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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 § PUBLIC UTILITY COMMISSION  
FOR AUTHORITY TO CHANGE RATES § OF  
ADMINISTRATIVE HEARINGS

**GULF COAST COALITION OF CITIES'**  
**REPLY TO EXCEPTIONS**  
**TO THE PROPOSAL FOR DECISION**

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**ATTORNEYS FOR THE GULF COAST  
COALITION OF CITIES**

OCTOBER 24, 2019

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TO THE PUBLIC UTILITY COMMISSION OF TEXAS:

The Gulf Coast Coalition of Cities (GCCC) timely files this Reply to Exceptions to the Proposal for Decision (PFD) for consideration by the Public Utility Commission of Texas (Commission) and respectfully shows as follows:

**I. INTRODUCTION**

As GCCC noted in its Exceptions, the PFD provides reasoned consideration of the lengthy evidentiary record in this case. Though CenterPoint Energy Houston Electric, LLC's (CenterPoint or Company) Exceptions raise challenges to a broad variety of recommendations in the PFD, those challenges largely repeat arguments that the Company has made throughout this case. Therefore, they have already been considered and rejected, based on record evidence. CenterPoint's Exceptions offer no basis for rejecting the PFD. For the reasons stated on the following pages, the Company's arguments should be declined once again.

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<sup>1</sup> Joint Objection and Motion to Strike (Oct. 17, 2019).

## **II. RATE BASE [PO ISSUES 4, 5, 10, 11, 12, 13, 15, 16, 17, 18, 19, 59]**

### **C. Prepaid Pension Asset**

#### **3. ALJs' Analysis and Recommendation**

The PFD correctly rejects CenterPoint's proposal to include a prepaid pension asset in rate base. The Administrative Law Judges (ALJs) did an excellent job of summarizing the positions and complicated accounting of GCCC and CenterPoint regarding the Company's assertion that it is entitled to include a prepaid pension asset in its rate base.<sup>2</sup> As part of their analysis of this issue, the ALJs summarized CenterPoint's criticisms of GCCC's arguments with five statements.<sup>3</sup> The ALJs concluded "there is insufficient evidence to support these statements."<sup>4</sup> CenterPoint's Exception is merely a re-articulation of the statements the ALJs found lacking credibility and evidentiary support.

CenterPoint's initial request for inclusion of a pension asset in rate base lacked credibility because of a computational error. GCCC witness Lane Kollen identified three errors which, once corrected, eliminate the request. CenterPoint acknowledged the accuracy of one of the errors highlighted by Kollen and reduced the original request from \$176.3 million to \$103.4 million.<sup>5</sup>

The central challenge to CenterPoint then became demonstrating the source of the funds of the alleged \$103.4 million prepayment. The Company's credibility did not improve, and its alleged proof consists of nothing but accounting entries. There is no evidence that either debt or equity provided such funds. Instead, Mr. Kollen was persuasive in demonstrating that the proposed prepaid pension asset can be traced to unrealized losses recorded as Accumulated Other Comprehensive Income (AOCI) by CenterPoint (CNP).<sup>6</sup> The ALJs properly found that "the evidence indicates that a portion of the \$370.442 million unrealized losses, recorded as

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<sup>2</sup> Proposal for Decision at 54-63 (Sep. 16, 2019). (PFD).

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AOCI by CNP, is the source for CenterPoint's proposed PPA.”<sup>7</sup> CenterPoint's Exception attempts to disprove that unrealized losses are the source of the proposed prepaid pension asset with the same unpersuasive arguments and evidence used in its post-hearing briefs.<sup>8</sup> The Company's Exceptions confirm that the net unfunded status “is ultimately what CenterPoint Houston still owes for its pension plant obligation as of the December 31 measurement date each year.”<sup>9</sup> In other words, it remains unfunded. The pension “cost” that is charged to CEHE includes an amortization of this unfunded liability and interest on that liability.

