



Control Number: 32093



Item Number: 246

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SOAH DOCKET NO. 473-06-2043
PUC DOCKET NO. 32093

PETITION BY COMMISSION STAFF § BEFORE THE
FOR A REVIEW OF THE RATES OF §
CENTERPOINT ENERGY HOUSTON § STATE OFFICE OF
ELECTRIC, LLC PURSUANT TO PURA §
§ 36.151 § ADMINISTRATIVE HEARINGS

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May 30, 2006

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Request No: TSA05-01

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please refer to page 25 of 62 in Mr. James Purdue's direct testimony. Please explain the reasons that CNP proposes implementing a municipal account franchise credit for the Primary Service rate class. Please also explain in detail the development of this credit.

ANSWER:

CenterPoint TDU is not proposing to implement a municipal account franchise credit for the Primary Service rate class. The municipal account franchise credit already exists in current rates, so it is not a new charge or credit. CenterPoint TDU proposes to change the billing unit to "Billing kVA" for the rates supported by the rate filing package, instead of the current billing unit of "per kWh" for the Primary Service rate class. The reason for this proposed change is to use the same billing unit as that used in the distribution charge for each rate, where the franchise fees are included. CenterPoint TDU also proposes to update the amount of the credit for all affected rate classes for the proposed amount of franchise fees contained in the rate filing package.

The proposed credit amount is developed by dividing the proposed amount of franchise fees contained in base rates by the proposed billing units and then multiplying the result by a negative one to calculate a per billing unit credit amount.

The purpose of the credit is to reimburse municipalities for franchise fees included in the distribution charges charged to municipal accounts within the incorporated city limits of those municipalities who have signed an appropriate franchise agreement. The municipal account franchise credit is not exclusive to the Primary Service rate class. All rate classes for which a franchise fee is applicable (Street Lighting Service is exempt) receive a municipal account franchise credit of the appropriate amount to offset the amount of franchise fees charged through the distribution charge.

Please see Bates pages 2878, 2860, 2874 of Schedule II-I-1, Bates page 2944 of Schedule IV-J-1, and Bates pages 3011-3023 and 3034 of Schedule IV-J-6. For electronic versions please see tabs "II-I-1-Total", "II-I-1-Dist", and "IV-J-1" of the "Class_Allocation_Study.xls" Excel file contained in the rate filing package. Also see tabs "IV-J-6 Franchise", "IV-J-6 Residential", "IV-J-6 Secondary-Small", "IV_J-6 Secondary-Large", "IV-J-6 Primary", "IV-J-6 Transmission", "IV-J-6 SLS" and "IV-J-6 MLS" of the "Rate Design Schedules 4-6-06_FINAL_Clean Copy.xls" contained in the rate filing package.

Also see Figure JNP-6 Bates pages 2139, 2141, 2143-2144, 2147-2148, 2151-2152, and 2159 of the rate filing package for the application and explanation of the municipal account franchise credit contained in the proposed Retail Tariff.

Sponsor: James N. Purdue

Responsive Documents:
None

Request No: TSA05-02

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please provide a hard copy of the functionalization study and the class allocation study used and approved by the Commission to determine the existing CNP T&D rates in its UCOS Docket No. 22355. Please also provide electronic versions of these two studies.

ANSWER:

The documents as indexed below are voluminous and will be made available in the Houston and Austin offices. To make arrangements for viewing these documents please contact Lisa Harris in Houston at (713) 207-5217 or Dolores Prince in Austin at (512) 397-3060.

Electronic files are being provided to the propounding party and are also being made available in the Houston and Austin voluminous rooms. Please contact Lisa Harris in Houston at (713) 207-5217 or Dolores Prince in Austin at (512) 397-3060 to obtain a copy of these electronic files.

