



## **Filing Receipt**

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PUC DOCKET NO. 56211**

<b>APPLICATION OF CENTERPOINT</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>ENERGY HOUSTON ELECTRIC, LLC</b>	<b>§</b>	<b>OF</b>
<b>FOR AUTHORITY TO CHANGE RATES</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>

**REBUTTAL TESTIMONY**

**OF**

**GREGORY S. WILSON**

**ON BEHALF OF**

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

**July 12, 2024**

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## **LIST OF EXHIBITS**

EXHIBIT GSW-R-1	CenterPoint Houston Calculation of Reserve Level in Five Years Using Ten Year Accrual Assumption Recommended by HCC Witness Mark Garrett
EXHIBIT GSW-R-2	CenterPoint Houston Calculation of Reserve Level in Five Years Using Twenty-Five Year Accrual Assumption Recommended by OPUC Witness Kyra Coyle

**REBUTTAL TESTIMONY OF GREGORY S. WILSON**

**I. INTRODUCTION**

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

A. My name is Gregory S. Wilson. I am a consulting actuary specializing in the area of property-casualty actuarial matters. I am a Vice President and Principal at Lewis & Ellis, LLC. My business address is 6600 Chase Oaks Blvd, Suite 150, Plano TX 75023.

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

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

**Q. ARE YOU THE SAME GREGORY S. WILSON THAT FILED DIRECT TESTIMONY IN THIS DOCKET?**

A. Yes.

**II. PURPOSE OF REBUTTAL TESTIMONY**

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

A. In my rebuttal testimony, I respond to arguments presented in the direct testimonies of Mark E. Garrett on behalf of Houston Coalition of Cities ("HCC") and Kyra Coyle on behalf of the Office of Public Utility Counsel ("OPUC").

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

A. It is my understanding that Company witnesses Kristie Colvin and Deryl Tumlinson will also offer rebuttal testimony on the topic that I am addressing.

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

3    A.    Yes.

4   **Q.    WERE THE EXHIBITS LISTED IN THE TABLE OF CONTENTS**  
5       **PREPARED UNDER YOUR DIRECTION, SUPERVISION AND**  
6       **CONTROL?**

7    A.    Yes.

8                               **III. SELF-INSURANCE RESERVE**

9   **Q.    DID YOU SUBMIT DIRECT TESTIMONY CONCERNING THE**  
10       **AMOUNTS THAT SHOULD BE ACCRUED FOR THE COMPANY'S**  
11       **SELF-INSURANCE RESERVE?**

12   A.    Yes.

13   **Q.    WHAT WAS YOUR RECOMMENDATION?**

14   A.    As updated through the Company's Errata 2 and Errata 3 filings, I proposed an  
15       annual accrual of \$22.3 million and a new target property insurance reserve of  
16       \$16.7 million. The accrual is composed of two elements. The first is \$10.6 million  
17       to provide for average annual expected operations and maintenance ("O&M")  
18       losses from events where the O&M expense is greater than \$100,000 and the loss  
19       is expected to be charged to the self-insurance reserve. The second is \$11.7 million  
20       accrued annually for five years to achieve the target reserve of \$16.7 million from  
21       the reserve deficit level at the end of the Test Year of (\$41.819 million).

1   **Q.   DID HCC WITNESS MARK GARRETT AGREE WITH YOUR**  
2   **RECOMMENDATION?**

3   A.   No. Mr. Garrett recommended that the accrual to build the reserve to the target  
4       level be accrued over ten years instead of five. He claims that the “five-year period  
5       places an undue burden on ratepayers.”<sup>1</sup> He erroneously claims that half of this  
6       deficit was due to a single \$20.6 million loss in 2023 and argues that “[r]atepayers  
7       should not be expected to repay an extraordinary loss of this magnitude in a short  
8       five-year period.”<sup>2</sup>

9   **Q.   PLEASE EXPLAIN WHY MR. GARRETT’S STATEMENT IS**  
10   **ERRONEOUS.**

11   A.   The total amount the Company booked to the storm reserve in 2023 was \$25.7  
12       million,<sup>3</sup> which is comprised of expenses from 22 storms, none of which were over  
13       \$9 million.<sup>4</sup> Had the Company incurred a single large loss of \$20.6 million in 2023,  
14       it likely would have been booked as a regulatory asset. As I described in my direct  
15       testimony, the Company has historically excluded storms of this amount from the  
16       Storm Reserve.<sup>5</sup>

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<sup>1</sup> Direct Testimony of Mark E. Garrett at 40:5 (Jun. 19, 2024).

<sup>2</sup> *Id.* at 40:8-9.

<sup>3</sup> Direct Testimony of Greg S. Wilson at Exhibit GSW-3 (Mar. 6, 2024).

<sup>4</sup> *Id.* at Workpaper GSW-1.

<sup>5</sup> *Id.* at 9:1-12.

