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1 **SOAH DOCKET NO. 473-25-11558**
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4 **APPLICATION OF CENTERPOINT §**
5 **ENERGY HOUSTON ELECTRIC, LLC § PUBLIC UTILITY COMMISSION**
6 **FOR APPROVAL OF ITS 2026-2028 §**
7 **TRANSMISSION AND DISTRIBUTION § OF TEXAS**
8 **SYSTEM RESILIENCY PLAN §**

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12 **CROSS REBUTTAL TESTIMONY OF JOHN ELDER**
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14 **ON BEHALF OF ACCLAIM ENERGY**
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1 **Q: PLEASE STATE YOUR NAME AND POSITION.**

2 **A:** My name is John Elder, and I am the President of Acclaim Energy.

3 **Q: ARE YOU THE SAME JOHN ELDER THAT FILED DIRECT TESTIMONY IN THIS**
4 **DOCKET?**

5 **A:** Yes.

6 **Q: WHAT IS THE PURPOSE OF YOUR CROSS REBUTTAL TESTIMONY?**

7 **A:** My testimony responds to certain testimony filed by Intervenor and Staff as it relates to the
8 microgrid pilot program proposed by CenterPoint Energy Houston Electric, LLC (“CEHE”) in this
9 docket. Specifically...

10 **Q: WAS THIS CROSS REBUTTAL TESTIMONY PREPARED BY YOU OR UNDER**
11 **YOUR DIRECT SUPERVISION?**

12 **A:** Yes.

13 **Q: PLEASE DESCRIBE THE RELEVANT TESTIMONY OF KARL NALEPA OF THE**
14 **GULF COAST COALITION OF CITIES?**

15 **A:** Mr. Nalepa recommends that the Commission reject CEHE’s proposed microgrid pilot program
16 based on its alleged similarities to a program rejected by the Commission in Docket No. 56954
17 involving Texas New Mexico Power (“TNMP”).

18 **Q: DO YOU AGREE WITH THIS POSITION?**

19 **A:** No. Mr. Nalepa did not provide any analysis between the two proposals or the two utilities
20 (TNMP and CEHE) exposure to emergency situations. CEHE operates on the Texas Coast while
21 TNMP operates in the desert. CEHE is much larger than TNMP both in size and customers being
22 impacted therefore the argument that the decision made in Docket 56954 has no correlation
23 between the two companies

Q: PLEASE DESCRIBE THE RELEVANT TESTIMONY OF ERIC S. AUSTIN OF WALMART INC.

A: WHY IS WALMART INTERESTED IN MICROGRID DEVELOPMENT? As mentioned above, reliability and resiliency are essential to Walmart's business. The retail stores, distribution centers, and fueling stations depend on reliable delivery of energy. Within this, Walmart has aggressive clean energy goals that lend well to community solar, net metering, onsite generation, and microgrids. Walmart believes that a collaborative microgrid program such as the program proposed by the Company in the Resiliency Plan can offer numerous benefits, including enhanced reliability, resiliency, and access to clean energy, which would flow through to all customers.

Q: WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION AS IT PERTAINS TO THE MICROGRID PILOT PROGRAM PROPOSED BY THE COMPANY AS PART OF THE RESILIENCY PLAN?

A: Walmart recommends that the Commission approve the Company's proposed microgrid pilot program.

Q: DO YOU AGREE WITH THIS POSITION?

A: Yes, Walmart brings a wealth of real-world experience with micro-grids and understands the value they can provide for reliability and resiliency for the entire system.

Q: PLEASE DESCRIBE THE TESTIMONY OF JOHN E. HASELDEN ON BEHALF OF THE OFFICE OF PUBLIC UTILITY COUNSEL

A: At an estimated cost of \$36.5 million, this pilot program may benefit only a few customers at the expense of all customers. Customers wishing to form and participate in a microgrid are free to investigate and pay for the needed studies without non-participating customers subsidizing them. OPUC recommends this project be rejected.

Q: DO YOU AGREE WITH THE POSITION?

1 **A:** No. **First:** The case may be made that the \$5.5B will be socialized too, whether individual
2 customers were impacted by the storm or not. The proposed cost of the microgrid pilot program
3 equates to .06% of the size of the total SRP capital ask and the cost to benefit ratio favors minimal
4 investment with a chance to have a large benefit on the total SRP going forward. **Second:** During
5 normal operations, being outside of an emergency, the generators will run during scarcity events
6 when prices are high and provide frequency support for the greater grid, which benefits all
7 customers inside and outside of the microgrid area. After the pilots are concluded a complete
8 understanding of costs and benefits will be available so the PUC can evaluate a proper way to
9 allocate costs if the program is enabled. It must be understood that the generators inside the
10 microgrid in the pilots and going forward are all paid for by private capital so the anticipated costs
11 on a per microgrid basis is limited to studies and grid upgrades, all costs and benefits will be
12 transparent because of the pilots. The plan is to create standards in the pilots, understand all costs,
13 measure benefits and be able to present it all to the PUC. We need to fully understand the Utility
14 Scale Microgrid option from a cost benefit perspective and a pilot is the first step. The microgrid
15 performance during storms for reliability across the nation is documented and exceeds 94% with
16 the two primary providers of these solutions across the US. Each microgrid must include critical
17 loads such as water facilities, nursing homes etc. When you look at what is being protected and
18 include the value of the frequency support to the overall grid during normal times the value
19 proposition begins to emerge and that is the reason for the enthusiasm for the solution.

