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SOAH DOCKET NO. 473-19-3864

PUC DOCKET NO. 49421

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

**TEXAS COAST UTILITIES COALITION'S
FOURTH SET OF REQUESTS FOR INFORMATION TO
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

Texas Coast Utilities Coalition's ("TCUC") Fourth Set of Requests for Information ("RFIs") to CenterPoint Energy Houston Electric, LLC ("CenterPoint") is hereby filed in this docket. Responses to the RFIs set forth on Exhibit A should be served on Alfred R. Herrera, Herrera Law & Associates, PLLC at 816 Congress Avenue, Suite 950, Austin, Texas 78701, within two (2) calendar days of service hereof or no later than **June 25, 2019**, or as modified by any order issued subsequent to the service of these RFIs. Exhibit A is attached hereto and incorporated herein for all purposes.

DEFINITIONS

1. "CenterPoint," "CEHE," the "Company," and "Applicant" refer to CenterPoint Energy Houston Electric, LLC and its affiliates.
2. "You," "yours," and "your" refer to CenterPoint (as defined above), including its directors, officers, employees, consultants, agents and attorneys.
3. "Document" and "documents" mean any written, recorded, filmed, or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device of any other media, including, but not limited to, memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contracts, agreements, books, pamphlets, periodicals, appointment calendars, records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recording that is capable of being transcribed into written form.

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4. The term “communication” includes all verbal and written communications (including written records of verbal communications) of every kind, including but not limited to, telephone calls, conferences, letters and all memoranda or other documents concerning the requested item. Where communications are not in writing, provide copies of all memoranda and documents and describe in full the substance of the communication to the extent that substance is not reflected in the memoranda and documents provided and to the extent it is within the knowledge of CenterPoint.
5. “Identification” of a document includes stating (a) the nature of the document (e.g., letter, memorandum, corporate minutes), (b) the date, if any, appearing thereon, (c) the date, if known, on which the document was prepared, (d) the title of the document, (e) the general subject matter of the document, (f) the number of pages comprising the document, (g) the identity of each person who signed or initialed the document, (h) the identity of each person to whom the document was addressed, (i) the identity of each person who received the document or reviewed it, (j) the location of the document, and (k) the identity of each person having custody of, or control over, the document. Identification of a document includes identifying all documents known or believed to exist, whether or not in the custody of CenterPoint or in the custody of its attorneys or other representatives or agents.
6. “Identification” of a person includes stating his or her full name, his or her most recent known business address and telephone number, his or her present position, and his or her prior connection or association with any party to this proceeding.
7. “Person” refers to, without limiting the generality of its meaning, every natural person, corporate entity, partnership, association (whether formally organized or ad hoc), joint venture, unit operation, cooperative, municipality, commission, governmental body or agency.
8. Capitalized terms not otherwise defined herein shall have the meaning attributed to them in the referenced testimony.

INSTRUCTIONS

1. If any RFI appears confusing, please request clarification from the undersigned counsel.
2. In providing your responses, please start each response on a separate page and type, at the top of the page, the RFI that is being answered.
3. As part of the response to each RFI, please state, at the bottom of the answer, the name and job position of each person who participated in any way, other than providing clerical assistance, in the preparing of the answer. If the RFI has sub-parts, please identify the person or persons by sub-part. Please also state the name of the witness in this docket who will sponsor the answer to the RFI and who can vouch for the truth of the answer. If the RFI has sub-parts, please identify the witness or witnesses by sub-part.

4. Rather than waiting to provide all of the responses at the same time, please provide individual responses as each becomes available.
5. If CenterPoint considers any RFI to be unduly burdensome, or if the response would require the production of a voluminous amount of material, please call the undersigned counsel as soon as possible in order to discuss the situation and to try to resolve the problem. Likewise, if CenterPoint objects to any of the RFIs on the grounds that the RFI seeks proprietary information, or on any other grounds, please call the undersigned counsel as soon as possible.
6. If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.
7. These requests shall be deemed continuing so as to require further and supplemental responses if CenterPoint receives or generates additional information within the scope of these requests between the time of the original response and the time of the hearings.

