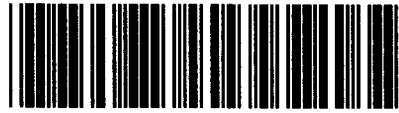


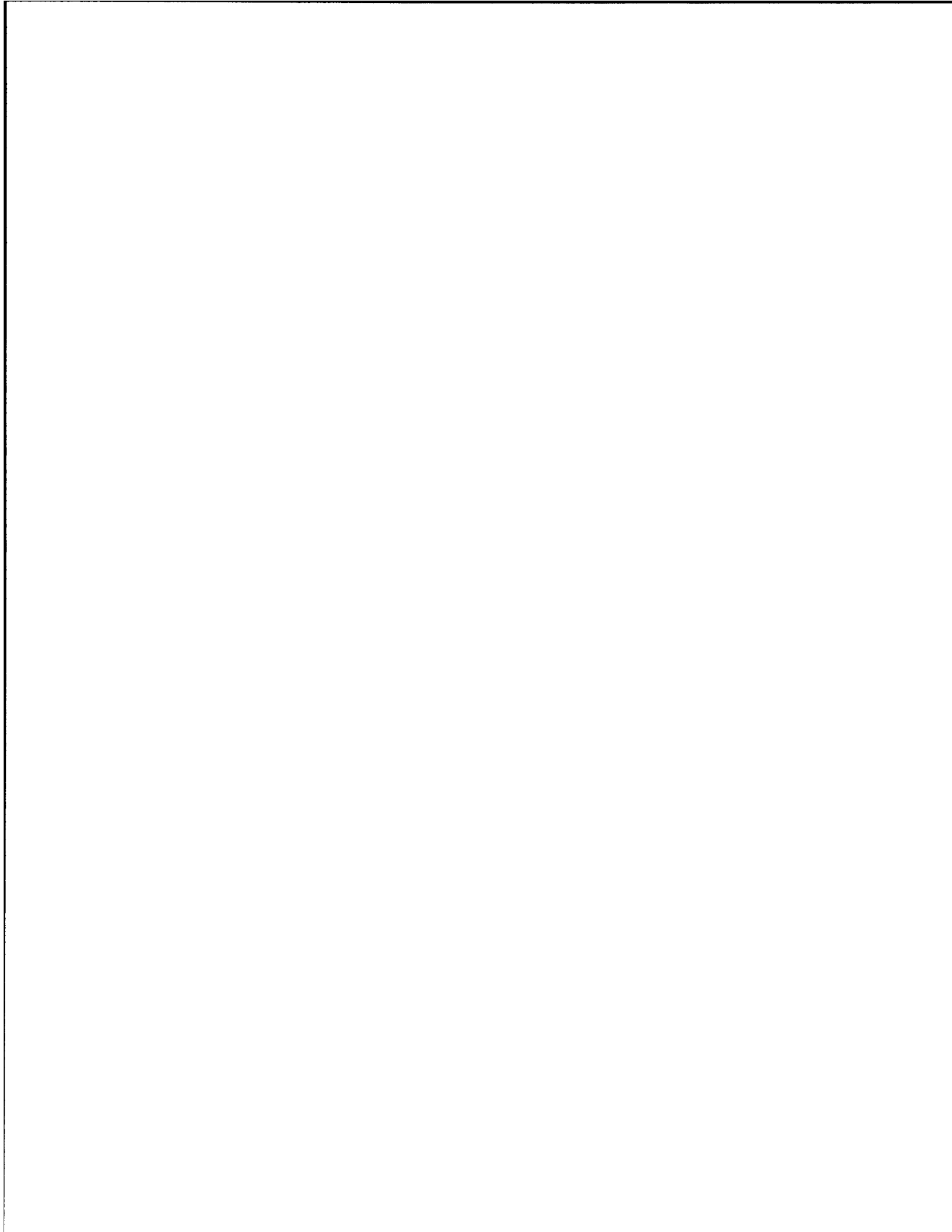


Control Number: 38339



Item Number: 176

Addendum StartPage: 0



SOAH DOCKET NO. 473-10-5001  
PUC DOCKET NO. 38339

APPLICATION OF CENTERPOINT § PUBLIC UTILITY COMMISSION  
ENERGY HOUSTON ELECTRIC, LLC § OF TEXAS  
FOR AUTHORITY TO CHANGE §  
RATES §

