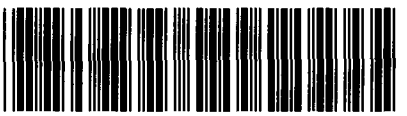

Control Number: 49421

Item Number: 164

Addendum StartPage: 0

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 49421

APPLICATION OF CENTERPOINT	**§**	**BEFORE THE STATE OFFICE**
ENERGY HOUSTON ELECTRIC, LLC	**§**	**OF**
FOR AUTHORITY TO CHANGE RATES	**§**	**ADMINISTRATIVE HEARINGS**

May 13, 2019

Contact: Denise Hardcastle
CenterPoint Energy Houston Electric, LLC
1111 Louisiana Street
Houston, Texas 77002
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Fax: (713) 207-9840
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TABLE OF CONTENTS

164

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-01

QUESTION:

Vegetation Management

In regards to WP RMP-1: In the test year, CenterPoint spent a total of $35.02M on tree trimming (total proactive trimming, hazard tress, and reactive).

a. From 2011-2018, the median the Company spent on Tree Trimming was approximately $27.5M annually, and the average was $27.8M annually. Please explain why this amount is greater than the average and the median the Company spent during the years 2011-2017?

b. P. 3 of WP RMP-1 states: "Over the past four years, overhead pole miles (feeder-main and laterals have increased an average of 171 miles per year. With more miles of distribution line to maintain, the Company's costs associated with proactive tree trimming have increased." How many overhead pole miles did CenterPoint add between 2017 and 2018? Is the increase from $21.73M in 2017 to $28.02M in 2018 for Proactive Tree Trimming due to any other factors?

c. To which FERC account(s) were these tree trimming expenses charged?

ANSWER:

In regards to WP RMP-1, see the following responses:

a. The median and average amount spent on tree trimming for 2011-2017 is less than the amount for 2011-2018 because the 2011-2018 amount includes the year 2018 when a larger amount was spent on proactive tree trimming and reactive tree trimming.

b. From 2017 to 2018, the overhead distribution poles miles increased 167 miles (feeder-main and laterals). Other factors that drove the cost increase from 2017 to 2018 were:

    1. Ongoing contractor cost increases.
    2. The fact that in 2018, the Company trimmed approximately 5,400 miles of line versus approximately 3,900 in 2017. Note, a year's work is not simply a function of our system miles or trim cycles, but will also vary based on the types and location of the circuits prioritized for a given year.
    3. In 2017, proactive trimming, reactive trimming and hazard tree removal was halted for a significant time period due to Hurricane Harvey.

c. The O&M expense for distribution tree trimming is charged to FERC account 593 - Maintenance of Overhead Lines. None of the costs identified in WP RHP-1 are capitalized.

SPONSOR (PREPARER):
Randal Pryor (Randal Pryor)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-02

QUESTION:

Vegetation Management

Referring to WP RMP-1: Is CenterPoint seeking to capitalize any vegetation management costs in this Application?

For any vegetation management costs that CenterPoint seeks to capitalize, please answer the following:

a. Please explain the project and provide the dollar amount of the expenses that were incurred for the rebuilding, reconductoring, or upgrading of existing transmission facilities and provide the amount that was used for the clearing of additional ROW, if any.

b. Please explain and provide the dollar amount of the expenses for the project that were incurred in association with/for new transmission facilities.

c. Please explain why the expenses for the project were not included in the original ROW clearing for facilities.

d. If these vegetation management expenses were incurred for existing lines, please provide documentation showing the dates the expenses were incurred for the existing transmission lines and the date those existing lines were energized. Please provide the information per transmission line.

e. To which FERC account(s) were the expenses charged?

ANSWER:

None of the distribution tree trimming costs identified in WP RHP-1 are capitalized. See response to PUC 5-1.

