



Control Number: 49421



Item Number: 624

Addendum StartPage: 0

SOAH DOCKET NO. 473-19-3864

PUC DOCKET NO. 49421

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

REBUTTAL TESTIMONY WORKPAPERS

OF

ELLEN LAPSON

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

June 20, 2019

¹
624

CenterPoint Energy Houston Electric, LLC

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

Work Paper EL

55-45 10 ROE

FITCH

Fitch Ratios**DEBT:**

	2020	2021	2022
Balance Sheet Debt	5,284.0	5,342.5	5,554.0
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Debt (GAAP)	4,288.0	4,527.9	4,908.4
Plus: Lease Adjustment	-	-	-
Adjusted Debt (Fitch)	4,288.0	4,527.9	4,908.4

INTEREST EXPENSE:

Income Statement Interest	202.3	206.1	218.5
Less: Securitization Interest (Cash and Non-Cash)	(28.0)	(20.8)	(13.4)
Adjusted Interest Expense (GAAP)	174.4	185.2	205.2
Plus: Capitalized Interest	7.1	8.7	8.2
Plus: Rental Payments	-	-	-
Adjusted Interest Expense (Fitch)	181.4	194.0	213.4

FUNDS FROM OPERATIONS:

Unadjusted FFO	882.0	945.8	997.8
Less: Securitization (Regulatory Asset) Amortization (Pre Tax)	(175.9)	(181.2)	(169.1)
Less: Securitization Amortization of Deferred Financing Costs (Pre Tax)	(0.5)	(0.4)	(0.2)
Adjusted Funds from Operations	705.6	764.2	828.5
Less: Capitalized Interest (After Tax)	(5.6)	(6.9)	(6.5)
Plus: Rental Payments	-	-	-
Adjusted Funds from Operations (Fitch)	700.0	757.3	822.0

TOTAL CAPITALIZATION:

Balance Sheet Total Capitalization	8,817.9	9,036.4	9,496.7
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Total Capitalization (GAAP)	7,822.0	8,221.8	8,851.1
Plus: Lease Payments	-	-	-
Adjusted Total Capitalization (Fitch)	7,822.0	8,221.8	8,851.1

EBITDA:

Unadjusted EBITDA	1,196.1	1,268.6	1,332.0
Less: Securitization EBITDA	(203.9)	(202.1)	(182.4)
Adjusted EBITDA	992.2	1,066.5	1,149.6
Less: Interest Income (intercompany)	(14.5)	(7.7)	(2.6)
Plus: Gross Rental Expense	-	-	-
Adjusted EBITDA (Fitch)	977.7	1,058.7	1,147.0

EBIT:

Unadjusted EBIT	603.8	645.9	692.1
Less: Securitization EBIT	(28.0)	(20.8)	(13.4)
Adjusted EBIT	575.8	625.0	678.7
Less: Interest Income (intercompany)	(14.5)	(7.7)	(2.6)
Plus: Gross Rental Expense	-	-	-
Adjusted EBIT (Fitch)	561.4	617.3	676.1

CenterPoint Energy Houston Electric, LLC*Transmission and Distribution Utility**(For the Year Ended or As of December 31, Dollars in Millions)*

Work Paper EL

55-45 10 ROE

Moody's

Moody's Ratios**DEBT:**

	2020	2021	2022
Balance Sheet Debt	5,284.0	5,342.5	5,554.0
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Debt (GAAP)	4,288.0	4,527.9	4,908.4
Plus: Postretirement Underfunded Amount (Pre Tax)	64.5	58.1	51.4
Plus: Operating Leases	-	-	-
Plus: CEHE GM Bonds issued as collateral for CNP Long-Term Debt	68.0	68.0	68.0
Adjusted Debt (Moody's) (excluding Securitization)	4,420.5	4,653.9	5,027.8
Plus: Securitization Debt	995.9	814.7	645.6
Adjusted Debt (Moody's) (including Securitization)	5,416.4	5,468.6	5,673.4

INTEREST EXPENSE:

Income Statement Interest	202.3	206.1	218.5
Less: Securitization Interest (Cash and Non-Cash)	(28.0)	(20.8)	(13.4)
Adjusted Interest Expense (GAAP)	174.4	185.2	205.2
Plus: Interest on Postretirement Underfunded Amount	2.3	2.0	1.8
Plus: Operating Leases	-	-	-
Adjusted Interest Expense (Moody's) (excluding Securitization)	176.6	187.3	207.0
Plus: Securitization Interest (Cash and Non-Cash)	28.0	20.8	13.4
Adjusted Interest Expense (Moody's) (including Securitization)	204.6	208.1	220.3
Adjusted Interest Expense (Moody's) (excluding Securitization)	176.6	187.3	207.0
Adjusted Interest Expense (Moody's) (including Securitization)	204.6	208.1	220.3

FUNDS FROM OPERATIONS:

Unadjusted FFO	882.0	945.8	997.8
Less: Securitization (Regulatory Asset) Amortization (Pre Tax)	(175.9)	(181.2)	(169.1)
Less: Securitization Amortization of Deferred Financing Costs (Pre Tax)	(0.5)	(0.4)	(0.2)
Adjusted Funds from Operations	705.6	764.2	828.5
Less: Post Retirement Contributions	(9.2)	(9.2)	(9.1)
Plus: Net Regulatory Assets/Liabilities	(15.4)	(52.2)	(59.6)
Plus: Other Assets	-	-	-
Plus: Other Liabilities	-	-	-
Plus: Other, net	-	-	-
Plus: Operating Leases	-	-	-
Plus: Postretirement Adjustment (1)	8.7	8.7	8.6
Adjusted Funds from Operations (Moody's) (excluding Securitization)	689.7	711.5	768.4
Plus: Securitization (Regulatory Asset) Amortization (Pre Tax)	175.9	181.2	169.1
Plus: Securitization Amortization of Deferred Financing Costs (Pre Tax)	0.5	0.4	0.2
Adjusted Funds from Operations (Moody's) (including Securitization)	866.1	893.1	937.7

TOTAL CAPITALIZATION:

Adjusted Debt (Moody's) (excluding Securitization)	4,420.5	4,653.9	5,027.8
Plus: Equity	3,534.0	3,693.9	3,942.7
Less: CEHE GM Bonds issued as collateral for CNP Long-Term Debt	(68.0)	(68.0)	(68.0)
Plus: Deferred Taxes (Excl. EDIT included in Regulatory Liabilities)	892.4	827.1	772.9
Adjusted Total Capitalization (Moody's) (excluding Securitization)	8,778.9	9,106.9	9,675.4
Plus: Securitization Debt	995.9	814.7	645.6
Adjusted Total Capitalization (Moody's) (including Securitization)	9,774.8	9,921.6	10,321.0

EBITDA:

Unadjusted EBITDA	1,196.1	1,268.6	1,332.0
Less: Securitization EBITDA	(203.9)	(202.1)	(182.4)
Adjusted EBITDA	992.2	1,066.5	1,149.6
Less: Interest Income (intercompany)	(14.5)	(7.7)	(2.6)
Adjusted EBITDA (Moody's) (excluding Securitization)	977.7	1,058.7	1,147.0
Plus: Securitization EBITDA	203.9	202.1	182.4
Adjusted EBITDA (Moody's) (including Securitization)	1,181.6	1,260.8	1,329.4

(1) Represents an add-back to reflect annual contributions at a level equal to annual service cost

CAPITAL EXPENDITURES:

Capital Expenditures	1,027.9	1,177.9	978.8
Plus: Operating Lease Depreciation	-	-	-
Total Capital Expenditures	1,027.9	1,177.9	978.8

EBITA:

Pre Tax Income	401.5	439.8	473.6
Plus: Interest Expense	202.3	206.1	218.5
EBITA (GAAP)	603.8	645.9	692.1
Plus: Postretirement Adjustment	2.0	2.0	2.0
Plus: Operating Leases	-	-	-
EBITA (Moody's) (including Securitization)	605.8	647.9	694.1
Less: Securitization Interest (Cash and Non-Cash)	(28.0)	(20.8)	(13.4)
EBITA (Moody's) (excluding Securitization)	577.8	627.0	680.7

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE*Transmission and Distribution Utility**(For the Year Ended or As of December 31, Dollars in Millions)*

