



Control Number: 49421



Item Number: 69

Addendum StartPage: 0

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 49421
2019 MAY -2 AM 11:3

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

**GULF COAST COALITION OF CITIES'
THIRD REQUEST FOR INFORMATION TO
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

The Gulf Coast Coalition of Cities (GCCC) files this Third Request for Information (RFI) to CenterPoint Energy Houston Electric, LLC (CenterPoint or Company) in the above-styled docket. CenterPoint is hereby requested to furnish one copy of all items of information enumerated on the attached sheets directly to the undersigned attorney at the offices of Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701 within ten (10) calendar days. 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 hearing. Also, where data is requested, provide it in hard copy and Excel format with all formulas intact.

DEFINITIONS AND INSTRUCTIONS

A. "CenterPoint," "Applicant," or "CEHE" refers to CenterPoint Energy Houston Electric, LLC, its parents, affiliates and subsidiaries, and any person acting or purporting to act on its behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.

B. The term "document" shall have the broadest meaning possible under the Texas Rules of Civil Procedure and shall include, but not be limited to, the original (or a copy when the original is not available), each non-identical copy (including those which are non-identical by reason of notations or marking, or by appearing in the files of a separate person), and any books, notebooks, pamphlets, periodicals, letters, reports, memoranda, handwritten notes, notations, messages, telegrams, wires, cables, press or news wire releases, records, studies, analyses, summaries, magazines, booklets, circulars, catalogs, bulletins, instructions, operating or maintenance manuals, operating or product specifications, fabrication sheets, test data, design specifications, parts lists, calendars, day-timers, notes or records of meetings, notices, purchase orders, bills, ledgers, checks, tabulations, questionnaires, surveys, drawings, sketches, schematics, blueprints, flow sheets, working papers, charts, graphs, indices, tapes, agreements, releases, appraisals, valuations, estimates, opinions, financial statements, accounting records, income statements, photographs, films or videotapes, back-up tapes, minutes, contracts, leases,

69

7

7

ON

releases, appraisals, valuations, estimates, opinions, financial statements, accounting records, income statements, photographs, films or videotapes, back-up tapes, minutes, contracts, leases, invoices, records of purchase or sale, correspondence, electronic or other transcription or tapings of or notes pertaining to telephone or personal conversations or conferences, tape recordings, electromagnetic recordings, voice mail message or transcriptions thereof, interoffice communications of all types, e-mail messages, printouts of e-mail messages, instant messages or printouts thereof, microfilms, electronic databases, CDs, DVDs, videotapes or cassettes, films, movies, computer printouts and any and all other written, printed, typed, punched, engraved, taped, filmed, recorded (electronically or otherwise), labeled, or graphic matter, of whatever description, however produced or reproduced (including computer-stored or generated data, together with instructions or programs necessary to search and retrieve such data), and shall include all attachments to (including tangible things) and enclosures with (including tangible things) any requested item, to which they are attached or with which they are enclosed, and each draft thereof. A draft of a non-identical copy is a separate document within the meaning of this term. An electronic copy of a paper document is a separate document within the meaning of this term.

C. Pursuant to Tex. R. Civ. P. 196.4, GCCC specifically requests that any electronic or magnetic data (which is included in the definition of “document”) that is responsive to a request herein be produced on CD-Rom in a format that is compatible with Microsoft Office and/or Word Perfect and be produced with your response to these requests. GCCC further requests that CenterPoint produce electronic copies of all paper documents, including any metadata attached to such documents, and produce all electronic originals or all responsive documents.

D. The terms “and” and “or” shall be construed both disjunctively and conjunctively as necessary to make the request inclusive rather than exclusive.

E. “Each” shall be construed to include the word “every” and “every” shall be construed to include the word “each.”

F. “Any” shall be construed to include “all” and “all” shall be construed to include “any.”

G. The term “concerning,” or one of its inflections, includes the following meanings: relating to; referring to; pertaining to; regarding; discussing; mentioning; containing; reflecting; evidencing; describing; showing; identifying; providing; disproving; consisting of; supporting; contradicting; in any way legally, logically or factually connected with the matter to which the term refers; or having a tendency to prove or disprove the matter to which the term refers.

H. The term “including,” or one of its inflections, means and refers to “including but not limited to.”

I. Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.

J. The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.

K. 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 or copies, subject matter of the document, and the basis upon which such privilege is claimed.

