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

**GULF COAST COALITION OF CITIES'
FIRST REQUEST FOR INFORMATION TO
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

The Gulf Coast Coalition of Cities (GCCC) files this First Request for Information (RFI) to CenterPoint Energy Houston Electric, LLC (CenterPoint or Company) in the above-styled docket. CenterPoint is hereby requested to furnish one copy of all items of information enumerated on the attached sheets directly to the undersigned attorney at the offices of Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701 within twenty (20) calendar days. 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 hearing. Also, where data is requested, provide it in hard copy and Excel format with all formulas intact.

DEFINITIONS AND INSTRUCTIONS

A. "CenterPoint," "Applicant," or "CEHE" refers to CenterPoint Energy Houston Electric, LLC, its parents, affiliates and subsidiaries, and any person acting or purporting to act on its behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.

B. The term "document" shall have the broadest meaning possible under the Texas Rules of Civil Procedure and shall include, but not be limited to, the original (or a copy when the original is not available), each non-identical copy (including those which are non-identical by reason of notations or marking, or by appearing in the files of a separate person), and any books, notebooks, pamphlets, periodicals, letters, reports, memoranda, handwritten notes, notations, messages, telegrams, wires, cables, press or news wire releases, records, studies, analyses, summaries, magazines, booklets, circulars, catalogs, bulletins, instructions, operating or maintenance manuals, operating or product specifications, fabrication sheets, test data, design specifications, parts lists, calendars, day-timers, notes or records of meetings, notices, purchase orders, bills, ledgers, checks, tabulations, questionnaires, surveys, drawings, sketches, schematics, blueprints, flow sheets, working papers, charts, graphs, indices, tapes, agreements,

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releases, appraisals, valuations, estimates, opinions, financial statements, accounting records, income statements, photographs, films or videotapes, back-up tapes, minutes, contracts, leases, invoices, records of purchase or sale, correspondence, electronic or other transcription or tapings of or notes pertaining to telephone or personal conversations or conferences, tape recordings, electromagnetic recordings, voice mail message or transcriptions thereof, interoffice communications of all types, e-mail messages, printouts of e-mail messages, instant messages or printouts thereof, microfilms, electronic databases, CDs, DVDs, videotapes or cassettes, films, movies, computer printouts and any and all other written, printed, typed, punched, engraved, taped, filmed, recorded (electronically or otherwise), labeled, or graphic matter, of whatever description, however produced or reproduced (including computer-stored or generated data, together with instructions or programs necessary to search and retrieve such data), and shall include all attachments to (including tangible things) and enclosures with (including tangible things) any requested item, to which they are attached or with which they are enclosed, and each draft thereof. A draft of a non-identical copy is a separate document within the meaning of this term. An electronic copy of a paper document is a separate document within the meaning of this term.

C. Pursuant to Tex. R. Civ. P. 196.4, GCCC specifically requests that any electronic or magnetic data (which is included in the definition of “document”) that is responsive to a request herein be produced on CD-Rom in a format that is compatible with Microsoft Office and/or Word Perfect and be produced with your response to these requests. GCCC further requests that CenterPoint produce electronic copies of all paper documents, including any metadata attached to such documents, and produce all electronic originals or all responsive documents.

D. The terms “and” and “or” shall be construed both disjunctively and conjunctively as necessary to make the request inclusive rather than exclusive.

E. “Each” shall be construed to include the word “every” and “every” shall be construed to include the word “each.”

F. “Any” shall be construed to include “all” and “all” shall be construed to include “any.”

G. The term “concerning,” or one of its inflections, includes the following meanings: relating to; referring to; pertaining to; regarding; discussing; mentioning; containing; reflecting; evidencing; describing; showing; identifying; providing; disproving; consisting of; supporting; contradicting; in any way legally, logically or factually connected with the matter to which the term refers; or having a tendency to prove or disprove the matter to which the term refers.

H. The term “including,” or one of its inflections, means and refers to “including but not limited to.”

I. Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.

J. The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.

K. 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 or copies, subject matter of the document, and the basis upon which such privilege is claimed.

L. Pursuant to 16 Tex. Admin Code § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.

M. If the information requested is included in previously furnished exhibits, workpapers, responses to other discovery inquiries or otherwise, in hard copy or electronic format, please furnish specific references thereto, including Bates Stamp page citations and detailed cross references.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

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ATTORNEYS FOR GULF COAST
COALITION OF CITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of April 2019, a true and correct copy of the foregoing document was transmitted to the parties of record in accordance with 16 Tex. Admin. Code § 22.74.



CHRISTOPHER BREWSTER

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PUC DOCKET NO. 48421

GCCC'S FIRST RFI TO CENTERPOINT

GCCC 1-1 Refer to the CNP 2018 10-K at 60 wherein there is an \$8 million quantification of the effects of weather (temperature) on the CEHE electric revenues in 2018 compared to 2017.

