

1 **Q. PLEASE EXPLAIN WHY THE INVESTMENTS ARE REASONABLE AND**
2 **PRUDENT.**

3 A. The investments associated with the Mainframe Customer Information System
4 Replacement are reasonable and prudent because the program allowed moving
5 mission critical systems to a more modern, resilient, and scalable platform that
6 allows improved operations, performance, and risk management. The transition
7 enhanced business and technical capabilities by using a platform where there are
8 more people available in the market to support the systems, and where processes
9 could be performed with more automation to increase efficiency. Moreover, this
10 positions IT to deliver future capabilities as required in a more efficient and secure
11 manner.

12 **D. Network Transformation**

13 **Q. PLEASE DESCRIBE THE NETWORK TRANSFORMATION PROGRAM.**

14 A. Network Transformation consists of replacing aged data communications hardware
15 with a more scalable and manageable environment enabled by Cisco's Application
16 Centric Infrastructure ("ACI") and Meraki Platforms. The Network Transformation
17 is designed to simplify and automate the creation, deployment, and enforcement of
18 network security policies to improve CenterPoint Houston's overall data
19 communications posture. This Network Transformation enables advanced
20 networking capabilities to increase availability for critical applications at data
21 centers. This will further reduce the need for disaster recovery planning for select
22 applications. In turn, this will ensure availability of critical applications in an
23 adverse event and allow the Company to continue providing information and
24 support for resiliency and recovery events.

1 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
2 **CUSTOMERS.**

3 A. The Network Transformation moves the Company to a more software-defined
4 network model. Overall, this network is more resilient because it enables
5 centralized application policy enforcement across all data center networks, remote
6 locations, and public clouds. It minimizes risk, increases flexibility, scales demand,
7 and efficiently allocates resources to customers.

8 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
9 **ASSOCIATED WITH THE NETWORK TRANSFORMATION PROGRAM.**

10 A. The capital investments allocated to CenterPoint Houston for the Network
11 Transformation are \$8.8 million over 2019 through 2023.

12 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
13 **AND PRUDENT.**

14 A. The investments associated with the Network Transformation initiative are
15 reasonable and prudent because the Network Transformation delivers a cloud ready
16 solution, improves resiliency, allows for remote automation, and enhances the
17 Company's security posture. It allows for simple remote management of the
18 security policies.

19 **E. Data Center Refresh and Resiliency**

20 **Q. PLEASE DESCRIBE THE DATA CENTER REFRESH AND RESILIENCY**
21 **PROGRAM.**

22 A. IT implemented hardware refreshes to add capacity and update CNP's data center
23 hardware operating systems (for example, Windows, Linux, and AIX – IBM's
24 propriety UNIX operating system). Further, IT refreshed storage hardware at data
25 centers to enhance resiliency of critical applications. This involved providing a
26 highly available architecture environment within the primary data center and a

1 backup copy of the application at a secondary data center. The hardware refresh
2 supported applications and systems utilized by all business units of the Company.

3 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
4 **CUSTOMERS.**

5 A. The Data Refresh and Resiliency Program is designed to enhance the resiliency,
6 reliability, and recovery of critical IT applications and systems. This is done by
7 adding capacity, refreshing and updating server or storage hardware at all primary
8 and secondary data centers. Without this effort, the Company would be hampered
9 in business operations that provide safe and reliable electric utility service to the
10 customer as the workforce would have to follow manual processes.

11 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
12 **ASSOCIATED WITH THE DATA CENTER REFRESH AND RESILIENCY**
13 **PROGRAM.**

14 A. The capital investments allocated to CenterPoint Houston for the Data Center
15 Refresh and Resiliency effort are \$25.3 million over 2019 through 2023.

16 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
17 **AND PRUDENT.**

18 A. This Program aligns with the overall IT strategy of resiliency. The investments are
19 reasonable and prudent because the investments help provide a resilient, reliable,
20 and supported server and storage environment with enhanced ability to recover
21 critical applications.

22 **F. Fiber Expansion Initiative**

23 **Q. PLEASE DESCRIBE THE FIBER EXPANSION INITIATIVE?**

24 A. Fiber optic communication lines are used to transmit information from field
25 equipment to other places for processing. In 2019 and 2020, the fiber expansion
26 was limited to incremental efforts that provided resiliency for the future where the

1 sites were identified where CenterPoint Houston had easement rights for the fiber.
2 The fiber expansion initiative spanned from 2021 to 2024 and increased
3 CenterPoint Houston's Fiber footprint from 26% to 45% by adding 263 miles of
4 fiber. The fiber expansion project added fiber to 42 substations and 3 service
5 centers, increased microwave capacity by 20% (decreasing the number of
6 microwave links between fiber) and removed 5 leased circuits and 41 microwave
7 sites. This provided ample bandwidth for future increases in throughput demands
8 (security, AMS/IG, substation automation, metering) and improved overall storm
9 resiliency as circuits and microwaves are less reliable in storm events.

10 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
11 **CUSTOMERS.**

12 A. Fiber enables increased efficiency and resilience by providing near unlimited
13 bandwidth capacity, which reduces latency. Fiber is also highly resilient against
14 severe weather events, not susceptible to outside interference or electromagnetic
15 pulse, and can support middle mile broadband services.

16 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
17 **ASSOCIATED WITH THE FIBER EXPANSION INITIATIVE.**

18 A. The capital investments directly charged to CenterPoint Houston for the Fiber
19 Expansion Initiative are \$25.2 million over 2019 through 2023.

20 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
21 **AND PRUDENT.**

22 A. The Fiber Expansion Program aligns with the overall IT strategy of resiliency. The
23 investments are reasonable and prudent because they improve the communication
24 capabilities in the CenterPoint Houston service area. Expanding communication
25 paths underground improves resiliency during weather events by having fewer

1 interruptions. Moreover, the effort utilizes contractors where there are competitive
2 bids to obtain competitive market rates.

3 **G. Cell Relay Replacement Initiative**

4 **Q. PLEASE DESCRIBE THE CELL RELAY REPLACEMENT INITIATIVE.**

5 A. CenterPoint Houston uses cell relay and radio to enable electric meters to
6 communicate with CenterPoint Houston's AMS Platform. In advance of AT&T's
7 planned retirement of its 3G cellular network and the FCC's restrictions on WiMax
8 Radio, the Company launched the Cell Relay End of Life ("EOL") and the WiMax
9 Radio EOL initiatives to upgrade its equipment on 6,600 remote locations.

10 **Q. DESCRIBE THE BENEFITS TO CENTERPOINT HOUSTON AND ITS**
11 **CUSTOMERS.**

12 A. The upgrades were required to continue the features provided by AMS systems
13 such as remote meter reading, remote service order execution, outage detection and
14 restoration, and access to usage information.

15 **Q. PLEASE DESCRIBE THE SIZE OF THE CAPITAL INVESTMENTS**
16 **ASSOCIATED WITH THE CELL RELAY INITIATIVE.**

17 A. The capital investments directly charged to CenterPoint Houston for the Cell Relay
18 initiative are \$51.2 million over 2019 through 2023.

19 **Q. PLEASE DESCRIBE WHY THE INVESTMENTS ARE REASONABLE**
20 **AND PRUDENT.**

21 A. The Cell Relay Replacement Initiative aligns with the overall IT strategy of
22 resiliency. The investments are necessary and reasonable to enable the Company
23 to continue operating the AMS system that meets the standards of vendor
24 compatibility and government rules. The equipment replaced has the ability to

continue supporting the existing AMS system over the life of the asset without broader changes to other systems or other associated equipment.

VII. ADDITIONAL IT INVESTMENTS

Q. EXCLUDING THE ABOVE-DESCRIBED MAJOR INVESTMENTS, PLEASE DESCRIBE IT'S CAPITAL INVESTMENTS BETWEEN 2019 AND 2023.

A. In addition to the major investments described above, IT has invested \$145.5 million between 2019 and 2023. These investments are classified as follows:

IT Capital Investments	2019-2023 Total (in Millions)
IT Applications and Infrastructure	\$78.6
Communications Equipment	\$66.9
Major Investments (described above)	\$307.7
Total All IT Capital Investments	\$453.2

Q. PLEASE DESCRIBE THE IT APPLICATIONS AND INFRASTRUCTURE INVESTMENTS.

A. The IT Applications and Infrastructure investments are for software and hardware initiatives to improve business capabilities for customers, such as advanced data management, analytics and predictive asset management, upgrades of field dispatching applications, outage tracker enhancements, and updates to hardware backup technology.

Q. PLEASE DESCRIBE THE COMMUNICATIONS EQUIPMENT INVESTMENTS.

A. The Communications Equipment investments are related to purchases of general equipment to enhance existing or new growth related to AMS communication

1 systems, intelligent grid devices, microwave projects, network and
2 telecommunications devices, and field devices. These investments support the safe
3 and reliable transmission of customer and operations data.

4 **Q. ARE THE THESE INVESTMENTS REASONABLE AND PRUDENT**

5 A. Yes. The IT Applications and Infrastructure investments and the Communication
6 Equipment investments were necessary to support the safe, reliable and
7 cost-effective provision of electric service to CenterPoint Houston's customers.

8 **VIII. CLOUD COMPUTING**

9 **Q. PLEASE EXPLAIN CLOUD COMPUTING AND HOW IT IS BEING USED.**

10 A. Cloud computing is the delivery mechanism for Information Technology products,
11 which includes servers, storage, databases, networking, software, and the
12 internet-based computing. Increasingly, companies can access complex and
13 flexible IT infrastructure and software through a cloud delivery model. It reduces
14 in-house technical support requirements and costly hardware systems. The use of
15 cloud-based IT infrastructure and software will grow over time as more companies
16 move away from purchasing stationary IT products or applications. Primarily, the
17 Company's cloud computing arrangements ("CCAs") are for infrastructure as a
18 service ("IaaS") and software as a service ("SaaS").

19 **Q. HOW DO CCAS DIFFER FROM TRADITIONAL ON-PREMISE IT**
20 **SOLUTIONS?**

21 A. On-premise IT solutions typically refers to IT products, including servers storage,
22 databases, networking, and software that a company manages and maintains within
23 their own data centers. The primary difference between traditional on-premise IT
24 solutions and CCAs is ownership. With on-premise, a company purchases and

owns software licenses, infrastructure software licenses, and infrastructure and is responsible for any maintenance and replacement. Specifically, an on-premise approach requires the owner to manage and maintain an in-house server hardware, software licenses, integration capabilities, and personnel necessary to support and manage the applications as issues arise. With on-premise, identifiable assets with a useful life greater than one year is capitalized, such as licenses for hardware and software. Costs associated with operation and maintenance of those assets is expensed. Under a CCA, a company purchases a service for the delivery of the IT products and pays a fee for the delivery of the product. Under either approach, the user has access to the same level of hardware and software solutions. The only difference is where the hardware is located—whether on-site under an on-premise approach or off-site if accessed through a CCA.

Q. PLEASE EXPLAIN WHAT “INFRASTRUCTURE AS A SERVICE” MEANS AND PROVIDE AN EXAMPLE.

A. Infrastructure as a Service (“IaaS”) is a type of cloud service that provides company computing, storage, and networking resources typically consumed on-demand or on a ‘pay as you go’ basis. In this scenario, a company does not have to purchase servers, storage capacity, or networking equipment, as that is the responsibility of the cloud service provider. The company instead has the flexibility to increase or decrease IT resources consumed to meet the demand. An example of IaaS is when a company activates one server (computer processors) in the cloud (using a cloud provider like Microsoft, Google, Amazon, IBM, etc.) and assigns a specific storage (for example, a hard drive of 1TB) amount to the server.

1 **Q. PLEASE EXPLAIN WHAT “SOFTWARE AS A SERVICE” MEANS AND**
2 **PROVIDE AN EXAMPLE.**

3 A. Software as a Service (or “SaaS”) is a type of cloud service that provides a complete
4 application solution for end users that is a ‘pay as you go’ model. SaaS solutions
5 are usually accessed by an internet browser or mobile device. Depending on the
6 SaaS solution, companies may be required to configure the SaaS solution. Data
7 related to the SaaS is also stored in the cloud which allows companies to access
8 data anywhere via the internet and prevents data loss in case of a desktop or laptop
9 failure. In this case, typically all application components and infrastructure are
10 managed by the SaaS provider. An example of SaaS solutions are email services
11 like Gmail, Yahoo, or Microsoft Office 365.

12 **Q. PLEASE EXPLAIN THE BENEFITS OF INVESTING IN CLOUD-BASED**
13 **TECHNOLOGY RATHER THAN THE TRADITIONAL DELIVERY OF**
14 **ON-PREMISE IT SOLUTIONS.**

15 A. Investing in cloud-based technology benefits CenterPoint Houston and its
16 customers through enhanced security, reliability, and flexibility. When the
17 infrastructure is owned and maintained by the cloud provider, a company can avoid
18 some upfront costs and the complexity of owning and maintaining IT infrastructure.
19 Many technology vendors that offer both owned and leased usage options, as well
20 as options delivered via the cloud, include more features in the cloud version than
21 in the on-premise version. For instance, a cloud service may include features like
22 patches, software enhancements, and automatic security updates. Updates and
23 upgrades have a lower burden on in-house staff and can be delivered more quickly
24 than on-premise based technology. A cloud computing arrangement may offer
25 additional applications and services while only charge a company for the resources

1 it consumes. In terms of security, the cloud model adds layers of defense and
2 multiple security measures to protect an organization's assets. Some examples of
3 additional security in the cloud include: intrusion detection and prevention, web
4 firewalls to prevent web attacks (e.g., denial of service), authentication for
5 authorized users, and expansion of network security groups to prevent or limit
6 access to certain data inside a network. The security measures are a shared
7 responsibility between the cloud provider and an organization.

8 **Q. IS CENTERPOINT HOUSTON PROPOSING ANY ACCOUNTING**
9 **AUTHORITY ASSOCIATED WITH THE MOVE TO CLOUD-BASED**
10 **COMPUTING?**

11 A. Yes, Please Refer To The Direct Testimony Of Witness Kristie Colvin, Who
12 Discusses Accounting.

13 **Q. AS PART OF MS. COLVIN'S PROPOSED ACCOUNTING TREATMENT**
14 **FOR CLOUD-BASED COMPUTING, MS. COLVIN REFERENCES THE**
15 **RATIO OF SOFTWARE O&M IN COMPARISON TO SOFTWARE**
16 **COSTS. WHAT IS THAT RATIO?**

17 A. On average, the annual O&M costs for on-premise (i.e. not cloud) software is
18 roughly 20%.

19 **IX. OPERATIONS AND MAINTENANCE EXPENSES**

20 **Q. PLEASE DESCRIBE THE DIRECT O&M EXPENSES FOR IT TO**
21 **SUPPORT CENTERPOINT HOUSTON AND ITS CUSTOMERS.**

22 A. As mentioned earlier, there is approximately \$16.5 million of unadjusted expenses
23 for 2023 to support CenterPoint Houston. The three largest areas of expense are in
24 ADMS, AMS, and Telecommunications. The ADMS expenses are primarily
25 comprised of labor for operations support of the ADMS specific systems, and
26 software maintenance paid to vendors for the AMDS systems to receive product

1 support, updates, and security patches. The AMS expenses are also primarily
2 comprised of labor for operations support of the AMS specific systems, and
3 software maintenance paid to vendors for the AMS systems to receive product
4 support, updates, and security patches. The Telecommunications expenses are
5 primarily comprised of labor, software maintenance, and wireline and wireless
6 access fees to telecommunication providers.

