

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
CENTERPOINT ENERGY ENTEX, EX PARTE
DOCKET NO. U- 36124

In Re: Application for Renewal of CenterPoint Energy Entex's Rate Stabilization Plan Rider RSP-R4 for a Three Year Term.

PRE-FILED DIRECT TESTIMONY

OF

KATHY A. LLOYD

ON BEHALF OF

CENTERPOINT ENERGY RESOURCES CORP.
D/B/A CENTERPOINT ENERGY ENTEX

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1 **EXECUTIVE SUMMARY OF KATHY A. LLOYD**

2 As Manager of Regulatory and Rates for CenterPoint Energy Service Company,
3 LLC (“Service Company”), an indirect, wholly-owned subsidiary of CenterPoint Energy,
4 Inc. (“CNP”), I support CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy
5 Entex’s (“CenterPoint Energy Entex” or the “Company”) Application for Renewal of its
6 Rate Stabilization Plan Rider RSP-R4 pending before the Louisiana Public Service
7 Commission (“Commission” or “LPSC”). My testimony in this case:

- 8 • Supports the Application for Renewal of CenterPoint Energy Entex’s Rate
9 Stabilization Plan Rider RSP-R4; and
- 10 • Presents the proposed revised and extended Rate Stabilization Plan Rider RSP-R4
11 tariff.

12 In conjunction with the Application for Renewal, and the Pre-Filed Direct Testimony of
13 witness Ann E. Bulkley, the evidence that I present supports Commission approval of the
14 proposed revised and extended Rider RSP-R4 of CenterPoint Energy Entex.

PRE-FILED DIRECT TESTIMONY OF KATHY A. LLOYD

I. INTRODUCTION

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

A. My name is Kathy A. Lloyd, and I am Manager of Regulatory and Rates for Service Company, an indirect, wholly owned subsidiary of CNP. My business address is 1111 Louisiana Street, Houston, Texas 77002.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PREVIOUS WORK EXPERIENCE.

A. I received a Bachelor of Science degree in Accounting from Louisiana State University-Shreveport in 1990. Since 1990, I have held numerous positions in various areas within CNP and its predecessors, including positions in Budget, Gas Accounting, Customer Billing, Gas Supply, Information Technology, and Rates. I assumed my current role, Manager of Regulatory and Rates, in 2015 and am responsible for conducting financial analyses, reviewing and preparing various annual rate adjustment filings on behalf of CNP's public utility operating entities, including CenterPoint Energy Entex. I am also responsible for coordinating and addressing regulatory issues within CNP and with regulatory authorities. I am a Certified Public Accountant in the state of Texas.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. No.

**Direct Testimony of Kathy A. Lloyd
CenterPoint Energy Resources Corp.
d/b/a CenterPoint Energy Entex**

1 **Q. HAVE YOU PRESENTED TESTIMONY IN ANY OTHER REGULATORY**
2 **PROCEEDINGS?**

3 A. Yes. I testified before the Railroad Commission of Texas in GUD Nos. 10567,
4 10669, and 10920 and before the Oklahoma Corporation Commission in Cause
5 Nos. PUD 200100016, PUD 200300254, and PUD 200300654. Please see my
6 Direct Exhibit KAL-2 for descriptions of these proceedings.

7 **Q. ARE YOU FAMILIAR WITH CENTERPOINT ENERGY ENTEX'S**
8 **CURRENT RSP AND THE COMPANY'S ANNUAL RSP CALCULATIONS**
9 **AND EARNINGS REVIEW FILINGS MADE WITH THE COMMISSION?**

10 A. Yes. As Manager of Regulatory and Rates for Service Company, I am responsible
11 for the preparation of CenterPoint Energy Entex's Annual RSP calculations and
12 earnings review filings made with the Commission.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. I support the Company's request for renewal of its Rate Stabilization Plan Rider
16 RSP-R4 ("RSP") for an additional three-year term commencing with the
17 Company's June 30, 2023 test year and extending through the June 30, 2025 test
18 year, with all material provisions left unchanged. In addition, I sponsor the
19 Company's proposed clarifying edits to its current Rate Stabilization Plan Rider
20 RSP-R4 consistent with LPSC Order No. U-35739, dated January 12, 2021.