L. Pursuant to 16 Tex. Admin Code § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.

M. If the information requested is included in previously furnished exhibits, workpapers, responses to other discovery inquiries or otherwise, in hard copy or electronic format, please furnish specific references thereto, including Bates Stamp page citations and detailed cross references.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

816 Congress Avenue, Suite 1900

Austin, Texas 78701

(512) 322-5800

(512) 472-0532 (Fax)

tbrocato@lglawfirm.com

gmg@lglawfirm.com


CHRISTOPHER L. BREWSTER

State Bar No. 24043570

GEOFFREY M. GAY

State Bar No. 07774300

ATTORNEYS FOR GULF COAST
COALITION OF CITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of May, 2019, a true and correct copy of the foregoing document was transmitted to the parties of record in accordance with 16 Tex. Admin. Code § 22.74.


THOMAS L. BROCATO

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 48421

GCCC'S THIRD RFI TO CENTERPOINT

- GCCC 3-1. Refer to Schedule II-C-2.5a, which provide the daily balances of short-term debt outstanding.
- a. Explain why the short-term debt outstanding declined by \$190.994 million, from \$192.166 million on December 28-30, 2018 to \$1.172 million on December 31, 2018. Identify the source(s) of cash used to repay this short-term debt on December 31, 2018.
 - b. Provide a copy of all internal correspondence that addresses the repayment of this short-term debt on December 31, 2018.
 - c. Provide a similar schedule for 2017 and for 2019 to date.
- GCCC 3-2. Refer to Schedule II-C-2.8, which provides various financial metrics, included the earned return on common equity for each year 2014 through 2018.
- a. Provide the earned return on common equity separately for transmission and distribution.
 - b. Provide all assumptions, data, calculations and workpapers, including electronic spreadsheets in live format with all formulas intact.
 - c. Provide a copy of all source documents used to populate the data used in the calculations.
 - d. Confirm that the calculations of the earned return on common equity were made on a ratemaking basis, not a GAAP or financial statement basis.
- GCCC 3-3. Refer to Schedule II-C-2.9, which provides the data used to calculate the Company's earned return on common equity shown on Schedule II-C-2.8. The Company recorded a non-recurring net of tax gain of \$158.275 million in 2017 due to the TCJA.
- a. Provide a detailed description of this gain.
 - b. Provide the journal entries used to record this gain for accounting purposes, including all supporting descriptions, notes, other documents, correspondence, calculations, workpapers, and all electronic spreadsheets in live format with all formulas intact.
 - c. Explain why this gain was not deferred for ratemaking, accounting, and financial reporting purposes. Provide a copy of all correspondence and other documents that address this gain, including, but not limited to, the ratemaking effects. This includes correspondence and other documents that were prepared in-house by the Service Company and/or CEHE employees or outside advisors.

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 48421

GCCC'S THIRD RFI TO CENTERPOINT

- GCCC 3-4. Refer to Schedule II-B-11 page 1 of 2 and the adjustment to reduce the Reg Liability Pension BRP and Postretirement by \$61.612 million. Refer also to Exhibit KLC-08b page 2 of 3 Note 22, which refers to this adjustment and states: "This adjustment is to remove balances that are required under GAAP that have no impact on rate making."
- a. Confirm that the Company had a regulatory liability of \$68.522 million on its accounting books in account 254 at December 31, 2018. Provide a copy of the source documents for this amount, including the relevant account balances from the Company's trial balance and the relevant pages from the actuarial reports. To the extent that the Company made any calculations to determine the amount recorded on its accounting books compared to the amounts set forth in the actuarial reports, provide a reconciliation, along with an explanation for each reconciling difference.
 - b. Explain why the \$68.522 million was recorded as a regulatory liability under GAAP. Provide a copy of all supporting documentation for the Company's accounting and all documentation reviewed and/or relied on for your response.
 - c. Confirm that the \$68.522 million is the cumulative amount of the difference between the BRP and postretirement benefit expense recovered in rates and the funding of these plans, i.e., the analog of the pension expense regulatory liability of \$60.482 million also shown on Schedule II-B-11.
 - d. Explain why the Company believes that it should not be required to reduce rate base by the amount of the \$68.522 million recorded on its accounting books. Provide a copy of supporting documentation reviewed and relied on for this position and for your response.
 - e. Explain why the Company did not reflect the negative \$6.910 million calculated on WP/WP II-B-11 Adj 8 as a separate adjustment to reduce rate base in the same manner that it included the \$170.369 million on WP/WP II-B-11 Adj 8 as a separate adjustment to increase prepayments on Schedule II-B-10 for prepaid pension assets.
 - f. If, upon further reflection, the Company believes that it made an error with respect to the effective elimination of the \$68.522 million BRP and postretirement regulatory liability, then provide revised schedules to reflect the correction of this error. If the Company does not believe it made an error, then explain why it does not.