7 **Q. PLEASE DESCRIBE THE AFFILIATE OPERATING EXPENSES FOR IT**
8 **TO SUPPORT CENTERPOINT HOUSTON AND ITS CUSTOMERS.**

9 A. The traditional IT operating expenses related to Infrastructure, Application
10 Development and Delivery, Operations Support, and Data and Cyber Security are
11 approximately \$50.0 million, unadjusted for the test year. Please refer to the Direct
12 Testimony of Witness L. Darren Storey who discusses the affiliate expenses
13 allocation process.

14 **Q. ARE THE O&M EXPENSES REASONABLE AND NECESSARY?**

15 A. Yes. The 2023 test-year O&M expenses are reasonable and necessary, because the
16 utility requires technology services to provide cost-effective, reliable, and resilient
17 service. The total cost of these services is reasonable and is based on the actual
18 costs of providing each service.

19 **X. CONCLUSION**

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes, it does.

STATE OF Texas §
§
COUNTY OF Maricopa §

AFFIDAVIT OF RONALD W. BAHR

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

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

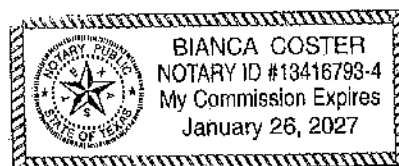
Further affiant sayeth not.

RW Bahr
Ronald W. Bahr

SUBSCRIBED AND SWORN TO BEFORE ME on this 16th day of February, 2024.

Bianca Coster
Notary Public in and for the State of Texas

My commission expires: Jan 26, 2027



THERE ARE NO WORKPAPERS
TO
THE DIRECT TESTIMONY
OF
RONALD W. BAHR

PUC DOCKET NO. 56211

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

DIRECT TESTIMONY

OF

SHONDA ROYSTON-JOHNSON

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

TABLE OF CONTENTS

EXECUTIVE SUMMARY	ES-1
I. INTRODUCTION.....	1
II. PURPOSE AND SCOPE OF TESTIMONY.....	2
III. OVERVIEW OF CUSTOMER OPERATIONS	3
IV. OVERVIEW OF CUSTOMER EXPERIENCE OPERATIONS AND PERFORMANCE MANAGEMENT	5
V. CUSTOMER BILLING.....	12
VI. COST CONTROL	13
VII. CONCLUSION	15

LIST OF EXHIBITS

Exhibit SRJ-1	2023 YTD CSAT Rating
Exhibit SRJ-2	2023 YTD PAS Rating
Exhibit SRJ-3	ACSI Benchmark Index

GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym	Definition
ACSI	American Customer Satisfaction Index
CenterPoint Houston	CenterPoint Energy Houston Electric, LLC
CNP	CenterPoint Energy, Inc.
Company	CenterPoint Energy Houston Electric, LLC
CRs	Competitive Retailers
CS	Customer Services
CSAT	Customer Satisfaction
Customer Operations	Customer Operations organization
ESID	Electric Service Identifier
IVR	Interactive Voice Response
PAS	Power Alert Service
Service Company	CenterPoint Energy Service Company, LLC
TDSPs	Transmission and Distribution Service Providers
WFM	Call Center Workforce Management

EXECUTIVE SUMMARY – CUSTOMER OPERATIONS**(SHONDA ROYSTON-JOHNSON)**

The Customer Operations organization (“Customer Operations”) supports the electric utility service offered by CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”). Customer Operations is responsible for providing support services to Competitive Retailers (“CRs”)¹ and end-use retail electric customers to whom the Company delivers electricity. To deliver and ensure positive customer experiences and maintain operational efficiency, Customer Operations oversees many end-user touch points. The customer-focused structure aligns responsibilities under centralized leadership, which includes performance management, contact center operations, operations support (quality assurance, customer advocate & regulatory liaison), credit & collections, electric market operations and billing operations. Customer Operations’ purpose is to consistently meet the evolving needs of customers and CRs in an economic and efficient manner.

My testimony:

- describes the Customer Experience, Performance Management, and Customer Billing functions and responsibilities within Customer Operations;
- outlines the cost controls that are in place to monitor Customer Experience, Performance Management, and Customer Billing activities while delivering superior service;
- demonstrates that Customer Operations provides exceptional customer service; and

¹ Competitive Retailers are also known as retail electric providers.

- 1 • defines how Customer Experience, Performance Management, and Billing
2 Operations cost allocations are made to ensure only expenses related to
3 CenterPoint Houston's electric operations are included in this filing.

4 My testimony demonstrates that the affiliate costs for Customer Experience, Performance
5 Management, and Customer Billing are reasonable and necessary. As explained in the
6 direct testimony of Company witness Mr. L. Darren Storey, these costs are not priced
7 higher to CenterPoint Houston than the prices charged for the same services to other
8 affiliates. Thus, the costs in relation to Customer Operations should be fully recovered in
9 CenterPoint Houston's rates.

DIRECT TESTIMONY OF SHONDA ROYSTON-JOHNSON

I. INTRODUCTION

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

A. My name is Shonda Royston-Johnson. I am the Vice President of Customer Experience for CenterPoint Energy Services Company, LLC ("Service Company"). My business address is 1111 Louisiana Street, Houston, Texas 77002.

Q. WHAT ARE YOUR RESPONSIBILITIES AS THE VICE PRESIDENT OF CUSTOMER EXPERIENCE?

A. As the Vice President of Customer Experience, my responsibilities include overseeing contact center operations and operations support (quality assurance, customer advocacy/regulatory liaison). I oversee Customer Services ("CS") for the entire CenterPoint Energy, Inc. ("CNP") electric service area footprint, which includes both the greater Houston area and Southern Indiana.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND PREVIOUS WORK EXPERIENCE.

A. I graduated from Texas Southern University with a bachelor's degree in business administration. I began my career with CNP in 1992 in Houston, Texas, as an agent in CS. Following that, I've held multiple positions within the CS organization within a 31-year span (Quality Assurance Auditor, Process Optimization Consultant, CS Supervisor, CS Manager, CS Director, Billing Director, and Credit Director). Most recently, in February 2023, I assumed the responsibilities of Vice President of Customer Experience.

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

2 A. I am testifying on behalf of the Company.

3 II. PURPOSE AND SCOPE OF TESTIMONY

4 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
5 PROCEEDING?

6 A. The purpose of my testimony is to describe the Customer Experience, Performance
7 Management, and Customer Billing functions and responsibilities within Customer
8 Operations and the affiliate services each department within Customer Operations provided
9 to CenterPoint Houston during the 2023 test year. I will explain how the affiliate costs, for
10 those departments—Customer Experience, Performance Management, and Billing
11 Operations—in relation to Customer Operations are charged to CenterPoint Houston, and
12 that the costs for these services were reasonable and necessary and charged at rates no
13 higher than those charged to other Service Company business units (i.e., affiliates) for the
14 same services. In addition, I support the expenses incurred directly by CenterPoint Houston
15 related to activities supporting Customer Billing, specifically revenue protection costs and
16 responding to irregular meter issues.

17 Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR
18 TESTIMONY?

19 A. Yes. I have prepared three exhibits:
20 Exhibit SRJ-1 2023 YTD CSAT Rating;
21 Exhibit SRJ-2 2023 YTD PAS Rating; and
22 Exhibit SRJ-3 ACSI Benchmark Index.

1 Q. DO YOU SPONSOR OR CO-SPONSOR ANY SCHEDULES IN THIS
2 PROCEEDING?

3 A. Yes, I co-sponsor Schedule L with Ms. Kristie Colvin.

4 Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF OTHER
5 WITNESSES IN THIS PROCEEDING?

6 A. The parts of my testimony that relate to planning, budgeting, and the assignment of affiliate
7 costs to CenterPoint Houston support and supplement the testimony of Mr. L. Darren
8 Storey, who testifies about the overall role and benefits of having a service company, of
9 which I am a part, including the budgeting and allocation methodologies for Service
10 Company affiliate costs charged to CenterPoint Houston. Furthermore, Mr. Storey
11 addresses any necessary test year adjustments to Customer Experience, Performance
12 Management, and Customer Billing in relation to Customer Operations affiliate costs.
13 Company witness Mr. John Hudson will address the Market Operations and Retail Electric
14 Provider Credit & Collections divisions and their roles in support of Customer Operations
15 during the test year.

16 Q. WAS YOUR TESTIMONY, INCLUDING ASSOCIATED SCHEDULES,
17 WORKPAPERS, AND EXHIBITS, PREPARED BY YOU OR UNDER YOUR
18 CONTROL AND DIRECTION?

19 A. Yes.

20 **III. OVERVIEW OF CUSTOMER OPERATIONS**

21 Q. WHAT IS THE CURRENT ORGANIZATIONAL STRUCTURE OF CUSTOMER
22 OPERATIONS?

1 A. Customer Operations is a part of the Service Company, which is an affiliate of CenterPoint
2 Houston that provides administrative and operational support services. The six functional
3 departments within Customer Operations are:

- 4 • Customer Experience;
- 5 • Credit & Collections;
- 6 • Electric Market Operations;
- 7 • Performance Management;
- 8 • Billing Operations; and
- 9 • Home Serve, a warranty service offered to certain CNP gas utility customers
10 whose costs are not being sought to be recovered in CenterPoint Houston's
11 rates.

12 **Q. WHAT CHANGES HAVE BEEN MADE TO THE CUSTOMER OPERATIONS**
13 **ORGANIZATIONAL STRUCTURE SINCE THE LAST CENTERPOINT**
14 **HOUSTON RATE CASE?**

15 A. Customer Operations now reports to the Senior Vice President and Chief Customer Officer.
16 This structure, put in place in 2023, aligns multiple business units with customer
17 touchpoints under common leadership and assures the implementation of a unified
18 customer-centric vision, mission, and strategy across all CNP electric and gas utilities.
19 This centralized reporting allows for efficiencies in technology, planning, project
20 implementation, and customer life cycle maintenance. This effort has enhanced
21 operational efficiencies and effectiveness and improved experience to CRs and end-use
22 retail customers.

1 Q. WHAT SERVICES DOES CUSTOMER OPERATIONS PROVIDE TO
2 CENTERPOINT HOUSTON?

3 A. Customer Operations is responsible for providing support services to CRs and end-use
4 retail electric customers to whom CenterPoint Houston delivers electricity. The Customer
5 Operations activities outlined in this testimony are essential to the provision of electric
6 utility service. The services provided are needed to support CenterPoint Houston's role in
7 the retail electric market. Without the combined Customer Operations organization,
8 CenterPoint Houston's ability to provide exceptional customer service would be at risk.
9 My testimony describes the Company's efforts to provide excellent customer service to all
10 customers. Company witness Rina Harris discusses the Company's work to improve
11 service for its largest customers. Company witness Mr. Hudson will address the Electric
12 Market Operations and Credit & Collections functions and responsibilities and describe the
13 support services to CRs and end-use retail customers to whom CenterPoint Houston
14 delivers electricity.

15 Q. DOES CUSTOMER OPERATIONS PROVIDE SERVICES TO ANY EXTERNAL
16 ENTITIES?

17 A. No, Customer Operations only provides services to CNP and its subsidiaries, including
18 CenterPoint Houston.

19 IV. OVERVIEW OF CUSTOMER EXPERIENCE OPERATIONS AND
20 PERFORMANCE MANAGEMENT

21 Q. WHAT ARE THE FUNCTIONS AND RESPONSIBILITIES OF THE VICE
22 PRESIDENT OF CUSTOMER EXPERIENCE?

23 A. The Vice President of Customer Experience provides executive oversight of the
24 organization, which is necessary to ensure that the Customer Experience department

operates in an effective, efficient, and cost-effective manner, contributing to the overall success of the CS organization. This centralized structure allows CenterPoint Houston to leverage resources across multiple business units, thereby giving the business units access to specialized skills and resources in an efficient and cost-effective manner.

Q. WHAT ARE THE FUNCTIONS AND RESPONSIBILITIES OF THE CUSTOMER EXPERIENCE AND PERFORMANCE MANAGEMENT DEPARTMENTS?

A. With respect to electric utility service functions, the Customer Experience department is responsible for operations support activities (quality assurance, customer advocate, and regulatory liaison), responding to end-use customer and CR inquiries regarding: (1) service order status updates for the connection and disconnection of power; (2) customer usage disputes; (3) order processing for meter relocation, electric outages, and downed power lines; and (4) establishment of new service locations and creation of Electric Service Identifiers ("ESID"). Contact Center Operations is the first point of contact for reporting system or premise emergencies. Contact Center Operations personnel conduct research and interface with other departments to resolve customer inquiries regarding their electric utility service.

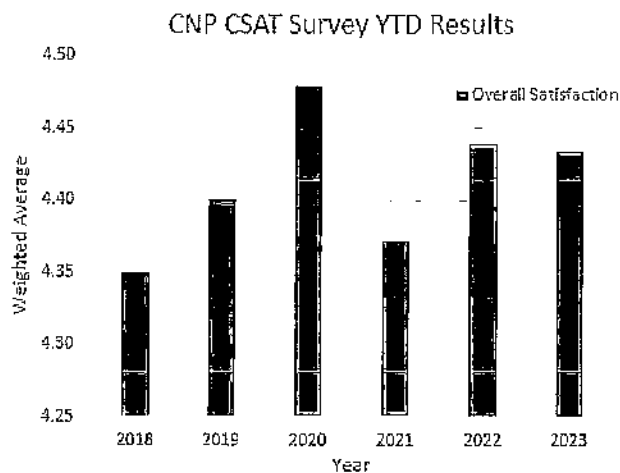
The Customer Performance Management department includes the following customer support teams: Call Center Workforce Management ("WFM"), Customer Service Program and Project Management, as well as Organizational Change Management. This group also serves as business owner for existing customer technologies and future technology roadmaps. WFM is responsible for call volume forecasting, financial planning, agent schedules, and real-time management for our universal call center operations. The other teams primarily lead and support ongoing process improvement initiatives across all

1 lines of business and any associated change management activities and communications.
2 From a technology perspective, the team administers and outlines strategic roadmaps for
3 the call handling and routing systems, agent interaction screens, and our inbound/outbound
4 Interactive Voice Response (“IVR”) application as well as the web customer self-service
5 application and CNP’s Power Alert Service (“PAS”), an application that provides alert
6 notifications for existing and restored outages and allows end-use customers to report an
7 outage, view their electric usage history, and obtain their ESID.

8 **Q. WHAT ACTIONS DOES CUSTOMER PERFORMANCE MANAGEMENT TAKE**
9 **TO ENSURE THAT IT PROVIDES QUALITY CUSTOMER CARE?**

10 A. The Customer Performance Management group has both internal and external controls and
11 measures in place to ensure quality customer care is being provided. One of these measures
12 employs post-call surveying to capture customer sentiment about their experiences with
13 CS agents and our IVR system. In 2023, the Company surveyed over 314,582 callers,
14 yielding an overall satisfaction score of 4.43 out of 5. Of those surveyed, 84.08% of
15 customers indicated that they were either “satisfied” or “extremely satisfied” with the
16 service they received. Additionally, the Company surveyed customers who receive phone,
17 text message, or e-mail alerts via our PAS. In 2023, the Company surveyed over 6,958
18 PAS customers, 88% of whom reported being either “satisfied” or “extremely satisfied,”
19 and producing an overall satisfaction score of 4.45 out of 5. These quality measures are in
20 addition to internal audits that help analyze business processes, procedures, and activities.
21 The internal call evaluations monitor and assess the adequacy and effectiveness of the
22 Company’s operational, financial, information systems, and administrative controls and
23 recommend solutions that allow the organization to better achieve its objectives.

