



Control Number: 38339



Item Number: 371

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

**APPLICATION OF CENTERPOINT
ENERGY HOUSTON ELECTRIC, LLC
FOR AUTHORITY TO CHANGE
RATES**

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**BEFORE THE

PUBLIC UTILITY COMMISSION

OF TEXAS**

**WORK PAPERS

TO

DIRECT TESTIMONY

OF

JUNE M. DIVELY, CPA, CFF, Cr.FA, DABFA**

**ON BEHALF OF

OFFICE OF PUBLIC UTILITY COUNSEL**

SEPTEMBER 10, 2010

FILED
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ENGLEWOOD

CenterPoint Energy Houston Electric
Preliminary Summary of Cost of Service Issues
As of September 6, 2010

Description (a)	CenterPoint				Dively				
	Test Year (c)	Company Adjustments (d)	Company Total Request (e)	CenterPoint Revenues (f)	Comment (h)	Dively Adjustment (i)	JMD Working Paper Ref. (j)	Dively Adjusted (k)	Change in Revenues (m)
Rate Base									
Original Cost of Plant	6,631,307	83,714	6,715,021	604,352				6,715,021	604,352
General Plant	279,865	(7,928)	271,937	24,474				271,937	24,474
Communication Equipment	274,369	(30,797)	243,572	21,921				243,572	21,921
Total Plant	7,185,541	44,989	7,230,530					7,230,530	
Minus: Accumulated Depreciation				(268,811)	(1)	(18,028)	WP JMD 3.4	(2,988,784)	(268,811)
Remove recalc of accum depr bal					(2)	(1,978)	WP JMD 3.3	(1,978)	(1,623)
Remove RWIP								(1,978)	(178)
Net Plant in Service	(3,043,527)	56,743	(2,986,784)					4,223,740	
Other Rate Base Items:									
CWIP	4,142,014	101,732	4,243,746						
Cash Working Capital	141,749	(141,749)			(3)	(8,606)	WP JMD 4.1	40,456	3,641
Prepayments	74,330	(25,269)	49,061	4,416				4,434	399
Materials & Supplies	10,521	(6,067)	4,434	6,152				68,358	6,152
Plant Held for Future Use	68,356		68,356	20				217	20
Accumulated Provisions, ADIT, FAS 108 Accts.	14,214	(13,987)	217		(4)	(164,314)	WP JMD 5.2	(882,364)	(80,313)
Regulatory Assets - Deferred Pension	(663,869)	(84,182)	(728,050)	(65,525)	(5)	(28,009)	WP JMD 5.3	32,331	(14,788)
Subtotal	32,331	29,009	58,340	5,251				(748,571)	(2,341)
Total Rate Base	(322,366)	(225,274)	(547,642)					3,477,169	
Rate of Return	3,618,646	(123,542)	3,696,104					7,885	(38,944)
Return on Rate Base	9.0%	9.0%	8.0%					274,001	(38,944)
Operating and Maintenance Expenses	343,788	(11,119)	332,669					594,639	
Benefits	766,263	(171,624)	594,639						
Remove LTI Expense - All Shareholder Oriented					(6)	(1,341)	WP JMD 6.1	(1,341)	(1,341)
Remove Benefit Expenses not Addressed by CEHE					(7)	(2,324)	WP JMD 6.2	(2,324)	(2,324)
Total O&M								590,974	(3,685)
Depreciation & Amortization Expenses	284,030	1,817	265,847	265,847	(8)	(8,670)	WP JMD 7	257,177	(8,670)
Taxes Other Than Federal Income Tax	234,327	(462)	233,865	233,865				233,865	
Federal Income Tax	100,697	6,483	107,179	107,179	(9)	(8,605)	WP JMD 8	100,574	(8,605)
TOTAL COST OF SERVICE	1,709,065	(174,909)	1,534,179	1,534,179				1,498,591	(77,586)
TX Gross Margin Tax - Flow Through					(10)	(1,790)	WP JMD 9	(1,790)	(1,790)
Federal Income Tax - Flow Through					(11)	(36,407)	WP JMD 8	(36,407)	(36,407)
ADJUSTED COST OF SERVICE								1,418,394	(115,785)

CenterPoint Energy Houston Electric
Comments Related to Preliminary Summary of Cost of Service Issues
As of September 6 2010

(1)	Accumulated Depreciation	CNP has recalced its accumulated depreciation using the rates in its new depreciation study. Although it is proper to adjust depreciation expense on a going forward basis, it is not proper to restate accumulated depreciation since it was established using previously authorized depreciation rates.	(1,623)
(2)	Accumulated Depreciation	CNP has left the balance in its Retirement Work in Process account in its accumulated depreciation. Like Contruction Work in Process, this should be removed.	(178)
(3)	Cash Working Capital	In determining the lead days for annual incentives, Mr. Joyce did not use all the dollars paid-out in March. He omitted \$9.4 million. The dollars associated with LTI are removed from the case as all goals are shareholder-related goals. Other O&M expenses were squeezed by taking total O&M and subtracting payroll and benefits. Other O&M was decreased when the omitted incentives were pulled out. CWC needs to be calculated a lower-level than done by Mr. Joyce. Expenses and Return were adjusted to reflect our proposed adjustments.	(775)
(4)	ADFIT	FIN 48 items were removed. The company took the related deductions and has the benefit of the cost free capital. The amount of any disallowance is not known and measurable but estimated in a statistical manner. The recording of FIN 48 items is purely a GAAP requirement and not appropriate for rate making.	(14,788)
(5)	Regulatory Assets	CNP has included in its Pension Deferral, estimated amounts for 2010 that will not be finalized until after 2010 when the final pension report is prepared by the actuaries. Market fluctuations are common and likely and could have a material impact on the results. The 2010 estimated amount was removed.	(2,341)
(6)	Benefits	Removed all proposed Long-Term Incentive expense as shareholder-only-oriented goals. See Woods, pages 28 - 29.	(1,341)
(7)	Other Benefits	Remove undisclosed benefits due to burden of proof standard	(2,324)
(8)	Depreciation & Amortization	Remove amortization expense of estimated 2010 deferred pension.	(8,670)
(9)	Federal Income Taxes	Remove Medicare Part D subsidy adjustments as too far reaching into the future. The dollar amount is not known and measurable as estimated amounts must be used.	(6,605)
(10)	TX Gross Margin Tax	Flow-Through Impact of Rate Base Items	(1,790)
(11)	Federal Income Tax	Flow-Through Impact of Rate Base Items	(36,407)
	Rate of Return	Carol Szerszen	(38,944)
			<u>(115,785)</u>

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2009 COST OF SERVICE RATE FILING
RETAIL REVENUE REQUIREMENT ADJUSTMENTS TO TEST YEAR AMOUNTS
(Thousands of Dollars)

		JMD Work			
		Adjustments	Decreases		Increases
O&M/A&G Expenses					
1	Advanced Meter System (AMS)	\$ (14,746)		(14,746)	-
2	Payroll Adjustment	5,083	-3.1%	-	5,083
3	Short-Term Incentive	(324)	0.2%	(324)	0%
4	Pension Impact of Payroll Adjustment	1,727	-1.1%	-	1,727
5	Pension Expense Ongoing	26,009	-15.9%	-	26,009
6	Depreciation Study (Transportation)	(2,160)	1.3%	(2,160)	1%
7	Ongoing Increase in Security	518	-0.3%	-	518
8	Energy Efficiency	(25,268)		(25,268)	-
9	Wholesale TCOS	(173,310)		(173,310)	-
10	LTIP Recon Adj	(16)	0.0%	(16)	0%
11	RegOps Technology	(272)	0.2%	(272)	0%
12	Service Company Labor Adjustment	1,313	-0.8%	-	1,313
13	Property Insurance Reserve	2,846	-1.7%	-	2,846
14	Employee Expense Adjustment	(174)	0.1%	(174)	0%
15	Grid Hardening	7,150	-4.4%	-	7,150
16	Total O&M/A&G Adjustments	(171,624)			
Depreciation & Amortization					
17	Depreciation Study	(15,693)		(15,693)	-
18	Pension Deferral Amortization	19,296	-11.8%	-	19,296
19	AMS Lock Collar Amortization	(262)	0.2%	(262)	0%
20	Ike Insurance Proceeds Amortization	(1,475)	0.9%	(1,475)	1%
21	Expedited Switching Amortization	151	-0.1%	-	151
22	Total Depreciation & Amortization Adjustments	1,817			
Taxes Other Than Income Taxes					
23	AMS Employee Payroll Tax	(149)	0.1%	(149)	0%
24	FICA Tax Impact of Payroll Adjustment	348	-0.2%	-	348
25	SUTA Adjustment	111	-0.1%	-	111
26	Ad Valorem Tax	(286)	0.2%	(286)	0%
27	City Franchise Tax	(460)	0.3%	(460)	0%
28	State Margin Tax	(26)	0.0%	(26)	0%
29	Total Taxes Other Than Income Taxes Adjustments	(462)			
Federal Income Tax					
28	Various	6,483	-4.0%	-	6,483
29	Total Adjustments to Retail Revenue Requirement	\$ (163,786)	100%	\$ (234,821)	100%
				\$ 71,035	100%