Respectfully submitted,

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**ATTORNEYS FOR TEXAS COAST
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CERTIFICATE OF SERVICE

I hereby certify that on this the 21st day of June 2019, a true and correct copy of the ***TCUC's Fourth Set of RFIS to CenterPoint*** was served on all known parties of record by electronic mail in compliance with SOAH Order No. 2 on this the 21st day of June 2019.

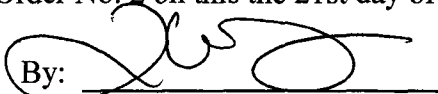
By: 
Leslie Lindsey

EXHIBIT A

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

APPLICATION OF CENTERPOINT	§	BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC	§	
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**TEXAS COAST UTILITIES COALITION'S
FOURTH SET OF REQUESTS FOR INFORMATION
TO CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

Regarding Robert McRae's Rebuttal Testimony:

- 4-1. Please state whether a reduction in the corporate federal-income-tax rate from 35% to 21% reduces CenterPoint Houston Electric's cash flow, because though CenterPoint Energy Houston Electric's rates for its services are calculated as if federal income taxes were paid at the rate of 35%, the federal income tax rate paid is less than 35%. If not, please explain in detail why a reduction in the corporate federal-income-tax rate from 35% to 21% reduces CenterPoint Houston Electric's cash flow.
- 4-2. Regarding Mr. McRae's rebuttal testimony at page 12, lines 8-10, and at Table 1 on pp. 12-13:
 - a. Please confirm that the average equity ratio of 53.28% through the third quarter of 2018 that Mr. Hevert calculated for the companies in Mr. Hevert's proxy group, excludes short-term debt.
 - b. Please provide the equity ratios for each company listed in Table 1 when calculated taking into account short-term debt.
- 4-3. Regarding Mr. McRae's rebuttal testimony at page 14, lines 9-13:
 - a. Please provide a table that traces the issuance of long-term debt to each asset in rate base.
 - b. Please provide a table that traces the issuance of equity to each asset in rate base.
- 4-4. Regarding Mr. McRae's rebuttal testimony at page 15, lines 3-13, please state whether it is Mr. McRae's testimony that CenterPoint Energy Houston Electric's earned equity return is exactly as the Commission authorizes it to earn, and if so, please provide all studies, analyses, reports showing that to be the case.

- 4-5. Regarding Mr. McRae's rebuttal testimony at page 17, lines 7-28:
- a. Please provide copies of the order in the "general rate case" to which Mr. McRae refers.
 - b. If not previously provided, please provide a copy of the Moody's reports to which Mr. McRae refers regarding Alliant Energy Corporation, Consolidated Edison, Inc., Oklahoma Gas & Electric Company, Xcel Energy Inc, and WEC Energy Group.
- 4-6. Regarding Mr. McRae's rebuttal testimony at page 42, lines 9-13, for the period from January 1, 2013 to the present, please provide all studies, analyses, or reports performed by or on behalf of CenterPoint Energy, Inc. and/or CenterPoint Energy Houston Electric that:
- a. Correlate the impact on CenterPoint Energy Houston Electric's rates and a change in their credit rating. If no such studies, analyses, or reports are available, please so state.
 - b. Quantify the net benefit to ratepayers of a higher credit rating than a lower credit rating.
- If no such studies, analyses, or reports are available, please so state.
- 4-7. Please state whether Mr. McRae or any other CenterPoint Energy Houston Electric witness contends that funds CenterPoint Energy Houston Electric receives are not fungible.
- 4-8. Please state whether Mr. McRae or any other CenterPoint Energy Houston Electric witness disagrees that that funds CenterPoint Energy Houston Electric receives are fungible.
- 4-9. Please state whether CenterPoint Energy Houston Electric maintains separate checking accounts for funds it receives from:
- a. Issuance of long-term debt;
 - b. Issuance of short-term debt;
 - c. Issuance of equity; and
 - d. Internally generated cash flow.
- 4-10. Please provide the carrying rate CenterPoint Energy Houston Electric employs for allowance for funds used during construction ("AFUDC"). If this varies by period, please provide the rate per period as maintained by CenterPoint Energy Houston Electric.