Chart 1: Customer Satisfaction Survey Results 2018 to 2023 YTD



Q. WHAT TECHNOLOGY DO THE CONTACT CENTER AND CUSTOMER PERFORMANCE GROUPS USE TO PROVIDE CONSISTENT QUALITY SERVICE?

A. Customer Operations has invested heavily in technology to improve the customer experience. Since September 2020, end-use customers have been able to authenticate their service address through an automated software application. Additionally, end use customers can sign up for the aforementioned PAS.

Q. WHAT PERCENTAGE OF CS AGENTS CURRENTLY WORK REMOTELY?

A. The percentage of CS agents working remotely is 100%.

Q. HOW DO YOU ENSURE THAT CUSTOMER CARE QUALITY REMAINS CONSISTENTLY HIGH CONSIDERING 100% OF CUSTOMER AGENTS WORK REMOTELY?

1 A. To ensure that our customer care quality remains consistently high, we record 100% of the
2 calls fielded by customer agents. In addition, we have a Quality Assurance team that
3 assesses calls daily and rates agents on interpersonal skills, customer sentiment, process
4 and procedure accuracy, and compliance adherence. In addition, leadership randomly
5 monitors calls in real-time and listens to recorded calls to ensure quality of service.

6 **Q. PLEASE EXPLAIN HOW THE COMPANY MEASURES THE SUCCESS OF AND**
7 **OVERALL CUSTOMER SATISFACTION WITH CUSTOMER OPERATIONS?**

8 A. The Company measures success and overall customer satisfaction as follows:

9 **Power Alert Service**

10 The Utility Marketing group supports the growth and continued success of the Company's
11 PAS program, which provides customers with in-the-moment notifications about outage
12 and restoration events at or near the customer's home. These alerts have achieved a
13 Customer Satisfaction ("CSAT") score of 88%. In addition to a highly satisfying user
14 experience, PAS reduces registered user calls made to the Contact Center during outage
15 events.

16 In 2023, the Company reached over one million customers through social media
17 during dozens of weather events in addition to delivering over sixteen million email, text,
18 and phone messages through PAS. CenterPoint Houston's electric utility web pages
19 (including PAS), which promote electric safety, efficiency, and technology, received 5.4
20 million page views. In the same year, the Company implemented a machine learning
21 process that predicts a customer's estimated time of restoration based upon several factors
22 from field personnel to location of the outage.

Market Research and Analytics

Another way the Customer Operations team measures success and overall satisfaction is through the Utility Trusted Brand & Customer Engagement Study for Transmission and Distribution Service Providers (“TDSPs”). This is an online survey of residential electric customers within competitive market areas in Texas administered by Cogent Syndicated Energy.² In 2023, CenterPoint Houston was ranked second among four utilities on Engaged Customer Relationship, a measure of overall satisfaction. Additionally, CenterPoint Houston was rated Best-in-Class for:

- Communications Effectiveness
- Company Reputation
- Community Support
- Reliable Quality
- Customer Focus
- Environmental Dedication
- Benefits Awareness
- Design Features
- Safety & Reliability
- Customer & Field Service

Awards & Industry Recognition

Lastly, according to the American Customer Satisfaction Index (“ACSI”),³ in 2023 the Company ranked second among investor-owned utilities in customer satisfaction. This success demonstrates that customer satisfaction is very high even as the Company works to reduce its customers’ outage time and service interruptions, as further discussed by Company witnesses Eric Easton, Deryl Tumlinson, and Mandie Shook.

² Cogent Syndicated Energy is a data analytics and advisory firm that offers energy research, provides energy market data, and reports industry trends. Cogent Syndicated Energy’s website: <https://escalent.co/industries/energy/cogent-syndicated-reports/>

³ ACSI measures the satisfaction of U.S. consumers with the quality of products and services offered by firms. ACSI company website: <https://theacsi.org/industries/energy-utilities/>.

1 **Q. WHY DOES THE CONTACT CENTER RECEIVE CALLS FROM CRS?**

2 A. The calls that the Contact Center receives from CRs concern the status of service orders,
3 permitting, ESID validation, and other transaction inquiries. CRs' calls may also involve
4 support needs for CenterPoint Houston's on-line competitive retail portal or Smart Meter
5 Texas data questions. These calls are in addition to transferred customer calls we receive
6 from CRs.

7 **Q. DOES THE CONTACT CENTER RELY ON AUTOMATED PROCESSES TO**
8 **PROVIDE CUSTOMER CARE?**

9 A. Yes. Customer Operations has invested heavily to build both IVR and web-based
10 automated solutions for CRs and end-use retail customers. Our IVR containment rate⁴ in
11 2023 was 55.8% in 2023, which combined with our award-winning PAS has led to
12 increased customer satisfaction and operating efficiencies. Additional web enhancements
13 have also simplified how customers establish preference settings and review usage history.

14 **Q. WHAT ARE YOUR EXPECTATIONS REGARDING FUTURE CONTACT**
15 **CENTER VOLUMES?**

16 A. Customer Operations expects overall call volumes will continue to increase as new meters
17 are added, but there could be some relief afforded as self-service adoption continues and
18 with the evolution of artificial intelligence. Customer Operations anticipates call lengths
19 for agent-handled calls to grow as these options begin to satisfy most customer support
20 needs, leaving only the most complex issues requiring telephone interaction.

⁴ IVR containment rates measure the percentage of customer calls that are effectively resolved through the IVR system without the need for a live CS agent.

V. CUSTOMER BILLING

Q. WHAT ARE THE FUNCTIONS AND RESPONSIBILITIES OF THE CUSTOMER BILLING DEPARTMENT?

A. The purpose of the department is to provide accurate and timely monthly billing services for the Houston Electric service territory. The territory encompasses approximately 2.8 million total metered customers. The Revenue Protection team is responsible for identifying, investigating, and collecting lost revenue resulting from the theft of services and irregular meter conditions.

Q. WHAT SERVICES DOES CUSTOMER BILLING PROVIDE TO CENTERPOINT HOUSTON?

A. Customer Billing provides a plethora of analytics to maintain quality control and produce accurate billing services. The group collaborates with internal stakeholders to:

- Maintain system tables for rate factor and rate code changes.
- Prepare monthly and yearly read schedules and processing schedules.
- Perform audit bills to confirm accuracy of billing.
- Support and facilitate billing data interfaces between the automated systems (SAP, EAI, TMH, MV90, MDM).
- Develop, monitor and prioritize legacy systems change activities and coordinate system testing and implementation with Technology Operations.
- Support ad hoc data retrieval as needed for various information requests.
- Provide data and schedules for regulatory filings and requests for information.
- Support audit functions relating to revenue related items.

Q. HOW DOES BILLING OPERATIONS ENSURE CRS RECEIVE QUALITY CARE?

A. CenterPoint Houston provides client support to CRs by:

- Communicating with internal and external (MarkeTrak⁵) customers on inquiries related to billing matters;
- Providing support regarding billing disputes and/or general questions regarding any electric invoicing; and
- Monitoring, identifying, and resolving billing system exceptions.

VI. COST CONTROL

Q. WHAT DO THE CUSTOMER EXPERIENCE, PERFORMANCE MANAGEMENT, AND CUSTOMER BILLING GROUPS DO TO BUDGET, MONITOR, AND CONTROL COSTS?

A. The Customer Experience, Performance Management, and Customer Billing groups' cost control efforts include the preparation of a budget. Leadership of the respective groups monitor and manage the budget on a monthly basis, and variances are investigated against historical call volume trends, current retail market activity, planned changes, and other key drivers.

Q. DO ANY EMPLOYEES WITHIN CUSTOMER OPERATIONS PROVIDE SERVICE FOR CNP BUSINESS UNITS OTHER THAN CENTERPOINT HOUSTON?

A. Yes. Customer Operations provides services to both CenterPoint Houston and its affiliates.

⁵ ERCOT hosted secured portal that ERCOT and Market Participants use to track market issues and data discrepancies.

1 **Q. WHAT ACTIONS DOES THE SERVICE COMPANY TAKE TO ENSURE THE**
2 **PROPER ASSIGNMENT OF CUSTOMER OPERATIONS COSTS TO**
3 **CENTERPOINT HOUSTON?**

4 A. Extensive efforts are taken to ensure proper cost allocation is in place, and regular review
5 of the allocation methodology is conducted. As discussed by Mr. Storey, the Service
6 Company assigns costs to CenterPoint Houston via direct-billing or cost allocation. Costs
7 are direct-billed when Customer Operations personnel determine that the cost is directly
8 related to CenterPoint Houston services or operations. For example, activities supporting
9 Customer Billing, specifically revenue protection costs and responding to irregular meter
10 issues, are directly billed to CenterPoint Houston. Alternatively, costs are allocated to
11 CenterPoint Houston when Customer Operations incurs costs that benefit multiple CNP
12 business units. For example, managing customer contact operations, customer account
13 support, customer service training, and service agent performance analytics.

14 **Q. WERE CUSTOMER OPERATIONS SERVICE COST ALLOCATIONS UPDATED**
15 **IN THE TEST YEAR?**

16 A. Yes, as previously noted, the group is responsible for managing and reviewing the
17 Customer Operations budget. As part of this group's regular review, following formation
18 of Customer Operations and additional investments in technology, cost of service expenses
19 were updated. These changes were made to identify and reflect all expenses incurred by
20 the entire Customer Operations organization and allocate those expenses that were for the
21 benefit of CenterPoint Houston.

1 **Q. ARE THE COMPANY'S TEST YEAR COSTS FOR CUSTOMER OPERATIONS**
2 **REASONABLE AND NECESSARY?**

3 A. Yes, Customer Operations provides critical support between CenterPoint Houston, CRs
4 and end-use customers. As described in my testimony and that of Mr. Hudson and Mr.
5 Storey, Customer Operations costs are necessarily incurred and accurately allocated to
6 CenterPoint Houston and should be recovered in rates. In addition, the \$1.6M in direct
7 O&M costs that originated within CenterPoint Houston were reasonable and necessarily
8 incurred and should be recovered in rates.

9 **VII. CONCLUSION**

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 A. Yes.

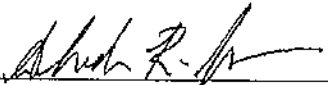
STATE OF Texas §
§
COUNTY OF Harris §

AFFIDAVIT OF SHONDA ROYSTON-JOHNSON

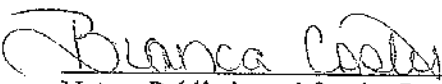
BEFORE ME, the undersigned authority, on this day personally appeared Shonda Royston-Johnson who having been placed under oath by me did depose as follows:

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

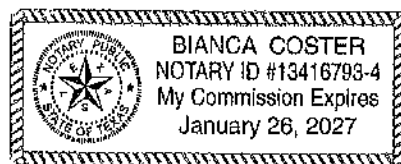
Further affiant sayeth not.


Shonda Royston-Johnson

SUBSCRIBED AND SWORN TO BEFORE ME on this 13th day of February,
2024.


Notary Public in and for the State of Texas

My commission expires: Jan 26, 2027



2023 YTD Customer Satisfaction (CSAT) Survey Score

Year of Date	Response ¹	% of Total OSAT ² Response Count	OSAT Response Count
2023	1	6.68%	21,021
	2	4.28%	13,479
	3	4.95%	15,586
	4	7.16%	22,509
	5	76.92%	241,987
Grand Total		100.0%	314,582

YTD Weighted Average: 4.434



Notes:

1. Post call survey allows the customer to make a selection based on a scale from 1 to 5. Selecting "1" indicates the customer was Not Satisfied. Selecting "5" indicates the customer was Completely Satisfied.

2. The acronym OSAT stands for Overall Satisfaction

3. The pictured diagram YTD Weighted Average score 4.443 excludes certain storm related data.

Source: Qualtrics Experience Management is the dashboard from where the data was compiled.

2023 YTD Power Alert Service (PAS) Customer Satisfaction Score

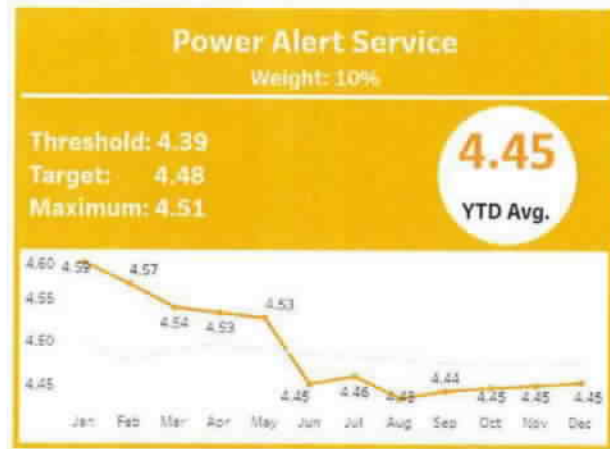
Year of Date	Response ¹	% of Total Survey Score Responses	Survey Score Responses
2023	1	3.35%	233
	2	3.35%	233
	3	5.39%	375
	4	20.44%	1,422
	5	67.48%	4,695
Grand Total		100.0%	6,958

2023 YTD Weighted Average: 4.45

Notes:

1. Post call survey allows the customer to make a selection based on a scale from 1 to 5. Selecting "1" indicates the customer was Not Satisfied. Selecting "5" indicates the customer was Completely Satisfied.

Source: Qualtrics Experience Management is the dashboard from where the data is compiled.





American Customer
Satisfaction Index

AMERICAN CUSTOMER SATISFACTION INDEX

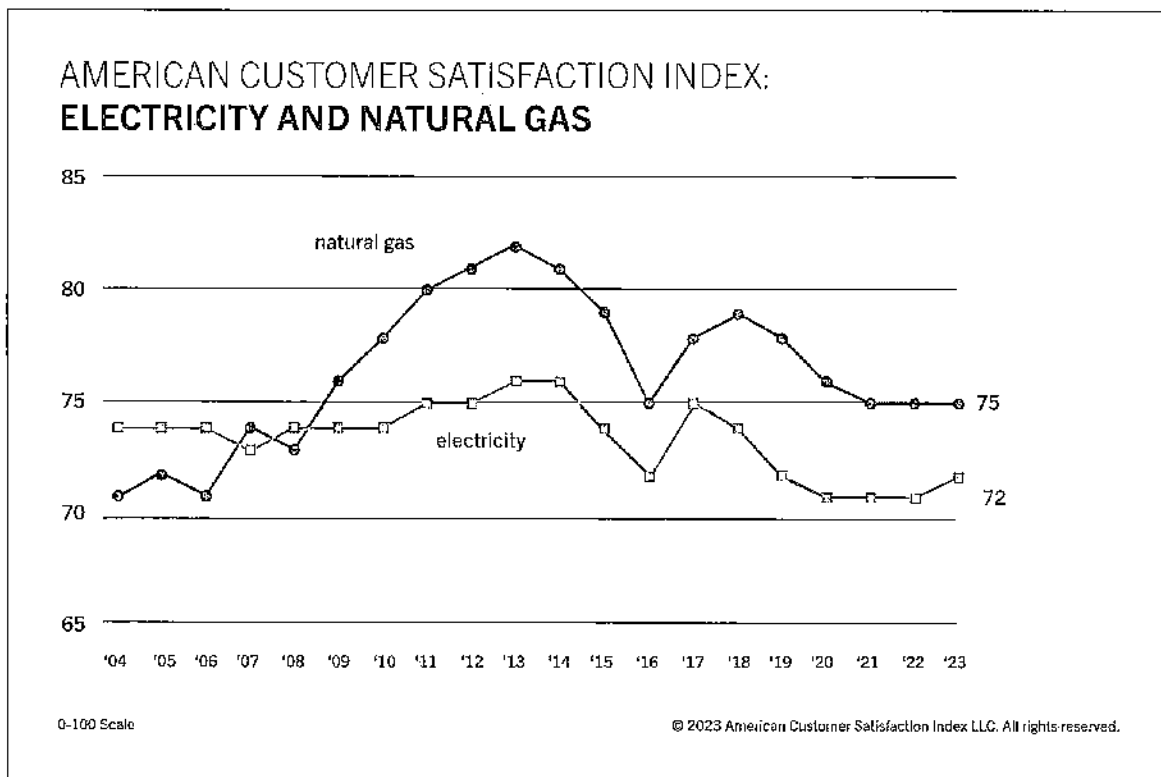
ACSI Energy Utilities Study 2022-2023

March 21, 2023

Customer satisfaction is a driving force that impacts the financial outlook of individual firms and the health of the U.S. economy at large. New results from the American Customer Satisfaction Index (ACSI®) provide customer satisfaction benchmarks for the energy utilities industry, including both investor-owned and municipal utilities. The ACSI also captures consumer opinions about critical elements of the customer experience, tailored specifically to the industry.

