Control Number: 29526

Item Number: 516

Addendum StartPage: 0

SOAH DOCKET NO. 473-04-4555
PUC DOCKET NO. 29526

RECEIVED

2004 MAY -3 PM 1:17

PUBLIC UTILITY COMMISSION

APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC RELIANT ENERGY RETAIL SERVICES, LLC AND TEXAS GENCO, LP TO DETERMINE STRANDED COSTS AND OTHER TRUE-UP BALANCES PURSUANT TO PURA § 39.262	**§ § § § § § § §**	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

THE OFFICE OF PUBLIC UTILITY COUNSEL'S THIRTEENTH REQUEST FOR INFORMATION TO CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC, RELIANT ENERGY RETAIL SERVICES, LLC AND TEXAS GENCO, LP

Pursuant to P.U.C. PROC. R. 22.141-145, the Office of Public Utility Counsel ("OPC") requests that CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC and Texas Genco, LP Companies ("Companies") provide answers to the following questions under oath. Please answer the questions and sub-questions in the order in which they are listed and in sufficient detail to provide a complete and accurate answer.

Dated: May 3, 2004

Respectfully submitted,

Suzi Ray McClellan
Public Counsel
State Bar No. 16607620

Eva King Andries
Assistant Public Counsel
State Bar No. 12588800
1701 N. Congress Avenue, Suite 9-180
P.O. Box 12397
Austin, Texas 78711-2397
512/936-7500
512/936-7520 FAX

ATTORNEYS FOR THE
OFFICE OF PUBLIC UTILITY COUNSEL

56

CERTIFICATE OF SERVICE
SOAH Docket No. 473-04-4555
PUC Docket No. 29526

I hereby certify that today, May 3, 2004, I served a true copy of the foregoing document on all parties of record via United States First-Class Mail, hand-delivery or facsimile.

Eva King Andries

OPC's 13TH Request for Information to CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC and Texas Genco, LP SOAH Docket No. 473-04-4555 PUC Docket No. 29526

DAI-13-1. In the testimony of Mr. McGoldrick, on page 23, he notes that the SEC has restricted TGN's ability to pay dividends.

a. Please provide a copy of the SEC's ruling restricting dividend payments for TGN.
b. Please indicate if this restriction is more or less strict than any other restriction on dividend payments.
c. If any other agreement/contractual arrangement is stricter, please identify that agreement/contractual arrangement and illustrate how it affects TGN's ability to pay dividends.

DAI-13-2. With respect to the risk management policies addressed by Mr. Tees and Mr. McGoldrick, did CenterPoint and/or TGN perform any studies measuring "earnings-at-risk" or "cash flow-at-risk" or employ any other methodology that would illustrate expected variability in future cash flows? If so, please provide all material related to such studies and any subsequent management discussions or communications.

DAI-13-3. What percentage of TGN's annual cash flows are the result of contractual arrangements that eliminate commodity risks (long-term fuel purchase agreements, tolling agreements, fuel or energy derivatives, etc.)? Please identify by percentage and dollar amount for each of the past four years the portion of cash flows subject to such hedging arrangements vs not subject to hedging arrangements.

DAI-13-4. TGN management announced revised earnings estimates during the course of 2003 that each time resulted in substantial upward revisions within relatively short time periods. How does TGN reconcile this degree of "surprise" with respect to earnings with a risk control policy that requires, in Mr. Tees' words (direct testimony of David Tees, p. 26, line 4), all commercial risks to be hedged?

DAI-13-5. In Mr. McGoldrick's testimony (p. 37, line 5), he states that TGN's lack of debt made its stock "more attractive" to investors. What evidence does Mr. McGoldrick have for this statement?

DAI-13-6. In Mr. McGoldrick's testimony (p. 37, line 5), he states that TGN's dividend policy made its stock "favorable to investors." What evidence does Mr. McGoldrick have for this statement?

DAI-13-7. In Mr. McGoldrick's testimony (pp. 36-37), he states that the fleet restrictions (those concerning buying, selling, retiring assets, etc) were justified because they prevented "complicating" the true-up valuation process. Please explain why avoiding "complications" is a "commercially reasonable measure" for TGN to have taken.

DAI-13-8. On page 11 of the presentation in JBM-11, please explain the statement that a debt-free balance sheet (for TGN) creates flexibility, given that TGN is contractually restricted from buying or selling assets or altering its dividend policy. What flexibility is the presentation referring to?

DAI-13-9. On page 63 of the presentation in JBM-14, please explain why the statement that a "minority float raises governance issues" would not imply that a control premium was justified.

DAI-13-10. On page 110 of JBM-16, reference is made to an SEC order limiting external borrowing to less than $500 million. Please provide a copy of this order and explain its application to TGN.

DAI-13-11. In PHK-9, Mr. Kind identifies several companies that constitute three "peer groups" for TGN (*e.g.*, AES, Calpine, Exelon). Please identify the dimensions along which Mr. Kind believes these "peers" are comparable to TGN and provide an assessment of the "distance" between TGN and these peers along each dimension identified.

DAI-13-12. Does Mr. Graves contend that conforming to the stranded cost definition in PURA is a commercially reasonable justification for maintaining the capital structure restrictions? If so, why? If so, for whom does he believe this is a commercially reasonable measure: CenterPoint or TGN?

DAI-13-13. How can Mr. Graves reconcile the desire for a stable dividend with the claim that using debt would be too risky, since both require stable cash flows?

DAI-13-14. Does Mr. Graves believe that the addition of *any* debt would impair the value of TGN?

DAI-13-15. Can Mr. Graves identify any other power generation companies with baseload generation that are 100% equity financed? If yes, please identify.

DAI-13-16. Referring to Mr. Graves's testimony (page 9, line 14), what constitutes "excessive debt"?'

DAI-13-17. Referring to Mr. Graves's testimony (page 15, line 31-32), to what does "necessary structural conditions" refer?

DAI-13-18. Referring to Mr. Graves's testimony (page 21, line 24-27), please provide the justification for using a $1/MWh adder to fuel costs to reflect O&M expenses. How was this figure determined? Please provide any supporting documentation.

DAI-13-19. Was any analysis done that illustrated that mothballing TGN's assets was more profitable (*i.e.*, had a higher NPV) than retiring them?

DAI-13-20. Referring to Mr. Tees's testimony (page 12, lines 9-16), Mr. Tees notes that Reliant "has never objected" to requests made by TGN. Can Mr. Tees imagine any scenario in which Reliant would object?

a. If yes, please explain how the agreements to not reduce the value of TGN.
b. If no, please explain why the restrictions are necessary.