The Company's Exceptions also confirm that the “presence of AOCI or unrecognized losses in the actuarial reports does not mean AOCI is the funding source for the Prepaid Pension Asset balance.”<sup>10</sup> That is because there is no “funding source” for the prepaid pension asset. It is a non-cash accounting placeholder.

In addition, the Company's Exceptions claims that “16 TAC § 25.231(c)(2)(B)(i-ii) allows utilities to include in rate base items the utility itself funds before it recovers the corresponding expenses through rates.”<sup>11</sup> This Rule is irrelevant to this issue, because the Company itself has not funded the CNP prepaid pension asset even assuming that it was financed by CNP, which it was not.

So, if the source is not unrealized losses, what is it? There is no proof that the source related to debt or equity. The only credible evidence was provided by Mr. Kollen—that the prepaid pension assist is only a non-cash accounting placeholder, as stated above. Neither the Company's proposed prepaid pension asset nor its Exception on this point have validity.

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<sup>7</sup> PFD at 60.

<sup>8</sup> CenterPoint Energy Houston Electric, LLC's Exceptions to Proposal for Decision at 32-36 (Oct. 10, 2019). (CenterPoint's Exceptions).

<sup>9</sup> *Id.* at 34.

<sup>10</sup> *Id.* at 35.

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**E. Regulatory Assets and Liabilities [PO Issues 18, 19, 34, 41, 54, 59]**

**2. Hurricane Harvey Regulatory Asset**

**d. ALJs' Analysis and Recommendation**

In its Exceptions, CenterPoint continues to request recovery of \$8.7 million in Hurricane Harvey-related carrying costs, and presents only one argument in favor of its request—that a statutory provision, PURA § 36.402(b), permits such interest.<sup>12</sup> Notably, however, the Company did not defer its Hurricane Harvey expenses pursuant to PURA §§ 36.402-36.403—the relevant portions of PURA addressing system restoration costs—and only quantified its request for interest on its restoration costs in an errata filing made on May 20, 2019. CenterPoint filed no direct testimony in support of its requested interest.

CenterPoint continues to fail to point to proper statutory authority for its request for interest on its Hurricane Harvey. The Company's Exceptions cite to PURA § 36.402, subsection (b), for the proposition that interest on system restoration costs is recoverable, but that section appears in the context of PURA Subchapter entitled "Securitization for Recovery of System Restoration Costs." While CenterPoint's Exceptions point to precedent that the title or heading of a statute do not limit or expand the applicability of a statute, clearly CenterPoint did not apply the statute in that manner when it originally filed its case *without* its requested interest. The PFD reached the correct result on this point, and should be affirmed.

**3. Medicare Part D Regulatory Asset**

**c. GCCC's Objections to CenterPoint's Computation of the Regulatory Asset**

**vi. ALJs' Recommended Amount for the Regulatory Asset**

CenterPoint submits an Exception to the ALJs' decision that its proposed Medicare Part D subsidy should be reflected in a regulatory asset based on a starting year of 2013, rather than 2004 as the Company proposed.<sup>13</sup> CenterPoint's requested start date for this asset has

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<sup>12</sup> *Id.* at 37-38.

<sup>13</sup> *See* CenterPoint's Exceptions at 40; and PFD at 77.

already been rejected by the Commission, in Docket No. 38339, as GCCC witness Lane Kollen testified.<sup>14</sup> It should be rejected in this case, as well, and the ALJs' decision in the PFD should be adopted.

CenterPoint's Exceptions again claim that its erroneous Medicare Part D proposal is consistent with the Commission's direction in Docket No. 38339.<sup>15</sup> The Commission's Order on Rehearing in that case stated that CenterPoint was to "monitor and accrue the difference between what its rates assume the Medicare Part [D] 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."<sup>16</sup> As Mr. Kollen framed this direction: "[S]tarting in January 2013, the Company was authorized to defer the increase in income tax expense due to the taxability of the Medicare Part D subsidies, which became effective on January 1, 2013."<sup>17</sup> But instead of simply adhering to these instructions, in this case the Company reverted to the approach that this language rejected—CenterPoint included a retroactive deferral for the years 2004 through 2012.<sup>18</sup> CenterPoint's Exceptions say little about why its proposed, retroactive regulatory asset dating back to 2004 is consistent with the outcome of Docket No. 38339, in which a regulatory asset calculated on that basis was rejected.