The **ACSI Energy Utilities Study 2022-2023** is based on interviews with 20,873 residential customers, chosen at random and contacted via email between January 2022 and December 2022. Customers are asked to evaluate their recent experiences with the largest energy utilities in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—companies.

Energy Utilities





ACSI Energy Utilities Study 2022-2023

AMERICAN CUSTOMER SATISFACTION INDEX: ENERGY UTILITIES

COMPANY	2022	2023	% CHANGE
Energy Utilities	72	72	0%
Atmos Energy	76	77	1%
CenterPoint Energy	78	76	-3%
NextEra Energy	75	75	0%
NiSource	73	75	3%
Southern Company	75	75	0%
Berkshire Hathaway Energy	73	74	1%
Exelon	72	74	3%
All Others	NM	73	NA
Dominion Energy	74	73	-1%
Duke Energy	72	73	1%
Public Service Enterprise Group	71	73	3%
Salt River Project	76	73	-4%
Xcel Energy	72	73	1%
Ameren	72	72	0%
American Electric Power	69	72	4%
CMS Energy	72	72	0%
Consolidated Edison	73	72	-1%
DTE Energy	69	72	4%
PPL	72	72	0%
Sempra	73	72	-1%
WEC Energy Group	75	72	-4%
Los Angeles Department of Water and Power	68	71	4%
FirstEnergy	70	70	0%
Entergy	69	69	0%
National Grid	69	69	0%
CPS Energy	63	68	8%
Edison International	69	68	-1%
Eversource	66	65	-2%
PG&E	61	63	3%

NM = Not Measured
NA = Not Available

0-100 Scale

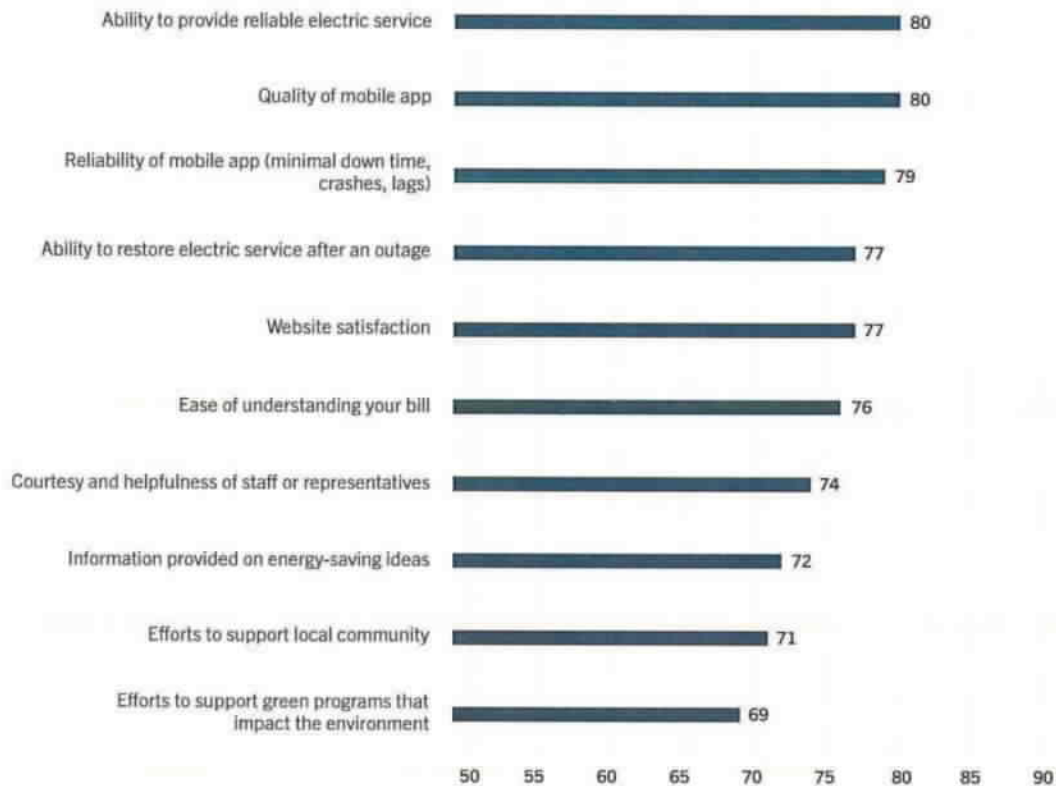
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ACSI Energy Utilities Study 2022-2023

ENERGY UTILITIES

2023 Customer Experience Benchmarks



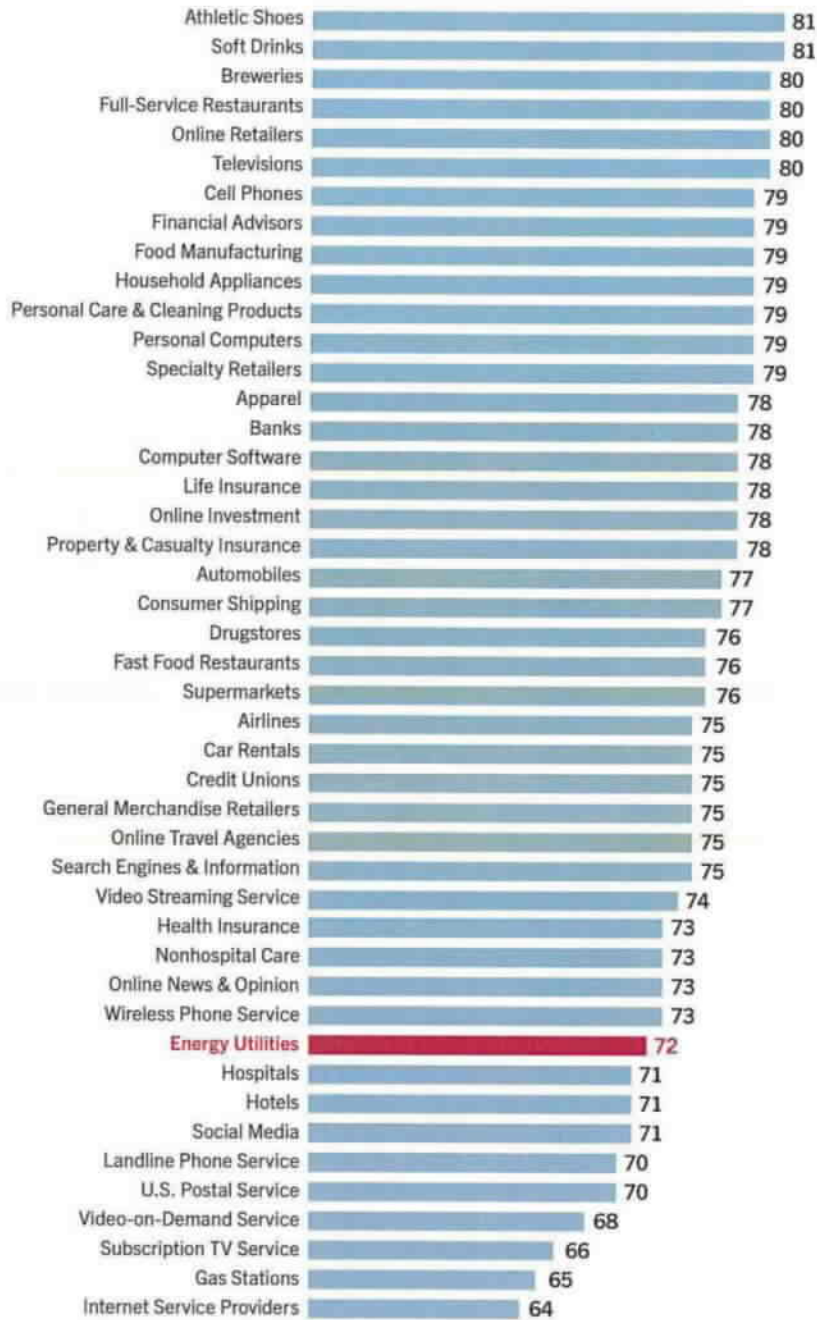
0-100 Scale

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ACSI Energy Utilities Study 2022-2023

CUSTOMER SATISFACTION BENCHMARKS BY INDUSTRY



0-100 Scale

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ACSI Energy Utilities Study 2022-2023

ACSI survey data are used as inputs to the Index's cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI clients receive confidential results that include industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

ACSI and its logo are Registered Marks of American Customer Satisfaction Index LLC.

No advertising or other promotional use can be made of the data and information in this study without the express prior written consent of ACSI LLC.



SHONDA ROYSTON-JOHNSON WORKPAPERS:



WP-SRJ-1 Quality Assurance Score 2018-2023.pdf

2018 – 2023 QA Scores

Year	Quality Average (Gas & Electric)	Quality Average (Electric Only)	FCR Electric Only	Quality Average (Gas Only)	FCR Gas Only
2018	85.37%				
2019	95.61%				
2020	95.21%				
2021	95.37%				
2022	89.91%				
2023	90.32%	91.96%	98.48%	89.96%	96.17%

**Data remains accurate and valid through December 31, 2023.*

Footnote: You will find that the QA score variation between gas and electric evaluations is consolidated for the period spanning from 2018 to May 2023. This is due to the absence of classifications within our QA reporting prior to May 2023, making it challenging to segregate an electric evaluation score from a gas evaluation score. The QA team later initiated classifications, enabling distinction by call type accurately. Our exhibit speaks to the consolidated score for 2018 - May 2023, and the segregated QA score for gas and electric evaluations, thereafter.

PUC DOCKET NO. 56211

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

DIRECT TESTIMONY

OF

M. SHANE KIMZEY

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

TABLE OF CONTENTS

EXECUTIVE SUMMARY	ES-1
I. INTRODUCTION	1
II. LEGAL	4
A. Legal Services Provided to CenterPoint Houston.....	4
B. Legal Costs and Cost Assignments.....	11

EXECUTIVE SUMMARY – LEGAL DEPARTMENT**(M. SHANE KIMZEY)**

The affiliate services that the Legal Department (or “Legal”) provides to CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) are critical to the Company’s provision of safe and reliable electric service, ensuring compliance with federal, state, and local legal and regulatory requirements, and risk mitigation. In this regard, my testimony:

- describes the organization, function, and responsibilities of the Legal Department;
- describes how Legal costs are controlled and monitored through the budgeting process and other strategies;
- addresses how the costs of Legal are assigned; and
- supports the reasonableness of the Legal affiliate services incurred by CenterPoint Houston during the test year.

My testimony demonstrates that the affiliate costs for Legal, as set out in the direct testimony of Company witness L. Darren Storey, are reasonable and necessary and, as explained in the direct testimony of Company witness Mr. Storey, are not priced higher to CenterPoint Houston than the prices charged for the same services to other affiliates. My testimony also demonstrates that the Company’s procurement of insurance is reasonable and necessary and explains that Transmission & Distribution (“T&D”) property insurance is not available at a reasonable cost, which supports the use of a self-insurance reserve to cover property losses, as explained in the direct testimony of Company witness Gregory S. Wilson. Thus, CenterPoint Houston’s legal costs should be recovered in full through rates.

**Direct Testimony of M. Shane Kimzey
CenterPoint Energy Houston Electric, LLC**

DIRECT TESTIMONY OF M. SHANE KIMZEY

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND CURRENT POSITION.

A. My name is Michael Shane Kimzey. I am Senior Vice President, Deputy General Counsel, and Chief Ethics & Compliance Officer of CenterPoint Energy Service Company, LLC ("Service Company").

Q. PLEASE SUMMARIZE YOUR BACKGROUND AND CURRENT RESPONSIBILITIES.

A. I received a B.A. in History from Washington & Lee University in 1992 and a law degree from the University of Texas School of Law in 1997. I was a federal law clerk from 1997-1998 and worked in private practice at Baker Botts LLP. I have worked as in-house counsel at Burlington Resources and ConocoPhillips and as Global Litigation Director, Deputy Chief Legal Officer, and Chief Compliance Officer at CEVA Logistics.

I joined CenterPoint Energy, Inc. ("CNP") in November 2014 as Vice President & Associate General Counsel – Litigation. Along with my team, I am responsible for (i) managing litigation and other disputes in which CNP and its subsidiaries, including the Company, are involved; (ii) advising management and the business on litigation risk; and (iii) developing and implementing litigation prevention and risk mitigation strategies. The Litigation team is also responsible for supporting CNP's environmental team and program, including assisting in (i) managing legal aspects and disputes concerning legacy environmental sites, (ii) advising and supporting the Company before environmental agencies, and (iii)

1 developing and implementing environmental programs and strategies.
2 Additionally, my team supports CNP subsidiaries, including the Company, with
3 regard to land use and acquisition of property rights and facilities, including capital
4 investments, transactions and disputed matters.

5 Along with my team, I am also responsible for the Claims Department and
6 the Ethics & Compliance Program, including Integrated Records and Information
7 Management and Data Privacy. Effective September 2020, along with my team, I
8 am also responsible for Enterprise Risk Management.

9 I serve on our General Counsel's Legal Leadership Team and assist in
10 managing the Legal Department. I also consult with and advise internal clients on
11 a range of issues.

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

13 A. The purpose of my testimony is to describe the organization and affiliate services
14 provided by the Legal Department.¹ My testimony demonstrates that the Legal
15 Department efficiently and effectively provides legal services to CenterPoint
16 Houston and that the Legal Department maintains proper controls to ensure that the
17 costs for each of these services are reasonable and necessary. My testimony further
18 establishes that the affiliate costs incurred by the Company during the test year are
19 properly assigned to CenterPoint Houston, are reasonable and necessary, and, as
20 explained by Company witness Mr. Storey, are not priced higher to CenterPoint
21 Houston than the prices charged for the same services to other affiliates.

¹ In addition to the Legal Department services described in my testimony, CNP Executive Vice President and General Counsel, Monica Karuturi, is also responsible for Supply Chain Management and Cyber Security, which are being covered by the testimony of Company Witnesses Carla Kneipp and Ron Bahr, respectively.

1 Additionally, my testimony demonstrates that the Company's procurement of
2 insurance is reasonable and necessary and also explains that T&D property
3 insurance is not available at a reasonable cost, which supports the use of a
4 self-insurance reserve to cover property losses, as explained in the direct testimony
5 of Company witness Mr. Wilson.

6 **Q. DO YOU SPONSOR ANY EXHIBITS OR SCHEDULES INCLUDED IN**
7 **THE RATE FILING PACKAGE?**

8 A. Yes. I sponsor Schedule II-C-4, which provides a list of Board of Directors
9 meetings held during and subsequent to the test year as well as the date of the
10 meetings and agendas. I also co-sponsor the reasonableness and necessity of
11 various costs included in Schedules V-K-7 and V-K-12 sponsored by Mr. Storey,
12 insofar as they are related to Legal services.

