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

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC'S  
LIST OF ISSUES TO BE ADDRESSED**

In accordance with the Order of Referral issued on April 8, 2019, CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) files this List of Issues to be Addressed.

**I. ISSUES TO BE ADDRESSED**

Since the Commission last reviewed CenterPoint Houston’s base rates in Docket No. 38339, *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, CenterPoint Houston has invested over \$6 billion in transmission and distribution infrastructure to safely and reliably serve the customers of the greater Houston area as well as support economic and population growth of the area and weathered the impact of a generational storm event in 2017—Hurricane Harvey. To put the magnitude of its investment in Houston in perspective, over the course of the past nine years, CenterPoint Houston’s investment in transmission and distribution infrastructure is equivalent to the installation of a new electric system capable of serving a customer base roughly twice the size of Corpus Christi and its unincorporated areas or, for the past four years, building a distribution line from Austin to Houston and back each year.<sup>1</sup> This investment benefits over 2.5 million metered customers—over 400,000 more customers than the Company served when it filed Docket No. 38339.

The Company’s rate filing reflects the actual cost of providing electric service that will continue to meet the expectations of CenterPoint Houston’s customers. It also offers the opportunity to establish a solid foundation that will enable CenterPoint Houston to respond to growth, to react with speed and efficiency in the face of natural disasters, and to support further economic development within the State of Texas for years to come. In preparing its proposed List of Issues, CenterPoint Houston has been mindful of both prior Commission preliminary orders in

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<sup>1</sup> In a Central Texas context, the magnitude of the Company’s investment would equate to a system built to serve roughly half the size of the City of Austin or, alternatively, the cities of Round Rock, Pflugerville, Cedar Park and Georgetown, Texas combined.

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cases that involved similar facts and legal standards,<sup>2</sup> as well as the specific facts and law applicable to CenterPoint Houston's rate filing. Issues that expand the scope of this proceeding beyond the Company's cost of service, proposed tariffs, request to install voltage regulation battery assets, and request to amend its Facilities Extension policy relating to electric vehicles, should not be addressed. With this in mind, CenterPoint Houston submits that the following questions are appropriate to include in the Commission's Preliminary Order:

**General**

1. Did CenterPoint Houston comply with the form and instructions for the Commission's rate-filing package?
2. Is CenterPoint Houston's application administratively complete?
3. Did CenterPoint Houston provide notice that was adequate and consistent with the requirements of PURA<sup>3</sup> §§ 36.102 and 36.103?
4. What revenue requirement will give CenterPoint Houston a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses?
5. What is CenterPoint Houston's reasonable and necessary cost of providing service calculated in accordance with PURA and Commission rules?
6. What is CenterPoint Houston's transmission cost of service determined in accordance with PURA and Commission rules?

**Invested capital – rate base and return**

7. What is the appropriate debt-to-equity capital structure for CenterPoint Houston?
8. What is the appropriate overall rate of return, return on equity, and cost of debt for CenterPoint Houston?
9. What are the reasonable and necessary components of CenterPoint Houston's rate base?

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<sup>2</sup> See e.g. Docket No. 48401, *Application of Texas-New Mexico Power Company to Change Rates*, and Docket No. 46368, *Application of AEP Texas North Company for Regulatory Approvals Related to the Installation of Utility-Scale Battery Facilities*.

<sup>3</sup> Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (Supp.) (PURA).

10. What is the original cost of CenterPoint Houston's property used and useful in providing service to the public at the time the property was dedicated to public use? What is the amount, if any, of accumulated depreciation on that property?
11. What amount of CenterPoint Houston's invested capital has not previously been subject to a prudence review by the Commission? If there are any such amounts, what are the amounts, for what facilities, property, or equipment was the investment made, and were the amounts prudently incurred? What amount, if any, of allowance for funds used during construction (AFUDC) is being transferred to invested capital in this proceeding? If AFUDC is being transferred, for what facilities and at what rate was the AFUDC accrued?
12. Did any of CenterPoint Houston's invested capital arise from payments made to an affiliate? If so, for each item or class of items, does the payment conform to the requirements in PURA § 36.058?
13. Is CenterPoint Houston seeking the inclusion of construction work in progress? If so,
  - a. what is the amount sought and for what facilities; and
  - b. has CenterPoint Houston proven that the inclusion is necessary to the financial integrity of the electric utility and that major projects under construction have been efficiently and prudently planned and managed; or
  - c. for transmission investment required by the Commission under PURA § 39.203(e), do conditions warrant the inclusion of construction work in progress for such transmission investment?
14. What is the reasonable and necessary cash working capital allowance for CenterPoint Houston, calculated in accordance with Commission rules?
  - a. Does CenterPoint Houston's lead-lag study for its proposed allowance for cash working capital comply with Commission rules?
15. Does CenterPoint Houston have a self-insurance plan approved by the Commission? What is the approved target amount for the reserve account, and is it appropriate to change that amount? In addition, what is the amount, if any, of any shortage or surplus for the reserve account for the approved plan, and what actions, if any, should be taken to return the reserve account to the approved target amount?

