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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
LLC FOR AUTHORITY TO	§	ADMINISTRATIVE HEARINGS
CHANGE RATES	§	

TESTIMONY IN SUPPORT OF AGREEMENT

OF

KRISTIE L. COLVIN

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

January 29, 2025

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LIST OF EXHIBITS

- Exhibit KLC-01R Rate Filing Package (“RFP”) Information and Instructions
Filename: CEHE RFP Information and Instructions.docx
- Exhibit KLC-02R RFP Schedules (Revised through Errata 3)
Filename: CEHE RFP Schedules-Errata 3 (On) – SettlementCONF.xlsx
- Exhibit KLC-03R RFP Workpapers (Revised through Errata 3)
Filenames:
CEHE RFP Workpapers B-Errata 3 (On) - Settlement(CONF).xlsx
CEHE RFP Workpapers C-Errata 3 (On) - Settlement(CONF).xlsx
CEHE RFP Workpapers D-Errata 3 (On) - Settlement(CONF).xlsx
CEHE RFP Workpapers E-Errata 3 (On) - Settlement(CONF).xlsx
CEHE RFP Workpapers E-3-Errata 3 (On) - Settlement(CONF).xlsx
CEHE RFP Workpapers F & L-Errata 3 (On) - Settlement.xlsx
CEHE RFP Workpapers TCOS Calculation-Errata 3 (On) - Settlement.xlsx

TESTIMONY IN SUPPORT F AGREEMENT OF KRISTIE L. COLVIN

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Kristie L. Colvin. I am Senior Vice President and Chief Accounting
4 Officer of CenterPoint Energy Service Company, LLC (“Service Company”) and
5 CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the
6 “Company”), a wholly owned indirect subsidiary of CenterPoint Energy, Inc.
7 (“CNP”). My business address is 1111 Louisiana Street, Houston, Texas 77002.

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

9 A. I am testifying on behalf of CenterPoint Houston, a wholly owned indirect
10 subsidiary of CNP and a transmission and distribution service provider in the
11 Electric Reliability Council of Texas (“ERCOT”) Region.

12 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

13 A. Yes. I filed direct testimony as well as rebuttal testimony.

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

15 A. Through this testimony, I sponsor the Stipulation and Settlement Agreement
16 (“Agreement”) among the parties to this proceeding. The signatories to the
17 Agreement include: CenterPoint Houston, the Staff of the Public Utility
18 Commission of Texas (“Staff”), Houston Coalition of Cities (“HCOC”), Gulf Coast
19 Coalition of Cities (“GCCC”), Texas Coast Utilities Coalition (“TCUC”)
20 (collectively, with HCOC and GCCC, “Cities”), Texas Industrial Energy
21 Consumers (“TIEC”), Texas Energy Association for Marketers and Alliance for
22 Retail Markets (collectively, the “REP Coalition”), Walmart Inc (“Walmart”),

1 International Brotherhood of Electrical Workers Local 66 (“IBEW Local 66”),
2 Environmental Defense Fund (“EDF”), Office of Public Utility Counsel (“OPUC”),
3 and South-Central Partnership for Energy Efficiency as a Resource (“SPEER”).
4 Hunt Energy Network LLC and SMT TX Management II LLC are unopposed to
5 the Agreement, and Chevron Phillips Chemical Company, LP and Texas Consumer
6 Association have no position with regard to the Agreement. Lee Milam and
7 Rebecca Elliott have not responded to inquiries. My testimony provides an
8 overview of the Agreement and explains why the settlement is an appropriate
9 resolution of this rate case and should be approved by the Public Utility
10 Commission of Texas (“Commission”).

11 **II. HISTORY OF THE CASE AND OVERVIEW**

12 **Q. PLEASE DESCRIBE THE INITIAL FILING MADE BY CENTERPOINT**
13 **HOUSTON IN THIS PROCEEDING.**

14 A. CenterPoint Houston filed its statement of intent, as well as the required application
15 and rate filing package (“RFP”), with the Commission and Municipalities retaining
16 original jurisdiction on March 6, 2024. The filing included the testimony of 30
17 witnesses and over 5,500 pages of testimony, exhibits and schedules. Consistent
18 with any general base rate filing, CenterPoint Houston sought a review of its
19 expenses, cost of capital, and investment since the Commission last reviewed those
20 items and found them to be reasonable in 2019. The ultimate objective of the case
21 was to provide for revised rates that would permit CenterPoint Houston to recover
22 its costs and to earn a fair and reasonable rate of return on its investments necessary
23 to provide safe and reliable service to its customers.