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 48421

GCCC'S THIRD RFI TO CENTERPOINT

- GCCC 3-5. Refer to Exhibit KLC-09 related to the determination of the prepaid pension asset proforma adjustment in the Company's filing. Refer further to the Net Prepaid amount of \$267.386 million reflected at the end of 2009. Refer further to Schedule II-B-10 filed in Docket No. 38339 based on the test year ended December 31, 2009 and the related Direct Testimony of Mr. Walter Fitzgerald at pages 203-204 in regards to prepayments included in rate base.
- a. Confirm that there was no prepaid pension expense included on Schedule II-B-10 or otherwise included in rate base in the Company's filing in Docket No. 38339. If not confirmed, provide the amount of prepaid pension expense included in rate base and the schedule that shows where it was included.
 - b. Refer to the response to part (a) of this question. If there was no prepaid pension expense included in rate base in the Company's filing in Docket No. 38339, describe all changes in circumstances that warrant inclusion of a prepaid pension asset related to balances recorded on the books of CenterPoint Energy, Inc. in this proceeding.
- GCCC 3-6. Refer to Schedule II-B-14, which shows the annual calculation of the pension deferral regulatory asset/(liability) of negative \$60.642 million shown on Schedule II-B-11. Provide a similar schedule showing the annual calculation of the BRP and postretirement benefit regulatory liability of negative \$68.522 million shown on Schedule II-B-11.
- GCCC 3-7. Refer to WP II-B-14.4 and the Company's calculation of pension expense and postretirement benefits expense used to calculate the deferrals pursuant to PURA 36.065 on Schedule II-B-14. These deferrals include CEHE and the Service Company's allocation of long-term disability expense.
- a. Describe the long-term disability expense shown on this workpaper, including whether it is incurred for employees who are on long-term disability and/or incurred for former employees after employment is terminated who are on long-term disability.
 - b. Indicate whether the Company considers and/or records long-term disability expense as a "postemployment benefits expense" as that term is used in PURA §36.065. If so, cite to and provide a copy of all authoritative support for this position. If not, provide all authoritative support for the Company's deferrals of the differences between the expense allowed in rates and the expense incurred.
 - c. Indicate whether the Company considers and/or records this expense as a "pension expense" as that term is used in PURA § 36.065. If so, cite to and provide a copy of all authoritative support for this position. If not, provide all authoritative support for the Company's deferrals of the differences between the expense allowed in rates and the expense incurred.

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 48421

GCCC'S THIRD RFI TO CENTERPOINT

- GCCC 3-8. Refer to WP II-D-2 Adj 6.1, which shows the calculation of pension expense based on the 2019 actuarial amounts for CEHE and the Service Company allocations to CEHE. Explain why there is no allocation of the Service Company charges to capital. Provide a copy of all accounting procedure guidelines and other documentation that address this issue.
- GCCC 3-9. Refer to Schedules V-K-1 and V-K-2, both of which list affiliate costs by FERC account.
- a. Provide similar schedules for the years ended 2016 and 2017.
 - b. Provide a similar schedule for the year-to-date amounts in 2019 and similar year to date amounts for 2016, 2017, and 2018. Indicate the months reflected in the year-to-date amounts.
- GCCC 3-10. Refer to the Direct Testimony of Charles Pringle at 41:1-9.
- a. Provide a copy of all workpaper support for each amount cited.
 - b. Provide a copy of all journal entries related to each amount cited, if any, with the amounts in the journal entries annotated to the workpaper support provided in response to part (a) of this question. If there were no journal entries related to the cited amounts, then explain the purpose of this testimony.
- GCCC 3-11. Refer to the Direct Testimony of Charles Pringle at 41:19-22. Describe and quantify the "ADIT asset" that existed prior to 2010, if any, each change recorded in 2010, and each change recorded in each year thereafter.
- GCCC 3-12. Refer to WP CWP-01 (Medicare Part D).
- a. Explain why the Company is seeking a regulatory asset for the years 2004 through the effective date of the rates resulting from the Commission's Order in Docket No. 38339.
 - b. Provide the effective date of the rates resulting from the Commission's Order in Docket No. 38339.
 - c. Cite all authorities relied on for the recording in 2010 of a regulatory asset for the tax effects of the permanent differences in 2004 through the effective date of the rates from the Commission's Order in Docket No. 38339.
 - d. Provide a copy of all contemporaneous correspondence and documentation that addresses the recording and the amount of the regulatory asset in 2010 referenced in part (c) of this question.
 - e. Provide the actual SFAS 106 costs (separated into expense and capital) before the Medicare Part D subsidy, after the Medicare part D subsidy, and the cash receipts, for each year 2012 through 2018 in the same format as WP CWP-01 (Summary) tab.

