



Control Number: 49421



Item Number: 275

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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 20, 2019

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**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-01**

QUESTION:

If not already provided in the exhibits, schedules and workpapers supporting the testimonies of Mr. Robert B. Revert and Mr. Robert B. McRae, please provide all tables and figures in electronic format with all formulas intact. This is an ongoing request for all subsequent testimonies filed by these witnesses.

ANSWER:

Please see the attached for tables and figures in electronic format regarding the testimony of Mr. Robert B. McRae:
TIEC03-01.xlsx

Regarding tables and figures in electronic format regarding the testimony of Mr. Robert B. Hevert, please see previously filed:
Exhibits RBH-1 – RBH-9_3.20.19 v2.xlsx
WP Hevert Direct_PUBLIC_3.20.19.xlsx
WP Hevert Direct_CONFIDENTIAL_3.20.19.xlsx
TCUC01-13 Attachment 1.xlsx

SPONSOR (PREPARER):

Robert McRae / Robert B. Hevert (Robert McRae/Robert B. Hevert)

RESPONSIVE DOCUMENTS:

TIEC03-01.xlsx

Table 1. Bond Ratings

Category	Moody's	S&P	Fitch
High Grade	Aaa	AAA	AAA
	Aa	AA	AA
Medium Grade	A	A	A
	Baa	BBB	BBB
Speculative	Ba	BB	BB
	B	B	B
Default	Caa	CCC	CCC

Table 2. Key Rating Factors

Factor	Weighting
Regulatory Framework	25%
Ability to Recover Costs and Earn Returns	25%
Diversification	10%
Financial Strength	40%
Total	100%

CenterPoint Houston's Issuer Ratings

	S&P	Moody's	Fitch
Issuer			
Rating	BBB+	A3	A-
Outlook	Stable	Stable	Stable

Year	2019	2020	2021	2022	2023
Projected Capital Expenditures (in millions)	\$979	\$1,028	\$1,178	\$979	\$980

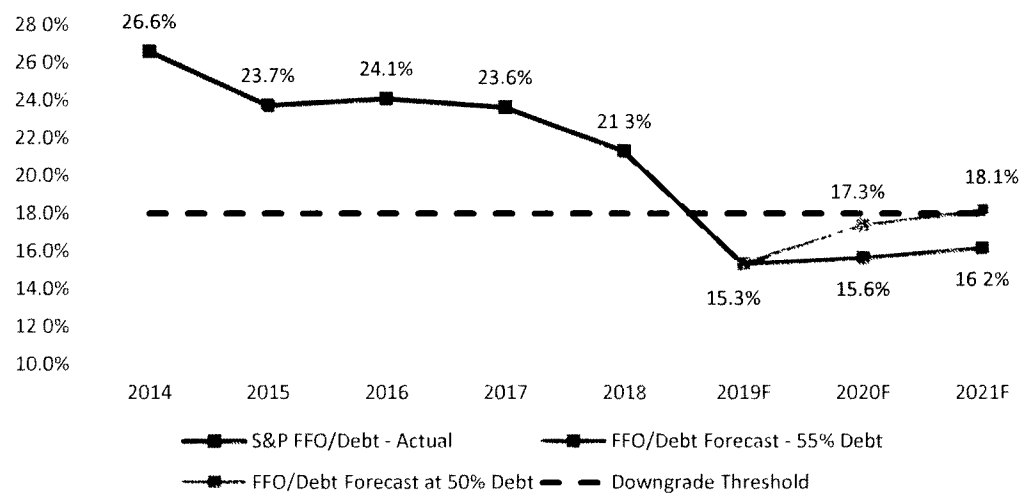
CenterPoint Energy, Inc. Form 10-K at 68 (Feb. 28, 2019).

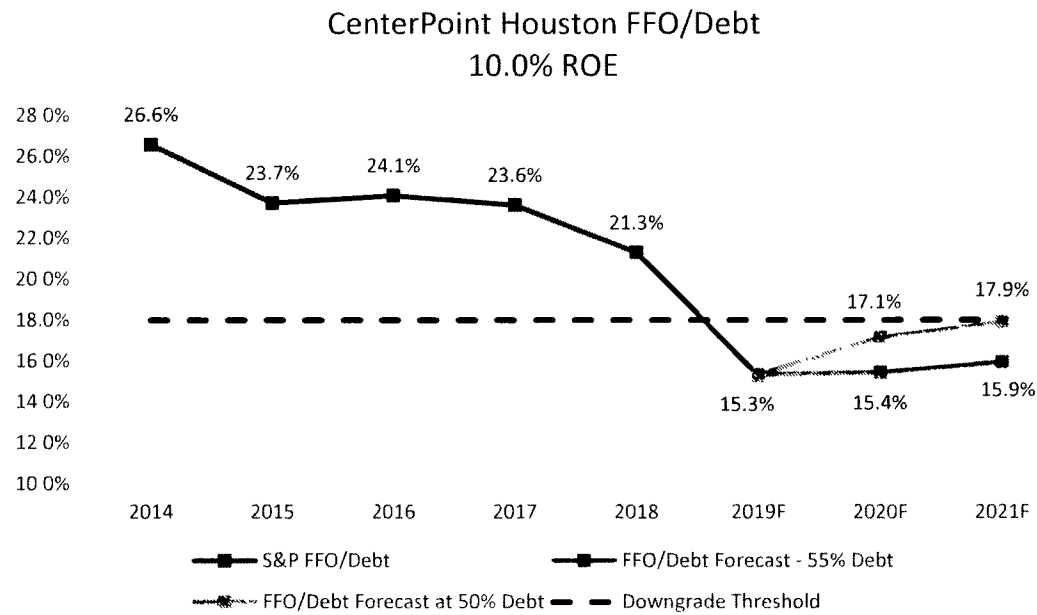
CenterPoint Houston FFO/Debt Analysis - 55% Debt versus 50% Debt

10.4% ROE	2014	2015	2016	2017	2018	2019F	2020F	2021F
S&P FFO/Debt - Actual	26.6%	23.7%	24.1%	23.6%	21.3%	15.3%	15.3%	16.2%
FFO/Debt Forecast - 55% Debt						15.3%	15.6%	16.2%
FFO/Debt Forecast at 50% Debt						15.3%	17.3%	18.1%
Downgrade Threshold	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%

10.0% ROE	2014	2015	2016	2017	2018	2019F	2020F	2021F
S&P FFO/Debt	26.6%	23.7%	24.1%	23.6%	21.3%	15.3%	15.3%	15.9%
FFO/Debt Forecast - 55% Debt						15.3%	15.4%	15.9%
FFO/Debt Forecast at 50% Debt						15.3%	17.1%	17.9%
Downgrade Threshold	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%

