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SOAH DOCKET NO. 473-19-3864
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APPLICATION OF CENTERPOINT § BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC § OF
FOR AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

June 26, 2019

Contact: Denise Hardcastle
CenterPoint Energy Houston Electric, LLC
1111 Louisiana Street
Houston, Texas 77002
Tel No: (713) 207-5767
Fax: (713) 207-9840
Denise.Hardcastle@CenterPointEnergy.com

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

**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-01**

QUESTION:

Referring to Dane Watson's Rebuttal Testimony at page 10, lines 12-16, please provide a thorough explanation of what "extraordinary circumstances" would need to exist in order to justify reliance on the service lives of other utilities in setting depreciation rates.

ANSWER:

See Mr. Watson's rebuttal testimony, page 16 lines 19 through page 17 line 15.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

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

**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-02**

QUESTION:

Admit that reliance on the conformance index (CI) of a single experience band ignores the CIs for the remaining experience bands of an account for the time period under consideration.

ANSWER:

Mr. Watson does not understand the question as propounded. There is only a single experience band in SPR for a specific time period (e.g. 40 years). Mr. Watson believes (and is supported by authoritative guidance) that the use of a single experience band in SPR analysis is a flawed practice, just as it would be for actuarial analysis. That is why Mr. Watson has run and analyzed a number of bands for each account. Reviewing CI's of various bands gives the depreciation analyst a perspective on how different curves and life match the company's actual data over various periods.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

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

**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-03**

QUESTION:

Admit that consideration of the depreciation rates of other utilities is irrelevant in setting depreciation rates.

ANSWER:

Admit. The depreciation rates of other utilities are calculated based on the specific life/curve combinations (which has many unique factors in its assignment) for that company, net salvage factor relevant to that company and the unique reserve position of that company. Mr. Watson would never rely on the approved depreciation rates of another utility. The only time Mr. Watson recommends relying on the service lives or net salvage rates for other utilities is in extraordinary circumstances as explained on pages 16-17 of his rebuttal testimony.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

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

**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-04**

QUESTION:

Please provide any learned treatise or academic study that supports the conclusion that reliance on the opinions of company employees of the estimated service life of an asset is more important than the experience of other utilities in establishing depreciation rates.

ANSWER:

Information from Company employees regarding the operations and maintenance of assets and estimated life of various components is a valuable input in performing a depreciation study. See, e.g., Depreciation Systems, p. 288-289 in the discussion of performing a depreciation study. Mr. Watson is not aware of any learned treatise or academic study that supports using the lives for another company in lieu of the specific information from the company being studied. Accordingly, he is not aware of any learned treatise or academic study in which such comparison would have ever been made.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-05**

QUESTION:

Please admit that Mr. Watson does not have a degree or certificate in the area of meteorology and is not being presented as an expert in the area of meteorology.

ANSWER:

Admit. As a professional engineer and certified depreciation professional, Mr. Watson is not an expert in the area of meteorology. His 34 years of experience in the field of depreciation across the nation has exposed him to experts in that area who are knowledgeable regarding the impact of weather conditions on the life of assets. In each depreciation study he performs, he discusses those issues with Company experts who understand the assets within each account and the forces of retirement that impact the life of the equipment.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-06**

QUESTION:

Please admit that Mr. Watson does not have a degree or certificate in the area of geography and is not being presented as an expert in the area of geography.

ANSWER:

Admit. As a professional engineer and certified depreciation professional, Mr. Watson is not an expert in the area of geography. His 34 years of experience in the field of depreciation across the nation has exposed him to experts in that area who are knowledgeable regarding the impact of geography on the life of assets. In each depreciation study he performs, he discusses those issues with Company experts who understand the assets within each account and the forces of retirement that impact the life of the equipment.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-07**

QUESTION:

Please admit that Mr. Watson does not have a degree or certificate in the area of environmental studies and is not being presented as an expert in the area of environmental studies.

ANSWER:

Admit. As a professional engineer and certified depreciation professional, Mr. Watson is not an expert in the environmental studies. His 34 years of experience in the field of depreciation across the nation has exposed him to experts in that area who are knowledgeable regarding the impact of environmental issues or regulation on the life of assets. In each depreciation study he performs, he discusses those issues with Company experts who understand the assets within each account and the forces of retirement that impact the life of the equipment.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-08**

QUESTION:

Referring to Dane Watson's rebuttal testimony at 20, line 20, to 21 , line 23, please state the applicant utility's proposed average service lives were for each of the accounts noted, i.e. Accounts 353, 354, 362, and 366. Confirm that Dane Watson conducted the depreciation studies upon which TNMP's and ETI's proposed depreciation rates were based on in Docket Nos. 48401 and 48371 respectively.

ANSWER:

Confirmed. Mr. Watson conducted the depreciation studies for Entergy Texas and TNMP as referenced in Direct Exhibit DAW-1.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-09**

QUESTION:

Please whether Mr. Watson believes that it is unreasonable to discount the importance of information obtained by the preparer of a depreciation study from interviews with company employees regarding the estimated service life of an asset when that information has not been independently verified.

ANSWER:

Mr. Watson does not understand the question as propounded. The question appears to misunderstand the process and practice of interviewing Subject Matter Experts ("SMEs"). They are the experts in their subject area and are generally providing objective factual information and data about the utility's plant assets. Mr. Watson considers, analyzes and validates the information culled from interviews by relying on his experience as a professional engineer, his 20 years of work at a utility, his 15 years of experience conducting depreciation studies, his more than 1000 interview, his experience working with the types of assets addressed in his study, his research on specific equipment issues, etc. Mr. Watson believes it is unreasonable to discount the importance of any information he obtains from a utility simply because it has not been validated by another party.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

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

**TEXAS COAST UTILITIES COALITION
REQUEST NO.: TCUC05-10**

QUESTION:

Please state whether Mr. Watson has ever encountered a situation where information obtained by the preparer of a depreciation study from interviews with company employees regarding the estimated service life of an asset has been independently verified.

ANSWER:

See response to question TCUC, Question 5-9.

SPONSOR (PREPARER):

Dane Watson (Dane Watson)

RESPONSIVE DOCUMENTS:

None

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of June 2019, a true and correct copy of the foregoing document was served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.