CenterPoint also incorrectly claims that the ALJs highlighted the "suspect nature" of the figure used for this disallowance.<sup>19</sup> The PFD makes no such characterization, simply stating that if CenterPoint believes a different amount is appropriate, it should so state in its Exceptions.<sup>20</sup> At the conclusion of its Exception on this point, CenterPoint claims that GCCC's \$5.572 million

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<sup>14</sup> Direct Testimony of Lane Kollen, GCCC Ex. 1 at 27.

<sup>15</sup> CenterPoint's Exceptions at 40.

<sup>16</sup> *Application of CenterPoint Electric Delivery Company, LLC, for Authority to Change Rates*, Docket No. 38339, Order on Rehearing at Finding of Fact No. 159A (Jun. 23, 2011).

<sup>17</sup> GCCC Ex. 1 at 29.

<sup>18</sup> GCCC Ex. 1 at 27.

<sup>19</sup> CenterPoint's Exceptions at 40.

<sup>20</sup> PFD at 92, n. 264.



regulation asset calculation is incorrect.<sup>21</sup> CenterPoint's Exceptions provide an alternate calculation at a much higher figure, \$16.176 million total.<sup>22</sup> This calculation is flawed, because it does not take into account CenterPoint's expense ratio of 46.7%<sup>23</sup> Applying this amount to CenterPoint's calculation (even assuming that calculation was appropriate) would result in a total of \$7.554 million, a figure roughly consistent with GCCC's recommendation.

## **7. BRP Pension Liability**

Because the ALJs properly rejected the Company's proposed prepaid pension asset, they also correctly denied CenterPoint's requested \$6.9 million Benefit Restoration Plan (BRP) liability. The ALJs' conclusion is consistent with the recommendation of GCCC and its witness Lane Kollen, who testified that if any amount for a prepaid pension asset is included in rate base, consistency requires that the BRP Pension liability be subtracted from rate base.<sup>24</sup> In response, CenterPoint claims in its Exceptions, with little explanation, that this proposal creates a "fundamental mismatch" between the BRP Pension liability and CenterPoint's prepaid pension asset.<sup>25</sup>

Throughout this case, GCCC has pointed out the variety of flaws in CenterPoint's defense of its supposed BRP Pension liability. The Company first attempted to claim that the BRP Pension liability was not a liability at all, even though its trial balance of the year ending December 31, 2019 identified it as such.<sup>26</sup> And, as Mr. Kollen testified, the prepaid pension asset and BRP Pension liability are calculated in the same manner. CenterPoint did not subtract its BRP Pension liability figure from rate base on the grounds that "the cash collected in rates for the postretirement potion has been placed in an irrevocable trust," a fact that has no relevance,

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<sup>21</sup> CenterPoint's Exceptions at 40.

<sup>22</sup> *Id.*

<sup>23</sup> GCCC Ex. 1, Workpapers of Lane Kollen at WP II-E-3.15.2.

<sup>24</sup> Initial Brief of the Gulf Coast Coalition of Cities at 21 (Jul. 9, 2019) (GCCC's Initial Brief); and GCCC Ex. 1 at 26.

<sup>25</sup> CenterPoint's Exceptions at 43.

<sup>26</sup> GCCC Ex. 1 at 25, citing CEHE RFP Workpapers (Redacted).xlsx on Tab "TB-Year to Date."

since all cash collected in rates for the Company's pension costs is placed in an irrevocable trust fund.<sup>27</sup> CenterPoint's Exceptions do not explain why its pension-related liability should not be deducted from rate base, given these contrary facts. The PFD reached the correct result on this issue, and should be adopted by the Commission.

