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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

**INITIAL POST-HEARING BRIEF OF
WALMART INC.**

JULY 9, 2019

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Walmart Inc. (“Walmart”) submits this Initial Post-Hearing Brief. In compliance with SOAH Order No. 10, Addressing Jurisdictional Deadline and Post-Hearing Briefing, Walmart used the numbering and headings set forth in the briefing outline attached as Attachment A to SOAH Order No. 10 and omitted those sections that Walmart does not address below.

I. INTRODUCTION/SUMMARY [Preliminary Order Issues 1, 2, 3]

On April 5, 2019, CenterPoint Energy Houston Electric, LLC (“CenterPoint”) filed an application (the “Application”) seeking, among other things, authority to increase its base rates for its retail electric customers in Texas and to increase its return on equity (“ROE”)¹.

Walmart is a large retail customer within CenterPoint’s service territory in Texas. Specifically, Walmart has 86 retail stores and related facilities, and 3 distribution centers that take electric service from CenterPoint. Collectively, these facilities consume over 430 million kWh of electricity on an annual basis.

III. RATE OF RETURN [Preliminary Order Issues 4, 5, 7, 8, 9]

A. Return on Equity [Preliminary Order Issue 8]

CenterPoint’s proposed ROE is higher than the average ROE approved by the Texas Commission and by commissions nationwide. In the Application, CenterPoint is asking the Public Utility Commission of Texas (the “Commission”) to authorize a net base rate revenue requirement

¹ CEHE Exhibit No. 1, *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates* filed on April 5, 2019 (Includes all attachments, electronic files and non-confidential workpapers. Direct testimony, exhibits and testimony workpapers provided separately.)

increase of approximately \$149 million², and an increase in its ROE to 10.4 percent, based on the range of 10.0 percent to 10.75 percent.³ CenterPoint further proposes a cost of debt of 4.38 percent and a capital structure of 50 percent equity and 50 percent debt.⁴ The impact of CenterPoint's proposal is an increase in return on rate base of approximately \$29 million, or a 6.5 percent increase in return on rate base.⁵

The 10.4 percent requested by CenterPoint in the Application is not only out of line for ROEs approved by commissions nationwide, but far exceeds ROEs approved by the Texas Commission since 2016. Specifically, the Commission has approved, on average, a ROE of 9.68 percent from 2016 through the present.⁶ This 9.68 percent average ROE is based on ROEs authorized in Docket No. 45957 (9.8 percent), Docket No. 46449 (9.6 percent), Docket No. 46831 (9.65 percent), and Docket No. 48401 (9.65 percent).⁷ Compared to these prior Dockets, CenterPoint is asking the Commission to approve an ROE that is sixty basis points higher than the highest ROE approved by the Commission for similar utilities over the past three years. On a nationwide basis, CenterPoint's proposed ROE is significantly greater than the national average of 9.38 percent for distribution-only utilities from 2016 to present.⁸

² CEHE Exhibit No. 30, Direct Testimony, Exhibits and Workpapers of Matthew A. Troxle (includes Errata), page 26, Figure 1.

³ CEHE Exhibit No. 26, Direct Testimony, Exhibits and Workpapers of Robert B. Hevert, page 3, lines 19-22.

⁴ CEHE Exhibit No. 27, Direct Testimony, Exhibits and Workpapers of Robert B. McRae (includes Errata), page 4, lines 6-17.

⁵ Walmart Exhibit No. 1, Direct Testimony and Exhibits of Steve W. Chriss, page 9, lines 9-12, and Exhibit SWC-2.

⁶ Walmart Exhibit No. 1, Direct Testimony and Exhibits of Steve W. Chriss, page 9, lines 17-19.

⁷ *Id.* at page 10, lines 1-12.

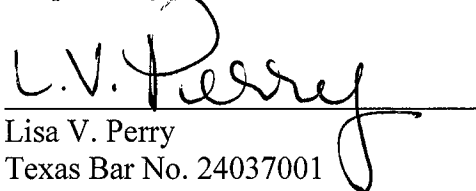
⁸ *Id.* at page 11, lines 11-12.

CenterPoint primarily relies on the testimony of its witness, Robert B. Hevert, to support its requested 10.4 percent ROE. However, as established in TIEC Exhibit No. 22⁹, Mr. Hevert's recommended ROEs are consistently reduced by commissions both inside and outside of the State of Texas, and for the most part, are reduced to below 10 percent. It is also important for the Commission to consider the impact of a 10.4 percent ROE on its commercial customers, and the corresponding increase in the cost of doing business within the CenterPoint service territory.

XII. CONCLUSION

In light of recent rate case ROEs approved by the Commission, recent rate case ROEs approved by other commissions across the nation, and the impact of the requested ROE on CenterPoint's customers, the Commission should reject CenterPoint's requested ROE of 10.4 percent in favor of a ROE that is more in line with ROEs previously approved in Texas and nationwide.

Respectfully submitted,



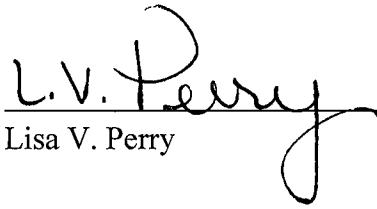
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⁹ TIEC Exhibit No. 22, Entergy New Orleans Response to APC 2-14.

CERTIFICATE OF SERVICE

I hereby certify that a copy of this **Initial Post-Hearing Brief of Walmart Inc.** was served on all parties of record in this proceeding on the 9th day of July 2019, by electronic mail, hand delivery, facsimile, and/or United States mail.



Lisa V. Perry