Work Paper EL

55-45 10 ROE

S&P

	2020	2021	2022
DEBT:			
Balance Sheet Debt	5,284.0	5,342.5	5,554.0
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Debt (GAAP)	4,288.0	4,527.9	4,908.4
Plus: Pension & Postretirement Underfunded Amount (After Tax)	42.5	39.9	37.5
Plus: Asset Retirement Obligations (After Tax)	27.7	27.7	27.7
Plus: Interest Accrued	81.4	86.4	92.1
Plus: Unamortized Issuance Cost (Excluding Securitization)	13.7	12.2	10.9
Adjusted Debt (S&P)	4,453.4	4,694.0	5,076.5
INTEREST EXPENSE:			
Income Statement Interest	202.3	206.1	218.5
Less: Securitization Interest (Cash and Non-Cash)	(28.0)	(20.8)	(13.4)
Adjusted Interest Expense (GAAP)	174.4	185.2	205.2
Plus: Capitalized Interest	7.0	8.7	8.2
Plus: Interest on Pension & Postretirement Underfunded Amounts	2.6	2.4	2.3
Plus: Asset Retirement Obligations	1.0	1.0	1.0
Adjusted Interest Expense (S&P)	185.0	197.4	216.7
EBITDA:			
Unadjusted EBITDA	1,190.8	1,266.6	1,336.0
Less: Securitization EBITDA	(203.9)	(202.1)	(182.4)
Adjusted EBITDA	987.0	1,064.5	1,153.6
Plus: Interest on Pension & Postretirement Underfunded Amounts	5.4	5.1	4.8
Plus: Asset Retirement Obligations	1.0	1.0	1.0
Adjusted EBITDA	993.4	1,070.6	1,159.3
FUNDS FROM OPERATIONS:			
Adjusted EBITDA (S&P)	993.4	1,070.6	1,159.3
Less: Adjusted Interest Expense, net (S&P)	(185.0)	(197.4)	(216.7)
Less: Current Taxes	(122.0)	(126.5)	(124.3)
Plus: Pension & Postretirement Adjustment	1.3	1.2	1.1
Plus: Asset Retirement Obligations	0.2	0.2	0.2
Adjusted Funds from Operations (S&P)	687.9	748.2	819.8
OCF, FOCF & DCF:			
Operating Cash Flow	858.5	876.9	923.4
Less: Securitization OCF	(176.4)	(181.6)	(169.3)
Adjusted Operating Cash Flow	682.0	695.3	754.1
Plus: Pension & Postretirement Adjustment	(2.3)	(2.2)	(2.1)
Less: Capitalized Interest	(7.0)	(8.7)	(8.2)
Plus: Asset Retirement Obligations	(0.8)	(0.8)	(0.8)
Adjusted Operating Cash Flow (S&P)	671.9	683.6	743.0
Less: Capital Expenditures	(1,027.9)	(1,177.9)	(978.8)
Plus: Capitalized Interest	7.0	8.7	8.2
Free Operating Cash Flow (S&P)	(349.0)	(485.6)	(227.6)
Less: Dividends	(176.5)	(223.0)	(152.5)
Discretionary Operating Cash Flow (S&P)	(525.5)	(708.6)	(380.0)

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE*Transmission and Distribution Utility**(For the Year Ended or As of December 31, Dollars in Millions)*

Work Paper EL

55-45 10 ROE

S&P

	2020	2021	2022
<u>Core Ratios</u>			
FFO / Total Debt	15.4%	15.9%	16.1%
Total Debt / EBITDA	4.48	4.38	4.38
<u>Supplemental Ratios</u>			
OCF / Total Debt	15.1%	14.6%	14.6%
FOCF / Total Debt	-7.8%	-10.3%	-4.5%
DCF / Total Debt	-11.8%	-15.1%	-7.5%
EBITDA Interest Coverage	5.37	5.42	5.35
FFO Interest Coverage	4.72	4.79	4.78

CenterPoint Energy Houston Electric, LLC*Transmission and Distribution Utility**(For the Year Ended or As of December 31, Dollars in Millions)*

Scenario: 60% LT Debt, 40% Equity; ROE 9.25%

Work Paper EL

60-40 9.25 ROE

FITCH

Calculations based on Fitch Ratings methodology**DEBT:**

	2020	2021	2022
Balance Sheet Debt	5,689.1	5,763.3	6,004.0
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Debt (GAAP)	4,693.2	4,948.6	5,358.4
Plus: Lease Adjustment	-	-	-
Adjusted Debt (Fitch)	4,693.2	4,948.6	5,358.4

