

Control Number: 38339



Item Number: 659

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SOAH DOCKET NO. 473-10-5001
PUC DOCKET NO. 38339

APPLICATION OF CENTERPOINT §
ENERGY HOUSTON ELECTRIC, LLC §
FOR AUTHORITY TO CHANGE §
RATES §

BEFORE THE STATE OFFICE
OF PUBLIC UTILITIES §
ADMINISTRATIVE HEARINGS §

THE TEXAS COAST UTILITIES COALITION OF CITIES
SEVENTH SET OF REQUESTS FOR INFORMATION TO
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

The Texas Coast Utilities Coalition of Cities ("TCUC") Seventh Set of Requests for Information ("RFIs") to CenterPoint Energy Houston Electric, LLC ("CenterPoint") is hereby filed in this docket. Responses to the RFIs set forth on Exhibit A should be served on Felipe Alonso III, Herrera & Boyle, PLLC at 816 Congress Avenue, Suite 1250, Austin, Texas 78701, within three (3) working days of service hereof or no later than October 8, 2010. Exhibit A is attached hereto and incorporated herein for all purposes.

Definitions

1. "CenterPoint," the "Company," and "Applicant" refer to CenterPoint Energy Houston Electric, LLC and its affiliates.
2. "You," "yours," and "your" refer to CenterPoint (as defined above), including its directors, officers, employees, consultants, agents and attorneys.
3. "Document" and "documents" mean any written, recorded, filmed, or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device of any other media, including, but not limited to, memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contracts, agreements, books, pamphlets, periodicals, appointment calendars, records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recording that is capable of being transcribed into written form.
4. The term "communication" includes all verbal and written communications (including written records of verbal communications) of every kind, including but not limited to, telephone calls, conferences, letters and all memoranda or other documents concerning the requested item. Where communications are not in writing, provide copies of all memoranda and documents and describe in full the substance of the communication to the extent that substance is not

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reflected in the memoranda and documents provided and to the extent it is within the knowledge of CenterPoint.

5. "Identification" of a document includes stating (a) the nature of the document (e.g., letter, memorandum, corporate minutes), (b) the date, if any, appearing thereon, (c) the date, if known, on which the document was prepared, (d) the title of the document, (e) the general subject matter of the document, (f) the number of pages comprising the document, (g) the identity of each person who signed or initialed the document, (h) the identity of each person to whom the document was addressed, (i) the identity of each person who received the document or reviewed it, (j) the location of the document, and (k) the identity of each person having custody of, or control over, the document. Identification of a document includes identifying all documents known or believed to exist, whether or not in the custody of SPS or in the custody of its attorneys or other representatives or agents.
6. "Identification" of a person includes stating his or her full name, his or her most recent known business address and telephone number, his or her present position, and his or her prior connection or association with any party to this proceeding.
7. "Person" refers to, without limiting the generality of its meaning, every natural person, corporate entity, partnership, association (whether formally organized or ad hoc), joint venture, unit operation, cooperative, municipality, commission, governmental body or agency.

Instructions


1. If any RFI appears confusing, please request clarification from the undersigned counsel.
2. In providing your responses, please start each response on a separate page and type, at the top of the page, the RFI that is being answered.
3. As part of the response to each RFI, please state, at the bottom of the answer, the name and job position of each person who participated in any way, other than providing clerical assistance, in the preparing of the answer. If the RFI has sub-parts, please identify the person or persons by sub-part. Please also state the name of the witness in this docket who will sponsor the answer to the RFI and who can vouch for the truth of the answer. If the RFI has sub-parts, please identify the witness or witnesses by sub-part.
4. Rather than waiting to provide all of the responses at the same time, please provide individual responses as each becomes available.
5. If CenterPoint considers any RFI to be unduly burdensome, or if the response would require the production of a voluminous amount of material, please call the undersigned counsel as soon as possible in order to discuss the situation and to try to resolve the problem. Likewise, if SPS objects to any of the RFIs on the grounds that the RFI seeks proprietary information, or on any other grounds, please call the undersigned counsel as soon as possible.
6. If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date,

sender, recipients, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

7. These requests shall be deemed continuing so as to require further and supplemental responses if CenterPoint receives or generates additional information within the scope of these requests between the time of the original response and the time of the hearings.

