



Control Number: 49421



Item Number: 498

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

2019 JUN 10 PM 4:25

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

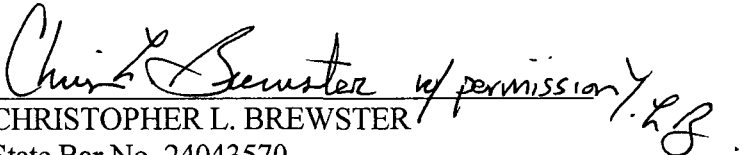
**GULF COAST COALITION OF CITIES' RESPONSE TO  
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC'S  
FIRST REQUEST FOR INFORMATION**

The Gulf Coast Coalition of Cities (GCCC) file this Response to CenterPoint Energy Houston Electric, LLC's (CEHE) First Request for Information (RFI) to GCCC received on June 6, 2019. The responses to these RFIs may be treated by all parties as if they were filed under oath.

Respectfully submitted,

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

816 Congress Avenue, Suite 1900  
Austin, Texas 78701  
(512) 322-5800  
Fax: (512) 472-0532  
[cbrewster@lglawfirm.com](mailto:cbrewster@lglawfirm.com)  
[gmg@lglawfirm.com](mailto:gmg@lglawfirm.com)

  
CHRISTOPHER L. BREWSTER  
State Bar No. 24043570

GEOFFREY M. GAY  
State Bar No. 07774300

ATTORNEYS FOR GULF COAST  
COALITION OF CITIES

**CERTIFICATE OF SERVICE**

I hereby certify that on June 10, 2019 a true and correct copy of the foregoing document was served by Email to all parties of record pursuant to SOAH Order No. 2.

  
CHRISTOPHER L. BREWSTER

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

**GCCC'S Response to CEHE's First RFI**

CEHE 1-1     If not provided with your direct testimony in this case, please provide, in native format, all workpapers and documents supporting the testimony of each witness filing testimony on your behalf in this proceeding.

**Response:**

Mr. Kollen provided a copy of his workpapers in an Excel workbook in live format with all formulas intact on June 6, 2019. Mr. Kollen cited and provided copies of various responses to discovery as Attachments to his Direct Testimony.

Prepared by: Lane Kollen  
Sponsored by: Lane Kollen

**GCCC'S Response to CEHE's First RFI**

- CEHE 1-2 For each of your testifying experts in this case, please provide (to the extent not provided earlier):
- 1-2.1 A list of all cases in which the testifying expert has submitted testimony, from 2014 to the present;
  - 1-2.2 Copies of all prior testimony, articles, speeches, published materials and peer review materials written by the testifying expert, from 2014 to the present;
  - 1-2.3 The testifying expert's billing rate for this proceeding; and
  - 1-2.4 All documents provided to, reviewed by, or prepared by or for the testifying expert in anticipation of the testifying expert filing testimony in this proceeding.

**Response:**

- 1-2.1 Mr. Kollen provided a list of the cases and subject matter as Attachment A to his testimony.
- 1-2.2 Mr. Kollen's testimony is readily available on the state and federal agency websites. Mr. Kollen did not author any articles, give any speeches, or publish any peer reviewed materials from 2014 to the present, except for the expert testimony identified in Attachment A.
- 1-2.3 Mr. Kollen's hourly billing rate in this proceeding is \$263.
- 1-2.4 Mr. Kollen reviewed the Company's responses to the discovery requests from all parties, including GCCC. These responses were created by and already are in the possession of the Company. Mr. Kollen prepared a quantification of the issues in an Excel workbook, which has already been filed. Mr. Kollen reviewed excerpts from CenterPoint Energy, Inc.'s and CEHE's 2017 and 2018 SEC Form 10-Ks and CEHE's 2017 and 2018 FERC Form 1s, all of which were materials created by CNP and/or CEHE and already are in the possession of the Company. Mr. Kollen drafted an issues matrix to assist in coordination of issues between GCCC, COH, and TCUC. Mr. Kollen has attached a copy of this matrix in an Excel spreadsheet. Mr. Kollen received quantifications from COH and TCUC witnesses via email. Mr. Kollen has attached a copy of these emails. Mr. Kollen received notifications of daily docket filings from various Lloyd Gosselink attorneys and other professionals. Copies of these notifications were ministerial and have not been provided.