O&M and A&G EXPENSES

Description	Reference Schedule	Test Year Total Electric	Company Adjustments	Company Total Request
Transmission Expense				
Operation	II-D-1			
560 Operation Super. & Engr.		5,889	15	5,884
561 Load Dispatching		6,481	210	6,691
562 Station Equipment		98	11	109
563 Overhead Line Expense		459	(5)	454
564 Underground Line Expense		2	-	2
565 Electricity Transmitted by Others		322,930	(173,310)	149,620
566 Misc. Transmission Expense		1,988	3	1,991
567 Rents		1	-	1
Subtotal		337,828	(173,078)	164,752
Maintenance				
569 Maint. of Structures	II-D-1	289	19	288
570 Maint. of Station Equipment		5,862	70	5,732
571 Maint. of Overhead Lines		11,001	190	11,191
572 Maint. of Underground Lines		2	-	2
573 Maint. of Misc. Trans. Plant		235	10	245
Subtotal		17,189	289	17,458
TOTAL TRANSMISSION EXPENSE	II-D-1	354,997	(172,787)	182,210
Distribution Expense				
Operation	II-D-1			
581 Load Dispatching		3,424	121	3,545
582 Station Expense		1,185	154	1,339
583 Overhead Line Expense - Primary		2,478	190	2,668
584 Underground Line Expense		3,847	241	4,088
585 Street Lights		101	(7)	94
586 Meter Expenses		39,386	(9,813)	29,573
587 Customer Installation Expense		2,526	173	2,699
588 Operation Super. & Engr.		30,487	566	31,053
589 Misc. Distribution Expense		28,523	359	28,882
Distribution-Operation-Total		111,957	(8,016)	103,941
Maintenance				
591 Maint. of Structures	II-D-1	791	3	794
592 Maint. of Station Equipment		10,788	216	11,004
593 Maint. of Overhead Lines-Primary		42,806	7,628	50,522
594 Maint. of Underground Lines-Primary		6,347	84	6,431
595 Maint. of Line Transformers		894	-	894
596 Maint. of Street Lights		7,535	(13)	7,522
597 Maint. of Meters		3,217	(120)	3,097
598 Maint. of Misc. Dist. Plant		921	-	921
599 Maintenance Super. & Engr.		4,872	624	5,496
Distribution-Maintenance-Total		78,261	8,420	86,681
TOTAL DISTRIBUTION EXPENSE	II-D-1	190,218	404	190,622
Customer Accounting & Service				
902 Meter Reading Expense	II-D-1	10,476	(140)	10,336
903 Customer Records & Collection		21,632	(1,288)	20,384
901 Supervision		38	3	41
904 Uncollectible Accounts		551	-	551
906 Customer Assistance	II-D-1	26,587	(23,614)	2,973
909 Inform. & Instruct. Adv. Exp.		331	(10)	321
907 Supervision		484	(483)	1
910 Misc. Cust. Service & Inform.		1,287	60	1,347
TOTAL-CUSTOMER ACCOUNTING & SERVICE	II-D-1	61,385	(25,482)	35,934
TOTAL O&M EXPENSE	II-D-1	606,601	(197,836)	408,765
Administrative & General Expenses				
920 Admin. & General Salaries	II-D-2	3,747	92	3,839
921 Office Supplies		752	-	752
923 Outside Services		683	-	683
924 Property Insurance Exp.		6,710	2,846	9,556
925 Injuries & Damages		7,290	-	7,290
926 Pensions & Benefits		30,584	21,591	52,175
928 Regulatory Commission		3,820	(712)	3,108
930 General Advertising Expense		1,687	(1,325)	362
930 Misc General Expense		92,828	3,719	96,547
931 Rents		8,865	-	8,865
935 Maint. of General Plant		1,490	-	1,490
426 Donations		1,208	-	1,208
TOTAL A&G EXPENSE	II-D-2	159,682	26,211	185,893
TOTAL O&M and A&G EXPENSES		766,283	(171,624)	594,659

CenterPoint Energy Houston Electric, LLC
Summary of Adjustments - O&M Expenses
(Thousands of Dollars)

	√1	√2	√3	√4	√5	√6	√7	√8	√9	√10	√11	√12	√13
AMS	Payroll	STI	Payroll & STI Related Burden	Pension Deferral Amortization	Pension Ongoing	Transportation Depreciation	Security	SUTA	Energy Efficiency	TCOS	LTP Recon Adj	RegOps Technology	
Depreciation & Amortization													
4030 Depreciation													
4040 Amortization													
Total Depr. & Amort	-	-	-	19,208	-	-	-	-	-	-	-	-	
				(15,894)									
Operation & Maintenance Expenses													
5600 Operation Super. & Engrh.													
5610 Load Dispatching	57	17											
5620 Station Equipment	150	70											
5630 Overhead Line Expense	18	1											
5640 Underground Line Expense	24	6											
5650 Transmission of Electricity of Others	-	-											
5660 Misc. Transmission Expense	-	-											
5670 Rents	47	16											
5680 Maintenance Super. & Engrh.	-	-											
5690 Maint. of Structures	25	4											
5700 Maint. of Station Equipment	87	13											
5710 Maint. of Overhead Lines	228	44											
5720 Maint. of Underground Lines	-	-											
5730 Maint. of Misc. Trans. Plant	8	2											
5800 Operation Super. & Engrh.	463	138											
5810 Load Dispatching	93	33											
5820 Station Expense	222	17											
5830 Overhead Line Expense-Primary	335	35											
5840 Underground Line Expense	367	49											
5850 Street Lights	(7)	1											
5860 Meter Expenses	307	46											
5870 Customer Installation Expense	201	28											
5880 Misc Distribution Expenses	439	59											
5890 Rents	-	-											
5900 Maintenance Super. & Engrh.	243	86											
5910 Maint. of Structures	1	3											
5920 Maint. of Station Equipment	273	44											
5930 Maint. of Overhead Lines-Primary	812	94											
5940 Maint. of Underground Lines-Primary	149	25											
5950 Maint. of Line Transformers	-	-											
5960 Maint. of Street Lights	7	5											
5970 Maint. of Meters	1	0											
5980 Maint. of Misc. Dist. Plant	0	0											
9010 Supervision	3	0											
9020 Meter Reading Expense	(71)	47											
9030 Customer Records & Collection	238	73											
9040 Uncollectible Accounts	(1,522)	-											
9050 Misc. Customer Account Exp.	-	-											
9060 Customer Svc. & Infor.	-	-											
9070 Supervision	1	0											
9080 Customer Assistance	70	41											
9090 Inform. & Instruct. Adv. Exp.	3	2											
9100 Misc. Cust. Service & Inform.	58	12											
9110 Supervision	-	-											
9120 Demonstrating & Selling Exp.	-	-											
9130 Advertising Exp.	-	-											
9160 Misc Sales Exp	-	-											
9180 Misc. Sales Exp.	-	-											
9170 Sales Expense	-	-											
Total O&M	(11,598)	4,855	1,012	-	-	(2,152)	518	-	(24,192)	(173,310)	-	-	

	90	4	(2)		
Administrative & General Expenses					
9200 Admin. & General Salaries	-	-			
9210 Office Supplies	-	-			
9220 Admin Expenses Transferred	-	-			
9230 Outside Services	-	-			
9240 Property Insurance Exp.	-	-			
9250 Injuries & Damages	(941)	1,727	21,332	(511)	(16)
9260 Penalties & Benefits	(712)	-	-	(563)	
9280 Regulatory Commission	(762)	-	-	(2)	(272)
9301 General Advertising Expense	(733)	-	-	-	
9302 Misc General Expense	138	(1,339)	4,677	(6)	
9310 Rents	-	-	-	-	
9350 Maint. of General Plant	-	-	-	-	
Total A&G	228	(1,339)	26,009	(6)	(16)
	(3,148)			(1,076)	(272)
Total O&M and A&G	5,083	(324)	26,009	(2,160)	(16)
	(14,746)			(26,268)	(272)
Taxes Other than Income					
				111	
Total Expense Adjustments	5,083	(324)	19,296	518	(16)
	(14,895)			(26,268)	(272)
% of Adjustments	-3.0%	0.2%	-11.3%	-0.3%	0.0%

From: **WP_IJD-1.1 FERC IS**
 ✓1 **WP_IJD-3.3**
 ✓2 **WP_IJD-3.3**
 ✓3 **WP_IJD-3.3**
 ✓4 **WP_IJD-3.3**
 ✓5 **WP_IJD-1.9.1**
 ✓6 **WP_IJD-1.10**
 ✓7 **WP_IJD-1.12**
 ✓8 **WP_IJD-3.3**
 ✓9 **WP_IJD-1.8**
 ✓10 **WP_IJD-1.13**
 ✓11 **WP_IJD-1.14**
 ✓12 **WP_V4-6**
 ✓13 **Refer to the testimony of Greg Wilson for information related to the Storm Reservoir**
 ✓14 **WP_IJE-12**
 ✓15 **WP_IJD-1.15**
 ✓16 **WP_IJD-1.11**
 ✓17 **Refer to the testimony of Terry Finley for information related to the Grid Hardening**
 ✓18 **WP_IJE-2**

