CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-03

QUESTION:

LK 4-3 Refer to page 9 lines 1-7 of Ms. Loog's Direct Testimony.

a. Please identify any specific provision of P.U.C. SUBST. R. 25.130 that requires the use of the "latest, most reliable information available to be used to meet the required June 30, 2010 filing of the base rate case." If none, then please so state.

b. Please confirm that the Company does not contend that the Commission cannot use a December 31, 2009 date to quantify the rate base and expense effects of the AMS roll-in to base rates. If the Company does contend that the Commission cannot use a December 31, 2009 date for this purpose, then cite all authorities relied on for this purpose.

ANSWER:

a. P.U.C. SUBST. R. 25.130 requires that if the Commission conducts a general base rate proceeding while a surcharge under this section is in effect, then the commission shall include the reasonable and necessary costs of installed AMS equipment in the base rates and decrease the surcharge accordingly. The rule does not specify a particular date, although the reference to "installed" AMS equipment can reasonably be interpreted to refer to AMS equipment installed at the time of the general base rate proceeding. In this case, March 31, 2010, data is the latest, most reliable information available on the equipment installed when the case was filed.

b. CenterPoint Houston does not contend that the Commission cannot use a December 31, 2009 date to quantify the rate base and expense effects of the AMS roll-in to base rates.

Sponsor: Paul D. Gastineau

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-04

QUESTION:

LK 4-4 Refer to Figure 6 on page 20 of Ms. Loog's Direct Testimony. Please provide this same information for the twelve months ended December 31, 2009.

ANSWER:

Please see the attached file.

Sponsor: Cherish T. Loog

Responsive Documents:
GCCC04-4 AMS Over_Under Calculation for 2009

AMS Over/Under Calculation for 2009

Line	Description	Total 2009
	Rate Base:	
	Plant:	
1	Beginning Plant	36,447,095
2	Plant additions	95,246,027
3	Ending Plant	131,693,122
4	Average Plant	84,070,109
	Accum Depr:	
5	Beginning Bal	-
6	Depr Exp	7,430,612
7	Retirements	-
8	Ending Balance	7,430,612
9	Net Plant Beg Balance	36,447,095
10	Net Plant End Balance	124,262,510
11	Avg. Net Plant	80,354,803
	ADIT:	
12	Beginning ADIT	-
13	Change in ADIT	(9,551,088)
14	Ending ADIT	(9,551,088)
15	Average ADIT	(4,775,544)
16	Beginning Rate Base	26,286,056
17	Ending Rate Base	124,262,510
18	ROR	10.62%
19	Required Return	7,398,146
20	Average Rate Base	70,498,739
21	Increased Revenue	$ 103,517
22	Operating Expenses	14,174,595
23	Depreciation	7,430,612
24	Staffings Savings	146,128
25	Net Expenses	$ 21,355,562
26	Net Revenue Requirements	$ 28,753,708

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-05

QUESTION:

LK 4-5 Please provide the total revenue requirement for the AMS roll-in included in the Company's revenue requirement. Provide all components, assumptions, computations and electronic spreadsheets with formulas intact.

ANSWER:

Please see the attachment to this response for the information requested. This response also includes the revenue requirement impact as of 12/31/2009 as opposed to 3/31/2010. Please note, the Company has calculated ADIT of ($119) related to the book - tax depreciation differences for the January through March 2010 AMS additions included in this filing. However, this amount is not included in the attachment to this response.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
GCCC 4-5 Attachment 1

Annual Revenue Requirement Impact from inclusion of AMS Costs - As Filed

	Asset Class	Proposed EPIS 3/31/2010	Proposed Accum Depr 3/31/2010	Proposed Net EPIS 3/31/2010	Proposed Depr Rate	Proposed Ann. Depr. Exp.	Pre-Tax Return 12.03%	Depr. Exp & Return
3032	Misc Intangible NMF S/V	38,267,878	(6,584,705)	31,683,173	14.29%	5,466,834	3,811,973	9,278,807
3660	UNDERGROUND CONDUIT	90,129	(2,759)	87,370	2.68%	2,414	10,512	12,926
3670	UNDERGROUND CONDUCTORS AND DEVICES	723,571	(29,399)	694,172	3.54%	25,618	83,520	109,137
3680	LINE TRANSFORMERS	484,074	(20,687)	463,386	3.42%	16,551	55,753	72,303
3703	Meters	66,657,520	(10,675,534)	55,981,987	14.29%	9,522,493	6,735,494	16,257,988
3921	TRANSPORTATION EQUIPMENT	341,580	(77,651)	263,929	7.63%	26,062	31,755	57,816
3971	COMMUNICATION EQUIPMENT	52,323,047	(9,353,771)	42,969,276	14.29%	7,474,714	5,169,865	12,644,578
3972	COMPUTER EQUIPMENT - GENERAL OFFICE & OTHER	121,449	(20,378)	101,071	14.29%	17,350	12,160	29,510
3980	MISCELLANEOUS EQUIPMENT	26,154	(1,631)	24,523	5.02%	1,314	2,950	4,264
		159,035,402	(26,766,516)	132,268,886		22,553,349	15,913,982	38,467,331

Annual Revenue Requirement Impact from Inclusion of AMS Costs - As of 12/31/2009

	Asset Class	Per Books EPIS 12/31/2009	Per Books Accum Depr 12/31/2009	Per Books Net EPIS 12/31/2009	Proposed Depr Rate	Proposed Ann. Depr. Exp.	Pre-Tax Return 12.03%	Depr. Exp & Return
3032	Misc Intangible NMF S/V	26,613,822	(1,666,711)	24,947,111	14.29%	3,801,971	3,001,521	6,803,492
3660	UNDERGROUND CONDUIT	80,264	(247)	80,017	2.68%	2,150	9,627	11,777
3670	UNDERGROUND CONDUCTORS AND DEVICES	624,505	(2,853)	621,652	3.54%	22,110	74,794	96,904
3680	LINE TRANSFORMERS	467,209	(3,790)	463,419	3.42%	15,974	55,756	71,731
3703	Meters	22,373,716	(899,457)	21,474,259	14.29%	3,196,242	2,583,684	5,779,926
3921	TRANSPORTATION EQUIPMENT	203,288	(52,237)	151,051	7.63%	15,510	18,174	33,684
3971	COMMUNICATION EQUIPMENT	51,758,705	(3,707,523)	48,051,182	14.29%	7,394,093	5,781,296	13,175,390
3972	COMPUTER EQUIPMENT - GENERAL OFFICE & OTHER	121,449	(3,294)	118,155	14.29%	17,350	14,216	31,566
3980	MISCELLANEOUS EQUIPMENT	26,154	(106)	26,048	5.02%	1,314	3,134	4,448
		102,269,112	(6,336,218)	95,932,894		14,466,714	11,542,203	26,008,917

Pre-Tax Return Calculation

Line No.	Description	Balance	Percent of Total	Cost	Weighted Cost	Requested Percent	Requested Cost	Pre-Tax
1	Common Equity	1,847,916,601	0.00%	11.25%	0.00%	50.00%	5.63%	8.66%
2	Preferred Stock	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	Preferred Trust Securities	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4	Long-Term Debt	2,159,482,967	0.00%	6.74%	0.00%	50.00%	3.37%	3.37%
5	Short-Term Debt	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6								
7	Total	4,007,399,568	0.00%		0.00%	100.00%	9.00%	12.03%

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-06

QUESTION:

LK 4-6 Please provide the same information requested in the immediately preceding question, but for the twelve months ended December 31, 2009 rather than the twelve months ended March 31, 2010.