Respectfully submitted,

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By:  _____

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**ATTORNEYS FOR
THE TEXAS COAST UTILITIES
COALITION OF CITIES**

CERTIFICATE OF SERVICE

I certify that I have served a copy of TCUC's Seventh Set of Requests for Information to CenterPoint upon all known parties of record by fax and/or first class mail on this the 5th day of October 2010.

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Felipe Alonso III

EXHIBIT A

SOAH DOCKET NO. 473-10-5001

PUC DOCKET NO. 38339

**THE TEXAS COAST UTILITIES COALITION OF CITIES
SEVENTH SET OF REQUESTS FOR INFORMATION TO
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

Questions to Mr. Watson

- 7-1. Regarding the statement on page 11 of Mr. Watson's rebuttal testimony that Mr. Pous seeks to second-guess the expectations of engineers who work with the Company's assets, please provide every specific item of information that sets forth the expectation of the Company's engineers by account as it relates to net salvage. Further, provide all supporting documentation on which each separate individual based their expectations, clearly identifying the expectation and the corresponding documentation that supports such expectation by account. Finally, specifically identify the individual who provided the information and where such information was provided, either in Mr. Watson's testimony, exhibits, workpapers, or in responses to requests for information.
- 7-2. Regarding the statement at the bottom of page 11 of Mr. Watson's rebuttal testimony regarding removal costs, please admit or deny that Company personnel allocate costs incurred associated with replacement projects between the cost of the new installation and the cost of removal. To the extent Mr. Watson's response is anything other than an unqualified admission, provide all support and justification for Mr. Watson's contrary position.
- 7-3. Regarding Mr. Watson's statement on page 11 of his rebuttal testimony regarding cost of removal, please admit or deny that the cost allocation between cost of removal and the new installation is not a single allocation for all events, but rather reflects the unidentified assumptions made by Company personnel who must perform some form of allocation for each type of retirement. To the extent Mr. Watson's response is anything other than an unqualified admission, provide all support and justification for Mr. Watson's contrary position.
- 7-4. Regarding the statement on page 11 of Mr. Watson's rebuttal testimony as it pertains to removal cost, please identify the specific allocation between cost of removal and cost of installation incurred in a replacement project for each historical retirement reflected in the Company's historical database relied upon by Mr. Watson to perform his depreciation study. Further, provide all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the response.
- 7-5. Regarding the reference to the Company's asset verification process on pages 12-13 of Mr. Watson's rebuttal testimony, please provide the following:

- a) The specific reference in Mr. Watson's direct testimony, exhibits, workpapers, and/or responses to requests for information where the asset verification process, including all corresponding values by account, were presented.
- b) To the extent not previously provided in subpart (a), provide the detailed listing of the items that were found to not be in service yet not previously retired by account and the year in which such assets should have been retired. The information should be provided both in hard copy and on electronic medium in Excel readable format.

- 7-6. Regarding the statement on page 14 of Mr. Watson's rebuttal testimony that the 60-R4 life-curve combination for Account 354 identifies a 0.04% retirement at the current age of the investment versus a 1.8% retirement at the highest point of its average service life, please admit or deny that the peak level of annual retirements is 45 times (1.8 / 0.04) the level experienced at the current age. To the extent the response is anything other than an unqualified admission, provide all support and justification for Mr. Watson's contrary position.
- 7-7. Regarding the statement on page 14 of Mr. Watson's rebuttal testimony regarding the relationship between the level of retirement activity at the current age versus its highest point for Account 354, please explain why the difference in annual levels of magnitude of retirements exhibited between the current age and the highest point, which is approximately a 45-fold differential, illustrates the flaw in Mr. Pous' logic and illustrates a lack of any credible evidence. The response should include all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the responsive information.
- 7-8. Regarding the statements at the bottom of page 14 and continuing to the top of page 15 of Mr. Watson's rebuttal testimony that the Company already has tools in place to perform necessary and efficient removal of assets, please admit that the Company, over time, has upgraded and changed the type of equipment that it uses in its removal of assets by account. To the extent the response is anything other than an unqualified admission, provide all support and justification for Mr. Watson's contrary position.
- 7-9. Regarding the statement at the bottom of page 15 of Mr. Watson's rebuttal testimony that the level of future overtime and emergency repairs is "expected" to be consistent with historical levels, please provide all support and justification for such claim, specifically addressing the fact that the Company admits that it is not possible to quantify the annual dollar amount of overtime and outside contractor expense reflected in the historical cost of removal. To the extent such statement is based on specific expectations by Company personnel, provide where in Mr. Watson's direct testimony, workpapers, exhibits, or responses to requests for information that such expectations were previously specifically provided. Further, provide all underlying support and justification for any such expectation that clearly substantiates such position.

