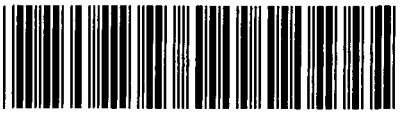

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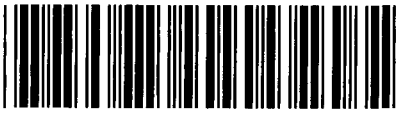

Item Number: 515

Addendum StartPage: 0

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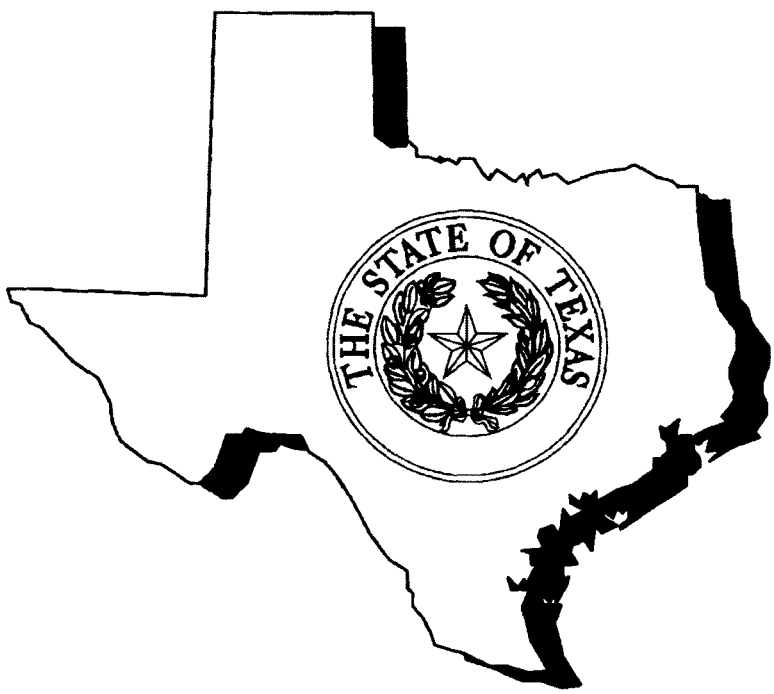
SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 49421

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



DIRECT TESTIMONY OF

BLAKE P. IANNI

INFRASTRUCTURE AND RELIABILITY DIVISION

PUBLIC UTILITY COMMISSION OF TEXAS

JUNE 12, 2019

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BPI-1 Qualifications of Blake P. Ianni

BPI-2 List of Dockets Containing Testimony of Blake P. Ianni

BPI-3 16 Texas Administrative Code § 25.231(c)(2)(A)

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BPI-5 Tree Trimming Spending Table (from WP RMP-1)

BPI-6 CNPT's Response to Staff RFI 6-22

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name, occupation, and business address.

A. My name is Blake P. Ianni. I am employed by the Public Utility Commission of Texas (Commission) as an Engineering Specialist in the Infrastructure and Reliability Division. My business address is 1701 North Congress Avenue, Austin, Texas 78701.

Q. Please briefly outline your educational and professional background.

A. I have a Bachelor of Science degree in Petroleum Engineering and a Master of Business Administration degree with a concentration in Engineering and Technology. Prior to graduate school, I worked as an engineer for an energy service company. I have been employed by the Commission since December 2016. A more detailed summary of my experience is provided in Attachment BPI-1.

Q. Are you a registered professional engineer?

A. No, I am an Engineer in Training (EIT), and my Texas EIT certification number is 59094.

Q. Have you previously filed testimony before the Commission?

A. Yes. A list of the dockets in which I have testified is provided as Attachment BPI-2.

II. PURPOSE OF TESTIMONY

Q. Please briefly describe the application in this docket.

A. In this docket ("the Application") CenterPoint Energy Houston Electric, LLC (CEHE) is seeking approval from the Commission to change its utility base rates for its service area. CEHE will be referred to as the "Company" in this testimony.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present recommendations concerning several land costs CEHE has requested to capitalize as well as certain tree trimming costs it is seeking to recover. Additionally, I provide a recommendation on a particular line clearance project

the Company seeks to capitalize. Staff witness Mr. Tom Sweatman outlines several other transmission invested capital recommendations in his testimony.

Q. What regulations have you referred to in making your evaluation and arriving at your conclusions and recommendations?

A. I have referred to 16 Texas Administrative Code (TAC) § 25.231(c)(2)(A), which I have included here as Attachment BPI-3 and PURA §53.054(a).

Q. What else did you rely upon to reach your conclusions?

A. I have relied upon the Application, intervenor testimony, and the Company's responses to requests for information (RFIs).