✓ ₁₄	✓ ₁₅	✓ ₁₆	✓ ₁₇	✓ ₁₈	✓ ₁₉	✓ ₂₀	✓ ₂₀	✓ ₂₀
ServCo Labor Adj	Storm Reserve	Insurance Proceeds	Expedited Switching	OnePay Adjustment	Grid Hardening	Ad Valorem	City Franchise	Tx Margin
								Total
								(15,894)
-	-	(1,475)	151	-	-	-	-	17,972
		(1,475)	151	-	-	-	-	2,078
				(1)				15
				(9)				210
				(1)				11
				-				(6)
				-				-
				-				(173,310)
				(1)				3
				-				-
				-				-
				-				19
				-				70
				(1)				190
				-				-
				-				10
				(80)				566
				(4)				121
				(1)				154
				-				190
				(4)				241
				-				(7)
				-				(9,813)
				-				173
				(1)				359
				-				-
				(35)				624
				-				3
				(1)				216
				(1)	7,150			7,826
				-				84
				-				-
				-				(13)
				-				(120)
				-				0
				-				3
				-				(140)
				(2)				(1,289)
				-				-
				-				-
				-				(483)
				(16)				(23,614)
				-				(10)
				(9)				80
				-				-
				-				-
				-				-
				-				-
				-				-
				(117)	7,150			(197,834)

[illegible]

CenterPoint 38339
Reconciliation of Test Year Plant and Reserves to Requested Amounts

	CNP WP Ref	Plant	CNP WP Ref	Reserves	Net	Dively Adjusts	Adjusted Dively
Test Year End		7,185,541		(3,043,527)	4,142,014	(662)	4,141,352
AMS Additions Jan-Mar 2010							
Intang, Trans, Distri	B-1.1	56,064	B-5.1	(4,169)	51,895		51,895
General	B-2-1	138			138		138
Comm Equipment	B-3.1	565			565		565
Total AMS		56,767		(4,169)	52,598	-	52,598
Transmission Substation Adds	B-1.1	33,292			33,292		33,292
Distribution Transformers Adds	B-1.1	3,443			3,443		3,443
Remove Asset Retirement Obligation	B-1.1	(9,085)			(9,085)		(9,085)
Reflect Retirements							
General	B-2-1	(7,992)		7,992	-		-
Comm Equipment	B-3.1	(31,033)	B-5.1 (off	31,032	(1)		(1)
Total Retirements		(39,025)	1), B-1.1.3	39,024	(1)	-	(1)
Other General Asset Retirement	B-2-1	(74)	B-5.1	2,464	2,390		2,390
Other Tangible Depreciation		-	B-5.1	37	37		37
BPL	B-3.1	(329)	B-5.1	44	(285)		(285)
Reflect change in Depr Rates			B-5.1, B-1.1.2	18,028	18,028	(18,028)	-
Increase in RWIP		-	B-5	1,316	1,316	(1,316)	-
Total Adjustments		44,989		56,744	101,733	(19,344)	82,389
Requested Rate Base		7,230,530		(2,986,783)	4,243,747	(20,006)	4,223,741
Adjustments by Function							
Intang, Trans, Distri		83,714		(4,169)	79,545	-	79,545
General		(7,928)		10,493	2,565	-	2,565
Comm Equipment		(30,797)		31,076	279	-	279
Various Plant Accounts		-		19,344	19,344	(19,344)	-
		44,989		56,744	101,733	(19,344)	82,389

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
SUPPORT FOR KNOWN CHARGES TO RATE BASE ACCOUNTS - ACCUM DEPR
TEST YEAR ENDING 12/31/2009
DOCKET 36228
(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	AMS 12/31/2008	AMS 3/31/2010	Adjustments: Reallocation & Retirements	Depreciation Expense Variance: Current vs. proposed	Total Known Change
			(A)	(B)	(C)	(D)	(A)+(B)+(C)+(D)
Intangible Plant							
Accumulated Depreciation							
1	301	Organization					
2	303.1	Miscellaneous Intangible Plant MF SV					
3	303.2	Miscellaneous Intangible Plant NMF SV	✓ ₁ (1,857)	✓ ₁ (2,508)		✓ ₃ (3,778)	✓ ₄ (4,918)
4		Subtotal	(1,857)	(2,508)		(3,778)	(4,918)
Transmission Plant							
Accumulated Depreciation							
8	350.1	Land and Land Fees			✓ ₂ 48	(7)	42
9	350.2	Land and Land Rights			5,478	158	5,636
10	352	Structures and Improvements			24,121	(2,388)	21,733
11	353	Station Equipment			27,384	1,792	29,176
12	354	Towers and Poles			9,773	2,294	12,067
13	355	Poles and Poles			(89,882)	(4,988)	(94,870)
14	356	O.H. Conductors & Devices			1,228	63	1,291
15	357	Underground Conduit			201	(9)	192
16	358	Underground Conductors			1,470	11	1,481
17	359	Roads and Trails					
18		Subtotal				(3,053)	(3,053)
Distribution Plant							
Accumulated Depreciation							
22	360.1	Land and Land Fees			94		94
23	360.2	Land and Land Rights			(175)	4	(171)
24	361	Structures and Improvements			19,336	1,691	21,027
25	362	Station Equipment			(51,154)	(629)	(51,783)
26	363	Storage Battery Equipment					
27	364	Poles, Towers & Poles-Primary			(80,141)	1,185	(78,956)
28	365	O.H. Conductors & Devices-Primary			545,061	40,119	585,180
29	366	Underground Conduits-Primary		(1)	(132,127)	(3,648)	(135,776)
30	367	U.G. Conductors & Devices-Primary	(3)	(7)	(158,838)	(7,891)	(166,739)
31	368	Line Transformers-Primary	(4)	(8)	(151,115)	187	(150,932)
32	369	Services			38,508	4,008	42,516
33	370.1	Meters				658	658
34	370.2	Meters				(639)	(639)
35	370.3	Meters	(889)	(2,052)		(8,624)	(11,565)
36	371	Install. on Customer Prem.					
37	372	Leased Prop. on Cust. Premises					
38	373	Street Lights			(37,733)	(68)	(37,801)
39	374.1	Security Lighting			(11,638)	155	(11,483)
40		Subtotal	(900)	(2,060)	2,464	26,294	27,598
General Plant							
Accumulated Depreciation							
45	380.1	Land and Land Fees			(2)		(2)
46	380.2	Land and Land Rights			2,734	148	2,882
47	390.1	Structures and Improvements			(427)		(427)
48	390.4	Leasehold Improvements			(409)		(409)
49	391	Office Furniture & Equip.				30	30
50	392	Transportation Equipment	✓ ₁ (52)	✓ ₁ (60)	47,354	2,019	47,354
51	393	Store Equipment			958	19	977
52	394	Tools, Shop & Garage Equip.			(7,918)	(95)	(8,013)
53	395	Laboratory Equipment			(7,254)	(358)	(7,612)
54	396	Power Operated Equipment			3,194	142	3,336
55		Subtotal	(52)	(60)	38,230	1,904	40,128
56	397.1	Communication Equipment	(3,708)	(5,565)	1,845	(3,865)	(11,233)
57	397.2	Computer Equipment	(2)	(2)	(1,482)	525	(1,959)
58		Subtotal	(3,710)	(5,567)	349	(3,340)	(9,928)
59	398	Misc. Equipment			440	2	442
60	399	Lignite Reserve Depletable					
61		Subtotal					
62		Subtotal	(3,711)	(5,571)	874	(3,338)	(11,746)
63		Total	(5,336)	(10,505)	41,506	18,026	55,427