For any vegetation management costs that the Company is seeking to capitalize, see the following:

a. The vegetation management costs incurred for the rebuilding, reconductoring, or upgrading of existing transmission facilities are capitalized in FERC accounts 354, 355, 356 and 359, along with the transmission facility work and cannot be parsed out as a whole or by project. The cost of vegetation management simply shows up as a cost on the work order and is unitized with the retirement units installed on the order in the same FERC accounts as the retirements units.

b. The vegetation management costs incurred for the for new transmission lines are capitalized in FERC accounts 354, 355, 356 and 359, along with the transmission facility work and cannot be parsed out as a whole or by project. The cost of vegetation management simply shows up as a cost on the work order and is unitized with the retirement units installed on the order in the same FERC accounts as the retirements units.

c. ROW is not cleared until a project is under construction. Therefore, the cost of clearing the ROW is included in the cost to build the project in the manner explained in PUC 5-2 (b) above.

d. Vegetation management costs for the rebuilding, reconductoring, or upgrading of existing lines would only be involved if the line was being relocated to a new ROW. This vegetation

management cost would be capitalized along with the transmission line work in the manner explained in PUC 5-2 (b) above.

e. The FERC capital accounts for overhead transmission line construction and site construction are 354, 355, 356 and 359.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-03

QUESTION:

Follow-up to Response to Staff 1-39

Please confirm: Are all of the substation facilities referred to as Jones Creek in CenterPoint's response to Staff s RFI 1-39 in service? If no, please explain why the company is seeking their recovery.

ANSWER:

Yes, all of the substation facilities referred to as Jones Creek in CenterPoint Houston's response to Staff's RFI 1-39 are in service.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-04

QUESTION:

Follow-up to Response to Staff 1-39

Please confirm: Are all of the substation facilities referred to as Bailey in CenterPoint's response to RFI 1-39 in service? If no, please explain why the company is seeking their recovery?

ANSWER:

Yes, all of the substation facilities referred to as Bailey in CenterPoint Houston's response to Staff's RFI 1-39 are in service.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-05

QUESTION:

Follow-up to Response to Staff 1-39

Is the Company seeking recovery of any of the costs associated with the pending docket 48629, *Application of CenterPoint Energy Houston Electric, LLC* to *Amend a* Certificate of *Convenience and Necessity for a Proposed 345 kV Transmission Line within Brazoria, Matagorda, and Wharton Counties, Texas? If yes, please provide justification.*

ANSWER:

No, the Company is not seeking recovery of any of the costs associated with the pending docket 48629, *Application of CenterPoint Energy Houston Electric, LLC to Amend a Certificate of Convenience and Necessity for a Proposed 345kV Transmission Line within Brazoria, Matagorda, and Wharton Counties, Texas.*

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-06

QUESTION:

Follow-up to Response to Staff 1-39

Docket 48251, CenterPoint stated that its median cost for substations greater than 100 MV A, not including land cost, was $9,152,689 (Item No. 25 in AIS, p.4). Please explain in detail why, per CenterPoint's response to Staffs RFI 1-39, the 'Total excluding AFUDC' for the following substations (even when considering the land cost) exceeded this self-reported median substation cost:

a. Springwoods (Total excluding AFUDC=$12,696,368.11, including land=$ 1,442,038.85)

b. Village Creek Substation (Total excluding AFUDC=$12,215,203.14, including land=$1,255,612.00)

c. Rothwood (Total excluding AFUDC=$20,770,060.98, including land=$3,820,518.08)

d. Zenith 345 kV (Total excluding AFUDC=$14,106,801.99, doesn't include land cost)

e. Jordan 345/138 kV (Total excluding AFUDC=$25,469,973.24, including land=$2,014,000.00)

f. Jones Creek (Total excluding AFUDC=$66,195,043.12, doesn't include land cost)

g. Bailey Substation (Total excluding AFUDC=$10,846,801.93, doesn't include land cost)

ANSWER:

In Docket 48251, CenterPoint Houston looked at substations built between January 1, 2013 and July 1, 2018. These substations were broken down into various size categories in response to Question 1b. As stated in the response, CenterPoint Houston built 5 substations in the greater than 100+MVA category. Below are the names of the substations and the total cost without land. Tanner Road is the median cost project with a total cost of $9,152,689.