RECEIVED  
AUG 12 PM 2:58  
REGISTRATION CLERK

August 12, 2010

Contact: Stephen Bezecny  
CenterPoint Energy Houston Electric, LLC  
1111 Louisiana Street  
Houston, Texas 77002  
Telephone No: (713) 207-5141  
Fax: (713) 207-9840  
Stephen.Bezecny@centerpointenergy.com

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
CenterPoint Energy Houston Electric, LLC's Response to City of Houston's Eight Requests for Information.....	2-20
Certificate of Service .....	21

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-01**

**QUESTION:**

Please refer to Figure 1 on page 5 of the direct testimony of CEHE witness Prochazka. Please identify the number of retail electric providers (REPs) and wholesale transmission customers that intervened in the two rate cases listed.

**ANSWER:**

The requested information is publicly available and the propounding party should see Texas PUC Docket Nos. 32766 and 34800.

Sponsor: Scott Prochazka

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-02**

**QUESTION:**

Does CenterPoint agree that since the nuclear plant prudence rate cases that the three largest issues in rate cases has been rate of return, income taxes and affiliate transactions? Does CEHE also agree that these issues exist for both integrated utilities and TDUs? If CEHE disagrees with either question, explain why.

**ANSWER:**

CenterPoint does not have an opinion as to which issues have been the largest in rate cases because each case is unique with different issues, intervenors, and circumstances. Many past rate cases have concluded as "black box" settlements in which specific issues were not discussed.

Sponsor: Scott Prochazka

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-03**

**QUESTION:**

Please provide a copy of CEHE's application for federal funds to fund its Intelligent Grid (IG) program.

**ANSWER:**

Please see Exhibit DC-2 attached to the Direct Testimony of Don Cortez for a copy of CenterPoint Houston's Smart Grid Investment Grant application, which included both AMS and IG.

Sponsor: Ken Murphy

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-04**

**QUESTION:**

At an estimated total cost of approximately \$600 million, why did CEHE only receive \$50 million in funds for its IG program?

**ANSWER:**

The maximum award allowed by law was \$200 million. Moreover, only 6 companies, including CenterPoint Houston, received this maximum award. Of this amount, \$150 million was for AMS, which CenterPoint Houston was obligated to pursue under the terms of the Final Order in Docket No. 35639 and the other \$50 million was for IG. On pages 9 - 10 of his Direct Testimony, Mr. Cortez discusses the Company's successful strategy in pairing the AMS and IG requests in its application.

Sponsor: Ken Murphy

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-05**

**QUESTION:**

Is CEHE seeking additional funding for its IG program? If not, explain why not.

**ANSWER:**

Not at this time. However, CenterPoint Houston will seek additional funding in the future through some rate recovery mechanism. This could be some form of distribution cost recovery factor (DCRF) mechanism, storm hardening tracker or future rate case.

Sponsor: Kenny Mercado (IG funding) and Paul D. Gastineau (alternative rate mechanisms)

Responsive Documents:  
None



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

**CITY OF HOUSTON  
REQUEST NO.: COH08-06**

**QUESTION:**

Please refer to the paragraph beginning on line 12, page 8 of the direct testimony of CEHE witness Prochazka. For each "area" mentioned, state whether or not legislation was enacted to allow for the change.

**ANSWER:**

1. Deployment of advanced meters - the legislation provided direction on how the surcharge should be designed, but legislation was not necessary for the commission to approve deployment of advanced meters.
2. Securitization for both Competition Transition Charge costs and significant storm costs - yes
3. Energy Efficiency Cost Recovery Factor - the legislation provided direction on how the surcharge should be designed, but legislation was not necessary for the commission to approve the EECRF.
4. REP certification - no
5. Expedited switching - no
6. Meter tampering - no
7. Critical care - no
8. Disconnection - no
9. Storm hardening - enacted legislation provides some guidance
10. Smart grid - no
11. Appropriate level of energy efficiency investment - enacted legislation provides some guidance
12. Market transformation by advanced meters - no
13. TDU involvement in deploying and supporting in-home monitors - no
14. TDU role regarding electric vehicles - no

Sponsor: Scott Prochazka

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-07**

**QUESTION:**

Please define "rate shock" as that term is used on line 13, page 10 of the direct testimony of CEHE witness Prochazka. Also, state whether the "rate shock" is in relation to a customer's total bill or its T&D charges.