1 Q. HOW WAS THE RECORD IN THE CASE DEVELOPED?

2 A. Inclusive of Staff, 16 parties intervened and participated in the development of the
3 evidentiary record. CenterPoint Houston responded to over 2,500 discovery
4 requests, inclusive of subparts. Intervenor and Staff filed direct testimony.

5 Q. HOW DOES THE SETTLEMENT REFLECT THE POSITIONS OF
6 PARTIES DEVELOPED THROUGH THE EVIDENTIARY RECORD?

7 A. As with any settlement, the Agreement required both the Company and parties to
8 compromise. The cost of capital reflected in the agreement, for example, reflects a
9 compromise among the parties' filed cases.

10 **III. AGREEMENT OVERVIEW**

11 Q. ARE YOU THE ONLY PERSON PROVIDING MATERIALS REGARDING
12 THE AGREEMENT?

13 A. No. It is my understanding that Staff will also provide a testimony explaining
14 Staff's views on the reasonableness of the settlement.

15 **Q. CAN YOU EXPLAIN THE KEY PROVISIONS OF THE AGREEMENT?**

16 A. Yes. The key provisions of the Agreement include:

17 **Overall Revenues.** CenterPoint Houston's present wholesale and retail revenues
18 of \$2.305 billion should be decreased by \$44,153,511.40, plus an additional explicit
19 reduction of \$2,424,013 to remove CEO compensation expense, for a total
20 reduction of \$46,577,524.40 as set forth in Exhibit A attached to and incorporated
21 into the Agreement.

22 **Effective Date.** CenterPoint Houston agrees that the rates will take effect no earlier
23 than the 46th day after the date of the Commission's final order approving the rates.
24 CenterPoint Houston will provide notice of the approved rates to retail electric
25 providers no later than the first working day after the date of the Commission's
26 final order approving the rates.

1 **Cost of Capital.** Beginning with the effective date of the new rates authorized in
 2 this proceeding, CenterPoint Houston's Weighted Average Cost of Capital
 3 ("WACC") shall be 6.606% based upon an agreed Return on Equity ("ROE") of
 4 9.65%, a cost of debt of 4.29%, and an agreed regulatory capital structure of 56.75%
 5 long-term debt and 43.25% equity as set forth in Exhibit K attached to and
 6 incorporated into the Agreement. The foregoing WACC, ROE, and capital structure
 7 are in accord with Public Utility Regulatory Act¹ ("PURA") §§ 36.051 and 36.052,
 8 and will apply, in accordance with PURA and Commission rules, in all Commission
 9 proceedings or Commission filings requiring the application of the WACC, ROE,
 10 or capital structure established in this case.

11 **Cash Working Capital ("CWC").** CenterPoint Houston will reduce its proposed
 12 CWC by \$5,180,289 from the amount proposed in Schedule II-B-9, for a total CWC
 13 amount of \$6,988,071.

14 **Revenue Allocation and Rate Design.** The revenue requirement reduction stated
 15 in Paragraph A of the Agreement will be allocated as follows: \$653,511.40 will be
 16 directly allocated to the retail transmission customer class, and the remaining value,
 17 \$45,924,013, will be allocated among retail customer classes and wholesale
 18 transmission such that each retail customer class and wholesale transmission
 19 receives the same percentage decrease from the revenue collected from present
 20 rates as set forth in Exhibit B attached to and incorporated into the Agreement. For
 21 each retail customer class, CenterPoint Houston's proposed customer and meter
 22 charges will be adopted. The distribution charge for each class will be designed so
 23 that the total revenue collected from the class's customer, meter, and distribution
 24 charges would reflect the total revenue reduction allocated to that class as set forth
 25 in Exhibit B. This will not include CenterPoint Houston's proposal to update its
 26 Transmission Cost Recovery Factor ("TCRF") to reflect any changes in wholesale
 27 transmission rates approved by the Commission since the initial filing of this case
 28 and for changes in the TCRF allocation factors. The TCRF rider will not be updated
 29 in this proceeding.

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 ("PURA").

