

**FILED**  
MAR 13 2020

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA  
COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF )  
CENTERPOINT ENERGY RESOURCES CORP., )  
D/B/A CENTERPOINT ENERGY OKLAHOMA )  
GAS, FOR APPROVAL OF ITS PERFORMANCE )  
BASED RATE CHANGE PLAN CALCULATIONS )  
FOR THE TWELVE MONTHS ENDED )  
DECEMBER 31, 2019 )

CAUSE NO. PUD 2020000028

**APPLICATION**

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas ("CenterPoint Oklahoma" or the "Company"), hereby applies for an order of the Oklahoma Corporation Commission (the "Commission"): (a) approving the calculations presented by the Company according to requirements of the Company's Performance Based Rate Change Plan (the "PBRC Plan") for the calendar year ended December 31, 2019, and related customer bill credits; (b) approving additional customer credits for Protected and Unprotected Excess Deferred Income Tax ("EDIT") arising from the Tax Cuts and Jobs Act of 2017 ("TCJA"); and (c) approving proposed base rate adjustments due to the Company's Energy Efficiency ("EE") true-up adjustment and its EE incentive.

In this proceeding, CenterPoint Oklahoma will present calculations from Test-Year 2019 to support an aggregate credit to customers of approximately \$2 Million. These credits arise expressly from the PBRC Plan. Customers would not be receiving such a benefit under the traditional rate process. The PBRC Plan provides that the \$2 Million in credits will be returned to individual customers through monthly billings over a twelve-month period, to begin as soon as the Commission issues a final order in this Cause.

OKLA CORP COMM  
RECEIPT 2007880102  
Date: 03/13/2020 Time: 13:13  
Case: 20200028 PUD Cashier: DNY  
Payor: CENTERPOINT ENERGY RESOURCES  
Check: 016587 \$100.00  
71 01189A5/TRAN/PUD APP

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Underlying the calculations giving rise to these customer credits from CenterPoint Oklahoma are efficiencies that have reduced operations expenses for the 2019 Test-Year by approximately \$1 Million. In addition to achieving these efficiencies, the Company has also maintained its exceptional rating in customer satisfaction. CenterPoint Oklahoma is included in the region of CenterPoint utility companies that achieved – for the third year in a row – the highest ranking in the 2019 J.D. Power Gas Utility Residential Customer Satisfaction Study. CenterPoint Oklahoma accomplished this while still combatting attrition to its customer count in its regional rural service area, and while continuing the work of investing in pipeline safety improvements and the replacement of the Company's aging infrastructure.

In support of this Application, CenterPoint Oklahoma states as follows:

#### **I. Parties.**

CenterPoint Oklahoma is a natural gas public utility operating in the State of Oklahoma under the jurisdiction of the Commission. The names of and contact information for the persons to whom notices and correspondence concerning this Application should be sent are as follows:

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and

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## II. Allegation of Facts.

1. CenterPoint Oklahoma has been operating under its PBRC Plan since it was first approved in 2004.<sup>1</sup> Over the ensuing years, the Plan has been modified from time to time, including modifications to incorporate new determinations for capital structure, cost of capital, return on equity, and to confirm rate design according to a class cost of service study. The Plan generally provides for an annual review to compare the Company's actual financial performance against an Allowed Return on Equity ("AR") set by the Commission. If in any year the earned return on equity falls above or below a specified ROE deadband of 100 basis points relative to the AR, then specified rate-related changes should occur. Since inception, the PBRC Plan has provided an efficient annual mechanism for the Commission's rate review and for rate change. If the Commission approves the billing credits to customers proposed in this Cause, the Plan will have returned approximately \$6.4 Million in refunds to customers that would not have reached customers but for the PBRC Plan.

2. In this Cause, CenterPoint Oklahoma presents the supporting testimony of three Company witnesses: Cynthia Westcott, Vice-President Regional Operations Arkansas-Oklahoma, Burl M. Drews, Regulatory Manager, and John D. True, Contract Services Manager for Arkansas and Oklahoma.

3. As set out in detail in the supporting testimony, CenterPoint Oklahoma complies with the annual PBRC Plan filing requirements by presenting its calculations in this proceeding based upon the 2019 Test-Year, the twelve-month period ending December 31, 2019. These calculations show an adjusted earned return on equity of 15.37% for the 2019 Test-Year and

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<sup>1</sup> Order No. 499253 entered on December 28, 2004, in Cause No. PUD 200400187.

support a customer credit in the aggregate amount of \$1,972,761, resulting in an average monthly direct credit of \$1.32 per residential customer for the twelve months following approval by this Commission. In April 2020, Company will also return to customers an additional aggregate amount of \$471,062 in EDIT credits.

4. The evidence CenterPoint Oklahoma will present in the Cause again demonstrates that the PBRC Plan operates (a) to encourage greater efficiency and performance by CenterPoint Oklahoma; (b) to benefit customers directly when the Company's Earned Return exceeds the deadband – as is the case this year – by providing direct bill credits to which customers would not otherwise be entitled; (c) to reduce the cost of serving customers through significantly lower rate case and regulatory expenses; (d) to accomplish “gradualism” by providing the opportunity for more frequent rate changes; and (e) to foster close and efficient supervision of CenterPoint Oklahoma by the Commission's Public Utility Division.