13 **Q. HOW DOES YOUR TESTIMONY RELATE TO THAT OF OTHER**
14 **WITNESSES IN THIS PROCEEDING?**

15 A. I serve as CenterPoint Houston's witness supporting the recovery of reasonable and
16 necessary test year costs for the Legal Department. These are affiliate costs that
17 CenterPoint Houston seeks to recover as part of its cost of service.

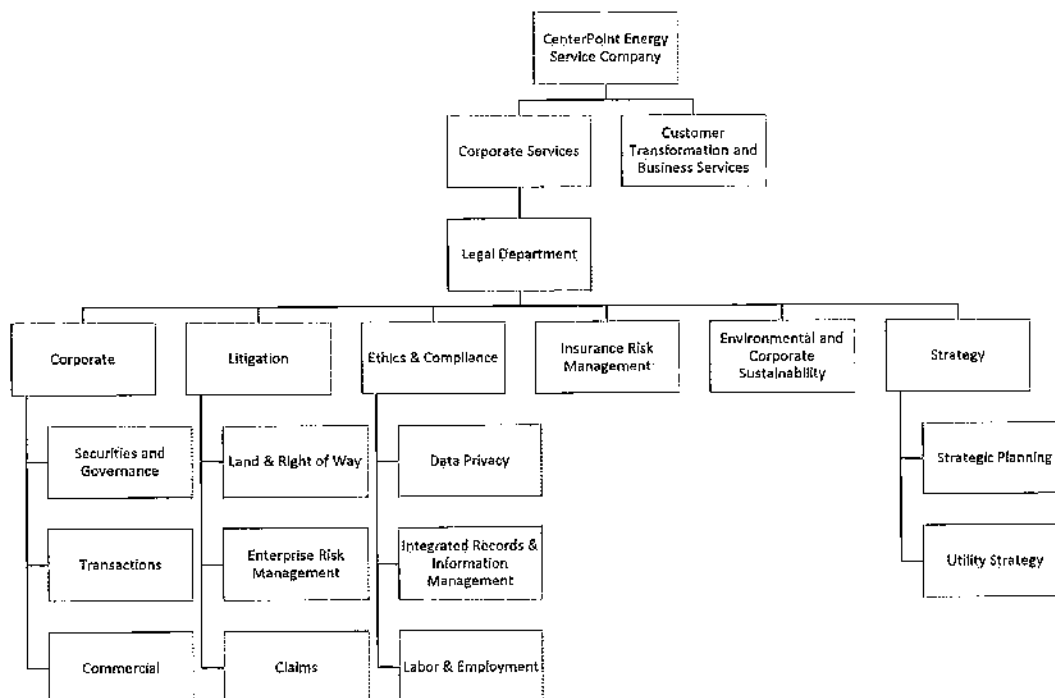
18 Mr. Storey provides direct testimony that supports CenterPoint Houston's
19 recovery of its affiliate costs, including affiliate billings and methodologies,
20 budgeting, cost controls, and the use of Service Level Agreements. Mr. Wilson
21 provides direct testimony that supports CenterPoint Houston's decision to use a
22 self-insurance reserve to cover property losses.

II. LEGAL

Q. WHERE DOES LEGAL FALL WITHIN THE SERVICE COMPANY ORGANIZATION?

A. As shown in the figure below, Legal falls within Corporate Services:²

Figure 1



A. Legal Services Provided to CenterPoint Houston

Q. WHAT IS THE LEGAL DEPARTMENT'S PRIMARY FUNCTION?

A. The primary function of the Legal Department is to ensure that client needs for legal services are satisfied in a competent and cost-effective manner and that legal and certain other risks within its areas of responsibility for CNP are effectively mitigated. Those services are provided through use of the Legal Department's

² As noted in footnote 1, Supply Chain Management and Cyber Security also report into the Legal Department, but, because other witnesses are providing testimony about them, they are not reflected in this figure.

**Direct Testimony of M. Shane Kimzey
CenterPoint Energy Houston Electric, LLC**

1 attorneys, paralegals, and support staff, and through the retention of and
2 consultation with outside counsel or other outside vendors or consultants where it
3 is determined that services can best be provided from sources outside the Legal
4 Department. In addition to these services, the Legal Department oversees the
5 Ethics & Compliance Department, which includes Integrated Records &
6 Information Management and Data Privacy; the Environmental and Corporate
7 Sustainability Department and Claims Department (effective February 2019); the
8 Enterprise and Insurance Risk Management Teams (effective September 2020);
9 Supply Chain Management (effective January 2022); and Strategy and Cyber
10 Security (effective January 2023).

11 **Q. DOES THE LEGAL DEPARTMENT HANDLE OR SUPERVISE ALL**
12 **LEGAL MATTERS FOR CENTERPOINT HOUSTON?**

13 A. Yes, the Legal Department handles or supervises all legal matters³ for CenterPoint
14 Houston. The General Counsel (or the General Counsel's designee) is responsible
15 for engaging all lawyers providing advice and legal services to CenterPoint
16 Houston, regardless of whether those lawyers are members of the Legal Department
17 or are from private law firms retained for specific matters. Moreover, in all
18 instances where outside counsel is retained, it is our policy that at least one attorney
19 within the Legal Department monitors the quality and progress of the legal work
20 being performed.

³ Some regulatory and government affairs matters may be legal in nature or have legal components to them and are managed by the Regulatory Affairs and Government Services team. The handling and supervision of those matters is being covered by the testimony of Brad Tutunjian; my testimony covers those handled and supervised by the Legal Department.

1 When a new matter arises requiring legal advice, the matter is referred to
2 the General Counsel, or the General Counsel's designee, who determines whether
3 the matter can be most effectively and efficiently handled by attorneys in the Legal
4 Department or by outside counsel. In general, outside counsel is retained for
5 matters that call for expertise not available within the Legal Department, or that
6 could be more efficiently handled by outside counsel, or when the overall volume
7 of legal work exceeds the capabilities of the Legal Department. Attorneys within
8 the Legal Department will coordinate efforts with outside counsel to maximize the
9 most efficient use of resources, including, where appropriate, the use of fixed fee
10 or alternative fee arrangements, as described in more detail below.

11 **Q. PLEASE DESCRIBE THE VARIOUS LEGAL SERVICES PROVIDED BY**
12 **THE LEGAL DEPARTMENT TO CENTERPOINT HOUSTON?**

13 A. The Legal Department provides the following services to the Company.

14 **Corporate Securities, Governance and Transactions.** The lawyers and
15 others on these teams are responsible for (i) maintaining compliance with
16 securities laws and regulations, including periodic filings with the Securities &
17 Exchange Commission, and other public company requirements; (ii) representing
18 the Company in corporate transactions such as mergers and acquisitions, finance
19 and capital markets and utility transactional matters; (iii) overseeing matters of
20 corporate governance; (iv) maintaining accurate records relating to the legal
21 entities in the CNP group of companies; (v) insider trading training and
22 awareness; and (vi) advising on benefits plans and various other matters.

1 **Commercial.** The Commercial Legal team of CNP's Legal Department
2 is responsible for the legal aspects of the Company's commercial contracting
3 process. Our commercial team (i) drafts, reviews, and negotiates contracts with
4 customers and vendors; (ii) provides guidance on commercial and contracting
5 risks and issues more generally; and (iii) supports our Supply Chain Management
6 department. This team is also responsible for the Company's intellectual property
7 work.

8 **Litigation, Land & Right of Way.** The lawyers on this team are
9 responsible for managing litigation and other disputes that CNP and its
10 subsidiaries become involved in, as well as supporting CenterPoint Houston's and
11 other entities' Land and Right of Way Work, such as procuring easements and
12 other such rights and working with landowners.

13 **Enterprise Risk Management.** CNP's Enterprise Risk Management Team
14 supports executive management's, operational management's, and functional
15 management's execution of CNP's strategic business objectives by conducting
16 periodic and ongoing risk assessments and assisting with risk mitigation planning.
17 The Enterprise Risk Management Team helps CNP and its business units and
18 functions identify, assess, and monitor various enterprise, business, and project
19 risks. Team members do so by gathering risk information, facilitating risk
20 discussions, evaluating and monitoring action plans, and using other risk analysis
21 tools to provide guidance and advice to and help leaders understand, prioritize, and
22 appropriately mitigate risks.

1 **Claims.** The Claims Department is responsible for intaking, processing,
2 and resolving various personal injury and property damage claims that are
3 submitted to CNP, as well as pursuing claims against other persons and entities
4 that cause damage to CNP property. The Claims Department also provides critical
5 support to incident investigations involving CNP's operations and to the litigation
6 team on litigated and other claims and disputes.

7 **Ethics & Compliance, Data Privacy, and Integrated Records and**
8 **Information Management.** This team is responsible for (i) overseeing,
9 supporting, and educating the CNP organization on ethics and compliance with
10 laws and regulations, and investigating and responding to ethics or compliance
11 concerns; (ii) Integrated Records and Information Management; (iii) providing
12 guidance on data privacy laws and regulations, privacy incident management, and
13 privacy risk mitigation; and (iv) supporting Human Resources and managing and
14 advising on labor-and-employment matters. The team is also responsible for
15 providing guidance and overseeing: (i) fines and penalties imposed by any
16 government or regulatory authority; (ii) compliance-related inquiries from any
17 government or regulatory authority; and (iii) compliance-related audits or due
18 diligence requests from third parties.

19 **Insurance Risk Management.** CNP's Insurance Risk Management
20 ("IRM") team is responsible for assessing CNP's risks, advising on appropriate
21 insurance levels to insure against those risks, and procuring insurance at
22 reasonable rates. Additionally, the IRM team works with business personnel, the

1 Legal Department, outside counsel, and our broker and underwriters to submit
2 and process claims and otherwise recover insurance proceeds.

3 **Environmental and Corporate Sustainability.** The Environmental and
4 Corporate Sustainability Department is responsible for managing all of CNP's
5 environmental matters and risks, including developing and implementing
6 environmental programs and strategies. These include current environmental risks
7 and regulatory compliance and reporting requirements arising out of our
8 operations, handling environmental incidents and events, and managing legacy
9 environmental matters. Environmental and Corporate Sustainability Department
10 personnel provide training, advice, and other support to operations and other
11 personnel on environmental issues and represent the Company before
12 environmental agencies. The Environmental and Corporate Sustainability
13 Department also oversees certain environmental activities such as waste disposal
14 associated with CenterPoint Houston operations and construction activities,
15 permitting of maintenance and new construction projects, system maintenance,
16 and the investigation and handling of oil and materials management and disposal
17 (primarily from electrical equipment that contains mineral oil). Those costs,
18 which amount to approximately \$10 million, are monitored and controlled in the
19 same way as other Company costs. For example, contractors, who provide many
20 of these services, are required to competitively bid for their services. Such cost
21 controls, coupled with the Company's budgeting process, ensure that these costs
22 are reasonable and necessary.

1 The Environmental and Corporate Sustainability Department also
2 oversees CNP's Environmental, Social & Governance programs, publications,
3 and other work. Among its publications is CNP's Corporate Sustainability
4 Report. CNP's Corporate Sustainability Report follows the Global Reporting
5 Initiative ("GRI") standards, which is the leading framework used by
6 organizations to disclose economic, environmental and social performance. In
7 line with CNP's core values of safety, integrity, accountability, initiative and
8 respect, the Environmental and Corporate Sustainability Department strives to
9 address issues that are important to Company stakeholders in a thoughtful and
10 transparent way. Material topics include governance, ethics and compliance,
11 environmental impacts and greenhouse gas emissions, energy efficiency,
12 biodiversity, community relations and economic development, customers,
13 employees and safety. The 2024 Corporate Sustainability Report will be
14 published later this year when statistics for the full year 2023 are available.

15 **Strategy.** The Strategic Planning team is responsible for considering,
16 advising on, and leading various strategic initiatives for CNP, including mergers,
17 acquisitions, and divestitures, and our Utility Strategy team is responsible for
18 developing our organic growth strategy, including CNP's perspectives and
19 priorities on various industry and policy matters.

20 **Q. YOU MENTIONED INSURANCE RISK MANAGEMENT. IS INSURANCE**
21 **AVAILABLE TO COVER LOSSES TO CENTERPOINT HOUSTON'S T&D**
22 **PROPERTY?**

1 A. Based on my understanding from our IRM Team and our broker, CenterPoint
2 Houston can obtain property insurance, subject to varying deductibles, to cover
3 its substations, but property insurance to cover weather-related losses to wires,
4 poles and towers is not available on reasonable terms, if at all. During the annual
5 property insurance renewal process, the IRM team requests a market update on
6 the availability of T&D asset coverage from its broker. Each year, the broker
7 reports that, because of prior industry losses from hurricanes, wildfires, etc.,
8 insurers are willing to offer insurance on the T&D assets other than substations
9 only if CenterPoint Houston is willing to pay extremely high premiums for the
10 insurance, if available. Company witness Mr. Wilson supports the Company's
11 decision to use a self-insurance reserve to cover property losses.

12 **Q. HAS THE COMPANY RECEIVED ANY PROPERTY INSURANCE**
13 **PROCEEDS RELATED TO WINTER STORM URI, HURRICANE**
14 **NICHOLAS, OR OTHER SEVERE WEATHER EVENTS?**

15 A. No. The Company did not receive any property insurance proceeds related to any
16 of these events.

17 **B. Legal Costs and Cost Assignments**

18 **Q. PLEASE DESCRIBE THE COSTS ASSIGNED TO CENTERPOINT**
19 **HOUSTON FOR LEGAL SERVICES AND THE METHODOLOGY USED**
20 **TO ASSIGN THOSE COSTS.**

21 A. The costs assigned to CenterPoint Houston for the test year ended December 31,
22 2023 for Legal can be found in the direct testimony of Company witness Darren
23 Storey. Costs for Company-specific work are directly assigned to the Company.

Direct Testimony of M. Shane Kimzey
CenterPoint Energy Houston Electric, LLC

1 For example, the Legal Department provides legal services directly to CenterPoint
2 Houston using both inside and outside attorneys. The costs of these services are
3 directly billed whenever possible. Legal services provided to other affiliates are
4 tracked separately so that costs attributable to other affiliates are not charged to
5 CenterPoint Houston.

6 Certain corporate services and projects that benefit all CNP business units
7 are allocated to the Company and are billed at the same rate to all affiliates,
8 including CenterPoint Houston. These rates are designed to cover only the costs of
9 providing such services. The manner by which costs are allocated for all activities
10 and expenses related to services that Legal provided directly to the Company is
11 discussed in Mr. Storey's testimony. Mr. Storey explains that these cost allocation
12 methodologies ensure that CenterPoint Houston is charged for Legal services at
13 rates that are no higher than those charged to other CNP business units for the same
14 services. Thus, CenterPoint Houston's legal costs should be recovered in full
15 through rates.

16 **Q. HOW DOES THE LEGAL DEPARTMENT MONITOR EXPENSES TO**
17 **ENSURE THAT THE COSTS IT INCURS ARE REASONABLE AND**
18 **NECESSARY AND THAT COSTS ARE PROPERLY ASSIGNED?**

19 A. The Legal Department ensures that incurred costs are reasonable and necessary in
20 a number of ways, including budgeting, the use of matter management software,
21 and comparing and controlling labor costs.