CenterPoint Houston FFO/Debt
10.4% ROE





CenterPoint Energy
CEHE Rate Case Scenario Analysis
(amounts in millions)

	current draft of II-C-2.7						Scenario		
	Final Plan before 2019 income re-spread			Final Plan after 2019 income re-spread			50-50 Cap Structure / 10.4% ROE		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
<u>Sources of Capital</u>									
Cash Flow from Operations	609.163	676.324	681.829	609.512	676.814	681.900	609.512	702.067	736.230
Long-Term Debt	700.000	300.000	197.558	700.000	300.000	197.558	700.000	-	97.558
Dividend to Parent	(172.292)	(193.027)	(214.715)	(193.171)	(172.386)	(214.806)	(193.171)	(187.038)	(247.913)
Intercompany Borrowing	(583.960)	114.295	503.394	(589.767)	118.164	503.371	(589.767)	40.198	659.062
Other Financing	426.172	129.831	9.750	452.547	104.831	9.750	452.547	473.863	(66.815)
Total Capital Sources	979.083	1,027.423	1,177.816	979.121	1,027.423	1,177.773	979.121	1,029.090	1,178.122
<u>Estimated EMR Cap Structure</u>									
Adjusted Total Debt	3,929.343	4,238.994	4,445.970	3,915.795	4,225.446	4,432.422	3,915.795	3,925.446	4,032.422
Equity	3,278.569	3,545.303	3,705.293	3,271.077	3,533.951	3,693.891	3,271.077	3,925.446	4,032.422
Total Capitalization	7,207.912	7,784.297	8,151.263	7,186.872	7,759.397	8,126.313	7,186.872	7,850.892	8,064.844
Debt / Capital	54.5%	54.5%	54.5%	54.5%	54.5%	54.5%	54.5%	50.0%	50.0%
<u>S&P Credit Metrics</u>									
FFO	636.438	678.105	734.568	636.438	677.941	734.559	636.438	719.770	790.664
Total Debt	4,163.619	4,466.475	4,703.021	4,150.529	4,453.379	4,688.002	4,150.529	4,149.133	4,360.161
FFO / Total Debt	15.3%	15.2%	15.6%	15.3%	15.2%	15.7%	15.3%	17.3%	18.1%

Scenario			Scenario			Scenario		
50-50 Cap Structure / 10.0% ROE			55-45 Cap Structure / 10.4% ROE			55-45 Cap Structure / 10.0% ROE		
2019	2020	2021	2019	2020	2021	2019	2020	2021
609.512	694.222	724.925	609.512	689.341	705.813	609.512	682.033	695.259
700.000	-	97.558	700.000	300.000	197.558	700.000	300.000	197.558
(193.171)	(183.520)	(240.948)	(193.171)	(179.743)	(229.543)	(193.171)	(176.467)	(223.039)
(589.767)	38.699	658.756	(589.767)	125.195	503.988	(589.767)	123.802	503.711
452.547	479.210	(62.270)	452.547	93.571	0.154	452.547	98.560	4.389
979.121	1,028.611	1,178.021	979.121	1,028.364	1,177.970	979.121	1,027.928	1,177.878
3,915.795	3,925.446	4,032.422	3,915.795	4,225.446	4,432.422	3,915.795	4,225.446	4,432.422
3,271.077	3,925.446	4,032.422	3,271.077	3,533.951	3,693.891	3,271.077	3,533.951	3,693.891
7,186.872	7,850.892	8,064.844	7,186.872	7,759.397	8,126.313	7,186.872	7,759.397	8,126.313
54.5%	50.0%	50.0%	54.5%	54.5%	54.5%	54.5%	54.5%	54.5%
636.438	711.423	779.253	636.438	695.703	758.805	636.438	687.910	748.158
4,150.529	4,149.131	4,358.351	4,150.529	4,453.380	4,695.665	4,150.529	4,453.378	4,693.994
15.3%	17.1%	17.9%	15.3%	15.6%	16.2%	15.3%	15.4%	15.9%

Table 7

Rating	Debt / Capitalization Threshold
Aa	29% - 40%
A	40% - 50%
Baa	50% - 59%

Table 8. Authorized Equity Ratios for Delivery-Only Utilities

Date of Final Order	Utility	Authorized Equity Ratio
3/15/2018	Niagara Mohawk Power Corporation	48.00%
4/18/2018	Connecticut Light and Power Company	53.00%
5/31/2018	Potomac Electric Power Company	50.44%
6/14/2018	Central Hudson Gas & Electric Corp.	48.00%
6/28/2018	Emera Maine	49.00%
8/8/2018	Potomac Electric Power Company	50.44%
8/21/2018	Delmarva Power & Light Company	50.52%
8/24/2018	Narragansett Electric Company	50.95%
9/26/2018	Dayton Power and Light Company	47.52%
10/4/2018	UGI Utilities, Inc.	54.02
10/29/2018	Public Service Electric and Gas Company	54.00%
11/1/2018	Ameren Illinois Company	50.00%
12/4/2018	Commonwealth Edison Company	47.11%
12/19/2018	Duke Energy Ohio, Inc.	50.75%
12/20/2018	Texas-New Mexico Power Company	45.00%
12/21/2018	Green Mountain Power Corporation	49.85%
Average		49.91%

See Exhibit RBM-5 at 11-12.

FRED Graph Observations
 Federal Reserve Economic Data
 Link: <https://fred.stlouisfed.org>
 Help: <https://fred.stlouisfed.org/help-faq>
 Economic Research Division
 Federal Reserve Bank of St. Louis

GS30 30-Year Treasury Constant Maturity Rate, Percent, Monthly, Not Seasonally
 Adjusted

Frequency: Monthly

observation_date	GS30		
2008-01-01	4.33		
2008-02-01	4.52	0.19%	0.19%
2008-03-01	4.39	-0.13%	-0.13%
2008-04-01	4.44	0.05%	0.05%
2008-05-01	4.60	0.16%	0.16%
2008-06-01	4.69	0.09%	0.09%
2008-07-01	4.57	-0.12%	-0.12%
2008-08-01	4.50	-0.07%	-0.07%
2008-09-01	4.27	-0.23%	-0.23%
2008-10-01	4.17	-0.10%	-0.10%
2008-11-01	4.00	-0.17%	-0.17%
2008-12-01	2.87	-1.13%	-1.13%
2009-01-01	3.13	0.26%	0.26%
2009-02-01	3.59	0.46%	0.46%
2009-03-01	3.64	0.05%	0.05%
2009-04-01	3.76	0.12%	0.12%
2009-05-01	4.23	0.47%	0.47%
2009-06-01	4.52	0.29%	0.29%
2009-07-01	4.41	-0.11%	-0.11%
2009-08-01	4.37	-0.04%	-0.04%
2009-09-01	4.19	-0.18%	-0.18%
2009-10-01	4.19	0.00%	0.00%
2009-11-01	4.31	0.12%	0.12%
2009-12-01	4.49	0.18%	0.18%
2010-01-01	4.60	0.11%	0.11%
2010-02-01	4.62	0.02%	0.02%
2010-03-01	4.64	0.02%	0.02%
2010-04-01	4.69	0.05%	0.05%
2010-05-01	4.29	-0.40%	-0.40%
2010-06-01	4.13	-0.16%	-0.16%
2010-07-01	3.99	-0.14%	-0.14%
2010-08-01	3.80	-0.19%	-0.19%
2010-09-01	3.77	-0.03%	-0.03%
2010-10-01	3.87	0.10%	0.10%
2010-11-01	4.19	0.32%	0.32%
2010-12-01	4.42	0.23%	0.23%
2011-01-01	4.52	0.10%	0.10%

2011-02-01	4.65	0.13%	0.13%
2011-03-01	4.51	-0.14%	-0.14%
2011-04-01	4.50	-0.01%	-0.01%
2011-05-01	4.29	-0.21%	-0.21%
2011-06-01	4.23	-0.06%	-0.06%
2011-07-01	4.27	0.04%	0.04%
2011-08-01	3.65	-0.62%	-0.62%
2011-09-01	3.18	-0.47%	-0.47%
2011-10-01	3.13	-0.05%	-0.05%
2011-11-01	3.02	-0.11%	-0.11%
2011-12-01	2.98	-0.04%	-0.04%
2012-01-01	3.03	0.05%	0.05%
2012-02-01	3.11	0.08%	0.08%
2012-03-01	3.28	0.17%	0.17%
2012-04-01	3.18	-0.10%	-0.10%
2012-05-01	2.93	-0.25%	-0.25%
2012-06-01	2.70	-0.23%	-0.23%
2012-07-01	2.59	-0.11%	-0.11%
2012-08-01	2.77	0.18%	0.18%
2012-09-01	2.88	0.11%	0.11%
2012-10-01	2.90	0.02%	0.02%
2012-11-01	2.80	-0.10%	-0.10%
2012-12-01	2.88	0.08%	0.08%
2013-01-01	3.08	0.20%	0.20%
2013-02-01	3.17	0.09%	0.09%
2013-03-01	3.16	-0.01%	-0.01%
2013-04-01	2.93	-0.23%	-0.23%
2013-05-01	3.11	0.18%	0.18%
2013-06-01	3.40	0.29%	0.29%
2013-07-01	3.61	0.21%	0.21%
2013-08-01	3.76	0.15%	0.15%
2013-09-01	3.79	0.03%	0.03%
2013-10-01	3.68	-0.11%	-0.11%
2013-11-01	3.80	0.12%	0.12%
2013-12-01	3.89	0.09%	0.09%
2014-01-01	3.77	-0.12%	-0.12%