Prepared by: Lane Kollen  
Sponsored by: Lane Kollen

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

**GCCC'S Response to CEHE's First RFI**

- CEHE 1-3 For each consulting expert whose mental impressions or opinions have been reviewed by one or more of your testifying experts in this case, please provide (to the extent not provided earlier):
- 1-3.1 A list of all cases in which the consulting expert has submitted testimony, from 2014 to the present;
  - 1-3.2 Copies of all prior testimony, articles, speeches, published materials and peer review materials written by the consulting expert, from 2005 to the present;
  - 1-3.3 The consulting expert's billing rate for this proceeding; and
  - 1-3.4 All documents provided to, reviewed by, or prepared by or for the consulting expert in anticipation of the testifying expert filing testimony in this proceeding.

**Response:**

Refer to the response to CEHE 1-2. Mr. Kollen relied on information provided by COH witnesses Kit Pevoto, Mark Garrett, and Scott Norwood, each of whom has filed expert testimony in this proceeding. Mr. Kollen relied on information provided by TCUC witnesses David Garrett and Randall Woolridge, both of whom have filed expert testimony in this proceeding.

Prepared by: Lane Kollen  
Sponsored by: Lane Kollen

**Subject:** RE: CEHE Adjustments  
**From:** "Kit Pevoto" <kpevoto@austin.rr.com>  
**Date:** 6/5/2019, 2:31 PM  
**To:** "'Lane Kollen'" <lkollen@jkenn.com>, "'mgarrett garrettgroupllc.com'" <mgarrett@garrettgroupllc.com>  
**CC:** "'Alton Hall'" <Alton.Hall@arlaw.com>, "'Chelsea Lu'" <Chelsea.Lu@arlaw.com>, "'Stefanie Allinson'" <Stefanie.Allinson@arlaw.com>, "'Randy Futral'" <rfutral@jkenn.com>

Lane,

Scott's O&M adjustments have changed. The numbers on your workbook are the ones he uses. Did you have his most update adjustments?

Also, one question—on your rate base adjustments—what is the Correct ADFIT Related to prepaid pension asset? Which account for it?

Also I reduce \$17.3 million from FERC 565, is that right?

Kit

**From:** Lane Kollen <lkollen@jkenn.com>  
**Sent:** Wednesday, June 5, 2019 12:30 PM  
**To:** mgarrett garrettgroupllc.com <mgarrett@garrettgroupllc.com>; Kit Pevoto <kpevoto@austin.rr.com>  
**Cc:** Alton Hall <Alton.Hall@arlaw.com>; Chelsea Lu <Chelsea.Lu@arlaw.com>; Stefanie Allinson <Stefanie.Allinson@arlaw.com>; Randy Futral <rfutral@jkenn.com>  
**Subject:** Re: CEHE Adjustments

Have Scott's adj changed? We used your veg mgt adj in lieu of Scott's. Where are we on this? Do we need to use Scott's now?

We need to finalize the COH adj asap. We had my test on the way to printer, but had to recall it so that we could make these changes. If we need to make changes to Scott's adj, we need to know asap.

Thanks.

Lane

On 6/5/2019 12:47 PM, mgarrett garrettgroupllc.com wrote:

Kit and Lane,

I had to adjust my Exhibit MG-2. I changed the STI, STI taxes and STI rate base adjustments and took out the Veg Mgt adjustment (which I think you already had out).

Mark

**Subject:** RE: CEHE Adjustments

**From:** "Kit Pevoto" <kpevoto@austin.rr.com>

**Date:** 6/5/2019, 2:40 PM

**To:** "'mgarrett garrettgroupllc.com'" <mgarrett@garrettgroupllc.com>, "'Lane Kollen'" <lkollen@jkenn.com>

**CC:** "'Alton Hall'" <Alton.Hall@arlaw.com>, "'Chelsea Lu'" <Chelsea.Lu@arlaw.com>, "'Stefanie Allinson'" <Stefanie.Allinson@arlaw.com>

Mark,

Does the 9640 rate base adjustment split into accounts 354 and 368? If so what is the split?