ANSWER:

Please see the response to GCCC 4-5.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-07

QUESTION:

LK 4-7 Please provide all AMS revenues and costs by FERC account and subaccount and reconcile these amounts to the revenues and costs included in the AMS surcharge for the twelve months ended December 31, 2009.

ANSWER:

The attached file contains the AMS expenses and revenues by FERC account and reconciles them to the surcharge over/under calculation for 2009 as presented in GCCC 4-4.

Sponsor: Cherish T. Loog

Responsive Documents:
GCCC04-7 AMS FERC Income Statement for the Year Ending December 31, 2009

Profit Center 1101215
Profit Center descr (All)

Row Labels	Functional area descr	Sum of Overall Result	
4030		4,758,302.77	a
4040		262,434.24	
4050		1,689,448.44	
4081		148,651.22	h
4091		2,411,867.32	c
4101		684,112.00	d
4265		284.55	b
4310		2,277,268.59	e
4400		(65,398,075.76)	f
4421		(8,299,517.37)	
4510		41,151,789.89	g
4560		0.00	
5860		9,939,536.69	b
5970		120,944.28	
9030		1,522,472.78	
9090		15,022.06	
9210		0.00	
9260		941,167.12	
9280		712,295.94	
9301		761,563.91	
9302		733,083.26	
9310		0.00	
9350		0.00	
Grand Total		(5,567,348.07)	

				Surcharge Calculation	Reference to GCCC-4
sum of a	6,710,185.45		Total Depreciation		
	8,131.09	h	Depr- Transportation		
	712,295.94	i	Rate Case Exp		
	7,430,612.48		Total Depreciation	7,430,612.01	(0.47)
sum of b	14,895,021.81		Total Operating Expenses		
i	(712,295.94)		Rate Case Expense		
h	(8,131.09)		Depr- Transportation		
	14,174,594.78		Total Operating Expenses	14,174,594.78	-
c	2,411,867.32		Income Tax		
	(2,411,867.32)		Not included in surcharge		
	0.00		Income Tax	0.00	-
d	684,112.00		DFIT		
	8,866,976.03		Adjustment to DFIT		
	9,551,088.03		DFIT	9,551,088.03	-
f	(73,697,593.13)		Surcharge Revenue Rec		
g	41,151,789.89		Surcharge Over/Under		
	313,635.42		Adjusted Rev- Rate base*		
	72,246.00		Adjusted Rev- Savings*		
	3,406,216.15		2008 Revenue Requirement		
	(28,753,705.67)		Revenue Requirement	(28,753,707.76)	(2.09)
e	2,277,268.59		Interest on on surcharge over liability		

*2009 portion of Exhbit CTL-9, Line 2 and Line 7

Description (1)		Total 2009
Rate Base:		
Plant:		
Beginning Plant		36,447,095
Plant additions		95,246,027
Ending Plant		131,693,122
Average Plant		84,070,109
Accum Depr:		
Beginning Bal		-
Depr Exp		7,430,612
Retirements		-
Ending Balance		7,430,612
Net Plant Beg Balance		36,447,095
Net Plant End Balance		124,262,510
Avg. Net Plant		80,354,803
ADIT:		
Beginning ADIT		-
Change in ADIT		(9,551,088)
Ending ADIT		(9,551,088)
Average ADIT		(4,775,544)
Beginning Rate Base		26,286,056
Ending Rate Base		124,262,510
ROR		10.62%
Required Return		7,398,146
Average Rate Base		70,498,739
Increased Revenue	$	103,517
Operating Expenses		14,174,595
Depreciation		7,430,612
Staffings Savings		146,128
Net Expenses	$	21,355,562
Net Revenue Requirements	$	28,753,708

Accumulated Deferred Income Tax Adjustment
For the Reconciliation Period, January 1, 2009- December 31, 2009
Sponsor Cherish Loog

Line	Calculated for book surcharge Description		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009
1	Book Depreciation		-	163,380	316,443	226,668	287,326	389,420	361,018	378,490	2,283,176	932,519	819,891	1,277,079	7,430,612
2	Tax Depreciation		-	2,049,842	2,049,842	2,049,842	2,049,842	2,049,342	2,049,342	2,049,342	2,049,342	2,049,342	2,049,342	2,049,342	22,542,761
3	Difference		-	(1,885,762)	(1,732,897)	(1,822,674)	(1,762,015)	(1,659,922)	(1,688,324)	(1,675,852)	233,884	(1,116,823)	(1,229,451)	(772,263)	(15,112,149)
4	Deferred taxes		-	(660,017)	(606,514)	(637,986)	(616,705)	(580,973)	(590,913)	(586,548)	81,842	(390,888)	(430,308)	(270,292)	(5,289,252)
5	Booked Deferred FIT	717510 Deferred FIT			196,284			503,282			(15,454)				684,112
	Adjusted ADIT *		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2009
6	Corrected Book Depreciation	(Excludes Rate Case Amortization and Lock Collar)	-	-	233,438	144,473	205,181	307,225	280,753	293,224	2,202,910	852,266	819,891	1,116,572	6,455,882
7	Corrected Tax Depreciation		2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,823	2,777,828	33,327,870
8	Write-off lock collars		416,835												416,835
9	Difference		(3,194,158)	(2,777,323)	(2,543,684)	(2,632,850)	(2,572,191)	(2,470,097)	(2,496,570)	(2,484,098)	(574,413)	(1,925,057)	(1,957,432)	(1,660,751)	(27,288,823)
10	Deferred taxes		(1,117,955)	(972,063)	(890,359)	(921,497)	(900,267)	(864,534)	(873,799)	(869,434)	(201,044)	(673,770)	(685,101)	(581,263)	(9,551,088)
11	Adjustment to Book ADIT		(1,117,955)	(972,063)	(694,075)	(921,497)	(900,267)	(361,252)	(873,799)	(869,434)	(216,498)	(673,770)	(685,101)	(581,263)	(8,866,976) FERC
12	Adjustment to Surcharge Calculated ADIT		(1,117,955)	(312,046)	(289,845)	(283,562)	(288,562)	(288,562)	(282,886)	(282,886)	(282,886)	(282,882)	(254,793)	(310,971)	(4,261,836)
13	Return adjustment		(9,897)	(2,762)	(2,513)	(2,510)	(2,510)	(2,510)	(2,504)	(2,504)	(2,504)	(2,504)	(2,256)	(2,758)	(37,729)
14	Interest on O/U Liability		(88)	(24)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(20)	(24)	(334)

I-C 1.3
I-C 1.4

Supports Figure 8

Rate Base Rollforward
For the year ending December 31, 2008
Sponsor Cherish Loog

Calculated for book surcharge

Line	Description (1)	2008
	Rate Base:	
	Plant:	
1	Beginning Plant	26,286,056
2	Plant additions	11,554,647
3		
4	Retirements	
5		
6	Ending Plant	37,840,703
7	Average Plant	32,063,380
8	Accum Depr:	
9	Beginning Bal	-
10	Depr Exp	
11	Retirements	
12	Ending Balance	-
13	ADIT:	
14	Beginning ADIT	-
15	Change in ADIT	-
16	Ending ADIT	-
17	Average ADIT	-
18	Beginning Rate Base	26,286,056
19	Ending Rate Base	37,840,703
20	ROR	10.62%
21	Required Return	3,406,216
22	Average Rate Base	32,063,380

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-08

QUESTION:

LK 4-8 Refer to page 23 line 10 through page 24 line 3 of Ms. Loog's Direct Testimony.

a. Please explain why the Company did not use the SGIG Award amounts to reduce the AMS net plant rolled-in to base rates.

b. Please confirm that the Company's retention of the SGIG Award amounts in the AMS surcharge rather than using the amounts to reduce the AMS net plant rolled-in to base rates was a discretionary decision by the Company, i.e., not required either by statute or P.U.C. SUBST. R. 25.130. If this is not the case, then please cite the relevant provisions of all statutes of P.U.C. SUBST. R. 25.130 that require the Company to retain the SGIG Award amounts in the AMS surcharge.

c. Please indicate whether the Company retained the AMS ADIT in the AMS surcharge or rolled-in the amounts to the rate base used for base rate purposes. If the former, then please explain why the Company retained the AMS ADIT amounts in the AMS surcharge.