2014-02-01	3.66	-0.11%	-0.11%
2014-03-01	3.62	-0.04%	-0.04%
2014-04-01	3.52	-0.10%	-0.10%
2014-05-01	3.39	-0.13%	-0.13%
2014-06-01	3.42	0.03%	0.03%
2014-07-01	3.33	-0.09%	-0.09%
2014-08-01	3.20	-0.13%	-0.13%
2014-09-01	3.26	0.06%	0.06%
2014-10-01	3.04	-0.22%	-0.22%
2014-11-01	3.04	0.00%	0.00%
2014-12-01	2.83	-0.21%	-0.21%
2015-01-01	2.46	-0.37%	-0.37%
2015-02-01	2.57	0.11%	0.11%
2015-03-01	2.63	0.06%	0.06%
2015-04-01	2.59	-0.04%	-0.04%
2015-05-01	2.96	0.37%	0.37%
2015-06-01	3.11	0.15%	0.15%
2015-07-01	3.07	-0.04%	-0.04%
2015-08-01	2.86	-0.21%	-0.21%
2015-09-01	2.95	0.09%	0.09%
2015-10-01	2.89	-0.06%	-0.06%
2015-11-01	3.03	0.14%	0.14%
2015-12-01	2.97	-0.06%	-0.06%
2016-01-01	2.86	-0.11%	-0.11%
2016-02-01	2.62	-0.24%	-0.24%
2016-03-01	2.68	0.06%	0.06%
2016-04-01	2.62	-0.06%	-0.06%
2016-05-01	2.63	0.01%	0.01%
2016-06-01	2.45	-0.18%	-0.18%
2016-07-01	2.23	-0.22%	-0.22%
2016-08-01	2.26	0.03%	0.03%
2016-09-01	2.35	0.09%	0.09%
2016-10-01	2.50	0.15%	0.15%
2016-11-01	2.86	0.36%	0.36%
2016-12-01	3.11	0.25%	0.25%
2017-01-01	3.02	-0.09%	-0.09%
2017-02-01	3.03	0.01%	0.01%
2017-03-01	3.08	0.05%	0.05%
2017-04-01	2.94	-0.14%	-0.14%
2017-05-01	2.96	0.02%	0.02%
2017-06-01	2.80	-0.16%	-0.16%
2017-07-01	2.88	0.08%	0.08%
2017-08-01	2.80	-0.08%	-0.08%
2017-09-01	2.78	-0.02%	-0.02%
2017-10-01	2.88	0.10%	0.10%
2017-11-01	2.80	-0.08%	-0.08%
2017-12-01	2.77	-0.03%	-0.03%
Mean	3.46	-0.01%	
StDev	0.70	0.20%	
Min	2.23		
3xStDev	5.54686527		

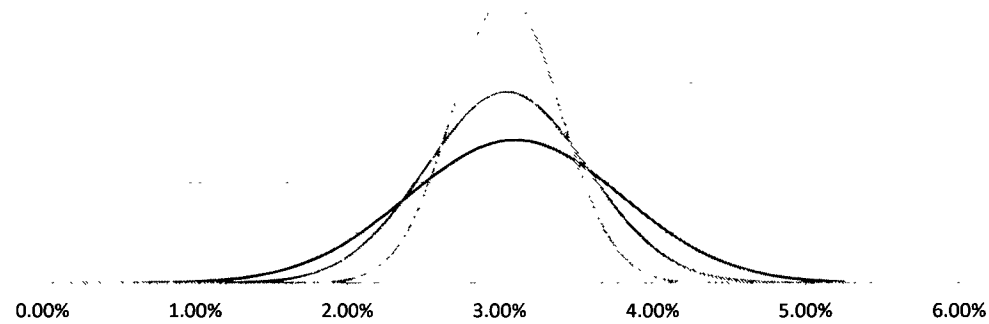
	Curve 1 - 0% Hedge	Curve 2 - 25% hedge	Curve 3 - 50% hedge
Mean	3.10%	3.04%	3.04%
STDev	0.70%	0.52%	0.35%
Min	1.01%	1.48%	2.00%
Max	5.19%	4.61%	4.09%

	Curve 1 - 0% Hedged	Curve 2 - 25% Hedged	Curve 3 - 50% Hedged
0.00%	0.00291	0.00000	0.00000
0.05%	0.00400	0.00001	0.00000
0.10%	0.00546	0.00001	0.00000
0.15%	0.00741	0.00002	0.00000
0.20%	0.01002	0.00003	0.00000
0.25%	0.01346	0.00005	0.00000
0.30%	0.01800	0.00008	0.00000
0.35%	0.02395	0.00013	0.00000
0.40%	0.03169	0.00021	0.00000
0.45%	0.04173	0.00034	0.00000
0.50%	0.05467	0.00055	0.00000
0.55%	0.07125	0.00087	0.00000
0.60%	0.09238	0.00137	0.00000
0.65%	0.11916	0.00214	0.00000
0.70%	0.15292	0.00330	0.00000
0.75%	0.19523	0.00504	0.00000
0.80%	0.24798	0.00763	0.00000
0.85%	0.31336	0.01145	0.00000
0.90%	0.39394	0.01702	0.00000
0.95%	0.49272	0.02508	0.00000
1.00%	0.61309	0.03662	0.00000
1.05%	0.75896	0.05297	0.00001
1.10%	0.93471	0.07594	0.00002
1.15%	1.14526	0.10786	0.00004
1.20%	1.39604	0.15182	0.00010
1.25%	1.69300	0.21174	0.00020
1.30%	2.04260	0.29263	0.00042
1.35%	2.45175	0.40073	0.00085
1.40%	2.92776	0.54377	0.00169
1.45%	3.47825	0.73116	0.00329
1.50%	4.11104	0.97417	0.00627
1.55%	4.83404	1.28615	0.01172
1.60%	5.65503	1.68257	0.02145

