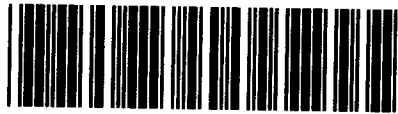


Control Number: 38339



Item Number: 278

Addendum StartPage: 0

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

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

August 27, 2010

Contact: Stephen Bezecny  
CenterPoint Energy Houston Electric, LLC  
1111 Louisiana Street  
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**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 38339  
SOAH DOCKET NO. 473-10-5001**

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-01**

**QUESTION:**

Please explain and quantify the components of the large payments shown in Schedule II-D-3.6, column 21 for March 2009 (line no. 3) and September 2009 (line no. 9).

**ANSWER:**

The amounts shown on Schedule II-D-3.6, column 21 do not represent payments. These amounts represent journal entries to accrue the estimated cost of short-term incentive (STI). STI is paid to employees in March of each year.

The amount in row 3, column 21 for March 2009 includes an adjusting entry of approximately \$390,000. This adjustment was recorded in relation to the STI paid in March 2009 in order to reconcile the accrued amount to the actual amount paid.

The amount in row 9, column 21 for September 2009 includes an adjusting entry of approximately \$2,057,000. This adjustment was recorded in relation to the estimated STI to be paid in March 2010 in order to true-up the year to date balance of accrued STI as of September 2009.

Sponsor: Walter L. Fitzgerald

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-02**

**QUESTION:**

Please reconcile and explain why the annual bonus payout amount is \$1,456,041 on Exhibit JJJ-4, Schedule 2-2-1 (line no. 1) and \$9,962,000 on Schedule II-D-3.6 (line no. 14) the bonuses.

**ANSWER:**

Line No. 1 of Exhibit JJJ-4, Schedule 2-2-1 identifies only payments of short-term incentive (STI) to Bi-Weekly Employees during the test year while Schedule II-D-3.6 identifies STI expense for all employees during the test year.

Schedule 2-2-1 of Exhibit JJJ-4 appropriately included STI payments of \$1,456,041 to Bi-Weekly employees on Line No. 1; however, the STI payments of \$9,320,034 to semi-monthly employees should have been included on Line No. 3 of this same exhibit. This increases the lead days for STI shown on Schedule 2-2-1 of Exhibit JJJ-4 (same as WP/II-B-9/2-2-1) from 248.00 days to 254.05 days, and increases the overall Operation & Maintenance (O&M) lead days shown on page 1 of Exhibit JJJ-4 (same as WP/II-B-9/) from 24.90 days to 26.69 days. Revised pages for the WP/II-B-9/ series are attached. The Company will reflect this change in the final rates to be computed in this docket.

Please see the response to OPC 1-4 for the reasons why STI payments during the test year and STI expense during the test year are not comparable.

Sponsor: Walter L. Fitzgerald / Jay Joyce

Responsive Documents:  
Revised Schedule II-B-9 Workpapers

**CENTERPOINT ENERGY HOUSTON ELECTRIC  
LEAD/LAG STUDY RESULTS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2009  
SPONSOR: J. J. JOYCE**

Line No.	Description (a)	Revenue Lag Days* (b)	Expense Lead Days (c)	Reference (d)
1	Operation & Maintenance Expenses	54.39	(26.69)	WP//II-B-9/2
2				
3	Federal Income Taxes			
4	Current	54.39	(36.00)	WP//II-B-9/3
5	Deferred	0.00	0.00	N/A
6				
7	Taxes Other than Income Taxes			
8	Payroll Taxes	54.39	(12.84)	WP//II-B-9/4
9	State Franchise Taxes	54.39	48.50	WP//II-B-9/5
10	Local Franchise Taxes	54.39	7.28	WP//II-B-9/6
11	Ad Valorem Tax	54.39	(219.58)	WP//II-B-9/7
12				
13	Depreciation Expense	0.00	0.00	N/A
14				
15	Return	0.00	0.00	N/A
16				
17	Sub-total			
18				
19	Average Daily Bank Balances		\$ 2,149,000	WP//II-B-9/8
20	Working Funds and Other		(1,564,000)	WP//II-B-9/9
21				
22	Amortization of Prepaid O&M	\$ 9,407,000		WP//II-B-9/10
23				
24	* WP//II-B-9/1			

CENTERPOINT ENERGY HOUSTON ELECTRIC  
O&M (LEAD)LAG DAYS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2009  
SPONSOR: J. J. JOYCE