22 **Budgeting and Cost Control.** The Legal Department's budget is
23 established annually as part of CNP's budget process. Each year, in consultation

1 with the various business units that Legal supports, the department identifies legal
2 resources that are needed to support the strategic objectives of the business. The
3 Legal Department compares its budgeted amounts to actual expenditures
4 throughout the year and strives to improve efficiency and effectiveness. The Legal
5 Department forecasts legal fees for the remainder of the year on a monthly basis by
6 sub-function and rolls them up to business units. Responsible lawyers as well as
7 business unit owners review these forecasts. In addition, the Legal Department
8 tracks legal expenses on a quarter-by-quarter and year-over-year basis to spot trends
9 and opportunities for savings. The Legal Department's budgeting process coupled
10 with the monitoring process ensures that costs incurred by the Legal Department
11 and thus billed to CenterPoint Houston are controlled, reasonable, and necessary.
12 The Service Company's annual budget process is described further in Mr. Storey's
13 testimony.

14 **Matter Management Software.** In addition to budgeting, the Legal
15 Department uses a matter management system called Passport to track cases, files,
16 and associated expenses. In Passport, attorneys can access various information
17 about particular matters and invoices, view approved timekeepers and rates for a
18 matter, verify that billing rates charged by outside counsel have previously been
19 approved, assess compliance with our policies and guidelines and other
20 expectations, and approve or reject invoices. Outside counsel must obtain approval
21 before adding new timekeepers to a matter, and any such changes are reflected in
22 the system. The system also facilitates review of legal invoices by flagging billing
23 entries that may be duplicative or incorrect.

**Direct Testimony of M. Shane Kimzey
CenterPoint Energy Houston Electric, LLC**

1 **Labor Costs.** As discussed in the direct testimony of Company witness
2 Bertha R. Villatoro, the Compensation Section of the Human Resources
3 Department regularly evaluates salary levels for employees including those in the
4 Legal Department based on published indices and benchmarking studies to ensure
5 that these costs remain reasonable and necessary.

6 **Q. HOW DOES THE LEGAL DEPARTMENT MANAGE OUTSIDE**
7 **COUNSEL TO ENSURE THAT THEIR CHARGES FOR LEGAL**
8 **SERVICES ARE REASONABLE AND NECESSARY?**

9 A. The Legal Department determines that the charges by outside counsel are
10 reasonable and necessarily incurred through a variety of practices, policies, and
11 procedures. First, the Legal Department has established processes to help manage
12 legal costs and expenses. Effective management of outside counsel and overall
13 expenses is a key part of our overall Legal Department strategy. Accordingly, the
14 Legal Department has an expense management team that advises on and monitors
15 expense issues and also has appropriate policies and guidelines to drive legal
16 efficiencies with our business clients and otherwise assists with expenditure
17 management. Finally, the Legal Department has worked to have outside counsel
18 provide the most cost-effective service, consolidating work with firms where
19 appropriate in order to leverage our spending (*e.g.*, obtaining discounts), manage
20 the firms more effectively, and have outside counsel become more familiar with the
21 Company and thus enhance efficiencies; pushing appropriate work to lower cost
22 firms; and periodically conducting requests for proposals to ensure that rates remain
23 competitive, all as appropriate to the particular matter or types of matters.

 Direct Testimony of M. Shane Kimzey
 CenterPoint Energy Houston Electric, LLC

1 Second, our in-house lawyers manage their matters and outside lawyers
2 directly and effectively to ensure our strategy and expectations are being met and
3 that work and costs are reasonable. Many attorneys in the Legal Department were
4 in private practice before joining the Legal Department, or held similar in-house
5 counsel roles at other organizations, and are familiar with the type of legal work for
6 which they now select outside counsel and review bills. This fact, combined with
7 our matter management system (Passport), ensures that invoices are properly
8 reviewed and that the charges are reasonable. All fee statements from outside
9 counsel are sent to the General Counsel or the General Counsel's designee and are
10 reviewed by attorneys within the Legal Department, such as myself, who monitor
11 the work of outside counsel in the particular matter for which the bill is rendered.
12 In reviewing bills, the attorneys within the Legal Department analyze not only the
13 amount of time and the fees charged, but also the nature of the services and the
14 quality of the work provided. This review assures that payments are made only for
15 services that were needed, that the fees charged are reasonable, and that costs for
16 which reimbursement is sought were incurred in conjunction with the legal services
17 rendered and were necessary.

18 Third, the Legal Department requires outside counsel to comply with CNP's
19 requirements related to billing, staffing of matters, impermissible charges, etc., and
20 monitors compliance with them. Moreover, the Legal Department does not allow
21 law firms to raise rates on an annual basis, as many firms do, without first obtaining
22 approval from our General Counsel.

1 In addition to these internal controls and processes, the Legal Department
2 also periodically issues Requests for Proposal on various dockets, particular
3 matters, or specific projects to ensure competitive rates and bidding. Alternative
4 Fee Arrangements are also used to drive efficiencies and align incentives, and we
5 periodically review the effectiveness of such arrangements. Finally, the Legal
6 Department periodically conducts benchmarking exercises through outside
7 organizations to ensure our legal spend is reasonable and commensurate with other
8 companies.

9 **Q. BASED ON YOUR EXPERIENCE IN PRIVATE PRACTICE AND AS**
10 **IN-HOUSE COUNSEL, ARE THE LEGAL DEPARTMENT'S PROCESSES**
11 **TO MONITOR EXPENSES CONSISTENT WITH GENERALLY**
12 **STANDARD PROCESSES USED BY CORPORATE LEGAL**
13 **DEPARTMENTS TO MONITOR EXPENSES?**

14 A. Yes.

15 **Q. DOES CENTERPOINT HOUSTON PAY HIGHER RATES FOR LEGAL**
16 **SERVICES THAN OTHER BUSINESS UNITS OR AFFILIATES?**

17 A. No.

18 **Q. DO THE OTHER SUBGROUPS OF THE LEGAL DEPARTMENT ALSO**
19 **TAKE STEPS TO ENSURE THAT THEIR CHARGES FOR THE**
20 **SERVICES THEY PROVIDE AND MANAGE ARE REASONABLE AND**
21 **NECESSARY?**

22 Yes. Similar to how the lawyers on the legal team manage outside counsel
23 expenses, the other subgroups that report into the Legal Department – Enterprise

1 Risk Management, Claims, Data Privacy, Integrated Records & Information
2 Management, Insurance Risk Management, Environmental and Corporate
3 Sustainability, and Strategy – are accountable for monitoring and controlling costs
4 and expenses. They follow the same budgeting process described above and engage
5 in similar vendor management practices and monitoring processes, including
6 competitive bidding, to ensure that costs incurred by their respective subgroups and
7 thus billed to CenterPoint Houston are controlled, reasonable, and necessary.

8 **Q. WAS IT REASONABLE AND NECESSARY FOR CENTERPOINT**
9 **HOUSTON TO USE LEGAL CORPORATE SERVICES DURING THE**
10 **TEST YEAR?**

11 A. Yes. Legal corporate services are reasonable and necessary to the Company's
12 operation. As Mr. Storey explains in his direct testimony, CenterPoint Houston
13 received the benefit of sharing staff that could perform legal services without
14 having to hire a full-time staff.

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

16 A. Yes, it does.

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF M. SHANE KIMZEY

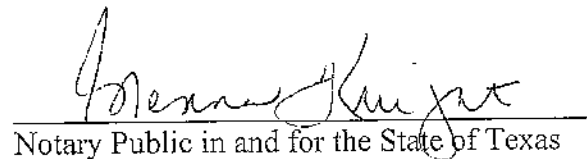
BEFORE ME, the undersigned authority, on this day personally appeared M. Shane Kimzey who having been placed under oath by me did depose as follows:

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

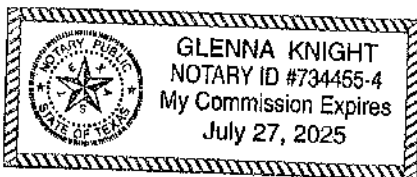
Further affiant sayeth not.


M. Shane Kimzey

SUBSCRIBED AND SWORN TO BEFORE ME on this 1st day of February,
2024.


Notary Public in and for the State of Texas

My commission expires: 07/27/2025



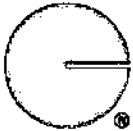
M. Shane Kimzey
LIST OF WORKPAPERS

WP MSK-1

Availability of Transmission & Distribution Coverage

From: Vacek, James M
Sent: Thursday, January 4, 2024 3:33 PM
To: Worsham, Krystin M; Jackson, Robert; Sorum, Peggy J; Leahy, Patrick; Fibbe, George; Kimzey, Michael S
Cc: Peters III, Patrick H
Subject: RE: [External Email] Availability of T&D Coverage

All,
Please find a revised version cleaning up some formatting issues from my prior email.
Regards,



Jim Vacek

Director Insurance Risk Management

CenterPoint Energy | Legal Department
713.207.5108 w | 832.291.9024 c
CenterPointEnergy.com

From: Vacek, James M
Sent: Thursday, January 4, 2024 1:47 PM
To: Worsham, Krystin M <krystin.worsham@centerpointenergy.com>; Jackson, Robert <robert.jackson@centerpointenergy.com>; Sorum, Peggy J <peggy.sorum@centerpointenergy.com>; Leahy, Patrick <patrick.leahy@bakerbotts.com>; Fibbe, George <george.fibbe@bakerbotts.com>
Cc: Peters III, Patrick H <patrick.peters@centerpointenergy.com>
Subject: FW: [External Email] Availability of T&D Coverage

I've added commentary in red to the various options presented by McGriff.
At this time, none would be considered a viable alternative.
Regards,



Jim Vacek

Director Insurance Risk Management

CenterPoint Energy | Legal Department
713.207.5108 w | 832.291.9024 c
CenterPointEnergy.com

EXTERNAL EMAIL

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Jim,

We are able to provide comments on the availability of T&D in both the London/European market and the US.

From a London / European market approach:

1) Commercial Insurance Market

- There continues to be a primary market for T&D coverage – with rates being charged of circa 33% rate on line.
- A Primary \$20M policy would have a premium cost of approximately \$6.6M (100%) – with the policy limit being an annual aggregate.
 - For CenterPoint – due to their operating area, we do not believe that there would be more than \$50M (annual aggregate) of capacity available – with the rate online for the capacity all being in the range of 33%.

Rates are not economically feasible for relatively low limits of liability.

2) Parametric Product

- The Parametric markets have matured over the last several years and can now offer programs that are more attractive than they historically were – with an Insured being able to purchase coverage for certain groups of designated assets, rather than their entire schedule of assets.
- The Parametric coverage will also be charged on a rate on line, with the rate charged being highly dependent on the group of assets and the excess point for coverage to be triggered.
- The potential lowest rate on line for Parametric coverage could be 5%, but in order to achieve this level of rating, CenterPoint's attachment point for the coverage will need to be a significant and would result in a very large loss being incurred by CenterPoint before any potential amount would be recoverable under a Parametric coverage.
- Limits for these types of products are in the \$100M to \$200M range.

Rates are not economically feasible and require a high self insured retention.

Low severity on prior losses does not support the high premium

Proceeds from recovery aren't always parallel with actual losses

Alternative recovery / restoration bonds remain a viable option to support losses

3) Captive Reinsurance

- An Insured could elect to Insure their T&D system via a Captive.
- Reinsurance solutions exist to protect the Captive that will be similar to 1) and 2) – except that the T&D exposures could be packaged with other lines of Insurance to make the high rate on line more acceptable and this could potentially result in tax efficiencies.

CNP does not currently have a captive insurance company. Capitalization requirements for a captive insurance company for T&D exposure could exceed \$100m

US Market Approach:

Limited domestic market appetite. Available market would be offering the coverage on a named (scheduled) line basis at extremely small limits as it would be net capacity. The rate on line would be similar to London in the 30% range.

Rates are not economically feasible for relatively low limits of liability.

Please let us know if you need any additional information.



Sheryl Winslett, CIC
Executive Vice President

P: 205-581-9413 | C: 205-492-4013 | E: swin@McGriff.com
2211 7th Avenue South, Birmingham, AL 35233 | www.McGriff.com
McGriff CA License #0C64544

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PUC DOCKET NO. 56211

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

DIRECT TESTIMONY

OF

BRAD TUTUNJIAN

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	REGULATORY AFFAIRS DEPARTMENT	3
III.	MUNICIPAL FRANCHISE FEES	12

LIST OF EXHIBITS

Exhibit BAT-1	List of cities and date of passage for the Renewal Franchise Ordinances
---------------	--

EXECUTIVE SUMMARY - REGULATORY**(BRAD TUTUNJIAN)**

The affiliate services that the Regulatory Services and Government Affairs Department provides to CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) are critical to CenterPoint Houston’s provision of safe and reliable electric service and compliance with federal and state regulatory requirements. In this regard, my testimony:

- describes the organization, function, and responsibilities of the Regulatory Services and Government Affairs Department;
- describes how the Regulatory Services and Government Affairs Department costs are controlled and monitored through the budgeting process and other strategies;
- addresses how the costs of the Regulatory Services and Government Affairs Department are assigned; and
- supports the reasonableness of the Regulatory Services and Government Affairs Department affiliate services incurred by CenterPoint Houston during the test year.

My testimony demonstrates that the affiliate costs for the Regulatory Services and Government Affairs Department, as set out in the direct testimony of Company witness L. Darren Storey, are reasonable and necessary and are not priced higher to CenterPoint Houston than the prices charged for the same services to other affiliates. Thus, CenterPoint Houston’s costs should be recovered in full through rates.

DIRECT TESTIMONY OF BRAD TUTUNJIAN

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND CURRENT POSITION.

A. My name is Brad Tutunjian. I am the Vice President, Regulatory Policy for CenterPoint Energy, Inc. ("CNP").

Q. PLEASE SUMMARIZE YOUR BACKGROUND AND CURRENT RESPONSIBILITIES.

A. I graduated from Texas Tech University in 1997 with a Bachelor of Science degree in Mechanical Engineering. I am a licensed Professional Engineer by the State of Mississippi. From my 1997 graduation to the present, I have been employed by CNP or one of its affiliates. My positions with CNP have included Graduate Engineer, Distribution Designer, Distribution Operations Manager, District Manager, Service Area Director, Electric Distribution Operations, Division Vice President – Natural Gas Regional Operations (Mississippi/Louisiana), Division Vice President – Regional Operations (Minnesota), Vice President of Distribution Operations and Service Delivery (Texas Electric), and Vice President, Regulatory Policy. I was named to my present position in 2023, at which time I assumed responsibility for supporting regulatory initiatives on behalf of CNP before various regulatory bodies on matters of policy affecting CNP's regulated business units.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the organization and affiliate services provided by the Regulatory Services and Government Affairs Department. My testimony demonstrates that the Regulatory Services and Government Affairs Department efficiently and effectively provides regulatory services to CenterPoint

1 Houston and that the Regulatory Services and Government Affairs Department
 2 maintains proper controls to ensure that the costs for each of these services are
 3 reasonable and necessary. My testimony further establishes that the Regulatory
 4 Services and Government Affairs Department affiliate costs incurred by
 5 CenterPoint Houston during the test year are properly assigned to the Company,
 6 are reasonable and necessary, and, as explained by Company witness Mr. Storey,
 7 are not priced higher to CenterPoint Houston than the prices charged for the same
 8 services to other affiliates.

9 **Q. DO YOU SPONSOR ANY EXHIBITS OR SCHEDULES INCLUDED IN**
 10 **THE RATE FILING PACKAGE?**

11 A. Yes. I co-sponsor the reasonableness and necessity of various costs included in
 12 Schedules V-K-7 and V-K-12 sponsored by Company witness L. Darren Storey,
 13 insofar as they are related to the Regulatory Services and Government Affairs
 14 Department. I also sponsor Exhibit BAT-1, which includes a list of cities and the
 15 date of passage for each of the renewal franchise ordinances.

