



Control Number: 38339



Item Number: 252

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 §

2010 AUG 23 12:00

August 23, 2010

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

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
CenterPoint Energy Houston Electric, LLC's Response to Texas Industrial Energy Consumers Second Requests for Information.....	2-19
Certificate of Service .....	20

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-01**

**QUESTION:**

Referring to the Testimony of Charles Dean Woods at pp. 49-51, provide the amounts expensed for pensions and OPEB in each year since the last CenterPoint rate case.

**ANSWER:**

Please refer to the actuary reports provided in response to City of Houston RFIs COH 01-02 through COH 01-06, as well as Schedules II-D-3.8 and II-D-3.9 for expense amounts related to pension and OPEB since the last CenterPoint Houston rate case.

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**

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-02**

**QUESTION:**

Referring to the actuarial study referenced at p. 54 of Mr. Wood's testimony, how is the tax deductibility of the reimbursement for Medicare Part D treated for actuarial purposes for 2007 - 2010? Provide work papers supporting the treatment.

**ANSWER:**

The actuarial study considers the Medicare Part D subsidy impacts, but does not address income tax consequences of such amounts. The income tax consequences are considered in the determination of income tax expense.

Sponsor: Alan Felsenthal

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-03**

**QUESTION:**

With reference to the irrevocable trust established for purposes of paying SFAS 106 expenses referenced in the Testimony of Charles Dean Woods at p. 54, provide the following;

- a. Is the trust responsible for making payments for post retirement benefits, including prescription drug costs?
- b. Does the trust file a tax return with the Federal Government?
- c. If not, how are earnings of the trust treated for tax purposes? i.e. what entity is entitled to deduct payments as an expense and when is such a deduction available?

**ANSWER:**

- a. Yes, the trusts were established to pay for these benefit payments.
- b. Yes, Forms 990/990T are filed annually with the Internal Revenue Service.
- c. Not applicable.

Sponsor: Charles Dean Woods/Alan Fesenthal/Walter L Fitzgerald

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-04**

**QUESTION:**

Please explain the rationale for proposing a three-year amortization of the reserve deficiency in the General Plant property accounts as shown on Exhibit DAW-1, Appendix B-2.

**ANSWER:**

There is only a single account in the General Plant property accounts for which a 3-year amortization of the reserve deficiency is requested. This is Account 393-Stores Equipment. In order to ensure the full recovery of the plant investment in this account over the three-year expected remaining life of the assets currently in service, it is necessary to amortize the existing reserve deficiency over this period in order to ensure that the investment is fully recovered.

Sponsor: Dane Watson

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-05**

**QUESTION:**

Why was an amortization of the reserve deficiency of General Plant accounts proposed when accounts in other functions have reserve surpluses?

**ANSWER:**

The question incorrectly assumes that Mr. Watson is treating the reserve deficiency in General Plant differently than other functional groups. Mr. Watson's methodology is consistent across all functional groups. First, within each functional group, the accumulated provision for depreciation is reallocated using the theoretical depreciation reserve as determined by Mr. Watson's depreciation parameter proposals. Next the remaining life depreciation system is used to allocate any difference between allocated and theoretical reserve over the remaining life of the assets in each account. The self-correcting mechanism of the remaining life system serves to correct any differences between book and theoretical reserve.

Sponsor: Dane Watson

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-06**

**QUESTION:**

Please explain the reasoning for reallocating the reserve amounts only between accounts within the same function.

**ANSWER:**

Over the course of Mr. Watson's 25 year career performing depreciation studies, it has been his practice to reallocate reserves on a functional level so that the depreciation reserve amount collected to date remains with the class of asset those amounts were collected for. This is consistent with matching principles which require that any dollars collected in depreciation expense for a group of assets should remain with that group.

Sponsor: Dane Watson

Responsive Documents:  
None



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

**TEXAS INDUSTRIAL ENERGY CONSUMERS**  
**REQUEST NO.: TIEC02-07**

**QUESTION:**

Regarding paragraph entitled "Purpose" in the proposed Rider SH:

- d. Please define the term regulating entity.
- e. Can the regulating entity include entities other than the PUCT, and if so, please identify the applicable regulating entities.
- f. If a regulating entity other than the PUCT imposes a weather related requirement, would CenterPoint seek approval of this requirement from the PUCT before seeking cost recovery from all delivery customers, or would the costs associated with a weather related requirement be borne solely by the customers located within the authorizing regulating entity's jurisdiction? Please explain your response.
- g. Please define the scope of the tropical storm or hurricane "preparation plans."
- h. Please define the scope of "any system hardening efforts to reduce the impact of weather related events."
- i. Please define the scope of "any restoration efforts not otherwise collected."

**ANSWER:**

- d. In the context used in the "Purpose" paragraph of Rider SH, regulating entity refers to any entity that can require CenterPoint Houston to incur such costs and expenses.
- e. Yes. Please refer to the answer for d. above.
- f. Based upon the Commission's precedent that the utility system is an integrated system from which all customers benefit, CenterPoint Energy would seek approval from the Commission to approve the costs associated with the request from the regulated entity such that through Rider SH the costs would be borne by all customers.
- g. The scope of the tropical storm or hurricane "preparation plans" refers to costs and expenses associated with new storm preparation plans that are beyond the scope of the Company's current storm preparation activities. Current storm preparation activities include, but are not limited to, the Emergency Operations Plan Manual and the annual storm drill.
- h. The scope of "any system hardening efforts to reduce the impact of weather related events" includes activities that the Company would perform that harden the distribution system with regard to extreme storms. System hardening efforts include, but are not limited to, the grid hardening initiatives discussed in the direct testimony of Terry Finley, Bates pages 826 - 831. To the extent that the cost of these grid hardening initiatives are not recovered in base rates, then they would be recovered by Rider

SH.