21 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR**
22 **TESTIMONY?**

1 A. Yes. I have prepared the Exhibits listed in the Table of Contents and attached
2 hereto.

3 Q. PLEASE IDENTIFY THE COPIES OF ALL PROPOSED AND EXISTING
4 TARIFFS ATTACHED TO YOUR TESTIMONY.

5 A. A redline and clean version of the Company's proposed renewed and extended
6 Rider RSP-R4 is included with my testimony as Direct Exhibit KAL-1 hereto.

7 Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF
8 THE COMPANY'S OTHER WITNESS IN THIS PROCEEDING?

9 A. Ms. Ann E. Bulkley, a Senior Vice President of Concentric, provides testimony
10 supporting the appropriateness of maintaining and renewing CenterPoint Energy
11 Entex's currently prescribed Return on Equity and hypothetical capital structure
12 that are reflected in the Company's Rider RSP-R4 that I support.

13 **II. CURRENT RIDER RSP-R4**

14 Q. PLEASE SUMMARIZE THE PROVISIONS OF CENTERPOINT ENERGY
15 ENTEX'S CURRENT RIDER RSP-R4.

16 A. Under the terms of its current Rider RSP-R4, on or before October 1st of each year,
17 the Company is required to file a Report of Earnings and Return on Equity ("ROE")
18 for the twelve months ending the preceding June 30th. Pursuant to Commission
19 Order No. U-32998, CenterPoint Energy Entex's current RSP allows the Company
20 to earn a midpoint ROE of 9.95% and requires a resetting of rates in the event that
21 the test period earnings of the Company fall outside of the prescribed bandwidth.
22 The prescribed bandwidth for CenterPoint Energy Entex is currently fifty basis
23 points above and below the allowed ROE, i.e., between 9.45% and 10.45%. If the

Direct Testimony of Kathy A. Lloyd
CenterPoint Energy Resources Corp.
d/b/a CenterPoint Energy Entex

1 Company's earned return falls within the bandwidth, no rate changes are allowed.
2 However, should the earned ROE fall outside of the bandwidth, the Company's
3 rates are adjusted to achieve earnings at the midpoint ROE of 9.95%.

4 **III. PROPOSED RIDER RSP-R4**

5 **Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED CLARIFYING**
6 **EDITS TO ITS CURRENT RIDER RSP-R4.**

7 A. CenterPoint Energy Entex's proposed clarifying edits to its current Rider RSP-R4
8 are summarized as follows:

- 9
 - Consistent with LPSC Order No. U-35739, CenterPoint Energy Entex's
10 proposed clarifying edits to its current Rider RSP-R4 consist of adding a
11 provision denoting the three-year term of the current RSP extending through
12 the Company's test year ending June 30, 2022, and scheduling a review of
13 the Rider RSP-R4 provisions by the Commission every three years
14 commencing with the Company's current filing.

15 **Q. WHY SHOULD THE COMMISSION RENEW AND EXTEND**
16 **CENTERPOINT ENERGY ENTEX'S RIDER RSP-R4 WITH THE**
17 **CLARIFYING EDITS DENOTED ABOVE?**

18 A. Renewal and extension of CenterPoint Energy Entex's current RSP, with the edits
19 noted above, will ensure continuation of the timely and efficient means of
20 establishing just and reasonable rates of the Company for the benefit of Louisiana
21 ratepayers.