Regarding Robert Hevert's Rebuttal Testimony:

- 4-11. Regarding Mr. Hevert's rebuttal testimony at page 174, lines 16-18, please state whether the common equity ratio of 53.25% he notes, includes or excludes short-term debt.
- 4-12. Please confirm that Mr. Hevert relies on Mr. McRae's recommendations regarding the appropriate capital structure for CenterPoint Energy Houston Electric.
- 4-13. Please state whether it is Mr. Hevert's opinion that funds CenterPoint Energy, Inc., or CenterPoint Energy Houston Electric, or any other affiliate or subsidiary of CenterPoint Energy, Inc., are fungible.
- 4-14. Please state whether it is Mr. Hevert's opinion that funds CenterPoint Energy, Inc., or CenterPoint Energy Houston Electric, or any other affiliate or subsidiary of CenterPoint Energy, Inc., receives from short-term debt, long-term debt, equity, or internally generated cash flow, may be traced dollar-for-dollar to each specific expenditure made by these companies. If so, please provide all data showing how such funds are traced.
- 4-15. Regarding Mr. Hevert's rebuttal testimony at page 116, lines 18-19, please confirm that the Commission's order in Docket No. 48401 is the product of a settled rate case.
- 4-16. Regarding Mr. Hevert's rebuttal testimony at page 117, lines 7-12, please identify:
 - a. The "delivery companies" to which Mr. Hevert refers;
 - b. By docket number or other identifying number, the proceeding in which the delivery companies' authorized ROE was set;
 - c. The "distribution-only companies" to which Mr. Hevert refers;
 - d. By docket number or other identifying number, the proceeding in which the delivery companies' authorized ROE was set;
 - e. The difference Mr. Hevert attributes to the terms "delivery companies" versus "distribution-only companies," if any;
 - f. The companies that are included in Mr. Hevert's proxy group of companies.
- 4-17. Regarding Mr. Hevert's rebuttal testimony at page 117, line 18 – p. 118, line 4, please provide Mr. Hevert's quantitative analysis that shows how he considered each of his ROE recommendations to arrive at his recommendation of a 10.40% ROE. If no such quantitative analysis exists, please confirm that Mr. Hevert's "empirical, but not entirely mathematical exercise" leading him to a ROE of 10.40% is based on his subjective judgment.

- 4-18. Regarding Mr. Hevert's rebuttal testimony at page 119, lines 14-16, please provide all studies, analyses, reports Mr. Hevert relied upon for his statement that, "Measures of income are far more likely to be considered by the financial community in making credit assessments and investment decisions than are measures of revenue."
- 4-19. To the extent not provided in work papers, please provide copies of Exhibit Nos. R-RBH-1 through Exhibit R-RBH-31 in Microsoft Excel. Please include keep all data formulas embedded in the worksheet.
- 4-20. To the extent not provided in work papers, please provide copies of the source documents, data and work papers associated with the development of Exhibit Nos. R-RBH-1 through Exhibit. R-RBH-31. Please provide the underlying data and Exhibits in both paper and electronic (Microsoft Excel Worksheet) forms. For the Microsoft Excel version, please include keep all formulas embedded in the worksheet
- 4-21. To the extent not provided in work papers, please provide copies of all articles, publications, regulatory decisions, references, and/or documents cited in the testimony and/or footnotes. If the reference is a book, please provide a copy of the relevant section of the book.
- 4-22. To the extent not provided in work papers, please provide: (1) copies of the source documents, data and work papers associated with the development of Figure Nos. 1-48 in the rebuttal testimony; and (2) the data and work papers in both paper and electronic (Microsoft Excel Worksheet) forms. For the Microsoft Excel version, please include keep all formulas embedded in the worksheet.
- 4-23. With reference to page 117, lines 3-12, please provide; (1) the source documents, data and calculations that develop the 9.48% and the 9.60% ROEs; (2) identify why Mr. Hevert's 9.48% ROE is different from the 9.38% average electric delivery ROE in 2018 as listed on page 9 of the January 31, 2019 S&P Global Market Intelligence report entitled, "RRA Regulatory Focus, Major Rate Case Decision – January-December 2018;" (3) list the rate cases, states, and authorized ROEs used to compute the 9.48% ROE; and (4) provide the work papers and data used in (1)-(3) in Microsoft Excel, with all data and formulas embedded in the worksheet.
- 4-24. With reference to pages 117-118 and the Q and A regarding the "disconnect between Mr. Hevert's recommended ROE and his ROE studies," please provide the exact percentage weights Mr. Hevert gives to his DCF, CAPM, and bond yield risk premium ROE results shown in Tables 1a and 1b on page 7 of his initial testimony. The sum of the three percentage weights should be 100%.