ANSWER:

a. While the Company has been awarded a SGIG, no funds had been received during the reconciliation period. However, we did accrue approximately $26.5 million of SGIG funds. The accrual was recorded in CWIP. Therefore, it was included in the computation of the revised AMS surcharge, rather than rolled into base rates.

b. The decision was "discretionary" as explained above.

c. The AMS ADIT was rolled into CenterPoint Houston's rate base used for base rate purposes.

Sponsor: Cherish T. Loog (Accounting) and Paul D. Gastineau (AMS Surcharge)

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-09

QUESTION:

LK 4-9 Please provide a copy of all DOE agreements, conditions, contracts and/or all other writings that evidence the DOE requirements and/or conditions associated with the SGIG Award amounts.

ANSWER:

Please see Exhibits DC-1, DC-2, DC-3, DC-6, DC-7, and DC-8 attached to the Direct Testimony of Don Cortez for the writings that evidence the DOE requirements and/or conditions associated with CenterPoint Houston's $200 million SGIG award.

Sponsor: Ken Murphy

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-10

QUESTION:

LK 4-10 Please refer to Ms. Loog's Exhibit CTL-2.

a. Please explain the differences between the costs reflected on line 3 (CEHE AMS Labor) and line 10 (Additional Staffing Requirements) on this exhibit.

b. Please disaggregate the amount on line 3 between the costs recovered through base rates and those that were incremental to the costs recovered through base rates. Provide all assumptions, data, computations and electronic spreadsheets with formulas intact.

c. Please explain how the Company determined that the amounts on line 3 were incremental to the costs recovered through base rates. Provide a copy of all guidelines and/or procedures used to make this determination. If the Company did not make this determination for accounting purposes, then please explain why it did not.

ANSWER:

a. The cost classifications for lines 3 (CEHE AMS Labor) and 10 (Additional Staffing Requirements) are the same cost classifications that were used during the proceedings for Docket No. 35639, and the types of costs assigned to each classification remain the same as they were in that docket. CEHE AMS Labor includes costs for utilizing existing information technology (IT) labor and Houston Electric labor that has been re-assigned to work on developing the AMS systems, monitoring and overall program management. CEHE AMS labor also includes the support costs directly associated with these personnel. Additional Staffing requirements includes increased labor costs related to pre-sweep activity, training, call center, and meter can/loop damages.

b. There is nothing to disaggregate. None of the costs listed in line 3 are included in the CenterPoint Houston electric base rate case. All personnel assigned to the AMS project were either moved into the project or billed their time to the project based on their work activity. The labor costs associated with these personnel are included only in the AMS costs and are not included in the CenterPoint Houston base rate case. All of the costs listed on line 3 are identified in the response to GCCC 4-7.

c. Again, none of the amounts on line 3 are included in the costs to be recovered in the base rate case. All of the personnel whose labor costs are included in line 3 were assigned to work on the AMS project and, therefore, all of those labor costs are recoverable through the AMS surcharge pursuant to PURA § 39.107(h) and PUC Substantive Rule 25.130(k). The assumptions underlying this allocation of costs are

based on the statute and the rule and the Commission's final order in Docket No. 38339, which approved CenterPoint Houston"s AMS surcharge model.
The job responsibilities of AMS personnel who had previously worked in other areas for CenterPoint Houston were performed either by new personnel replacing the AMS personnel or by having those job responsibilities absorbed by existing personnel through overtime, promotions for additional responsibilities, etc. In the case of IT labor, their time is charged to Electric Operations only as they work on a task or on a project basis. These projects are often capital projects and not part of cost of service as are other costs for personnel employed by the Service Company. As stated above, the costs included for recovery through the AMS surcharge are not included in the base rate case filed in conjunction with the AMS reconciliation.

Sponsor: Cherish T. Loog

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-11

QUESTION:

LK 4-11 Refer to page 32 lines 1-10 of Ms. Loog's Direct Testimony addressing the Company's accounting for the retired meters.

a. Please provide a description of the Company's accounting for the cost of removal and salvage for the retired meters.

b. Please provide the Company's computations of the cost of removal and salvage for the retired meters for each month since the AMS deployment commenced. Provide and describe all assumptions used and computations made for this purpose and provide a copy of all electronic spreadsheets with formulas intact.

c. Please confirm that the Company did not include the cost of removal and salvage for the retired meters in the AMS surcharge and that the net salvage was charged to the accumulated depreciation outside of the AMS surcharge. If this was not/is not the case, then please describe the Company's accounting and treatment of these costs in the AMS surcharge.

ANSWER:

a. Under the existing meter purchase and installation contract with Itron, they remove the old meter and receive any salvage related to the old meters. Accordingly, the cost to retire the old meters as they are replaced by an AMS meter is included in the installation cost of the new meter.

b. Not applicable based on the previous response.

c. See the response to subpart (a) above.

Sponsor: Cherish T. Loog

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-12

QUESTION:

LK 4-12 Refer to page 8 lines 1-22 of Mr. Gastineau's Direct Testimony wherein he discusses maintaining the AMS surcharge "at the same dollar level as the surcharge approved in Docket No. 35639," but proposes a "reduced surcharge period." Please reconcile the Company's proposal with P.U.C. SUBST. R. 25:130(k)(4), which states "the commission shall include the reasonable and necessary costs of installed AMS equipment in the base rates and decrease the surcharge accordingly."

ANSWER:

CenterPoint Houston's proposed surcharge is consistent with PUC Subst. R. 25.130(k)(4) as well as the settlement agreement and final order in Docket No. 35639. PUC Subst. R. 25.130(k)(4) requires CenterPoint Houston to "decrease the surcharge," but does not specify a method for doing so. In Docket No. 35639, both the settlement agreement signed by Gulf Coast Coalition of Cities (Proposed Order FOF 37) as well as the final order (FOF 35) provide that "the ending date shall be subject to change based on the results of any proceeding to adjust the AMS surcharge or a reconciliation or inclusion of AMS costs in base rates."

Sponsor: Paul D. Gastineau

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-13

QUESTION:

LK 4-13 Please state all criteria applied by the Company to determine which AMS cost and revenue components it would propose be rolled-in to base rates and which components it would propose be retained in the AMS surcharge. Provide a copy of all writings that address these criteria, including, but not limited to, e-mail and all other correspondence, analyses, studies, and reports. To the extent the Company believes that its criteria were dictated by statute or P.U.C. SUBST. R. 25.130, then please cite to the relevant provision(s).