1.65%	6.58151	2.18115	0.03846
1.70%	7.62049	2.80173	0.06756
1.75%	8.77822	3.56612	0.11626
1.80%	10.05997	4.49775	0.19598
1.85%	11.46973	5.62113	0.32366
1.90%	13.00996	6.96116	0.52362
1.95%	14.68133	8.54218	0.82987
2.00%	16.48242	10.38687	1.28846
2.05%	18.40955	12.51498	1.95974
2.10%	20.45652	14.94185	2.92005
2.15%	22.61449	17.67698	4.26235
2.20%	24.87185	20.72244	6.09499
2.25%	27.21422	24.07148	8.53812
2.30%	29.62444	27.70728	11.71702
2.35%	32.08269	31.60197	15.75208
2.40%	34.56669	35.71607	20.74552
2.45%	37.05197	39.99838	26.76556
2.50%	39.51219	44.38643	33.82937
2.55%	41.91963	48.80757	41.88680
2.60%	44.24560	53.18062	50.80730
2.65%	46.46107	57.41809	60.37271
2.70%	48.53720	61.42898	70.27824
2.75%	50.44598	65.12189	80.14321
2.80%	52.16088	68.40848	89.53199
2.85%	53.65740	71.20688	97.98405
2.90%	54.91371	73.44517	105.05052
2.95%	55.91114	75.06433	110.33330
3.00%	56.63467	76.02094	113.52218
3.05%	57.07327	76.28901	114.42487
3.10%	57.22022	75.86124	112.98630
3.15%	57.07327	74.74929	109.29413
3.20%	56.63467	72.98328	103.56988
3.25%	55.91114	70.61042	96.14701
3.30%	54.91371	67.69295	87.43871
3.35%	53.65740	64.30538	77.89998
3.40%	52.16088	60.53134	67.98867
3.45%	50.44598	56.46021	58.13015
3.50%	48.53720	52.18357	48.68913
3.55%	46.46107	47.79190	39.95105
3.60%	44.24560	43.37146	32.11367
3.65%	41.91963	39.00164	25.28817
3.70%	39.51219	34.75289	19.50790
3.75%	37.05197	30.68514	14.74244
3.80%	34.56669	26.84693	10.91425

3.85%	32.08269	23.27502	7.91560
3.90%	29.62444	19.99470	5.62392
3.95%	27.21422	17.02036	3.91436
4.00%	24.87185	14.35661	2.66899
4.05%	22.61449	11.99953	1.78279
4.10%	20.45652	9.93815	1.16659
4.15%	18.40955	8.15598	0.74783
4.20%	16.48242	6.63248	0.46963
4.25%	14.68133	5.34448	0.28891
4.30%	13.00996	4.26740	0.17412
4.35%	11.46973	3.37637	0.10280
4.40%	10.05997	2.64708	0.05946
4.45%	8.77822	2.05642	0.03369
4.50%	7.62049	1.58302	0.01870
4.55%	6.58151	1.20751	0.01017
4.60%	5.65503	0.91269	0.00542
4.65%	4.83404	0.68358	0.00283
4.70%	4.11104	0.50732	0.00144
4.75%	3.47825	0.37308	0.00072
4.80%	2.92776	0.27186	0.00036
4.85%	2.45175	0.19630	0.00017
4.90%	2.04260	0.14045	0.00008
4.95%	1.69300	0.09958	0.00004
5.00%	1.39604	0.06996	0.00002
5.05%	1.14526	0.04870	0.00001
5.10%	0.93471	0.03359	0.00000
5.15%	0.75896	0.02296	0.00000
5.20%	0.61309	0.01555	0.00000
5.25%	0.49272	0.01044	0.00000
5.30%	0.39394	0.00694	0.00000

Distribution of Yield Outcomes (30-yr Debt)



**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-02**

QUESTION:

Please identify the common equity ratio and return on equity approved in CEHE's last fully litigated rate case for its Texas retail operations.

ANSWER:

The Commission approved a common equity ratio of 45% and a return on equity of 10.0%. Please refer to Findings of Fact 67-73A of the Order on Rehearing (item #906) issued on June 23, 2011 in Docket No. 38339

SPONSOR (PREPARER):
Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-03**

QUESTION:

Please provide a projection of CEHE's capital expenditures out over the next five years, and an estimate of the sources of cash available to fund these capital expenditures broken out by external debt markets, external equity infusions from the parent company, retained earnings, depreciation expense, and other sources (explain). Please also include in this response the funding planned for debt maturity, retirements and/or refinancing over this same time period.

ANSWER:

Please see the attached document TIEC03-03 - HSPM.xlsx

The attachment is highly sensitive and is being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):
Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:
TIEC03-03 - HSPM.xlsx

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-04**

QUESTION:

Please provide complete copies of all credit reports issued by S&P, Moody's and Fitch Ratings that discuss the current electric utility industry. This request is limited to reports that were issued in the last three years.

ANSWER:

Please see the documents attached to this response and to TIEC02-03 and TIEC02-04 for all credit reports by S&P, Moody's and Fitch Ratings that discuss the current electric utility industry. These documents reflect those currently in our possession.

The attachments are confidential and are being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

TIEC03-04 Fitch 01242018 - CONFIDENTIAL.pdf
TIEC03-04 SP 01242017 - CONFIDENTIAL.pdf
TIEC03-04 SP 01242018 - CONFIDENTIAL.pdf
TIEC03-04 SP 02162017 - CONFIDENTIAL.pdf
TIEC03-04 SP 06252018 - CONFIDENTIAL.pdf
TIEC03-04 SP 08102016 - CONFIDENTIAL.pdf
TIEC03-04 SP 09122017 - CONFIDENTIAL.pdf
TIEC03-04 SP 11012017 - CONFIDENTIAL.pdf
TIEC03-04 SP 11072018 - CONFIDENTIAL.pdf
TIEC03-04 SP 11082018 - CONFIDENTIAL.pdf

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-05**

QUESTION:

Please provide the most recent senior secured, unsecured and corporate credit ratings of CEHE assigned by S&P, Moody's and Fitch. Also, please provide CEHE's S&P business and financial risk profiles.

ANSWER:

As of May 10, 2019, CenterPoint Energy Houston Electric's senior secured, unsecured and corporate credit ratings are:

- . S&P: A senior secured, BBB+ unsecured and BBB+/stable issuer credit rating.
- . Moody's: A1 senior secured, A3 unsecured and A3/stable issuer rating
- . Fitch: A+ senior secured, A- unsecured and A-/stable issuer default rating

CenterPoint Energy Houston Electric's S&P business risk profile is "excellent" and financial risk profile is "intermediate."

SPONSOR (PREPARER):
Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-06**

QUESTION:

Please provide all copies of all correspondence, presentations and all other materials that CEHE provided to credit and equity analysts over the last two years.

ANSWER:

See the Company's response to TCUC01-02 for documents responsive to this request. The Company is continuing a search for other correspondence that may be responsive and will supplement its response, as necessary, if other documents are discovered.

SPONSOR (PREPARER):
Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-07**

QUESTION:

In an electronic spreadsheet with all formulas intact, please provide the monthly average balances for construction work in progress and short-term debt for the most recent 13-month period.

ANSWER:

See TIEC03-07 Attachment 1.xlsx for the 13 month average for construction work in progress and short-term debt as of March 2019.

SPONSOR (PREPARER):

Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:

TIEC03-07 Attachment 1.xlsx

CenterPoint Energy Houston Electric, LLC
13- Month Average
For the 13 months ended March 31, 2019

COMPANY CODE	FERC ACCOUNT	FERC ACCOUNT TITLE	MONTH/YEAR	BALANCE
0003	1070	Constr Work in Prog	03/2018	\$381,561,815
0003	1070	Constr Work in Prog	04/2018	\$406,733,215
0003	1070	Constr Work in Prog	05/2018	\$406,011,355
0003	1070	Constr Work in Prog	06/2018	\$390,944,466
0003	1070	Constr Work in Prog	07/2018	\$429,193,152
0003	1070	Constr Work in Prog	08/2018	\$398,694,665
0003	1070	Constr Work in Prog	09/2018	\$402,232,570
0003	1070	Constr Work in Prog	10/2018	\$422,056,394
0003	1070	Constr Work in Prog	11/2018	\$461,119,646
0003	1070	Constr Work in Prog	12/2018	\$427,251,419
0003	1070	Constr Work in Prog	01/2019	\$441,220,145
0003	1070	Constr Work in Prog	02/2019	\$458,800,844
0003	1070	Constr Work in Prog	03/2019	\$485,813,967
13-month Average				\$423,971,819

CenterPoint Energy Houston Electric, LLC
13- Month Average
For the 13 months ended March 31, 2019

COMPANY CODE	FERC ACCOUNT	FERC ACCOUNT TITLE	G/ L ACCOUNT	G/ L ACCOUNT TITLE	MONTH/YEAR	BALANCE
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	03/2018	\$0
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	04/2018	\$0
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	05/2018	\$0
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	06/2018	\$0
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	07/2018	(\$34,385,000)
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	08/2018	(\$23,468,000)
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	09/2018	(\$75,195,000)
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	10/2018	(\$36,562,000)
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	11/2018	(\$48,002,000)
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	12/2018	(\$1,172,000)
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	01/2019	\$0
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	02/2019	\$0
0003	2330	Notes Pay- Assoc Co	214010	ST N/P- Assoc Co	03/2019	\$0
13-month Average						(\$16,829,538)

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

**TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-08**

QUESTION:

In an electronic spreadsheet with all formulas intact, please provide CEHE's five-year projected and five-year historical capital structure, capital expenditures and capital funding.