22 **Q. PLEASE EXPLAIN.**

23 A. CenterPoint Energy Entex's current RSP mechanism permits the Commission to
24 annually review the Company's investments, costs and revenues in a systematic
25 and efficient manner. The RSP permits annual adjustments to rates to reflect

1 changes in the Company's performance, and provides that rates be adjusted on a
2 prospective basis to reflect necessary changes, while avoiding the time delays and
3 expenses associated with a full base rate proceeding. The RSP annual earnings and
4 rate review process also avoids implementation of interim rates, saving regulatory
5 expense related to the true-up process inherent to interim rates. Finally, annual
6 earnings and rate review and adjustments more closely align rate recovery with
7 actual revenue requirements of the Company and provide rate stabilization for the
8 benefit of Louisiana customers.

9 IV. CONCLUSION

10 Q. WHAT ARE YOUR RECOMMENDATIONS?

11 A. Based on my direct testimony, and the testimony of Ann E. Bulkley, the
12 Commission should approve CenterPoint Energy Entex's proposed Rider RSP-R4,
13 attached hereto as Exhibit KAL-1, for a three-year term effective with the
14 Company's June 30, 2023 test year and extending through the June 30, 2025 test
15 year, including maintaining the current ROE bandwidth of 9.45% to 10.45% with
16 a midpoint ROE of 9.95%, and maintaining the current hypothetical capital
17 structure of the Company consisting of 52% common equity and 48% total debt.
18 Renewal and extension of CenterPoint Energy Entex's RSP as proposed by the
19 Company will continue the significant benefits the RSP annual earnings and rate
20 review process has provided to Louisiana ratepayers, the Commission, and the
21 Company since 2005.

22 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

23 A. Yes.

Direct Testimony of Kathy A. Lloyd
CenterPoint Energy Resources Corp.
d/b/a CenterPoint Energy Entex

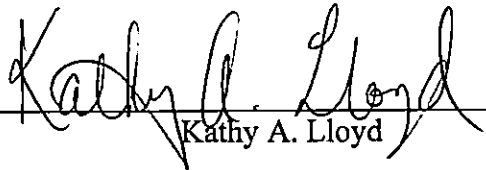
BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
CENTERPOINT ENERGY ENTEX, EX PARTE
DOCKET NO. S-_____

In Re: Application for Renewal of CenterPoint Energy Entex Rate Stabilization Plan Rider RSP-R4 for a Three Year Term.


STATE OF TEXAS
COUNTY OF HARRIS

AFFIDAVIT

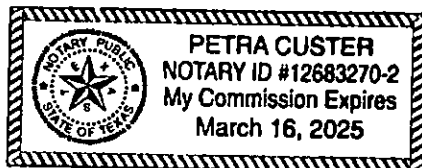
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Kathy A. Lloyd, who being duly sworn, deposed and said that she is appearing as a witness on behalf of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex before the Louisiana Public Service Commission in the above-captioned matter, and if present before the Commission and duly sworn, her statements would be as set forth in the annexed Direct Testimony.


Kathy A. Lloyd

SWORN TO AND SUBSCRIBED before me, Notary Public this 22nd day of July, 2021.



Notary Public
Print Name of Notary: Petra Custer
Bar Roll No. 12683270-2
My Commission Expires 3-16-2025



CenterPoint Energy Entex
 Issued: ~~December 20, 2019~~
 Issued by: Christe H. Singleton
 Division VP Regional Operations

Current Sheet: ~~First~~ Second Revised, Sheet 19
 Cancelled: ~~Original~~ First Revised, Sheet 19
 EFFECTIVE: ~~December 20, 2019~~

Rate Stabilization Plan
 Rider RSP-R4

APPLICATION:

This rider is applicable to customers billed under any natural gas rate schedule incorporating Rider RSP-R4.

