



Control Number: 49421



Item Number: 761

Addendum StartPage: 0

**DeAnn T. Walker**  
Chairman

**Arthur C. D'Andrea**  
Commissioner

**Shelly Botkin**  
Commissioner

**John Paul Urban**  
Executive Director



**Greg Abbott**  
Governor

## *Public Utility Commission of Texas*

TO: Central Records

FROM: Shelah J. Cisneros  
Commission Advising

A handwritten signature in cursive script, likely belonging to Shelah J. Cisneros.

RE: Correspondence related to P.U.C. Docket No. 49421; *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*

DATE: November 19, 2019

Chairman Walker and Commissioners D'Andrea and Botkin received the attached correspondence pertaining to the above-styled docket.

Please note that a member or employee of a state agency assigned to render a decision in a contested case may not directly or indirectly communicate in connection with an issue of fact or law with any state agency, person, party, or representative of those entities, except on notice and opportunity for each party to participate. See Administrative Procedures Act, Texas Government Code § 2001.061.

Commission Advising is filing the correspondence. Parties will not be served copies of the attached document, but can access it through the PUC Interchange at <http://interchange.puc.texas.gov/>.

cc: All Parties (without attachment)

Q:\CADM\Memos\Exparte\49421 ex parte communication to Commissioners.docx



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**Brandt, Adrienne**

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**From:** Hjelte, Jonathan <Jonathan.Hjelte@citadel.com>  
**Sent:** Tuesday, November 19, 2019 7:39 AM  
**To:** ChairmanWalker  
**Cc:** Brandt, Adrienne; Oetken, Tammy  
**Subject:** Letter to the commissioner

**WARNING: EXTERNAL SENDER.** Always be cautious when clicking links or opening attachments. NEVER provide your user ID or password.

To Commissioner Walker,

As a portfolio manager at a Citadel Advisors LLC<sup>[1]</sup>, I am writing to express concern about the potential market consequences and economic impact for Texas of the revisions to the Proposal for Decision in the ongoing rate proceeding for CenterPoint Energy Houston Electric, LLC.

A strong utility with a stable and supportive regulatory environment creates a virtuous cycle of reliable service, affordable rates, cheap access to capital, and job creation which supports economic activity. Texas has experienced this first-hand by becoming a national leader in the renewable economy, facilitated by the robust transmission investment in the state. Additionally, utility rates in Texas compare favorably to nationwide averages, and reliability and service metrics are strong.

I am concerned that the proposed decision would create a negative investment climate putting this virtuous cycle at risk. As we have experienced in other states whose investment climates have eroded, the unfortunate consequence has been reduced utility investment activity in the state as investors reallocate capital to jurisdictions that permit more favorable and stable returns to investors. This results in a negative feedback loop, with increases in capital costs pressuring customer rates and companies cutting operating expenses in an effort to achieve sufficient return for investors. Service quality suffers and capacity stagnates or degrades, with negative economic implications that spread well beyond utility itself.

The market reaction following the open meeting on November 14, 2019 demonstrates that our concern is shared by others. Many research analysts have since advised their clients about the shift, with Wells Fargo writing “we consider Texas to be a below-average regulatory jurisdiction vs. average before,” and Guggenheim opining “we hope the PUCT aims to rethink the direction of where the regulatory construct is heading as we expect additional capital be directed out of state.” The sharp decline in value of Houston Electric’s parent company, CenterPoint, since the open meeting reflects the extent to which the proposed decision would shift Houston Electric (and Texas) outside the norms that the Public Utility Commission has established over many years, to the benefit of Texas consumers, businesses, and investors. The implied loss in the market value of Houston Electric means this is viewed as one of the most financially damaging regulatory outcomes in recent memory nationwide across all investor-owned utilities.

Texas has among the strongest demographic trends in the country and is consistently rated as a top state for business; we have long been attracted to these dynamics as well as the consistent regulatory climate. I am hopeful that Texas can continue to be an economic leader in the future with investments in petrochemicals, liquefied natural gas, steel and other industries which are supported by Texas’ attributes including reliable and affordable electricity rates. I urge you to reconsider the revisions to the Proposal for Decision, with a focus on the long-term interests of Texas businesses and residents.

Thank you,  
Jonathan Hjelte

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The contents of the message and any attachments may be confidential and proprietary. If you are not an intended recipient, please inform the sender of the transmission error and delete this message immediately without reading, distributing or copying the contents.

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<sup>[1]</sup> Citadel is a leading investor in the world's financial markets, with \$32 billion in assets under management and an active investor in the utility sector, including in CenterPoint.

## English, Barksdale

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**From:** Hjelte, Jonathan <Jonathan.Hjelte@citadel.com>  
**Sent:** Tuesday, November 19, 2019 7:40 AM  
**To:** CommissionerDAndrea  
**Cc:** English, Barksdale; Puente, Rose  
**Subject:** Letter to the commissioner

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To Commissioner D'Andrea,

As a portfolio manager at a Citadel Advisors LLC<sup>[i]</sup>, I am writing to express concern about the potential market consequences and economic impact for Texas of the revisions to the Proposal for Decision in the ongoing rate proceeding for CenterPoint Energy Houston Electric, LLC.

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## Dwyer, Davida

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**From:** Hjelte, Jonathan <Jonathan.Hjelte@citadel.com>  
**Sent:** Tuesday, November 19, 2019 7:41 AM  
**To:** CommissionerBotkin  
**Cc:** Dwyer, Davida; Johnson, Donna  
**Subject:** Letter to the Commissioner

**WARNING: EXTERNAL SENDER.** Always be cautious when clicking links or opening attachments. NEVER provide your user ID or password.

To Commissioner Botkin,

As a portfolio manager at a Citadel Advisors LLC<sup>[1]</sup>, I am writing to express concern about the potential market consequences and economic impact for Texas of the revisions to the Proposal for Decision in the ongoing rate proceeding for CenterPoint Energy Houston Electric, LLC.

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