5. In its testimony, the Company explains how the PBRC Plan encourages these efficiencies. Under the Plan, the Company bears all the adverse financial impact of a test-year in which it underearns and it is never able to make up those losses. But in a year of surplus earnings as presented here, the Company and its customers share the surplus, with the customers receiving the most. This mechanism provides a clear and unambiguous incentive for the Company to achieve efficiencies in its operations and to maximize earnings, all to the benefit of customers.

6. Had the Company been obliged to present its case this year as a general rate proceeding instead of an annual PBRC Plan review, the approximately \$2 Million in customer credits arising from the PBRC Plan calculations presented here would not have arisen.

7. In this Cause, the Company also presents the Protected and Unprotected EDIT credits arising under the TCJA. An aggregate total of \$471,062 in EDIT credits are presented in the Cause for approval, to be refunded in April 2020, as prescribed by the Commission in Order No. 684379 issued in Cause No. PUD 201800029. These credits will be in addition to the bill credits to customers arising from the PBRC Plan for the 2019 Test-Year.

8. Also included in the accompanying testimony is an explanation that, based on the facts summarized above, the interests of the Company remain aligned with those of its customers. This alignment justifies the continued allowance of all incentive compensation expense, in keeping with past practices by the Commission in CenterPoint Oklahoma PBRC Plan proceedings over many years.

9. The Company also presents for approval certain rate adjustments specified by Sections 5.5.3 and 5.5.4 of the PBRC Plan, pertaining to EE Incentives and an EE true-up. These adjustments result in changes to base rates in the amount of (\$0.0087)/Ccf for the Residential class, (\$0.0181)/Ccf for the General Service class, (\$0.0025)/Ccf for the Commercial Service class sales service customers, (\$0.0248)/MMBtu for the Commercial Service class transportation service customers, and \$0.5398/MMBtu for the Large Commercial Service customers who choose to participate in the energy efficiency program. The EE rate adjustments are not applicable to the Commercial NGV (CS-NGV) rate class, nor to the LCS-1 sales service customers.

### **III. Legal Authority.**

The Commission has authority to grant the requested relief in this Application by virtue of 17 OKLA. STAT. §§151 and 152, as well as Rider Schedule No. 5 PBRC Plan to the Company's tariff approved by this Commission in Cause No. 200400187, and modified by Order

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No. 528372 issued in Cause No. PUD 200600062, Order No. 541049 issued in Cause No. 200700076, Order No. 556393 issued in Cause No. PUD 200800062, Order No. 568883 issued in Cause No. PUD 200900055, Order No. 576698 issued in Cause No. PUD 201000030, Order No. 583869 in Cause No. PUD 20100048, Order No. 588757 issued in Cause No. PUD 201100056, Order No. 598447 issued in Cause No. PUD 201200036, Order No. 614541 issued in Cause No. PUD 201300033, Order No. 627433 issued in Cause No. PUD 201400070, by Order No. 654461 issued in Cause No. PUD 201600094, by Order No. 657250 issued on October 26, 2016 in Cause No. PUD 201600263, by Order No. 684379 issued on October 4, 2018, in Cause No. PUD 201800029, and by Order No. 701439 issued on August 29, 2019 in Cause No. PUD 201900019.

#### **IV. Relief Sought.**

CenterPoint Oklahoma requests that the Commission grant this Application and enter an order (a) approving the calculations presented by the Company according to requirements of the Company's Performance Based Rate Change Plan (the "PBRC Plan") for the calendar year ended December 31, 2019, and resulting customer bill credits; (b) approving additional customer credits for Protected and Unprotected Excess Deferred Income Tax ("EDIT") arising from the Tax Cuts and Jobs Act of 2017 ("TCJA"); (c) approving proposed base rate adjustments due to the Company's Energy Efficiency ("EE") true-up adjustment and its EE incentive; and (d) providing such other relief that may be proper in this cause.

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Respectfully submitted,



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ATTORNEYS FOR CENTERPOINT

ENERGY RESOURCES CORP. d/b/a

CENTERPOINT ENERGY OKLAHOMA GAS

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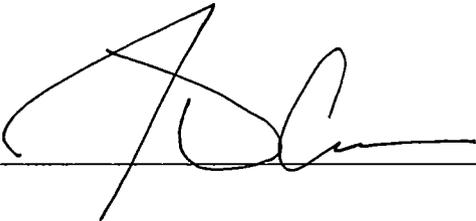
**CERTIFICATE OF SERVICE**

I hereby certify that on the 13th day of March, 2020, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by **ELECTRONIC MAIL** and by **UNITED STATES CERTIFIED MAIL**, postage prepaid to:

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A handwritten signature in black ink, appearing to read 'Michael Velez', is written over a horizontal line.