ANSWER:

Please see the attachment TIEC03-08 - HSPM.xlsx.

The attachment is highly sensitive and is being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

TIEC03-08 - HSPM.xlsx

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-09**

QUESTION:

Please provide the amount of capitalized interest estimated to be paid during the test year related to construction projects.

ANSWER:

CenterPoint Energy Houston Electric, LLC. capitalized interest expense paid related to construction projects during the test year is \$6,358,869.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-10**

QUESTION:

Please state whether CEHE's regulated electric retail operations have any off balance sheet debt such as purchased power agreements and operating leases. If the answer is "yes," provide the amount of each off-balance sheet debt item and estimate the related imputed interest and amortization expense associated with these off balance sheet debt equivalents specific to CEHE's jurisdictional regulated retail electric operations.

ANSWER:

CenterPoint Houston does not have any off balance sheet debt.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-11**

QUESTION:

To the extent not already provided, please provide in electronic format with all formulas intact, the calculation of CEHE's credit metric calculations relied on by Standard and Poor's and Moody's.

ANSWER:

CenterPoint Houston cannot provide the calculation of credit metrics by Standard & Poor's and Moody's. Those firms make their own adjustments to CenterPoint Houston's published financials and the company does not verify their calculations. Please see TIEC2-1 for rating agency reports that include the latest credit metrics published.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-12

QUESTION:

Referring to page 22 of Mr. McRae's testimony, he states that CEHE's current capital structure is 55%/45% (debt/equity), which is reflected in the Company's current credit rating. Please provide all credit reports or correspondence with the credit rating agencies discussing CEHE's capital structure and leverage position and their impact on the Company's credit metrics.

ANSWER:

See the Company's response to TCUC01-04 for documents responsive to this request. The Company is continuing a search for other correspondence that may be responsive and will supplement its response, as necessary, if other documents are discovered.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-13

QUESTION:

Referring to table 5 on page 23 of Mr. McRae's direct testimony, on an electronic spreadsheet with all formulas intact, please calculate the Company's financial metrics at its currently authorized capital structure (55%/45%) and its proposed capital structure (50%/50%) under the new tax law. Also, please provide:

- a. The associated financial statements used to derive the credit metric calculations.
- b. A breakdown of all off-balance sheet debt equivalents.
- c. The calculations of the FFO/Debt for the period 2014-2021F as shown in table 5 and the associated financial statements supporting these calculations.

ANSWER:

Please see the attached document "TIEC03-13 Financial Metrics.xlsx" for the requested electronic spreadsheet with all formulas intact. The financial metrics are calculated at the current authorized capital structure (55%/45%) and the proposed capital structure (50%/50%). The associated financial statements are included. All debt equivalents are included on CenterPoint Houston's balance sheet and included in the company's interpretation of S&P's credit metric adjustments. Please see our response to TIEC03-11 in regards to historical credit metrics (2014-2018). Forecasted credit metric calculations, including the company's interpretation of credit metric adjustments and calculations, are included in "TIEC03-13 Financial Metrics.xlsx."

SPONSOR (PREPARER):
Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:
TIEC03-13 Financial Metrics.xlsx

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2018	2019	2020	2021	2022	2023
Income Statement						
Total Revenues	\$ 3,004.0	\$ 2,984.9	\$ 3,135.4	\$ 3,275.6	\$ 3,441.7	
Operating and Administrative	1,503.4	1,532.3	1,599.5	1,662.6	1,770.5	
Taxes Other Than Income	252.0	261.8	269.3	277.0	284.5	
Depreciation and Amortization	650.9	592.3	622.7	640.0	652.3	
Operating Income	597.6	598.5	643.9	696.1	734.3	
Interest Income (intercompany)	20.5	14.5	7.7	2.6	0.1	
Other Income	(9.9)	(9.2)	(5.8)	(6.6)	(8.5)	
EBIT	608.1	603.8	645.9	692.1	726.0	
Securitization Interest	39.7	28.0	20.8	13.4	7.6	
Other Interest (external)	163.5	174.4	185.2	203.0	211.2	
Other Interest (intercompany)	-	-	0.1	2.2	5.3	
EBT	404.9	401.5	439.8	473.6	501.9	
Tax Expense	74.7	60.7	61.2	70.1	77.9	
Net Income before Non-Recurring Items	330.2	340.8	378.6	403.5	424.0	
Non-Recurring Items	-	-	-	-	-	
Net Income	\$ 330.2	\$ 340.8	\$ 378.6	\$ 403.5	\$ 424.0	
Credit Metrics						
S&P						
Funds From Operations / Total Debt	15.3%	15.4%	15.9%	16.1%	16.2%	
Total Debt / EBITDA	4.36	4.48	4.38	4.38	4.45	
Operating Cash Flow / Total Debt	14.5%	15.1%	14.6%	14.6%	14.5%	

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2018	2019	2020	2021	2022	2023
Cash Flows						
Net Income	\$ 330.2	\$ 340.8	\$ 378.6	\$ 403.5	\$ 424.0	
Non-Recurring Items, net of tax	-	-	-	-	-	-
Net Income before Non-Recurring Items	330.2	340.8	378.6	403.5	424.0	
Depreciation and Amortization	650.9	592.3	622.7	640.0	652.3	
Amortization of Deferred Financing Costs	10.5	10.2	9.9	8.6	6.9	
Deferred Taxes	(69.2)	(61.3)	(65.3)	(54.2)	(43.8)	
Funds From Operations	922.5	882.0	945.8	997.8	1,039.4	
Changes in Working Capital	(48.7)	(23.5)	(68.9)	(74.4)	(84.6)	
Operating Cash Flow	873.8	858.5	876.9	923.4	954.8	
Capital Expenditures	(979.1)	(1,027.9)	(1,177.9)	(978.8)	(980.0)	
Other Investing Activities	-	-	-	-	-	-
Investing Cash Flow	(979.1)	(1,027.9)	(1,177.9)	(978.8)	(980.0)	
Increase (decrease) in Intercompany Notes Payable	(589.8)	123.8	503.7	77.2	220.3	
Increase (decrease) in Securitization Debt	(264.3)	(176.4)	(181.6)	(169.3)	(148.7)	
Increase (decrease) in Other Long Term Debt	700.0	300.0	197.6	300.0	200.0	
Dividends	259.4	(77.9)	(218.7)	(152.5)	(246.4)	
Other Financing Activities	-	-	-	-	-	-
Financing Cash Flow	105.3	169.4	301.0	55.4	25.1	
Total Cash Flow	\$ -	\$ -	\$ -	\$ 0.0	\$ 0.0	