✓₁ From WP/MS-1.1.4
 ✓₂ From WP/MS-1.1.3
 ✓₃ From WP/MS-1.1.2
 ✓₄ To WP/MS-5

PUBLIC UTILITY COMMISSION OF TEXAS
 CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
 R-R-R RATE BASE ACCOUNT'S DEPRECIATION - PLANT
 TEST YEAR ENDING 12/31/2009
 DOCKET 2009-0000
 (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
48							
49	General Plant		R-R-R	✓1		✓2	✓3
50	Accumulated Depreciation						
51	399.1	Land and Land Fees		✓1	-	✓2	✓3
52	399.2	Land and Land Rights		(14)	-	(2)	(16)
53	390.1	Structures and Improvements		(58,623)	-	2,882	(55,741)
54	390.4	Leasehold Improvements		427	-	(427)	-
55	391	Office Furniture & Equip.		(727)	-	(379)	(1,106)
56	392	Transportation Equipment		(83,271)	-	49,365	(33,906)
57	393	Store Equipment		(3,045)	-	974	(2,071)
58	394	Tools, Shop & Garage Equip.		2,759	-	(8,011)	(5,252)
59	395	Laboratory Equipment		(1,760)	-	(7,612)	(9,372)
60	396	Power Operated Equipment		(8,134)	-	3,336	(4,798)
61		Subtotal		(152,388)	-	48,125	(112,263)
62							
63	397.1	Communication Equipment		(96,096)	-	(3,877)	(100,572)
64	397.2	Computer Equipment		(9,410)	-	(970)	(10,380)
65	397.3	BPL Systems		(44)	-	44	-
66	398	Misc. Equipment		(1,190)	-	442	(756)
67	399	Lignite Reserve Depletable		-	-	-	-
68	399	Other Tangible-Deprec.		(37)	-	37	-
69		Subtotal		(107,384)	-	(4,324)	(111,708)
70							
71		Salvage and Removal		662	-	-	-
72		Subtotal		662	-	1,316	1,978
73							
74	TOTAL ACCUM. DEP. FOR GENERAL PLANT			R-R-R	(255,110)	37,119	(221,992)
75	TOTAL GENERAL PLANT-NET			R-R-R	285,134	(1,507)	283,627
76							
77	TOTAL PLANT IN SERVICE NET (EXCL. INTANGIBLES)			R-R-R	4,142,614	101,722	4,244,336
78							
79	TOTAL PLANT IN SERVICE NET (EXCL. INTANGIBLES)			R-R-R	4,105,657	94,698	4,200,355

CENTROPOINT ENERGY HOUTON ELECTRIC, LLC
PROPOSED Y8 CURRENT ANNUAL DEPRECIATION ACCRUALS AND RATES
TDU AND AMS COMBINED

Depreciable Group	15010000 and 30100110 Plant in Service Per Books	Retirements & Post Test Year Per Depreciation Study	15010000 and 30100110 Proposed Annual Amount	Prepared Annual Amount	Current Annual Amount	15010000 and 30100110 Proposed Annual Reserve Per Books	15010000 and 30100110 Proposed Annual Reserve
3031 Mac Intergate MF SV	14,680,782.25	4,347,387.47	14,680,782.25	1,139,807.65	1,139,807.65	(11,140,910.53)	(11,140,910.53)
3032 Mac Intergate NMF SV	172,485,485.15	3,472,888.50	172,485,485.15	11,270,584.48	7,481,838.53	(132,004,571.65)	(132,004,571.65)
	187,166,267.37		187,166,267.37	12,411,172.13	8,621,676.08	(145,145,182.84)	(145,145,182.84)
TRANSMISSION PLANT							
3001 LAND OWNED IN FEE	32,717,498.26	4,347,387.47	32,717,498.26	326,633.39	911,681.28	(29,120,270.04)	(29,120,270.04)
3002 LAND RIGHTS	4,008,888.15	3,472,888.50	4,008,888.15	331,872.78	889,482.56	(15,361,208.17)	(15,361,208.17)
3003 STRUCTURES AND IMPROVEMENTS	622,634,347.50	22,700,037.16	622,634,347.50	12,070,384.67	9,704,387.78	(131,031,448.77)	(131,031,448.77)
3004 STATION EQUIPMENT	288,183,498.32	2,364,648.26	288,183,498.32	5,885,185.75	5,885,185.75	(188,477,388.87)	(188,477,388.87)
3005 TOWERS AND FITTINGS	104,191,728.13	940.49	104,191,728.13	3,703,718.10	8,586,482.74	(91,288,321.48)	(91,288,321.48)
3006 POLES AND FITTINGS	401,247,812.86	387,418.51	401,247,812.86	18,201,320.28	11,812,135.14	(389,862,074.86)	(389,862,074.86)
3007 OVERHEAD CONDUCTORS AND DEVICES	7,871,472.48	-	7,871,472.48	132,444.70	18,212.53	(2,360,378.81)	(2,360,378.81)
3008 UNDERGROUND CONDUIT	5,176,318.28	-	5,176,318.28	135,705.34	135,705.34	(2,852,417.03)	(2,852,417.03)
3009 UNDERGROUND CONDUITS AND DEVICES	17,285,103.52	-	17,285,103.52	301,384.08	311,390.49	(16,073,312.78)	(16,073,312.78)
3010 ROADS AND TRAILS	1,537,088,539.26	33,350,411.85	1,571,288,949.21	41,301,853.81	28,148,123.26	(1,488,166,780.60)	(1,488,166,780.60)
TOTAL TRANSMISSION PLANT							
3001 LAND OWNED IN FEE	14,258,487.52	-	14,258,487.52	17,883.29	21,528.19	(95,708.26)	(95,708.26)
3002 LAND RIGHTS	1,181,784.27	-	1,181,784.27	863,143.81	2,554,339.34	(440,508.70)	(440,508.70)
3003 STRUCTURES AND IMPROVEMENTS	87,148,753.11	-	87,148,753.11	14,819,005.81	13,080,389.85	(74,329,747.30)	(74,329,747.30)
3004 STATION EQUIPMENT	726,423,883.84	-	726,423,883.84	22,180,883.87	23,316,101.80	(697,242,782.04)	(697,242,782.04)
3005 TOWERS AND FITTINGS	300,180,783.47	-	300,180,783.47	10,260,785.88	58,731,532.32	(269,919,247.69)	(269,919,247.69)
3006 POLES AND FITTINGS	270,888,911.60	-	270,888,911.60	5,887,700.20	16,427,433.18	(265,001,211.40)	(265,001,211.40)
3007 OVERHEAD CONDUCTORS AND DEVICES	270,888,911.60	-	270,888,911.60	23,316,101.80	15,427,433.18	(255,461,509.72)	(255,461,509.72)
3008 UNDERGROUND CONDUIT	140,887,823.84	-	140,887,823.84	12,600,888.20	8,344,438.86	(128,286,935.04)	(128,286,935.04)
3009 UNDERGROUND CONDUITS AND DEVICES	22,783,851.53	-	22,783,851.53	1,281,718.16	12,528,077.19	(21,502,046.66)	(21,502,046.66)
3010 LINE TRANSFORMERS	22,783,851.53	-	22,783,851.53	1,281,718.16	12,528,077.19	(21,502,046.66)	(21,502,046.66)
3011 METERS	22,783,851.53	-	22,783,851.53	1,281,718.16	12,528,077.19	(21,502,046.66)	(21,502,046.66)
3012 METERS	22,783,851.53	-	22,783,851.53	1,281,718.16	12,528,077.19	(21,502,046.66)	(21,502,046.66)
3013 STREET LIGHTING & SIGNAL SYSTEMS	86,887,620.47	-	86,887,620.47	13,506,184.35	886,487.08	(85,021,436.12)	(85,021,436.12)
3014 SECURITY LIGHTING	13,272,785.28	-	13,272,785.28	468,317.28	622,528.53	(11,849,567.53)	(11,849,567.53)
TOTAL DISTRIBUTION PLANT	4,985,182,780.48	3,443,885.00	4,988,626,665.48	168,279,485.34	182,872,680.18	(4,805,747,180.44)	(4,805,747,180.44)
GENERAL PLANT							
3001 LAND OWNED IN FEE	11,587,011.10	-	11,587,011.10	774.09	771.20	(11,586,237.01)	(11,586,237.01)
3002 LAND RIGHTS	38,469.83	-	38,469.83	1,700.00	1,700.00	(38,431.37)	(38,431.37)
3003 STRUCTURES AND IMPROVEMENTS	128,888,827.40	-	128,888,827.40	3,179,748.96	3,255,400.30	(125,639,078.44)	(125,639,078.44)
3004 OFFICE FURNITURE AND EQUIPMENT	681,008.58	(2,852,100.53)	3,533,090.91	151,438.25	180,918.42	(3,381,652.67)	(3,381,652.67)
3005 TRANSPORTATION EQUIPMENT	88,198,488.51	-	88,198,488.51	163,889.27	163,889.27	(87,024,609.24)	(87,024,609.24)
3006 TOOLS, WORK AND GARAGE EQUIPMENT	5,048,132.28	(885,387.70)	4,162,744.58	144,154.40	144,154.40	(4,018,590.18)	(4,018,590.18)
3007 TOOLS, WORK AND GARAGE EQUIPMENT	12,888,888.88	(4,151,247.27)	8,737,641.61	468,823.08	364,383.88	(8,373,257.73)	(8,373,257.73)
3008 LANDOWNED EQUIPMENT	18,739,888.28	(708.48)	18,739,179.80	874,845.40	917,273.85	(17,821,904.35)	(17,821,904.35)
3009 COMPUTER EQUIPMENT	1,176,383.36	-	1,176,383.36	13,711,785.61	788,215.12	(1,098,168.24)	(1,098,168.24)
3010 COMPUTER EQUIPMENT - GENERAL OFFICE & OTHER	79,877,801.48	(1,238,610.94)	78,639,190.54	13,711,785.61	9,848,748.87	(68,827,404.73)	(68,827,404.73)
3011 COMPUTER EQUIPMENT - GENERAL OFFICE & OTHER	508,873.08	(238,978.08)	269,895.00	8,400,445.18	5,445,788.12	(264,486.82)	(264,486.82)
3012 MISCELLANEOUS EQUIPMENT	2,359,329.58	(322,470.25)	2,036,859.33	163,308.48	102,539.48	(1,934,319.85)	(1,934,319.85)
TOTAL GENERAL PLANT	354,862,814.00	(29,353,380.00)	325,509,434.00	30,857,801.28	28,478,718.28	(325,221,715.72)	(325,221,715.72)
TOTAL ELECTRIC PLANT	7,233,148,931.38	(2,818,085.20)	7,230,330,846.18	268,798,286.62	281,351,368.46	(7,048,992,564.54)	(7,048,992,564.54)

Note: This worksheet is a summary of (1) TDU Only at WPMS-5-1.1.3 and (2) AMS Only at WPMS-5-1.1.4. Please see these separate worksheets for the underlying amounts that support the information summarized on this worksheet.

