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SOAH DOCKET NO. 473-19-3864

PUC DOCKET NO. 49421

2019 MAY 17 PM 2: 25

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

May 17, 2019

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

**CITY OF HOUSTON  
REQUEST NO.: COH12-01**

**QUESTION:**

CWC: Reference Lyon's testimony regarding Cash Working Capital and the Total Revenue Lag of 53.91 days. Please provide the Company's filed Total Revenue Lag days in its last CEHE rate case.

**ANSWER:**

The Total Revenue Lag filed in the last CenterPoint Houston rate case (Docket No. 38339) was 54.39 days.

The Total Revenue Lag filed in the current CenterPoint Houston rate case (Docket No. 49421) is 53.12 days.

**SPONSOR (PREPARER):**  
Tim Lyons (Tim Lyons)

**RESPONSIVE DOCUMENTS:**  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH12-02**

**QUESTION:**

CWC: Reference Lyon's testimony regarding Cash Working Capital and the Total Revenue Lag of 53.91 days. Please provide the Company's last filed Total Revenue Lag days in each lead/lag study filed in a rate case for each of its electric utility companies operating both inside and outside the state of Texas.

**ANSWER:**

As of the end of the test year, CenterPoint Houston was CenterPoint Energy, Inc.'s only electric utility company operating inside or outside the state of Texas. The Total Revenue Lag filed in the current CenterPoint Houston rate case (Docket No. 49421) is 53.12 days. See Exhibit TSL-2 for Company witness Tim Lyons.

CenterPoint Houston's new affiliate, Vectren, has never been required to conduct a lead-lag study in Indiana. Accordingly, the requested information does not exist for CenterPoint Houston's only affiliate involved in electric distribution and transmission operations.

In addition, see the response to COH12-04, which addresses the billing and payment practices applicable to Transmission and Distribution Utilities ("TDUs") under this Commission's rules and the impacts those requirements have on CenterPoint Houston's revenue lag. In light of these factors, CenterPoint Houston's requested revenue lag is appropriate and is consistent with that previously requested by and approved for CenterPoint Houston and other TDUs in Texas.

**SPONSOR (PREPARER):**  
Tim Lyons (Tim Lyons)

**RESPONSIVE DOCUMENTS:**  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH12-03**

**QUESTION:**

CWC: Reference Lyon's testimony regarding Cash Working Capital and the Total Revenue Lag of 53.91 days. Please provide the Company's last filed Total Revenue Lag days in each lead/lag study filed in a rate case for each of its gas utility companies operating both inside and outside the state of Texas.

**ANSWER:**

Below are the Total Revenue Lag days in each of the lead-lag studies filed in the last rate case for each of CenterPoint Energy, Inc.'s gas utility companies operating inside and outside the state of Texas, where applicable. The Total Revenue Lag filed in the current CenterPoint Houston rate case (Docket No. 49421) is 53.12 days.

In general, Revenue Lag days can vary across utilities for a number of reasons, including: (1) the timing of bill processing; (2) the timing of customer payments; and (3) the type of customer payments; e.g., electronic payments vs. paper checks. The timing of customer payments may vary depending payment terms (e.g., late payment fees, service termination rules and procedures), the amount of the bill, month-to-month changes in the amount of the bill, local economic conditions, and payment assistance programs.

In addition, see the response to COH12-04, which addresses the billing and payment practices applicable to Transmission and Distribution Utilities ("TDUs") under this Commission's rules and the impacts those requirements have on CenterPoint Houston's revenue lag. In light of these factors, CenterPoint Houston's requested revenue lag is appropriate and is consistent with that previously requested by and approved for CenterPoint Houston and other TDUs in Texas.