INTEREST EXPENSE:

Income Statement Interest	220.6	225.0	238.8
Less: Securitization Interest (Cash and Non-Cash)	(28.0)	(20.8)	(13.4)
Adjusted Interest Expense (GAAP)	192.6	204.2	225.5
Plus: Capitalized Interest	7.1	8.7	8.2
Plus: Rental Payments	-	-	-
Adjusted Interest Expense (Fitch)	199.7	212.9	233.7

FUNDS FROM OPERATIONS:

Unadjusted FFO	831.0	869.8	917.5
Less: Securitization (Regulatory Asset) Amortization (Pre Tax)	(175.9)	(181.2)	(169.1)
Less: Securitization Amortization of Deferred Financing Costs (Pre Tax)	(0.5)	(0.4)	(0.2)
Adjusted Funds from Operations	654.5	688.2	748.2
Less: Capitalized Interest (After Tax)	(5.6)	(6.9)	(6.5)
Plus: Rental Payments	-	-	-
Adjusted Funds from Operations (Fitch)	648.9	681.3	741.7

TOTAL CAPITALIZATION:

Balance Sheet Total Capitalization	8,817.9	9,036.4	9,498.8
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Total Capitalization (GAAP)	7,822.0	8,221.7	8,853.2
Plus: Lease Payments	-	-	-
Adjusted Total Capitalization (Fitch)	7,822.0	8,221.7	8,853.2

EBITDA:

Unadjusted EBITDA	1,172.1	1,224.6	1,286.0
Less: Securitization EBITDA	(203.9)	(202.1)	(182.4)
Adjusted EBITDA	968.2	1,022.5	1,103.6
Less: Interest Income (intercompany)	(14.5)	(7.7)	(2.6)

CenterPoint Energy Houston Electric, LLC

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

Scenario: 60% LT Debt, 40% Equity; ROE 9.25%

Work Paper EL

60-40 9.25 ROE

FITCH

Calculations based on Fitch Ratings methodology

Plus: Gross Rental Expense

Adjusted EBITDA (Fitch)

2020	2021	2022
-	-	-
953.7	1,014.7	1,101.0

EBIT:

Unadjusted EBIT

Less: Securitization EBIT

Adjusted EBIT

Less: Interest Income (intercompany)

Plus: Gross Rental Expense

Adjusted EBIT (Fitch)

579.8	601.9	646.1
(28.0)	(20.8)	(13.4)
551.8	581.0	632.7
(14.5)	(7.7)	(2.6)
-	-	-
537.4	573.3	630.1

Fitch Ratings (a)

FFO Interest Coverage

4.25 4.20 4.17

Fitch Benchmark

5x = Median A

4.5x = Median BBB

3.5x = Median BB

Debt / EBITDA

4.92 4.88 4.87

3.75x = Median BBB

4.75x = Median BB

Debt / FFO

5.53 5.53 5.49

5x = Median BBB

6.5x = Median BB

Debt as % of Total Capitalization

60.0% 60.2% 60.5%

n.a.

FFO / Debt

13.8% 13.8% 13.8%

n.a.

EBIT Interest Coverage

2.69 2.69 2.70

n.a.

EBITDA Interest Coverage

4.78 4.77 4.71

n.a.

Common Equity as % of Total Capitalization

40.0% 39.8% 39.5%

n.a.

% Internal Cash Generation [(FFO less Dividends) / Capital Expenditures]

78.3% 74.6% 91.3%

n.a.

(a) Ratios are computed by eliminating securitization debt and all related cash flows.

n.a. - There is no applicable Fitch benchmark.