- i. The scope of "any restoration efforts not otherwise collected" could include restoration costs that exceed the Company's storm reserve, are not included in base rates in this proceeding, or are not recovered through securitization.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-08**

**QUESTION:**

Please state how CenterPoint will determine the amount of storm hardening costs subject to recovery in the proposed Rider SH that are not otherwise being collected in current delivery rates.

**ANSWER:**

CenterPoint Houston will only collect storm hardening costs in the proposed Rider SH that are not otherwise being collected in current delivery rates. This amount would be determined by only seeking recovery for those costs that are beyond the baseline amount that were spent in 2009 and recovered in rates through this proceeding. This would also exclude the specific grid hardening initiatives discussed in the response to TIEC 02-09, if allowed under this rate case. If the baseline amounts that were spent in 2009 or the specific grid hardening initiatives discussed in the response to TIEC 02-09 are not allowed, then they would be recovered in Rider SH.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-09**

**QUESTION:**

Does CenterPoint assert that the delivery rates proposed in this case will recover zero storm hardening costs? Please explain the basis for this assertion.

**ANSWER:**

No. As stated in the direct testimony of Terry Finley, Bates pages 826 - 831, CenterPoint Houston is seeking the recovery of certain specific grid hardening initiatives, the costs of which are spelled out in Figure TF-16.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-10**

**QUESTION:**

Please describe how CenterPoint will segregate the storm hardening costs that would be recovered in the proposed Rider SH from the other delivery costs recovered in base rates.

**ANSWER:**

As stated in the response to TIEC 02-08, CenterPoint Houston will only seek recovery through Rider SH for those storm hardening costs that are above the baseline amounts that were allowed for recovery in this proceeding. The amount would include those amounts spent in 2009 and the specific grid hardening initiatives discussed in the response to TIEC 02-09, if allowed under this rate case. If the baseline amounts that were spent in 2009 or the specific grid hardening initiatives discussed in the response to TIEC 02-09 are not allowed in base rates, then they would be recovered in Rider SH.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-11**

**QUESTION:**

Please explain how CenterPoint will determine which capital investments and associated expenses "qualify" for recovery under Rider SH.

**ANSWER:**

As stated in the response to TIEC 02-08, CenterPoint Houston will only collect storm hardening costs that are not otherwise being collected in current delivery rates. See also the response to TIEC 02-10.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-12**

**QUESTION:**

Please explain the process for PUCT review of any qualifying capital investments and associated expenses to be recovered under Rider SH. Will PUCT approval occur before or after cost recovery commences?

**ANSWER:**

After the Rider SH filing is made, PUCT Staff would then review and approve the costs and expenses. The details of the review process will be determined by the PUCT. The amounts included in Rider SH will be effective only after PUCT approval.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-13**

**QUESTION:**

Please provide a numerical example showing the derivation of the Rider SH allocation factors using the information filed in this proceeding.

**ANSWER:**

The Rider SH allocation factors in this proceeding would be AF# 61 at Bates Stamp page 4205 derived from the amounts for AF# 61 at Bates Stamp page 4202, which originate from the sum of the allocated amounts at Bates Stamp pages 4172 and 4173.

Sponsor: Matthew A Troxle

Responsive Documents:  
None



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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-14**

**QUESTION:**

Please explain how the Rider SH class allocation factors will be initially established if the rider is approved in this proceeding.

**ANSWER:**

The Company proposes that AF# 61 at Bates Stamp page 4205 be established as the initial class allocation factors in this proceeding.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-15**

**QUESTION:**

Please state how long the Rider SH class allocation factors established in this case will remain in effect.

**ANSWER:**

The Rider SH class allocation factors would be from the Company's most recent general rate case. Therefore, they would remain in effect for the time period between general rate cases.

Sponsor: Matthew A Troxle

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-16**

**QUESTION:**

Referring to page 71 of Mr. Finley's Direct Testimony, please identify the time frame over which the New Expenditures for Grid Hardening Initiatives identified in Figure TF-16 would be made.

**ANSWER:**

The new expenditures for the Grid Hardening Initiatives identified in Figure TF-16 will be annual, ongoing expenditures starting in 2011. For 2010, the Company plans to spend an additional \$1,000,000 on proactive tree trimming and \$300,000 on feeder inspections.

Sponsor: Terry Finley

Responsive Documents:  
None

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

**TEXAS INDUSTRIAL ENERGY CONSUMERS  
REQUEST NO.: TIEC02-17**

**QUESTION:**

Please provide an estimated calculation of the proposed Discretionary Service Charge DC 19, Transmission Facility Outage Scheduling and Notification, for a routine outage request.

**ANSWER:**

The requested information is provided at Bates Stamp page 4297.

Sponsor: Matthew A Troxle

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 facsimile, hand delivery, e-mail, or United States first class mail on this 23<sup>rd</sup> day of August, 2010.

Linda A Johnston