Line No.	Description (a)	Amount (b)	Total (Lead)/Lag Days (c)	Reference (d)	Weighted Dollar Days (e)
1	Payroll				
2	Annual Bonus	\$ 199,739,726	(23.99)	WP/II-B-9/2-1	\$ (4,791,826,679)
3	Labor Including Annual Bonus	\$ 10,776,075	(254.30)	WP/II-B-9/2-2	\$ (2,740,356,491)
4		\$ 210,515,801	(35.78)		\$ (7,532,183,170)
5	Employee Benefits	\$ 40,198,962	(37.38)	LL04-Benefit_Payments.xlsx	\$ (1,502,535,320)
6	Subtotal Labor and Labor-Related	\$ 250,714,763	(36.04)		\$ (9,034,718,490)
7					
8	Percent O&M	62.00%		LL05-Labor_Expense_Percent.xlsx	62.00%
9	O&M Expense - Labor and Labor-Related	\$ 155,443,153	(36.04)		\$ (5,601,525,464)
10					
11					
12	Other O&M	\$ 609,928,847	(24.31)	WP/II-B-9/2-3	\$ (14,826,216,165)
13					
14	Total O&M	\$ 765,372,000	(26.69)	Schedule II-D-2	\$ (20,427,741,629)

CENTERPOINT ENERGY HOUSTON ELECTRIC  
CALCULATION OF PAYROLL LEAD DAYS - ANNUAL EMPLOYEE BONUSES  
FOR THE TEST YEAR ENDED DECEMBER 31, 2009  
SPONSOR: J. J. JOYCE

Line No.	Description (a)	Gross Payroll (b)	Percent (c)	Reference (d)	(Lead)/Lag (e)	Reference (f)	Check Float (g)	Reference (h)	Total (Lead)/Lag (i)	Weighted Dollar Days (j)
1										
2	Direct Deposit	\$ 9,716,201	90.18%	WP/II-B-9/2-1-1	(254.05)	WP/II-B-9/2-2-1	0.00		(254.05)	\$ (2,468,441,528)
3	Paper Checks	1,059,874	9.84%	WP/II-B-9/2-1-1	(254.05)	WP/II-B-9/2-2-1	(2.50)	WP/II-B-9/2-1-5	(256.55)	(271,914,963)
4	Total Bonus Pay	<u>\$ 10,776,075</u>		WP/II-B-9/2-1-1					<u>(254.30)</u>	<u>\$ (2,740,356,491)</u>

**CENTERPOINT ENERGY HOUSTON ELECTRIC  
ANNUAL BONUS  
FOR THE TEST YEAR ENDED DECEMBER 31, 2009  
SPONSOR: J. J. JOYCE**

Line No.	Type (a)	Beginning of Period (b)	End of Period (c)	Mid-Point (d)	Amount of Payout* (d)	Payout Date* (e)	(Lead)/Lag Days (f)	Weighted Dollar Days (g)
1	Bi-Weekly	1/1/2008	12/31/2008	7/1/2008	\$ 1,456,041	3/6/2009	(248.00)	\$ (361,098,220)
2								
3	Semi-Monthly	1/1/2008	12/31/2008	7/1/2008	9,320,034	3/13/2009	(255.00)	(2,376,608,739)
4								
5	Total				\$ 10,776,075		(254.05)	\$ (2,737,706,959)
6								
7	Source: *							

LL06-Jay Lead Lag Co003 2009all.xlsx



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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-03**

**QUESTION:**

Please explain the rationale for not separately addressing the full \$9,962,000 in bonuses shown on Schedule II-D-3.6 (line no. 14) in Exhibit JJJ-4, Schedule 2.

**ANSWER:**

Exhibit JJJ-4, Schedule 2 only included payments of short-term incentive (STI) to Bi-Weekly Employees during the test year but should have included payments of STI to both Bi-Weekly Employees and Semi-Monthly employees during the test year.

Please refer to the response to OPUC 1-2 for revised pages for the WP/II-B-9/ series. The Company will reflect this change in the final rates to be computed in this docket.

Please see the response to OPC 1-4 for the reasons why STI payments during the test year and STI expense during the test year are not comparable.

Sponsor: Walter L. Fitzgerald / Jay Joyce

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-04**

**QUESTION:**

Please reconcile the differences in the data provided in the file "LL06-Jay\_Lead\_Lag\_Co003\_2009", tab "Data", with the data provided on working paper WP II-D-3|1, column H - "12/31/2009 GL Balance", in the same level of detail provided on that working paper.

**ANSWER:**

The file "LL06-Jay\_Lead\_Lag\_Co003\_2009", tab "Data" represents the actual short-term incentive (STI) paid during the test year. The data provided on workpaper WP II-D-3|1, column H - "12/31/2009 GL Balance" represents accruals of STI expense during the test year for STI that was paid in March 2010 and includes true-up entries for STI accrued in 2008 and paid in 2009. As explained above, timing differences between STI payments and STI expense during the test year make a reconciliation of these two different sets of data not meaningful and the requested reconciliation cannot be performed.

