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

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

May 23, 2019

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-01

QUESTION:

Regulatory Assets and Liabilities

Please provide the adjustments to CenterPoint's request in this docket, by FERC account, that would be required to remove entirely CenterPoint's regulatory asset associated with Margin Tax. Include both the asset and expenses amounts by FERC account.

ANSWER:

The regulatory asset requested in this docket is the result of CenterPoint Houston proposing a change to the method of recovery of Texas Margin Tax expense. In order to remove the regulatory asset the filing must be changed back to the recovery method approved in Docket No.s 29526 and 38339. To do so the steps as outlined in Ms. Colvin's testimony on Bates pages 873 through 875 must be reversed.

To remove the regulatory asset associated with Texas Margin Tax (TMT), open the workbook "CEHE RFP Workpapers.xlsx" first and then the workbook "CEHE RFP Schedules.xlsx" to ensure all changes are updated throughout the rate filing package.

In the workbook "CEHE RFP Workpapers.xlsx", go to tab WP II-B-12 Adj 10 and zero out the cells D4 and D5. This will create the adjustment to remove the regulatory asset from rate base. The amortization on WP II-E-4.1 is then zero. On tab WP II-E-2 Adj 5 delete the amount in cell D9.

Please refer to the direct testimony of Charles Pringle and Kristie Colvin for the treatment of this asset.

SPONSOR (PREPARER):

Kristie Colvin / Charles Pringle (Kristie Colvin / Charles Pringle)

RESPONSIVE DOCUMENTS:

None

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

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-02

QUESTION:

Regulatory Assets and Liabilities

For each regulatory liability, please identify all amounts, by FERC account, included in the Company's request relating to the regulatory liability. Include both the asset and expense amounts by FERC account for each regulatory liability. Please identify the period of amortization for each regulatory liability for which amortization is included in rates in CenterPoint's request.

ANSWER:

Please see Schedule II-B-11 for the amounts of the Pension (the PURA 36.065 deferral) on Line No. 17 and the EDIT Plant on Line No. 24. The Pension BRP and Postretirement on Line No. 18 was removed in the May 20, 2019 errata filing. Please see Schedule II-B-12 for the net Excess Deferred Income Tax (EDIT) amount on Line Nos. 28 and 29. The amortization amount by FERC account for the Pension PURA 36.065 can be found on Schedule E-4.1.1. The amortization period requested is three years.

The protected plant related income tax EDIT regulatory liability is shown on schedule II-B-11 in FERC account 254 on Line No. 24. This balance has a partially offsetting Accumulated Deferred Income Tax (ADIT) balance in FERC 190 shown on WP II-B-11d EDIT excel cell J26. An additional net protected regulatory liability is also shown on schedule II-B-12 in account 182.3 on Line Nos. 28 and 29. The FERC 190 ADIT offset associated with this amount is also shown on WP II-B-11d EDIT in excel cell J41. The amortization associated with protected EDIT is in FERC 411.1 and is shown on Schedule II-E-3.15 on Line No. 82. The amortization period for the protected EDIT regulatory liability is over the regulatory book lives of the underlying assets.

The unprotected EDIT regulatory liabilities in accounts 257034 and 257037 (FERC 254) shown on schedule II-B-11 are adjusted out of the base rate revenue requirement and are being requested to be recovered in Rider UEDIT. See WP Rider UEDIT excel cells B8 and B9 for the balances. The FERC account 190 offsetting deferred tax assets are shown on the same workpaper in excel cells D8 and D9. CenterPoint Houston is proposing to refund the net UEDIT regulatory liability over three years in Rider UEDIT. As this regulatory liability is refunded an expense reduction will occur in FERC 411.1. The total amount of this expense reduction through the life of the rider will be the amounts shown on WP Rider UEDIT in excel cells C8 and C9. Please also note that there is an unprotected EDIT regulatory asset partially offsetting these liabilities on the same workpaper in excel cell B10. Please see GCCC01-06 for the corrected Schedule Rider UEDIT amortization expense.

SPONSOR (PREPARER):

Kristie Colvin / Charles Pringle (Kristie Colvin / Charles Pringle)

RESPONSIVE DOCUMENTS:

None

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

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-03**

QUESTION:

Gains on Losses on Disposition of Land and Property

Please identify each gain or loss on the sale of land or property during the test year. For each gain or loss, please identify the amount of the gain or loss; the amount of the gain or loss reflected in rate, by FERC account; and a justification for the Company's proposed treatment in rates.

ANSWER:

For each gain or loss on the sale of land or property during the test year and the amount of the gain or loss by FERC account, see WP II-B-13 and WP II-B-13a. The loss on the sale of land reflected in rates is shown on Schedule II-E-5 as non-electric revenues in FERC account 4211. As described in the direct testimony of Mrs. Colvin, in Docket No. 38339, the Commission found that customers should share in any gain or loss resulting from the sale of land during the test year. CenterPoint Houston is apportioning 50% of the loss on the sale of land during the test year as shown on WP II-E-5.1 Adj 10.