CenterPoint Energy Houston Electric, LLC
Transmission and Distribution Utility
(For the Year Ended or As of December 31, Dollars in Millions)

Scenario 60% LT Debt, 40% Equity, ROE 9.25%

Work Paper EL

60-40 9.25 ROE

MOODY'S

Moody's Ratios
DEBT:

	2020	2021	2022
Balance Sheet Debt	5,689.1	5,763.3	6,004.0
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Debt (GAAP)	4,693.2	4,948.6	5,358.4
Plus: Postretirement Underfunded Amount (Pre Tax)	-	-	-
Plus: Operating Leases	4,693.2	4,948.6	5,358.4
Plus: CEHE GM Bonds issued as collateral for CNP Long-Term Debt			
Adjusted Debt (Moody's) (excluding Securitization)			
Plus: Securitization Debt	220.6	225.0	238.8
Adjusted Debt (Moody's) (including Securitization)	(28.0)	(20.8)	(13.4)

INTEREST EXPENSE:

Income Statement Interest	-	-	-
Less: Securitization Interest (Cash and Non-Cash)	199.7	212.9	233.7
Adjusted Interest Expense (GAAP)			
Plus: Interest on Postretirement Underfunded Amount			
Plus: Operating Leases	831.0	869.8	917.5
Adjusted Interest Expense (Moody's) (excluding Securitization)	(175.9)	(181.2)	(169.1)
Plus: Securitization Interest (Cash and Non-Cash)	(0.5)	(0.4)	(0.2)
Adjusted Interest Expense (Moody's) (including Securitization)	654.5	688.2	748.2

FUNDS FROM OPERATIONS:

Unadjusted FFO	8,817.9	9,036.4	9,498.8
Less: Securitization (Regulatory Asset) Amortization (Pre Tax)	(995.9)	(814.7)	(645.6)
Less: Securitization Amortization of Deferred Financing Costs (Pre Tax)	-	-	-
Adjusted Funds from Operations	7,822.0	8,221.7	8,853.2
Less: Post Retirement Contributions			
Plus: Net Regulatory Assets/Liabilities			
Plus: Other Assets	1,172.1	1,224.6	1,286.0
Plus: Other Liabilities	(203.9)	(202.1)	(182.4)
Plus: Other, net	968.2	1,022.5	1,103.6
Plus: Operating Leases	(14.5)	(7.7)	(2.6)
Plus: Postretirement Adjustment (1)	-	-	-
Adjusted Funds from Operations (Moody's) (excluding Securitization)	953.7	1,014.7	1,101.0
Plus: Securitization (Regulatory Asset) Amortization (Pre Tax)			
Plus: Securitization Amortization of Deferred Financing Costs (Pre Tax)			
Adjusted Funds from Operations (Moody's) (including Securitization)	579.8	601.9	646.1
	(28.0)	(20.8)	(13.4)

TOTAL CAPITALIZATION:

Adjusted Debt (Moody's) (excluding Securitization)	(14.5)	(7.7)	(2.6)
Plus: Equity	-	-	-
Less: CEHE GM Bonds issued as collateral for CNP Long-Term Debt	537.4	573.3	630.1
Plus: Deferred Taxes (Excl. EDIT included in Regulatory Liabilities)			
Adjusted Total Capitalization (Moody's) (excluding Securitization)			
Plus: Securitization Debt			
Adjusted Total Capitalization (Moody's) (including Securitization)	4.25	4.20	4.17

EBITDA:

Unadjusted EBITDA	4.92	4.88	4.87
Less: Securitization EBITDA			
Adjusted EBITDA	2.69	2.69	2.70
Less: Interest Income (intercompany)	4.78	4.77	4.71
Adjusted EBITDA (Moody's) (excluding Securitization)	5.53	5.53	5.49
Plus: Securitization EBITDA	40.0%	39.8%	39.5%
Adjusted EBITDA (Moody's) (including Securitization)	78.3%	74.6%	91.3%

(1) Represents an add-back to reflect annual contributions at a level equal to annual service cost

CAPITAL EXPENDITURES:

Capital Expenditures	
Plus: Operating Lease Depreciation	
Total Capital Expenditures	

EBITA:

Pre Tax Income	
Plus: Interest Expense	
EBITA (GAAP)	
Plus: Postretirement Adjustment	
Plus: Operating Leases	
EBITA (Moody's) (including Securitization)	
Less: Securitization Interest (Cash and Non-Cash)	
EBITA (Moody's) (excluding Securitization)	

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Work Paper EL

Transmission and Distribution Utility

(For the Year Ended or As of December 31, Dollars in Millions)