16. What is the reasonable and necessary amount of CenterPoint Houston's accumulated reserve for deferred federal income taxes, excess deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items, if any, should be deducted from CenterPoint Houston's rate base?
17. What regulatory assets are appropriately included in CenterPoint Houston's rate base? If included, what is the appropriate treatment of such regulatory assets?
18. What regulatory liabilities are appropriately included in CenterPoint Houston's rate base? If included, what is the appropriate treatment of such regulatory liabilities?

**Expenses**

19. What are CenterPoint Houston's reasonable and necessary operations and maintenance expenses?
20. What are CenterPoint Houston's reasonable and necessary administrative and general expenses?
21. What are CenterPoint Houston's reasonable and necessary rate-case expenses in accordance with PURA § 36.061(b)(2) and 16 Texas Administrative Code § 25.245 (TAC)? Does this amount include any anticipated expenses to appeal this docket?
22. What are the intervening cities' reasonable rate-case expenses in accordance with PURA § 33.023(b) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this docket?
23. What is CenterPoint Houston's reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate rates and methods for depreciation, including service lives and salvage value?
24. What is the reasonable and necessary amount for assessments and taxes, other than federal income taxes, for CenterPoint Houston?
25. What is the reasonable and necessary amount for municipal franchise fees?

26. What is the reasonable and necessary amount of CenterPoint Houston's federal income tax expense?
27. Is CenterPoint Houston's proposed treatment of federal income taxes consistent with PURA, the Commission's substantive rules, and the Commission's amended order in Docket No. 47945?<sup>4</sup>
  - a. Has CenterPoint Houston appropriately addressed the impact of the Tax Cuts and Jobs Act of 2017 on its rates?
28. What is the reasonable and necessary amount for CenterPoint Houston's advertising expense, contributions, and donations?
29. Is CenterPoint Houston seeking approval of a self-insurance plan or changes to an existing plan? If so,
  - a. Is the coverage provided by the plan in the public interest?
  - b. Does the plan provide a lower-cost alternative to purchasing commercial insurance? Will ratepayers receive the benefits of the savings?
  - c. What is the reasonable and necessary target amount for CenterPoint Houston's self-insurance reserve account?
  - d. What is the reasonable and necessary amount of annual accruals to properly fund the self-insurance reserve account?
30. What are CenterPoint Houston's reasonable and necessary expenses for pension and other post-retirement benefits, if any, calculated in accordance with PURA § 36.065 and 16 TAC § 25.231(b)(1)(H)? What is the reasonable baseline level of pension and other post-employment benefits for purposes of the expense tracker under PURA § 36.065?
  - a. Has CenterPoint Houston established under PURA § 36.065(b) any reserve accounts for pension and other post-employment benefits?
  - b. If so, has CenterPoint Houston recorded the proper amounts in the reserve account?

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<sup>4</sup> *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Amended Order Related to Changes in Federal Income Tax Rates, Project No. 47945 (Feb. 15, 2018).

- c. Are the amounts recorded in the reserve account reasonable expenses under PURA § 36.065(d)(1)?
  - d. Does the reserve account have a surplus or shortage? PURA §§ 36.065(c) and (d)(2)?
  - e. If so, how should CenterPoint Houston's rate base be modified to amortize, over a reasonable time, any surplus or shortage in the reserve account? PURA § 36.065(d)(3)?
31. Has CenterPoint Houston made any payments for expenses to affiliates? If so, for each item or class of items,
- a. Are costs appropriately assigned to CenterPoint Houston and its affiliates?
  - b. Has CenterPoint Houston met the standard of recovery of affiliate costs under PURA § 36.058 and Commission rules?
32. Have any revenues received for expenses attributable to transmission service to export power from or import power to ERCOT been properly reflected in CenterPoint Houston's requested rates?
33. Are any of CenterPoint Houston's expenditures unreasonable, unnecessary, or not in the public interest, including but not limited to advertising expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines?
34. What post-test-year adjustments for known and measurable changes to historical test-year-data for expenses should be made?