- 7-10. Regarding the statement at the bottom of page 15 of Mr. Watson's rebuttal testimony that the historical database of net salvage, which includes historical overtime and cost of removal related to emergency repairs, is "representative" of the future cost of removal, please provide all support and justification for such belief. As part of the response, specifically address how the Company can be certain that the historical data is representative of the future when it also admits that it is not possible to quantify the annual dollar amount of overtime and outside contractor expense reflected in the historical data.
- 7-11. For Account 356 – Transmission Overhead Conductor, please identify the specific activities and corresponding cost to perform each specific activity necessary to retire one property record unit of fiber optics compared to one property record unit of switches compared to one property record unit of conductor. Further, provide all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the responsive information.
- 7-12. Regarding the statement at the top of page 16 of Mr. Watson's rebuttal testimony relating to third-party reimbursements for relocations as prepayments, please provide all support and justification as to how this position complies with NARUC's Interpretation No. 67 of the Uniform System of Accounts. The response should specifically provide all contracts that clearly demonstrate the compliance with and validity of Mr. Watson's statements in relationship to NARUC's Interpretation No. 67.
- 7-13. Regarding the statement in the middle of page 16 of Mr. Watson's rebuttal testimony that the Commission has previously considered a reimbursed retirement as a prepayment issue in Docket No. 35717, please provide the following:
- a) An admission that the allocation of costs between cost of the new replacement and cost of removal practiced by Oncor for all reimbursed retirements are identical to the specific allocation of reimbursed retirements practiced by CenterPoint in all instances. To the extent the response is anything other than an unqualified admission, provide all support and justification, including applicable contracts for each utility that confirm the contrary position taken by Mr. Watson.
 - b) Reference by Mr. Watson as to how other regulatory authorities treat reimbursed retirements, providing the specific jurisdiction, company name, docket number, and pertinent portions of each separate final order.
 - c) For the references to GUD Nos. 8976, 9145, and 9762, all pertaining to the same gas utility or its predecessors, admit or deny that that gas utility actually practiced the procedure addressed by Mr. Pous prior to Docket No. 8976. To the extent the response is anything other than an unqualified admission, provide all support and justification for the contrary position.
 - d) Regarding the utility referenced in GUD Nos. 8976, 9145, and 9762, admit or deny that the gas company's practice of allocating amounts received between new installation and reductions to cost of removal are not identical to those practiced by CenterPoint. To the extent the response is anything other than an unqualified

admission, provide all support and justification for Mr. Watson's contrary position.

- 7-14. Regarding the statement at the top of page 17 of Mr. Watson's rebuttal testimony that the Company's treatment of third-party reimbursements and the lowering of rate base, please admit or deny that such approach produces the identical rate base as reflected in Mr. Pous' recommended treatment. To the extent the response is anything other than an unqualified admission, provide all support and justification for Mr. Watson's contrary position.
- 7-15. Regarding the statement on page 18 of Mr. Watson's rebuttal testimony that references TCUC's recommendation for life analysis pertaining to Account 353 and 364, please specifically identify what portion of Mr. Pous' testimony that Mr. Watson relies upon for his belief that those values represent Mr. Pous' recommendation. Further, specifically reconcile such statements to the last answer of Mr. Pous' direct testimony, where he states that to the extent he has not addressed an issue, method, procedure, or any other matter relevant to the Company's rate case, it should not be construed that he was in agreement with the Company's proposed issue, method or procedure. Further, provide the same response as it relates to net salvage parameters, claimed to be proposed by TCUC on pages 19-20 of Mr. Watson's rebuttal testimony.
- 7-16. Regarding the statements made at the bottom of page 25 of Mr. Watson's rebuttal testimony that Mr. Pous erroneously claimed that the large 2007 retirement was a reconductoring project and that such retirements are associated with reconductoring, please provide the following:
- a) Specifically where in Mr. Pous' testimony did he claim that the 2007 retirement "was" associated with a reconductoring project?
 - b) All support to demonstrate that no portion of the claimed verification efforts in 2007 pertained to reconductoring projects that transpired in previous years.