Q. What issues identified by the Commission in the Preliminary Order of this docket will you address?

A. In my testimony, I partially address the following issues which the Commission identified in the Preliminary Order:[1]

> **4.** What revenue requirement will give CenterPoint 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?
>
> **8.** What is the appropriate overall rate of return, return on equity, and cost of debt for CenterPoint? When answering this issue, please address how the factors specified in PURA § 36.052 and 16 TAC § 25.231(c)(1) should affect CenterPoint's rate of return.
>
> **10.** What are the reasonable and necessary components of CenterPoint's rate base?
>
> **11.** What is the original cost of CenterPoint'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?

[1] Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates, Preliminary Order (May 19, 2019).

14. Is CenterPoint seeking the inclusion of construction work in progress? If so,

a. what is the amount sought and for what facilities; and

b. has CenterPoint 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?

21. What are CenterPoint's reasonable and necessary operations and maintenance expenses?

39. What post-test-year adjustments for known and measurable changes to historical test-year data for expenses, if any, should be made? For any such adjustments, have all the attendant impacts on all aspects of CenterPoint's operations (including, but not limited to, revenue, expenses, and invested capital) been identified with reasonable certainty, quantified and matched?

Q. How is your testimony organized?

A. My testimony begins in Section I with a statement of my qualifications. In Section II, I discuss the purpose of my testimony, and in Section III, I discuss one expense the Company incorrectly classified as transmission invested capital. Section IV addresses several distribution invested capital projects, and Section V contains my additional recommendations, including a reduction in the Company's annual vegetation management request and a capital disallowance of a multi-year line clearance project. My conclusions are summarized in Section VI.

Q. Have you prepared any attachments related to your testimony?

A. Yes, Attachments BPI-1, BPI-2, BPI-3, BPI-4, BPI-5 and BPI-6. These include my qualifications, a list of dockets in which I have previously testified, a copy of 16 TAC

§ 25.231(c)(2)(A), CEHE's response to Staff RFI 5-01 and 5-09, CEHE's tree trimming spending from 2011-2018, and CEHE's response to Staff RFI 6-22.

III. TRANSMISSION INVESTED CAPITAL

Q. What is the total amount of transmission capital that CEHE is requesting to include in rate base in this proceeding?

A. CEHE seeks to include $2,976,932,000 of transmission invested capital in rate base in this proceeding.[2]

Q. Based on your analysis, are there any costs that you recommend be disallowed from CEHE's proposed transmission invested capital?

A. Yes, I recommend the disallowance of $8,160 from transmission invested capital. CEHE, in response to Staff's RFI 5-9, stated that it erroneously classified this project, known as 'GRP 855 LAND RIGHTS,' as a 2010 capital cost when it should have been classified as an expense in that year.[3]

Q. From which FERC accounts should this cost be removed?

A. This project cost of $8,160 should be removed from FERC 350: Land and Land Rights. Since this project was outside of the 2018 test year, I am recommending full disallowance of the amount, not merely reclassifying it to another FERC account.

Q. Do you have any other recommendations regarding transmission invested capital?

A. No. Staff witness Mr. Sweatman provides additional recommendations concerning transmission invested capital in his testimony.

[2] Application Schedule II-B-1, Row 21, col. 8, subtotal Transmission Plant—Gross.
[3] CenterPoint's Response to Staff RFI 5-9; (May 13, 2019) (Attachment BPI-4).

IV. DISTRIBUTION INVESTED CAPITAL

Q. What is the total amount of distribution invested capital that CEHE is requesting to include in rate base in this proceeding?

A. CEHE seeks to include $6,530,071,000 of distribution invested capital in rate base in this proceeding.[4]

Q. Based on your analysis, are there any costs that you recommend be disallowed from CEHE's proposed distribution invested capital? Please explain.

A. Yes, I recommend the disallowance of a total of $6,795,685.47, spread across several projects, because they were for land costs of properties that do not yet contain energized electric facilities. In its response to Staff RFI No. 5-9, CEHE outlines three land costs for three separate substation projects currently under construction.[5] CEHE states that the expected completion dates for these three projects are in late 2019 or early 2020.[6] I have outlined these projects in Table 1 below, along with which Application workpaper they can be located.

Table 1. Distribution Invested Capital Recommendations.

Application Workpaper	Asset Description	Cost- based on Plant in Service Column
WP RMP-2 2018 Capital Project List Detail	GRP 340 LAND OWNED IN FEE	$1,192,280.29
WP RMP-2 2017 Capital Project List Detail	GRP 868 LAND OWNED IN FEE	$2,000,953.89
WP RMP-2 2018 Capital Project List Detail	GRP 823 LAND OWNED IN FEE	$3,602,451.29
	Total Disallowance (remove from FERC 360.01)	**$ 6,795,685.47**

[4] Application, Schedule II-B-1, Row 41, col. 9, subtotal Distribution Plant—Gross.
[5] CEHE's Response to Staff 5-9 (May 13, 2019, Attachment BPI-4).
[6] *Id.*

Pursuant to 16 TAC § 25.231(c)(2), "The rate base, sometimes referred to as invested capital, includes as a major component the original cost of plant, property, and equipment, less accumulated depreciation, *used and useful* in rendering service to the public." Due to the fact that these projects include only land, without energized facilities, they are not considered used and useful. Therefore, I recommend that the $6,795,685.47 be removed from FERC 360: Land and Land Rights.

