effective.

13 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14 A. Yes.

³⁵ Revenue Requirement Direct Testimony of Adrian Narvaez at 10:6-11 (Jun. 26, 2024).

STATE OF Texas §
COUNTY OF Harris §
§

AFFIDAVIT OF JOHN R. DURLAND

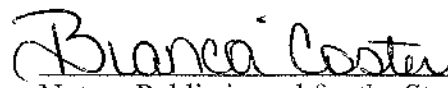
BEFORE ME, the undersigned authority, on this day personally appeared John R. Durland who having been placed under oath by me did depose as follows:

1. "My name is John R. Durland. 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 Rebuttal Testimony and the information contained in this document is true and correct to the best of my knowledge."

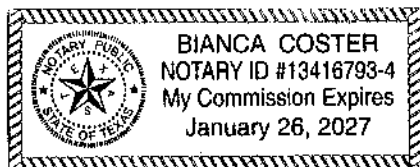
Further affiant sayeth not.


John R. Durland

SUBSCRIBED AND SWORN TO BEFORE ME on this 10th day of July,
2024.


Notary Public in and for the State of Tx

My commission expires: 1/26/2027



CERTIFICATE OF SERVICE

I certify that a true and correct copy of this filing has been forwarded to all parties of record via electronic mail on July 12, 2024, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/Mark Santos

Mark Santos