ANSWER:

The Company proposes to move all undepreciated capital cost incurred through March 31, 2010 (exclusive of CWIP) into base rates. This move is consistent with FOF 34 in the Docket No. 35639 final order and Substantive Rule 25.130(k)(4), which requires all undepreciated capital cost to be moved into base rates when a rate proceeding occurs. The costs the Company proposes to recover in the surcharge are simply the levelized projection of future revenue requirements, less the regulatory liability. The attached accounting memo provides further detail on how these revenues and costs would be treated by the Company.

Sponsor: Cherish T. Loog (accounting) and Paul D. Gastineau (surcharge)

Responsive Documents:
GCCC04-13 Accounting Memo Final

Accounting Memo- Docket No. 35639

Date: April 13, 2009

CenterPoint Energy Houston Electric (CEHE) filed an Application for approval of Deployment Plan and Request for Surcharge for an Advanced Metering System. On December 18, 2008, the Public Utility Commission of Texas (PUCT) approved the *Application (Docket 35639)*. The order stipulates a monthly surcharge explained below.

This memo will serve as a guide for the accounting impacts as a result of this final order. Please forward a copy of this memo to members of your staff who will be responsible for these action items. If you have any questions, please call Cherish Loog at x-76668.

Rates

CEHE's revenue requirement of $961,604,475 is to be recovered through the AMS surcharge. This surcharge is a monthly nonbypassable Rider AMS:

a. Residential- $3.24 (for initial 24 billing cycles; $3.05 (for remaining 120 billing cycles)
b. Secondary <= 10KVA $3.14
c. Secondary > 10KVA $3.16
d. Primary $3.16

Revenue will be recorded in profit center 110215 to be tracked and reported.

These charges are effective February 2, 2009 for 144 months. The ending date may be changed as a result of a proceeding to adjust the rate or reconciliation.

If the cumulative costs of implementing AMS, exceeds the estimates included in the surcharge, CEHE can seek an increase in the surcharge to cover such additional costs.

Responsible Party: CEHE Billing Process and Revenue Support

Reconciliation Proceeding

The following items are subject to review in a reconciliation proceeding:

- Capital investment for advanced metering facilities for 2.4M retail customers, $639.6M
- Operating and maintenance expenses for 2007-2021, $207.9M
- Savings & benefits for the surcharge period (only those identified in the Cost Model), $120.6M
    - 412 Meter readers, team leader, clerk, and related positions (net of severance)
    - Calculation of FAS 87 and 106
- Revenue requirement, $961,604,475

- Customer education program
- Low-income in-home devices
- Pilot project costs
- Employee Severance costs
- Rate Case Expenses
- Additional Staffing Requirements
- ERCOT 15 Minute Settlement Costs

AMS costs will be included in base rates in future rate cases and the surcharge will be adjusted accordingly. If CEHE has not filed a base rate case by 12/31/2010, CEHE will file an AMS reconciliation proceeding in January 2011.

AMS costs and revenues will be recorded in a manner to track, identify, and report these amounts on a monthly basis. See attached Financial Management Instructions for how costs will be recorded.

Responsible Party: AMS Finance and Regulatory

Fixed Assets and Depreciation

The following pieces of equipment are identified as retirement units for compliance with the Capitalization Policy:

- Meters (370 separate sub- asset class, system-wide PSEC)
- Cell Relays (397 separate sub-asset, system-wide PSEC)
- Radios (397 same sub-asset, cell relay radios system-wide, tops by location)
- Antennas (same as radios)
- Pole, tower (397, by location)
- Foundation (397, by location)
- Structure (397, by location)

Capital assets (including hardware and software) specific to AMS deployment will be depreciated over a 7-year period.

Distribution assets (e.g. pole) replaced or installed and still providing distribution functionality will be maintained in the appropriate asset class and be depreciated over the life associated with that class.

Responsible: Property Accounting

Pilot Project Costs

The pilot costs identified for the meter, communication, and systems in CWIP will be unitized into one asset in asset class 39701. In addition, any similar costs already unitized to PIS need to be transferred to the same asset. The depreciation previously recorded on the meter assets transferred needs to be reversed. The in-service date for the new 39701 asset should be effective December 2008. The asset will be amortized over 7 years. Amortization should be recorded effective in January. A catch-up entry will need to be recorded for amortization through the time the asset entry is recorded. For detail on these costs see the AMS Pilot Costs Analysis.

Responsibility: Property Accounting

Over/Under Surcharge Recovery Reg Liab/Asset

Monthly a regulatory asset or liability will record the over/under of surcharge recovery to actual expenses and investment in AMS. The calculation will be determined as follows:

	Rate Base:	
	Plant:	$ -
(1)	Beginning Plant	XXXXX
	Plant additions	-
	Retirements	-
(2)	Ending Plant (Sum)	XXXXX
	Accum Depr:	
(3)	Beginning Bal	-
	Depr Exp	-
	Retirements	-
(4)	Ending Balance (Sum)	-
(1)+(3)=(5)	Net Plant Beg. Bal	XXXX
(2)+(4)=(6)	Net Plant End. Bal	XXXX
((5)+(6))/2=(7)	Avg. Net Plant	XXXX
	ADIT:	
(8)	Beginning ADIT	-
	Change in ADIT	-
(9)	Ending ADIT	-
((7)+(8))/2=(9)	Average ADIT	-
(7)+(9)	Average Rate Base	XXXX
	ROR (pre-tax effect, monthly)	0.89%
(10)	Required Return	XXXX
	Capital Savings	-
	Increased Revenue	-
	Operating Expenses	XXXX

	Depreciation	-
	Staffings Savings	0
	Other Savings	XXXX
(11)	Total Expenses	XXXX
		XXXX
(10)+(11)=(12)	**Net Revenue Requirements**	**XXXXX**
(13)	Surcharge Proceeds	XXXXXX
(12)-(13)	Under/(Over) Recovery	XXXXX

Interest will be calculated on the over/under balance and compounded monthly.

Responsibility: AMS Finance, Financial Accounting

Retired Meters

The Plant in Service (PIS) and the determined Accumulated Depreciation balance of the meters to be replaced by AMS meters need to be reclassed into a sub-account in E37001 (e.g E37004). This sub-account will have the same depreciation rate of 4.66% as E37001.

For regulatory reporting purposes, the plant balance and accumulated depreciation will not be reduced in the new sub-account. The following book entries will be made for the retirement of such meters:

Retirement
Dr. Accum. Dep
    Cr. PIS
Dr. Reg Asset
    Cr. Accum Dep

The regulatory asset will be amortized by applying the annual depreciation rate of 4.66% for meters. These entries will continue until the net of the regulatory asset and accumulated depreciation balance of the sub-account equal zero (approximately 7 years). When the balance is equal to zero the balance of the regulated asset will be reclassed to accumulated depreciation. When reporting for regulatory purposes, the balance of the regulatory asset should be reported gross in Plant in Service and Accumulated Depreciation in FCA 370.

Responsibility: Property Accounting

Regulatory Assets

Rate Case expenses will be amortized over a two-year period beginning January 2009 as identified in the cost model supporting Exhibit D.

Write-off of uninstalled meter collars, net of any salvage, will be recorded in a regulatory asset and amortized over a seven-year period.

Responsibility: Financial Accounting

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-14

QUESTION:

LK 4-14 Please explain why the Company did not propose a revenue neutral AMS surcharge roll-in to base rates, i.e., where all AMS revenues and costs were captured in the AMS surcharge computations and used to compute the total AMS levelized revenue requirement, then the total AMS levelized revenue requirement was reduced by the levelized revenue requirement for the costs rolled-in to base rates to compute the revised AMS levelized revenue requirement. Please provide a copy of all studies and analyses that were used to evaluate this option and all other options for the roll-in to base rates.