V. OPERATIONS & MAINTENANCE EXPENSES

VEGETATION MANAGEMENT

Q. What is "vegetation management"?

A. Vegetation management (VM) are those activities associated with the trimming, removal, and control of plant vegetation on electric utility right-of-way (ROW) to establish and maintain appropriate clearances between vegetation and electric facilities. VM is very important for the safety of utility personnel, customers, and the general public and is necessary to maintain reliable electric service.

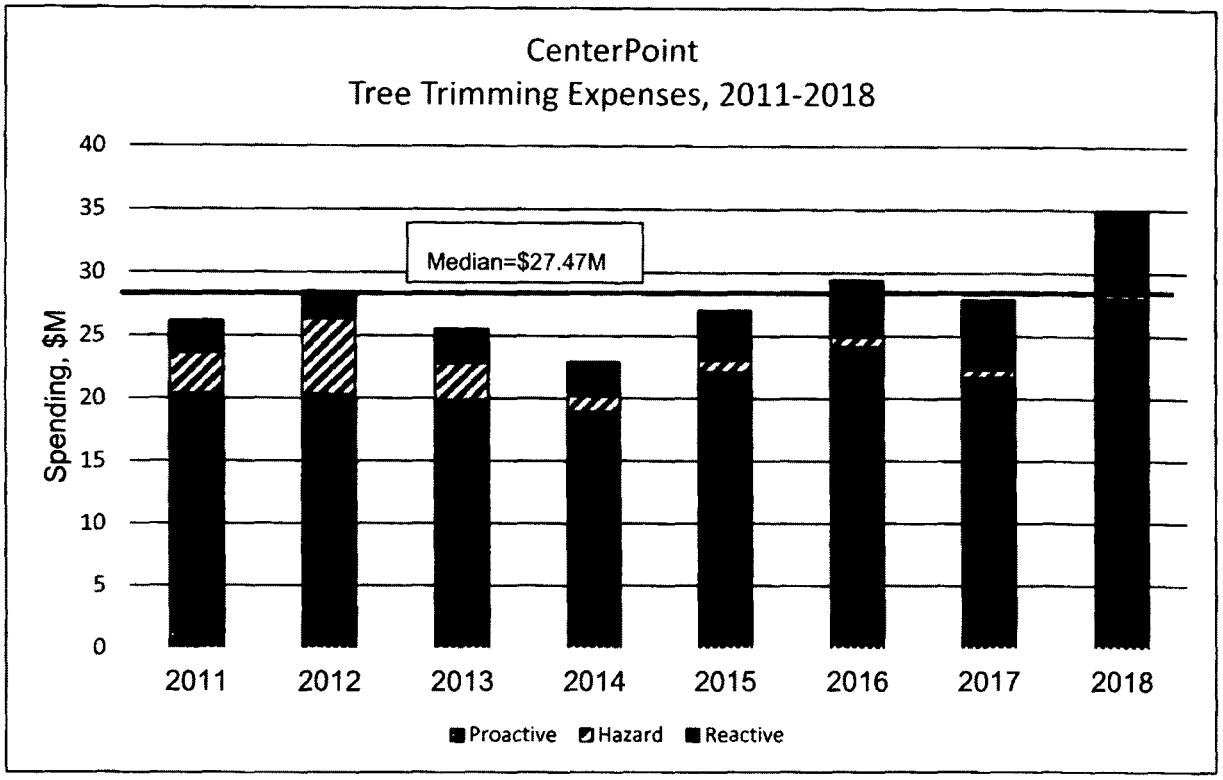
Q. What was CEHE's total expenditure for tree trimming during the 2018 test year?

A. CEHE spent approximately of $35.02M on tree trimming operations and maintenance (O&M) during the test year.[7]

Q. How do the tree trimming costs for the test year compare to the Company's historical tree trimming costs since its last rate case?

[7] Application, WP RMP-1(April 5, 2019).

A. From 2011 to 2017, the Company's annual tree trimming costs ranged from approximately $22.94M to a maximum of $29.45M in 2016.[8] The chart below highlights the test year costs in comparison to CEHE's spending in prior years since its last rate case.



As shown, the 2018 costs were $5.57M more (18.9% higher) than the Company's previous highest spending, which occurred in 2016. The median cost that the Company spent on tree trimming from 2011-2018 was approximately $27.47M, and the average spent during this same timeframe was $27.81M.