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 48421

GCCC'S THIRD RFI TO CENTERPOINT

- f. Confirm that line 18 on the (Summary) tab is intended to represent the regulatory asset for the tax effect of the permanent or temporary difference between the SFAS 106 expense before the Medicare Part D subsidy and after the Medicare Part D subsidy.
- g. If the response to part (f) of this question is "confirmed," then confirm that this is an ADFIT asset.
- h. Indicate whether the Company reclassified the difference in the ADFIT at 35% and at 21% as an EDIT on December 31, 2017. If not, explain why it did not. If so, then describe how this asset EDIT is reflected in the base revenue requirement in this filing, of if it is not, then how it is reflected in the quantifications for the Rider UEDIT revenue requirement.

GCCC 3-13. In the final order in Docket No. 38339 at 9, the Commission states:

The ALJs recommend that CenterPoint's proposed increase of \$6,520,000 to its test-year income tax expense to account for the increase to its tax expenses be approved.

GCCC, OPC and Staff argue that the changes to CenterPoint's Medicare Part D subsidy expense that will occur after December 31, 2012 are too far in the future to be included in the rates set in this proceeding. The Commission agrees. The termination date of the subsidy is December 31, 2012, nearly two years in the future. It is not in the public interest to approve expenses that will be incurred that far in the future in the rates set in this proceeding. The Commission rejects the ALJs' recommendation on this point.

In addition, in the final order in Docket No. 38339 at 9-10, the Commission states:

CenterPoint proposed to amortize a \$9.3 million (grossed up) ADFIT and income-tax related regulatory asset over a three-year period to account for a Medicare Part D subsidy receivable as of December 31, 2009. The receivable was reduced by the estimated Medicare Part D subsidy amounts that will be received in 2010, 2011 and 2012. The ALJs recommend the Commission approve and include CenterPoint's proposed three-year amortization in CenterPoint's rates set in this proceeding. The ALJ found that CenterPoint's proposed recovery of this regulatory asset more closely matches the recovery of the increased tax expense with the ratepayers who received the benefit of the nontaxable Medicare Part D subsidy in prior year and favors intergenerational equity.

SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 48421

GCCC'S THIRD RFI TO CENTERPOINT

The Commission rejects the ALJs' recommendation on this point and does not allow recovery of the three-year amortization of the \$9.3 million regulatory asset in the rates set in this proceeding. As with CenterPoint's proposal to increase its income tax expense to account for this future change, the health care legislation underlying CenterPoint's proposal to amortize this regulatory asset will not be effective until January 1, 2013, a change too far into the future to be included in the rates set in this proceeding. However, the Commission authorizes CenterPoint to continue to monitor and accrue the difference between what their rates assume the Medicare Part B subsidy tax expense would be and the reality of what CenterPoint is required to pay as a regulatory asset to be addressed in CenterPoint's next rate case. Findings of Fact 64 and 159 are deleted and new Finding of Fact 159A is added to reflect the Commission's decision. (footnotes omitted).

Further, Finding of Fact 159A of the final order in Docket No. 38339 states:

It is appropriate for CenterPoint to monitor and accrue the difference between what its rates assume the Medicare Part B [sic] subsidy tax expense will be and what CenterPoint is required to pay as a regulatory asset to be addressed in CenterPoint's next rate case.

Is it the Company's position that the Commission authorized it to defer a regulatory asset for "the difference between what its rates assume[d] the Medicare Part B [sic] subsidy tax expense [was]" prior to the effective date of the rates resulting from the Commission's Order in Docket No. 38339, even though the Commission specifically rejected the Company's request for the retroactive establishment of a regulatory asset and the final order authorizes a deferral for "what its rates assume . . . will be" and not "what its rates assumed . . . was"? If so, then explain this apparent disconnect between the retroactive deferral that the Company recorded and what appears to be Commission authorization for a *prospective* deferral of the difference between the differential allowed in rates \$6.520 million before tax-effect and the actual differential going forward.