Kit

**From:** mgarrett garrettgroupllc.com <mgarrett@garrettgroupllc.com>

**Sent:** Wednesday, June 5, 2019 11:48 AM

**To:** Kit Pevoto <kpevoto@austin.rr.com>; Lane Kollen <lkollen@jkenn.com>

**Cc:** Alton Hall <Alton.Hall@arlaw.com>; Chelsea Lu <Chelsea.Lu@arlaw.com>; Stefanie Allinson <Stefanie.Allinson@arlaw.com>

**Subject:** CEHE Adjustments

Kit and Lane,

I had to adjust my Exhibit MG-2. I changed the STI, STI taxes and STI rate base adjustments and took out the Veg Mgt adjustment (which I think you already had out).

Mark



**Subject:** RE: CEHE Rev Req Models

**From:** "Kit Pevoto" <kpevoto@austin.rr.com>

**Date:** 5/31/2019, 3:44 PM

**To:** "'mgarrett garrettgroupllc.com'" <mgarrett@garrettgroupllc.com>, "'Lane Kollen'" <lkollen@jkenn.com>, "'David Garrett'" <dgarrett@resolveuc.com>

**CC:** "'Randy Futral'" <rfutral@jkenn.com>

Thanks, Mark, Lane, and Randy. Just talked to Randy and I got everything I need at this point.

Kit

-----Original Message-----

From: mgarrett garrettgroupllc.com <mgarrett@garrettgroupllc.com>

Sent: Friday, May 31, 2019 2:02 PM

To: Lane Kollen <lkollen@jkenn.com>; David Garrett <dgarrett@resolveuc.com>

Cc: Kit Pevoto <kpevoto@austin.rr.com>; Randy Futral <rfutral@jkenn.com>

Subject: RE: CEHE Rev Req Models

Thanks Lane.

-----Original Message-----

From: Lane Kollen <lkollen@jkenn.com>

Sent: Friday, May 31, 2019 1:26 PM

To: David Garrett <dgarrett@resolveuc.com>

Cc: mgarrett garrettgroupllc.com <mgarrett@garrettgroupllc.com>; Kit Pevoto <kpevoto@austin.rr.com>; Randy Futral <rfutral@jkenn.com>

Subject: Re: CEHE Rev Req Models

She should talk to Randy Futral today at 770-992-2027 ext 12. I'm out of town. I've copied Randy on this email.

Sent from my iPad

| On May 31, 2019, at 12:48 PM, David Garrett <dgarrett@resolveuc.com>

wrote:

Hi Kit,

You can reach me at (405) 249-1050. Please feel free to contact my any time. Thanks.

David J. Garrett  
Resolve Utility Consulting PLLC  
101 Park Avenue, Suite 1125  
Oklahoma City, OK 73102  
405.249.1050

-----Original Message-----

From: mgarrett garrettgroupllc.com <mgarrett@garrettgroupllc.com>

Sent: Friday, May 31, 2019 11:45 AM

To: Kit Pevoto <kpevoto@austin.rr.com>; Lane Kollen

<lkollen@jkenn.com>; dgarrett@resolveuc.com

Subject: CEHE Rev Req Models

Land and David,

Kit will need to talk to each of you about your adjustments in the CEHE case. She is putting together the rev req/COS model for Houston. Could each of you please share with her the best phone number to use to contact you?

Thanks,  
Mark

**Subject:** RE: 49421 CenterPoint - Depreciation  
**From:** "David Garrett" <dgarrett@resolveuc.com>  
**Date:** 5/23/2019, 8:00 PM  
**To:** "'Lane Kollen'" <lkollen@jkenn.com>  
**CC:** "'Mark Garrett'" <mgarrett@garrettgroupllc.com>

Hi Lane,

I've attached a summary of my proposed depreciation adjustments. You'll see I'm recommending adjustments to nine accounts, with my proposed rates listed in Column R. Please let me know if you have any questions.

David J. Garrett  
Resolve Utility Consulting PLLC  
101 Park Avenue, Suite 1125  
Oklahoma City, OK 73102  
405.249.1050

**From:** Lane Kollen <lkollen@jkenn.com>  
**Sent:** Thursday, May 23, 2019 6:16 AM  
**To:** David Garrett <dgarrett@resolveuc.com>  
**Subject:** Re: 49421 CenterPoint - Depreciation

Yes. Thanks very much!