Jordan 35KV	$6,905,806
Fry Road	$8,792,815
Tanner Road	$9,152,689
Village Creek	$11,259,017
Springwoods	$11,944,245

Rothwood, Zenith 345kV, Jordan 345/138kV, Jones Creek, and Bailey Substation are all included in the Switching Station category of the Company's responses to Docket 48251 which had a median cost of approximately $11M. Typically, the cost for a high voltage switching station is higher than the 100+MVA substations due to the substation footprint and size of equipment.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-07

QUESTION:

Follow-up to Response to Staff 1-39

Please explain in detail the $3,334,676.77 Land, Land Rights and Other Common Costs (if T&D) for the Tanner Substation (as CenterPoint stated in Response to Staff RFI 1-39). In your response, please include the total amount of acreage and/or miles of easement purchased and any other unique factors which increased the cost.

ANSWER:

The land cost for Tanner substation includes

Land Purchase Price -	$3,201,673
Site Feasibility Review -	$91,190
CenterPoint Labor -	$41,798
Courier Cost -	$16
Total -	$3,334,677

The only feasible location for Tanner Substation was in a rapidly developing area with correspondingly higher market prices related to land. The property is comprised of five platted lots totaling 14.102 acres. The site, located at the Sam Houston Parkway – Tanner – Crawford Road intersection, was purchased for a substation, detention and distribution feeders to balance electrical load in the surrounding area. The selected site was also lower in price than an alternate on the corner of Sam Houston Parkway, which was $5 million.
Purchase price also included costs to relocate an existing business occupying the property.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-08

QUESTION:

Miscellaneous
In reference to the substation costs in Exhibit DB-5:

a. Are these pre-construction cost *estimates* or actual final project costs?
b. If these costs are estimates, please provide the actual final project costs.
c. For the Tanner Substation, please explain the difference between the Total Amount listed in DB-5 ($13,452,950) and the 'Total including AFUDC' listed in CenterPoint's response to Staffs 1-39 for this substation ($12,790,474.13).
d. For the Springwoods Substation, please explain the difference between the Total Amount listed in DB-5 ($21,332,237) and the 'Total including AFUDC' listed in CenterPoint's response to Staffs 1-39 for this substation (~$13.5M).
e. For the Sandy Point Substation, please explain the difference between the Total Amount listed in DB-5 ($8,466,500) and the 'Total including AFUDC' listed in CenterPoint's response to Staffs 1-39 for this substation ($11,042,087.70).

ANSWER:

In reference to the substation costs in Exhibit DB-5:

a. These are pre-construction cost estimates for planning purposes.

b. The actual final substation project costs, as reported in the response to PUC 1-39 are:

1. Springwoods $13,505,096
2. Fry Road $9,533,912
3. Tanner $12,790,474
4. Sandy Point $11,042,088
5. Village Creek $12,783,585

c. For Tanner Substation, the Total Amount listed in DB-5 ($13,452,950) includes major underground (MUG) construction and OH distribution construction. The amount listed in the response to PUC 1-39 includes Overheads and AFUDC (Allowance for Funds Used During Construction). Also, the cost estimate in DB-5 did not include the cost of the property. The net result is the actual cost was less than the estimate. Please see attachment PUC05-08 Substation Costs Attachment 1.xlsx for a detailed reconciliation of these costs and differences.

d. For Springwoods Substation, the Total Amount listed in DB-5 ($21,332,237) includes transmission construction, MUG construction and OH distribution construction. The amount listed in the response to PUC 1-39 includes Overheads and AFUDC (Allowance for Funds Used During Construction). The net result is the actual cost was greater than the estimate. Please see attachment PUC05-08 Substation Costs Attachment 1.xlsx for a detailed reconciliation of these costs and differences.

e. For Sandy Point Substation, the Total Amount listed in DB-5 ($8,466,500) includes transmission construction, MUG construction and OH distribution construction. The amount listed in the response to PUC 1-39 includes Overheads and AFUDC (Allowance for Funds Used During Construction). Also, the DB-5 estimate did not include the cost of the property and security fencing. The net result is the actual cost was greater than the estimate. Please see attachment PUC05-08 Substation Costs Attachment 1.xlsx for a detailed reconciliation of these costs and differences.