- 4-25. With reference to pages 132-135 and Mr. Hevert's defense of the market risk premiums 10.72% and 14.10% in his CAPM analyses, please identify and provide copies of all empirical studies published in refereed professional or academic journals in the past ten years that report a U.S. market risk premium as high as 10.72% and 14.10%.
- 4-26. With reference to pages 136-138 and Mr. Hevert's discussion of GDP growth and S&P 500 EPS growth, please: (1) identify and provide copies of all empirical studies published in refereed professional or academic journals in the past ten years that demonstrate that S&P 500 and/or corporate profit growth can exceed GDP growth over long periods of time; (2) demonstrate and calculate what GDP growth rate is required to generate the Bloomberg and Value Line projected S&P 500 EPS growth rates used to compute the CAPM market risk premiums of 10.72% and 14.10%; and the work papers and data used in (2) in Microsoft Excel, with all data and formulas embedded in the worksheet.

Regarding Ellen Lapson Rebuttal Testimony:

- 4-27. To the extent not provided in work papers, please provide copies of Exhibit Nos. R-EL-1 through Exhibit R-EL-6 in Microsoft Excel. Please include keep all data formulas embedded in the worksheet.
- 4-28. To the extent not provided in work papers, please provide copies of the source documents, data and work papers associated with the development of Exhibit Nos. R-EL-1 through Exhibit R-EL-6. Please provide the underlying data and Exhibits in both paper and electronic (Microsoft Excel Worksheet) forms. For the Microsoft Excel version, please include keep all formulas embedded in the worksheet
- 4-29. To the extent not provided in work papers, please provide copies of all articles, publications, regulatory decisions, references, and/or documents cited in the testimony and/or footnotes. If the reference is a book, please provide a copy of the relevant section of the book.
- 4-30. With reference to page 15, lines 14-22, please provide: (1) the 2018 market shares for corporate long-term issuer ratings of S&P and Moody's; and (2) copies of the source documents used in (1).
- 4-31. With reference to page 18, lines 1-15, please provide: (1) all proof that the February 2019 S&P downgrade of CNP and CEHE did not impact the price of CEHE bonds and the cost of debt for CEHE; and (2) copies of the source documents used in (1).
- 4-32. With reference to page 33, lines 16-26, please provide: (1) all proof that the February 2019 S&P downgrade of CNP and CEHE did not impact the cost of equity for CEHE; and (2) copies of the source documents used in (1).

- 4-33. With reference to page 42, lines 13-21, please provide: (1) CEHE's average common equity ratio over the 2015-2018 time period; and (2) indicate whether or not CEHE was able to maintain its S&P and Moody's long-term issuer rating with this capital structure; and (3) copies of the source documents and data used in (1)-(2).
- 4-34. With reference to pages 42-5 and the credit matrix used by S&P, Moody's, and Fitch, please: (1) indicate whether these agencies define debt as (a) short-term plus long debt or (b) only long-term debt; and (2) copies of the source documents used in (1).
- 4-35. With reference to page 56, lines 17-20, please provide whether Mr. Hevert uses the operating companies or the holding companies to estimate a cost of equity capital for CEHE.
- 4-36. With reference to page 57, lines 16-19, please: define 'credit negative,' as used by Moody's; and (2) indicate whether 'credit negative' means 'credit downgrade.'