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2018	2019	2020	2021	2022	2023
Balance Sheet						
ASSETS						
Cash/Temporary Investments	\$ (0.2)	\$ 588.4	\$ 464.6	\$ (0.2)	\$ (0.2)	\$ (0.2)
Current Assets	949.5	998.1	1,021.3	1,045.2	1,070.4	1,096.8
PP&E, net	8,401.7	8,993.4	9,604.9	10,341.4	10,849.4	11,325.6
Other Assets	1,156.1	928.5	771.4	625.4	493.2	388.5
Total Assets	\$ 10,507.1	\$ 11,508.4	\$ 11,862.2	\$ 12,011.8	\$ 12,412.8	\$ 12,810.8
LIABILITIES AND EQUITY						
Facility/Intercompany Debt	\$ 1.2	\$ -	\$ -	\$ 38.9	\$ 116.1	\$ 336.4
Other Current Liabilities	630.3	655.6	679.8	696.2	715.6	731.4
Total Current Liabilities	631.5	655.6	679.8	735.1	831.7	1,067.8
Non-Recourse Securitization Debt	1,435.4	1,171.8	995.9	814.7	645.6	497.0
Other Long Term Debt (external)	3,281.5	3,984.7	4,288.0	4,489.0	4,792.2	4,995.6
Deferred Income Taxes	1,022.9	953.7	892.4	827.1	772.9	729.1
Other Liabilities	1,454.4	1,471.5	1,472.1	1,452.1	1,425.5	1,398.8
Total Liabilities	7,825.7	8,237.3	8,328.2	8,317.9	8,467.9	8,688.3
Common Equity	2,681.5	3,271.1	3,534.0	3,693.9	3,944.9	4,122.5
Total Equity	2,681.5	3,271.1	3,534.0	3,693.9	3,944.9	4,122.5
Total Liabilities and Equity	\$ 10,507.1	\$ 11,508.4	\$ 11,862.2	\$ 12,011.8	\$ 12,412.8	\$ 12,810.8
Balance check	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	S&P Methodology				
	2019	2020	2021	2022	2023
DEBT:					
Balance Sheet Debt	5,156.5	5,284.0	5,342.5	5,554.0	5,829.0
Less: Securitization Debt	(1,171.8)	(995.9)	(814.7)	(645.6)	(497.0)
Adjusted Debt (GAAP)	3,984.7	4,288.0	4,527.9	4,908.4	5,331.9
Plus: Pension & Postretirement Underfunded Amount (After Tax)	45.2	42.5	39.9	37.5	35.2
Plus: Asset Retirement Obligations (After Tax)	27.7	27.7	27.7	27.7	27.7
Plus: Interest Accrued	77.3	81.4	86.4	92.1	92.2
Plus: Unamortized Issuance Cost (Excluding Securitization)	15.6	13.7	12.2	10.9	9.9
Adjusted Debt (S&P)	4,150.5	4,453.4	4,694.0	5,076.5	5,496.8
INTEREST EXPENSE:					
Income Statement Interest	203.1	202.3	206.1	218.5	224.1
Less: Securitization Interest (Cash and Non-Cash)	(39.7)	(28.0)	(20.8)	(13.4)	(7.6)
Adjusted Interest Expense (GAAP)	163.5	174.4	185.2	205.2	216.5
Plus: Capitalized Interest	6.1	7.0	8.7	8.2	7.2
Plus: Interest on Pension & Postretirement Underfunded Amounts	2.7	2.6	2.4	2.3	2.1
Plus: Asset Retirement Obligations	1.0	1.0	1.0	1.0	1.0
Adjusted Interest Expense (S&P)	173.3	185.0	197.4	216.7	226.9
EBITDA:					
Unadjusted EBITDA	1,248.5	1,190.8	1,266.6	1,336.0	1,386.6
Less: Securitization EBITDA	(303.2)	(203.9)	(202.1)	(182.4)	(156.2)
Adjusted EBITDA	945.3	987.0	1,064.5	1,153.6	1,230.5
Plus: Interest on Pension & Postretirement Underfunded Amounts	5.7	5.4	5.1	4.8	4.5
Plus: Asset Retirement Obligations	1.0	1.0	1.0	1.0	1.0
Adjusted EBITDA	952.1	993.4	1,070.6	1,159.3	1,235.9
FUNDS FROM OPERATIONS:					
Adjusted EBITDA (S&P)	952.1	993.4	1,070.6	1,159.3	1,235.9
Less: Adjusted Interest Expense, net (S&P)	(173.3)	(185.0)	(197.4)	(216.7)	(226.9)
Less: Current Taxes	(143.9)	(122.0)	(126.5)	(124.3)	(121.7)
Plus: Pension & Postretirement Adjustment	1.4	1.3	1.2	1.1	1.1
Plus: Asset Retirement Obligations	0.2	0.2	0.2	0.2	0.2
Adjusted Funds from Operations (S&P)	636.4	687.9	748.2	819.8	888.7

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	S&P Methodology				
	2019	2020	2021	2022	2023
OCF, FOCF & DCF:					
Operating Cash Flow	873.8	858.5	876.9	923.4	954.8
Less: Securitization OCF	(264.3)	(176.4)	(181.6)	(169.3)	(148.7)
Adjusted Operating Cash Flow	609.5	682.0	695.3	754.1	806.1
Plus: Pension & Postretirement Adjustment	(2.5)	(2.3)	(2.2)	(2.1)	(1.9)
Less: Capitalized Interest	(6.1)	(7.0)	(8.7)	(8.2)	(7.2)
Plus: Asset Retirement Obligations	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Adjusted Operating Cash Flow (S&P)	600.2	671.9	683.6	743.0	796.2
Less: Capital Expenditures	(979.1)	(1,027.9)	(1,177.9)	(978.8)	(980.0)
Plus: Capitalized Interest	6.1	7.0	8.7	8.2	7.2
Free Operating Cash Flow (S&P)	(372.9)	(349.0)	(485.6)	(227.6)	(176.6)
Less: Dividends	259.4	(77.9)	(218.7)	(152.5)	(246.4)
Discretionary Operating Cash Flow (S&P)	(113.5)	(426.9)	(704.3)	(380.0)	(423.0)
Core Ratios					
FFO / Total Debt	15.3%	15.4%	15.9%	16.1%	16.2%
Total Debt / EBITDA	4.36	4.48	4.38	4.38	4.45
Supplemental Ratios					
OCF / Total Debt	14.5%	15.1%	14.6%	14.6%	14.5%
FOCF / Total Debt	-9.0%	-7.8%	-10.3%	-4.5%	-3.2%
DCF / Total Debt	-2.7%	-9.6%	-15.0%	-7.5%	-7.7%
EBITDA Interest Coverage	5.49	5.37	5.42	5.35	5.45
FFO Interest Coverage	4.67	4.72	4.79	4.78	4.92

CenterPoint Energy Houston Electric, LLC - 50/50 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2018	2019	2020	2021	2022	2023
Income Statement						
Total Revenues	\$ 3,004.0	\$ 3,003.7	\$ 3,160.7	\$ 3,301.5	\$ 3,468.2	
Operating and Administrative	1,503.4	1,532.3	1,599.5	1,662.6	1,770.5	
Taxes Other Than Income	252.0	261.8	269.3	277.0	284.5	
Depreciation and Amortization	650.9	592.3	622.7	640.0	652.3	
Operating Income	597.6	617.3	669.2	721.9	760.9	
Interest Income (intercompany)	20.5	8.2	8.1	1.8	0.1	
Other Income	(9.9)	(8.0)	(5.5)	(6.6)	(8.5)	
EBIT	608.1	617.4	671.7	717.2	752.5	
Securitization Interest	39.7	28.0	20.8	13.4	7.6	
Other Interest (external)	163.5	164.3	169.0	186.0	194.2	
Other Interest (intercompany)	-	-	0.1	3.1	5.6	
EBT	404.9	425.2	481.7	514.8	545.1	
Tax Expense	74.7	66.5	71.6	80.2	88.6	
Net Income before Non-Recurring Items	330.2	358.7	410.2	434.6	456.6	
Non-Recurring Items	-	-	-	-	-	
Net Income	\$ 330.2	\$ 358.7	\$ 410.2	\$ 434.6	\$ 456.6	
Credit Metrics						
<u>S&P</u>						
Funds From Operations / Total Debt	15.3%	17.1%	17.9%	18.1%	18.1%	
Total Debt / EBITDA	4.36	4.10	3.98	3.96	4.02	
Operating Cash Flow / Total Debt	14.5%	16.5%	16.4%	16.5%	16.3%	