Sponsor: Walter L. Fitzgerald / Jay Joyce

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-05**

**QUESTION:**

Please provide a schedule similar to II-D-3 indicating by FERC Account the per-book distribution of the \$9,962,000 in incentive compensation paid out in 2009.

**ANSWER:**

The amount referenced in the question does not represent payments of short-term incentive (STI). This amount represents journal entries in the test year to accrue the estimated cost of STI paid in March 2010 and also to true-up the estimated cost of STI paid in March 2009. Please see the attachment to this response for the information requested.

Sponsor: Charles Dean Woods - STI General/Walter L. Fitzgerald - Accounting

Responsive Documents:  
OPC 1-5 Attachment 1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 SHORT-TERM INCENTIVE (STI) INCLUDED IN REVENUE REQUIREMENT  
 TEST YEAR ENDED 12/31/2009

(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric	5 FF #	6 Functionalization Factor Name
1		Transmission Expense							
2		Operation	II-D-3						
3	560	Operation Super. & Engh.		71	-	17	88	*	TRAN
4	561	Load Dispatching		317	-	70	387	*	TRAN
5	562	Station Equipment		6	-	1	7	*	FCA 353 GPLT
6	563	Overhead Line Expense		29	-	6	35	*	TRAN
7	564	Underground Line Expense		-	-	-	-	*	TRAN
8	565	Elect Transm-by Oth		-	-	-	-	*	TRAN
9	566	Misc. Transmission Expense		79	-	16	96	*	TRAN
10									
11		Subtotal		502	-	110	613	*	
12									
13		Maintenance	II-D-3						
14	569	Maint. of Structures		20	-	4	24	*	TRAN
15	570	Maint. of Station Equipment		64	-	13	77	*	FCA 353 GPLT
16	571	Maint. of Overhead Lines		131	-	44	175	*	TRAN
17	572	Maint. of Underground Lines		-	-	-	-	*	TRAN
18	573	Maint. of Misc. Trans. Plant		9	-	2	11	*	TRAN
19									
20		Subtotal		224	-	63	287	*	
21									
22		TOTAL TRANSMISSION EXPENSE		726	-	173	899	*	
23									
24									

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 SHORT-TERM INCENTIVE (STI) INCLUDED IN REVENUE REQUIREMENT  
 TEST YEAR ENDED 12/31/2009

(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	7 Allocation to Taxes	8 TRAN	9 DIST	10 MET	11 TDCS	12 Total
1		<b>Transmission Expense</b>							
2		<u>Operation</u>	II-D-3						
3	560	Operation Super. & Engr.		88	88	-	-	-	88
4	551	Load Dispatching		387	387	-	-	-	387
5	562	Station Equipment		7	6	1	-	-	7
6	563	Overhead Line Expense		35	35	-	-	-	35
7	564	Underground Line Expense		-	-	-	-	-	-
8	565	Elect Transm-by Oth		-	-	-	-	-	-
9	566	Misc. Transmission Expense		96	96	-	-	-	96
10									
11									
12		<b>Subtotal</b>		<b>613</b>	<b>612</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>613</b>
13									
14		<u>Maintenance</u>	II-D-3						
15	569	Maint. of Structures		24	24	-	-	-	24
16	570	Maint. of Station Equipment		77	67	10	-	-	77
17	571	Maint. of Overhead Lines		175	175	-	-	-	175
18	572	Maint. of Underground Lines		-	-	-	-	-	-
19	573	Maint. of Misc. Trans. Plant		11	11	-	-	-	11
20									
21									
22		<b>Subtotal</b>		<b>287</b>	<b>277</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>287</b>
23									
24		<b>TOTAL TRANSMISSION EXPENSE</b>		<b>899</b>	<b>888</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>899</b>

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 SHORT-TERM INCENTIVE (STI) INCLUDED IN REVENUE REQUIREMENT  
 TEST YEAR ENDED 12/31/2009