✓ These amounts represent past year additions related to the Retirement and Transfer Worksheet calculations. These amounts are aggregated and identified in the summary of jobs transfer.

✓ This amount represents the original transferred cost of certain distribution transformers. This amount is supported and identified in the summary of TDU Only.

✓ Depreciation expense for Transmission Equipment and Power Operational Equipment is recorded to various QMSP accounts and not to FSPSP accounts. Amounts for depreciation expense for these two assets are included in the summary of jobs transfer.

✓ An adjustment to QMSP is included on Schedule 5-2-1 for the amounts related to certain QMSP.

✓ To WPMS-5-1.1
✓ To WPMS-5-1.4
✓ To WPMS-5-1.1 and WPMS-5-1.4
✓ To WPMS-5-1

Exhibit JMD 3.4

CENTERPOINT ENERGY HOUSTON ELECTRIC
CASH WORKING CAPITAL

Line No.	Description (a)	Proposed Amount (b)	Divly Adjust (c)	Adjusted Divly (d)	Amortization of Prepayments (e)	Avg. Daily Expense (f)	Revenue Lag Days (g)	Expense Lag Days (h)	Net (i)	CWC Required (j)	CNP Proposed (k)	Divly Adjust (l)
1	Operation & Maintenance Expense	\$ 594,639	\$ (3,665)	\$ 590,974								
2	Less non-CWC items:											
3	Pension:											
4	FAS 106	\$ 20,800	\$ -	\$ 20,255								
5	Uncollectibles	8,812	\$ -	8,812								
6	Depreciation on TWE	551		551								
7	Total to remove for CWC	6,993		6,993								
8	Amount of O&M for CWC	\$ 557,483	\$ (3,665)	\$ 554,363								
9	O&M, including A&G				\$ 9,407	\$ (25.77)	54.39	(24.52)	29.87	\$ (770)		
10	Amortization of Prepayments											
11	Payroll Expense	122,995		122,995								
12	Regular & Overtime Payroll	105		105								
13	Severance	790		790								
14	Other Comp	5,823		5,823								
15	Short Term Incentive	129,712		129,712								
16	Total Payroll Expense	18,899		18,899								
17	Employee Benefits	148,610		148,610								
18	Subtotal Labor and Labor-Related	405,752		405,752								
19	Other O&M	557,483		554,363								
20	Total O&M											
21	Federal Income Taxes	58,878	(25,110)	33,568								
22	Current	48,501	(17,902)	30,599								
23	Deferred	107,179	(43,012)	64,167								
24	Total FIT											
25	Taxes Other Than Income Taxes	10,440		10,440								
26	Payroll Taxes	16,338	(1,790)	14,548								
27	State Franchise Taxes	138,833		138,833								
28	Local Franchise Taxes	68,454		68,454								
29	Ad Valorem Tax	285,847	(8,870)	257,177								
30	Depreciation Expense	332,849	(58,848)	274,001								
31	Return											
32	Subtotal	\$ 1,497,023	\$ (112,120)	\$ 1,381,782	\$ 9,407							
33	Average Daily Bank Balances											
34	Working Funds and Other											
35	Total Cash Working Capital Requirement											

36	FIT Current Ratio	
37	Current	52%
38	Deferred	48%
39	Total	100%

Check	1,418,394
Per Above	1,418,394
Per COS	-

Check	(8,606)
Per Above	(8,606)
Per COS	-

Exhibit JMD 3.1

**CENTERPOINT ENERGY HOUSTON ELECTRIC
CALCULATION OF PAYROLL LEAD DAYS - ANNUAL EMPLOYEE BONUSES
FOR THE TEST YEAR ENDED DECEMBER 31, 2009**

Line No.	Description (a)	Gross Payroll (b)	Percent (c)	(Lead)/Lag (e)	Check Float (g)	Total (Lead)/Lag (f)	Weighted Dollar Days (i)
1	March 6th Payout:						
2	Direct Deposit	\$ 1,198,498	82.31%	(248.00)	0.00	(248.00)	\$ (297,227,504)
3	Paper Checks	257,543	17.69%	(248.00)	(2.50)	(250.50)	(84,514,522)
4	Total Bonus Pay	<u>\$ 1,456,041</u>				<u>(248.44)</u>	<u>\$ (361,742,026)</u>
5	March 13th Payout:						
6	Direct Deposit	\$ 9,073,647	97.25%	(255.00)	0.00	(255.00)	\$ (2,313,779,985)
7	Paper Checks	256,785	2.75%	(255.00)	(2.50)	(257.50)	(66,122,138)
8	Total Bonus Pay	<u>\$ 9,330,432</u>				<u>(255.07)</u>	<u>\$ (2,379,902,123)</u>
9	Total	<u>\$ 10,786,473</u>				<u>(254.17)</u>	<u>\$ (2,741,644,148)</u>

**CENTERPOINT ENERGY HOUSTON ELECTRIC
OTHER O&M EXPENSES LEAD/LAG DAYS
FOR THE TEST YEAR ENDED DECEMBER 31, 2009**

Line No.	(a)	Joyce Amount	Dively Adjust	Adjusted Amount (b)	Total (Lead)/Lag Days (c)	Reference (d)	Weighted Dollar Days (e)
1	Affiliate 120010	\$ (38,382,253)		\$ (38,382,253)	(33.86)	LL10-Affiliate Transactions 2009 CEHE.xlsx	\$ 1,298,754,866
2	Affiliate 200010	289,921,621		289,921,621	(33.70)	LL10-Affiliate Transactions 2009 CEHE.xlsx	(9,771,725,564)
3	Third party invoices (1)	364,167,901	(25,153,976)	339,013,925	(17.73)	LL11-CEHE SAMPLE SELECTION JJ.xlsx	(6,010,716,887)
4	Total Other S&E (2)	\$ 615,707,268	\$ (25,153,976)	\$ 590,553,293	(24.52)		\$ (14,482,687,585)

5 (1) Line 4 col (b) - line 1 col (b) - line 2 col (b)

6 (2) Schedule II-D-2 less Labor and Labor-related Expense from Schedule 2, col (b), line 9

7	8	Test Year Amounts	766,263,000
9	Schedule II-D-2 Per Book		
10	Less Payroll and Related Payroll	Total Expense	
11	Severance	199,354,773	122,994,719
12	Other Compensation	169,752	104,731
13	Short-Term Incentive	1,280,080	789,763
14	Total Payroll	9,437,348	5,822,504
15	Long-Term Incentive	210,241,963	129,711,718
16	Employee Benefits	40,198,982	24,802,759
		251,601,470	155,675,033
17	Less non-CWC items:		
18	Pension		2,220,016
19	FAS 106		8,110,680
20	Uncollectibles		551,000
21	Depreciation on TWE		9,152,979
			20,034,675
22	Adjusted Other O&M		590,553,293

Exhibit JMD 3.3

CENTERPOINT ENERGY HOUSTON
EXAMPLE OF THE DIFFERENCE IN CASH WORKING CAPITAL CALCULATION RESULTS
BETWEEN APPLYING AN AVERAGE LEAD/LAG DAY TO TOTAL O&M VERSUS
APPLYING APPLICABLE LEAD/LAG DAYS TO INDIVIDUAL COMPONENTS

Description (a)	Adjusted Test Year Expense Amount (b)	Amortization of Prepayments (c)	Net (d)=(b)-(c)	Avg. Daily Expense (e)=d/365	Revenue Lag		Expense Lead		Net (Lead)/Lag (h)=(f)+(g)	Working Capital Requirement (i)=(e)*(h)
					Days (f)		Days (g)			
Mr. Joyce's Calculation										
Total O&M	\$ 594,639	\$ 9,407	\$ 585,232	\$ 1,603	54.39		(24.90)		29.49	\$ 47,284
More Detailed Calculation										
Payroll	\$ 124,499	\$	\$ 124,499	\$ 341	54.39		(23.99)		30.40	\$ 10,369
Short-Term Incentive	5,823		5,823	16	54.39		(248.25)		(183.86)	(3,083)
Long-Term Incentive Comp	1,145		1,145	3	54.39		(248.25)		(183.86)	(608)
Employee Benefits	52,290		52,290	143	54.39		(37.38)		17.01	2,437
Other O&M	410,882	9,407	401,475	1,100	54.39		(24.25)		30.14	33,158
Total O&M	\$ 594,639	\$ 9,407	\$ 585,232	\$ 1,603						\$ 42,261
Resulting Excess Working Capital										\$ 5,022