For all of the substations listed in c), d) and e) above, the estimate was made at least a year and a half in advance of construction. Estimates are based on projected costs, rule of thumb guidelines, and a preliminary understanding of actual conditions, including environmental conditions, and project scope, before the work order is prepared. These estimates are used for planning purposes. The Engineering Project Justification and Construction Summaries in DB-5 are planning documents. As such, there will be a difference between the estimated cost and the actual cost.

SPONSOR (PREPARER):
Dale Bodden (Dale Bodden)

RESPONSIVE DOCUMENTS:
PUC05-08 Substation Costs Attachment 1.xlsx

PUC 5-8 Substation Costs Attachment 1.xlsx

Tanner Substation

Substation Costs (Inside the fence)

Estimated Costs in DB-5	Purpose	Final Costs in PUC 1-39	Purpose
$13,452,950		$12,790,470	
-$3,150,000	MUG	-$877,266	Overheads
-$302,950	OH Dist	-$257,527	AFUDC
$10,000,000	Subtotal	$11,655,677	Subtotal
$3,334,677	Property		
$13,334,677	**Total**	**$11,655,677**	**Total**

Springwoods Substation

Substation Costs (Inside the fence)

Estimated Costs in DB-5	Purpose	Final Costs in PUC 1-39	Purpose
$21,305,237	Note 1	$13,505,096	
-$7,000,000	Transmission	-$887,769	Overheads
-$2,867,737	MUG	-$808,728	AFUDC
-$68,180	OH Dist	$11,808,599	Subtotal
-$769,320	OH Dist		
$10,600,000	**Total**	**$11,808,599**	**Total**

Note 1: This number in DB-5 was mistakenly totaled to be $21,332,237.

Sandy Point Substation

Substation Costs (Inside the fence)

Estimated Costs in DB-5	Purpose	Final Costs in PUC 1-39	Purpose
$8,466,500		$11,042,087	
-$2,300,000	Transmission	-$1,373,609	Overheads
-$465,000	MUG	-$307,965	AFUDC
-$101,500	OH Dist	$9,360,513	Subtotal
$5,600,000	Subtotal		
$1,019,697	Property		
$1,000,000	Security Fencing		
$7,619,697	**Total**	**$9,360,513**	**Total**

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-09

QUESTION:

Miscellaneous
In reference to the Workpapers for RMP-2, which list the Capital Projects from 2010-2018:*

a. For the transmission FERC Account 350, which is for Land and Land Rights, please confirm that all these lands contain facilities that are energized. If not, please provide the specific work paper Excel file(s) the project is located in (and the Asset Description, Doc. No., and Excel line item number(s)). Additionally, please explain why CenterPoint is seeking to capitalize that particular land cost.

b. For the distribution FERC Account 360, which is for Land and Land Rights, please confirm that all these lands contain facilities that are energized. If not, please provide the specific workpaper Excel file(s) the project is located in (and the Asset Description, Doc. No., and Excel line item number(s)). Additionally, please explain why CenterPoint is seeking to capitalize that particular land cost.

*In your response, please reference Schedule 11-B-1 Line Numbers 10-11 and 24-25 as appropriate.

ANSWER:

a) All land or easements in FERC account 350 contain and/or provide access to transmission facilities that are energized with one exception as noted in below table.