ANSWER:

CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) did not propose the methodology outlined in this question because the methodology it used to roll AMS costs into base rates in the Rate Filing Package complies with P.U.C. SUBST. R. 25.130 and provides advantages both to ratepayers by reducing the carrying charges they will have to pay CenterPoint Houston and to CenterPoint Houston by providing more initial cash, which will facilitate CenterPoint Houston's acceleration of the deployment of AMS. Instead of recovering the revenue requirements associated with the AMS capital investment through the AMS surcharge, the Company is required (by the terms of its settlement agreement with the City of Houston and others, as reflected in the Docket No. 35639 Final Order,) to recover those revenue requirements through base rates. Rates are designed to be revenue neutral on a net present value basis, that is they are designed to recover the same revenue requirements associated with the transferred capital investment (on a net present value basis) regardless of whether the recovery is through base rates or the AMS surcharge. Due to the time value of money, absolute revenue neutrality will be difficult to achieve on a dollar for dollar basis, however revenue neutrality is achieved on a net present value basis.

CenterPoint Houston did not study or analyze the option contemplated in this question. CenterPoint Houston did not evaluate other methodologies to roll AMS costs into base rates other than the methodology proposed by the Company in its Rate Filing Package.

Sponsor: Paul D. Gastineau

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-15

QUESTION:

LK4-15 Refer to page 28 lines 10-21 of Mr. Fitzgerald's Direct Testimony wherein he describes the Company's proposed post-test year adjustments to gross plant in-service. Please provide a copy of the Company's computations that demonstrate compliance with P.U.C. SUBST. R. 25.231(c)(2)(F), which sets forth the requirement that such post-test year additions comprise at least 10% of rate base, exclusive of the post test year adjustments and CWIP. If the Company cannot demonstrate compliance with the Commission's Substantive Rule, will it agree 10 withdraw its request for these post test year adjustments to gross plant in service? If not. then please state all reasons why it will not.

ANSWER:

The 10% threshold is not a prerequisite in PURA for approval of a post-test year adjustment. Rather, the threshold is a requirement in the Commission's rules that can be waived for good cause as set forth in Procedural Rule 22.5. CenterPoint Houston contends there is good cause for an exception to the threshold contained in the referenced rule because, among other things, the Company has requested only known and measurable adjustments to plant in service and the Rothwood and Meadow transmission substation additions were both energized (and thus used and useful in providing service) by the date this rate case was filed. To apply the 10% threshold to prevent approval of those appropriate post-test year adjustments and to instead require another rate case before including them in base rates seems like a process that would needlessly increase rate case expenses for all parties.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-16

QUESTION:

LK4-16 Please provide the Company's pension and OPEB asset and liability balance sheet amounts as of December 31, 2009 by FERC account/subaccount.

ANSWER:

The pension funded status, the difference between the plan asset and liability, is recorded on the parent company's balance sheet. The parent company is not considered to be a regulated entity so we do not keep this information by FERC account.

The CenterPoint Houston postretirement funded status ($164,063) is recorded in General Ledger account 259042 which carries a FERC assignment of 2283.

Pension and OPEB amounts from actuarial reports were previously provided as part of a RFI response to the City of Houston, COH 01-02.

Sponsor: Charles Dean Woods / Walter L. Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-17

QUESTION:

LK4-17 Please explain why the Company did not reduce rate base for the net underfunding of its pension and OPEB obligations. Please identify and cite all PUC precedents relied on by the Company for its position on this issue. If none, then please so state.

ANSWER:

The Company does not consider the net underfunding of its pension and OPEB obligations to be an offset to rate base. We have not reviewed all PUC precedent on this issue which is equally accessible to both GCCC and the Company.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-18

QUESTION:

LK4-18 Please confirm that the Company's tax personnel and/or advisors are aware of proposed Treasury Regulations on the deductibility of costs for repairs and replacements to tangible personal property. These proposed Regulations affect Section 1.263(a)-0 through I.263(a)-3(h)(2) of the Treasury Regulations. For an extensive discussion of these proposed Regulations and the decision of Allegheny Services to proceed with an election in conjunction with its 2009 federal income tax return, please refer to the Supplemental Direct Testimony of Mr. Bruce Sedlock, Vice President, Corporate Planning and Taxes for Allegheny Energy Services Corporation on behalf of Monongahela Power Company and The Potomac Edison Company in Case No. 09-1352-E-42T before the Public Service Commission of West Virginia.

ANSWER:

The Company's tax personnel are aware of such proposed Treasury Regulations.

Sponsor: Alan Felsenthal

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-19

QUESTION:

LK-19 Please indicate whether the Company has elected to make a "catch-up" deduction for the costs of repairs and replacements in prior years, but which were capitalized rather than deducted when incurred given the proposed Regulations cited in Question LK 4-18 of this Set of Data Requests.

ANSWER:

The Company elected a "catch-up" deduction for such costs in conjunction with its 2008 federal income tax return.

Sponsor: Alan Felsenthal

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-20

QUESTION:

LK 4-20 Please provide a copy of all analyses and/or studies performed by or on behalf of the Company or otherwise obtained by the Company that address the applicability of the proposed Treasury Regulations to the Company and/or that quantify the effect on the Company of the proposed Regulations cited in Question LK 4-18 of this Set of Data Requests.

ANSWER:

Non-confidential responsive documents, if any, are attached to this response. Protected Materials and Highly Sensitive Protected Materials are being provided to you separately under seal pursuant to the Protective Order issued in this docket.

Sponsor: Alan Felsenthal/ Walter Fitzgerald

Responsive Documents:
GCCC 4-20 - PwC Technical Memo - Confidential
GCCC 4-20 - PwC Procedures Memo - Confidential
GCCC 4-20 - PwC Repairs Calc - Confidential

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-21

QUESTION:

LK 4-21 Please provide a detailed description of the Company's activities and present status with respect to these proposed Regulations cited in Question LK 4-18 of this Set of Data Requests and the filing of an election that will allow a "catch-up" deduction for the costs of repairs and replacement costs incurred in prior years, but which were capitalized rather than deducted when incurred. In addition, please provide a copy of all internal and/or other documents that address the Company's strategy, decision-making and timing for the election and deduction.

ANSWER:

See response to GCCC 4-19. Additionally, an IRS Consent Letter has been received but an examination of the issue by the IRS is not yet complete. Documents that address the strategy, decision-making and timing for the election and deduction have been attached.

Non-confidential responsive documents, if any, are attached to this response. Protected Materials and Highly Sensitive Protected Materials are being provided to you separately under seal pursuant to the Protective Order issued in this docket.

Sponsor: Alan Felsenthal/ Walter Fitzgerald

Responsive Documents:
GCCC 04-21 Repair Deduction documents - Redacted and Confidential

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-22

QUESTION:

LK 4-22 Please provide a quantification of the incremental ADIT as of December 31, 2009 related to the proposed Regulations cited in Question LK 4-18 of this Set of Data Requests, including all assumptions, data, computations and electronic spreadsheets with formulas intact. In addition, please provide the ADIT related to this temporary difference reflected in the Company's rate base computation.

ANSWER:

There is no incremental ADIT related to this deduction because the ADIT generated by the catch up adjustments are already included in the ADIT reflected on Schedule II-E-3.7 line 12 Repairs capitalized for books.