(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric	5 FF #	6 Functionalization Factor Name
25		Distribution Expense							
		<u>Operation</u>	II-D-3						
26	581	Load Dispatching		146	-	33	179	*	DIST
27	582	Station Expense		87	-	17	104	*	FCA 362 GPLT
28	583	Overhead Line Expense		157	-	35	192	*	DIST
30	584	Underground Line Expense		208	-	49	257	*	DIST
31	585	Street Light & Signal Systems		7	-	1	8	*	DIST
32	586	Meter Expenses		304	-	46	350	*	MET
33	587	Customer Installation Expense		92	-	28	120	*	DIST
34	588	Misc. Distribution Expenses		-	-	-	-	-	
35	589	Rents		-	-	-	-	-	
36		Subtotal 581-589		1,001	-	208	1,209	*	
37									
38									
39	580	Operation Super. & Engin.		528	-	138	666	*	DIST
40	588	Misc. Distribution Expenses		252	-	59	311	*	DIST
41		Subtotal 580 & 588		780	-	197	977	*	
42									
43		<u>Distribution-Operation-Total</u>	II-D-3	1,781	-	405	2,186	*	
44									
45		<u>Maintenance</u>	II-D-3						
46	591	Maint. of Structures		15	-	3	18	*	DIST
47	592	Maint. of Station Equipment		220	-	44	264	*	FCA 362 GPLT
48	593	Maint. of Overhead Lines		452	-	94	546	*	DIST
49	594	Maint. of Underground Lines		180	-	25	186	*	DIST
50	595	Maint. of Line Transformers		-	-	-	-	*	DIST
51	596	Maint. of Street Lights		40	-	5	45	*	DIST
52	597	Maint. of Meters		1	-	0	1	*	MET
53	598	Maint. of Misc. Dist. Plant.(371&372)		0	-	0	0	*	DIST
54		Subtotal 591-598		888	-	172	1,060	*	
55									
56									
57	590	Maintenance Super.& Engin.		331	-	86	417	*	DIST
58		Subtotal 590		331	-	86	417	*	
59									
60		<u>Distribution-Maintenance-Total</u>	II-D-3	1,219	-	258	1,477	*	
61									
62		TOTAL DISTRIBUTION EXPENSE	II-D-3	3,000	-	664	3,663	*	

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 SHORT-TERM INCENTIVE (STI) INCLUDED IN REVENUE REQUIREMENT  
 TEST YEAR ENDED 12/31/2009

(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	Allocation to Texas	TRAN	DIST	MET	TDCS	Total
25		Distribution Expense							
26		Operation	II-D-3						
27	581	Load Dispatching		179	-	179	-	-	179
28	582	Station Expense		104	40	65	-	-	104
29	583	Overhead Line Expense		192	-	192	-	-	192
30	584	Underground Line Expense		257	-	257	-	-	257
31	585	Street Light & Signal Systems		8	-	8	-	-	8
32	586	Meter Expenses		350	-	-	350	-	350
33	587	Customer Installation Expenses		120	-	120	-	-	120
34	588	Misc. Distribution Expenses		-	-	-	-	-	-
35	589	Rents		-	-	-	-	-	-
36		Subtotal 581-589		1,209	40	820	350	-	1,209
37									
38									
39	580	Operation Super. & Engin.		666	-	666	-	-	666
40	588	Misc. Distribution Expenses		311	-	311	-	-	311
41		Subtotal 580 & 588		977	-	977	-	-	977
42									
43		Distribution-Operation-Total	II-D-3	2,186	40	1,797	350	-	2,186
44									
45		Maintenance	II-D-3						
46	591	Maint. of Structures		18	-	18	-	-	18
47	592	Maint. of Station Equipment		264	100	164	-	-	264
48	593	Maint. of Overhead Lines		546	-	546	-	-	546
49	594	Maint. of Underground Lines		186	-	186	-	-	186
50	595	Maint. of Line Transformers		-	-	-	-	-	-
51	596	Maint. of Street Lights		45	-	45	-	-	45
52	597	Maint. of Meters		1	-	-	1	-	1
53	598	Maint. of Misc. Dist. Plant.(371&372)		0	-	0	-	-	0
54		Subtotal 591-598		1,060	100	959	1	-	1,060
55									
56									
57	590	Maintenance Super. & Engin.		417	-	417	-	-	417
58		Subtotal 590		417	-	417	-	-	417
59									
60		Distribution-Maintenance-Total	II-D-3	1,477	100	1,377	1	-	1,477
61									
62		TOTAL DISTRIBUTION EXPENSE	II-D-3	3,663	140	3,173	350	-	3,663

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 SHORT-TERM INCENTIVE (STI) INCLUDED IN REVENUE REQUIREMENT  
 TEST YEAR ENDED 12/31/2009