CenterPoint Energy Houston Electric, LLC - 50/50 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2018	2019	2020	2021	2022	2023
Cash Flows						
Net Income	\$ 330.2	\$ 358.7	\$ 410.2	\$ 434.6	\$ 456.6	
Non-Recurring Items, net of tax	-	-	-	-	-	-
Net Income before Non-Recurring Items	330.2	358.7	410.2	434.6	456.6	
Depreciation and Amortization	650.9	592.3	622.7	640.0	652.3	
Amortization of Deferred Financing Costs	10.5	10.2	9.9	8.6	6.9	
Deferred Taxes	(69.2)	(61.3)	(65.3)	(54.2)	(43.8)	
Funds From Operations	922.5	899.9	977.4	1,028.9	1,072.0	
Changes in Working Capital	(48.7)	(29.3)	(70.9)	(74.4)	(84.8)	
Operating Cash Flow	873.8	870.7	906.6	954.5	987.2	
Capital Expenditures	(979.1)	(1,028.6)	(1,178.0)	(978.8)	(980.0)	
Other Investing Activities	-	-	-	-	-	-
Investing Cash Flow	(979.1)	(1,028.6)	(1,178.0)	(978.8)	(980.0)	
Increase (decrease) in Intercompany Notes Payable	(589.8)	38.7	658.8	28.7	186.2	
Increase (decrease) in Securitization Debt	(264.3)	(176.4)	(181.6)	(169.3)	(148.7)	
Increase (decrease) in Other Long Term Debt	700.0	-	97.6	300.0	200.0	
Dividends	259.4	295.7	(303.2)	(135.0)	(244.7)	
Other Financing Activities	-	-	-	-	-	-
Financing Cash Flow	105.3	157.9	271.5	24.3	(7.2)	
Total Cash Flow	\$ -	\$ (0.0)	\$ -	\$ 0.0	\$ (0.0)	

CenterPoint Energy Houston Electric, LLC - 50/50 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2018	2019	2020	2021	2022	2023
Balance Sheet						
ASSETS						
Cash/Temporary Investments	\$ (0.2)	\$ 588.4	\$ 549.7	\$ (0.2)	\$ (0.2)	\$ (0.2)
Current Assets	949.5	998.1	1,023.1	1,047.4	1,072.6	1,099.1
PP&E, net	8,401.7	8,993.4	9,605.6	10,342.2	10,850.2	11,326.4
Other Assets	1,156.1	928.5	771.4	625.4	493.2	388.5
Total Assets	<u>\$ 10,507.1</u>	<u>\$ 11,508.4</u>	<u>\$ 11,949.8</u>	<u>\$ 12,014.8</u>	<u>\$ 12,415.8</u>	<u>\$ 12,813.8</u>
LIABILITIES AND EQUITY						
Facility/Intercompany Debt	\$ 1.2	\$ -	\$ -	\$ 108.9	\$ 137.5	\$ 323.7
Other Current Liabilities	630.3	655.6	675.9	690.7	710.2	725.8
Total Current Liabilities	<u>631.5</u>	<u>655.6</u>	<u>675.9</u>	<u>799.5</u>	<u>847.7</u>	<u>1,049.5</u>
Non-Recourse Securitization Debt	1,435.4	1,171.8	995.9	814.7	645.6	497.0
Other Long Term Debt (external)	3,281.5	3,984.7	3,988.0	4,089.0	4,392.2	4,595.6
Deferred Income Taxes	1,022.9	953.7	892.4	827.1	772.8	729.0
Other Liabilities	1,454.4	1,471.5	1,472.1	1,452.1	1,425.5	1,398.8
Total Liabilities	<u>7,825.7</u>	<u>8,237.3</u>	<u>8,024.4</u>	<u>7,982.3</u>	<u>8,083.8</u>	<u>8,269.9</u>
Common Equity	2,681.5	3,271.1	3,925.4	4,032.4	4,332.0	4,543.8
Total Equity	<u>2,681.5</u>	<u>3,271.1</u>	<u>3,925.4</u>	<u>4,032.4</u>	<u>4,332.0</u>	<u>4,543.8</u>
Total Liabilities and Equity	<u>\$ 10,507.1</u>	<u>\$ 11,508.4</u>	<u>\$ 11,949.8</u>	<u>\$ 12,014.8</u>	<u>\$ 12,415.8</u>	<u>\$ 12,813.8</u>
Balance check	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)

CenterPoint Energy Houston Electric, LLC - 50/50 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	S&P Methodology				
	2019	2020	2021	2022	2023
DEBT:					
Balance Sheet Debt	5,156.5	4,984.0	5,012.5	5,175.4	5,416.3
Less: Securitization Debt	(1,171.8)	(995.9)	(814.7)	(645.6)	(497.0)
Adjusted Debt (GAAP)	3,984.7	3,988.0	4,197.8	4,529.8	4,919.2
Plus: Pension & Postretirement Underfunded Amount (After Tax)	45.2	42.5	39.9	37.5	35.2
Plus: Asset Retirement Obligations (After Tax)	27.7	27.7	27.7	27.7	27.7
Plus: Interest Accrued	77.3	77.2	80.8	86.5	86.6
Plus: Unamortized Issuance Cost (Excluding Securitization)	15.6	13.7	12.2	10.9	9.9
Adjusted Debt (S&P)	4,150.5	4,149.1	4,358.4	4,692.3	5,078.5
INTEREST EXPENSE:					
Income Statement Interest	203.1	192.2	190.0	202.4	207.4
Less: Securitization Interest (Cash and Non-Cash)	(39.7)	(28.0)	(20.8)	(13.4)	(7.6)
Adjusted Interest Expense (GAAP)	163.5	164.3	169.1	189.0	199.8
Plus: Capitalized Interest	6.1	6.5	8.6	8.2	7.2
Plus: Interest on Pension & Postretirement Underfunded Amounts	2.7	2.6	2.4	2.3	2.1
Plus: Asset Retirement Obligations	1.0	1.0	1.0	1.0	1.0
Adjusted Interest Expense (S&P)	173.3	174.4	181.2	200.5	210.2
EBITDA:					
Unadjusted EBITDA	1,248.5	1,209.6	1,291.9	1,361.9	1,413.2
Less: Securitization EBITDA	(303.2)	(203.9)	(202.1)	(182.4)	(156.2)
Adjusted EBITDA	945.3	1,005.7	1,089.8	1,179.5	1,257.0
Plus: Interest on Pension & Postretirement Underfunded Amounts	5.7	5.4	5.1	4.8	4.5
Plus: Asset Retirement Obligations	1.0	1.0	1.0	1.0	1.0
Adjusted EBITDA	952.1	1,012.1	1,095.9	1,185.3	1,262.5
FUNDS FROM OPERATIONS:					
Adjusted EBITDA (S&P)	952.1	1,012.1	1,095.9	1,185.3	1,262.5
Less: Adjusted Interest Expense, net (S&P)	(173.3)	(174.4)	(181.2)	(200.5)	(210.2)
Less: Current Taxes	(143.9)	(127.8)	(136.9)	(134.5)	(132.4)
Plus: Pension & Postretirement Adjustment	1.4	1.3	1.2	1.1	1.1
Plus: Asset Retirement Obligations	0.2	0.2	0.2	0.2	0.2
Adjusted Funds from Operations (S&P)	636.4	711.4	779.3	851.7	921.3