	2020	2021	2022
DEBT:			
Balance Sheet Debt	5,284.0	5,342.5	5,554.0
Less: Securitization Debt	(995.9)	(814.7)	(645.6)
Adjusted Debt (GAAP)	4,288.0	4,527.9	4,908.4
Plus: Pension & Postretirement Underfunded Amount (After Tax)	42.5	39.9	37.5
Plus: Asset Retirement Obligations (After Tax)	27.7	27.7	27.7
Plus: Interest Accrued	81.4	86.4	92.1
Plus: Unamortized Issuance Cost (Excluding Securitization)	13.7	12.2	10.9
Adjusted Debt (S&P)	4,453.4	4,694.0	5,076.5
INTEREST EXPENSE:			
Income Statement Interest	202.3	206.1	218.5
Less: Securitization Interest (Cash and Non-Cash)	(28.0)	(20.8)	(13.4)
Adjusted Interest Expense (GAAP)	174.4	185.2	205.2
Plus: Capitalized Interest	7.0	8.7	8.2
Plus: Interest on Pension & Postretirement Underfunded Amounts	2.6	2.4	2.3
Plus: Asset Retirement Obligations	1.0	1.0	1.0
Adjusted Interest Expense (S&P)	185.0	197.4	216.7
EBITDA:			
Unadjusted EBITDA	1,190.8	1,266.6	1,336.0
Less: Securitization EBITDA	(203.9)	(202.1)	(182.4)
Adjusted EBITDA	987.0	1,064.5	1,153.6
Plus: Interest on Pension & Postretirement Underfunded Amounts	5.4	5.1	4.8
Plus: Asset Retirement Obligations	1.0	1.0	1.0
Adjusted EBITDA	993.4	1,070.6	1,159.3
FUNDS FROM OPERATIONS:			
Adjusted EBITDA (S&P)	993.4	1,070.6	1,159.3
Less: Adjusted Interest Expense, net (S&P)	(185.0)	(197.4)	(216.7)
Less: Current Taxes	(122.0)	(126.5)	(124.3)
Plus: Pension & Postretirement Adjustment	1.3	1.2	1.1
Plus: Asset Retirement Obligations	0.2	0.2	0.2
Adjusted Funds from Operations (S&P)	687.9	748.2	819.8
OCF, FOCF & DCF:			
Operating Cash Flow	858.5	876.9	923.4
Less: Securitization OCF	(176.4)	(181.6)	(169.3)
Adjusted Operating Cash Flow	682.0	695.3	754.1
Plus: Pension & Postretirement Adjustment	(2.3)	(2.2)	(2.1)
Less: Capitalized Interest	(7.0)	(8.7)	(8.2)
Plus: Asset Retirement Obligations	(0.8)	(0.8)	(0.8)
Adjusted Operating Cash Flow (S&P)	671.9	683.6	743.0
Less: Capital Expenditures	(1,027.9)	(1,177.9)	(978.8)
Plus: Capitalized Interest	7.0	8.7	8.2
Free Operating Cash Flow (S&P)	(349.0)	(485.6)	(227.6)
Less: Dividends	(176.5)	(223.0)	(152.5)
Discretionary Operating Cash Flow (S&P)	(525.5)	(708.6)	(380.0)

CenterPoint Energy Houston Electric, LLC - 55/45 10% ROE

Work Paper EL

*Transmission and Distribution Utility**(For the Year Ended or As of December 31, Dollars in Millions)*

	2020	2021	2022
<u>Core Ratios</u>			
FFO / Total Debt	15.4%	15.9%	16.1%
Total Debt / EBITDA	4.48	4.38	4.38
<u>Supplemental Ratios</u>			
OCF / Total Debt	15.1%	14.6%	14.6%
FOCF / Total Debt	-7.8%	-10.3%	-4.5%
DCF / Total Debt	-11.8%	-15.1%	-7.5%
EBITDA Interest Coverage	5.37	5.42	5.35
FFO Interest Coverage	4.72	4.79	4.78

CenterPoint Energy Houston Electric, LLC

Ticker: CNP | Moody's Org ID: 378500 | LEI: 549300S8SEQBOJLKH63 | Market Segment: Infrastructure & Project Finance
 Industry: UTILITY: REG - ELECTR - TRANS&DIST | Peer Group: Regulated Electric and Gas Utilities | Denomic: UNITED STATES

ANALYST

Analyst: Robert Petrosino

LONG TERM RATING

Rating: A3 Not on Watch

Type: LT Issuer Rating

Date: 30 Jan 2014

OUTLOOK

Stable

Date: 30 Jan 2014

OTHER DEBTS ON WATCH?