(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric	5 FF #	6 Functionalization Factor Name
63									
64		Cust. Acct., Serv., Info. & Sales Expenses	II-D-3						
65		Customer Accounting Expenses	II-D-3						
66		Meter Reading Expense	II-D-3	262	-	47	309	*	MET
67		Customer Records & Collection		270	-	73	343	*	TDCS
68		Subtotal 902-903		532	-	120	652		
69		Supervision		1	-	0	1	*	C902_3
70		Uncollectible Accounts		-	-	-	-	*	TDCS
71		Subtotal Customer Accounting		1	-	0	1		
72		Cust. Service & Info. Expense	II-D-3						
73		Customer Assistance		184	-	41	225	*	TDCS
74		Inform. & Instruct. Adv. Exp.		9	-	2	11	*	TDCS
75		Subtotal 906-909		193	-	43	236		
76		Supervision		1	-	0	2	*	TDCS
77		Misc. Cust. Service & Inform.		57	-	12	69	*	TDCS
78		Subtotal 907&910		58	-	12	70		
79		Subtotal -Cust. Service & Information		261	-	55	306		
80		TOT. CUST. ACCT., SERV., INFO., & SALES EXP.		784	-	175	960		
81		TOTAL STI EXCLUDING A&G	II-D-3	4,610	-	1,012	5,622		
82		Administrative & General Expenses							
83		Admin. & General Salaries		34	-	4	38	*	PAYXAG
84		Office Supplies		-	-	-	-	*	PAYXAG
85		Injuries & Damages		-	-	-	-	*	PAYXAG
86		Misc. General Expense		1,598	-	(1,339)	258	*	PAYXAG
87		Maintenance of General Plant		-	-	-	-	*	GNLPLT-N
88		TOTAL A&G EXPENSE		1,632	-	(1,336)	296		
89		TOTAL T&D O&M STI EXPENSE	II-D-3	6,142	-	(324)	5,819		
90		Capitalized and Deferred STI		3,820	-	(201)	3,619		
91		TOTAL GROSS STI		9,962	-	(526)	9,437		

\* Please refer to Schedule II-F



CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 SHORT-TERM INCENTIVE (STI) INCLUDED IN REVENUE REQUIREMENT  
 TEST YEAR ENDED 12/31/2009

(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	Allocation to Texas	7	8	9	10	11	12
					TRAN	DIST	MET	TDOS	Total	
63										
64										
65		Cust. Acct., Serv., Info. & Sales Expenses	II-D-3							
66										
67		Customer Accounting Expenses	II-D-3							
68	902	Meter Reading Expense		309	-	-	309	-	309	309
69	903	Customer Records & Collection		343	-	-	-	-	343	343
70		Subtotal 902-903		652	-	-	309	-	343	652
71										
72	901	Supervision		1	-	-	1	-	1	1
73	904	Uncollectible Accounts		-	-	-	-	-	-	-
74		Subtotal Customer Accounting		1	-	-	1	-	1	1
75										
76		Cust. Service & Info. Expense	II-D-3							
77	908	Customer Assistance		225	-	-	-	-	225	225
78	909	Inform & Instruct. Adv. Exp.		11	-	-	-	-	11	11
79		Subtotal 906-909		236	-	-	-	-	236	236
80										
81	907	Supervision		2	-	-	-	-	2	2
82	910	Misc. Cust. Service & Inform.		69	-	-	-	-	69	69
83		Subtotal 907&910		70	-	-	-	-	70	70
84										
85		Subtotal -Cust. Service & Information		306	-	-	-	-	306	306
86										
87		TOT. CUST. ACCT., SERV., INFO., & SALES EXP.		960	-	-	309	-	650	960
88										
89		TOTAL STI EXCLUDING A&G	II-D-3	5,522	1,028	3,784	660	650	650	5,522
90										
91		Administrative & General Expenses								
92	920	Admin. & General Salaries		38	6	23	7	3	38	38
93	921	Office Supplies		-	-	-	-	-	-	-
94	925	Injuries & Damages		-	-	-	-	-	-	-
95	930	Misc. General Expense		258	38	167	48	18	258	258
96	935	Maintenance of General Plant		-	-	-	-	-	-	-
97		TOTAL A&G EXPENSE		296	44	180	53	20	296	296
98										
99		TOTAL T&D O&M STI EXPENSE	II-D-3	5,818	1,071	3,364	713	670	670	5,818
100		Capitalized and Deferred STI								
101										
102		TOTAL GROSS STI								
103										

\* Please refer to Schedule II-F

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-06**

**QUESTION:**

Please explain the nature of the affiliate credit transactions included on the tab labeled "120010" in the file "LL10-Affiliate Transactions 2009 CEHE".

**ANSWER:**

The credit transactions represent the credits to intercompany accounts receivable in the journal entry to record the cash settlement with an affiliate for the net position of the CEHE intercompany payable (200010) and intercompany receivable account (120010).

The following example represents a typical journal entry to record the cash settlement between CEHE and an affiliate in which CEHE is in a net payable position:

Hypothetical Example:

1	<u>Journal Entry to Record Settlement</u>	<u>Account</u>	<u>Amount</u>
2	Dr. Intercompany payable	200010	\$ 100
3	Cr. Intercompany receivable	120010	\$ (50)
4	Cr. Cash (paid to affiliate)	Cash	\$ (50)

Note line # 3 above represents the credit to intercompany receivable account

Sponsor: Walter L. Fitzgerald

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-07**

**QUESTION:**

Please provide the actuarial analysis supporting the quantification of the \$17.2 million of Medicare Part D subsidy receivable.

