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SOAH DOCKET NO. 473-19-3864

PUC DOCKET NO. 49421

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

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BEFORE THE STATE OFFICE

UTILITY COMMISSION  
FILING CLERK

ADMINISTRATIVE HEARINGS

**TEXAS COAST UTILITIES COALITION'S  
THIRD SET OF REQUESTS FOR INFORMATION TO  
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

Texas Coast Utilities Coalition's ("TCUC") Third 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 Alfred R. Herrera, Herrera Law & Associates, PLLC at 816 Congress Avenue, Suite 950, Austin, Texas 78701, within ten (10) calendar days of service hereof or no later than **May 28, 2019**, or as modified by any order issued subsequent to the service of these RFIs. Exhibit A is attached hereto and incorporated herein for all purposes.

**DEFINITIONS**

1. "CenterPoint," "CEHE," 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.

*UBS*

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 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 CenterPoint 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.
8. Capitalized terms not otherwise defined herein shall have the meaning attributed to them in the referenced testimony.

### 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 CenterPoint 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,

**HERRERA LAW & ASSOCIATES, PLLC**

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**ATTORNEYS FOR TEXAS COAST  
UTILITIES COALITION**

**CERTIFICATE OF SERVICE**

I hereby certify that on this the 17th day of May 2019, a true and correct copy of the *TCUC's Third Set of RFIS to CenterPoint* was served upon all parties of record by facsimile and/or First-class United States mail, postage paid.

By: Mariann Wood  
Mariann Wood

**EXHIBIT A**

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

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

**TEXAS COAST UTILITIES COALITION'S  
THIRD SET OF REQUESTS FOR INFORMATION  
TO CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

3-1. For the test year:

- a. Please provide, by project number, the amount of construction work in progress CenterPoint Energy Houston Electric incurred;
- b. For each project noted in response to the immediately preceding request, please identify:
  - (1) The amount of equity used to fund each project;
  - (2) The amount of long-term debt used to fund each project;
  - (3) The amount of short-term debt used to fund each project.

If you cannot identify the funding source for each project, please so state and explain the reason(s) you cannot identify the source of funding for each project.

3-2. For each fiscal year beginning with the fiscal year ending December 31, 2010, through the most recent fiscal quarter available, please provide copies of CenterPoint Energy, Inc.'s SEC 10Q forms and 10K forms. If such forms are available electronically, please identify the link to such forms.

3-3. For each fiscal year beginning with the fiscal year ending December 31, 2010, through the most recent fiscal quarter available, on a per-quarter basis, please provide the amount of:

- a. Equity CenterPoint Energy, Inc. issued;
- b. Short-term debt CenterPoint Energy, Inc. issued;
- c. Long-term debt CenterPoint Energy, Inc. issued.

3-4. For each fiscal year beginning with the fiscal year ending December 31, 2010, through the most recent fiscal quarter available, on a per-quarter basis, please provide the amount of:

- a. Equity CenterPoint Energy Houston Electric issued;
- b. Short-term debt CenterPoint Energy Houston Electric issued;

- c. Long-term debt CenterPoint Energy Houston Electric issued.
- 3-5. If CenterPoint Energy Houston Electric did not issue equity, short-term debt, and/or long-term debt but instead was allocated portions of the amounts of these sources of funding issued by CenterPoint Energy, Inc., for each fiscal year beginning with the fiscal year ending December 31, 2010, through the most recent fiscal quarter available, on a per-quarter basis, please provide the amount of:
  - a. Equity CenterPoint Energy Houston Electric issued and allocated to CenterPoint Energy Houston Electric;
  - b. Short-term debt CenterPoint Energy Houston Electric issued and allocated to CenterPoint Energy Houston Electric;
  - c. Long-term debt CenterPoint Energy Houston Electric issued and allocated to CenterPoint Energy Houston Electric.
- 3-6. Please refer to CenterPoint Energy Houston Electric's response to TCUC Request for Information No. 01-21, Attachment 1.xlsx. Of the companies listed in Attachment 1 to your response to TCUC RFU No. 01-21, please identify:
  - a. Each company that owns subsidiaries that are only a transmission-and-distribution utility and identify the subsidiary;
  - b. Each company that owns subsidiaries that are fully integrated utilities that own generation, transmission, and distribution assets, and identify the subsidiary.
- 3-7. Please refer to CenterPoint Energy Houston Electric's response to TCUC Request for Information No. 01-25, Attachment FFO to Debt Scenario Analysis Assumptions.xlsx. Please:
  - a. Provide a copy of the Excel spreadsheet "TCUC01-25 FFO to Debt Scenario Analysis Assumptions.xlsx" with all formula intact, including for the amounts shown in the lines labeled "Adjusted Total Debt" and "Equity," and provide all source documents for the amounts shown in the lines labeled "Adjusted Total Debt" and "Equity;"
  - b. Explain the reference to "Intercompany Borrowing" and whether CEHE considers such borrowing to be long-term debt or short-term debt;
  - c. Explain the reference to "Other Financing" and whether CEHE considers such financing to be long-term debt or short-term debt.
  - d. Please provide a copy of the Excel spreadsheet "TCUC01-25 FFO to Debt Scenario Analysis Assumptions.xlsx" with all formula intact, including for the amounts shown in the lines labeled "FFO" and "Total Debt," and provide all source documents for the amounts shown in the lines labeled "Adjusted Total Debt" and "Equity."
- 3-8. Please refer to CenterPoint Energy Houston Electric's response to TCUC Request for Information No. 01-27, attachment "TCUC01-27 Quarterly Capital Structure.xlsx." Please:

- a. In the tab labeled, "TCUC01-27 Capital Structure," identify:
    - (i) for each quarter shown, the source of funding for the amounts shown for "Short-Term Debt;"
    - (ii) in detail, the purpose(s) for which the amounts shown for "Short-Term Debt" is/was used;
  - b. In the tab labeled, "CNP Inc. Support":
    - (i) Identify for each quarter shown, the source of funding for the amounts shown for "Commercial Paper Borrowings;"
    - (ii) Identify in detail, the purpose(s) for which the amounts shown for "Commercial Paper Borrowings" was used;
    - (iii) State whether you agree that "Commercial Paper Borrowings" equates to short-term debt;
  - c. Explain what "ST Notes Payables-Assoc Co" and "Short term Notes Payable- Assoc Co" and "Short-Term Notes Payable-Assoc Comp" are, including:
    - (i) the sources of funding for the amounts shown; and
    - (ii) how such funding is/was used;
  - d. Explain what "Accts Payable Trade-Assoc Companies" is, including:
    - (i) the sources of funding for the amounts shown; and
    - (ii) how such funding is/was used.
- 3-9. Please refer to CenterPoint Energy Houston Electric's response to TCUC Request for Information No. 01-28, *confidential* attachment "TCUC01-28 Capital Structure 032019.xlsx." Please:
- a. Update the data provided in the tab labeled "II-C-2.1" through the most current calendar quarter available;
  - b. State whether the amount shown as "Revolving Credit Facility" shown in the tab labeled "II-C-2.4.1" is short-term debt or long-term debt;
  - c. Update the data provided in the tab labeled "II-C-2.4.1" through the most current calendar quarter available;
  - d. Update the data provided in the tab labeled "TB 032019" through the most current calendar quarter available;
  - e. Explain what "Short-Term Notes Rec-Associated Co" and "Short-Term Notes Receivable-Assoc Comp" are, including:
    - (i) the sources of funding for the amounts shown; and
    - (ii) how such funding was used.
- 3-10. Please refer to Mr. Robert B. McRae's direct testimony:



- a. Identify all proceedings in which Mr. McRae has presented testimony, including affidavits and depositions, and provide copies of such testimony; if publicly available, please provide a cite sufficient to locate the testimony;
- b. At pp. 5 – 7, please state whether Mr. McRae equates the Commission’s financial-integrity test for inclusion of construction work in progress (“CWIP”) in rates to the financial-integrity standard to which he refers in his testimony, and if so, please state the basis for Mr. McRae’s conclusion, and if not, please explain why not;
- c. At pp. 1, 4, 37, 40, 41, and 55, please state whether the 4.38% cost of debt includes or excludes the cost of short-term debt; if the 4.38% excludes short-term debt, please also explain the basis for excluding short-term debt in calculating the cost of debt;
- d. At p. 12, please explain the purposes for which CenterPoint Houston accesses the financial markets for short-term debt;
- e. At p. 12, please explain how CenterPoint Houston employs short-term debt and long-term debt to fund its daily utility operations, including during the initial phases of construction projects;
- f. At p. 13, please provide on per-quarter basis from January 1, 2016 to the present, CenterPoint Houston’s cost of short-term debt;
- g. At p. 13, please state whether Mr. McRae’s reference to “total debt or interest expense” includes short-term debt and long-term debt;
- h. At p. 13, please state whether Mr. McRae’s reference to “debt and equity” investors includes short-term debt and long-term debt;
- i. Please provide copies of any statements made by credit-rating agencies regarding the regulatory risks CenterPoint Houston faces;
- j. Please identify any order issued by the Public Utility Commission of Texas in which the Commission disallowed a capital investment made by CenterPoint Houston since issuance since the issuance of the Commission’s final order in Docket No. 38339;
- k. Please provide copies of any publications issued by the credit-rating agencies from January 2017, through March 31, 2019, that discuss amending their financial metrics in light of elimination of accelerated and/or bonus depreciation;
- l. Please state whether it is Mr. McRae’s opinion that all utilities in Texas will be collecting lower tax amounts as a result of the TCJA; if not, please explain why not;
- m. Besides Mr. McRae’s reference to Dr. Morin’s commentary, please provide a copy of all studies, analyses, and reports conducted by or for Mr. McRae, or on CenterPoint Houston’s behalf, and/or reviewed and/or relied upon by Mr. McRae, that:
  - (i) Correlates CenterPoint Houston’s weighted average cost of debt to CenterPoint Houston’s capital structure, and shows the increase in revenue