1    **Q.    IGNORING THE FACTUAL INACCURACY ON WHICH**  
 2       **MR. GARRETT’S PROPOSAL WAS BASED, DO YOU BELIEVE THAT**  
 3       **MR. GARRETT’S PROPOSAL IS REASONABLE?**

4    A.    No. The five-year proposal was made to be consistent with how the Company treats  
 5       its regulatory asset requests and the Public Utility Commission of Texas’ most  
 6       recently litigated decision addressing this topic.<sup>6</sup> Also, it spreads the amount over  
 7       a reasonable period of time to balance the interests of future ratepayers versus past  
 8       ratepayers and it allows the Company’s reserve to reach the target balance in five  
 9       years, as I explain in my direct testimony. If the Company had to accrue this  
 10      amount over ten years as Mr. Garrett recommends, and if the actual losses over the  
 11      next five years were equal to the expected losses, the self-insurance reserve balance  
 12      would still be at a \$12.6 million deficit in five years.

13   **Q.    DID OPUC WITNESS KYRA COYLE AGREE WITH YOUR**  
 14       **RECOMMENDATION?**

15   A.    No. Ms. Coyle addresses the same issue as Mr. Garrett: the number of years to  
 16       accrue to build the self-insurance reserve to the target level. However, Ms. Coyle  
 17       recommends that the accrual be spread over a 25-year period. Her justification is  
 18       “if the target reserve value of \$16.7 million is intended to cover Company losses as  
 19       a result of a 25-year storm, it does not seem appropriate to build the reserve over 5  
 20       years, especially when the Company is increasing the O&M expense to cover  
 21       annual damages by approximately \$5.7 million from the current reserve rate

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<sup>6</sup> *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 53601, Order on Rehearing at 7 (Jun. 30, 2023) (Replacing the ten-year amortization recommended by the administrative law judges in the proposal for decision with a five-year amortization period.).

1 included in customer rates.”<sup>7</sup> The impact of Ms. Coyle’s recommendation would  
2 be to take 25 years to not only recover the impact of a possible future storm but also  
3 to take 25 years to recover the expenses the Company has already incurred because  
4 of past storms. If the accrual was spread over 25 years, and if the actual losses over  
5 the next five years were equal to the expected losses, the self-insurance reserve  
6 balance would still be at a \$30.1 million deficit in five years. Because Ms. Coyle’s  
7 recommendation does not allow the Company an adequate opportunity to recover  
8 its costs through the reserve, this appears to go against the intent and application of  
9 Public Utility Regulatory Act § 36.064 and 16 Texas Administrative Code  
10 § 25.231(b)(1)(G), which authorize the creation of a self-insurance reserve.

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

12 **A.** Yes.

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<sup>7</sup> Direct Testimony – Errata 1 of Kyra Coyle at 31:2-6 (Jun. 28, 2024).

CenterPoint Houston  
Calculation of Reserve Level in Five Years  
Using Ten Year Accrual Assumption  
Recommended by Mark Garrett

Reserve as of December 31, 2023	(41,818,759)
Target Reserve	16,700,000
Annual Amount to Build Storm Reserve Recommended by Mark Garrett	5,852,000
Reserve after five years	(12,600,000)

CenterPoint Houston  
Calculation of Reserve Level in Five Years  
Using Twenty-Five Year Accrual Assumption  
Recommended by Kyra Coyle

Reserve as of December 31, 2023	(41,818,759)
Target Reserve	16,700,000
Annual Amount to Build Storm Reserve Recommended by Kyra Coyle	2,340,750
Reserve after five years	(30,100,000)



## Affidavit of Gregory S. Wilson.docx

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### E-Signature Summary

#### E-Signature 1: Gregory S. Wilson (GSW)

July 09, 2024 07:23:44 -8:00 [FD60BCB07F91] [173.197.90.226]  
gwillson@lewisellis.com (Principal) (ID Verified)

#### E-Signature Notary: Kathleen Austin (KGA)

July 09, 2024 07:23:44 -8:00 [D385FD3FEC02] [38.104.49.18]  
katie.austin@bakerbotts.com

I, Kathleen Austin, did witness the participants named above electronically sign this document.



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STATE OF TEXAS §  
COUNTY OF TRAVIS §

**AFFIDAVIT OF GREGORY S. WILSON**

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

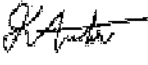
1. “My name is Gregory S. Wilson. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. I have prepared the foregoing Rebuttal Testimony and the information contained in this document is true and correct to the best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

Further affiant sayeth not.

Gregory S. Wilson  
Signed on 2024/07/06 07:29:44 -0500

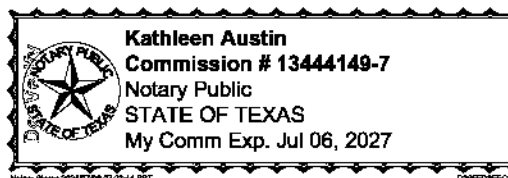
Gregory S. Wilson

SUBSCRIBED AND SWORN TO BEFORE ME on this 9<sup>th</sup> day of July, 2024.

  
Signed on 2024/07/06 07:29:44 -0500

Notary Public in and for the State of Texas

My commission expires: July 6, 2027



Notarial act performed by audio-visual communication

5501CC64-B1C3-49E6-82C5-50BD8E38B3B0 — 2024/07/06 10:27:03 -8:00 — Remote Notary



### **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