



Filing Receipt

Filing Date - 2024-03-21 02:32:53 PM

Control Number - 56211

Item Number - 53

**SOAH DOCKET NO. 473-24-13232
PUC DOCKET NO. 56211**

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

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC’S
PROPOSED LIST OF ISSUES**

On March 6, 2024, CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) filed its Statement of Intent and Application for Authority to Change Rates (“Application”) with the Public Utility Commission of Texas (“Commission”).¹ On March 7, 2024, Commission Counsel “refer[red] this docket to the State Office of Administrative Hearings (SOAH)” and ordered CenterPoint Houston to “file . . . a list of issues to be addressed in the docket due on March 21, 2024.”² Further, such a list of issues “may also identify any issues that should not be addressed in the docket and identify any threshold legal and policy issues that should be briefed for purposes of a preliminary order.”³ And if a party identifies any issues not to be addressed or threshold issues, “[s]pecific explanations should support any” such issues.⁴ Accordingly, CenterPoint Houston timely files this proposed list of issues.

ISSUES TO BE ADDRESSED

CenterPoint Houston has identified the following issues that should be addressed in this docket:

General

1. Did CenterPoint Houston comply with the form and instructions for the Commission’s rate-filing package?
2. Is CenterPoint Houston’s application administratively complete?

¹ Statement of Intent and Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates (Mar. 6, 2024).

² Order of Referral at 1 (Mar. 7, 2024); *see also* SOAH Order No. 1 at 1 (Mar. 7, 2024).

³ *Id.*

⁴ *Id.*

3. Did CenterPoint Houston provide notice that was adequate and consistent with the requirements of PURA⁵ §§ 36.102 and 36.103?
4. What revenue requirement will give CenterPoint Houston a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses?
5. What is CenterPoint Houston's reasonable and necessary cost of providing service calculated in accordance with PURA and Commission rules?
6. What is CenterPoint Houston's transmission cost of service determined in accordance with PURA and Commission rules?

Invested Capital – Rate Base and Return

7. What is the appropriate debt-to-equity capital structure for CenterPoint Houston?
8. What is the appropriate overall rate of return, return on equity, and cost of debt for CenterPoint Houston?
9. What are the reasonable and necessary components of CenterPoint Houston's rate base?
10. What is the original cost of CenterPoint Houston's property used and useful in providing service to the public at the time the property was dedicated to public use? In answering this issue, please address the following items.
 - a. What is the amount, if any, of accumulated depreciation on that property?
11. What amount of CenterPoint Houston's invested capital has not previously been subject to a prudence review by the Commission? If there are any such amounts, what are the amounts, for what facilities, property, or equipment was the investment made, and were the amounts prudently incurred? What amount, if any, of allowance for funds used during construction ("AFUDC") is being transferred to invested capital in this proceeding? If AFUDC is being transferred, for what facilities and at what rate was the AFUDC accrued?
12. Did any of CenterPoint Houston's invested capital arise from payments made to an affiliate? If so, for each item or class of items, does the payment conform to the requirements in PURA § 36.058?

⁵ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001–66.016 (PURA).

13. Is CenterPoint Houston seeking the inclusion of construction work in progress? If so,
 - a. what is the amount sought and for what facilities; and
 - b. has CenterPoint Houston proven that the inclusion is necessary to the financial integrity of the electric utility and that major projects under construction have been efficiently and prudently planned and managed; or
 - c. for transmission investment required by the Commission under PURA § 39.203(e), do conditions warrant the inclusion of construction work in progress for such transmission investment?
14. What is the reasonable and necessary cash working capital allowance for CenterPoint Houston, calculated in accordance with Commission rules?
 - a. Does CenterPoint Houston's lead-lag study for its proposed allowance for cash working capital comply with Commission rules?
 - b. If not, should cash working capital be set at negative one-eighth of operations and maintenance expenses?
15. Does CenterPoint Houston have a self-insurance plan approved by the Commission? If so, please address the following issues:
 - a. What is the approved target amount for the reserve account, and is it appropriate to change that amount?
 - b. Does the plan comply with 16 TAC § 25.231(b)(1)(G)?
 - c. In addition, what is the amount, if any, of any shortage or surplus for the reserve account for the approved plan, and what actions, if any, should be taken to return the reserve account to the approved target amount?
16. What is the reasonable and necessary amount of CenterPoint Houston's accumulated reserve for deferred federal income taxes, excess deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items, if any, should be deducted from CenterPoint Houston's rate base?

17. What regulatory assets are appropriately included in CenterPoint Houston's rate base? If included, what is the appropriate treatment of such regulatory assets?
18. What regulatory liabilities are appropriately included in CenterPoint Houston's rate base? If included, what is the appropriate treatment of such regulatory liabilities?