20 **Q: PLEASE DESCRIBE THE TESTIMONY OF DAVID BAUTISTA OF THE PUBLIC**
21 **UTILITY COMMISSION STAFF**

22 **A:** Mr. Bautista recommended the Commission Deny CEHE's request of the Microgrid Program,
23 because the request does not include studies that meet the SRP rule.

24 **Q: DO YOU AGREE WITH THIS POSITION?**

25 **A:** No. CEHE specifically did not label the pilot as an element of the SRP plan. The whole reason
26 for having a pilot is to develop the data to allow for a robust study of its effectiveness and benefits
27 in future emergencies. We must pursue new thinking and options provided by new technologies
28 that have displayed real promise to transform our grid and improve its performance. We must be

1 proactive in our thinking instead of reacting and this project could easily have the greatest long-
2 term impact on our grid's overall performance of any other options available today and we will
3 know in 12-16 months. The performance and value of the Utility Scale Microgrid needs to be
4 firmly determined so future planning is fully informed and standards can be established so it can
5 scale if it is proven out in the Texas energy-only market.

6 **Q: PLEASE DESCRIBE THE TESTIMONY OF STEVEN D. HUNT ON BEHALF OF THE**
7 **HOUSTON COALITION OF CITIES?**

8 **A:** Mr. Hunt recommends the Commission require periodic reporting of the progress of the
9 microgrid program. Also, upon the selection of third-party entities to design the utility scale
10 microgrid and the completion of the construction design phase, Mr. Hunt recommends CEHE
11 submit a detail project report outlining the scope of each microgrid, the project costs, the expected
12 project benefits, reasoning for selection sites, and estimate the ongoing cost to operate and
13 maintain the microgrids. **First** Mr. Hunt recommends the Commission to require CEHE to submit
14 quarterly or semi-annual status reports detailing the costs, budget, phases completed and ongoing
15 prior to the construction and operation of the microgrids. Further, prior to CEHE commencing the
16 construction phase of any microgrid, he recommends CEHE submits its proposed plan to construct
17 and operate the proposed microgrids demonstrating the expected benefits of developing the
18 proposed microgrids are prudent investments and in the public interest. He states these measures
19 are intended to provide transparency and reasonable regulatory oversight on the development of
20 the microgrid program throughout the development process to provide the Commission and
21 stakeholders with opportunities to ensure the investment decisions are prudent prior to the ultimate
22 construction and operation of the microgrids. **Second**, the microgrid program costs should receive
23 accounting and rate treatments no different than any utility construction project. That is under the
24 FERC Uniform System of Accounts, costs incurred to determine feasibility of a proposed project
25 are recorded in Account 183, Preliminary, Survey, and Investigation Charges. Once feasibility
26 has been reached, the project costs are transferred to Account 107, Construction Work in Progress-
27 Electric, and a utility may begin capitalizing AFUDC accruals. Then, once the asset is placed in
28 service, a utility is generally able to earn a return on the operational asset at the weighted average
29 cost of capital. However, CEHE proposes to record the costs of the microgrid as a regulatory asset
30 rather than being treated as the construction of a utility plant that may be placed in service. For

1 that reason, Mr. Hunt recommends the Commission modify CEHE's proposed accounting for the
2 microgrid development and construction costs. Only to the extent that CEHE incurs operating
3 costs after the microgrid project is placed in service, should such costs be recorded as a regulatory
4 asset. **Furthermore**, it appears that CEHE intends to commingle the microgrid program in the
5 same regulatory asset intended to record CEHE's SRP costs. However, CEHE has explained that
6 the microgrid is not a part of the SRP and its costs should not be included in the same regulatory
7 asset account. Accordingly, Mr. Hunt recommends the costs of the microgrid program be treated
8 consistently with the FERC Uniform System of Accounts as discussed and remain separate from
9 any regulatory asset authorization for the SRP.

10 **A. DO YOU AGREE WITH THE WHOLE TESTIMONY OR SOME PART OR PARCEL**
11 **AND IF SO, WHICH PORTIONS DO YOU AGREE?**

12 Yes, in part, his recommendation to proceed with the pilot with accountability as a part of the
13 project plan is welcomed as reporting on the progress and results in a timely fashion is of
14 importance to all participants. Exactly how the PUC would want to put that accountability into
15 the process, I would leave that up to them.