**IV. OPERATING AND MAINTENANCE EXPENSES [PO Issues 4, 5, 21, 22, 25, 26, 28, 29, 33, 35, 36, 38, 39, 54, 55]**

**D. Affiliate Expenses [PO Issues 35, 36]**

**2. Compensation for Use of Capital/Affiliate Carrying Charges**

CenterPoint's Exceptions reiterate the Company's flawed claims regarding this issue. In its pleading, CenterPoint simply emphasizes that the assets held by its affiliated Service Company for the benefit of CenterPoint Houston should earn a return that should be recovered from ratepayers.<sup>28</sup> Yet CenterPoint's short argument does not contend with the flaws in its requested compensation for this use. In essence, CenterPoint continues to propose to use a "phantom" Service Company rate of return that is far in excess of its actual cost of capital. CenterPoint proposes to recover this return computed at 11.37%, its gross-up weighted cost of capital.<sup>29</sup> The PFD denied this recovery for a number of reasons identified by OPUC and Commission Staff, and GCCC supports the PFD in this regard. CenterPoint's Exceptions bring forth no additional arguments for consideration.

**IX. RIDERS [PO Issues 4, 5, 43, 51, 52]**

**A. Rider UEDIT [PO Issue 51]**

**4. Amount of Return through Rider UEDIT**

**g. ALJs' Analysis and Recommendation**

In their PFD, the ALJs recommend that the Commission open a separate proceeding to give full consideration of the issues surrounding approximately \$158 million in Excess Deferred

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<sup>27</sup> GCCC Ex. 1 at 26-27, citing Kollen Attachment F at bates page 111.

<sup>28</sup> CenterPoint's Exceptions at 90.

<sup>29</sup> GCCC Ex. 1, Kollen Attachment K at bates page 120.

Federal Income Tax (EDIT) that CenterPoint closed to income in late 2017.<sup>30</sup> GCCC witness Lane Kollen recommended that CenterPoint be required to return this EDIT to ratepayers through Rider EDIT.<sup>31</sup> Despite the relatively moderated recommendation of the ALJs—to defer full consideration of this item to a follow-on proceeding—CenterPoint excepts to it. CenterPoint’s position mischaracterizes the nature of the EDIT at issue and overlooks certain key facts.

Chief among those facts relates to CenterPoint assertion that it is “undisputed that all potential future ADFIT benefits on Transition Bonds” were resolved by settlement agreement in a prior proceeding,<sup>32</sup> and that this supposed fact precludes consideration of the EDIT issue that GCCC identified in this proceeding. The relevance of these claims to the EDIT now at issue is indeed under dispute. As GCCC has noted previously in this case, the EDIT now under consideration did not arise until the passage of the Tax Cut and Jobs Act (TCJA) of 2017.<sup>33</sup> The settlement language cited by CenterPoint could not have addressed, and did not envision, the passage of the TCJA in 2017 and the tax and ratemaking implications it would create.

Similarly, in section IX.A.2.a.ii. of CenterPoint’s Exceptions, the Company argues that the amount the ADFIT credit and other benefits provided in the Company’s securitization proceeding—Docket No. 39054—was substantial, and far in excess of the EDIT issue under consideration in this case.<sup>34</sup> While this statement is true as a mathematical matter, it is not probative. The \$158 million in EDIT identified in this case is a distinct amount that came into being in late 2017 with the passage of the TCJA.

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<sup>30</sup> See GCCC Ex. 1 at 56.

<sup>31</sup> *Id.* at 61.

<sup>32</sup> CenterPoint’s Exceptions at 98-99.

<sup>33</sup> GCCC’s Initial Brief at 84.

<sup>34</sup> *Id.* at 100.

CenterPoint also argues that refunding this \$158 million in EDIT to customers would jeopardize securitization proceedings generally.<sup>35</sup> Why this is true is not fully explained, though CenterPoint raises the specter of reopening settled securitization proceedings, a prospect which Commission Staff witness Darryl Tietjen agreed is to be avoided.<sup>36</sup> The record in this case makes clear that CenterPoint does believe that a disposition of the \$158 million in EDIT is possible—CenterPoint simply took it for itself.<sup>37</sup> These funds did not go to bondholders, CenterPoint’s “bondcos,” or any outside entity that might be implicated in its securitizations. CenterPoint’s Exceptions continue to fail to explain why crediting these funds to ratepayers would undermine securitization in this state, while giving those funds to CenterPoint’s shareholders would not. In any event, as noted above, this EDIT balance came into being in late 2017, long after the securitization of CenterPoint’s true-up related balance.