Approval of Tariffs and Customer Agreements. The tariff sheets in Exhibit C attached to and incorporated by reference set out the rate design agreed to by the Signatories and incorporate the total base revenue amount provided for in paragraph A of the Agreement. CenterPoint Houston's requested tariffs and customer agreements, as modified by the Agreement, as set out in Exhibit C, should be approved by the Commission.

1. Subtractive Metering. CenterPoint Houston will add the following language at the end of paragraph 1 of Section 6.3.4.2 of its tariff: "Retail Customer A and Retail Customer B may be the same person or legal entity."

2. Transmission CIAC Refund. CenterPoint Houston agrees to include the following language in its Tariff for Retail Delivery Service at Section 6.1.2.2 Construction Services Policy and Charges, Subsection 2.3 Transmission Voltage Facility Extensions, set forth in Exhibit C: "If the Company is reimbursed more than \$10,000,000 (including all applicable tax gross-up) by a Customer with respect to a transmission interconnection project, and more transmission customers are served by any or all of the facilities constructed pursuant to that reimbursement within a five-year period following the date in which any equipment is energized by the Company, then the initial Customer that reimbursed the Company shall be entitled to receive a prorated refund of the reimbursement for common facilities when the additional transmission customers execute an agreement for electric service within the five-year period described above. After payment is received from the additional transmission customer(s), a refund of reimbursement for common facilities to the initial Customer will be made on a pro-rata share of the amount initially paid by the initial Customer."

3. Load Study and Stability Study Charges. CenterPoint Houston agrees not to include the charges for load studies and stability studies from the Terms of Service for its Transmission Service rate schedule, as set out in Exhibit C.

4. Update of Current Interim Rates for Wholesale Distribution Service. CenterPoint Houston agrees to update the current interim rates for Wholesale Distribution Service set out in Section 4.2 of CenterPoint Houston's Tariff for

Wholesale Delivery Service, as established in Docket No. 53606 to reflect the Primary Service rates approved in this proceeding, as set out in Exhibit C. For the avoidance of doubt, the distribution charge developed under the total revenue requirement for the Primary Service class as set out in Exhibit C that reflects the revenue requirement reduction stated in Paragraph A and E of the Agreement will also be applied to the Wholesale Delivery Service class's distribution charge. CenterPoint Houston agrees that the rates adopted in Docket No. 53606 and updated in this proceeding are adopted on an interim basis and are subject to refund or surcharge to the extent appropriate based on the resolution of Project No. 54224. All parties retain the right to take any position in Project No. 54224.

- 5. Approval of the Rider IRAs.** CenterPoint Houston's requested retail Rider IRA, Wholesale Service Rider WT IRA, and Wholesale Distribution Rider WD IRA are reasonable and should be approved by the Commission with the following condition: Only the return on corporate alternative minimum tax deferred tax assets arising to the extent CenterPoint Houston meets the definition of an applicable corporation based solely on its own stand-alone adjusted financial statement income ("AFSI") without regard to the income of any affiliates, and calculated solely on that stand-alone AFSI will be collected in the Rider IRAs between the date rates from this proceeding go into effect and the date rates from CenterPoint Houston's next base rate case go into effect. Exhibit C to the Agreement includes the agreed upon versions of the Rider IRAs.

Ringfencing. The Signatories agree to the following modifications to existing ringfencing provisions and additional ring-fencing provisions:

1. Modification as follows to the ringfencing provision set out in Ordering Paragraph No. 30 in the Final Order in Docket No. 49421: "CenterPoint Houston must maintain registrations with Moody's and S&P ratings agencies ~~all three ratings agencies.~~"
2. Modification as follows to the ringfencing provision set out in Ordering Paragraph No. 39 in the Final Order in Docket No. 49421: "CenterPoint

Houston must notify the Commission if its credit issuer rating or corporate rating as rated by Moody's or S&P~~any of the three major rating agencies~~ falls below investment-grade level.”

3. Approval of the following additional ringfencing provision: “CenterPoint Houston will not seek to recover from customers any costs incurred as a result of a bankruptcy of CenterPoint Energy, Inc. or any of its affiliates other than CenterPoint Houston or caused by a bankruptcy of CenterPoint Houston.”

4. Approval of the following additional ringfencing provision: “No CenterPoint Houston assets may be pledged for or used to secure the debt of other entities.”