Q. Did CEHE attempt to explain why its 2018 distribution tree trimming costs were so much higher than 2017 and prior years?

[8] *Id.* and Attachment BPI-5.

A. Yes. In WP RMP-1, one of the reasons CEHE stated its expenses increased was due to a 50% increase in contractor bid prices from 2014 to 2017.[9] Additionally, CEHE stated that it has built on average 171 miles of distribution every year for the past 8 years, thus increasing the miles of line needing to be maintained.[10] From 2017 to 2018, CEHE placed 167 miles of overhead distribution line into service.[11] Additionally, the Company, in response to Staff RFI 5-1, stated that "In 2017, proactive trimming, reactive trimming and hazard tree removal was halted for a significant time period due to Hurricane Harvey," which attributed in part to the higher $35.02M tree trimming expense for 2018.

Q: Do you believe that CEHE's 2018 tree trimming expenses are representative of the annual level of tree trimming expenses it will require going forward?

A: No, I do not believe that CEHE's 2018 tree trimming costs are a reasonable representation of the annual tree trimming costs it will require going forward. While the Company is requesting the $35.02M for tree trimming O&M to be approved in its annual revenue requirement, it has acknowledged that many of the tree trimming practices had to be placed on hold in 2017 due to Hurricane Harvey. This partially explains the large difference between the $27.90M spent in 2017 versus the roughly $7.12M more it spent in 2018 on tree trimming. As the table provided in WP RMP-1 highlights, the majority of this increase was due to CEHE increasing its proactive tree trimming from $21.73M to $28.02M for these two years.[12] Based on the evidence, it is clear that much of the 2017 proactive trimming was postponed until 2018. Thus, I conclude that the proactive tree trimming Company spent in 2018 is unusual and not reasonable to use to set rates in this docket.

[9] Application, WP RMP-1 at 3.
[10] *Id.*
[11] CEHE's Response to Staff RFI 5-1 (May 13, 2019) (Attachment BPI-4).
[12] *See* Att. BPI-5 for full annual tree trimming spending table.

Q: What is your recommendation on CEHE's annual revenue requirement for vegetation management?

A. I recommend that the CEHE's tree trimming annual budget be set at $31,640,000, which represents a $3.38M reduction from their original request in this Application. For the aforementioned reasons, I am recommending that a more reasonable annual revenue requirement for proactive tree trimming be used by taking the average of what the Company spent in this category for the past 3 years (2016-2018). Using this average reduces the proactive tree trimming allowance from the proposed $28.02M to $24.64M annually. Due to the fact that CEHE's test year spending for Hazard Tree Removal and Reactive Tree Trimming ($620,000 and $6.38M, respectively) generally align with amounts from prior years, I have not recommended any adjustments to these figures.[13] Adding these 2018 hazard and reactive costs to the three year proactive average, I arrived at my recommended total distribution tree trimming cost of $31.64M.[14]

Q. Are you arguing that CEHE's 2018 expenses on tree trimming were unreasonable?

A. No. However, as outlined above, I am arguing that it is unreasonable to utilize the total 2018 tree trimming expenses as a basis for the Company's annual revenue requirement. It is important to note that, in the event that Staff's proposed $31.64M annual budget is approved, it will still represent a net increase of $2.19M in tree trimming spending over the previous highest annual spending during years 2011-2017.

[13] Application, WP RMP-1.
[14] ($24.64M + $0.62M + $6.38M) = $31.64M

LINE CLEARANCE PROJECT

Q. Do you have any additional disallowances?

A. Yes. CEHE is seeking to capitalize a project listed as "Project Number HLP/00/1055," and described in the WP RMP-2 Capital Project List Summaries (years 2014-2017) as follows: "'Distribution line clearance corrections between transmission and distribution facilities to meet National Electrical Safety Code (NESC) requirements."[15] In response to Staff RFI 6-22, CEHE clarified that this project represents its Lidar transmission clearance program, in which approximately 20% of its transmission lines are surveyed annually for clearance issues.[16] These project costs should have been categorized as O&M expenses instead of capitalized items.

Q. Why do you conclude that these Project 1055 expenses are O&M expenses?

A. In its response to Staff RFI 6-22, the Company stated that these expenses were incurred for work on existing transmission and distribution lines, but that it was unable to provide specific in-service dates for when the various lines were originally built. Due to the fact that these expenses represent an on-going project for work on existing lines to maintain compliance with NESC clearance standards, they are more appropriately categorized as O&M. In my assessment, capitalizing this project would incorrectly enable the Company to earn a rate of return on foreseeable, recurring O&M expenses, and as mentioned above, these costs are incurred as a result of work CEHE does on a certain percent of its system each year.

[15] *Also see* 'WP RMP-2 Capital Project List Detail' spreadsheets for these years.
[16] *See* Att. BPI-6.

