

PLR 8828005
1988 WL 572037 (IRS PLR)

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also be removed from the regulatory books, and no final regulatory order may be used, directly or indirectly, to reduce Affiliates' tax base or cost of service (or treat it as no cost capital).

This ruling is directed only to the taxpayer who requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as precedent.

If you have any additional questions or comments regarding this matter, please contact the above named individual.

Sincerely yours,

William J. Dwyer

Chief, Branch 6

Corporation Tax Division

This document may not be used or cited as precedent. Section 6110(j)(3) of the Internal Revenue Code.

PLR 8828005, 1988 WL 572037 (IRS PLR)

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FIGURE RWH-R24
Company Response to Request No. COH12-5

CENTERPOINT ENERGY, INCORPORATED

PUC DOCKET NO. 29526

SOAH DOCKET NO. 473-04-4555

CITY OF HOUSTON

Q. Provided a detail of the tax regulatory liabilities that were on the bundled utility's books and included in the Form 10-K at December 31, 1998.

A. Please see the attached schedule for the detail of tax regulatory liabilities at December 31, 1998.

Sponsor: Robert W. Hriszko

Attachments: Regulatory Liabilities.xls

CenterPoint Energy, Incorporated
Detail of Regulatory Liabilities
As of December 31, 1998

	Generation	TDU	Total
Excess Deferred Taxes	\$ (80,508,186)	\$ (65,709,326)	\$ (146,217,512)
Regulatory Liability for Deferred Taxes on ITC	(106,507,992)	(31,416,595)	(137,924,587) Note 1
Total per Form 10-K	<u>\$ (187,016,178)</u>	<u>\$ (97,125,921)</u>	<u>\$ (284,142,099)</u>

Notes:

1. This amount represents the regulatory liability for deferred taxes and the gross-up of deferred taxes on unamortized ITC, net of the deferred taxes and the gross-up of deferred taxes on the ITC basis reduction.

FIGURE RWH-R25
Effron Deposition

1 DOCKET NO. 473-04-4555
 PUC DOCKET NO. 29526

2

APPLICATION OF CENTERPOINT * BEFORE THE STATE OFFICE

3 ENERGY HOUSTON ELECTRIC, LLC, *

RELIANT ENERGY RETAIL * OF

4 SERVICES, LLC, ADN TEXAS *

GENCO, LP TO DETERMINE * ADMINISTRATIVE HEARINGS

5 STRANDED COSTS AND OTHER *

TRUE-UP BALANCES PURSUANT TO *

6 PURA*39.262 *

7 *****

8 ORAL DEPOSITION OF

9 DAVID EFFRON

10 June 4, 2004

11 Volume 1 of 1

12 *****

13 ORAL DEPOSITION of DAVID EFFRON, produced as a
 14 witness and duly sworn, was taken in the above-styled
 15 and numbered cause on the 4th day of June, 2004, from
 16 9:16 a.m. to 2:02 p.m., before Sherri L. Fisher, CSR, in
 17 and for the State of Texas, reported by stenographic
 18 means, at the offices of GDS Associates, Inc., 919
 19 Congress Ave., Austin, Texas 78701, pursuant to the
 20 Texas Rules of Civil Procedure and the provisions stated
 21 on the record or attached hereto.

22

23

24

25

O'NEAL * PROBST * WELLS, LLC (713)521-1314

1 It's where the -- where the tax allocation discusses the
2 responsibility for the -- TGN's --

3 Q. Is that in the documents you brought with you
4 today?

5 A. It is not.

6 Q. The next sentence, you say, "The tax
7 allocation agreement should have been structured so that
8 TGN was not responsible for the current Federal income
9 tax liability resulting from the net excess of book over
10 tax depreciation on generating assets and service as of
11 December 31, 2001."

12 I know you don't have the agreement in
13 front of you, but do you recall what -- what was worded
14 that needed to be changed to provide what you wanted to
15 provide?

16 A. No.

17 Q. Is there a way you could paraphrase what you
18 want this new provision to say?

19 A. That TGN would not be responsible for the
20 deferred tax liability that accrued prior to its
21 establishment as a separate reporting business entity.

22 Q. Separate reporting business entity means a
23 separate corporation.

24 A. No. It's not a separate corporation.

25 Q. What does it mean?

1 A. This is a term that the company used. I would
2 interpret it to mean a business segment with its own
3 financial statements.

4 Q. This provision you recommend at lines 19
5 through 22, have you ever drafted a tax allocation
6 agreement that had such a provision?

7 A. No.

8 Q. Have you ever read a tax allocation agreement
9 that had such a provision?

10 A. I don't recall.

11 Q. Do you know how many tax allocation agreements
12 you've read?

13 A. No.

14 Q. Do you think it's more than ten?

15 A. Probably not more than ten.

16 Q. Have you ever been involved in a case where an
17 argument has been made that a tax allocation agreement
18 should have had such a provision?

19 A. I can't recall as I sit here.

20 Q. Do you have any authority, rule, regulation,
21 Court decision or any other basis to suggest a tax
22 allocation agreement should be so drafted?

23 A. Again, that would be consistent with my
24 understanding of the PURA Section 39.62A.

25 Q. Do you have that with you?

CERTIFICATE OF SERVICE
PUC Docket 29526

I hereby certify that a true and correct copy of the foregoing document was hand delivered, electronic mail or sent by overnight delivery or United States first class mail to all parties this 14th of June, 2004.

Bunny Browning