The responses to both subparts should include all workpapers, assumptions, considerations, and materials reviewed and/or relied upon in sufficient detail to permit verification of the accuracy of the responsive information.

- 7-17. Regarding the statement on page 25 of Mr. Watson's rebuttal testimony that reconductoring will continue in the future for Account 354, please provide the following:
- a) The average number of miles reconductored per year during the past 10 years.
 - b) The average cost of reconductoring per year during the past 10 years.
 - c) The average number of miles of reconductoring expected during the next five years.
 - d) The average cost of reconductoring expected during the next five years.

- 7-18. Regarding Mr. Watson's reference at the bottom of page 25 of his rebuttal testimony, where he states that the first reason Mr. Pous' assertions are false is that he provides no

credible evidence to substantiate the installation or to quantify the effect that the removal of a particular event may have, please provide the following:

- a) State if this is an acceptable standard by which Mr. Watson believes his presentation should also be judged. If not, provide all support and justification for why Mr. Watson believes that his testimony can be considered credible evidence.
- b) Specifically identify the standard Mr. Watson believes must be met in all instances as it pertains to the establishment of life and/or salvage parameters for depreciation studies. To the extent the standard differs by account or circumstance, enumerate each standard associated with each different situation.

Finally, provide all support and justification for Mr. Watson's response to each subpart above.

7-19. Regarding the statement at the top of page 26 of Mr. Watson's rebuttal testimony regarding cars hitting poles, please provide the following:

- a) Admit or deny that this was one of the few enumerated causes of retirement activity for Account 354 in Mr. Watson's depreciation analyses. To the extent Mr. Watson denies such position, provide all support and justification in support of Mr. Watson's contrary belief.
- b) Admit or deny that if the same number of poles are hit in the future as are reflected in the historical levels, the overall percentage of retired dollars associated with cars hitting poles will actually decline dramatically compared to other causes of retirement as the plant ages and moves closer to its average service life. To the extent Mr. Watson does not admit to such position, provide all support and justification for any contrary position.

7-20. Regarding Mr. Watson's statements in the middle of page 26 of his rebuttal testimony that Mr. Pous' position on reimbursements has been rejected, please admit or deny that in each referenced other situation where Mr. Watson claims that Mr. Pous' position has been rejected, the utility involved did not rely on the concept of "deemed" as the basis for the allocation of reimbursement dollars between cost of a new installation and cost of removal. To the extent Mr. Watson does not provide an unqualified admission, provide all support and justification for his contrary position.

7-21. Regarding the statement made by Mr. Watson pertaining to tornado damage at the bottom of page 26 and the top of page 27 of his rebuttal testimony, please identify the dollar magnitude of tornado damage and corresponding cost of removal set forth annually for the historical database relied upon by Mr. Watson. Further, provide all workpapers, assumptions, considerations, and materials reviewed and/or relied upon in sufficient detail to permit verification of the responsive information.

7-22. Regarding the statement in the middle of page 23 of Mr. Watson's rebuttal testimony where he claims that Mr. Pous' analysis is replete with errors and misinformation, please

separately identify what Mr. Watson specifically claims as an error by Mr. Pous and what he claims are items of misinformation by Mr. Pous. For each separate error and/or item of misinformation, provide all factual support for such position, and then provide all opinion or speculative support for Mr. Watson's position. For each item of factual support, provide the underlying documentation to demonstrate that Mr. Watson's claim is, in fact, correct.