**Deferred costs**

35. Is CenterPoint Houston seeking to include in rates any costs previously deferred by an order of the Commission? If so, in what docket did the Commission approve deferral of the costs?
36. Is CenterPoint Houston seeking to defer any costs, including any rate-case expenses, in this proceeding for recovery in a future proceeding? If so, what is the amount of such costs, and why were those costs incurred (or why will they be incurred)? Why is it necessary to defer these costs? What is the appropriate amortization period to recover the deferred costs? What are the appropriate standards to make these determinations?

**Rate design and tariffs**

37. What are CenterPoint Houston's just and reasonable rates, calculated in accordance with PURA and Commission rules? Do the rates comply with the requirements of PURA § 36.003?
38. What are the appropriate rate classes for which rates should be determined? Is CenterPoint Houston proposing any new rate classes? If so, why are these new rate classes needed?
39. What are the appropriate billing and usage data for CenterPoint Houston's test year? What known and measurable changes, if any, should be used to adjust the test-year data?
40. What are the appropriate allocations of CenterPoint Houston's revenue requirement to functions and rate classes?
  - a. Does CenterPoint Houston have any customer-specific contracts for the provision of transmission or distribution service? If so, identify each customer, and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has CenterPoint Houston appropriately allocated revenues and related costs associated with such contracts? Do all allocation factors properly reflect the types of costs allocated?
  - b. Does CenterPoint Houston have any FERC-approved tariffs? If so, identify each tariff and the FERC docket in which the tariff was approved. What are the appropriate allocations of CenterPoint Houston's transmission investment, expenses, and revenues, including transmission expenses and revenues under those tariffs? Has CenterPoint Houston made appropriate allocations for import to and exports from ERCOT?
41. What are the appropriate rates for exports of power from ERCOT, calculated in accordance with 16 TAC § 25.192(e) and ERCOT protocols?
42. Does CenterPoint Houston provide wholesale transmission service at distribution voltage to any customers? If so, has CenterPoint Houston properly allocated costs to, and designed rates for, those customers as required under PURA § 35.004(c)?
43. Are all rate classes at unity? If not, what is the magnitude of the deviations, and what, if anything, should be done to address the lack of unity?
44. Should CenterPoint Houston's non-rate tariff revisions be approved in this proceeding?



45. Has CenterPoint Houston proposed any rate riders? If so, should any of the proposed riders be adopted? If so, what are the appropriate costs to be recovered through the riders, and what are the appropriate terms and conditions of the riders?
- a. Should the Commission approve CenterPoint Houston's proposed rider to refund certain unprotected excess-deferred income tax amounts, Rider UEDIT?
  - b. What is the reasonable and necessary amount for CenterPoint Houston to recover in nuclear decommissioning expenses calculated in accordance with Commission rules?
46. Does CenterPoint Houston have any existing rate riders that should be modified or terminated? What regulatory assets or other items are currently being recovered through rate riders?

**Baselines for cost-recovery factors**

47. What baseline amounts must be determined in this proceeding for future CenterPoint Houston transmission-cost-recovery-factor or distribution-cost-recovery-factor filings? What are the investment and expense components and amounts?

**Hurricane Harvey restoration costs**

48. What amount of CenterPoint Houston's restoration costs for Hurricane Harvey are recoverable?
- a. What portion of CenterPoint Houston's hurricane restoration costs meet the definition of "system restoration costs" set forth in PURA § 36.402?
  - b. Have any of CenterPoint Houston's restoration costs been offset for payment to CenterPoint Houston of insurance proceeds, government grants, or any other source of funding that compensates it for hurricane restoration costs?
    - i. What insurance proceeds, governmental grants, or any other source of funding that compensates CenterPoint Houston for its hurricane restoration costs has CenterPoint Houston applied for, received, or anticipated receiving?
    - ii. Have all applicable insurance proceeds, governmental grants, or any other source of funding that compensates CenterPoint Houston for its hurricane restoration costs been applied fairly?

49. What is the appropriate rate of interest and calculation period for any carrying costs on CenterPoint Houston's restoration costs?
50. Are the Company's hurricane restoration costs functionalized and allocated to customers in the same manner as the corresponding facilities and related expenses are functionalized and allocated in CenterPoint Houston's current base rates under PURA § 36.403(g)?

**Voltage Regulation Battery Assets**

The Company is aware of currently pending draft legislation which, if passed, could impact the Commission's final decision on the following issues. However, CenterPoint Houston requests the development of an evidentiary record on these issues in order to afford the Commission the opportunity to consider the merits of the proposal, as well as the impact of any statutory revisions.