APPLICATION OF RATE STABILIZATION PLAN ADJUSTMENT CLAUSE FACTORS AND CALCULATION PROCEDURE:

- (1) For each twelve-month period ended June 30, a determination shall be made pursuant to this Rider RSP as to whether the Company's revenue should be increased, decreased or left unchanged. If it is determined that the revenue should be increased or decreased, the natural gas rate schedules incorporating this Rider RSP will be adjusted in the manner set forth in this rider. Revised rate schedules will be applicable to bills rendered on and after ninety (90) days from the date of filing of the Company's Annual RSP Calculations, and will remain in effect until changed under the provisions set forth in this rider or by order of the Louisiana Public Service Commission (hereinafter "LPSC").
- (2) If, for the twelve-month period ended June 30, the Company's return on equity (ROE) adjusted for the known and measurable changes described in Appendix III, is below (above) the Allowed Return on Equity (AR), 9.95%, the base rates under the rate schedule subject to this Rider RSP shall be increased (decreased) as follows:
 - (a) For purposes of determining whether a rate adjustment is necessary, a dead band equal to 50 basis points above and below the AR will be established. To the extent the earned ROE falls within this dead band, no rate change shall be made.
 - (b) To the extent the earned ROE falls more than 50 basis points above or below the AR, rates will be increased (decreased) by the amount necessary to increase (decrease) the earned ROE to equal the AR.
- (3) The amount calculated under this RSP will be added to the Commodity Charge as listed in the rate schedules to which this rider is applicable. Any reductions in rates shall be made to the Commodity Charge. Billing determinants for calculation of going forward Commodity Charge changes shall be determined under the Company's methodology used in Docket U-26720 (Subdocket A). The Company will file revised rate schedules with the LPSC subject to this rider ~~with the LPSC~~ each time the rates are adjusted pursuant to this Rider RSP, and those revised rate schedules subject to this rider shall then become the filed rates of the Company.
- (4) Pursuant to Docket No. R-34754, rates shall be adjusted in a manner that amortizes Excess Accumulated Deferred Income Tax Balances ("ADIT") ("Protected") using the Average Rate Assumption Method ("ARAM"). Excess Protected ADIT balances shall accrue carrying charges at the Company's Weighted Average Cost of Capital ("WACC") until the regulatory liabilities are fully amortized, except to the extent that ratepayers are receiving benefits in rates of such unamortized Excess Protected ADIT Balances being recorded as an offset to the Company's rate base. The rate reduction associated with the excess Protected ADIT shall be implemented through an outside-the-band reduction in rates attributable to the annual amortization. The annual amortization shall be allocated to the jurisdictional and non-jurisdictional classes in the same manner as ADIT is allocated per the RSP calculation. The annual ARAM amortization and return on Excess ADIT will be individually true-up for the previous twelve-month period ended June 30. The allocated amounts and the true-ups shall be divided by the appropriate billing determinants to calculate the rate reduction.

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CenterPoint Energy Entex
Issued: ~~December 7, 2018~~

Issued by: Christe H. Singleton
Division VP Regional Operations

Current Sheet: ~~Original~~First Revised, Sheet 19a
Cancelled: ~~Revised Sheet No. 3, Sheet~~
~~42a~~Original, Sheet 19a
EFFECTIVE: ~~December 26, 2018~~

FILING PROCEDURES:

On ~~or before~~ October 1, 2007, ~~and on or before each succeeding October 1~~ 2023, 2024, and 2025 during the term of this rider, the Company will file its RSP calculation, revised rate schedules, or other information which may be warranted under this rider (the "Annual RSP Calculations"). The Louisiana Public Service Commission Staff ("Staff") may request clarification and additional data and the Company will provide the same. Unless disputed by the Staff, any revised rate schedules will become effective with billing on and after ninety (90) days from the date of filing of the Annual RSP Calculations (the "Effective Date"). If Staff disputes the Annual RSP Calculations, or any component thereof, the Staff shall notify the Company on or before sixty (60) days from the filing date of the Annual RSP Calculations. The Company and the Staff shall work in good faith to resolve all disputes and answer all questions. The Company and the Staff shall jointly submit any unresolved disputed portions of the Annual RSP Calculations (the "Disputed Issues") to the LPSC for resolution. The LPSC shall resolve any Disputed Issues between the Company and the Staff regarding the said calculations or plan on or before February 1 of the following year. Any adjustment to the Annual RSP Calculations or plan resulting from the resolution of the Disputed Issues subsequent to the Effective Date will be made by the Company as a compensating adjustment to the RSP at the time of the resolution as ordered by the LPSC.