Expenses

19. What are CenterPoint Houston's reasonable and necessary operations and maintenance expenses?
20. What are CenterPoint Houston's reasonable and necessary administrative and general expenses?
21. What are CenterPoint Houston's reasonable and necessary rate-case expenses in accordance with PURA § 36.061(b)(2) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this proceeding?
22. What are the intervening cities' reasonable rate-case expenses in accordance with PURA § 33.023(b) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this proceeding?
23. What is CenterPoint Houston's reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate rates and methods for depreciation, including service lives and salvage value?
24. What is the reasonable and necessary amount for assessments and taxes, other than federal income taxes, for CenterPoint Houston?
25. What is the reasonable and necessary amount for municipal franchise fees?
26. What is the reasonable and necessary amount of CenterPoint Houston's federal income tax expense?
27. Is CenterPoint Houston's proposed treatment of federal income taxes consistent with PURA, the Commission's substantive rules, and the Commission's amended order in

Docket No. 47945,⁶ and the Commission's final order in CenterPoint's most recent rate case (Docket No. 49421)?⁷

- a. Has CenterPoint Houston appropriately addressed the impact of the Inflation Reduction Act of 2022 on its rates?
28. What is the reasonable and necessary amount for CenterPoint Houston's advertising expense, contributions, and donations?
29. Is CenterPoint Houston seeking approval of a self-insurance plan or changes to an existing plan? If so, please address the following issues.
 - a. Is the coverage provided by the plan in the public interest?
 - b. Does the plan provide a lower-cost alternative to purchasing commercial insurance? Will ratepayers receive the benefits of the savings?
 - c. What is the reasonable and necessary target amount for CenterPoint Houston's self-insurance reserve account?
 - d. What is the reasonable and necessary amount of annual accruals to properly fund the self-insurance reserve account?
30. What are CenterPoint Houston's reasonable and necessary expenses for pension and other post-retirement benefits, if any, calculated in accordance with PURA § 36.065 and 16 TAC § 25.231(b)(1)(H)? What is the reasonable baseline level of pension and other post-employment benefits for purposes of the expense tracker under PURA § 36.065?
 - a. Has CenterPoint Houston established under PURA § 36.065(b) any reserve accounts for pension and other post-employment benefits?
 - b. If so, has CenterPoint Houston recorded the proper amounts in the reserve account?
 - c. Are the amounts recorded in the reserve account reasonable expenses under PURA § 36.065(d)(1)?

⁶ *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order Related to Changes in Federal Income Tax Rates (Feb. 15, 2018).

⁷ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421 (Mar. 9, 2020).

- d. Does the reserve account have a surplus or shortage under PURA §§ 36.065(c) and (d)(2)?
 - e. If so, how should CenterPoint Houston's rate base be modified to amortize, over a reasonable time, any surplus or shortage in the reserve account? PURA § 36.065(d)(3)?
31. Has CenterPoint Houston made any payments for expenses to affiliates? If so, for each item or class of items,
- a. Are costs appropriately assigned to CenterPoint Houston and its affiliates?
 - b. Has CenterPoint Houston met the standard of recovery of affiliate costs under PURA § 36.058 and Commission rules?
32. Have any revenues received for expenses attributable to transmission service to export power from or import power to ERCOT been properly reflected in CenterPoint Houston's requested rates?
33. Are any of CenterPoint Houston's expenditures unreasonable, unnecessary, or not in the public interest, including but not limited to advertising expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines?
- a. What post-test-year adjustments for known and measurable changes to historical test-year data for expenses, if any, should be made?

Deferred costs

34. Is CenterPoint Houston seeking to include in rates any costs previously deferred by an order of the Commission? If so, in what docket did the Commission approve deferral of the costs?
35. Is CenterPoint Houston seeking to defer any costs, including any rate-case expenses, in this proceeding for recovery in a future proceeding? If so, what is the amount of such costs, and why were those costs incurred (or why will they be incurred)? Why is it necessary to defer these costs? What is the appropriate amortization period to recover the deferred costs? What are the appropriate standards to make these determinations?
- a. What is the reasonable baseline level of Cloud Computing Expenses and Long Lead Time Facilities for purposes of the proposed accounting treatment?