Gross Plant in Service. CenterPoint Houston’s requested gross plant in service of \$17,795,166,166 through the end of the test year (December 31, 2023) shall be reduced by \$10,000,000, as set out in Exhibit D attached to the Agreement and incorporated by reference, along with the associated impacts to accumulated depreciation and ADIT. The remaining gross plant in service is prudent and properly included in rate base. CenterPoint Houston will seek neither recovery of, nor a return on, the plant listed in Exhibit D in any future proceeding. CenterPoint Houston will not be required to make a refund of any amounts associated with this disallowance.

Regulatory Assets and Liabilities. The Signatories agree that CenterPoint’s regulatory assets and liabilities at issue in this proceeding, all of which will be amortized over five years beginning on the date rates take effect, are reasonable and should be approved by the Commission.

Prioritization of Equity Carrying Costs. The Parties agree that CenterPoint Houston shall prioritize recovery of its carrying costs for the following regulatory assets, as shown on Schedule II-E-4.1.1, and amortize them based on the same priority: Hurricane Harvey as shown in Docket No. 49421; Hurricane Harvey Trailing Charges; Hurricane Laura; Hurricane Nicholas; Long Lead Time Facilities; Winter Storm Uri; Ike Residual; Ike Residual as shown in Docket No. 49421. Specifically, equity carrying costs within the regulatory asset amortization are prioritized for revenue requirement collections before debt carrying costs within

1 the regulatory asset amortization, both of which precede the recovery priority for
2 all other costs.

3 **Reimbursement of Rate Case Expenses.** CenterPoint Houston agrees to
4 reimburse Cities for rate case expenses incurred through the completion of this
5 proceeding within 30 days of a final order issuance or receipt of invoices,
6 whichever is later. CenterPoint Houston agrees to a \$145,000 reduction to its rate
7 case expenses as recommended in the Direct Testimony of Staff witness Vonetta
8 Jackson. For expenses incurred after December 31, 2023, CenterPoint Houston
9 agrees to apply an equivalent percentage of 16.4% to determine the reduction
10 amount for those expenses. Parties agree that Rider RCE is appropriate to use for
11 recovery of CenterPoint Houston's and Cities' rate case expenses.

12 CenterPoint Houston further agrees to reimburse Cities:

- 13 1. For their reasonable rate case expenses associated with this proceeding,
14 including amounts incurred during August 2024, September 2024, and October
15 2024. However, CenterPoint Houston will not seek recovery of its own or
16 Cities' rate case expenses in connection with this proceeding incurred during
17 the months of August 2024, September 2024, or October 2024, as these
18 expenses are not reasonable and necessary for purposes of recovery from
19 ratepayers;
- 20 2. Within 30 days of a final order issuance in this proceeding or receipt of invoices,
21 whichever is later, for their expenses incurred in CenterPoint Houston's System
22 Resiliency Plan (SRP), which it withdrew on August 1, 2024, in Docket No.
23 56548, *Application of CenterPoint Energy Houston Electric, LLC for Approval*
24 *of Its Transmission and Distribution System Resiliency Plans*, for the period of
25 April 2024 through August 2024;
- 26 3. For the reasonable expenses Cities incur in Docket No. 57579, *Application of*
27 *CenterPoint Energy Houston Electric, LLC for Approval of Its 2026-2028*
28 *Transmission and Distribution System Resiliency Plan*, including Cities'
29 reasonable expenses incurred to monitor CenterPoint Houston's
30 implementation of its SRP; and

1 **4.** For the reasonable expenses Cities incur in Docket No. 57271, in related
 2 finance-order filings, and in CenterPoint Houston's future storm-restoration
 3 proceedings related to Hurricane Beryl, including the cost-determination filings
 4 and finance-order filings related to such proceedings.

5 **Wholesale Transmission Service ("WTS") Rate.** CenterPoint Houston's WTS
 6 rate should be set using the Commission approved 2023 4CP value of 83,685,241.4
 7 kW.

8 **Allowance for Funds Used During Construction ("AFUDC").** CenterPoint
 9 Houston shall adhere to the AFUDC accounting requirements as specified in the
 10 Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts
 11 (18 C.F.R., Part 101, Electric Plant Instruction No. 3(17)) and related precedent.
 12 CenterPoint Houston shall discontinue rounding the AFUDC rate up to the next
 13 0.25%, effective January 1, 2025.

14 **Approval of Requested Billing Determinants.** CenterPoint Houston's requested
 15 billing determinants as set out in Schedule IV-J-5 (as amended by any errata) are
 16 consistent with the Agreement and should be approved by the Commission.