The terms and conditions of the Company's Rider RSP immediately preceding the effectiveness of this Rider RSP shall remain in effect through the Company's test year ending June 30, 2022 – through the filing of the Company's 2022 Annual RSP Calculations. On or before August 1, 2021, and every three years thereafter, the Company will make a separate filing, apart from its Annual RSP Calculations filing, requesting renewal of its RSP for an additional three-year term and for the Staff and Commission to review the provisions of the RSP Rider to determine whether its terms remain in the public interest and will produce just and reasonable rates for the subsequent three year period.

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CenterPoint Energy Entex
Issued:
Issued by: Christe H. Singleton
Division VP Regional Operations

Current Sheet: Second Revised, Sheet 19
Cancelled: First Revised, Sheet 19
EFFECTIVE:

Rate Stabilization Plan
Rider RSP-R4

APPLICATION:

This rider is applicable to customers billed under any natural gas rate schedule incorporating Rider RSP-R4.

APPLICATION OF RATE STABILIZATION PLAN ADJUSTMENT CLAUSE FACTORS AND CALCULATION PROCEDURE:

- (1) For each twelve-month period ended June 30, a determination shall be made pursuant to this Rider RSP as to whether the Company's revenue should be increased, decreased or left unchanged. If it is determined that the revenue should be increased or decreased, the natural gas rate schedules incorporating this Rider RSP will be adjusted in the manner set forth in this rider. Revised rate schedules will be applicable to bills rendered on and after ninety (90) days from the date of filing of the Company's Annual RSP Calculations, and will remain in effect until changed under the provisions set forth in this rider or by order of the Louisiana Public Service Commission (hereinafter "LPSC").
- (2) If, for the twelve-month period ended June 30, the Company's return on equity (ROE) adjusted for the known and measurable changes described in Appendix III, is below (above) the Allowed Return on Equity (AR), 9.95%, the base rates under the rate schedule subject to this Rider RSP shall be increased (decreased) as follows:
 - (a) For purposes of determining whether a rate adjustment is necessary, a dead band equal to 50 basis points above and below the AR will be established. To the extent the earned ROE falls within this dead band, no rate change shall be made.
 - (b) To the extent the earned ROE falls more than 50 basis points above or below the AR, rates will be increased (decreased) by the amount necessary to increase (decrease) the earned ROE to equal the AR.
- (3) The amount calculated under this RSP will be added to the Commodity Charge as listed in the rate schedules to which this rider is applicable. Any reductions in rates shall be made to the Commodity Charge. Billing determinants for calculation of going forward Commodity Charge changes shall be determined under the Company's methodology used in Docket U-26720 (Subdocket A). The Company will file revised rate schedules with the LPSC subject to this rider each time the rates are adjusted pursuant to this Rider RSP, and those revised rate schedules subject to this rider shall then become the filed rates of the Company.
- (4) Pursuant to Docket No. R-34754, rates shall be adjusted in a manner that amortizes Excess Accumulated Deferred Income Tax Balances ("ADIT") ("Protected") using the Average Rate Assumption Method ("ARAM"). Excess Protected ADIT balances shall accrue carrying charges at the Company's Weighted Average Cost of Capital ("WACC") until the regulatory liabilities are fully amortized, except to the extent that ratepayers are receiving benefits in rates of such unamortized Excess Protected ADIT Balances being recorded as an offset to the Company's rate base. The rate reduction associated with the excess Protected ADIT shall be implemented through an outside-the-band reduction in rates attributable to the annual amortization. The annual amortization shall be allocated to the jurisdictional and non-jurisdictional classes in the same manner as ADIT is allocated per the RSP calculation. The annual ARAM amortization and return on Excess ADIT will be individually true-up for the previous twelve-month period ended June 30. The allocated amounts and the true-ups shall be divided by the appropriate billing determinants to calculate the rate reduction.