Sponsor: Alan Felsenthal/ Walter Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-23

QUESTION:

LK 4-23 Please provide the following information related to the Company's meters, other than the new AMS meters deployed as the result of the Commission's decision in Docket No. 35639, as of December 31, 2009:

a. Gross plant in service by FERC plant account/subaccount.

b. Accumulated depreciation by FERC plant account/subaccount.

c. Regulatory asset, net of accumulated amortization.

d. Gross tax basis and depreciated tax basis.

e. ADIT related to the temporary differences between book depreciation and tax depreciation.

f. ADIT related to tax writeoff of meters as the result of AMS deployment.

g. ADIT due to regulatory asset, net of accumulated amortization.

h. December 2009 book depreciation expense.

ANSWER:

Please see the attachment to this response for the information requested.

Sponsor: Alan Felsenthal/ Walter Fitzgerald

Responsive Documents:
GCCC 4-23 Attachment 1

CenterPoint Energy Houston Electric, LLC
Existing (non-AMS) Meters
As of December 31, 2009

		Asset Class	
		37001	37002 [1]
a.	Gross EPIS	269,958,331	22,783,652
b.	Accum Depr	(200,919,177)	(14,592,774)
c.	Regulatory Asset, Net	-	-
d.	Gross tax basis and depreciated tax basis	Note 1	Note 1
e.	ADIT related to the temporary differences between book depreciation and tax depreciation	Note 1	Note 1
f.	ADIT related to tax writeoff of meters as the result of AMS deployment	Note 1	Note 1
g.	ADIT due to regulatory asset, net of accumulated amortization	Note 2	(2,866,807) Note 3
h.	YTD December 2009 book depreciation expense	13,238,087	225,554

[1] Pursuant to Docket 35639, FOF 91, existing meters retired for GAAP purposes and booked to a reglatory asset are reflected in plant in service, asset class 37002 in this filing.

Note 1. These meters are not separately identified in the tax depreciation system. Accordingly, these amounts are not available.

Note 2. Asset class 37001 does not have a regulatory asset so there is no ADIT related to a regulatory asset.

Note 3. See Schedule II-E-3.9, Line 47 for the ADIT related to the regulatory asset booked for GAAP purposes and explained above.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-24

QUESTION:

LK 4-24 Refer to page 18 line 1 through page 20 line 2 of Mr. Felsenthal's Direct Testimony wherein he discusses the Texas margin tax. Please provide the following information:

a. The computation of CEHE's Texas margin tax on a standalone basis pursuant to each of the three calculation methods listed on page 18 lines 8-10.

b. Please explain why the Company did not include the lower of the Texas margin tax computed on the three calculation methods listed on page 18 lines 8-10.

c. Please confirm that if the CEHE Texas margin tax was calculated on a standalone basis, without regard to the affiliated entities, that either option 2 on page 18 line 9 or option 3 on page 18 line 3 would be less than the tax computed pursuant to option 1 on page 18 line 8.

d. Please confirm that for CEHE under option 1 on page 18 line 8, revenues less cost of goods sold is equivalent to revenues because there is no cost of goods sold. If this is not the case, then please explain.

e. Please describe "compensation" as that term is used in option 2 on page 18 line 9 and provide a description of the costs included in this term for theTexas margin tax calculation. In your response, please address whether compensation includes all compensation or is limited only to that expensed for accounting purposes.

ANSWER:

a. Under Texas Tax Code Section 171.1014, a copy of which is attached, the Texas Margin tax is required to be computed on a combined basis if the taxable entities are part of an affiliated group engaged in a unitary business. The combined group is required to make an election to subtract either cost of goods sold or compensation from its total revenues in order to derive the group's taxable margin. However, the taxable margin of the combined group may not exceed seventy (70) percent of the group's total revenues. The affiliated taxable entities that are members of the combined group must use the method that is elected by the combined group. There is no option or election available to individual taxable affiliates and therefore, separate calculations were not performed.

b. See above response.

c. See above response.

d. See above response.

e. Please see Texas Tax Code Section 171.1013, a copy of which is attached.

Sponsor: Alan Felsenthal

Responsive Documents:
GCCC 4-24 - TX Tax Statutes

TAX CODE, TITLE 2 STATE TAXATION, SUBTITLE F FRANCHISE TAX, Chapter 171 Franchise Tax, Subchapter C Determination of Taxable Margin; Allocation and Apportionment

171.1013(a) Except as otherwise provided by this section, "wages and cash compensation" means the amount entered in the Medicare wages and tips box of Internal Revenue Service Form W-2 or any subsequent form with a different number or designation that substantially provides the same information. The term also includes, to the extent not included above:

171.1013(a)(1) net distributive income from a taxable entity treated as a partnership for federal income tax purposes, but only if the person receiving the distribution is a natural person;

171.1013(a)(2) net distributive income from limited liability companies and corporations treated as S corporations for federal income tax purposes, but only if the person receiving the distribution is a natural person;

171.1013(a)(3) stock awards and stock options deducted for federal income tax purposes; and

171.1013(a)(4) net distributive income from a limited liability company treated as a sole proprietorship for federal income tax purposes, but only if the person receiving the distribution is a natural person.

171.1013(b) Subject to Section 171.1014, a taxable entity that elects to subtract compensation for the purpose of computing its taxable margin under Section 171.101 may subtract an amount equal to:

171.1013(b)(1) subject to the limitation in Subsection (c), all wages and cash compensation paid by the taxable entity to its officers, directors, owners, partners, and employees; and

171.1013(b)(2) the cost of all benefits, to the extent deductible for federal income tax purposes, the taxable entity provides to its officers, directors, owners, partners, and employees, including workers' compensation benefits, health care, employer contributions made to employees' health savings accounts, and retirement.

171.1013(b-1) This subsection applies to a taxable entity that is a small employer, as that term is defined by Section 1501.002, Insurance Code, and that has not provided health care benefits to any of its employees in the calendar year preceding the beginning date of its reporting period. Subject to Section 171.1014, a taxable entity to which this subsection applies that elects to subtract compensation for the purpose of computing its taxable margin under Section 171.101 may subtract health care benefits as provided under Subsection (b) and may also subtract:

171.1013(b-1)(1) for the first 12-month period on which margin is based and in which the taxable entity provides health care benefits to all of its employees, an additional amount equal to 50 percent of the cost of health care benefits provided to its employees for that period; and

171.1013(b-1)(2) for the second 12-month period on which margin is based and in which the taxable entity provides health care benefits to all of its employees, an additional amount equal to 25 percent of the cost of health care benefits provided to its employees for that period.

171.1013(c) Notwithstanding the actual amount of wages and cash compensation paid by a taxable entity to its officers, directors, owners, partners, and employees, a taxable entity may not include more than $300,000, or the amount determined under Section 171.006, per 12-month period on which margin is based, for any person in the amount of wages and cash compensation it determines under this section. If a person is paid by more than one entity of a combined group, the combined group may not subtract in relation to that person a total of more than $300,000, or the amount determined under Section 171.006, per 12-month period on which margin is based.

171.1013(c-1) Subject to Section 171.1014, a taxable entity that elects to subtract compensation for the purpose of computing its taxable margin under Section 171.101 may not subtract any wages or cash compensation paid to an undocumented worker. As used in this section "undocumented worker" means a person who is not lawfully entitled to be present and employed in the United States.

171.1013(d) A taxable entity that is a staff leasing services company:

171.1013(d)(1) may not include as wages or cash compensation payments described by Section 171.1011(k); and

171.1013(d)(2) shall determine compensation as provided by this section only for the taxable entity's own employees that are not assigned employees.