17 **Approval of the Accounting Treatment for Third-Party Cloud Computing**
 18 **Arrangements ("CCAs").** CenterPoint Houston's requested accounting treatment
 19 for third-party CCAs, as described in the Direct Testimony of CenterPoint Houston
 20 witness Kristie L. Colvin, is reasonable and should be approved by the
 21 Commission.

22 **Statutory Requirements and Baseline Values.**

23 **1. Affiliate Costs.** The affiliate costs included in the rates developed through the
 24 Agreement are reasonable and necessary for each class of affiliate costs
 25 presented in CenterPoint Houston's application. The prices charged to
 26 CenterPoint Houston are not higher than the prices charged by the supplying
 27 affiliate for the same item or class of items to its other affiliates or divisions or
 28 to a non-affiliated person with the same market areas or having the same market
 29 conditions.

30 **2. Self-Insurance Reserve.** CenterPoint Houston's request for an annual self-
 31 insurance reserve accrual of \$22.34 million and a new target property insurance

1 reserve of \$16.7 million, as described in the Direct Testimony of CenterPoint
 2 Houston witness Gregory S. Wilson, is reasonable and should be approved by
 3 the Commission.

4 **3. Depreciation.** CenterPoint Houston will continue to use current depreciation
 5 rates approved in Commission Docket No. 49421.

6 **4. PURA § 36.065 Baselines.** CenterPoint Houston's requested Pension and
 7 Other Postemployment Benefits ("OPEB") Baselines as shown in Table 2 in the
 8 Direct Testimony of Kristie L. Colvin are reasonable and should be approved
 9 by the Commission. Consistent with PURA § 36.065, CenterPoint Houston's
 10 Pension and OPEB baselines are \$11,605,293 for the qualified defined benefit
 11 pension plan, \$12,782,647 for the qualified defined contribution pension plan,
 12 and (\$494,986) for OPEB expense. The Signatories agree that these baselines,
 13 set out in Exhibit E attached to and incorporated into the Agreement, are
 14 reasonable and should be approved by the Commission.

15 **5. Long Lead Time Facilities ("LLTF") Baseline.** CenterPoint Houston's
 16 request for approval of a new baseline for the LLTF Balance in Rates, as set out
 17 in Exhibit F attached to and incorporated into the Agreement, is reasonable and
 18 should be approved by the Commission. The fact that the Signatories have
 19 agreed to the use of this baseline value as specified in this section does not
 20 reflect an agreement on any methodology that may be used by CenterPoint
 21 Houston in a future case regarding LLTF cost recovery.

22 **6. Transmission Cost Recovery Factor ("TCRF").** The TCRF baseline values
 23 and accounting and the proposed allocation factors for future TCRF updates set
 24 out in Exhibit G attached to and incorporated into the Agreement are reasonable
 25 and should be approved by the Commission.

26 **7. Distribution Cost Recovery Factor ("DCRF").** The DCRF baseline values
 27 and accounting set out in Exhibit H attached to and incorporated into the
 28 Agreement are reasonable and should be approved by the Commission.

29 **8. Transmission Cost of Service ("TCOS").** The TCOS baseline values and
 30 accounting set out in Exhibit I attached to and incorporated into the Agreement
 31 are reasonable and should be approved by the Commission.

1 **Net Operating Loss Carryforward Accumulated Deferred Income Tax**
2 **(“NOLC ADIT”) Amount Calculation.** CenterPoint Houston's NOLC ADIT
3 amount included in future DCRF Update filings shall be calculated in accordance
4 with PURA § 36.060.

5 **Moratorium on Disconnections for Nonpayment Due to Extreme Weather**
6 **Events.** CenterPoint Houston agrees that, no later than May 1, 2025, it will issue
7 any moratorium on disconnections for nonpayment (“DNP”) due to extreme
8 weather events by county rather than for its entire service area. Additionally,
9 CenterPoint Houston agrees to only implement DNP moratoriums consistent with
10 PUC rules and CenterPoint Houston’s tariff.

11 **Posting of Current Rates and Any Pending Rate Change Requests.** CenterPoint
12 Houston agrees to post current rates and any pending rate change requests on a
13 publicly available location on its website. Such a posting will be located in the
14 competitive retailer section of CenterPoint Houston’s website, include the current
15 rates for all customer classes, and be posted in a chart format.