**ANSWER:**

The computation of the \$17.2 million Medicare Part D subsidy receivable can be located on WP/II-E-3.2/1 (Bates 6079). The information contained within this workpaper is supported by the attached documents which were prepared by Hewitt Associates.

Sponsor: Alan Felsenthal

**Responsive Documents:**

OPC 1-07 - Medicare Part D Analysis.pdf

OPC 1-07 - Medicare Part D Projected Receipts.pdf

**CenterPoint Energy Houston Electric  
 History of OPEB Expense, Medicare Part D Subsidy, and Prepaid/(Accrued) Liability - Revised**

	2004	2005	2006	2007	2008	2009	2010 Cumulative
<b>FAS 106 (with subsidy) - Reconciliation of Prepaid/(Accrued)</b>							
Beginning of Year	(49,853)	(88,671)	(93,173)	(97,655)	(102,103)	(107,447)	(115,285)
(Expense)	(15,640)	(13,246)	(12,484)	(12,933)	(13,176)	(16,261)	(83,740)
Contributions	9,221	8,987	9,415	9,417	9,844	9,178	56,062
Actual RDS Received			(317)	(976)	(1,390)	(500)	(3,183)
RDS Receivable	(450)	(243)	(1,096)	(195)	(622)	(255)	(2,168)
Other Adjustments			-	239			(454)
Texas Genco Transfer	(31,949)	-	-	-	-	-	(31,949)
EOY	(88,671)	(93,173)	(97,655)	(102,103)	(107,447)	(115,285)	(115,285)
<b>FAS 109 (without subsidy) - Reconciliation of Prepaid/(Accrued)</b>							
Beginning of Year	(49,853)	(89,301)	(96,321)	(106,415)	(113,924)	(124,896)	(138,499)
(Expense)	(16,154)	(15,991)	(19,509)	(17,204)	(20,816)	(22,781)	(112,455)
Contributions	9,221	8,987	9,415	9,417	9,844	9,178	56,062
RDS							
Other Adjustments	(450)	(16)		278			(188)
Texas Genco Transfer	(32,065)	-	-	-	-	-	(32,065)
End of Year	(89,301)	(96,321)	(106,415)	(113,924)	(124,896)	(138,499)	(138,499)
<b>Cumulative Difference</b>	<b>(630)</b>	<b>(3,148)</b>	<b>(8,760)</b>	<b>(11,821)</b>	<b>(17,449)</b>	<b>(23,214)</b>	<b>(23,214)</b>

**FAS 106 Disclosure for Fiscal 2009**  
**Valuation Assumptions—CenterPoint Energy CEHE**

**Projected Benefit Payments**

Fiscal Year	Expected Net Benefit Payments (In 000s)	
	Without Medicare Subsidy	With Medicare Subsidy
2010	\$ 18,860	\$ 17,054
2011	\$ 19,977	\$ 18,006
2012	\$ 20,872	\$ 18,703
2013	\$ 21,813	\$ 19,419
2014	\$ 22,703	\$ 20,073
2015 - 2019	\$ 127,646	\$ 110,821
<b>Expected Contributions</b>		<b>\$ 7,418</b>

**Assumed Health Care Cost Trend Rates For Participants not Eligible for Defined Benefit:**

	Medical	Drug
2009	8.00%	8.50%
2010	7.50%	8.00%
2011	7.00%	7.50%
2012	6.50%	7.00%
2013	6.00%	6.50%
2014	5.50%	6.00%
2015+	5.50%	5.50%

A different set of trend rate assumptions is utilized for retiree dental benefits.

If the health care cost trend rate assumptions changed by 1%, the APBO and sum of service cost and interest cost would have changed as follows:

	Percentage Increase	Percentage Decrease
APBO	4.03%	-3.48%
Sum of Service Cost and Interest Cost	3.37%	-2.91%

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-08**

**QUESTION:**

For the period from 2004 through 2009, please provide the temporary differences comprising the Medicare Part D subsidy receivable of \$17.2 million by vintage year.

**ANSWER:**

Please note that the Medicare Part D amounts for the period from 2004 through 2009 had no deferred tax consequences and accordingly, were permanent differences. Please see the response and attachment to OPC 1-7 which shows the details of the \$17.2 million by vintage year.