Inside the state of Texas

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas

- South Texas Division (RRC GUD No. 10669), 37.24 days
- Texas Gulf Division (RRC GUD No. 10576), 33.87 days
- Beaumont/ East Texas Division (RRC GUD No. 10182), 34.23 days

Outside the state of Texas

- Minnesota (Docket G-008/GR-17-285), 41.2 days
- Ohio - Vectren (Dockets 04-0571-GA-AIR and 07-1080-GA-AIR); 44.5 days

**SPONSOR (PREPARER):**

Kristie Colvin/Tim Lyons (Kristie Colvin/Tim Lyons)

**RESPONSIVE DOCUMENTS:**

None

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

**CITY OF HOUSTON  
REQUEST NO.: COH12-04**

**QUESTION:**

CWC: Reference Lyon's testimony regarding Cash Working Capital and the Total Revenue Lag of 53.91 days. With respect to the utility is paying its vendors more quickly than it collects its revenues from customers, please provide the following additional information:

- a. Please provide any internal and/or external discussions, including emails, meeting notes or memos regarding the long period of time it is taking to collect the company's accounts receivables. In other words, any questions or concerns raised regarding why the utility has such a long revenue lag.
- b. Please provide all information available regarding what the utility has done in the past 5-year period to reduce its revenue lag days.
- c. Please describe the flexibility the utility has in extending the time period over which it pays its vendors (not employees).
- d. What procedures are in place to make sure the utility is paying its vendors on the last day possible under its contractual agreements with vendors?
- e. Please describe the steps taken by the utility to extend its expense lead days to help offset the longer revenue lag days that apparently exist.

**ANSWER:**

a. CenterPoint Houston has no such documentation. Please see the response in Part B.

b. Under the terms of CenterPoint Houston's Tariff for Retail Delivery Service, CenterPoint Houston invoices Competitive Retailers monthly for Delivery Services provided to Retail Customers. Payment is due from Competitive Retailers 35 days from the date of the invoice. The tariff grants an additional 10 days, subject to late fees, before an invoice is considered in default. This billing and payment timeline is the primary driver of CenterPoint Houston's revenue lag.

The invoicing and payment terms are part of the standard retail delivery tariff adopted pursuant to PUC Subst. R. 25.214. The terms and conditions in the tariff can only be changed by a rulemaking proceeding - a utility is not allowed to unilaterally change the invoicing and payment terms in the tariff.

c. A cross company review during mid-2016 resulted in CenterPoint Energy, Inc. moving to Net 45 days as our standard terms of payment with Vendors for the utility. Flexibility from this standard procurement practice is allowed for sound business reasons, such as:

- The Vendor offers a lower price or payment terms discount for shorter terms of payment and determined financially better for CenterPoint Energy, Inc.
- The Vendor is a small or Minority and Women-owned Business Enterprise ("MWBE") or rural business enterprise and cannot financially absorb or survive with the longer payment terms
- The purchase / contract in question is supporting a company Emergency Operations Plan ("EOP") event
- Other items subject to negotiation during the Request For Proposal ("RFP") and bid review process (such as risk, liability, warranty, and the like) are essentially traded or agreed to in the broader view of the procurement, which may result in less than Net 45 days.

d. The accounting system automatically pays approved invoices based on the payment terms listed on either the Purchasing contract or the terms set forth for the vendor in the vendor master file. In certain instances where the invoice does not have the appropriate information (i.e. price variance, quantity variance, routing information not included on invoice) included to process the invoice, the

invoice payment can extend beyond the payment terms.

Invoices are received in Accounts Payable ("AP") one of two ways:

1. Vendors email invoices to AP (invoices that are emailed are automatically scanned into the system and assigned a "start on date". That date is what starts the payment day determination);
2. Vendors mail (US Postal Service) invoices to AP (about 25% of the total number of invoices that AP receives). AP scans these invoices in on a daily basis.

e. Please see the response in Parts C and D.

**SPONSOR (PREPARER):**


John Hudson/Kristie Colvin (John Hudson/Kristie Colvin)

**RESPONSIVE DOCUMENTS:**

None

### **CERTIFICATE OF SERVICE**

I hereby certify that on this 17<sup>th</sup> 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.

  
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