CenterPoint’s Exceptions on this point should be rejected. GCCC continues to urge that the \$158 million in EDIT addressed in this issue be returned to ratepayers through Rider UEDIT.

## **X. CONCLUSION**

GCCC respectfully requests that the Commission adopt the PFD consistent with its previously-filed Exceptions, and reject the Company’s Exceptions. GCCC also requests such other relief to which it has shown itself entitled.

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<sup>35</sup> *Id.* at 101-102

<sup>36</sup> *Id.* at 102.

<sup>37</sup> GCCC Ex. 1 at 56; Tr. at 288:22-23 (Colvin Direct) (Jun. 24, 2019).

Respectfully submitted,

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& TOWNSEND, P.C.**

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**CERTIFICATE OF SERVICE**

I hereby certify that on October 24, 2019, a true and correct copy of the foregoing document was served on all parties of record via electronic mail in compliance with SOAH Order No. 2.

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**c. GCCC's Objections to CenterPoint's Computation of the Regulatory Asset**

**vi. ALJs' Recommended Amount for the Regulatory Asset**

CenterPoint submits an Exception to the ALJs' decision that its proposed Medicare Part D subsidy should be reflected in a regulatory asset based on a starting year of 2013, rather than 2004 as the Company proposed.<sup>13</sup> CenterPoint's requested start date for this asset has

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<sup>12</sup> *Id.* at 37-38.

<sup>13</sup> *See* CenterPoint's Exceptions at 40; and PFD at 77.

already been rejected by the Commission, in Docket No. 38339, as GCCC witness Lane Kollen testified.<sup>14</sup> It should be rejected in this case, as well, and the ALJs' decision in the PFD should be adopted.

CenterPoint's Exceptions again claim that its erroneous Medicare Part D proposal is consistent with the Commission's direction in Docket No. 38339.<sup>15</sup> The Commission's Order on Rehearing in that case stated that CenterPoint was to "monitor and accrue the difference between what its rates assume the Medicare Part [D] 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."<sup>16</sup> As Mr. Kollen framed this direction: "[S]tarting in January 2013, the Company was authorized to defer the increase in income tax expense due to the taxability of the Medicare Part D subsidies, which became effective on January 1, 2013."<sup>17</sup> But instead of simply adhering to these instructions, in this case the Company reverted to the approach that this language rejected—CenterPoint included a retroactive deferral for the years 2004 through 2012.<sup>18</sup> CenterPoint's Exceptions say little about why its proposed, retroactive regulatory asset dating back to 2004 is consistent with the outcome of Docket No. 38339, in which a regulatory asset calculated on that basis was rejected.

CenterPoint also incorrectly claims that the ALJs highlighted the "suspect nature" of the figure used for this disallowance.<sup>19</sup> The PFD makes no such characterization, simply stating that if CenterPoint believes a different amount is appropriate, it should so state in its Exceptions.<sup>20</sup> At the conclusion of its Exception on this point, CenterPoint claims that GCCC's \$5.572 million

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<sup>14</sup> Direct Testimony of Lane Kollen, GCCC Ex. 1 at 27.

<sup>15</sup> CenterPoint's Exceptions at 40.

<sup>16</sup> *Application of CenterPoint Electric Delivery Company, LLC, for Authority to Change Rates*, Docket No. 38339, Order on Rehearing at Finding of Fact No. 159A (Jun. 23, 2011).

<sup>17</sup> GCCC Ex. 1 at 29.

<sup>18</sup> GCCC Ex. 1 at 27.

<sup>19</sup> CenterPoint's Exceptions at 40.