Q. What are the costs of this project, and to what FERC accounts are these costs currently assigned?

A. The total $19,376,931 amount for this project was incurred over the three-year period from 2014-2017, as previously noted.[17] This lump sum is comprised of hundreds of itemized work orders which CEHE has provided broken down annually, and further, biannually, in detailed project lists for those years.[18] However, due to the sheer scope of the master project label,[19] I was unable to determine from the voluminous spreadsheets: 1) the exact amounts of the approximately $19.4M project that were assigned to distribution as opposed to transmission, and 2) more specifically, the exact amounts that were charged to specific distribution and transmission FERC accounts. The information was not provided in the response to Staff RFI 6-22, and I am therefore recommending the total project costs be split 50/50 between distribution and transmission. Further, I recommend that a total of roughly $9.7M be removed from the distribution FERC accounts 364 and 365, in equal parts, and the remaining approximately $9.7M be removed from transmission FERC accounts 355 and 356, in equal parts.

Q. Explain why you concluded that these four FERC accounts were the appropriate accounts to remove the project costs from.

A. I selected these four accounts based on the description of the project in the RFI 6-22 response and because the evidence in the voluminous workpapers indicates that the company charged a number of the hundreds of work orders associated with this "Project 1055" to these accounts. For the transmission aspect, FERC 355 is for poles and fixtures

[17] *Id.*
[18] Application, WP RMP-2 2014, WP RMP-2 2015, WP RMP-2 2016, and WP RMP-2 2017 (April 5, 2019).
[19] Project Number HLP/00/1055 or "Project 1055"

and FERC 356 is for overhead conductors and devices. Similarly, for the distribution aspect, FERC 364 is reserved for poles, towers, and fixtures, while FERC 365 is for overhead conductors and devices. I equally divided my recommended disallowance among these four transmission and distribution accounts and am recommending a total of $4,844,232.75 be removed from each account. Since the costs were all incurred prior to the 2018 test year, I am recommending they be disallowed instead of being reclassified to an O&M FERC account.

VI. SUMMARY & CONCLUSION

Q. Please summarize the conclusions that you have reached as a result of your analysis.

A. Based on my analysis, I am recommending the following:

- that $6,795,685.47 be removed from Distribution Invested Capital, because these costs represent land costs for facilities not yet in service;
- that $8,160 be removed from Transmission Invested Capital, because the Company stated this was miscategorized and should have been classified as an expense during a prior, non-test year;
- that CEHE's $35.02M annual tree trimming request be reduced by $3.38M to $31.64M, because this is a more reasonable assessment of its requirement based on historical data; and
- that an approximately $19.4M project be removed from transmission and distribution invested capital, because the project represents on-going corrections to line clearances, which are more appropriately treated as O&M.

Q. What are the total amounts of your recommended disallowances by FERC account?

A. The FERC accounts associated with my recommended disallowances are summarized in Table 2 below.

Table 2. Summary of Recommendations.

Disallowance	Project	Remove from FERC Account	Explanation
$4,844,232.75	Transmission Part of HLP/00/1055	FERC 355	Incorrectly capitalized since O&M expense
$4,844,232.75	Transmission Part of HLP/00/1055	FERC 356	Incorrectly capitalized since O&M expense
$4,844,232.75	Distribution Part of HLP/00/1055	FERC 364	Incorrectly capitalized since O&M expense
$4,844,232.75	Distribution Part of HLP/00/1055	FERC 365	Incorrectly capitalized since O&M expense
$8,160.00	GRP 855 LAND RIGHTS-2010	FERC 350	CEHE acknowledged it incorrectly capitalized this expense
$6,795,685.47	3 Land Owned in Fee projects 2017-2108	FERC 360	Land without energized facilities
$3,380,000.00	Reduction in Annual VM Request	FERC 593	Reducing tree trimming annual request from $35.02M to $31.64

Q. How were your recommended disallowances used by other Staff witnesses?

A. Staff witness Mark Filarowicz used my disallowances to adjust the total plant in service amounts for transmission and distribution and to adjust the annual revenue requirement.

Q. Does this conclude your testimony?

A. Yes.

ATTACHMENT BPI-1

Qualifications of Blake P. Ianni

BPI-1 Qualifications of Blake P. Ianni

In December 2012, I graduated from the University of Texas at Austin with a Bachelor of Science in Petroleum Engineering as well as a Certificate in Business Foundations. In May 2016, I earned a Master in Business Administration with a concentration in Engineering & Technology from Texas State University.

Upon completing my undergraduate degree, I worked for Halliburton, an oilfield service company, as a cement engineer in West Texas. In this position, I worked as part of a rapid response team, resolving critical issues to achieve field objectives. My primary duties included creating and managing lab testing requests based on technical specifications and customers' contractual requirements. I was responsible for analyzing and validating lab results and altering the product mix as needed to meet Texas Railroad Commission requirements and Company standards. Additionally, I provided engineering support to the field team, making technical judgement calls and clarifying and investigating any issues related to the pumping job.