**ANSWER:**

Rate shock is a significant change in rates, either positive or negative, that has accumulated over time, and consequently could have been made in smaller increments. Rate shock would be in relation to the customer's total bill.

Sponsor: Scott Prochazka

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-08**

**QUESTION:**

Please refer to line 18, page 11 of the direct testimony of CEHE witness Prochazka. Identify all customers and/or customer groups that support CEHE's pursuit of an alternative rate setting mechanism.

**ANSWER:**

City of Houston has withdrawn this request.

Sponsor:

Responsive Documents:

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-09**

**QUESTION:**

Refer to the complete sentence on lines 1 and 2, page 15 of the direct testimony of CEHE witness Prochazka. Please explain this statement. Also, state whether or not CEHE's proposal to move AMS capital investment to base rates is revenue neutral to the Company. If not, explain why not and quantify the revenue increase CEHE expects.

**ANSWER:**

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, and by PUC Substantive Rule 25.130(k)(4) to recover those revenue requirements through base rates. Since those revenue requirements were previously not being recovered through base rates, but will be in the future, this change will cause base rates to increase and be a key driver of the rate increase the Company is seeking.

Please see the response to GCCC 4-14 for a discussion regarding the revenue impact associated with the movement of the AMS capital investment recovery to base rates.

Sponsor: Scott Prochazka

Responsive Documents:

None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-10**

**QUESTION:**

Refer to Figure 2 of the direct testimony of CEHE witness Reed. Please add a line showing CEHE's historic and forecasted depreciation expenses for 2009 through 2014, with and without IG and AMS depreciation expenses.

**ANSWER:**

CEHE's historic and forecasted depreciation expense for 2009 through 2014, with and without IG and AMS (AMS), is included in the table below. The depreciation expense presented below was determined using an average depreciation rate for AMS plant in service and a separate average depreciation rate for non-AMS plant in service. The rates were determined using the depreciation rates proposed by Dane Watson in this docket. Note that the capital additions included in Mr. Reed's Figure 2 do not include adjustments made subsequent to March 3, 2010 to reflect the final deployment schedule and DOE reimbursement rates as adjusted for the final agreement with DOE.

(millions of dollars)						
Depreciation Expense	Per Book	Proposed / Projected				
	2009	2010	2011	2012	2013	2014
Including AMS	263.0	261.8	299.2	328.3	349.1	369.0
Excluding AMS	256.7	234.5	246.9	260.3	274.9	289.6

Sponsor: Walter L. Fitzgerald / Daniel O. Hagen

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-11**

**QUESTION:**

Please refer to Figure 1 of the direct testimony of CEHE witness Reed. The data provided shows plant costs and O&M expenses increasing while sales levels are declining yet CEHE witness Prochazka argues that CEHE did not need to file a rate application at this time. Explain why these facts and statements are not counter to the need for CEHE's proposed DCRF.

**ANSWER:**

City of Houston has withdrawn this request.

Sponsor:

Responsive Documents:

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

**CITY OF HOUSTON**  
**REQUEST NO.: COH08-12**

**QUESTION:**

Please provide forecasted amounts for 2010 to 2014 for each item listed on Figure 1 of CEHE witness Reed's direct testimony.

**ANSWER:**

Please see the table 1 below for the requested information. These amounts include AMS and are from the approved 2010-2014 plan.

Please note that PP&E reported in the 10K includes an asset retirement obligation entry required for GAAP reporting. Please see table 2 below for the amount of the entry for each of the years reported in Figure 1 of Mr. Reed's direct testimony. This entry is not part of PP&E in the approved plan.