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC
II-B-7 RATE BASE ACCOUNTS - ACCUM. PROVISIONS
TEST YEAR ENDING 12/31/2009
DOCKET 38339
THOUSANDS OF DOLLARS \$000's

Line No.	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric
1	Other Rate Base Items						
2							
3	228.2	Injuries and Damages - Auto Liability	II-B-7	✓ ₁ (616)	-	-	(616)
4	228.2	Injuries and Damages - General Liability		✓ ₂ (4,048)	-	-	(4,048)
5	228.2	Injuries and Damages - Workers' Comp		✓ ₃ (5,470)	-	-	(5,470)
6	282.0	Accumulated Deferred Income Tax		✓ ₅ (851,607)	-	✓ ₅ (84,182)	(715,788)
7	228.1	Property Insurance Reserve		✓ ₄ (2,130)	-	-	(2,130)
8							
9		Subtotal	II-B-7	(663,869)	-	(84,182)	(728,050)
10							
11	TOTAL ACCUMULATED PROVISIONS			(663,869)	-	(84,182)	(728,050)

- ✓₁ From WP / III-B-7 / 1
- ✓₂ From WP / II-B-7 / 2
- ✓₃ From WP / II-B-7 / 3
- ✓₄ From WP / II-B-7 / 4
- ✓₅ From WP / II-B-7 / 5

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC
3-5-17 ACCUMULATED DEFERRED FEDERAL INCOME TAXES
TEST YEAR ENDED 12/31/2009
DOCKET 38339
(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
Other Rate Base Items							
1							
2							
3	190 EICP			(128)		\$ 428	\$ 300
4	Property Insurance Reserve			745			745
5	FAS 123 Stock Options			887			887
6							
7							
8							
9	282 Depreciation			1,504		\$ 428	\$ 1,932
10	ADFIT Related to Post Test Year Adjustments						
11	Cash Salvage			(524,841)		\$ (7,788)	\$ (532,629)
12				0		(405)	(405)
13				4,474			4,474
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PUBLIC UTILITY COMMISSION OF TEXAS
CENTROPOINT ENERGY HOUSTON ELECTRIC, LLC
I-B-12 RATE BASE ACCOUNTS - REGULATORY ASSETS
TEST YEAR ENDING 12/31/2008
DOCKET 38339

THOUSANDS OF DOLLARS \$000's

Line No.	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric	Proposed Amort
Other Rate Base Items								
Regulatory Assets(Facilities) in Rate Base			I-B-12					
1								
2		Deferred Pension Costs PURA 38.085		31,978	-	26,009	57,987	
3		Expedited Switching		453	-	-	453	
4								
5								
6								
7		TOTAL REGULATORY ASSETS	I-B-12	32,331	-	26,009	58,340	19,447
8								
9		TOTAL OTHER RATE BASE ITEMS	I-B-6 to 12	(464,117)		(83,523)	(547,642)	
10								
11		TOTAL RATE BASE	I-B-1 to 12	3,019,646	-	(122,542)	3,896,104	
12								
13		Rate of Return	I-C-1.1	9.00%	9.00%	9.00%	9.00%	
14								
		RETURN ON RATE BASE		343,768	-	(11,119)	332,649	

- From WP / I-B-12 / 1
- From WP / I-B-12 / 2
- From WP / I-B-12 / 3

PUBLIC UTILITY COMMISSION OF TEXAS
CENTROPOINT ENERGY HOUSTON ELECTRIC
8-Q-17 GENERAL EMPLOYEE BENEFIT INFORMATION
THIRTY YEAR RECORD 12/31/98
DOCKET 38336

(THOUSANDS OF DOLLARS)

Question E: Assume that the information presented above agrees with or is reconciled to the total cost per benefit listed elsewhere (i.e., calculation of requested benefit expense/adjustments).

Line No.	Account Number	Natural Account	Description of Benefits	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Changes	Company Total Electric	Capitalized Other	Total Expenses Other
1	928		Pension & Benefits							
2										48,688
3	Detail components of 928									
4	928	518010	Retirement (Pension)	WP/R-D-3.7.4.1	19,923		17,418	38,341	(18,086)	20,255
5	928	518015	Retirement (Benefit Restoration Plan)	WP/R-D-3.7.4.1	389		437	837	(282)	544
6	928	518020	Health and Welfare for active employees	WP/R-D-3.7.4.1	19,377		(302)	19,075	(6,063)	10,482
7	928	518030	Health and Welfare (postretirement)	WP/R-D-3.7.4.1	13,940		464	14,394	(5,642)	8,912
8	928	518070	Savings Plan	WP/R-D-3.7.4.1	10,889		(114)	10,764	(3,991)	6,763
9	928	518090	Health & Welfare Long-Term Disability (Postemployment)	WP/R-D-3.7.4.1	311		2,127	2,438	(795)	1,643
10	928	518160	Capitalized Other		(57,414)		1,588	(56,826)	35,828	0
11	928		Known and Measurable Adjustment					0		0
12			TOTAL PENSION		28,694	0		84,389	(36,828)	48,510
13										57.5%

Line No.

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See Response to RFI OPC 2-9

Long-Term Incentive Compensation	\$ 196,000 to WP JMD 6.1
Deferred Compensation	1,082,000
Supplemental Contracts	1,421,000
Liquidation Proceeds from General American Mutual Holding Company	(267,000)
Earnings on prior Executive Incentive Compensation Plan award deferra	45,000
Reconciliation adjustmend recorded in Sept and misc health & welfare	43,000
	<u>2,324,000</u> Adjust Out
Total	<u>\$ 2,520,000</u>

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
II-E-1 DEPRECIATION & AMORTIZATION EXPENSE
TEST YEAR ENDING 12/31/2000
DOCKET 28529
(THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Change	Company Total Electric
1		Depreciation and Amortization Expense	II-E-1				
2							
3		Intangible Plant	II-E-1				
4							
5	303.1	Miscellaneous Intangible Plant - MF S/W		1,140	-	-	1,140
6	303.2	Miscellaneous Intangible Plant - NMF S/W		7,482	-	3,779	11,271
7		Subtotal		8,622	-	3,779	12,411
8							
9		Transmission Plant	II-E-1				
10	350.1	Land and Land Fees		-	-	-	-
11	350.2	Land and Land Rights		619	-	7	626
12	352	Structures and Improvements		991	-	(159)	832
13	353	Station Equipment		9,704	-	2,366	12,070
14	354	Towers and Poles		8,983	-	(1,791)	7,202
15	355	Poles and Pictures		5,995	-	(2,294)	3,701
16	356	O.H. Conductors & Devices		11,212	-	4,989	16,201
17	357	Underground Conduit		198	-	(63)	132
18	358	Underground Conductors		127	-	9	136
19	359	Roads and Trails		312	-	(11)	301
20		Subtotal		38,146	-	3,683	41,281
21							
22		Distribution	II-E-1				
23	360.1	Land and Land Fees		-	-	-	-
24	360.2	Land and Land Rights		22	-	(4)	18
25	361	Structures and Improvements		2,654	-	(1,691)	963
26	362	Station Equipment		13,999	-	620	14,619
27	363	Storage Battery Equipment		-	-	-	-
28	364	Poles, Towers & Pictures		23,316	-	(1,165)	22,151
29	365	O.H. Conductors & Devices		59,722	-	(40,121)	19,601
30	366	Underground Conduits		6,287	-	3,651	9,938
31	367	U.G. Conductors & Devices		15,428	-	7,892	23,320
32	368	Line Transformers		33,344	-	(167)	33,177
33	369	Services		9,343	-	(4,002)	5,343
34	370.1	Meters		13,236	-	(658)	12,580
35	370.2	Meters		226	-	836	1,062
36	370.3	Meters		899	-	6,623	9,522
37	371	Install. on Customer Prem.		-	-	-	-
38	372	Leased Prop. on Cust. Premises		-	-	-	-
39	373	Street Lights		13,470	-	66	13,536
40	374.1	Security Lighting		623	-	(155)	468
41		Subtotal		182,573	-	(28,293)	168,280
42							
43		General Plant	II-E-1				
44							
45	389.2	Land and Land Rights		1	-	-	1
46	390.1	Structures and Improvements		3,177	-	2	3,179
47	390.4	Leasehold Improvements		148	-	(148)	-
48	391	Office Furniture		181	-	(30)	151
49							
50	393	Store Equipment		163	-	(18)	145
51	394	Tools, Shop & Garage Equip		364	-	95	459
52	395	Lab Equip		317	-	358	675
53							
54	397.1	Communication Equipment		9,847	-	3,585	13,712
55	397.2	Computer Equipment		5,946	-	(525)	5,421
56							
57	398	Misc Equip		108	-	(3)	103
58	399	Other Intangible Prop - Depr		-	-	-	-
59	399	Other Intangible Prop - Depletable		-	-	-	-
60		Subtotal		20,278	-	3,588	23,846
61							
62	4040 - 704020	Amortization of Limited-Term Electric Plant		4,384	-	(262)	4,122
63		Capital Lease		15	-	-	15
64							
65		Expedited Switching Costs Amortization				151	151
66							
67		Hurricane Ike Insurance Proceeds Amortization				(1,475)	(1,475)
68							
69		TOTAL DEPRECIATION & AMORTIZATION	II-E-1	284,536	-	(1,972)	286,564