16 **Outage Tracker.** CenterPoint Houston agrees to return an online outage tracker
17 map to operation within 30 days of the date of the Agreement. CenterPoint Houston
18 will file a report with the Commission on the performance time of its outage tracker
19 following any system outage involving more than 250,000 customers.

20 **Compliance Filing.** If the pending DCRF is approved before the approval of a
21 final order in this case, CenterPoint Houston shall revise the DCRF rates in effect
22 at the time the final order in this case is approved to reflect removal of any
23 duplicative amounts in base rates that would otherwise be recovered in such DCRF.
24 Any such update will be implemented to DCRF rates at the same time final rates
25 from this rate case are implemented.

26 **One-Time Refund.** To provide customers with the benefit of the revenue
27 requirement reduction stated in Paragraph A of the Agreement as of January 1,
28 2025, within five working days after approval of the final order in this case,
29 CenterPoint Houston will submit an application for a one-time refund of \$5.2
30 million to retail and wholesale customers allocated among functions and rate
31 classes based on the agreed functional and class revenue requirement amounts

consistent with Paragraph E of the Agreement in an equalized percentage basis. CenterPoint Houston should use an existing SAC04 code to effectuate the refund and provide retail electric providers 45-day notice of the refund.

Additional Matters.

1. Phase I of the National Zero-Emission Freight Corridor Strategy. By June 30, 2025, CenterPoint Houston agrees to host a collaborative working group, open to relevant entities including the Port of Houston and other relevant municipal entities, to discuss implementation of Phase 1 of the National Zero-Emission Freight Corridor Strategy. At this discussion, CenterPoint Houston will provide an analysis of each of the locations within CenterPoint Houston's territory identified as a Phase 1 hub location as of December 31, 2024, including for each Principal Port site (i) projected magnitude and timing of loads, and (ii) anticipated distribution system investments needed to serve such loads.

2. Electric Vehicle Load Growth. CenterPoint Houston agrees to host a collaborative working group, open to interested external stakeholders including municipal entities, regional and state planning entities, fleets, charging providers (e.g., EVSEs, charging-as-a-service providers, OEMs), and nonprofits to incorporate electric vehicle load growth into distribution system planning, deployment, and operation. This working group will meet at least once per year.

3. Report on Distribution Hosting Capacity. By December 31, 2025, CenterPoint Houston will produce a public report that identifies technological, security, and other potential barriers to publishing publicly available hosting capacity data, and CenterPoint Houston's plans and estimated associated implementation costs to work to overcome those barriers.

Q. WHAT HAPPENS IF THE COMMISSION MODIFIES A PROVISION OF THE AGREEMENT?

A. The Signatories agree that the Agreement should be viewed as a whole. The Agreement is the result of give and take among all parties during negotiations. As

1 such, the parties have agreed that if the Commission makes any modification to the
2 terms of the Agreement, any adversely impacted Signatory may withdraw from the
3 Agreement and be released from its obligations.

4 **Q. WHAT CONCLUSIONS DO YOU REACH REGARDING THE**
5 **AGREEMENT?**

6 A. The Agreement represents an appropriate resolution of this case in its current
7 posture before the Commission and should be approved.

8 **IV. REASONABLENESS OF AGREEMENT**

9 **Q. DID THE INTERVENORS AND COMMISSION STAFF PROPOSE**
10 **ADJUSTMENTS TO THE COMPANY'S FILED REQUEST?**

11 A. Yes. The testimony of the intervenors and Commission Staff addressed a number
12 of issues with the Company's application, including certain reductions to the
13 Company's request.

14 **Q. DOES THE AGREEMENT REPRESENT A REASONABLE COMPROMISE**
15 **AMONG ALL THE SIGNATORIES?**

16 A. Yes. The Signatories agreed to avoid the uncertainty, time, inconvenience and
17 expense of further litigation of the issues addressed in the Agreement by
18 compromising on the Company's revenue requirement, cost of capital, tariffs and
19 other litigated issues.