- a. Provide a detailed description of the methodology used by CEHE to quantify the effects of weather on the CEHE electric revenues in 2018, including the historic weather period relied on and the statistical models used to make these quantifications.
- b. Provide a copy of the statistical models used to make these quantifications in live Excel spreadsheet format with all formulas intact.
- c. Provide a summary table of all critical differences and a detailed description of each critical difference in the methodology used for purposes of the CNP 10-K compared to the methodology used by Dr. J. Stuart McMenamin and other CEHE witnesses in this rate proceeding to quantify ratemaking adjustments for normal weather.

GCCC 1-2 Refer to the CNP 2018 10-K at 50 wherein CNP states:

Historically, both CenterPoint Energy's TDU and CERC's NGD have utilized weather hedges to help reduce the impact of mild weather on their financial results. CenterPoint Energy's TDU and CERC's NGD entered into a weather hedge for the 2017-2018 and 2018-2019 winter heating seasons in Texas where no weather normalization mechanisms exist. In CERC's non-Texas jurisdictions, weather normalization mechanisms or decoupling in the Minnesota division help to mitigate the impact of abnormal weather on our financial results.

- a. Describe the weather hedges, including the counterparties to such hedges, metrics used to measure and settle the hedges, and models used and calculations made to determine variation in revenues due to weather compared to normal. Indicate whether the models used for the weather hedges are the same as used to determine weather normalized revenues in this proceeding. If not, list and describe all critical differences. Indicate whether the models used for the weather hedges are the same as used to calculate the effects of weather for financial reporting purposes. If not, list and describe all critical differences.
- b. Provide the actual monthly CEHE journal entries by FERC account/subaccount used to record all effects of the weather hedges in 2017 and 2018, including gains/losses and related income tax effects. Provide a copy of all calculations in live Excel spreadsheet format with all formulas intact. Annotate the sources of all data inputs reflected in the spreadsheets.

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- c. Describe in detail how the Company reflected these expenses, including gains/losses in the base revenue requirement in this proceeding. Identify each line item in the Company's rate base and operating expense schedules, including workpapers.
- GCCC 1-3 Provide a copy of all tax sharing and tax allocation agreements to which CEHE is a party.
- GCCC 1-4 Provide a reconciliation between the federal income tax expense for calendar years 2017 and 2018 calculated on a standalone basis as if CEHE were a traditional C corporation taxpayer and the federal income tax expense recorded on CEHE's accounting books after consideration of the effects of the CNP consolidated tax return and the tax sharing agreement between CNP and CEHE.
- GCCC 1-5 Refer to the CNP 2018 10-K at 151 and the components of CEHE income tax expense in 2016, 2017, and 2018. In 2017, CEHE recorded a reduction in income tax expense of \$158 million due to the TCJA on the line labeled "Federal Income Tax Rate Reduction."
- a. Provide a detailed description of the 2017 reduction in income tax expense, especially given that the federal income tax rate was not reduced until 2018. In your description, address why this was recorded in 2017 and why it was not deferred (and thus, why it did not net to \$0).
- b. Provide a copy of all journal entries by FERC by month and provide a copy of all supporting calculations, including all electronic spreadsheets in live format with all formulas intact.
- GCCC 1-6 Refer to the calculation of the annual revenue requirement for the proposed Rider UEDIT labeled as "Schedule Rider UEDIT" sponsored by Ms. Colvin and the related WP/WP Rider UEDIT, which shows the regulatory liability balances with the income tax gross-up and the removal of the income tax gross-up to calculate the negative amortization expense without the income tax gross-up.
- a. Confirm that this calculation reflects a negative amortization expense equal to the three-year straight-line amortization of the EDIT regulatory liability after removing the income tax gross-up.
- b. Explain why the Company did not include the income tax gross-up to calculate the revenue requirement resulting from the negative amortization expense. If the Company believes that its calculation is correct then provide a copy of all authoritative support for this position. In addition, provide a copy of all internal correspondence and external correspondence wherein this issue was addressed. Further, identify the person and position of the decision-maker who decided not to include the income tax gross-up.

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- c. If, upon further review, the Company now believes that the negative amortization expense should be grossed-up to calculate the revenue requirement, then provide a corrected Schedule Rider UEDIT.

GCCC 1-7 Refer to WP-B-10 Adj 3, which adds the 13 month average of \$176.268 million in prepaid pension assets to other prepaid items in rate base. Refer also to WP II-E-3.5.1c at cell row 151, which shows the calculation of ADIT related to this prepaid pension asset adjustment amount using same signs. Refer also to WP II-E-3.5.1a and further to the amount of the asset ADFIT adjustment added for account 283 of \$37.016 million and described as "Prepaid Pension Asset Service Company." Finally, refer to Exhibit KLC-09.