Lane

On 5/22/2019 11:45 PM, David Garrett wrote:

Hi Lane,

I hope you're doing well. I'm close to finalizing my proposed depreciation rates. If I had them to you by the end of the day tomorrow, would that be alright with you?

David J. Garrett  
Resolve Utility Consulting PLLC  
101 Park Avenue, Suite 1125  
Oklahoma City, OK 73102  
405.249.1050

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—Attachments:—

TCUC Summary Depreciation Adjustment.xlsx

66.4 KB

# Depreciation Parameter Comparison

Exhibit DJG-3

Account No.	Description	Company's Position				TCUC's Position			
		Iowa Curve		Depr Rate	Annual Accrual	Iowa Curve		Depr Rate	Annual Accrual
		Type	AL			Type	AL		
	<b><u>TRANSMISSION PLANT</u></b>								
E35301	STATION EQUIPMENT	R0.5 -	53	2.05%	19,578,539	R0.5 -	56	1.93%	18,434,817
E35401	TOWERS & FIXTURES	R2.5 -	59	2.15%	14,051,620	R2 -	66	1.85%	12,071,203
	<b><u>DISTRIBUTION PLANT</u></b>								
E36201	STATION EQUIPMENT	R1 -	48	2.14%	24,485,519	R0.5 -	55	1.76%	20,165,356
E36401	POLES,TOWERS, FIXTURE	R0.5 -	35	3.84%	30,462,214	R0.5 -	45	2.84%	22,568,969
E36501	O/H CONDUCT DEVICES	R0.5 -	38	3.24%	31,217,383	R0.5 -	40	3.05%	29,339,028
E36601	UNDERGROUND CONDUIT	R2.5 -	62	1.96%	10,836,530	S1 -	65	1.83%	10,145,092
E36701	U/G CONDUCT/DEVICES	R0.5 -	38	3.34%	33,369,161	L0 -	42	2.87%	28,714,072
E36801	LINE TRANSFORMERS	R1 -	28	3.71%	48,878,877	L0 -	32	2.87%	37,875,814
	<b><u>DISTRIBUTION PLANT</u></b>								
E39001	STRUCT. & IMPROVEMTS	R4 -	50	2.05%	4,383,342	R2 -	58	1.56%	3,335,954

11

**Subject:** CEHE Adjustments

**From:** mgarrett garrettgroupllc.com <mgarrett@garrettgroupllc.com>

**Date:** 6/5/2019, 12:47 PM

**To:** Kit Pevoto <kpevoto@austin.rr.com>, Lane Kollen <lkollen@jkenn.com>

**CC:** Alton Hall <Alton.Hall@arlaw.com>, Chelsea Lu <Chelsea.Lu@arlaw.com>, Stefanie Allinson <Stefanie.Allinson@arlaw.com>

Kit and Lane,

I had to adjust my Exhibit MG-2. I changed the STI, STI taxes and STI rate base adjustments and took out the Veg Mgt adjustment (which I think you already had out).

Mark

— Attachments: —

Exhibit MG-2 (v.4).xlsx

41.1 KB

CenterPoint Energy Houston Electric, LLC  
City of Houston Adjustment Summary  
Test Year End December 31, 2018; Docket Number 49421

Line No.	Description	Ref.	Rate Base (Thousands)	Pre-Tax ROR	Rate Increase (Thousands)
<u>Rate Base Adjustments</u>					
	Eliminate Financial-Based STI in Rate Base	MG2.3	\$ (9,640)	8.77207%	\$ (846)
<u>Operating Income Adjustments</u>					
	Direct Payroll	MG2.1			(2,965)
	Direct Payroll Taxes	MG2.1			(227)
	Affiliate Payroll	MG2.2			(1,414)
	Affiliate Payroll Taxes	MG2.2			(108)
	Short-Term Incentive Compensation	MG2.3			(14,759)
	Short-Term Incentive Compensation Taxes	MG2.3			(1,443)
	Long-Term Incentives	MG2.4			(11,250)
	Non-Qualified Pension Expense	MG2.5			(1,783)
	Remove Non-Deductible Compensation	MG2.5			(1,144)
	Self Insurance Expense	MG2.7			(2,570)
	Total Adjustments				\$ (38,509)