No

Research

Ratings

Family Tree

Peer Group

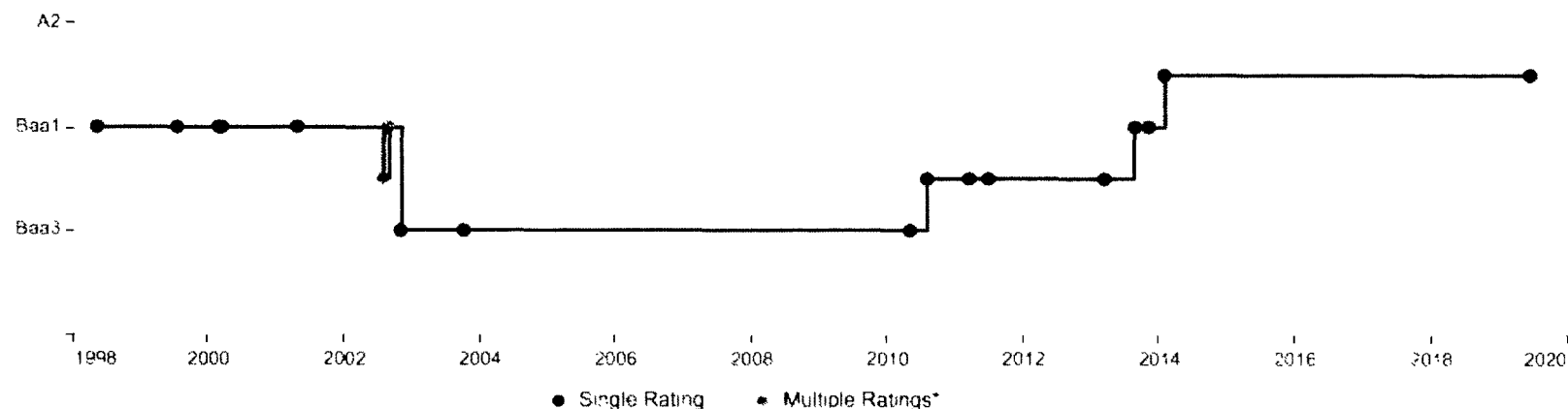
Market Signals

Rating Class Detail | Debt List | Issuer Outlook

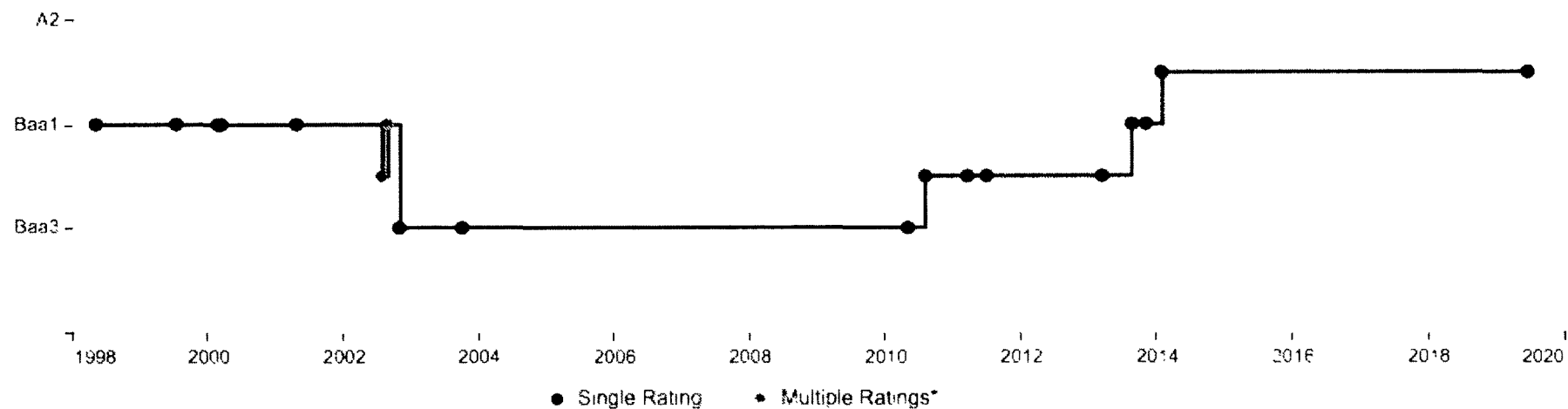
Export Results: 5

Class ▲	Rating	Rating Action	Date
LT Issuer Rating	A3	Upgrade	30 Jan 2014
Senior Unsecured Bank Credit Facility (Domestic)	A3	New	20 Jun 2017
Senior Secured (Domestic)	A1	Upgrade	30 Jan 2014
Underlying Senior Secured (Domestic)	A1	RATING AFFIRMATION	28 Jan 2019
BACKED Senior Secured (Domestic)	A1	RATING AFFIRMATION	28 Jan 2019

Rating Class History: LT Issuer Rating



Rating Class History: LT Issuer Rating



Export Results: 19

Date	Currency	Rating	Rating Action
30 Jan 2014		A2	Upgrade
08 Nov 2013		Baa1	On Watch - Possible Upgrade
19 Aug 2013		Baa1	Upgrade
14 Mar 2013		Baa2	RATING AFFIRMATION
29 Jun 2011		Baa2	CONFIRMED
23 Mar 2011		Baa2	On Watch - Possible Upgrade
03 Aug 2010		Baa2	Upgrade
03 May 2010		Baa3	On Watch - Possible Upgrade
07 Oct 2003		Baa3	CONFIRMED
04 Nov 2002		Baa3	Downgrade
31 Aug 2002		Baa1	On Watch - Possible Downgrade
31 Aug 2002		Baa1	Upgrade
31 Jul 2002		Baa2	On Watch - Possible Downgrade

Work Paper EL
\$ Billions

Vectren Acquisition Funding

	Transaction funding				<u>Gorman</u> <u>Testimony</u>	<u>Source</u>
	<u>Net</u> <u>Proceeds</u>	<u>Equity</u> <u>Content</u>	<u>Equity</u> <u>Amount</u>	<u>Equity</u> <u>Percentage</u>		
Series A Preferred Stock	790	50%	395			
Common Stock	1844	100%	1844		1900	Gorman Direct