CenterPoint Energy Houston Electric, LLC - 50/50 10% ROE

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	S&P Methodology				
	2019	2020	2021	2022	2023
OCF, FOCF & DCF:					
Operating Cash Flow	873.8	870.7	906.6	954.5	987.2
Less: Securitization OCF	(264.3)	(176.4)	(181.6)	(169.3)	(148.7)
Adjusted Operating Cash Flow	609.5	694.2	724.9	785.2	838.5
Plus: Pension & Postretirement Adjustment	(2.5)	(2.3)	(2.2)	(2.1)	(1.9)
Less: Capitalized Interest	(6.1)	(6.5)	(8.6)	(8.2)	(7.2)
Plus: Asset Retirement Obligations	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Adjusted Operating Cash Flow (S&P)	600.2	684.6	713.3	774.1	828.5
Less: Capital Expenditures	(979.1)	(1,028.6)	(1,178.0)	(978.8)	(980.0)
Plus: Capitalized Interest	6.1	6.5	8.6	8.2	7.2
Free Operating Cash Flow (S&P)	(372.9)	(337.5)	(456.1)	(196.5)	(144.2)
Less: Dividends	259.4	295.7	(303.2)	(135.0)	(244.7)
Discretionary Operating Cash Flow (S&P)	(113.5)	(41.8)	(759.3)	(331.5)	(388.9)
Core Ratios					
FFO / Total Debt	15.3%	17.1%	17.9%	18.1%	18.1%
Total Debt / EBITDA	4.36	4.10	3.98	3.96	4.02
Supplemental Ratios					
OCF / Total Debt	14.5%	16.5%	16.4%	16.5%	16.3%
FOCF / Total Debt	-9.0%	-8.1%	-10.5%	-4.2%	-2.8%
DCF / Total Debt	-2.7%	-1.0%	-17.4%	-7.1%	-7.7%
EBITDA Interest Coverage	5.49	5.80	6.05	5.91	6.01
FFO Interest Coverage	4.67	5.08	5.30	5.25	5.38

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

**TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-14**

QUESTION:

Please provide a detailed explanation of CEHE's dividend payment and debt financing plans through the test period.

ANSWER:

During the test year of 2018, CenterPoint Energy Houston Electric made four dividend payments totaling \$208,800,000 which are detailed in the Company's response to TCUC01-07.

During the test year of 2018, CenterPoint Energy Houston Electric issued \$400,000,000 of general mortgage bonds in February 2018. The prospectus of that debt offering is included on pages 152-207 of the attachment TCUC01-03 Attachment 1.pdf included as a response to RFI TCUC01-03.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

None

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

**TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-15**

QUESTION:

Do any of CEHE's outstanding long-term debt issues have call provisions? If the answer is "yes," please provide a list of the callable issues with the following: a) outstanding balance, b) issuance date, c) maturity date, d) coupon payment percent, e) annual interest expense, and f) call price (as a percent of par).

ANSWER:

CenterPoint Houston's general mortgage bonds include optional redemption language that allows the bonds to be redeemed prior to maturity. In order to exercise this feature, a make-whole premium must be paid. Additionally, some of the bonds contain par call options that allow the bonds to be redeemed at face value after a specific date.

CenterPoint Houston's first mortgage bond has no call or early redemption options.

TIEC03-15 Attachment 1.xlsx contains detail regarding all of the outstanding long-term debt at CenterPoint Houston including relevant call features.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

TIEC03-15 Attachment 1.xlsx

CenterPoint Energy Houston Electric, LLC
Long-term Debt
As of May 10, 2019

Security	Outstanding	Issuance Date	Maturity	Rate	Annual Interest Expense	Call Feature	
						Date	Price
First Mortgage Bonds	\$102,442,000	3/27/1991	03/15/21	9.150%	\$9,373,443	NA	NA
General Mortgage Bonds	\$312,275,000	3/18/2003	03/15/33	6.950%	\$21,703,113	Current	(1)
General Mortgage Bonds	\$200,000,000	5/23/2003	07/01/23	5.600%	\$11,200,000	Current	(2)
General Mortgage Bonds	\$300,000,000	8/10/2012	08/01/22	2.250%	\$6,750,000	Current	(6)
General Mortgage Bonds	\$500,000,000	8/10/2012	08/01/42	3.550%	\$17,750,000	Current	(5)
General Mortgage Bonds	\$600,000,000	3/17/2014	04/01/44	4.500%	\$27,000,000	Current	(5)
General Mortgage Bonds	\$300,000,000	5/18/2016	06/01/21	1.850%	\$5,550,000	Current	(3)
General Mortgage Bonds	\$300,000,000	8/11/2016	09/01/26	2.400%	\$7,200,000	Current	(4)
General Mortgage Bonds	\$300,000,000	1/12/2017	02/01/27	3.000%	\$9,000,000	Current	(6)
General Mortgage Bonds	\$400,000,000	2/28/2018	03/01/48	3.950%	\$15,800,000	Current	(5)
General Mortgage Bonds	\$700,000,000	1/15/2019	02/01/49	4.250%	\$29,750,000	Current	(5)
TOTAL	\$4,014,717,000						

(1) 100% plus make-whole premium using treasury yield + 35 bps as the discount rate.

(2) 100% plus make-whole premium using treasury yield + 20 bps as the discount rate.

(3) 100% plus make-whole premium using treasury yield + 12.5 bps as the discount rate until one month prior to maturity; par thereafter.

(4) 100% plus make-whole premium using treasury yield + 15 bps as the discount rate until three months prior to maturity; par thereafter.

(5) 100% plus make-whole premium using treasury yield + 15 bps as the discount rate until six months prior to maturity; par thereafter.

(6) 100% plus make-whole premium using treasury yield + 12.5 bps as the discount rate until three months prior to maturity; par thereafter.

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-16**

QUESTION:

Has CEHE performed any debt refinancing feasibility studies on its outstanding debt issues? If the answer is "yes," please provide the following:

- a. A detailed description of the results from the study.
- b. A detailed description of the conclusions(s) made by CEHE based on the results of the study.
- c. All debt refinancing feasibility studies in an electronic spreadsheet with all formulas intact.

ANSWER:

Yes.

- A. The results of the study are detailed on the summary tab of Attachment TIEC03-16 Bond Analysis – Confidential.xlsx. The NPV column represents the incremental present value gain or loss in executing a make whole and refinancing for each bond.
- B. Market rates were not supportive of refinancing at the time the study was performed
- C. Attached is the most current debt refinancing study, which was performed in November 2018

The attachment and response is confidential and is being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):

Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:

TIEC03-16 Bond Analysis - Confidential.xlsx

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
TEXAS INDUSTRIAL ENERGY CONSUMER
REQUEST NO.: TIEC03-17**

QUESTION:

Referring to Mr. Hevert's direct testimony, please explain in detail Mr. Hevert's decision not to include a multi-stage DCF model as he has done in prior regulatory proceedings.

ANSWER:

In Mr. Hevert's view, the Multi-Stage DCF model provides additional information when long-term payout ratios and growth rates are meaningfully different than current levels. Because that currently is not the case, Mr. Hevert does not see the Multi-Stage model as adding significantly more information relative to the methods he has included.

SPONSOR (PREPARER):

Robert B. Hevert (Robert B. Hevert)

RESPONSIVE DOCUMENTS:

None

CERTIFICATE OF SERVICE

I hereby certify that on this 20th 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.