**Table 1**

TDU	2010	2011	2012	2013	2014
Net Property, Plant and Equipment (\$ millions)	4,275	4,380	4,497	4,591	4,825
O&M Expense (\$ millions)					
Total Sale Vol (GWh)	75,745	77,527	78,662	79,949	81,221
Total Electric Customers	2,155,647	2,212,675	2,256,495	2,302,446	2,348,841
Sales per customer-Total Electric Customers (MWh)	35.14	35.04	34.86	34.72	34.58
Total Residential Sales Vol (GWh)	24,788	25,481	26,021	26,565	27,069
Total Residential Electric Customers	1,883,493	1,936,437	1,975,754	2,016,781	2,057,808
Sales per Customer - Total Residential Electric Customers (MWh)	13.16	13.16	13.17	13.17	13.15

**Table 2**

	2006	2007	2008	2009
Asset Retirement Obligation	273	290	301	308

Sponsor: Daniel Hagen

Responsive Documents:  
None



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

**CITY OF HOUSTON  
REQUEST NO.: COH08-13**

**QUESTION:**

The following requests relate to Figure 3 of the direct testimony of CEHE witness Reed:

- a. For each "Implementing State" provide whether the implementation was for a pilot project or test period as opposed to a permanent implementation.
- b. For each "Implementation State" provide whether the implementation was for electric utilities, gas utilities or both, or for some other type of utility.
- c. For each cost category listed for each alternative ratemaking "Type," identify each "Implementation State" that allows the cost recovery.
- d. Define the term "Revenue Decoupling" as used on the table.
- e. Provide a copy of all orders, rules and other documents relied upon to prepare the table.
- f. For each "Type" listed on the table, provide a list of all states that are known to have disallowed and/or discontinued the alternative ratemaking methodology.

**ANSWER:**

City of Houston has withdrawn this request.

Sponsor:

Responsive Documents:

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-14**

**QUESTION:**

In the Stipulation in Docket No. 32093, did CenterPoint agree to file a rate case on June 30, 2010?

**ANSWER:**

CenterPoint Houston agreed to file a rate case if it was not relieved of the obligation to file by the City of Houston, GCCC, and PUC Staff. CenterPoint Houston was not relieved and complied with the obligation.

Sponsor: Scott Prochazka

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-15**

**QUESTION:**

At what level of an annual revenue increase does CenterPoint believe it has an obligation to its shareholders to seek rate relief from its regulators?

**ANSWER:**

The decision whether to request a rate change involves consideration of a number of factors in addition to the current earnings of the utility compared to its regulated rate of return.

Sponsor: Scott Prochazka

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-16**

**QUESTION:**

What are the two smallest revenue increases requested by CenterPoint, or its predecessors, in a PUC rate case prior to this case?

**ANSWER:**

The City of Houston has been a party in many, if not all, of those rate case cases. So the City of Houston already knows the information it has requested. Moreover, the information is still publicly available in many instances.

In any event, in Docket 32093, the rate filing package indicated that the Company under-earned by nearly \$93 million compared to 2005 test year adjusted revenues, but the Company did not seek an increase. In Docket No. 18465, the Company filed for approval of \$166 million in base rate credits, i.e., a rate decrease. The City of Houston was a party in both of those cases.

Other rate cases involving the Company include Docket Nos. 12065, 9850, 8425, 6765 (consolidated with 6766), 5779 and 4540. The City of Houston was a party in all of those cases.

Sponsor: Scott Prochazka

Responsive Documents:

None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-17**

**QUESTION:**

Please refer to page 17, line 18, of the direct testimony of CEHE witness Reed. What is the highest percent and/or dollar increase in TDU charges that Mr. Reed considers would not result in rate shock.

**ANSWER:**

There is no reference to "rate shock" on page 17, line 18 of Mr. Reed's direct testimony. However, a reference to rate shock can be found on page 16, line 18 of the referenced testimony. Mr. Reed declines to speculate on what a minimum threshold for "rate shock" would be in terms of percent or dollar increase in TDU charges.

Also see the response to COH 8-7.

Sponsor: John Reed

Responsive Documents:  
None

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

**CITY OF HOUSTON  
REQUEST NO.: COH08-18**

**QUESTION:**

Please provide a copy of the 78 orders referred to on page 18 of the direct testimony of CEHE witness Reed.

**ANSWER:**

City of Houston has withdrawn this request.

Sponsor:

Responsive Documents:

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 facsimile, hand delivery, e-mail, or United States first class mail on this 12th day of August, 2010.

Alice A Hart