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
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-04**

QUESTION:

Incentive Compensation

Refer to CenterPoint's response to Staff 03-01. Please explain why some of the short-term incentive compensation for affiliates was capitalized, when no short-term incentive compensation for CenterPoint employees and no long term-incentive compensation for either the Company or its affiliates were capitalized.

ANSWER:

Please see response to PUC03-01U where the capitalized short-term incentive amounts for the direct CenterPoint Houston employees are shown. Long-term incentives are not capitalized because the eligible employees are at a level where their costs are not part of the capitalized overhead. Please refer to COH11-01 for the level of employees eligible to participate in the long-term incentive plan.

SPONSOR (PREPARER):

Kristie Colvin / Michelle Townsend (Kristie Colvin / Michelle Townsend)

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-05

QUESTION:

Incentive Compensation

Please refer to the testimony of Kristie Colvin at pages 13-14 and 21-22, as well as to CenterPoint's response to Staff 03-01. Please provide separately the amount of affiliate and direct short-term incentive compensation included in each wage adjustment by metric and by FERC account. Are the adjustments related to affiliate and direct short-term incentive payroll included in the amounts reflected in CenterPoint's response to Staff 03-01.

ANSWER:

Please see the attachments to the response to PUC07-01 for the requested information.
No. The amounts reflected in PUC03-01 are books and records.

SPONSOR (PREPARER):

Kristie Colvin / Michelle Townsend (Kristie Colvin / Michelle Townsend)

RESPONSIVE DOCUMENTS:

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-06

QUESTION:

Incentive Compensation

Refer to WP V-K-6.1. Please explain how much, if any, of the amount of \$1,578,220 in FERC Account No. 107 (relating to short-term incentive compensation paid to affiliates) is included in the Company's requested plant in service, or is otherwise requested in rates in this proceeding.

ANSWER:

Please see the response to PUC08-08.

SPONSOR (PREPARER):

Michelle Townsend (Michelle Townsend)

RESPONSIVE DOCUMENTS:

None

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

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-07**

QUESTION:

Incentive Compensation

Refer to Schedule II-D-3.6. 1a. Please explain in detail what the metric entitled "Overall O&M Expenditures is and how it is calculated. Is the payment trigger or the amount of payment dependent on an accounting or financial metric that is included in or affects the Company's balance sheet or income statement? Please explain and justify why the Company thinks this is an operational metric and not a financially based metric.

ANSWER:

The Overall Company Operations and Maintenance (O&M) Expenditures goal is an STI metric focused on expense management.

The calculation of this metric starts with total O&M on the income statement, but it is subject to adjustments, positive or negative, to reflect true O&M performance in the period being measured. Per the definition of the goal, those adjustments allow the removal of O&M attributable to:

- Transmission cost of service (TCOS) expense
- Stranded cost recovery and system restoration bonds (also known as the securitization bond companies)
- The financial impacts of any changes in accounting standards, the unplanned change in application of accounting standards, and impairments of goodwill
- Energy efficiency costs
- Differences between plan and actual expenditures required to generate additional revenues
- Significant (defined as >\$1 million pre-tax) differences between the plan and actual financial impact of certain items as defined in the goal

These adjustments allow for removal of items that have revenue offsets and/or are outside of employees' control, to align their day-to-day actions with the impact to the Company's operating expense and its ability to provide service at a reasonable cost.

While the O&M goal does provide benefits to both customers and shareholders, the Company views it as an operational metric. As noted on Bates pages 1854-1855 of Lynne Harkel-Rumford's testimony, the O&M goal incentivizes employees to find operational efficiencies that benefit customers through reasonable rates, safe and reliable operations and enhanced customer service.

SPONSOR (PREPARER):

Kristie Colvin/Lynne Harkel-Rumford (Kristie Colvin/Lynne Harkel-Rumford)

RESPONSIVE DOCUMENTS:

None

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

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-08**

QUESTION:

Incentive Compensation

Please provide the amount of financially-based incentive compensation included in the Company's requested rate base since the end of its Docket No. 38339, December 31, 2009 test year by year, by FERC account, and by plan type.

ANSWER:

CenterPoint Houston has not performed the calculation required to quantify the amount of financially-based incentive compensation included in rate base since the end of its Docket No. 38339, December 31, 2009 test year. In addition, as described in detail below, the cost flow for capital projects and related system limitations prevent precise quantification of the amounts requested.

Costs incurred in the accounting system (SAP) are first coded to primary cost elements.

In SAP, labor for capital work is billed directly to capital work orders or allocated to capital work orders through construction overhead on secondary cost elements such as Construction Overhead. The components of billed labor, base pay, short-term incentive and benefits, are not charged individually utilizing their individual primary cost elements. Consequently, each individual component of labor loses its identity as it is coded to the capital work order or in construction overhead.

Once all charges are collected in construction overhead orders, the accounting system allocates overhead charges to each work order based on a percentage of the expenditures charged to that work order in CWIP.

For certain capital work the following are the three stages of cost coding to FERC accounts.

While work is being done cost are coded to capital work orders in FERC account 1070 Construction Work in Progress (1070).

Once the job is field complete or in use the capital work order moves to FERC account 1060 Construction Complete Not Classified (1060).

