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

BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE HEARINGS

**GULF COAST COALITION OF CITIES'
RESPONSE TO CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC'S
REQUEST FOR GOOD CAUSE EXCEPTION REGARDING POST TEST-YEAR
ADJUSTMENTS**

CenterPoint Energy Houston Electric, LLC ("CenterPoint" or "Company") filed its Request for Good Cause exception Regarding Post Test Year Adjustments on October 1, 2010. Gulf Coast Coalition of Cities ("GCCC") timely files this response urging that CenterPoint's request be denied because no good cause exists to waive the 10% threshold requirement in Public Utility Commission ("PUC" or "Commission") SUBST. R. 25.231.

I. INTRODUCTION

In this proceeding the Company has requested a rate base of \$3.7 billion and proposes post test-year plant additions of \$36.735 million for two new transmission substations that were not placed in service until 2010.¹ Commission Substantive Rule 25.231(c)(2)(F) plainly states that a post test-year adjustment for known and measurable rate base additions to test year data will be considered only where each addition comprises at least 10% of the electric utility's requested rate base, exclusive of post test-year adjustments and construction work in progress. CenterPoint concedes that its post test year adjustment of \$35.735 million does not meet the 10% threshold, but argues that a good cause exception is appropriate in this case because the rule is outdated.²

¹ CenterPoint Energy Houston Electric, LLC's request for Good Cause Exception Regarding Post Test-Year Adjustments at 1 (Oct. 1, 2010); Direct Testimony of Walter Fitzgerald at Exh. WLF-8a (June 30, 2010)

² Request for Good Cause Exception at 2.

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II. A GOOD CAUSE EXCEPTION IS INAPPROPRIATE

Initially, it should be noted that the Company waited over three months after filing its Application to seek a good cause exception. If CenterPoint felt that there was good cause for such an exception, the Company could have argued for waiver of the rule in one of its 45 pieces of direct testimony filed in this case. Rather than making any arguments for this exception in their presentation of evidence, CenterPoint now seeks this exception in a pleading. CenterPoint does not offer any good cause for an exception to the 10% threshold requirement found in the rule. Instead, the Company merely alleges that the rule is outdated.³

The purpose of the 10% requirement in P.U.C. SUBST. R. 25.231 is to prohibit out of test year plant in service being included in rate base unless it has a significant impact on a utility's finances, in order to prevent the mismatching of rate base investment and revenues. The policy implications of requiring the impact of post test year adjustments to be significant in order to be included in rate base remains the same today as it was when the Commission adopted the rule. Indeed, the Commission has strictly interpreted and enforced the rule historically. Nonetheless, CenterPoint claims that the 10% requirement is unrealistic due to the restructured market, failing to note that the Commission has continued to apply the rule even in the current restructured market. For example, in Docket No. 28840, the Commission disallowed Texas Central Company's ("TCC's") proposed post test-year adjustment of \$8 million because it did not comprise at least 10% of TCC's requested \$1.3 billion requested rate base.⁴ Contrary to CenterPoint's assertion, the Commission's rule is not outdated and should apply the same in this proceeding as it did in Docket No. 28840.

³ Request for Good Cause Exception at 2.

⁴ *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 28840, Order at 29, FoF 39A and 40 (Aug. 15, 2005).

Furthermore, the Company's assertion that no party has claimed that the investments were "imprudent or improper" has no bearing on the relief requested.⁵ Subst. R. 25.231(c)(2)(F)(i)(II) makes no mention of whether the requested rate base additions are prudent or proper. Rather, the 10% threshold in the rule is a purely quantitative measurement, which the requested post test-year adjustments here plainly do not meet.

Because the requested amount does not meet the threshold requirement in the rule, the appropriate time for the recovery of the cost of these two new transmission substations is in CenterPoint's next interim Transmission Cost of Service ("TCOS") filing.⁶ The Commission recently amended the TCOS rule, increasing from once to twice per year the frequency with which a utility can file for an interim update to its rates to reflect changes in invested capital.⁷ Therefore, CenterPoint will not be aggrieved by the denial of this good cause exception because the Company will have two opportunities in the following year to file for an update to its rates. Additionally, if the post test-year investment is included in this rate case, the retail billing units will not be updated for the growth which occurs after the end of the test-year. This will result in the rates from this case going into effect in 2011, but being recovered through 2009 test-year end billing units. However, if the post test-year investment is instead recovered through an interim proceeding and TCRF in 2011, the investment will be recovered through updated 2010 billing units. Therefore, the update process will provide for a closer match between the investment and billing units than including the investment in the rate base of this case.

⁵ Request for Good Cause Exception at 2-3.

⁶ P.U.C. SUBST. R. 25.192.

⁷ *Rulemaking Proceeding to Amend Subst. R. 25.192(g), Relating to Transmission Service Rates, Project No. 37519, Order Adopting the Amendment to §25.192 as Approved at the July 30, 2010 Open Meeting (Aug. 5, 2010).*

III. CONCLUSION

For the reasons stated above, GCCC respectfully request that CenterPoint's Request for Good Cause Exception Regarding Post Test-Year Adjustments be denied.

Respectfully submitted,

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ATTORNEYS FOR THE GULF COAST
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was transmitted by e-mail, fax, hand-delivery and/or regular, first class mail on this 8th day of October, 2010 to the parties of record.



THOMAS L. BROCATO