171.1013(e) Subject to the other provisions of this section, in determining compensation, a taxable entity that is a client company that contracts with a staff leasing services company for assigned employees:

171.1013(e)(1) shall include payments made to the staff leasing services company for wages and benefits for the assigned employees as if the assigned employees were actual employees of the entity;

171.1013(e)(2) may not include an administrative fee charged by the staff leasing services company for the provision of the assigned employees; and

171.1013(e)(3) may not include any other amount in relation to the assigned employees, including payroll taxes.

171.1013(f) A taxable entity that is a management company:

171.1013(f)(1) may not include as wages or cash compensation any amounts reimbursed by a managed entity; and

171.1013(f)(2) shall determine compensation as provided by this section for only those wage and compensation payments that are not reimbursed by a managed entity.

171.1013(g) A taxable entity that is a managed entity shall include reimbursements made to the management company for wages and compensation as if the reimbursed amounts had been paid to employees of the managed entity.

171.1013(h) Subject to Section 171.1014, a taxable entity that elects to subtract compensation for the purpose of computing its taxable margin under Section 171.101 may not include as wages or cash compensation amounts paid to an employee whose primary employment is directly associated with the operation of a facility that is:

171.1013(h)(1) located on property owned or leased by the federal government; and

171.1013(h)(2) managed or operated primarily to house members of the armed forces of the United States.

(As added by Ch 1 (H.B. 3), Laws 2006, 3rd Called Sess., effective January 1, 2008, and applicable to reports originally due on or after January 1, 2008; as amended by Ch. 1282 (H.B. 3928), Laws 2007, effective January 1, 2008.)

TAX CODE, TITLE 2 STATE TAXATION, SUBTITLE F FRANCHISE TAX, Chapter 171 Franchise Tax, Subchapter C Determination of Taxable Margin; Allocation and Apportionment

171.1014(a) Taxable entities that are part of an affiliated group engaged in a unitary business shall file a combined group report in lieu of individual reports based on the combined group's business. The combined group may not include a taxable entity that conducts business outside the United States if 80 percent or more of the taxable entity's property and payroll, as determined by factoring under Chapter 141, are assigned to locations outside the United States. In applying Chapter 141, if either the property factor or the payroll factor is zero, the denominator is one. The combined group may not include a taxable entity that conducts business outside the United States and has no property or payroll if 80 percent or more of the taxable entity's gross receipts, as determined under Sections 171.103, 171.105, and 171.1055, are assigned to locations outside the United States.

171.1014(b) The combined group is a single taxable entity for purposes of the application of the tax imposed under this chapter, including Section 171.002(d).

171.1014(c) For purposes of Section 171.101, a combined group shall determine its total revenue by:

171.1014(c)(1) determining the total revenue of each of its members as provided by Section 171.1011 as if the member were an individual taxable entity;

171.1014(c)(2) adding the total revenues of the members determined under Subdivision (1) together; and

171.1014(c)(3) subtracting, to the extent included under Section 171.1011(c)(1)(A), (c)(2)(A), or (c)(3), items of total revenue received from a member of the combined group.

171.1014(d) For purposes of Section 171.101, a combined group shall make an election to subtract either cost of goods sold or compensation that applies to all of its members. Regardless of the election, the taxable margin of the combined group may not exceed 70 percent of the combined group's total revenue from its entire business, as provided by Section 171.101(a)(1)(A).

171.1014(d-1) A member of a combined group may claim as cost of goods sold those costs that qualify under Section 171.1012 if the goods for which the costs are incurred are owned by another member of the combined group.

171.1014(e) For purposes of Section 171.101, a combined group that elects to subtract costs of goods sold shall determine that amount by:

171.1014(e)(1) determining the cost of goods sold for each of its members as provided by Section 171.1012 as if the member were an individual taxable entity;

171.1014(e)(2) adding the amounts of cost of goods sold determined under Subdivision (1) together; and

171.1014(e)(3) subtracting from the amount determined under Subdivision (2) any cost of goods sold amounts paid from one member of the combined group to another member of the combined group, but only to the extent the corresponding item of total revenue was subtracted under Subsection (c)(3).

171.1014(f) For purposes of Section 171.101, a combined group that elects to subtract compensation shall determine that amount by:

171.1014(f)(1) determining the compensation for each of its members as provided by Section 171.1013 as if each member were an individual taxable entity, subject to the limitation prescribed by Section 171.1013(c);

171.1014(f)(2) adding the amounts of compensation determined under Subdivision (1) together; and

171.1014(f)(3) subtracting from the amount determined under Subdivision (2) any compensation amounts paid from one member of the combined group to another member of the combined group, but only to the extent the corresponding item of total revenue was subtracted under Subsection (c)(3).

171.1014(g) (Repealed by (H.B. 3928), Laws 2007, effective January 1, 2008.)

171.1014(h) Each taxable entity that is part of a combined group report shall, for purposes of determining margin and apportionment, include its activities for the same period used by the combined group.

171.1014(i) Each member of the combined group shall be jointly and severally liable for the tax of the combined group.

(As added by Ch. 1 (H.B. 3), Laws 2006, 3rd Called Sess., effective January 1, 2008, and applicable to reports originally due on or after January 1, 2008; as amended by Ch. 1282 (H.B. 3928), Laws 2007, effective January 1, 2008.)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-25

QUESTION:

LK 4-25 Please confirm that Mr. Felsenthal is not an attorney and is not qualified to offer legal opinions. If this is not the case, then please explain.

ANSWER:

Mr. Felsenthal is not a lawyer but is a certified public accountant. As such, he provides accounting and tax advice to clients. As part of rendering such tax advice, Mr. Felsenthal analyzes and provides his views of the meaning of relevant authorities, including tax statutes, administrative rulings and court decisions involving tax issues.

Sponsor: Alan Felsenthal

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-26

QUESTION:

LK 4-27 Refer to page 24 lines 12-15 of Mr. Felsenthal's Direct Testimony. Please confirm that this statement is not a legal opinion with respect to the interpretation and application of Texas Supreme Court decisions.

ANSWER:

The cited testimony is not intended to represent a legal opinion. Rather, the testimony reflects Mr. Felsenthal's expert opinion, which is derived from his expertise in the areas of accounting and taxation and his reading of the Texas Supreme Court decisions relating to income tax benefits associated with disallowed costs.

Sponsor: Alan Felsenthal

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-27

QUESTION:

LK 4-27 Refer to page 30 lines 5-8 of Mr. Felsenthal's Direct Testimony. Please confirm that this statement is not a legal opinion with respect to the interpretation and application of Commission and Texas Supreme Court decisions on the CTSA.

ANSWER:

The cited testimony is not intended to represent a legal opinion. Rather, the testimony reflects Mr. Felsenthal's expert opinion, which is derived from his expertise in the areas of accounting and taxation and his understanding and application of Commission and Texas Supreme Court decisions on CTSA.

Sponsor: Alan Felsenthal

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-28

QUESTION:

LK 4-28 Refer to page 32 lines 2-5 of Mr. Felsenthal's Direct Testimony. Please provide an electronic copy in pdf and in Excel format of the workpapers cited.

ANSWER:

Non-confidential responsive documents, if any, are attached to this response. Protected Materials and Highly Sensitive Protected Materials are being provided to you separately under seal pursuant to the Protective Order issued in this docket.