- a. Please describe how of CEHE's share of each component of the prepaid pension calculation on Exhibit KLC-09 was determined and identify the affiliate described as CNP.
- b. Provide the source documents and the calculation of CEHE's share of each line item portrayed on Exhibit KLC-09 for 2017 and 2018 as examples for the various years. Provide annotated copies of the relevant actuarial report pages and balance sheets used in the calculations.
- c. Describe which entity and in what manner the \$176.268 million in prepaid pension assets is funded. In other words, did CNP fund the prepaid pension asset or did CEHE or some other entity? Provide all support relied on for your response.
- d. Indicate whether CEHE was charged by CNP or CenterPoint Energy Service Company for the cost of capital necessary to fund the calculated prepaid pension asset of \$176.268. Provide all support relied on for your response.
- e. Indicate whether the \$370.442 million in unrecognized gains/losses shown on Exhibit KLC-09 is recorded on CNP, CenterPoint Energy Service Company, or CEHE's accounting books. If so, identify the entity and the account wherein it is recorded. If it is reflected in the pension trust fund assets recorded on the accounting books of CNP, please so state. Provide a copy of all support relied on for your response.
- f. Explain why the \$370.442 million in unrecognized gains/losses shown on Exhibit KLC-09 is not already reflected in the negative \$200.073 million net funded/unfunded status. In other words, aren't unrecognized gains/losses included in the trust fund assets used to determine the funding status?
- g. Explain why the referenced ADFIT adjustment amount on WP II-E-3.5.1a described as "Prepaid Pension Asset Service Company" is being added as an asset ADFIT amount (Debit to account 283) instead of a liability ADFIT amount (Credit to account 283) if the temporary difference to which it is associated is a prepaid pension asset. If the filing contains an error, please so state.

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- GCCC 1-8 Please refer to the prepaid pension asset determination provided in Exhibit KLC-09. Please provide a similar schedule for each of the OPEB obligations for which costs are incurred or allocated to CEHE. In addition, please explain why a similar addition or subtraction to/from rate base would not also be appropriate related to the OPEB obligations.
- GCCC 1-9 Please refer to the CenterPoint Energy Service Company, LLC Form 60 filed for 2017 at page 307 line 1, which indicates \$7,780,732 charged to CEHE for "Compensation For Use of Capital."
- a. Please describe how this amount was computed for 2017.
 - b. Please provide copies of the sources of such capital amounts used in the calculation during 2017.
 - c. Please indicate how this amount was recorded on the books of CEHE during 2017 and how they were reflected in CEHE's rate case filing.
 - d. Please indicate whether any changes have been made to the calculation or recording of such charges since the end of 2017. If so, please describe any changes.
- GCCC 1-10 Please provide a copy of the 2016, 2017, and 2018 trial balances for CenterPoint Energy Service Company, LLC.
- GCCC 1-11 Please provide a copy of the 2016, 2017, and 2018 trial balances for CenterPoint Energy, Inc.
- GCCC 1-12 Refer to the Direct Testimony of Michelle Townsend at page 42, lines 14-16 discussing the quarterly calculations of the various allocation ratios for each quarter of 2018.
- a. Please provide the quarterly calculations of the allocation ratios for the last quarter of 2018 and for each applicable quarter thus far in 2019.
 - b. Please describe how the 2019 and going forward allocation ratios have been or will be affected by the February 1, 2019 merger with the Vectren Corporation.
- GCCC 1-13 Refer to the Direct Testimony of Michelle Townsend at page 46 discussing the \$1.6 million adjustment for CenterPoint Energy Service Company, LLC's employee labor that would have been billed to CEHE during the time of integration planning in 2018 for the Vectren merger.
- a. Please provide all workpapers utilized to compute the referenced calculations in electronic format with all formulas intact.

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- b. Please explain why there is no assumption that the integration planning and implementation for the Vectren merger will continue into 2019 and going forward that will continue to decrease the employee labor billings to CEHE.

GCCC 1-14 Please provide copies of all internal documentation or reports describing the current or potential cost savings or allocation percentage changes to the CenterPoint Energy Service Company, LLC's affiliates, including CEHE, related to the integration of Vectren.

GCCC 1-15 Please refer to footnote page 123.22 in the Notes to the Financial Statements of the Company's 2018 Form 1 and to the SEC Form 8-K filed on January 10, 2019 filed by CEHE related to the issuance of \$700 million in general mortgage bonds. Refer also to the brief mention of this debt offering in the Direct Testimony of Mr. McRae at pages 38-39.

- a. Please explain why this new issue was not included on Schedules II-C-2.1 and II-C-2.4 in the Company's filing.
- b. Please provide the per books capital structure at the end of each month during 2019.
- c. Please include this issuance in the determination of the long-term debt rate and recalculate in order to determine whether the as-filed long term debt rate would change. Please provide the new Schedules showing the reflection of this debt issue in electronic format with all formulas intact.