16 **Q. HOW DOES YOUR TESTIMONY RELATE TO THAT OF OTHER**
 17 **WITNESSES IN THIS PROCEEDING?**

18 A. I serve as CenterPoint Houston's witness supporting the recovery of reasonable and
 19 necessary test year costs for the Regulatory Services and Government Affairs
 20 Department. These are all affiliate costs that CenterPoint Houston seeks to recover
 21 as part of its cost of service. Mr. Storey provides direct testimony that supports
 22 CenterPoint Houston's recovery of its affiliate costs, including affiliate billings and
 23 methodologies, budgeting, cost controls, and the use of Service Level Agreements.

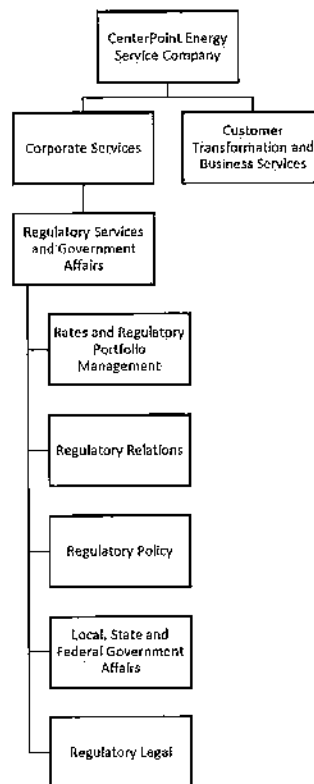
Additionally, I provide testimony in support of the recovery of the test year franchise fee expense by CenterPoint Houston under its municipal franchise ordinances adjusted for known and measurable changes.

II. REGULATORY AFFAIRS DEPARTMENT

Q. WHERE DOES THE REGULATORY SERVICES AND GOVERNMENT AFFAIRS DEPARTMENT FALL WITHIN THE SERVICE COMPANY ORGANIZATION?

A. As shown in the figure below, the Regulatory Services and Government Affairs Department falls within Corporate Services:

Figure 1



1 **Q. WHAT ARE THE \ PRIMARY FUNCTIONS OF THE RATES AND**
2 **REGULATORY PORTFOLIO MANAGEMENT, REGULATORY**
3 **RELATIONS AND REGULATORY POLICY GROUPS?**

4 **A.** The Rates and Regulatory Portfolio Management, Regulatory Relations, and
5 Regulatory Policy Groups provide regulatory services for all of CNP's
6 regulated electric and gas operations. Services provided to CenterPoint Houston
7 include:

- 8 • developing regulatory policy and strategy;
- 9 • overseeing rules and procedures to ensure regulatory compliance;
- 10 • representing the Company's interests in interactions with national and
11 regional trade, industry, and professional organizations;
- 12 • providing litigation support in regulatory proceedings including any related
13 appeals in the courts; and
- 14 • preparing and managing regulatory filings, including tariff filings, annual
15 affiliate reports, and other regulatory documentation, such as the earnings
16 monitoring report filed with the Public Utility Commission of Texas
17 ("Commission");
- 18 • preparing and overseeing all aspects of the rate case process, including the
19 preparation of the rate filing package, responding to discovery, and
20 providing hearing support; and
- 21 • promoting and maintaining collaborative working relationships with
22 regulators and third parties and representing the Company's position in
23 regulatory matters before the Commission as well as in matters being

1 considered in the Electric Reliability Council of Texas (ERCOT)
2 stakeholder process, and acting as the Company's primary liaison in these
3 matters.

4 **Q. WHAT ARE THE PRIMARY FUNCTIONS OF THE LOCAL, STATE, AND**
5 **FEDERAL GOVERNMENT AFFAIRS GROUP?**

6 A. The Local, State, and Federal Government Affairs Group supports CNP's state and
7 federal legislative activities and interacts with local governments on behalf of
8 CNP's electric and gas utilities.

9 **Q. WHAT ARE THE PRIMARY FUNCTIONS OF THE REGULATORY**
10 **LEGAL GROUP?**

11 A. The Regulatory Legal group is responsible for representing the Company in
12 proceedings subject to the jurisdiction of the Commission and municipalities that
13 retain original jurisdiction over CenterPoint Houston's rates, operations, and
14 services under the Public Utility Regulatory Act ("PURA") and in other matters
15 that involve regulatory or administrative law, including for other affiliates in other
16 jurisdictions and/or before other regulatory agencies¹. The Regulatory Legal team
17 is also responsible for (i) implementing the Commission's Code of Conduct and
18 setting up procedures to help ensure compliance; (ii) assisting management in the
19 development and implementation of regulatory strategies, including regulatory
20 compliance programs; and (iii) directly supporting CNP's and its affiliates' state

¹ The regulatory and government affairs matters that may be legal in nature or have legal components to them and are managed by the Regulatory Affairs and Government Services team are the subject of my testimony; the testimony or witness Shane Kimzey covers the legal matters handled and supervised by the Legal Department.

1 and federal legislative activities. This team is also responsible for negotiating
2 municipal franchise agreements on behalf of CNP's electric and gas utilities.

3 **Q. PLEASE DESCRIBE THE COSTS ASSIGNED TO CENTERPOINT**
4 **HOUSTON FOR REGULATORY SERVICES AND GOVERNMENT**
5 **AFFAIRS AND THE METHODOLOGY USED TO ASSIGN THOSE**
6 **COSTS.**

7 A. The costs assigned to CenterPoint Houston for the test year ended December 31,
8 2023 for the Regulatory Services and Government Affairs Department are
9 explained in the direct testimony of Company witness L. Darren Storey. Thus,
10 CenterPoint Houston's regulatory costs should be recovered in full through rates.
11 Costs for CenterPoint Houston-specific work are directly assigned to CenterPoint
12 Houston. Regulatory Services and Government Affairs Department employees
13 directly bill the cost associated with the time spent on CenterPoint Houston
14 regulatory services and government affairs work to CenterPoint Houston.
15 Regulatory services provided to other affiliates are tracked separately so that costs
16 attributable to other affiliates are not charged to CenterPoint Houston.
17 Certain corporate services and projects that benefit all CNP business units are
18 allocated in part to the Company and are billed at the same rate to all affiliates,
19 including CenterPoint Houston. These rates are designed to cover only the costs of
20 providing such services. Mr. Storey discusses how costs are allocated for all
21 activities and expenses related to services that the Regulatory Services and
22 Government Affairs Department provides directly to CenterPoint Houston. Mr.
23 Storey explains that these cost allocation methodologies ensure that CenterPoint

1 Houston is charged for regulatory services and government affairs at rates that are
2 no higher than those charged to other CNP business units for the same services.

3 **Q. HOW DOES THE REGULATORY SERVICES AND GOVERNMENT**
4 **AFFAIRS DEPARTMENT MONITOR EXPENSES TO ENSURE THAT**
5 **THE COSTS IT INCURS ARE REASONABLE AND NECESSARY AND**
6 **THAT COSTS ARE PROPERLY ASSIGNED?**

7 A. The Regulatory Services and Government Affairs Department ensures that incurred
8 costs are reasonable and necessary in a number of ways, including budgeting, and
9 comparing and controlling labor costs. The Regulatory Services and Government
10 Affairs Department uses CNP's annual budget process, described in the testimony
11 of Mr. Storey, to determine expected expenditures for the coming year. As part of
12 this process, CNP management reviews and approves the annual budget. Actual
13 expenditures throughout the year are compared to the budgeted amounts, and
14 efforts are made to improve efficiency and effectiveness. Department leadership
15 reviews and approves invoices and monitors actual expenditures against the budget
16 each month. Monthly forecasts of regulatory costs are reviewed and compared to
17 actuals by responsible employees as well as business unit owners. In addition,
18 expenses are tracked on a quarter-by-quarter and year-over-year basis to spot trends
19 and opportunities for savings. The Regulatory Services and Government Affairs
20 Department's budgeting process coupled with the monitoring process ensures that
21 costs incurred by the department and thus billed to CenterPoint Houston are
22 controlled, reasonable, and necessary.

1 The Regulatory Services and Government Affairs' budget is established
2 annually as part of CNP's budget process. Each year, in consultation with the
3 various business units that Regulatory Services and Government Affairs supports,
4 the department identifies regulatory and government affairs resources that are
5 needed to support the strategic objectives of the business. Actual expenditures
6 throughout the year are compared to the budgeted amounts, and efforts are made to
7 improve efficiency and effectiveness. Monthly forecasts of regulatory fees by sub-
8 function are performed and rolled up to business units. These forecasts are
9 reviewed by responsible employees as well as business unit owners. In addition,
10 regulatory expenses are tracked on a quarter-by-quarter and year-over-year basis to
11 spot trends and opportunities for savings. The Regulatory Services and
12 Government Affairs Department's budgeting process, coupled with the monitoring
13 process, ensures that costs incurred by the Regulatory Services and Government
14 Affairs Department and thus billed to CenterPoint Houston are controlled,
15 reasonable, and necessary.

16 **Matter Management Software.** In addition to budgeting, the
17 Regulatory-Legal uses a matter management system, Passport (formerly
18 TeamConnect), to track cases and files and associated expenses. Using these
19 systems, attorneys can access various information about particular matters and
20 invoices, view billing guidelines and view approved timekeepers and rates for a
21 matter, verify that billing rates charged by outside counsel have previously been
22 approved, assess compliance with our Outside Counsel Guidelines and other
23 expectations, and approve or reject invoices. Outside counsel must obtain approval

1 before adding new timekeepers to a matter, and any such changes are reflected in
2 the system. The system also facilitates review of legal invoices by flagging billing
3 entries that may be duplicative or incorrect.

4 Additionally, as discussed in the direct testimony of Company witness
5 Bertha Villatoro, the Compensation Section of the Human Resources Department
6 regularly evaluates salary levels for employees, including Regulatory Services and
7 Government Affairs employees, based on published indices and benchmarking
8 studies in order to ensure that these costs remain reasonable and necessary.

9 **Q. DOES THE REGULATORY LEGAL GROUP RETAIN AND MANAGE**
10 **OUTSIDE COUNSEL?**

11 A. Yes.

12 **Q. HOW DOES THE REGULATORY LEGAL GROUP MANAGE OUTSIDE**
13 **COUNSEL TO ENSURE THAT THEIR CHARGES FOR LEGAL**
14 **SERVICES ARE REASONABLE AND NECESSARY?**

15 A. Similar to the Legal Department, the in-house attorneys within the Regulatory
16 Legal group in the Regulatory Services and Government Affairs Department
17 review outside counsel costs for compliance with a variety of practices, policies,
18 and procedures. First, the in-house attorneys require that outside counsel provide
19 the most cost-effective service by reducing the number of outside law firms retained
20 to perform legal work in order to leverage our spend and more effectively manage
21 our firms, pushing work to lower costs firms, or spreading work among firms to
22 ensure competition and appropriate expertise, as appropriate to the particular matter
23 or types of matters. The in-house attorneys in the Regulatory Legal group have

1 experience and are familiar with the type of legal work for which they select outside
2 counsel and review bills.

3 Second, the in-house lawyers within the Regulatory Legal group of the
4 Regulatory Services and Government Affairs Department are expected to manage
5 their matters and outside lawyers directly and effectively to ensure the execution of
6 the Company's strategy, that expectations are being met, and that work and costs
7 are reasonable. The in-house lawyers in Regulatory Legal group use the same
8 matter management system (Passport) described by Company witness M. Shane
9 Kimzey to ensure that invoices are properly reviewed and that charges are
10 reasonable. All fee statements from outside counsel are reviewed by the in-house
11 lawyers. In reviewing bills, in-house lawyers analyze not only the amount of time
12 and the fees charged, but also the nature of the services and the quality of the work
13 provided. This review assures that payments are made only for services that were
14 needed, that the fees charged were reasonable, and that costs for which
15 reimbursement is sought were incurred in conjunction with the legal services
16 rendered and were necessary.

17 Third, the in-house lawyers within the Regulatory Legal group in the
18 Regulatory Services and Government Affairs Department monitor outside counsel
19 to ensure that outside counsel comply with the CNP Legal Department's policies
20 related to billing, staffing of matters, non-permitted charges, etc. Moreover, like
21 the CNP Legal Department, the Regulatory Services and Government Affairs
22 Department does not allow law firms to raise rates on an annual basis, as many
23 firms do, without first obtaining approval.

1 **Q. WHAT PROCESSES ARE IN PLACE TO ENSURE THAT THE COSTS**
2 **INCURRED BY THE REGULATORY SERVICES AND GOVERNMENT**
3 **AFFAIRS DEPARTMENT ARE REASONABLE AND NECESSARY?**

4 **A.** The Regulatory Services and Government Affairs Department prepares an annual
5 budget and compares actual expenditures throughout the year to budgeted amounts.
6 As set out in the testimony of Bértha Villatoro, the Human Resources Department
7 evaluates salary levels for these employees based on published indices and
8 benchmarking studies in order to ensure that these costs remain reasonable and
9 necessary.

10 **Q. DOES CENTERPOINT HOUSTON PAY HIGHER RATES FOR**
11 **REGULATORY SERVICES AND GOVERNMENT AFFAIRS SERVICES**
12 **THAN OTHER BUSINESS UNITS OR AFFILIATES?**

13 **A.** No.

14 **Q. WAS IT REASONABLE AND NECESSARY FOR CENTERPOINT**
15 **HOUSTON TO USE REGULATORY SERVICES AND GOVERNMENT**
16 **AFFAIRS CORPORATE SERVICES DURING THE TEST YEAR?**

17 **A.** Yes. The services provided by the Regulatory Services and Government Affairs
18 Department are reasonable and necessary to the Company's operation. CenterPoint
19 Houston received the benefit of sharing staff that could perform regulatory work
20 without having to hire a full-time staff.

III. MUNICIPAL FRANCHISE FEES

1
2 **Q. WHAT ARE MUNICIPAL FRANCHISE ORDINANCES AND FRANCHISE**
3 **FEES?**

4 A. A municipal franchise ordinance is an agreed ordinance between the Company and
5 a city whereby the Company pays a negotiated franchise fee in exchange for certain
6 rights from the city, such as the right to use the city's public rights-of-way to install,
7 use, and maintain utility poles, transmission and distribution lines, and other
8 equipment necessary to conduct its electric delivery business. The agreement is
9 called an "ordinance" because it is actually passed into law by the various city
10 governments in the Company's service area.

11 **Q. HOW MANY FRANCHISE ORDINANCES DOES THE COMPANY HAVE**
12 **TODAY?**

13 A. The Company has franchise ordinances with 93 cities in its service area.

14 **Q. PLEASE BRIEFLY DESCRIBE THE FRANCHISE FEES PAID BY**
15 **CENTERPOINT HOUSTON UNDER THESE FRANCHISE**
16 **ORDINANCES.**

17 A. As provided for under PURA § 33.008(f), upon the expiration of any franchise
18 agreement that existed on September 1, 1999, CenterPoint Houston has negotiated
19 with the cities in its service territory to reach a new franchise agreement that
20 provides for an agreed upon level of compensation to the municipality in return for
21 the rights granted the Company. As of December 31, 2023, 80 cities have passed
22 renewal franchise ordinances approving agreed-to franchise fee amounts as a result
23 of these negotiations. A list of those cities and the date of passage for each of the
24 renewal franchise ordinances is included in my testimony as Exhibit BAT-1.

1 Thirteen cities have franchise agreements that remain as they existed on September
 2 1, 1999,² which have not been renewed. The Company's annual municipal
 3 franchise fee for these 13 cities is determined by applying the formula set out in
 4 PURA § 33.008(b). CenterPoint Houston has franchise agreements with four cities
 5 that were incorporated after September 1, 1999.³ For these cities, the Company's
 6 annual municipal franchise fee is determined by applying the formula set out in
 7 PURA § 33.008(g).