**Exhibit MG2.1**

**CenterPoint Energy Houston Electric, LLC**  
**City of Houston Direct Payroll Adjustment**  
**Test Year End December 31, 2018; Docket Number 49421**

<b>Line No.</b>	<b>Description</b>	<b>Ref.</b>	<b>Amount (Thousands)</b>
<b>1</b>	<b>CEHE Adjusted Affiliate Payroll Expense</b>	<b>RFP WP II-D-3</b>	<b>\$ 140,207</b>
<b>2</b>	<b>Post Test Year Portion of Adjusted Payroll</b>		<b><u>2.11%</u></b>
<b>3</b>	<b>Post Test Year Component of Payroll Increase</b>		<b>\$ 2,965</b>
<b>4</b>	<b>Adjustment to Exclude Post-Test Year Pay Increases</b>		<b><u>\$ (2,965)</u></b>
<b>5</b>	<b>Payroll Tax Rate</b>		<b><u>7.65%</u></b>
<b>6</b>	<b>Adjustment to Payroll Taxes</b>		<b><u>\$ (227)</u></b>
<b>7</b>	<b>Totals Adjustment to Exclude Projected Pay Increases</b>		<b><u>\$ (3,192)</u></b>
			<b>CEHE</b>
			<b>Payroll</b>
			<b>(Thousands)</b>
<b>8</b>	<b>Test Year Payroll</b>	<b>RFP WP II-D-3 Adj2</b>	<b>\$ 144,486</b>
<b>9</b>	<b>2018 Increase</b>		<b>2,562</b>
<b>10</b>	<b>STI Adjustment</b>		<b>(280)</b>
<b>11</b>	<b>Post-Test Year CPA Adjustments</b>	<b>2.11%</b>	<b><u>3,171</u></b>
<b>12</b>	<b>Total Adjusted Payroll</b>		<b><u>\$ 149,939</u></b>

**Exhibit MG-2.2**

**CenterPoint Energy Houston Electric, LLC**  
**City of Houston Affiliate Payroll Adjustment**  
**Test Year End December 31, 2018; Docket Number 49421**

<b>Line No.</b>	<b>Description</b>	<b>Ref.</b>	<b>Amount (Thousands)</b>
1	CEHE Adjusted Affiliate Payroll Expense	RFP WP II-D-1 Adj 4	\$ 64,900
2	Post Test Year Portion of Adjusted Payroll		<u>2.18%</u>
3	Post Test Year Component of Payroll Increase		\$ 1,414
4	Adjustment to Exclude Post-Test Year Pay Increases		<u>\$ (1,414)</u>
5	Payroll Tax Rate		<u>7.65%</u>
6	Adjustment to Payroll Taxes		<u>\$ (108)</u>
7	Totals Adjustment to Exclude Projected Pay Increases		<u>\$ (1,522)</u>
			<b>CEHE Affiliate Payroll</b>
8	Affiliate Test Year Payroll		\$ 135,441,772
9	2018 Increase		4,642,473
10	Post-Test Year Increase	2.18%	<u>3,120,382</u>
11	Total Adjusted Affiliate Payroll		<u>\$ 143,204,627</u>



## Exhibit MG-2.3

CenterPoint Energy Houston Electric, LLC  
City of Houston Short-Term Incentive Adjustment  
Test Year End December 31, 2018; Docket Number 49421

Line No.	Description	%	FN	Ref.	CEHE (Thousands)	Service Co (Thousands)	Amount (Thousands)
1	Short-Term Incentive Compensation			CEHE RFP Sch. Tab II-D-3.6.1	\$ 17,300	\$ 12,162	\$ 29,462
2	Percent Expense			WP II-D-1 Adj 4; WP II-D-3f	47.68%	78.71%	
3	Amount To Expense			Calc.	\$ 8,249	\$ 9,573	\$ 17,822
4	Operational Incentives	31.0%	(1)	Calc.	\$ 2,560	\$ 2,972	\$ 5,532
5	Financial Incentives	69.0%	(2)	Calc.	\$ 5,692	\$ 6,606	\$ 12,297
6	Adjustment to Exclude Financial STI Expenses				\$ (5,692)	\$ (6,606)	\$ (12,297)
							-69%
7	STI Employment Taxes			CEHE RFP Sch. Tab II-E-2a			\$ 1,743
8	Operational Related Employment Taxes	31.0%	(1)	Calc.			\$ 541
9	STI Adjustment to Employment Taxes	69.0%	(2)	Calc.			\$ 1,203
10	Adjustment to Exclude Financial STI Taxes						\$ (1,203)
11	Amount to Rate Base			Ln 1- Ln 3			\$ 11,640
							82.8%
11	Adjustment to Exclude Financial STI In Rate Base			Ln 3- Ln 1			\$ (9,640)