- associated with varying returns on equity, including returns on equity of 10.0% and 10.4%, versus an increase in the cost of debt;
- (ii) Correlates a capital structure of 55.0% debt / 45% equity capital, to CenterPoint Houston's weighted average cost of debt;
  - (iii) Shows the difference in the impact on CenterPoint Houston's revenue requirements based on the weighted average cost of debt CenterPoint Houston would incur, that shows:
    - (1) The impact on CenterPoint Houston's revenue requirements based on a weighted average cost of debt at a 55.0% debt ratio versus the cost of debt at a 50.0% debt ratio and a return on equity at 10.0%;
    - (2) The impact on CenterPoint Houston's revenue requirements based on a weighted average cost of debt at a 55.0% debt ratio versus the cost of debt at a 50.0% debt ratio and a return on equity at 10.4%;
- n. At p. 18, please provide all studies, analyses, and reports conducted by or for Mr. McRae, or on CenterPoint Houston's behalf, that quantify the higher capital costs (both debt and equity) that "may" result;
  - o. At p. 20, please identify the amount of federal income tax CenterPoint Houston paid the IRS for revenue related to fiscal years 2016, 2017, and 2018;
  - p. At p. 53, please explain the purposes for which CenterPoint Houston uses short-term debt, including a detailed listing of the uses of such funds;
  - q. Please state whether Mr. McRae believes the need for a higher equity ratio suggests a more risky company.
- 3-11. Please refer to CenterPoint Energy Houston Electric's response to TCUC Request No. TCUC 01-24: please:
- a. List the assumptions CenterPoint Energy Houston Electric made regarding rating agencies' likely methodologies in preparing its forward-looking financial forecasts;
  - b. For each such assumption, please explain the rationale for employing the assumption and provide all studies, reports, and analyses related to each assumption.
- 3-12. Please provide a copy of all studies, analyses, and reports conducted by or for Mr. Hevert, or on CenterPoint Houston's behalf, and/or reviewed and/or relied upon by Mr. Hevert, that:
- (i) Correlates CenterPoint Houston's weighted average cost of debt to CenterPoint Houston's capital structure, and shows the increase in revenue associated with varying returns on equity, including returns on equity of 10.0% and 10.4%, versus an increase in the cost of debt;
  - (ii) Correlates a capital structure of 55.0% debt / 45% equity capital, to CenterPoint Houston's weighted average cost of debt;

- (iii) Shows the difference in the impact on CenterPoint Houston's revenue requirements based on the weighted average cost of debt CenterPoint Houston would incur, that shows:
  - (1) The impact on CenterPoint Houston's revenue requirements based on a weighted average cost of debt at a 55.0% debt ratio versus the cost of debt at a 50.0% debt ratio and a return on equity at 10.0%;
  - (2) The impact on CenterPoint Houston's revenue requirements based on a weighted average cost of debt at a 55.0% debt ratio versus the cost of debt at a 50.0% debt ratio and a return on equity at 10.4%.
- 3-13. With reference to the response to TCUC01-27, please update the capitalization amounts and ratios, including and excluding short-term debt, for CenterPoint Energy, Inc. and CenterPoint Energy Houston Electric, LLC. for the quarter ending 3/31/19.
- 3-14. With reference to the response to TCUC01-07, please identify: (1) the financing source of the \$590 million equity infusion into CenterPoint Energy Houston Electric, LLC. by CenterPoint Energy, Inc. on March 28, 2019; and (2) provide all documents (SEC filings, bank loan documentation, etc.) related to the financing of the \$590 million equity infusion.
- 3-15. Please provide copies of the:
  - (i) the SEC registration statement;
  - (ii) the investor presentation used to market the issue (or roadshow slide deck);
  - (iii) documents from the underwriting bank that includes the bond comparables with pricing information;
  - (iv) the offering memorandum/prospectus; and
  - (v) the indenture from the January 2019 \$700 million debt issue by CenterPoint Energy Houston Electric, LLC.