51. Does CenterPoint Houston's proposed ownership and operation of the voltage regulation facilities constitute a competitive energy service under 16 TAC § 25.341(3)?
52. Does CenterPoint Houston's proposed ownership and operation of voltage regulation facilities violate the prohibition against electric utilities providing competitive energy services?
53. Are the proposed voltage regulation facilities a utility distribution asset or utility distribution facility under PURA? If not, under what circumstances would the voltage regulation facilities be considered a utility distribution asset or utility distribution facility under PURA?
  - a. Will CenterPoint Houston's proposed voltage regulation facilities be operated below 60kV?
  - b. Do the proposed voltage regulation facilities qualify as distribution-invested capital as defined in 16 TAC § 25.243(b)(3)?
    - i. Are the proposed voltage regulation facilities appropriately categorized as distribution plant in the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts?
    - ii. Should the proposed voltage regulation facilities be categorized as battery storage equipment categorized in FERC Account 363?

- c. Do the proposed voltage regulation facilities qualify as distribution assets as defined in 16 TAC § 25.341?
54. Are CenterPoint Houston's proposed voltage regulation facilities considered a generation asset or generation facility under PURA? If not, under what circumstances would the proposed voltage regulation facilities be considered a generation asset or generation facility under PURA?
- a. Will CenterPoint Houston's voltage regulation facilities be installed with the intention to sell energy or ancillary services at wholesale? If so, are the voltage regulation facilities, used in the manner proposed by CenterPoint Houston, generation assets under PURA § 35.152?
  - b. Do CenterPoint Houston's proposed voltage regulation facilities constitute assets, activities, or processes necessary and related to the production of electricity for sale under 16 TAC § 25.341(10)?
  - c. Does CenterPoint Houston's proposed operation of the voltage regulation facilities constitute wholesale storage under 16 TAC § 25.501(m)? If not, why?
  - d. Would CenterPoint Houston's proposed voltage regulation facilities be governed by the wholesale market design in 16 TAC § 25.501(m)? If not, why?
  - e. Who does CenterPoint Houston intend to purchase energy from to charge the proposed voltage regulation facilities?
  - f. Under PURA, can CenterPoint Houston own the energy stored in the proposed storage facilities? If CenterPoint Houston cannot, then who can own the stored energy?
55. If ultimately determined to be legal and appropriate, what conditions, if any, should the Commission place on CenterPoint Houston's ownership and operation of the proposed storage facilities?
56. If approved, what depreciation rate should be established for the voltage regulation assets?

**Additional issues**

57. Has CenterPoint Houston requested any exceptions to any requirements in any Commission rules? If so, what are those rule requirements, and has CenterPoint Houston demonstrated good cause for the exception? Should the Commission grant the exception?

58. Should the Commission approve CenterPoint Houston's requests for waivers of requirements, if any, in the Commission's rate-filing package?
59. Has CenterPoint Houston complied with the Commission's final order in Docket No. 38339?

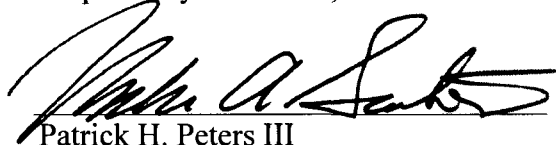
## **II. ISSUES NOT TO BE ADDRESSED**

The test year in this case involves the twelve month period ended December 31, 2018. As the Commission is aware, CenterPoint Energy, Inc.'s acquisition of Vectren Corporation closed on February 1, 2019—after the close of the test year. This acquisition was not subject to any Texas statutory reporting or approval requirements, and this proceeding is not, and should not be used as a proxy for, a proceeding initiated under PURA §§ 14.101, 39.262, or 39.915. It should also not be used as a forum to introduce new corporate governance or the imposition of other requirements on the Company's management or operations. Rather, the Preliminary Order in this case should be limited to issues relevant to a base rate proceeding initiated under Chapter 36 of PURA.

## **III. CONCLUSION**

CenterPoint Houston requests that the Commission adopt a preliminary order consistent with the issues listed above, and grant CenterPoint Houston such other relief to which it may show itself entitled.

Respectfully submitted,



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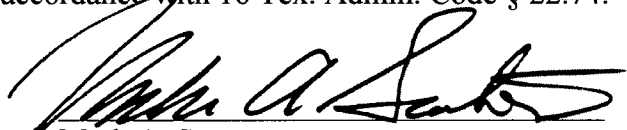
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**CERTIFICATE OF SERVICE**

I hereby certify that on this 24<sup>th</sup> day of April 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.

  
Mark A. Santos