Rate design and tariffs

36. What are CenterPoint Houston's just and reasonable rates, calculated in accordance with PURA and Commission rules? Do the rates comply with the requirements of PURA § 36.003?
37. What are the appropriate rate classes for which rates should be determined? Is CenterPoint Houston proposing any new rate classes? If so, why are these new rate classes needed?
38. What are the appropriate billing and usage data for CenterPoint Houston's test year? What known and measurable changes, if any, should be used to adjust the test-year data?
39. What are the appropriate allocations of CenterPoint Houston's revenue requirement to functions and rate classes?
 - a. Does CenterPoint Houston have any customer-specific contracts for the provision of transmission or distribution service? If so, identify each customer, and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has CenterPoint Houston appropriately allocated revenues and related costs associated with such contracts? Do all allocation factors properly reflect the types of costs allocated?
 - b. Does CenterPoint Houston have any FERC-approved tariffs? If so, identify each tariff and the FERC docket in which the tariff was approved. What are the appropriate allocations of CenterPoint Houston's transmission investment, expenses, and revenues, including transmission expenses and revenues under those tariffs? Has CenterPoint Houston made appropriate allocations for imports to and exports from ERCOT?
40. What are the appropriate rates for exports of power from ERCOT, calculated in accordance with 16 TAC § 25.192(e) and ERCOT protocols?
41. Does CenterPoint Houston provide wholesale transmission service at distribution voltage to any customers? If so, has CenterPoint Houston properly allocated costs to, and designed rates for, those customers as required under PURA § 35.004(c)?
42. Are all rate classes at unity? If not, what is the magnitude of the deviations, and what, if anything, should be done to address the lack of unity?
43. Should CenterPoint Houston's non-rate tariff revisions be approved in this proceeding?

44. Has CenterPoint Houston proposed any rate riders? If so, should any of the proposed riders be adopted? If so, what are the appropriate costs to be recovered through the riders, and what are the appropriate terms and conditions of the riders?
- a. Should the Commission approve CenterPoint Houston's proposed Rider IRA to ensure that the impacts of the Inflation Reduction Act of 2022 are captured on an annual basis?
 - b. What is the reasonable and necessary amount for CenterPoint Houston to recover in nuclear decommissioning expenses calculated in accordance with Commission rules?
45. Does CenterPoint Houston have any existing rate riders that should be modified or terminated? What regulatory assets or other items are currently being recovered through rate riders?

Baselines for cost-recovery factors

46. What baseline amounts must be determined in this proceeding for future CenterPoint Houston interim transmission cost of service, transmission-cost-recovery-factor ("TCRF") or distribution-cost-recovery-factor filings? What are the investment and expense components and amounts?

Additional issues

47. Has CenterPoint Houston requested any exceptions to any requirements in any Commission rules? If so, what are those rule requirements, and has CenterPoint Houston demonstrated good cause for the exception? Should the Commission grant the exception?
48. Should the Commission approve CenterPoint Houston's requests for waivers of requirements, if any, in the Commission's rate-filing package?
49. Has CenterPoint Houston complied with the Commission's final order in Docket No. 49421?

I. ISSUES NOT TO BE ADDRESSED

CenterPoint Houston has not identified any issues that should not be addressed in this docket.

II. CONCLUSION AND PRAYER FOR RELIEF

CenterPoint Houston requests that the Commission issue a preliminary order consistent with this filing and grant any other relief to which CenterPoint Houston may be entitled.

Respectfully submitted,



Patrick H. Peters III
State Bar No. 24046622
Vice President, Associate General Counsel
CenterPoint Energy Service Company, LLC
1005 Congress Avenue, Suite 650
Austin, Texas 78701
512.397.3032
512.379.3050 (fax)
patrick.peters@centerpointenergy.com

Sam Chang
State Bar No. 24078333
Director, Associate General Counsel
CenterPoint Energy Service Company, LLC
1005 Congress Avenue, Suite 650
Austin, Texas 78701
512.397.3005
512.397.3050 (fax)
se.chang@centerpointenergy.com

Andrea Stover
State Bar No. 24046924
Baker Botts L.L.P.
401 South 1st Street, Suite 1300
Austin, Texas 78704
512.322.2695
512.322.3695 (fax)
andrea.stover@bakerbotts.com

James H. Barkley
State Bar No. 00787037
Baker Botts L.L.P.
910 Louisiana Street
Houston, Texas 77002
713.229.1234
713.229.1522 (fax)
james.barkley@bakerbotts.com

**COUNSEL FOR CENTERPOINT ENERGY
HOUSTON ELECTRIC, LLC**

CERTIFICATE OF SERVICE

I certify that on March 21, 2024, this document was filed with the Public Utility Commission of Texas in Docket No. 56211, and a true and correct copy of it was served by electronic mail on all parties of record in this proceeding in accordance with the *Second Order Suspending Rules* issued in Project No. 50664.