- 7-23. Regarding the statement at the top of page 28 of Mr. Watson's rebuttal testimony that Mr. Pous' statement that Mr. Watson simply relied on the mathematical average over a 15-year period for his net salvage recommendation for Account 356 is not true, please reconcile such claim with Mr. Watson's Exhibit DAW-1, pages 54-55, where he discusses the basis for his net salvage recommendation for this account. The reconciliation should specifically provide all workpapers, assumptions, considerations, and material reviewed and/or relied upon that are already reflected in the record that demonstrate that such statement is false.
- 7-24. Regarding the statement on page 28 of Mr. Watson's rebuttal testimony that the retirements in 2007 were related to assets retiring over many years, not just 2007, please provide the specific amount of retirement dollars by year associated with the Company's claimed asset verification process. Further, provide all support and justification for the Company's response.
- 7-25. Please provide a detailed narrative specifically explaining how rebuttal Exhibit DAW-9 "makes it clear that the net salvage activity in 2008 and 2009 is reflective of expected future net salvage experience and that the retirement activity performed in these years is expected to reoccur in the future" as referenced at the top of page 29 of Mr. Watson's rebuttal testimony as it applies to Account 356. The response should limit itself to the information contained in Exhibit DAW-9 and not add additional bases, since Mr. Watson's rebuttal testimony states that Exhibit DAW-9 makes it clear without additional information.
- 7-26. Regarding the statement on page 29 of Mr. Watson's rebuttal testimony where he states that, unlike Mr. Pous, he has taken the Company's most recent retirement experience into account as well as the most recent five-year to 15-year moving averages to develop his net salvage rate, please provide the following:
- a) All support and justification for any claim by Mr. Watson that Mr. Pous did not take into account the most recent retirement data, especially given that his workpapers limit the historical data to 10 years.
 - b) A detailed reconciliation between the statements reflected on Exhibit DAW-1, pages 54-55, which state that Mr. Watson based his proposal "on the longer band indications" rather than Mr. Watson's rebuttal testimony claim that he also relied on the most recent five-year bands.
- 7-27. At the bottom of page 29 of Mr. Watson's rebuttal testimony as it pertains to Account 356 where he states that references to economies of scale have no merit absent evidence,

please provide what Mr. Watson specifically believes constitutes evidence in this instance.

- 7-28. Regarding the statement at the bottom of page 29 of Mr. Watson's rebuttal testimony where he claims that Mr. Pous relied on a single year to allege that the Company's data is unreliable as it pertains to Account 356, please identify the specific reference to Mr. Pous' testimony relied upon by Mr. Watson for such contention.
- 7-29. Regarding the reference on page 30 of Mr. Watson's rebuttal testimony pertaining to retirement of switches in 2005 for Account 356, please provide the corresponding dollar amount of gross salvage and cost of removal associated with such retirements.
- 7-30. Regarding the reference on page 38 of Mr. Watson's rebuttal testimony that the majority of retirements in 2007 were associated with the asset verification process, please provide the dollar amount by year and the corresponding cost of removal and gross salvage, if any, associated with the asset verification process for Account 364. Further, provide all support and justification for the response.
- 7-31. Regarding the statement on page 43 of Mr. Watson's rebuttal testimony that it is not typical for utilities to maintain separate records for overhead and underground services, please identify all utilities that Mr. Watson is aware of that:
- a) Do not maintain records that identify the level of underground and overhead services.
 - b) Do maintain such records.

Further, provide all support and justification for the categorization of any given utility.

- 7-32. Regarding the statement in the middle of page 43 of Mr. Watson's rebuttal testimony pertaining to the impact of historical copper prices, please provide:
- a) The highest reported level for copper or scrap copper prices that the Company and/or Mr. Watson are aware of.
 - b) When the significant increase in copper prices first began to occur and the magnitude of change from year to year since it began to occur.

Provide all supporting documentation for the Company's response, including all workpapers, assumptions, considerations, and material reviewed and/or relied upon.

- 7-33. Regarding the statement at the bottom of page 43 of Mr. Watson's rebuttal testimony where he claims that Mr. Pous ignored the investment mix in this account, please provide all support and justification for such position, specifically addressing Mr. Pous' reference at the bottom of page 26 of his direct testimony associated with the investment level of copper in Account 369.

- 7-34. Regarding the statement at page 44 of Mr. Watson's rebuttal testimony as it pertains to statements regarding Mr. Pous' consistency within his life discussion for Account 364, please specifically identify where Mr. Pous presented a life discussion for Account 364 and the pertinent portion of such discussion that Mr. Watson now claims is inconsistent with Mr. Pous' recommendation on net salvage for Account 390.
- 7-35. Regarding the references to Mr. Watson's statements on page 44 of his rebuttal testimony pertaining to Account 390 where he states that removal of sale of plant from both historical life and net salvage data was recommended and that Mr. Pous offers no quantitative support to demonstrate that copper prices will have the effect of reducing negative net salvage for this account, please provide specific references to Mr. Pous' testimony upon which these rebuttal statements are premised. Further, provide all support and justification for why such statements would have an impact as claimed for Account 390.