**Recap: Financial-based Incentives in Cost of Service**

**Financial Measures**

		Direct	Service Co.
Overall Company Operating Income	CEHE RFP Sch. Tab II-D-3.6.1a	\$ 6,651	\$ 4,676
Overall CNP Earnings per Share (EPS)		5,279	3711
Financial Subtotal		11,930	8387
	(2)	69.0%	69.0%

**Operational Measures**

Overall O&M Expenditures		\$ 2,375	\$ 1,670
Customer Satisfaction		1,227	863
Safety		1,768	1,243
Operational Subtotal		\$ 5,370	\$ 3,776
	(1)	31.0%	31.0%

**Total Awards**

Ties to Ln 1	\$ 17,300	\$ 12,162
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**Adjust to Target; Remove Target Levels for Financial Goals; Remove 50% of Operational Goals for Financial Trigger**

Source: COH 3-18 Att1 (Confidential)	1 Adjust Test Year Levels to Target Level	\$ 4,217
(These numbers do not reveal any confidential material)	2 Remove 35% for Income Goals	\$ 4,761
	3 Remove 20% for EPS Goals	\$ 2,720
	4 Remove 50% of Operational Goals	\$ 3,061
	5 Total COH/HCC STI Adjustment	\$ 14,759
		83%
	Payroll Taxes	\$ 1,443

**Exhibit MG-2.4**

**CenterPoint Energy Houston Electric, LLC  
City of Houston Long Term Incentive Adjustment  
Test Year End December 31, 2018; Docket Number 49421**

<b>Line No.</b>	<b>Description</b>	<b>Ref.</b>	<b>Amount (Thousands)</b>
1	CEHE Direct Long-Term Incentives	TIEC 1-9	\$ 1,796
2	Affiliate Allocated Long-Term Incentives	TIEC 1-9	<u>9,454</u>
3	Total Long-Term Incentives		\$ 11,250
4	Adjustment to Remove Long-Term Incentives		<u>\$ (11,250)</u>

**Exhibit MG-2.5**

**CenterPoint Energy Houston Electric, LLC**  
**City of Houston Non-Qualified Pensions Adjustment**  
**Test Year End December 31, 2018; Docket Number 49421**

<b>Line No.</b>	<b>Description</b>	<b>Ref.</b>	<b>Amount (Thousands)</b>
<b>1</b>	<b>CEHE Non-Qualified Pension Expense</b>	<b>PUC 2-20</b>	<b>\$ 304</b>
<b>2</b>	<b>Affiliate Non-Qualified Pension Expense</b>	<b>PUC 2-20</b>	<b><u>1,479</u></b>
<b>3</b>	<b>Total Non-Qualified Pension Expense</b>		<b>\$ 1,783</b>
<b>4</b>	<b>Adjustment for Non-Qualified Pension Exp.</b>		<b><u>\$ (1,783)</u></b>
<b>5</b>	<b>Non-Deductible Salary from Affiliates</b>	<b>COH 11-20, Att 1</b>	<b>\$ 1,144</b>
<b>6</b>	<b>Federal Corporate Income Tax Rate</b>		<b><u>21%</u></b>
<b>7</b>	<b>Increased to Income Tax Expense</b>		<b>\$ 240</b>
<b>8</b>	<b>Adjustment to Income Tax Expense</b>		<b>\$ (240)</b>
<b>9</b>	<b>Pre-Tax Factor</b>		<b><u>1.265823</u></b>
<b>10</b>	<b>Impact of Income Tax Adjustment</b>		<b><u>\$ (304)</u></b>

**Exhibit MG-2.6**

**CenterPoint Energy Houston Electric, LLC**  
**City of Houston Vegetation Management Adjustment**  
**Test Year End December 31, 2018; Docket Number 49421**