* Please refer to Schedule II-F



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**PUBLIC UTILITY COMMISSION OF TEXAS
CENTROPOINT ENERGY HOUSTON ELECTRIC, LLC
I-6-3 FEDERAL INCOME TAXES
FIRST YEAR ENDING 12/31/2008
DOCKET 38038
(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
II-E-3							
1		Federal Income Taxes					
2		Return on Rate Base		343,766		(11,119)	332,649
3							
4		Deductions:					
5		Synchronized Interest		(128,722)		4,183	(124,539)
6		Equity Return		215,046	-	(5,995)	209,051
7		Permanent Differences					
8		Amortization of Investment Tax Credit		(6,971)		1,990	(4,981)
9		Amortization of Protected Excess DFT		(1,382)		104	(1,278)
10		Amortization of Non-protected excess DFT		107		(2)	105
11		Research & Development Credit		(1,279)		-	(1,279)
12							
13		Subtotal		(16,849)	-	6,812	(7,037)
14							
15		Additions:					
16		Depreciation Addback- Permanent Differences		2,864		751	3,615
17							
18		Meals and Entertainment Not Deductible					
19				460		-	460
20				3,323	-	6,498	9,821
21							
22		Taxable Component of Return					
23		Tax Factor		202,323	-	8,155	210,478
24				53,846154%	53,846154%	53,846154%	53,846154%
25		Federal Income Taxes Before Adjust.					
26				106,943	-	4,391	111,334
27							
28		Tax Credits					
29		Amortization of Investment Tax Credit		(6,971)		1,990	(4,981)
30		Amortization of Protected Excess DFT		(1,382)		104	(1,278)
31		Amortization of Non-protected excess DFT		107		(2)	105
		Subtotal		(8,247)	-	2,082	(6,165)
		TOTAL FEDERAL INCOME TAXES		100,697	-	8,893	109,590

This is the same period over which the assets were deducted.

Estimated Flow-Through Impact on TX Gross Margin Tax

Pro-forma Base Revenues, As Adjusted by Dively	1,456,591
Less: Proposed TX Gross Margin Tax	(16,338)
Base Revenues Excluding TX Gross Margin Tax	1,440,253
Texas Gross Margin Tax Rate	1%
Tax Factor $1/(1-t)$	1.0101
Revenues Including TX Gross Margin Tax	1,454,801
 Proforma Gross Margin Tax	 14,548
 Proposed by CenterPoint	 16,338
 Potential Adjustment	 (1,790)

Effective:[See Text Amendments]

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→ § 36.051. Establishing Overall Revenues

In establishing an electric utility's rates, the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of the utility's reasonable and necessary operating expenses.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.052. Establishing Reasonable Return

In establishing a reasonable return on invested capital, the regulatory authority shall consider applicable factors, including:

- (1) the efforts and achievements of the utility in conserving resources;**
- (2) the quality of the utility's services;**
- (3) the efficiency of the utility's operations; and**
- (4) the quality of the utility's management.**

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 405, § 24, eff. Sept. 1, 1999.

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→ § 36.053. Components of Invested Capital

(a) Electric utility rates shall be based on the original cost, less depreciation, of property used by and useful to the utility in providing service.

(b) The original cost of property shall be determined at the time the property is dedicated to public use, whether by the utility that is the present owner or by a predecessor.

(c) In this section, the term "original cost" means the actual money cost or the actual money value of consideration paid other than money.

(d) If the commission issues a certificate of convenience and necessity or, acting under Section 39.203(e), orders an electric utility or a transmission and distribution utility to construct or enlarge transmission or transmission-related facilities to facilitate meeting the goal for generating capacity from renewable energy technologies under Section 39.904(a), the commission shall find that the facilities are used and useful to the utility in providing service for purposes of this section and are prudent and includable in the rate base, regardless of the extent of the utility's actual use of the facilities.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997. Amended by Acts 2005, 79th Leg., 1st C.S., ch. 1, § 1, eff. Sept. 1, 2005.

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→ § 36.054. Construction Work in Progress

(a) Construction work in progress, at cost as recorded on the electric utility's books, may be included in the utility's rate base. The inclusion of construction work in progress is an exceptional form of rate relief that the regulatory authority may grant only if the utility demonstrates that inclusion is necessary to the utility's financial integrity.

(b) Construction work in progress may not be included in the rate base for a major project under construction to the extent that the project has been inefficiently or imprudently planned or managed.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.055. Separations and Allocations

Costs of facilities, revenues, expenses, taxes, and reserves shall be separated or allocated as prescribed by the regulatory authority.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.056. Depreciation, Amortization, and Depletion

(a) The commission shall establish proper and adequate rates and methods of depreciation, amortization, or depletion for each class of property of an electric or municipally owned utility.

(b) The rates and methods established under this section and the depreciation account required by Section 32.102 shall be used uniformly and consistently throughout rate-setting and appeal proceedings.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.057. Net Income; Determination of Revenues and Expenses

(a) An electric utility's net income is the total revenues of the utility less all reasonable and necessary expenses as determined by the regulatory authority.

(b) The regulatory authority shall determine revenues and expenses in a manner consistent with this subchapter.

(c) The regulatory authority may adopt reasonable rules with respect to whether an expense is allowed for ratemaking purposes.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.058. Consideration of Payment to Affiliate

(a) Except as provided by Subsection (b), the regulatory authority may not allow as capital cost or as expense a payment to an affiliate for:

(1) the cost of a service, property, right, or other item; or

(2) interest expense.

(b) The regulatory authority may allow a payment described by Subsection (a) only to the extent that the regulatory authority finds the payment is reasonable and necessary for each item or class of items as determined by the commission.

(c) A finding under Subsection (b) must include:

(1) a specific finding of the reasonableness and necessity of each item or class of items allowed; and

(2) a finding that the price to the electric utility is not higher than the prices charged by the supplying affiliate for the same item or class of items to:

(A) its other affiliates or divisions; or

(B) a nonaffiliated person within the same market area or having the same market conditions.

(d) In making a finding regarding an affiliate transaction, the regulatory authority shall:

(1) determine the extent to which the conditions and circumstances of that transaction are reasonably compar-

able relative to quantity, terms, date of contract, and place of delivery; and

(2) allow for appropriate differences based on that determination.

(e) This section does not require a finding to be made before payments made by an electric utility to an affiliate are included in the utility's charges to consumers if there is a mechanism for making the charges subject to refund pending the making of the finding.

(f) If the regulatory authority finds that an affiliate expense for the test period is unreasonable, the regulatory authority shall:

(1) determine the reasonable level of the expense; and

(2) include that expense in determining the electric utility's cost of service.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 405, § 25, eff. Sept. 1, 1999; Acts 2005, 79th Leg., ch. 413, § 1, eff. June 17, 2005.

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→ § 36.059. Treatment of Certain Tax Benefits

(a) In determining the allocation of tax savings derived from liberalized depreciation and amortization, the investment tax credit, and the application of similar methods, the regulatory authority shall:

(1) balance equitably the interests of present and future customers; and

(2) apportion accordingly the benefits between consumers and the electric or municipally owned utility.

(b) If an electric utility or a municipally owned utility retains a portion of the investment tax credit, that portion shall be deducted from the original cost of the facilities or other addition to the rate base to which the credit applied to the extent allowed by the Internal Revenue Code.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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(a) Unless it is shown to the satisfaction of the regulatory authority that it was reasonable to choose not to consolidate returns, an electric utility's income taxes shall be computed as though a consolidated return had been filed and the utility had realized its fair share of the savings resulting from that return, if:

(1) the utility is a member of an affiliated group eligible to file a consolidated income tax return; and

(2) it is advantageous to the utility to do so.

(b) The amount of income tax that a consolidated group of which an electric utility is a member saves, because the consolidated return eliminates the intercompany profit on purchases by the utility from an affiliate, shall be applied to reduce the cost of the property or service purchased from the affiliate.

(c) The investment tax credit allowed against federal income taxes, to the extent retained by the electric utility, shall be applied as a reduction in the rate-based contribution of the assets to which the credit applies, to the extent and at the rate allowed by the Internal Revenue Code.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.061. Allowance of Certain Expenses

(a) The regulatory authority may not allow as a cost or expense for ratemaking purposes:

(1) an expenditure for legislative advocacy; or

(2) an expenditure described by Section 32.104 that the regulatory authority determines to be not in the public interest.