Once all costs are accumulated on the work order the amount is moved to FERC account 1010 Plant in Service (1010).

Due to the inability to individually track components of labor and the flow of these costs through the stages of capital work the amount cannot be specifically assigned to FERC's 1010, 1060, or 1070.

Labor charges to other rate base FERC accounts are coded in a similar manner and therefore, cannot be specifically identified.

Finally, the Company notes that the Commission approved capital amounts, including capitalized incentive compensation, in Docket No. 38339, and CenterPoint Houston used the cost flow described above to develop the amounts approved in that rate filing.

Please see the response to COH11-14 for the short-term incentive amounts since 2010. Long-term incentive is not capitalized.

SPONSOR (PREPARER):

Kristie Colvin / Michelle Townsend (Kristie Colvin / Michelle Townsend)

RESPONSIVE DOCUMENTS:

None

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

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-09**

QUESTION:

Incentive Compensation

Please provide the amount of requested depreciation expense associated with the financially-based incentive compensation and included in the Company's requested rate base by FERC account and by plan type.

ANSWER:

Please see response to PUC08-08.

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
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-10**

QUESTION:

Incentive Compensation

Please provide the amount of accumulated depreciation associated with the financially-based incentive compensation included in the Company's requested rate base since the end of its Docket No. 38339, December 31, 2009 test year by FERC account and by plan type.

ANSWER:

Please see response to PUC08-08.

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**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-11**

QUESTION:

Incentive Compensation

Please provide the amount of ADFIT and excess ADFIT associated with the financially-based incentive compensation included in the Company's requested rate base since the end of its Docket No. 38339, December 31, 2009 test year by FERC account and by plan type.

ANSWER:

Please see response to PUC08-08.

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**

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-12**

QUESTION:

Incentive Compensation

Please refer to Staff 08-08 through 08-11. If other attendant revenue requirement impacts are quantified related to the financially-based incentive compensation and included in the Company's requested rate base since the end of its Docket No. 38339, December 31, 2009 test year, please identify and quantify by FERC account and by plan type.

ANSWER:

Please see response to PUC08-08.

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
PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-13

QUESTION:

Administrative and General Expenses

Please provide the details, at the subaccount level, for total expense in FERC Account Nos. 920, 925, and 930.2 for each year from 2014 through 2018.

ANSWER:

Please see PUC08-13 Attachment 1 through PUC08-13 Attachment 5 for total expenses in FERC Account Nos. 9200, 9250, 9302 for each year from 2014 through 2018.

The requested information is voluminous and will be provided to the propounding party only in electronic format on CD. Please contact Alice Hart at (713) 207-5322 to request a copy of the CD. Please see index of voluminous material below.

Date	Title	Preparer	Page(s)
Undated	PUC08-13 Attachment 1.xlsx	Colvin	1-1116
Undated	PUC08-13 Attachment 2.xlsx	Colvin	1-1571
Undated	PUC08-13 Attachment 3.xlsx	Colvin	1-2192
Undated	PUC08-13 Attachment 4.xlsx	Colvin	1-2334
Undated	PUC08-13 Attachment 5.xlsx	Colvin	1-1844

SPONSOR (PREPARER):

Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:

PUC08-13 Attachment 1.xlsx

PUC08-13 Attachment 2.xlsx

PUC08-13 Attachment 3.xlsx

PUC08-13 Attachment 4.xlsx

PUC08-13 Attachment 5.xlsx

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

**PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC08-15**

QUESTION:

Miscellaneous

Please refer to the Company's response to Staff 1-31. Please explain the variance between the Company's reported transmission export revenues of \$1,810,951 and the calculated revenues in the following table:

					ERCOT Export	ERCOT Export			
Docket	Test Year Effective day	Test Year End date	On- peak hourly rate	Off- peak hourly rate	On- peak MWh	Off- peak MWh	Off- peak Rev	On- peak Rev	Total Rev
47610	1/1/20	4/26/20	0.001965	0.000657		579,787	\$380,920	\$0	\$380,920
48065	4/27/20	7/10/20	0.001755	0.000587	246,629	219,818	\$129,033	\$432,834	\$561,867
48389	7/11/20	11/25/20	0.001962	0.000656	440,101	150,272	\$98,578	\$863,477	\$962,056
48708	11/26/20	12/31/20	0.001975	0.00066		51,242	\$33,820	\$0	\$33,820
						TY TOTAL			\$1,938,662

ANSWER:

The calculation in the original request is based on settled megawatt-hours. Pursuant to ERCOT Nodal Protocol 9.17.2 "Direct Current Tie Schedule Information," ERCOT provides CenterPoint Houston the scheduled megawatt-hours. The difference between the calculated revenues in the original request and CenterPoint Houston's revenues is explained as follows:

Dollars per original request PUC08-15.	\$1,938,662
Difference between scheduled dollars and settled dollars.	\$(43,498)
Net of 2017 unbilled estimates and 2017 billings billed in 2018.	\$(56,325)
December 2018 usage billed and revenue recognition in January 2019. (1)	\$(27,888)
General Ledger Account 404011	\$1,810,951
(1) No unbilled estimate was recorded due to immateriality.	

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd 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.