Sponsor: Alan Felsenthal

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-09**

**QUESTION:**

Please provide the effective dates for customer rates that were effective during the period from 2004 through 2009, along with the docket number where rates were set for each calendar year, the test year used to determine the cost of service for that docket, the date of the SF AS 106 actuarial report used to establish OPEB expense in each docket, and the calendar or fiscal year covered by the SF AS 106 actuarial report used to establish OPEB expense in each docket.

Year	Docket No.	Test Year Ended	Effective Date of Rates	SF AS 106 Actuarial Report Date	Calendar or Fiscal Year Covered by Actuarial Report
2004					
2005					
2006					
2007					
2008					
2009					

**ANSWER:**

Please refer to the attached file "OPC 01-09 SFAS 106.xlsx."

Sponsor: Charles Dean Woods / Walter L. Fitzgerald/Matthew Troxle

Responsive Documents:  
OPC 01-09 SFAS 106.xlsx

CenterPoint Houston  
 OPC 01-09  
 SFAS 106

Year	Docket No.	Test Year Ended	Effective Date of Rates	SFAS 106 Actuarial Report Date	Calendar of Fiscal Year Covered by Actuarial Report
2004	22355	12 months ended 9/30/99	1/1/2002	(A)	(A)
2005	22355	12 months ended 9/30/99	1/1/2002	(A)	(A)
2006 <sup>1</sup>	22355	12 months ended 9/30/99	1/1/2002	(A)	(A)
2007	22355	12 months ended 9/30/99	1/1/2002	(A)	(A)
2008	22355	12 months ended 9/30/99	1/1/2002	(A)	(A)
2009	22355	12 months ended 9/30/99	1/1/2002	(A)	(A)

(A) Docket No. 22355 was CenterPoint's Unbundling Cost of Service case for a forecast test year ending 2002 based on a historical test year ended 9/30/99. Escalation rates for O&M costs were established in a generic proceeding, Docket No. 22344, and these escalation rates were applied to adjusted historical test year costs. The SFAS 106 expense is based on expense for the 12 months ended 9/30/99, which is represented by 3 months of 1998 actuarial expense and 9 months of 1999 actuarial expense. The related SFAS 106 1998 and 1999 actuarial reports are dated June 1999 and March 2000 and cover the calendar years of 1998 and 1999, respectively.

<sup>(1)</sup>In 2006, CenterPoint was required to file a general rate proceeding (Docket No. 32093) based on a 2005 test year. As a result of that filing, a settlement was reached in 2006 that resulted in a reduction of CenterPoint's then current rates. However, OPEB costs for the test year cannot be determined from the Order approving the settlement.

Note: Refer also to the testimonies of Walter L. Fitzgerald and Charles Dean Woods for further discussion of SFAS 106.



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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-10**

**QUESTION:**

Please explain and provide the reconciling items between the \$25,268,000 adjustment for Energy Efficiency on line 8 of Exhibit WLF-7a and the \$25,345,473 in total 2009 energy efficiency program expenditures discussed on page 10 of 21, line 18, in the direct testimony of Alan C. Ahrens.

**ANSWER:**

The \$25,268,744 adjustment for Energy Efficiency on line 8 of Exhibit WLF-7a inadvertently excluded \$80,668 in payroll related taxes. The \$80,668 amount should have been excluded from account 4081 Taxes Other Than Income Taxes on Schedule II-E-2, and the Company will make this adjustment by excluding the \$80,668 amount from its final O&M expenses in this filing. The remaining difference of (\$3,939) represents miscellaneous test year expense excluded from cost of service that are not supported as Energy Efficiency Program Expenditures.

Sponsor: Walter L. Fitzgerald / Alan C. Ahrens

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-11**

**QUESTION:**

Please explain and provide the reconciling items between the \$142.4 million in Service Company billings to CenterPoint Houston shown on page 20 of 38, lines 3 - 8, in the direct testimony of Karen Dominguez and the \$162,124,000 shown on line 1, column 53, of Schedule V-K-2.

**ANSWER:**

See below for a complete reconciliation of the amounts referenced in this question.

Reconciliation		Reference	
Reported on Schedule V-K-2	\$ 162.1	V-K-2	Bates pg 6592
Less: AMS	12.5	V-K-12	Ln 2062 Less 2060, CEHE - AMS Column
Less: Properties AMS	1.3	V-K-12	Ln 2060, CEHE - AMS Column
Less: Properties	9.0	V-K-12	Ln 2060, CEHE Column
Less: Pass Through (Net)	(1.4)	V-K-12a	Bates pgs 6626 & 6627
Plus: Balance Sheet Items	0.2	[1]	
Plus: CPA Adjustment	1.5	V-K-6	Bates pg 6601
<b>Total</b>	<b>142.4</b>		
Figure 3 ServCo Billings	\$ 142.4		Bates pg 1055

[1] Schedule V-K-2 does not include amounts for balance sheet accounts 1810 (Unamortized debt expense), 1860 (Miscellaneous deferred debits), 2281 (Accumulated provision for property insurance) or 2530 (Other deferred credits).