<b>Line No.</b>	<b>Description</b>	<b>Ref.</b>	<b>Amount (Thousands)</b>
1	2011 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	\$ 26,160
2	2012 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	28,480
3	2013 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	25,520
4	2014 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	22,940
5	2015 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	27,030
6	2016 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	29,450
7	2017 Total Tree Trimming Cost	WP RMP-1, page 2 of 3	27,900
8	2018 Test Year Total Tree Trimming Cost	WP RMP-1, page 2 of 3	35,020

CenterPoint Energy Houston Electric, LLC  
City of Houston Self Insurance Adjustment  
Test Year End December 31, 2018; Docket Number 49421

Line No.	Description	Amount (Thousands)
1	Self Insurance Reserve	\$ 5,791
2	Proposed Self Insurance Reserve	<u>(6,550)</u>
3	Balance to Recover	\$ 12,341
4	Recovery Period, Years	<u>8</u>
5	Recommended Accrual for Target Reserve	\$ 1,543
6	CEHE Requested Accrual	<u>4,113</u>
7	Adjustment to Self Insurance Accrual	<u><u>\$ (2,570)</u></u>

x, tab II-B-7.1, cell H15

**CenterPoint Energy Houston Electric, LLC**  
**City of Houston Adjustment Summary**  
**Test Year End December 31, 2018; Docket Number 49421**

Line No.	Description	Percent of Total	Cost	Weighted Cost	Federal Pre-Tax Factor	Pre-Tax Weighted Cost	
<u>CEHE Requested Amounts</u>							
	Long-Term Debt	50.000%	4.380%	2.190%	1	2.190%	Schedule II-C-2.1, line 1
	Common Equity	50.000%	10.400%	5.200%	1.265823	6.582%	Schedule II-C-2.1, line 2
	Totals	100.000%		7.390%		8.772%	
<u>COH Proposed Capital Structure</u>							
	Long-Term Debt	#REF!	4.380%	#REF!	1	#REF!	
	Common Equity	#REF!	10.400%	#REF!	1.265823	#REF!	
	Totals	100.000%		#REF!		#REF!	
	Capital Structure Adjustment			#REF!		#REF!	
<u>COH Proposed Return on Equity</u>							
	Long-Term Debt	#REF!	4.380%	#REF!	1	#REF!	
	Common Equity	#REF!	#REF!	#REF!	1.265823	#REF!	
	Totals	#REF!		#REF!		#REF!	
	Return on Equity Adjustment			#REF!		#REF!	

5

2; Federal tax factor calculated



**Subject:** Updated Numbers  
**From:** "J. Randall Woolridge" <jrwoolridge@gmail.com>  
**Date:** 5/30/2019, 3:18 PM  
**To:** Lane Kollen <lkollen@jkenn.com>

Lane

After Freddy chatted with others at the pre-hearing conference, we are onboard with the 60/40 cap structure as our primary ROR recommendation. We are using the capital structure I developed as part of our alternative position.

See attached

Sorry about the confusion and delay.

--

Randy

J. Randall Woolridge  
Professor of Finance  
The Goldman, Sachs and Frank P. Smeal Endowed University  
Fellow in Business Administration  
President, Nittany Lion Fund, LLC  
302 Business Building  
The Pennsylvania State University  
University Park, PA 16802  
814-865-1160  
[jrw@psu.edu](mailto:jrw@psu.edu)

— Attachments: —

TCUC ROR - CEHE - 5-29-19 - JRW.xlsx

311 KB

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

## Exhibit JRW-1

## Recommended Cost of Capital

Page 1 of 1

## Exhibit JRW-1

## CenterPoint Energy Houston Electric, LLC

## Recommended Cost of Capital

## Panel A

## Primary Cost of Capital Recommendation

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short-Term Debt	0.00%	0.00%	0.00%
Long-Term Debt	60.00%	4.38%	2.63%
Common Equity	<u>40.00%</u>	<u>9.00%</u>	<u>3.60%</u>
Total	100.00%		6.23%

## Panel B

## Alternative Cost of Capital Recommendation

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short-Term Debt	0.90%	2.27%	0.02%
Long-Term Debt	55.48%	4.38%	2.43%
Common Equity	<u>43.62%</u>	<u>8.65%</u>	<u>3.77%</u>
Total	100.00%		6.22%