In 2014, after a year of working as an associate level engineer (Associate Technical Professional), I was promoted to Technical Professional within the Cement Engineering Department.

In August 2014, I began attending Texas State University. My graduate business coursework emphasized statistical analysis as part of the Engineering & Technology concentration, and I completed my MBA in 2016. I began working in my current role as an Engineering Specialist at the Commission in December 2016.

ATTACHMENT BPI-2

List of Dockets Containing Testimony of Blake P. Ianni

Docket No. 45414
SOAH 473-16-4051
Review of the Rates of Sharyland Utilities, LP, Establishment of Rates for Sharyland Distribution and Transmission Services, LLC, and Request for Grant of a Certificate of Convenience and Necessity and Transfer of Certificate Rights

Docket No. 46449
SOAH 473-17-1764
Application of Southwestern Electric Power Company for Authority to Change Rates

Docket No. 46726
SOAH 473-17-3245
Application of Sharyland Utilities LP to Amend a Certificate of Convenience and Necessity for the Stiles to Coates 138-kV Transmission Line in Reagan

Docket No. 46929
SOAH 473-17-4390
Application of Rayburn County Electric Cooperative, Inc. to Amend its Certificate of Convenience and Necessity for the Dent Road Expansion to Wieland Switch 138-kV Transmission Line in Hunt County, Texas

Docket No. 47003
SOAH 473-17-4267
Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for a Proposed 230-kV Transmission Line in Jefferson County

Docket No. 47192
SOAH 473-17-5286
Application of Pedernales Electric Cooperative, Inc. to Amend a Certificate of Convenience and Necessity for the Highway 32 to Wimberley Transmission Line Rebuild and Upgrade Project in Hays County

Docket No. 47462
SOAH 473-18-0626
Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for a 230-kV Transmission Line in Montgomery and Walker Counties

Docket No. 47808
SOAH 473-18-1930
Joint Application of Oncor Electric Delivery Company LLC and Brazos Electric Power Cooperative, Inc. to Amend Certificates of Convenience and Necessity for the Cogdell to Clairemont 138-kV Transmission Line in Kent and Scurry Counties

Docket No. 48231
SOAH 473-18-3078
Application of Oncor Electric Delivery Company LLC for a Distribution Cost Recovery Factor

Docket No. 48401
SOAH 473-18-3981
Application of Texas-New Mexico Power Company for Authority to Change Rates

Docket No. 48358
SOAH 473-18-5064
Application of LCRA Transmission Services Corporation to Amend its Certificate of Convenience and Necessity for the Proposed Cooks Point 138-kV Transmission Line Project in Burleson County, Texas

Docket No. 48785
SOAH 473-19-1265
Joint Application of Oncor Electric Delivery Company LLC, AEP Texas, Inc., and LCRA Transmission Services Corp. to Amend their Certificates of Convenience and Necessity for 345 kV Transmission Lines in Pecos, Reeves and Ward Counties, Texas (Sand Lake to Solstice and Bakersfield to Solstice), Consolidated Docket Number 48785

Docket No. 48625
SOAH 473-19-1445
Joint Application of Sharyland Utilities, L.P., and the City of Lubbock, acting by and through Lubbock Power & Light, for Certificate of Convenience and Necessity for the Ogallala to Abernathy 345 kV Transmission Line in Castro, Hale, and Swisher Counties

Docket No. 48929
Joint Report and Application of Oncor Electric Delivery Company LLC, Sharyland Distribution and Transmission Services LLC, Sharyland Utilities LP, and Sempra Energy for Regulatory Approvals under PURA §§ 14.101, 37.154, 39.262 and 39.915

ATTACHMENT BPI-3

16 TAC § 25.231(c)(2)(A)

16 Texas Administrative Code § 25.231(c)(2)(A)

(2) **Invested capital; rate base.** The rate of return is applied to the rate base. The rate base, sometimes referred to as invested capital, includes as a major component the original cost of plant, property, and equipment, less accumulated depreciation, used and useful in rendering service to the public. Components to be included in determining the overall rate base are as set out in subparagraphs (A)-(F) of this paragraph.

(A) Original cost, less accumulated depreciation, of electric utility plant used by and useful to the electric utility in providing service.

(i) Original cost shall be the actual money cost, or the actual money value of any consideration paid other than money, of the property at the time it shall have been dedicated to public use, whether by the electric utility which is the present owner or by a predecessor.

(ii) Reserve for depreciation is the accumulation of recognized allocations of original cost, representing recovery of initial investment, over the estimated useful life of the asset. Depreciation shall be computed on a straight line basis or by such other method approved under subsection (b)(1)(B) of this section over the expected useful life of the item or facility.