Sponsor: Walter L. Fitzgerald / Karen C. Dominguez

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-12**

**QUESTION:**

The direct testimony of Karen Dominguez, page 28 of 38, lines 2 through 6, describes the composite ratio formula. Please explain the rationale for weighting gross margin and assets by 40% each and headcount by 20%, rather than some other weighting.

**ANSWER:**

The Composite Ratio was developed by Service Company pursuant to the SEC's direction in its December 18, 2003 order regarding the formation of Service Company. The SEC determined that the Composite Ratio would more appropriately allocate certain costs related to corporate governance. The purpose of the Composite Ratio is to weight various aspects of the CenterPoint Energy business units so that a fair distribution of overhead costs is allocated to the affiliates. The Composite Ratio attempts to balance conceptual correctness and practicality to provide a consistent and equitable allocation over time. CenterPoint Energy operates in a capital-intensive industry. As a result, CenterPoint Energy focuses on those assets as follows: 1) To manage the assets to ensure the safe, reliable provision of service to its customers in all its businesses; and 2) To produce sufficient margin to allow it to continue to invest in its infrastructure, pay its reasonable and necessary expenses and maintain a capital structure to enable it to meet the financial obligations and obtain funds in the capital markets at reasonable rates. This need to focus on asset management and margin generation supports placing a greater weighting on assets and gross margin in the Composite Ratio. The Headcount component of the Composite Ratio reflects the employee management aspect of governance oversight, since a smaller portion of governance oversight is focused on headcount is given a lower weighting. The weightings also reflect the fact that some of CenterPoint's businesses are more capital intensive than others, they have different relative profitability, and differ in their labor intensity as well as the amount of work done internally versus with contract labor. By using the mix it does, CenterPoint Energy believes its cost allocations result in a fair and reasonable allocation to each of its business units.

Sponsor: Karen Dominguez

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-13**

**QUESTION:**

The direct testimony of Karen Dominguez, page 28 of 38, lines 2 through 6, describes the composite ratio formula. Please explain the rationale for each of the components used in the composite ratio formula: gross margin, assets, and headcount.

**ANSWER:**

Gross margin was selected rather than revenue because of the significant fluctuations in revenues that occur in the natural gas distribution business due to the flow through of the cost of gas, which would cause allocations to change significantly from year to year without any real change in the operation of the business. See the response to OPC01-12 for the rationale for using assets. Headcount was chosen to reflect the employee management aspect of governance oversight. Headcount was chosen rather than payroll for a variety of reasons: CenterPoint Energy operates in numerous job markets from large urban markets like Houston and Minneapolis to small rural markets like Hessmer, Louisiana and Nashville, Arkansas. The wage and salary requirements in these markets vary significantly, while the amount of effort necessary to manage the actual employees does not. Use of payroll in lieu of headcount would tend to skew the allocation of costs to higher labor cost business units and away from lower labor cost business units without any correlation to the rationale for the allocation. Total O&M expenses were not used as an allocation method to minimize the impact of a significant change in a single expense in one business that may not be reflected in another business. A good example is pension cost. When pension costs increased dramatically in 2009, CEHE was able to defer large pension cost increases above what was incurred in 2007, while CenterPoint's other business units could not.

Sponsor: Karen Dominguez/Dean Woods

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-14**

**QUESTION:**

The direct testimony of Karen Dominguez, page 28 of 38, lines 2 through 6, describes the composite ratio formula. Please generally explain why headcount is used in the composite ratio, as opposed to gross payroll or total O&M expenses.

**ANSWER:**

See OPC01-13.

Sponsor: Karen Dominguez

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-15**

**QUESTION:**

Please provide the report prepared by Maximus, Inc. (Dominguez direct, page 28 of 38, lines 16-23).

**ANSWER:**

The Maximus study was provided in response to COH 11-1.

Sponsor: Karen Dominguez

Responsive Documents:  
None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-16**

**QUESTION:**

Were the components of the composite ratio formula determined by Maximus, Inc. or the Company?

**ANSWER:**

The Composite Ratio was developed by Service Company pursuant to the SEC's direction in its December 18, 2003 order regarding the formation of Service Company. The SEC determined that the Composite Ratio would more appropriately allocate certain costs related to corporate governance. This is discussed in the SEC audit letters included as exhibits to the direct testimony of Karen Dominguez (please see Exhibits KCD-11, KCD-12, and KCD-13).

Sponsor: Karen Dominguez

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 27<sup>th</sup> day of August, 2010.

Linda A Johnston