20 **Q. DOES THE AGREEMENT REPRESENT A REASONABLE RESOLUTION**
21 **OF THE ISSUES IN THIS PROCEEDING?**

22 A. Yes. The Agreement represents an overall reasonable outcome in the context of
23 the current posture of the case and the number of contested matters and should be
24 adopted by the Commission. The Agreement is the product of informed

1 consideration and analysis by all Signatories. Discovery was conducted on the
2 Company's application, all parties' direct testimony and the portions of CenterPoint
3 Houston's rebuttal testimony that were filed. The Agreement results in a revenue
4 requirement lower than that proposed by CenterPoint Houston. The Agreement
5 also mitigates the potential costs associated with conducting a hearing on the merits.
6 Finally, the Agreement represents a compromise by all parties involved and
7 represents an overall compromise and settlement of many issues. As such, it should
8 be viewed in its entirety rather than on an issue-by-issue basis.

9 **Q. IS COMMISSION APPROVAL OF THE AGREEMENT IN THE PUBLIC**
10 **INTEREST?**

11 A. Yes. From CenterPoint Houston's perspective, the Agreement resolves the
12 uncertainty associated with the outcome of a general base rate proceeding and
13 provides the Company with the direction and regulatory parameters it needs to
14 operate the electric utility moving forward. It will also avoid further professional
15 fees and expenses associated with a hearing on the merits. And the Company's
16 agreement to provide a one-time refund of \$5.2 million will provide immediate rate
17 relief to its retail customers.

18 **Q. IS THE 6.606% WEIGHTED AVERAGE COST OF CAPITAL IN THE**
19 **AGREEMENT REASONABLE?**

20 A. While CenterPoint Houston considers its cost of equity to be higher, as indicated in
21 the direct and rebuttal testimonies of Ann E. Bulkley, determining the appropriate
22 cost of equity is complex and is not simply a matter of using a formula—as
23 evidenced by the significant range of recommendations among the cost of equity

1 witnesses. Similarly, while CenterPoint Houston considers its actual capital
2 structure of 55.1% debt and 44.9% equity to be the appropriate capitalization for
3 the utility, as indicated in the direct and rebuttal testimonies of Ann E. Bulkley and
4 Jacqueline M. Richert, the Agreement presents an agreed capital structure that is
5 different from CenterPoint Houston's currently approved capital structure of 57.5%
6 debt and 42.5% equity and reflects a compromise among well-represented parties
7 in the context of a comprehensive and difficult to achieve settlement.

8 **Q. WHAT ACTIONS WILL CENTERPOINT HOUSTON UNDERTAKE TO**
9 **EFFECTUATE THE CHANGE IN REVENUE REQUIREMENT?**

10 A. As provided in the Agreement, CenterPoint Houston will provide notice of the
11 approved rates to retail electric providers no later than the first working day after the
12 date of the Commission's final order approving the rates which will take effect no
13 earlier than the 46th day after the final order. In addition, to provide customers with
14 the benefit of the revenue requirement reduction as of January 1, 2025, within five
15 working days after approval of the final order in this case, CenterPoint Houston
16 will submit an application for a one-time refund of \$5.2 million to retail and
17 wholesale customers allocated among functions and rate classes based on the
18 agreed functional and class revenue requirement amounts consistent with
19 Paragraph E of the Agreement in an equalized percentage basis. CenterPoint
20 Houston will use an existing SAC04 code to effectuate the refund and provide retail
21 electric providers 45-day notice of the refund.

1 **Q. HOW WERE THE TCOS, TCRF AND DCRF BASELINES THAT ARE**
2 **PRESENTED IN THE AGREEMENT DEVELOPED?**

3 A. The TCOS, TCRF and DCRF baselines were developed using the Company's
4 Errata 3 Filing submitted along with my testimony on July 12, 2024, with certain
5 adjustments as discussed previously in this testimony. Those adjustments include
6 removing \$2,424,013 in CEO compensation expense; adjusting the weighted
7 average cost of capital to 6.606% to reflect the agreed upon return on equity and
8 capital structure; and reducing gross plant in service by \$10 million, along with the
9 associated impacts to accumulated depreciation and ADIT. The TCOS baseline
10 was developed directly from the TRANS function, exclusive of FERC account 565
11 (Transmission of Electricity by Others). The DCRF baseline was developed
12 directly from combining the DIST, MET, and TDCS functions. For each rate class,
13 the baseline values reflect the functionalization and class allocation treatments for
14 each line item in the model. The TCRF baseline was also updated to reflect the
15 Commission's most recent update to CenterPoint Houston's TCRF in Docket No.
16 57359. The parties' agreement on the TCOS, TCRF and DCRF baselines should
17 help to limit any controversy over those baselines in future proceedings.