Series B Mand Covert Pref Stock	950	100%	950			
Senior Notes	1489	0%	0			
Commercial Paper	909	0%	0			
Equity price	5982		3189	53%	22.4%	Gorman Direct
Assumed debt (net)	2334					
Transaction EV	8316				Calculated	
Equity sources %				38%	8482 from 22.4%	

Party	Witness	Long-term Debt		
		%	Equity %	ROE %
OPUC	Winker	54.5	45.5	9.15
TIEC	Gorman	60.0	40.0	9.25
TCUC	Woolridge*	60.0	40.0	9.00
Staff	Tietjen	60.0	40.0	9.45

* Mr. Woolridge's secondary recommendation is 55.48% long-term debt, 0.9% short-term debt, and 43.62% short-term debt.

Table: Issuer and Issue Credit Ratings and Notching

		Current Ratings	Insecured Debt	Secured Bonds	
Standard & Poor's (1)					
	CNP	BBB+, STABLE	BBB	--	CNP & CEHE Downgrade 02/01/19
	CEHE	BBB+, STABLE	--	A	
	Notching (4)	0 notches			
	Note: CEHE S, a+		--	--	
Moody's (2)					
	CNP	Baa2, STABLE	Baa2	--	CNP Downgrade 1/28/19 No change CEHE Notching increased
	CEHE	A3, STABLE	--	A1	
	Notching (4)	+2			
Fitch Ratings (3)					
	CNP	BBB, STABLE	BBB	--	CNP no action on Vectren merger No change CEHE
	CEHE	A-, STABLE	--	A+	
	Notching (4)	+2			

Ratings as of June 10, 2019

(1) Issuer Credit Rating; SACP is stand-alone credit profile, a component

(2) Senior Unsecured Rating

(3) Issuer Default Rating

(4) "Notching" signifies the number of rating categories between the rating of the subsidiary and the rating of its parent holding company.

Moody's rating was Baa3 in 2010 when cap structure was 60/40.