<sup>20</sup> PFD at 92, n. 264.

regulation asset calculation is incorrect.<sup>21</sup> CenterPoint's Exceptions provide an alternate calculation at a much higher figure, \$16.176 million total.<sup>22</sup> This calculation is flawed, because it does not take into account CenterPoint's expense ratio of 46.7%<sup>23</sup> Applying this amount to CenterPoint's calculation (even assuming that calculation was appropriate) would result in a total of \$7.554 million, a figure roughly consistent with GCCC's recommendation.

## **7. BRP Pension Liability**

Because the ALJs properly rejected the Company's proposed prepaid pension asset, they also correctly denied CenterPoint's requested \$6.9 million Benefit Restoration Plan (BRP) liability. The ALJs' conclusion is consistent with the recommendation of GCCC and its witness Lane Kollen, who testified that if any amount for a prepaid pension asset is included in rate base, consistency requires that the BRP Pension liability be subtracted from rate base.<sup>24</sup> In response, CenterPoint claims in its Exceptions, with little explanation, that this proposal creates a "fundamental mismatch" between the BRP Pension liability and CenterPoint's prepaid pension asset.<sup>25</sup>

Throughout this case, GCCC has pointed out the variety of flaws in CenterPoint's defense of its supposed BRP Pension liability. The Company first attempted to claim that the BRP Pension liability was not a liability at all, even though its trial balance of the year ending December 31, 2019 identified it as such.<sup>26</sup> And, as Mr. Kollen testified, the prepaid pension asset and BRP Pension liability are calculated in the same manner. CenterPoint did not subtract its BRP Pension liability figure from rate base on the grounds that "the cash collected in rates for the postretirement portion has been placed in an irrevocable trust," a fact that has no relevance,

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<sup>21</sup> CenterPoint's Exceptions at 40.

<sup>22</sup> *Id.*

<sup>23</sup> GCCC Ex. 1, Workpapers of Lane Kollen at WP II-E-3.15.2.

<sup>24</sup> Initial Brief of the Gulf Coast Coalition of Cities at 21 (Jul. 9, 2019) (GCCC's Initial Brief); and GCCC Ex. 1 at 26.

<sup>25</sup> CenterPoint's Exceptions at 43.

<sup>26</sup> GCCC Ex. 1 at 25, citing CEHE RFP Workpapers (Redacted).xlsx on Tab "TB-Year to Date."

since all cash collected in rates for the Company's pension costs is placed in an irrevocable trust fund.<sup>27</sup> CenterPoint's Exceptions do not explain why its pension-related liability should not be deducted from rate base, given these contrary facts. The PFD reached the correct result on this issue, and should be adopted by the Commission.

**IV. OPERATING AND MAINTENANCE EXPENSES [PO Issues 4, 5, 21, 22, 25, 26, 28, 29, 33, 35, 36, 38, 39, 54, 55]**

**D. Affiliate Expenses [PO Issues 35, 36]**

**2. Compensation for Use of Capital/Affiliate Carrying Charges**

CenterPoint's Exceptions reiterate the Company's flawed claims regarding this issue. In its pleading, CenterPoint simply emphasizes that the assets held by its affiliated Service Company for the benefit of CenterPoint Houston should earn a return that should be recovered from ratepayers.<sup>28</sup> Yet CenterPoint's short argument does not contend with the flaws in its requested compensation for this use. In essence, CenterPoint continues to propose to use a "phantom" Service Company rate of return that is far in excess of its actual cost of capital. CenterPoint proposes to recover this return computed at 11.37%, its gross-up weighted cost of capital.<sup>29</sup> The PFD denied this recovery for a number of reasons identified by OPUC and Commission Staff, and GCCC supports the PFD in this regard. CenterPoint's Exceptions bring forth no additional arguments for consideration.

**IX. RIDERS [PO Issues 4, 5, 43, 51, 52]**

**A. Rider UEDIT [PO Issue 51]**

**4. Amount of Return through Rider UEDIT**

**g. ALJs' Analysis and Recommendation**

In their PFD, the ALJs recommend that the Commission open a separate proceeding to give full consideration of the issues surrounding approximately \$158 million in Excess Deferred

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<sup>27</sup> GCCC Ex. 1 at 26-27, citing Kollen Attachment F at bates page 111.