Description	Page
Functionalization study and class allocation study	1 - 388

Sponsor: James N. Purdue

Responsive Documents:**Voluminous Paper Copy:**

Functionalization study and class allocation study

Electronic Copy:

file copy Commission May 24.xls

Reliant_Functional.xls

Reliant_Transmission.xls

Reliant_Distribution.xls

Reliant_Metering.xls

Reliant_TDBilling.xls

Reliant_TDCS.xls

Request No: TSA05-03

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please refer to the schedule shown on page 4611 in CNP's cost of service filing on April 14, 2006. Please explain in detail how the percentages shown in the column "Material related %" are developed.

ANSWER:

Please see the response to TSA04-08. As noted in the response to TSA04-08, two errors were noted in the workpapers on Bates pages 4611-4612 of the rate filing package while developing that response. One of the errors was the calculation of the percentages in the "Material Related %" column. The response to TSA04-08 contains a corrected version of the workpaper.

The correct way to calculate the percentages in the "Material Related %" column is to individually divide the amount of material related O&M related to SLS overhead served lights, SLS underground served lights and MLS lighting by the sum of material related O&M for SLS overhead served lights, SLS underground served lights, and MLS lighting. This calculation can be seen on page 2 of Attachment 1 to the response to TSA04-08.

Sponsor: James N. Purdue

Responsive Documents:

None

Request No: TSA05-04

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please refer to the schedule shown on page 4612 in CNP's cost of service filing on April 14, 2006. Please explain in detail what the numbers shown in the column "Total" are. Please also explain how they are developed.

ANSWER:

Please see the responses to TSA04-08 and TSA05-03.

In the corrected version of the workpaper, the amounts in the "Total" column are the sum of material related O&M and travel related O&M for SLS and MLS lighting.

Sponsor: James N. Purdue

Responsive Documents:
None

Request No: TSA05-05

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please refer to the schedule shown on page 4613 in CNP's cost of service filing on April 14, 2006. Please explain in detail how the percentages used in determining the allocation of the account 586 Meter Operation Expenses among different rate classes (from lines 1 to 11), are determined on this page.

ANSWER:

These expenses are the operating expenses related to metering plant in Account 370 shown on Bates page 4632. The percentages are determined based on the general records, technical knowledge, and familiarity with operations of CenterPoint TDU's Meter Department.

Sponsor: James N. Purdue

Responsive Documents:

None

Request No: TSA05-06

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please refer to the schedule shown on page 4616 in CNP's cost of service filing on April 14, 2006. Please explain in detail how the \$0.5 and \$10.54 (the meter reading costs per meter) for Non-IDR and IDR respectively, as shown in lines 5 and 6, are developed.

ANSWER:

These costs per read are based on historical data for 2005. Please see attachment.

Sponsor: James N. Purdue

Responsive Documents:
TSA05-06 Attachment

CenterPoint Energy (Metro) Cost per Read 2005

Cost Element	Non-IDR
Labor	\$ 16,932,907
Employee Expenses	\$ 84,847
Materials and Supplies Expenses	\$ 362,911
Contract and Services	\$ 676,704
Miscellaneous Expenses	\$ 17,611
Transportation Cost	\$ 1,359,938
Total Cost	\$ 18,861,598
Yearly Reads	37,580,988
Total Cost Per Read	\$ 0.50

Cost Element	IDR
Labor	\$ 392,909
Employee Expenses	\$ 350
Materials and Supplies Expenses	\$ 700
Contract and Services	\$ -
Miscellaneous Expenses	\$ 700
Transportation Cost	\$ 16,100
Total Cost	\$ 410,759
Yearly Reads	38,988
Total Cost Per Read	\$ 10.54

Request No: TSA05-07

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043
STATE OF TEXAS**

QUESTION:

Please refer to the schedule shown on page 4620 in CNP's cost of service filing on April 14, 2006. Please explain in detail what the following cost items as shown on this page are:

- a. \$790,816
- b. \$212,667
- c. \$171,239
- d. \$2,811,144
- e. \$3,157

ANSWER:

- a. \$790,816 represents the IT production support costs associated with keeping the CIS (Customer Information System) running. CIS is the billing system on which all scalar meter and unmetered accounts (guardlight and security lighting) are maintained (meter reading, service order tracking, billing and payments). The costs include software maintenance for software products used with CIS such as online help and Microfocus Workbench used by the IT department to provide needed functionality to the system users.
- b. \$121,667 represents IT costs for tracking Texas market exceptions from point of receipt until resolved.
- c. \$171,239 represents costs for the Mobil Data Dispatching software which dispatches the service orders such as move in, move out, disconnect and reconnect, to the field.
- d. \$2,811,144 represents IT costs incurred for supporting the credit and billing functions of CenterPoint TDU which includes a DB2 database that maintains the detail AR and payment information for scalar and guardlight/security light invoices.
- e. \$3,157 represents a minor IT enhancement to the SAP FI interface to the company's general ledger related to item d.

Sponsor: James N. Purdue

Responsive Documents:
None

Request No: TSA05-08

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION:

Please refer to the schedule shown on page 4621 in CNP's cost of service filing on April 14, 2006. Please explain in detail what the following cost items as shown on this page are:

- a. \$1,151,525
- b. \$1,444,524
- c. \$306,447
- d. \$2,543

Please also explain the reasons that CNP proposed allocating 5% of the \$1,151,525 – Item (a) above – to the SLS rate class.

ANSWER:

- a. \$1,151,525 represents the IT production support costs associated with keeping the Billing Expert System (BES) running. BES is the billing system on which all IDR and streetlight accounts are maintained (meter reading, service order tracking, and billing). The costs include software maintenance for software products used with BES such as Lodestar's Billing Expert System used by the IT department to provide needed functionality to the system users.
- b. \$1,444,524 represents the IT production support costs associated with keeping the Transaction Management Hub (TMH). This system receives, monitors, and sends all electric market related transactions required by the Texas market protocols. It interfaces with both the Customer Information System and the Billing Expert System to deliver incoming orders and pick up outgoing service order status / completion, usage, invoice, and premise maintenance transactions.
- c. \$306,447 represents IT costs to support the four required Texas market wide tests that TDSPs must perform to support new competitive retailers and transaction enhancements.
- d. \$2,543 represents IT costs related to preparing the system in part b. above for additional regulatory required billing determinants.

Using the number of accounts/meters to allocate the cost of the BES to all rate classes billed by the system would have caused a disproportionate amount to be allocated to SLS rate class. The manager of the area assessed that 95% of the programming costs are incurred around supporting the rate structure/billing of the complex IDR metered accounts and 5% is related to the SLS rate class.

Sponsor: James N. Purdue

Responsive Documents:
None

Request No: TSA05-09

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 32093
SOAH DOCKET NO. 473-06-2043**

STATE OF TEXAS

QUESTION: _____

Please refer to the schedule shown on page 4623 in CNP's cost of service filing on April 14, 2005. Please explain how the Composite Allocator for Public Safety is developed. Please explain how the ratios (0.7, 0.27, and 0.03) used in the calculation are determined.

ANSWER:

The Composite Allocator for Public Safety by rate class is developed in the following manner.

1. The percent of net transmission plant by rate class is multiplied by the percent of transmission related public safety costs, 27%.
2. The percent of net distribution plus net meter plant by rate class is multiplied by the percent of distribution related public safety costs, 70%.
3. The percent of public safety costs allocated to the SLS class, 3%, is multiplied by 100%.
4. The Composite Allocator for Public Safety by rate class equals the sum of the result from calculation # 1 above plus the result from the calculation # 2 above plus the result from calculation # 3 above.

In addition, please see the response to request TSA04-11. The schedule on Bates pages 4622-4623 is the same schedule on Bates pages 6266-6267 referenced in the response to TSA04-11. As indicated in the response to TSA04-11, the 27% and the 70% were inadvertently switched in the creation of the composite allocator, and it is intended that this error should be corrected in the future. See the response to request TSA04-11 for an explanation of how the referenced ratios were calculated.

Sponsor: James N. Purdue

Responsive Documents:

None

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served on all parties of record in this proceeding by hand delivery, overnight delivery, or United States first class mail on this 30th day of May 2006.

Linda H Johnston