(iii) Payments to affiliated interests shall not be allowed as a capital cost except as provided in the Public Utility Regulatory Act §36.058.

ATTACHMENT BPI-4

CNTP's Response to Staff RFI

5-01 and 5-09

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

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-01

QUESTION:

Vegetation Management

In regards to WP RMP-1: In the test year, CenterPoint spent a total of $35.02M on tree trimming (total proactive trimming, hazard tress, and reactive).

a. From 2011-2018, the median the Company spent on Tree Trimming was approximately $27.5M annually, and the average was $27.8M annually. Please explain why this amount is greater than the average and the median the Company spent during the years 2011-2017?

b. P. 3 of WP RMP-1 states: "Over the past four years, overhead pole miles (feeder-main and laterals have increased an average of 171 miles per year. With more miles of distribution line to maintain, the Company's costs associated with proactive tree trimming have increased." How many overhead pole miles did CenterPoint add between 2017 and 2018? Is the increase from $21.73M in 2017 to $28.02M in 2018 for Proactive Tree Trimming due to any other factors?

c. To which FERC account(s) were these tree trimming expenses charged?

ANSWER:

In regards to WP RMP-1, see the following responses.

a. The median and average amount spent on tree trimming for 2011-2017 is less than the amount for 2011-2018 because the 2011-2018 amount includes the year 2018 when a larger amount was spent on proactive tree trimming and reactive tree trimming.

b From 2017 to 2018, the overhead distribution poles miles increased 167 miles (feeder-main and laterals). Other factors that drove the cost increase from 2017 to 2018 were:

1. Ongoing contractor cost increases.
2. The fact that in 2018, the Company trimmed approximately 5,400 miles of line versus approximately 3,900 in 2017. Note, a year's work is not simply a function of our system miles or trim cycles, but will also vary based on the types and location of the circuits prioritized for a given year.
3. In 2017, proactive trimming, reactive trimming and hazard tree removal was halted for a significant time period due to Hurricane Harvey.

c The O&M expense for distribution tree trimming is charged to FERC account 593 - Maintenance of Overhead Lines. None of the costs identified in WP RHP-1 are capitalized.

SPONSOR (PREPARER):
Randal Pryor (Randal Pryor)

RESPONSIVE DOCUMENTS:
None

Page 1 of 1 2

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

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC05-09

QUESTION:

Miscellaneous
In reference to the Workpapers for RMP-2, which list the Capital Projects from 2010-2018:*

a. For the transmission FERC Account 350, which is for Land and Land Rights, please confirm that all these lands contain facilities that are energized. If not, please provide the specific work paper Excel file(s) the project is located in (and the Asset Description, Doc No., and Excel line item number(s)). Additionally, please explain why CenterPoint is seeking to capitalize that particular land cost.

b. For the distribution FERC Account 360, which is for Land and Land Rights, please confirm that all these lands contain facilities that are energized. If not, please provide the specific workpaper Excel file(s) the project is located in (and the Asset Description, Doc No., and Excel line item number(s)). Additionally, please explain why CenterPoint is seeking to capitalize that particular land cost.

*In your response, please reference Schedule 11-B-1 Line Numbers 10-11 and 24-25 as appropriate.

ANSWER:

a) All land or easements in FERC account 350 contain and/or provide access to transmission facilities that are energized with one exception as noted in below table

Workpaper	Asset Description	Document No.	Excel Line Item (Row) Nos.	Explanation
WP RMP-2 2010 Capital Project List Detail	GRP 855 LAND RIGHTS	100956210	20598	This item was booked to FERC 350. Should have been booked to an Expense FERC account. Amount is $8,160

b) All land or easements in FERC account 360 contain distribution facilities that are energized with three exceptions as noted in below table

Workpaper	Asset Description	Document No.	Excel Line Item Nos.	Explanation
WP RMP-2 2018 Capital Project List Detail	GRP 340 LAND OWNED IN FEE	**Jan-July Tab** 105448438 105507259 105541743 **Aug-Dec Tab** 105595242	**Jan-July Tab** 364233 364234 364235 466605 569264 569265 **Aug-Dec Tab** 3187 3188	See below
WP RMP-2 2017 Capital Project List Detail	GRP 868 LAND OWNED IN FEE	105245871	**July 2017-Dec 2017 Tab** 405616 405617	See below
WP RMP-2 2018 Capital Project List Detail	GRP 823 LAND OWNED IN FEE	105581775 105729075 105637573 105675503	**Aug-Dec Tab** 4542 4545 122790 220138 299080	See below

The above items are associated with substations that are currently under construction and all are expected to be energized in the 2nd half of 2019 or early in 2020. Since active construction is currently taking place, these lands are considered "used and useful" since they are serving their intended purpose as sites for construction of substation facilities.