Workpaper	Asset Description	Document No.	Excel Line Item (Row) Nos.	Explanation
WP RMP-2 2010 Capital Project List Detail	GRP 855 LAND RIGHTS	100956210	20598	This item was booked to FERC 350. Should have been booked to an Expense FERC account. Amount is $8,160.

b) All land or easements in FERC account 360 contain distribution facilities that are energized with three exceptions as noted in below table

Workpaper	Asset Description	Document No.	Excel Line Item Nos.	Explanation
WP RMP-2 2018 Capital Project List Detail	GRP 340 LAND OWNED IN FEE	**Jan-July Tab** 105448436 105507259 105541743 **Aug-Dec Tab** 105595242	**Jan-July Tab** 364233 364234 364235 466605 569264 569265 **Aug-Dec Tab** 3187 3188	See below
WP RMP-2 2017 Capital Project List Detail	GRP 868 LAND OWNED IN FEE	105245871	**July 2017-Dec 2017 Tab** 405616 405617	See below
WP RMP-2 2018 Capital Project List Detail	GRP 823 LAND OWNED IN FEE	105581775 105729075 105637573 105675503	**Aug-Dec Tab** 4542 4545 122790 220138 299080	See below

The above items are associated with substations that are currently under construction and all are expected to be energized in the 2nd half of 2019 or early in 2020. Since active construction is currently taking place, these lands are considered "used and useful" since they are serving their intended purpose as sites for construction of substation facilities.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-10

QUESTION:

Monthly Construction Report & Follow-up to Response to Staff RFI 1-37
The Order in Docket 41749, CCN for Oyster Creek 138kv transmission line, states the Commission agreed with a cost estimate for the line of $11.1 million. By the time the project was added to the MPCR, the estimate had risen to $12.5 million. The final cost CenterPoint reported in response to Staff RFI 1-37 was $15.3 million. Explain the 38% increase from the CCN estimate to the final cost reported in response to Staff RFI 1-37.

ANSWER:

The order in Docket 41749, CCN for Oyster Creek 138kV transmission line states that the Commission agreed with a cost estimate for the line of $11,098,000 for transmission construction and $1,329,000 for additional transmission costs related to raising 345-kV line at the tie point. Together, those costs total $12.5M which is what CenterPoint Houston reported on the MCPR as the final estimate. During the design phase of the project, the Company discovered additional wetlands along the route which required a modification that used three (3) additional 90-degree angle structures. These additional structures are the reason for the 38% increase to the final cost.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-11

QUESTION:

Monthly Construction Report & Follow-up to Response to Staff RFI 1-37
Explain the 17% increase in the cost of the Springwoods Station from the initial estimated cost of $11.5 million reported in the MCPR to the final cost of$13.5 million reported in Staff RFI 1-37.

ANSWER:

Please see response to PUC 5-8 for a detailed breakdown of the final cost compared to the estimate.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-12

QUESTION:

Monthly Construction Report & Follow-up to Response to Staff RFI 1-37

Explain the 30% increase in the cost of the Oyster Creek Substation from the initial estimated cost of $6 million reported in the MCPR to the final cost of $7.8 million reported in response to Staff RFI 1-37.

ANSWER:

Below is a breakdown of the approximate cost differences between the actual final cost and the original estimate filed with the CCN application.
$500K increase in cost for the capacitor bank installation
$100K in additional site work
$550K cost to elevate substation equipment such as control house and breakers
$100K increase in material cost associated with building the substation
$400K additional field labor necessary for construction, partially due to generator facility changes
$200K for AFUDC
$1.85M TOTAL

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-13

QUESTION:

Monthly Construction Report & Follow-up to Response to Staff RFI 1-37

Explain the 62% increase in the final cost of the Tanner Substation from the $7.9 million reported in the MCPR to the final cost of $12.8 million reported in response to Staff RFI 1-37.

ANSWER:

The estimates for Tanner Substation in the MCPR that were included in PUC 1-38 were for the transmission work only, not construction of the substation. Please see response to PUC 5-8 for a detailed breakdown of the final substation construction cost compared to the original substation estimate.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of May 2019, a true and correct copy of the foregoing document was served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.