- GCCC 3-14. Refer to Exhibit KLC-11 at 2, which states that "[f]or external reporting purposes, removal cost is reclassified to the regulatory liability for rate regulated entities" that apply SFAS 71.
- a. Describe how the Company performs the calculations necessary to reclassify the removal costs from accumulated depreciation for ratemaking purposes to the regulatory liability for external reporting purposes. Provide a copy of all documentation that addresses this reclassification and the related calculations necessary to quantify the amounts.
 - b. Provide the amounts reclassified to the regulatory liability by FERC plant account at December 31, 2017 and December 31, 2018.

GCCC'S THIRD RFI TO CENTERPOINT

- c. Confirm that in the depreciation study, Mr. Dane Watson did not separate the accumulated depreciation between the accumulated depreciation unrelated to removal costs and the accumulated depreciation reported as the regulatory liability for external reporting purposes.

GCCC 3-15. Refer to the Direct Testimony of Kristie Colvin at 39:19 through 40:6 wherein she describes the Company's present accounting for the Texas Margin Tax by accruing a regulatory asset in the year the liability is established and the reversal of the regulatory asset to expense in the following year when it is recovered in rates and paid.

- a. Confirm that the offsetting credit to the regulatory asset when it is booked is a liability, e.g., Texas Margin Tax Payable. If confirmed, provide the FERC account/subaccount and the name of the account on the Company's accounting books.
- b. Provide the actual journal entries to record the regulatory asset and the related liability by month in each year 2015 through 2018 and the reversal of the regulatory asset by month in each following year 2016 through 2019.
- c. Confirm that the regulatory asset is not financed because it is offset by a liability that has not yet been paid and that will not be paid until the following year. If denied, then provide a corrected statement and all support for the corrected statement, including the journal entry showing the credit component of the journal entry to record the regulatory asset that shows a credit to cash or to some form of financing. If none, then so state.

GCCC 3-16. Refer to Schedule II-B-12, which shows that the Company included \$19.627 million for the Texas Margin Tax Regulatory Asset in rate base.

- a. Explain why this regulatory asset should be included in rate base. The explanation shown on Schedule II-B-12a merely describes the accounting under GAAP and then recites the Company's proposed ratemaking treatment. The explanation does not address why the regulatory asset should be included in rate base given that it was not paid in cash or financed, and given that the related liability amount is not subtracted from rate base.
- b. Confirm that the amount shown on Schedule II-B-12 is the December 31, 2018 balance, not the 13-month average balance for the test year.

GCCC'S THIRD RFI TO CENTERPOINT

- GCCC 3-17. Refer to Schedule II-B-12a, which provides a “narrative” description of the Regulatory Asset – Texas Margin Tax. The narrative states in part: “Under Generally Accepted Accounting Principles (GAAP), Texas margin tax is considered an income tax. Per ASC 740-10-55-143, ‘The portion of the current tax liability based on income is required to be accrued with a charge to income during the period in which the income is earned.’”
- a. Confirm that the Company is required to record the Texas Margin Tax as an expense (charge to income) during the period in which the revenue (income) is earned, meaning the year in which the liability is accrued based on the revenues for that year, not the revenue (income) in the following year when the liability is paid.
 - b. Provide the GAAP provision that allows the Company to defer the income tax expense described in part (a) of this question until the following year when the liability is paid.
 - c. Under GAAP, does the Company incur the liability in the year when it is recorded or in the following year when it is paid? Cite and provide a copy of all authoritative sources reviewed and/or relied on for your response.
- GCCC 3-18. Refer to the Direct Testimony of Kristie Colvin at 40:1-3 wherein she states that the Commission approved this accounting practice (recording of a regulatory asset for the deferral of Texas Margin Tax expense as regulatory asset until it is paid in the following year when the liability is paid).
- a. Describe the Company’s accounting practice prior to the final order in Docket No. 29526.
 - b. Indicate whether the Company recorded a one-time increase to income (credit) to income when it first recorded a regulatory asset for the deferred Texas Margin Tax expense regardless of whether it was before or after the final order in Docket No. 29526. If so, provide the actual journal entry made to record this increase to income.