<sup>28</sup> CenterPoint's Exceptions at 90.

<sup>29</sup> GCCC Ex. 1, Kollen Attachment K at bates page 120.

Federal Income Tax (EDIT) that CenterPoint closed to income in late 2017.<sup>30</sup> GCCC witness Lane Kollen recommended that CenterPoint be required to return this EDIT to ratepayers through Rider EDIT.<sup>31</sup> Despite the relatively moderated recommendation of the ALJs—to defer full consideration of this item to a follow-on proceeding—CenterPoint excepts to it. CenterPoint’s position mischaracterizes the nature of the EDIT at issue and overlooks certain key facts.

Chief among those facts relates to CenterPoint assertion that it is “undisputed that all potential future ADFIT benefits on Transition Bonds” were resolved by settlement agreement in a prior proceeding,<sup>32</sup> and that this supposed fact precludes consideration of the EDIT issue that GCCC identified in this proceeding. The relevance of these claims to the EDIT now at issue is indeed under dispute. As GCCC has noted previously in this case, the EDIT now under consideration did not arise until the passage of the Tax Cut and Jobs Act (TCJA) of 2017.<sup>33</sup> The settlement language cited by CenterPoint could not have addressed, and did not envision, the passage of the TCJA in 2017 and the tax and ratemaking implications it would create.

Similarly, in section IX.A.2.a.ii. of CenterPoint’s Exceptions, the Company argues that the amount the ADFIT credit and other benefits provided in the Company’s securitization proceeding—Docket No. 39054—was substantial, and far in excess of the EDIT issue under consideration in this case.<sup>34</sup> While this statement is true as a mathematical matter, it is not probative. The \$158 million in EDIT identified in this case is a distinct amount that came into being in late 2017 with the passage of the TCJA.

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<sup>30</sup> See GCCC Ex. 1 at 56.

<sup>31</sup> *Id.* at 61.

<sup>32</sup> CenterPoint’s Exceptions at 98-99.

<sup>33</sup> GCCC’s Initial Brief at 84.

<sup>34</sup> *Id.* at 100.

CenterPoint also argues that refunding this \$158 million in EDIT to customers would jeopardize securitization proceedings generally.<sup>35</sup> Why this is true is not fully explained, though CenterPoint raises the specter of reopening settled securitization proceedings, a prospect which Commission Staff witness Darryl Tietjen agreed is to be avoided.<sup>36</sup> The record in this case makes clear that CenterPoint does believe that a disposition of the \$158 million in EDIT is possible—CenterPoint simply took it for itself.<sup>37</sup> These funds did not go to bondholders, CenterPoint’s “bondcos,” or any outside entity that might be implicated in its securitizations. CenterPoint’s Exceptions continue to fail to explain why crediting these funds to ratepayers would undermine securitization in this state, while giving those funds to CenterPoint’s shareholders would not. In any event, as noted above, this EDIT balance came into being in late 2017, long after the securitization of CenterPoint’s true-up related balance.

CenterPoint’s Exceptions on this point should be rejected. GCCC continues to urge that the \$158 million in EDIT addressed in this issue be returned to ratepayers through Rider UEDIT.

## **X. CONCLUSION**

GCCC respectfully requests that the Commission adopt the PFD consistent with its previously-filed Exceptions, and reject the Company’s Exceptions. GCCC also requests such other relief to which it has shown itself entitled.

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<sup>35</sup> *Id.* at 101-102

<sup>36</sup> *Id.* at 102.


<sup>37</sup> GCCC Ex. 1 at 56; Tr. at 288:22-23 (Colvin Direct) (Jun. 24, 2019).



Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on October 24, 2019, a true and correct copy of the foregoing document was served on all parties of record via electronic mail in compliance with SOAH Order No. 2.



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CHRISTOPHER L. BREWSTER