SPONSOR (PREPARER):
Martin Narendorf (Martin Narendorf)

RESPONSIVE DOCUMENTS:
None

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ATTACHMENT BPI-5

Tree Trimming Spending Table

(from WP RMP-1)

Dollars in millions

Program Description	Target	2011*** Target	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Proactive Tree Trimming*	**21.30**	**17.40**	**20.39**	**20.31**	**19.89**	**18.98**
Hazard Tree Removal **	**0.75**	**0.20**	**3.26**	**6.02**	**2.93**	**1.20**
Unplanned Hazard Tree Removal			1.07	4.03	1.55	0.58
Proactive Hazard Tree Removal			2.19	1.99	1.38	0.62
Subtotal for Proactive Trimming & Hazard Trees	**22.05**	**17.60**	**23.65**	**26.33**	**22.82**	**20.18**
Reactive Tree Trimming			**2.51**	**2.15**	**2.70**	**2.76**
Total Proactive Trimming, Hazard Trees & Reactive			**26.16**	**28.48**	**25.52**	**22.94**

Program Description	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2011-2018 Target	2011-2018 Actual
Proactive Tree Trimming*	**22.15**	**24.18**	**21.73**	**28.02**	**166.50**	**175.65**
Hazard Tree Removal **	**0.93**	**0.76**	**0.61**	**0.62**	**5.45**	**16.33**
Unplanned Hazard Tree Removal	0.42	0.42	0.30	0.32		
Proactive Hazard Tree Removal	0.51	0.34	0.31	0.30		
Subtotal for Proactive Trimming & Hazard Trees	**23.08**	**24.94**	**22.34**	**28.64**	**171.95**	**191.98**
Reactive Tree Trimming	**3.95**	**4.51**	**5.56**	**6.38**		**30.52**
Total Proactive Trimming, Hazard Trees & Reactive	**27.03**	**29.45**	**27.90**	**35.02**		**222.50**

* Proactive Tree Trimming includes circuit trim, beneficial removals in easement and hazard tree removals that are found in the course of the proactive circuit trim.

** Hazard Tree Removal includes proactive hazard tree removal and unplanned hazard tree removals not associated with circuit trim.

*** 2011 required amounts for target, based on additional annual expenditures, are prorated beginning Oct 2011 and added to baseline expenditures.

ATTACHMENT BPI-6

CNPT's Response to Staff RFI

6-22

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

PUBLIC UTILITY COMMISSION OF TEXAS
REQUEST NO.: PUC06-22

QUESTION:

For the project listed under Project Number HLP/00/1055 and described in the WP RMP-2 Capital Project List Summaries (years 2014-2017) as "'Distribution line clearance corrections between transmission and distribution facilities to meet National Electrical Safety Code (NESC) requirements" (and also found in the 'WP RMP-2 Capital Project List Detail' spreadsheets for these years)

a. When were the associated transmission and distribution lines placed into service?

b. What dollar amount, if any, was incurred during the rebuilding, reconductoring, or upgrading of existing electric facilities?

c. Please elaborate on why these corrections were necessary and explain how CenterPoint become aware of the need to correct this clearance.

d. Did a change to NESC requirements necessitate this work? Please provide supporting documentation as needed.

e. Why does CenterPoint believe this work should be capitalized instead of treated as an operation or maintenance expense?

ANSWER:

For the project listed under Project Number HLP/00/1055 and described in the WP RMP-2 Capital Project List Summaries (years 2014-2017) as "'Distribution line clearance corrections between transmission and distribution facilities to meet National Electrical Safety Code (NESC) requirements", see following responses

a. Project 1055 represents CEHE's Lidar based Transmission Line Clearance Program. CEHE performs Lidar surveys on approximately 20% of the transmission system each year to identify and correct NESC transmission line clearance issues. During the 2014-2017 time-period, 204 transmission line clearance issues, involving 158 distribution circuits and 69 transmission circuits, were addressed by modifications to distribution facilities. In addition, 85 transmission clearance issues were resolved by modifications to 55 transmission circuits. Information on the in-service dates for the transmission lines and distribution lines is not readily available.

b. Between 2014 and 2017, a total of $19,376,931 was spent on this project.

c. CEHE's Transmission Line Clearance Program (1055) utilizes LIDAR technology to determine clearances as compared to the NESC standard at the time of survey. Approximately 20% of the transmission system is surveyed each year. Clearance corrections are addressed by modifications to transmission facilities, distribution facilities, or both.

d. No. This work is not a result of any changes to NESC requirements.

e. This work should be capitalized because the modifications included the replacement of poles, pole hardware, conductors, and other capital facilities.

SPONSOR (PREPARER):
Randal Pryor/Martin Narendorf (Randal Pryor/Martin Narendorf)

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