18 **Q. HAS THE COMPANY CALCULATED THE RATES RESULTING FROM**
19 **THE AGREEMENT IN ACCORDANCE WITH THE COMMISSION'S**
20 **RATE FILING PACKAGE?**

21 A. Yes. Exhibit KLC-02R presents rates resulting from the Agreement in accordance
22 with the Commission's Rate Filing Package.

1 **Q. WHAT ACTION DOES CENTERPOINT HOUSTON REQUEST THAT**
2 **THE COMMISSION TAKE IN THIS PROCEEDING?**

3 A. CenterPoint Houston requests that the Commission approve the Agreement as filed,
4 and the accompanying tariffs as proposed.

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

6 A. Yes, it does.

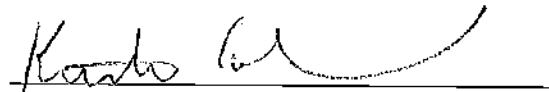
AFFIDAVIT OF KRISTIE L. COLVIN

BEFORE ME, the undersigned authority, on this day personally appeared Kristie

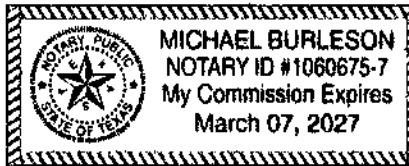
L. Colvin who having been placed under oath by me did depose as follows:

1. My name is Kristie L. Colvin. 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 Settlement Testimony and the information contained in this document is true and correct to the best of my knowledge.

Further affiant sayeth not.


Kristie L. Colvin

SUBSCRIBED AND SWORN TO BEFORE ME on this 27th day of
January 2025




Notary Public in and for the State of Texas

Information and Instructions for Schedules and Workpapers

1. System Requirements

Due to the large file sizes, it is recommended that users have a least a 32-bit computer. Large files may take longer than normal time to open.

2. List of main RFP Schedule files, or “RFP Schedules”

The files listed below are the main spreadsheets used for the Affiliate Data, Cost of Service, and Rate Design. *These are Excel files.*

- a. CEHE RFP Schedules-Errata 3 (On) - Settlement(CONF)

3. List of RFP Supporting Workpaper files (Linked to RFP Schedules)

The supporting files listed below are directly linked to the RFP Schedules. *These are Excel files.*

- a. CEHE RFP Workpapers B-Errata 3 (On) - Settlement(CONF)
- b. CEHE RFP Workpapers C-Errata 3 (On) - Settlement(CONF)
- c. CEHE RFP Workpapers D-Errata 3 (On) - Settlement(CONF)
- d. CEHE RFP Workpapers E-Errata 3 (On) - Settlement(CONF)
- e. CEHE RFP Workpapers E-3-Errata 3 (On) - Settlement(CONF)
- f. CEHE RFP Workpapers F&L-Errata 3 (On) - Settlement
- g. CEHE RFP Workpapers TCOS Calculation-Errata 3 (On) - Settlement

4. Recommended opening order

To avoid linking problems, it is highly recommended that when opening the files that the following order is used. It is **not** recommended to select the “Update Link” button when the option is presented upon opening files.

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- g. CEHE RFP Workpapers TCOS Calculation-Errata 3 (On) - Settlement
- h. CEHE RFP Schedules-Errata 3 (On) - Settlement

5. CenterPoint Energy Houston Electric, LLC Contact

Questions can be directed to the Company’s designated representatives referenced in its application in the Statement of Intent.

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

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

See file entitled:

**“CEHE RFP Schedules-Errata 3 (On) -
Settlement(CONF).xlsx”**

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CHANGE RATES	§	

See file entitled:

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CHANGE RATES	§	

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Settlement(CONF).xlsx”**

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CHANGE RATES	§	

See file entitled:

**“CEHE RFP Workpapers F & L-Errata 3 (On) -
Settlement.xlsx”**

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

See file entitled:

**“CEHE RFP Workpapers TCOS Calculation-
Errata 3 (On) - Settlement.xlsx”**

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- h. CEHE RFP Schedules-Errata 3 (On) - Settlement

5. CenterPoint Energy Houston Electric, LLC Contact

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The following files are not convertible:

(On) - Settlement.xlsx	CEHE RFP Workpapers F & L-Errata 3
Errata 3 (On) - Settlement.xlsx	CEHE RFP Workpapers TCOS Calculation-

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

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