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CenterPoint Energy Entex
Issued:
Issued by: Christe H. Singleton
Division VP Regional Operations

Current Sheet: First Revised, Sheet 19a
Cancelled: Original, Sheet 19a
EFFECTIVE:

FILING PROCEDURES:

On or before October 1, 2023, 2024, and 2025 during the term of this rider, the Company will file its RSP calculation, revised rate schedules, or other information which may be warranted under this rider (the "Annual RSP Calculations"). The Louisiana Public Service Commission Staff ("Staff") may request clarification and additional data and the Company will provide the same. Unless disputed by the Staff, any revised rate schedules will become effective with billing on and after ninety (90) days from the date of filing of the Annual RSP Calculations (the "Effective Date"). If Staff disputes the Annual RSP Calculations, or any component thereof, the Staff shall notify the Company on or before sixty (60) days from the filing date of the Annual RSP Calculations. The Company and the Staff shall work in good faith to resolve all disputes and answer all questions. The Company and the Staff shall jointly submit any unresolved disputed portions of the Annual RSP Calculations (the "Disputed Issues") to the LPSC for resolution. The LPSC shall resolve any Disputed Issues between the Company and the Staff regarding the said calculations or plan on or before February 1 of the following year. Any adjustment to the Annual RSP Calculations or plan resulting from the resolution of the Disputed Issues subsequent to the Effective Date will be made by the Company as a compensating adjustment to the RSP at the time of the resolution as ordered by the LPSC.

The terms and conditions of the Company's Rider RSP immediately preceding the effectiveness of this Rider RSP shall remain in effect through the Company's test year ending June 30, 2022 – through the filing of the Company's 2022 Annual RSP Calculations. On or before August 1, 2021, and every three years thereafter, the Company will make a separate filing, apart from its Annual RSP Calculations filing, requesting renewal of its RSP for an additional three-year term and for the Staff and Commission to review the provisions of the RSP Rider to determine whether its terms remain in the public interest and will produce just and reasonable rates for the subsequent three year period.

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Effective by LPSC Order No. U-

Kathy A. Lloyd
Manager of Regulatory & Rates
1111 Louisiana Street, Houston, Texas 77002

CURRENT RESPONSIBILITIES (2015– Present)

Review and/or prepare annual revenue adjustment mechanisms, tariffs, and related filings to support CenterPoint Energy's (CNP) corporate strategy, goals and objectives. Conduct financial analyses and coordinate regulatory issues within the Company and with regulatory agencies.

PREVIOUS PROFESSIONAL EMPLOYMENT

CenterPoint Energy 1990- 2015

Accountant	1990-1996
Gas Supply Coordinator	1996-1998
Rate Administrator	1998-1999
Billing Coordinator	1999-2000
Rate Administrator	2000-2003
IT Business Analyst Configurer	2004-2005
Lead Regulatory Analyst	2005-2015

EDUCATION

Louisiana State University –Shreveport, Accounting

CERTIFICATION

Certified Public Accountant - Texas

PREVIOUS TESTIMONY

Corporation Commission of Oklahoma

Cause No. PUD 200100016 *Application of Ernest G. Johnson, Director of the Public Utility Division Oklahoma Corporation Commission, For an Order to Establish a Formal Purchased Gas Adjustment Clause Review Process*

Cause No. PUD 200300254 *Application of CenterPoint Energy Arkla, a Division of CenterPoint Energy Resources Corp., to Authorize the Company to Maintain, Repair and Replace Certain Private Lines, and for Approval of the Recovery of the Related Costs*

Cause No. PUD 200300654 *In the Matter of the Application of CenterPoint Energy Arkla, a Division of CenterPoint Energy Resources Corp., for Approval of a Revised Lost and Unaccounted for Gas (LUG) Component*

Railroad Commission of Texas

GUD No. 10567 *Statement of Intent of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates in the Houston Division and Texas Coast Division*

GUD No. 10669 *Statement of Intent of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates in the South Texas Division*

GUD No. 10920 *Statement of Intent of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates in the Beaumont/East Texas Division*