8 **Q. HAS THE COMMISSION PREVIOUSLY CONSIDERED WHETHER**
 9 **CENTERPOINT HOUSTON MAY NEGOTIATE AND RECOVER**
 10 **THROUGH RATES FRANCHISE FEE PAYMENTS THAT DIFFER FROM**
 11 **THE FORMULA SET FORTH IN PURA § 33.008(b)?**

12 **A.** Yes. In its Order on Rehearing in Docket No. 38339, the Commission concluded
 13 that upon the expiration of any franchise fee agreement existing on September 1,
 14 1999, CenterPoint Houston could negotiate agreed-upon franchise fees with its
 15 cities and that such agreed-to amounts are reasonable and necessary operating
 16 expenses of the utility under PURA § 33.008(c) and (f).⁴

² The Cities of Alvin, Arcola, Dickinson, El Lago, League City, La Marque, Manvel, Oakridge North, Pattison, Pearland, Prairie View, Shoreacres, and Taylor Lake Village.

³ The Cities of Brazos Country, East Bernard, Sandy Point, and Weston Lakes.

⁴ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 38339, Order on Rehearing at 11-12, Finding of Fact No. 167A (June 23, 2011).

1 **Q. ARE MUNICIPAL FRANCHISE PAYMENTS A REASONABLE AND**
2 **NECESSARY EXPENSE ASSOCIATED WITH THE PROVISION OF**
3 **ELECTRIC SERVICE?**

4 A. Yes. PURA § 33.008(c) states that municipal franchise fees shall be considered a
5 reasonable and necessary operating expense of an electric utility. My testimony
6 establishes that the municipal franchise fees paid by CenterPoint Houston comply
7 with the requirements of PURA § 33.008(b), (f), and (g) and therefore, should be
8 recovered in the Company's rates. My testimony further supports the franchise fees
9 requested in the Company's rate filing, which is presented on Schedule II-E-2
10 (Taxes Other than Federal Income Taxes) in the Rate Filing Package.

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

12 A. Yes, it does.

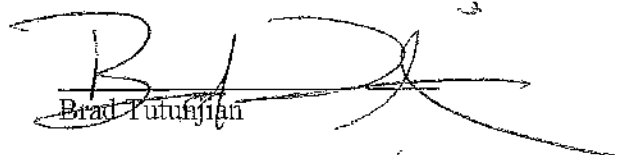
STATE OF Texas §
COUNTY OF Harris §

AFFIDAVIT OF BRAD TUTUNJIAN

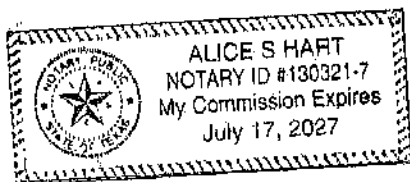
BEFORE ME, the undersigned authority, on this day personally appeared Brad Tutunjian who having been placed under oath by me did depose as follows:


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

Further affiant sayeth not.


Brad Tutunjian

SUBSCRIBED AND SWORN TO BEFORE ME on this 14th day of Feb.,
2024.




Notary Public in and for the State of _____

My commission expires: 7/17/2027

Direct Testimony of Brad Tutunjian
CenterPoint Energy Houston Electric, LLC

No.	City	Date of Renewal
1	Bayou Vista	Sept.1,2006
2	Baytown	Sept.1,2006
3	Beach City	Aug.1,2006
4	Beasley	July 1,2006
5	Bellaire	July 1,2006
6	Bonney Village	July 1,2006
7	Brazos Country	Sept.1,2006
8	Brookshire	Aug. 1,2006
9	Brookside Village	December 1,2006
10	Bunker Hill Village	Aug. 19, 2008
11	Clear Lake Shores	May 1,2007
12	Clute	July 1,2006
13	Cove	July 1,2006
14	Danbury	July 1,2006
15	Deer Park	December 1,2006
16	East Bernard	Sept.28,2008
17	Fairchilds	July 1,2006
18	Freeport	July 1,2006
19	Friendswood	February 1,2020
20	Fulshear	July 1,2006
21	Galena Park	July 1,2006
22	Galveston	August 1,2006
23	Hedwig Village	July 1,2006
24	Hilcrest Village	July 1,2006
25	Hilshire Village	June 1, 2008
26	Hitchcock	December 1,2007
27	Houston	July 1,2006
28	Humble	July 1,2006
29	Hunter Creek	January 20, 2009
30	Iowa Colony	January 28,2023
31	Jacinto City	July 1,2006
32	Jamaica Beach	July 1,2006
33	Jersey Village	January 1,2009
34	Jones Creek	July 1,2006
35	Katy	July 1,2006
36	Kemah	July 1,2006

No.	City	Date of Renewal
37	Kendleton	July 1,2006
38	Lake Jackson	Aug.1,2006
39	Laporte	Oct. 1, 2006
40	Liverpool	July 1,2006
41	Magnolia	July 1,2006
42	Meadows Place	July 1,2006
43	Missouri City	February 1,2022
44	Mont Belvieu	July 1,2006
45	Morgan's Point	July 1,2006
46	Nassau Bay	December 1,2006
47	Needville	July 1,2006
48	Old River Winfree	July 1,2006
49	Orchard	July 1,2006
50	Oyster Creek	July 1,2006
51	Pasadena	Oct.1, 2006
52	Pine Island	July 1,2006
53	Piney Point Village	Oct.1, 2006
54	Pleak	July 1,2006
55	Quintana	July 1,2006
56	Richmond	July 1,2006
57	Richwood	July 1,2006
58	Rosenberg	July 15,2008
59	San Felipe	July 1,2006
60	Sandy Point	July 1,2006
61	Santa Fe	May 1,2007
62	Seabrook	Jan. 1, 2007
63	Sealy	Sept.1,2006
64	Simonton	July 1,2006
65	South Houston	July 1,2006
66	Southside Place	July 1,2006
67	Spring Valley	May 1, 2008
68	Stafford	April 1,2009
69	Stagecoach	December 1,2006
70	Sugar Land	March 1, 2010
71	Surfside Beach	July 1,2006
72	Thompsons	July 1,2006

No.	City	Date of Renewal
73	Tiki Island	July 1,2006
74	Tomball	Sept.2,2008
75	Waller	July 1,2008
76	Wallis	July 1,2006
77	Webster	July 1,2006
78	West University Place	February 1,2008
79	Weston Lakes	January 1,2009
80	Wharton	January 1,2007

THERE ARE NO WORKPAPERS
TO
THE DIRECT TESTIMONY
OF
BRAD A. TUTUNJIAN

PUC DOCKET NO. 56211

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

DIRECT TESTIMONY

OF

STEPHANIE BUNDAGE JUVANE

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 2024

TABLE OF CONTENTS

EXECUTIVE SUMMARY	ES-1
I. INTRODUCTION.....	1
II. ORGANIZATION AND RESPONSIBILITIES OF INTERNAL AUDIT	3
III. INTERNAL AUDIT COSTS ASSIGNED TO CENTERPOINT HOUSTON.....	11
IV. REASONABLENESS AND NECESSITY OF CHARGES	11

EXECUTIVE SUMMARY – INTERNAL AUDIT**(STEPHANIE BUNDAGE JUVANE)**

With its staff of highly qualified personnel, the Internal Audit Department provides the Audit Committee and Management with risk-based, independent and objective assurance on internal controls and governance processes within CenterPoint Energy, Inc. (“CNP”) and its subsidiaries and affiliates, including CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston”). Internal Audit provides auditing and advisory services, including financial, compliance, operational, and information technology activity to CenterPoint Houston at reasonable costs. The services provided by Internal Audit create a more efficient organization through the identification of process improvements, which ultimately lead to lower costs for customers. My testimony:

- describes the structure of the Internal Audit Department and the types of services it provides to ensure that CenterPoint Houston complies with legal and regulatory requirements;
- describes how Internal Audit costs are controlled and monitored through the budgeting process;
- addresses how the costs of Internal Audit are assigned and allocated; and
- supports the reasonableness of the Internal Audit costs charged to CenterPoint Houston during the test year.

My testimony will demonstrate that the Internal Audit affiliate costs are reasonable and necessary and are not priced higher to CenterPoint Houston than the prices charged for the same services to other affiliates, which is articulated in the testimony of L. Darren Storey.

- 1 Thus, CenterPoint Houston's Internal Audit affiliate costs should be recovered in full
- 2 through rates.

DIRECT TESTIMONY OF STEPHANIE BUNDAGE JUVANE

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND CURRENT POSITION.

A. My name is Stephanie Bundage Juvane, and I am the Vice President, Internal Audit for CenterPoint Energy Service Company, LLC ("Service Company").

Q. PLEASE SUMMARIZE YOUR BACKGROUND AND CURRENT POSITION.

A. Prior to my current role as Vice President, Internal Audit, I served as Director, Internal Audit for CNP from November 2022 to January 2023. In my 16-year career with CenterPoint Energy, I have served as Associate General Counsel of Data Privacy and Records Management Counsel for CNP from October 2020 to October 2022. In this role, I was responsible for leading the corporate response to cybersecurity incident investigations and managing a team that counseled the enterprise in data security and privacy, while facilitating compliance across various corporate functions. Prior to this, I completed a two-year regulatory and local relations rotation following several years representing CenterPoint Houston and CNP's gas utility subsidiary as Senior Counsel in a variety of administrative matters before the Public Utility Commission of Texas and the Railroad Commission of Texas. I hold a bachelor's degree from Florida State University and a law degree from Thurgood Marshall School of Law. I am an active member of the State Bar of Texas.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I describe the services provided by the Internal Audit function ("Internal Audit") to CenterPoint Houston, the necessity for providing such services, and the reasonableness of

1 the associated charges to CenterPoint Houston. I will discuss the requirements for Internal
2 Audit, and the structure, authority, and responsibilities of Internal Audit.

3 **Q. HOW DOES YOUR TESTIMONY RELATE TO THAT OF OTHER WITNESSES?**

4 A. I serve as CenterPoint Houston's witness supporting the recovery of reasonable and
5 necessary test year costs for Internal Audit. These are all affiliate costs that CenterPoint
6 Houston seeks to recover as part of its cost of service. Mr. Storey provides direct testimony
7 that supports CenterPoint Houston's recovery of its affiliate costs, including affiliate
8 billings and methodologies, budgeting, cost controls, and the use of Service Level
9 Agreements.

10 **Q. WHAT RATE FILING SCHEDULES ARE YOU SPONSORING?**

11 A. I sponsor Schedule II-C-3: Internal Audits, and my testimony supports the reasonableness
12 and necessity of various costs included in Schedules V-K-7 and V-K-12 sponsored by Mr.
13 Storey as they relate to Internal Audit.

14 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

15 A. Internal Audit provides internal auditing services to CenterPoint Houston, as required to
16 comply with laws, regulations, and rules addressing corporate governance. For the test
17 year, Internal Audit costs to CenterPoint Houston are reasonable for the services provided.
18 Internal Audit expects to maintain the same level of expenditures to continue to provide
19 the appropriate level of audit coverage. The amount of the charges to CenterPoint Houston
20 is based on the composite ratio allocation method discussed by Mr. Storey.

II. ORGANIZATION AND RESPONSIBILITIES OF INTERNAL AUDIT

Q. HOW IS INTERNAL AUDIT ORGANIZED?

A. Internal Audit is within Corporate Services. For further discussion on Corporate Services and its role in Service Company, please refer to Mr. Storey's testimony.

Q. PLEASE DESCRIBE THE SERVICES WHICH INTERNAL AUDIT PROVIDES.

A. The table shown in Figure 1 below lists the typical audit activities performed by Internal Audit.

Figure 1

Financial Audit	Review and testing of selected financial accounts, supporting records for the general ledger, sub-ledgers, reconciliations, and any management adjustments.
Integrated Audits	Review and testing of controls related to financial, operational, technology, and compliance activity.
Operational Audits	Process driven audits concentrating on the effectiveness of operations and/or internal controls for a function, business, location, and/or department.
Information Technology	Audits focused on information systems, technology, and related processes.
Compliance Audits	Review of compliance with established CenterPoint Energy, Inc. policies and procedures, regulatory, statutory, contract compliance, or other defined requirements.
Advisory Audits	Review of processes and controls and provision of recommendations regarding industry insights and best practices.

Q. ARE THERE BENEFITS TO HAVING A CENTRALIZED INTERNAL AUDIT DEPARTMENT?

A. Yes. Having a centralized Internal Audit department is important for efficiency, cost containment, and consistency in audit practices and protocols. If each subsidiary of CNP maintained a separate Internal Audit function, redundancy of people and increased cost

1 would be likely.

2 **Q. HOW DO THESE SERVICES BENEFIT CENTERPOINT HOUSTON AND ITS**
3 **CUSTOMERS?**

4 A. Internal Audit is responsible for performing the internal audit function for the entire CNP
5 organization, including CenterPoint Houston, as required by various charters and internal
6 policies. These services benefit CNP and its subsidiaries and affiliates, including
7 CenterPoint Houston, by monitoring and assessing CNP's operational, financial,
8 information systems, and administrative controls. Additionally, Internal Audit evaluates
9 compliance with applicable policies, procedures, contracts, and laws and regulations.
10 These services help to ensure an efficient organization through the identification of process
11 improvements, which ultimately leads to reduced costs paid by CenterPoint Houston's
12 customers. For example, Internal Audit performed a review of the CenterPoint Energy
13 Houston Electric, LLC Bond Companies to assess CenterPoint Houston's annual
14 compliance with requirements set forth in the servicing agreements relating to the issued
15 bonds. By ensuring that the Company complies with the servicing agreements, Internal
16 Audit helps prevent the Company from incurring additional costs that could be borne by
17 customers. Please refer to Mr. Storey's testimony for a discussion of the benefits of
18 corporate governance activities, including the Internal Audit function, to customers.

19 **Q. HOW DOES INTERNAL AUDIT CARRY OUT ITS RESPONSIBILITY FOR**
20 **PERFORMING THE INTERNAL AUDIT FUNCTION?**

21 A. Internal Audit serves as an independent and objective compliance and monitoring function
22 as follows.

- 1 • Internal Audit has been granted specific authority by the Audit Committee of the Board
2 of Directors (“Audit Committee”) through the Internal Audit Charter to monitor and
3 assess the adequacy and effectiveness of CNP’s operational, financial, information
4 systems, and administrative controls, as well as compliance with all applicable policies,
5 procedures, and regulations. It also supports investigations under the Ethics and
6 Compliance Code. In addition, where contractually authorized, Internal Audit may
7 review accounting and other relevant records of contractors, joint ventures, suppliers,
8 and other third-party business associates.
- 9 • Internal Audit operates independently of the management of CNP and its subsidiaries
10 and affiliates, and it reports functionally to the Audit Committee, thereby ensuring its
11 ability to independently monitor and review all activities within the CNP organization.
12 The Audit Committee consists of five independent directors of CNP’s Board of
13 Directors. I meet with the Audit Committee at formal Audit Committee meetings at
14 least five times per year to discuss the results of Internal Audit activities. I typically
15 have the same number of meetings with the Audit Committee chairperson.
- 16 • Internal Audit has assembled a team of experienced and qualified internal and external
17 professionals, described later in my testimony, to perform the internal audit function.
- 18 • Internal Audit utilizes a risk-based approach in the six-month planning process to
19 identify auditable areas. A six-month audit plan, modified as needed to incorporate
20 new risk areas, is prepared and presented to the Audit Committee twice a year for
21 review and approval.
- 22 • Internal Audit follows a defined internal audit process for each individual audit project
23 through the performance of planning, fieldwork, and reporting. The client responses