Sponsor: Alan Felsenthal

Responsive Documents:
GCCC04-28 WP II-E-3.1_1 series (confidential)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-29

QUESTION:

LK 4-29 Refer to page 31 lines 2-3 of Mr. Felsenthal's Direct Testimony and Exhibit ADF-3 attached to Mr. Felsenthal's Direct Testimony.

a. Please provide a copy of the analysis and all supporting workpapers and documentation relied on by Mr. Felsenthal to develop the "summary" reflected on Exhibit ADF-3.

b. Please provide a schedule in Excel format that identifies each CenterPoint affiliate and provides the taxable income and taxable losses for each affiliate for each year 1994 through 2008.

c. Please provide all modifications to the schedule provided in response to part (a) of this question that the Company believes are appropriate if the Commission were to determine that a CTSA should be applied in this proceeding, e.g., an allocation to transmission and distribution of CEHE taxable income for years preceding UCOS separation and the utilization of loss carrybacks by affiliates.

ANSWER:

a. Attached is an index of documents responsive to this request. The documents as listed in the index are confidential and voluminous and are being provided in electronic format on CD to the propounding party pursuant to the protective order and are also being made available in the Houston and Austin voluminous rooms. To make arrangements for viewing these documents pursuant to the protective order in this docket, please contact Linda Johnston in Houston at (713) 207-5218 or Dolores Prince in Austin at (512) 397-3060.

b. Please see the Taxable Income Loss by Entity file referenced in the Index of Confidential Documents.

c. CenterPoint Houston believes that the appropriate CTSA should be zero because the standalone method is the appropriate regulatory standard for income tax expense. If the PUCT determines that the standalone method is not appropriate, CenterPoint Houston believes that the "but for" calculation contained in ADF-3 is another means of viewing an adjustment. On the schedule showing the taxable income and taxable losses for each affiliate for each year 1994-2008 (and, in some cases, the related support schedules) CenterPoint Houston reserves the right to identify additional modifications it believes are appropriate should a CTSA be applied in this proceeding.

Sponsor: Alan Felsenthal

Responsive Documents:
Index of Confidential Documents

Index for Made Available RFI GCCC04-29 (Confidential)

FILE DESCRIPTION	FILE NAME
Taxable Income Loss by Entity (Excel) (Confidential)	GCCC04-29 1994-2008 Taxable Income (loss) by Entity_ and ADF-3 (Confidential).xls
D22355 Romines Testimony (Excel) (Confidential)	GCCC04-29 Sch CJR-3 Pg 2 D22355 (Confidential).xls
1994 and 1995 NOL Deduction (Confidential)	GCCC04-29 KBLCOM 1994 and 1995 NOL Deduction (Confidential).pdf
Appeals Summary 94 – 05 (Confidential)	GCCC04-29 Appeals Summary 94 - 05 (Confidential).pdf
Adjustments 94 -95 (Confidential)	GCCC04-29 1120X Adjustments 94 - 95 (Confidential).pdf
1994 Tax Return (Confidential)	GCCC04-29 Tax Return_ 1994 (Confidential).pdf
1995 Tax Return (Confidential)	GCCC04-29 Tax Return_ 1995 (Confidential).pdf
1996 Tax Return (Confidential)	GCCC04-29 Tax Return_ 1996 (Confidential).pdf
1997 Tax Return (Confidential)	GCCC04-29 Tax Return_ 1997 (Confidential).pdf
1998 Tax Return (Confidential)	GCCC04-29 Tax Return_ 1998 (Confidential).pdf
1999 Tax Return (Confidential)	GCCC04-29 Tax Return_ 1999 (Confidential).pdf
2000 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2000 (Confidential).pdf
2001 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2001 (Confidential).pdf
2002 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2002 (Confidential).pdf
2003 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2003 (Confidential).pdf
2004 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2004 (Confidential).pdf
2005 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2005 (Confidential).pdf
2006 Tax Return (Confidential)	GCCC04-29 Tax Return_2006 (Confidential).pdf
2007 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2007 (Confidential).pdf
2008 Tax Return (Confidential)	GCCC04-29 Tax Return_ 2008 (Confidential).pdf

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-30

QUESTION:

LK 4-30 Please provide the expense related to the LTI and included in the Company's proposed revenue requirement for the test year. Provide the expense amounts incurred directly for CEHE employees and the expense amounts assigned/allocated from CenterPoint Service Company to CEHE. Provide these amounts by FERC O&M/A&G expense account.

ANSWER:

Please see Exhibit CDW-3 provided in the filing at Bates page 1854 for the amount of LTI expense included in the test year directly for CEHE employees. This amount is included in FERC account 9260. CNP Service Company allocated $3,847,126 to CEHE during the test year for LTI expense, which is included in FERC 9302.

Sponsor: Charles Dean Woods / Walter L. Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-31

QUESTION:

LK 4-31 Refer to Exhibit GSW-3 attached to Mr. Wilson's Direct Testimony.

a. Please explain the large amounts in the Actual Loss and Trended Loss columns in 2005. Please separately quantify the expense for each named Hurricane or Tropical Storm, e.g., Hurricane Katrina or Rita.

b. To the extent the amount in 2005 is due in large part to a named Hurricane or Tropical Storm, please explain why the Company did not remove these amounts.

ANSWER:

a. $28,081,773 of the actual loss is from Hurricane Rita. $37,769,985 of the trended loss is from Hurricane Rita.

b. The Company did not remove the Hurricane Rita losses because the amount of damage from this hurricane was less than the amount expected to be necessary for securitization if it occurred in the future.

Sponsor: Gregory S. Wilson/Walter L. Fitzgerald

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-32

QUESTION:

LK 4-32 Refer to Schedule II-E-5 wherein the Company reduced miscellaneous service revenues by $16.5 million as a known change. Please explain why the Company believes this proposed adjustment is consistent with paragraph 105 of the Stipulation in Docket No. 35639, which specifies how the service charges shall be reduced over a six year period through a "yearly update mechanism" to "reflect the progressive reduction in costs resulting from AMS deployment."

ANSWER:

This reduction in miscellaneous service revenues is not consistent with the six-years within paragraph 105 of the Stipulation in Docket No. 35639. The six-year period is based upon the original AMS deployment schedule.

Since then CenterPoint Houston has been awarded a Department of Energy grant for the AMS project within Docket No. 35639. This is funding an accelerated AMS deployment plan. Refer to the direct testimony of witness Cortez on the DOE grant and its effect on the AMS deployment schedule.

Paragraph 105 specifies that charges be reduced annually to reflect the current mix of AMS and non-AMS meters. With an accelerated AMS deployment, the number of AMS meters in the mix increases at a faster rate, therefore the charges will be reduced faster then the original six-year period.

Additionally the last sentence in that same paragraph notes that nothing precludes a party from requesting a reduction in meter-related discretionary service charges in a future proceeding. CenterPoint Houston has requested an accelerated reduction in their 2010 annual update of these charges within Docket No. 38299 filed May 25, 2010, in additon to this proceeding.

Sponsor: Matthew A Troxle

Responsive Documents:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 38339
SOAH DOCKET NO. 473-10-5001

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC04-33

QUESTION:

LK 4-33 Please provide the Company's average daily short term debt balance for each month January 2007 through the most recent month for which actual information is available along with the weighted average cost of the short term debt each month. Please provide this information in an Excel spreadsheet.

ANSWER:

CenterPoint Energy Houston Electric, LLC (CEHE) did not have external short-term debt from January 2007 through May 2010. CEHE did, however, have short-term borrowings from an inter-company money pool, which is not included in the Rate Filing Package. Please see attachment 1 to this response for the average daily short-term debt balance and weighted average cost of short-term debt for each month of money pool borrowings for the time period requested.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
GCCC 4-33 Attachment 1