(b) The regulatory authority may allow as a cost or expense:

(1) reasonable charitable or civic contributions not to exceed the amount approved by the regulatory authority; and

(2) reasonable costs of participating in a proceeding under this title not to exceed the amount approved by the regulatory authority.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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The regulatory authority may not consider for ratemaking purposes:

(1) an expenditure for legislative advocacy, made directly or indirectly, including legislative advocacy expenses included in trade association dues;

(2) a payment made to cover costs of an accident, equipment failure, or negligence at a utility facility owned by a person or governmental entity not selling power in this state, other than a payment made under an insurance or risk-sharing arrangement executed before the date of loss;

(3) an expenditure for costs of processing a refund or credit under Section 36.110; or

(4) any other expenditure, including an executive salary, advertising expense, legal expense, or civil penalty or fine, the regulatory authority finds to be unreasonable, unnecessary, or not in the public interest.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.063. Consideration of Profit or Loss From Sale or Lease of Merchandise

In establishing an electric or municipally owned utility's rates, the regulatory authority may not consider any profit or loss that results from the sale or lease of merchandise, including appliances, fixtures, or equipment, to the extent that merchandise is not integral to providing utility service.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.064. Self-Insurance

(a) An electric utility may self-insure all or part of the utility's potential liability or catastrophic property loss, including windstorm, fire, and explosion losses, that could not have been reasonably anticipated and included under operating and maintenance expenses.

(b) The commission shall approve a self-insurance plan under this section if the commission finds that:

(1) the coverage is in the public interest;

(2) the plan, considering all costs, is a lower cost alternative to purchasing commercial insurance; and

(3) ratepayers will receive the benefits of the savings.

(c) In computing an electric utility's reasonable and necessary expenses under this subchapter, the regulatory authority, to the extent the regulatory authority finds is in the public interest, shall allow as a necessary expense the money credited to a reserve account for self-insurance. The regulatory authority shall determine reasonableness under this subsection:

(1) from information provided at the time the self-insurance plan and reserve account are established; and

(2) on the filing of a rate case by an electric utility that has a reserve account.

(d) After a reserve account for self-insurance is established, the regulatory authority shall:

(1) determine whether the reserve account has a surplus or shortage under Subsection (c); and

(2) subtract any surplus from or add any shortage to the utility's rate base.

(e) A surplus in the reserve account exists if the charges against the account are less than the money credited to the account. A shortage in the reserve account exists if the charges against the account are greater than the money credited to the account.

(f) The allowance for self-insurance under this title for ratemaking purposes is not applicable to nuclear plant investment.

(g) The commission shall adopt rules governing self-insurance under this section.

CREDIT(S)

Acts 1997, 75th Leg., ch. 166, § 1, eff. Sept. 1, 1997.

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→ § 36.065. Pension and Other Postemployment Benefits

(a) The regulatory authority shall include in the rates of an electric utility expenses for pension and other postemployment benefits, as determined by actuarial or other similar studies in accordance with generally accepted accounting principles, in an amount the regulatory authority finds reasonable. Expenses for pension and other postemployment benefits include, in an amount found reasonable by the regulatory authority, the benefits attributable to the service of employees who were employed by the predecessor integrated electric utility of an electric utility before the utility's unbundling under Chapter 39 irrespective of the business activity performed by the employee or the affiliate to which the employee was transferred on or after the unbundling.

(b) Effective January 1, 2005, an electric utility may establish one or more reserve accounts for expenses for pension and other postemployment benefits. An electric utility shall periodically record in the reserve account any difference between:

(1) the annual amount of pension and other postemployment benefits approved as an operating expense in the electric utility's last general rate proceeding or, if that amount cannot be determined from the regulatory authority's order, the amount recorded for pension and other postemployment benefits under generally accepted accounting principles during the first year that rates from the electric utility's last general rate proceeding are in effect; and

(2) the annual amount of pension and other postemployment benefits as determined by actuarial or other similar studies that are chargeable to the electric utility's operating expense.

(c) A surplus in the reserve account exists if the amount of pension and other postemployment benefits under Subsection (b)(1) is greater than the amount determined under Subsection (b)(2). A shortage in the reserve account exists if the amount of pension and other postemployment benefits under Subsection (b)(1) is less than the amount determined under Subsection (b)(2).

(d) If a reserve account for pension and other postemployment benefits is established, the regulatory authority at a subsequent general rate proceeding shall:

- (1) review the amounts recorded to the reserve account to determine whether the amounts are reasonable expenses;
- (2) determine whether the reserve account has a surplus or shortage under Subsection (c); and
- (3) subtract any surplus from or add any shortage to the electric utility's rate base with the surplus or shortage amortized over a reasonable time.

CREDIT(S)

Added by Acts 2005, 79th Leg., ch. 385, § 1, eff. June 17, 2005.

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CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS

Subchapter J. COSTS, RATES AND TARIFFS.

DIVISION 1. RETAIL RATES.

§25.231. Cost of Service.

- (a) **Components of cost of service.** Except as provided for in subsection (c)(2) of this section, relating to invested capital; rate base, and §23.23(b) of this title, (relating to Rate Design), rates are to be based upon an electric utility's cost of rendering service to the public during a historical test year, adjusted for known and measurable changes. The two components of cost of service are allowable expenses and return on invested capital.
- (b) **Allowable expenses.** Only those expenses which are reasonable and necessary to provide service to the public shall be included in allowable expenses. In computing an electric utility's allowable expenses, only the electric utility's historical test year expenses as adjusted for known and measurable changes will be considered, except as provided for in any section of these rules dealing with fuel expenses.
 - (1) **Components of allowable expenses.** Allowable expenses, to the extent they are reasonable and necessary, and subject to this section, may include, but are not limited to the following general categories:
 - (A) Operations and maintenance expense incurred in furnishing normal electric utility service and in maintaining electric utility plant used by and useful to the electric utility in providing such service to the public. Payments to affiliated interests for costs of service, or any property, right or thing, or for interest expense shall not be allowed as an expense for cost of service except as provided in the Public Utility Regulatory Act §36.058.
 - (B) Depreciation expense based on original cost and computed on a straight line basis as approved by the commission. Other methods of depreciation may be used when it is determined that such depreciation methodology is a more equitable means of recovering the cost of the plant.
 - (C) Assessments and taxes other than income taxes.
 - (D) Federal income taxes on a normalized basis. Federal income taxes shall be computed according to the provisions of the Public Utility Regulatory Act §36.060.
 - (E) Advertising, contributions and donations. The actual expenditures for ordinary advertising, contributions, and donations may be allowed as a cost of service provided that the total sum of all such items allowed in the cost of service shall not exceed three-tenths of 1.0% (0.3%) of the gross receipts of the electric utility for services rendered to the public. The following expenses shall be included in the calculation of the three-tenths of 1.0% (0.3%) maximum:
 - (i) funds expended advertising methods of conserving energy;
 - (ii) funds expended advertising methods by which the consumer can effect a savings in total electric utility bills;
 - (iii) funds expended advertising methods to shift usage off of system peak; and
 - (iv) funds expended promoting renewable energy.
 - (F) Nuclear decommissioning expense. The following restrictions shall apply to the inclusion of nuclear decommissioning costs that are placed in an electric utility's cost of service.
 - (i) An electric utility owning or leasing an interest in a nuclear-fueled generating unit shall include its cost of nuclear decommissioning in its cost of service. Funds collected from ratepayers for decommissioning shall be deposited monthly in irrevocable trusts external to the electric utility, in accordance with §25.301 of this title (relating to Nuclear Decommissioning Trusts). All funds held in short-term investments must bear interest. The level of the annual cost of decommissioning for ratemaking purposes will

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Subchapter J. COSTS, RATES AND TARIFFS.

DIVISION 1. RETAIL RATES.

§25.231(b)(1)(F)(i) continued

be determined in each rate case based on an allowance for contingencies of 10% of the cost of decommissioning, the most current information reasonably available regarding the cost of decommissioning, the balance of funds in the decommissioning trust, anticipated escalation rates, the anticipated return on the funds in the decommissioning trust, and other relevant factors. The annual amount for the cost of decommissioning determined pursuant to the preceding sentence shall be expressly included in the cost of service established by the commission's order.

(ii) In the event that an electric utility implements an interim rate increase, including an increase filed under bond, an incremental change in decommissioning funding shall be included in the increase.

(iii) An electric utility's decommissioning fund and trust balances will be reviewed in general rate cases. In the event that an electric utility does not have a rate case within a five-year period, the commission, on its own motion or on the motion of the commission's Office of Regulatory Affairs, the Office of Public Utility Counsel, or any affected person, may initiate a proceeding to review the electric utility's decommissioning cost study and plan, and the balance of the trust.

(iv) An electric utility shall perform, or cause to be performed, a study of the decommissioning costs of each nuclear generating unit that it owns or in which it leases an interest. A study or a redetermination of the previous study shall be performed at least every five years. The study or redetermination should consider the most current information reasonably available on the cost of decommissioning. A copy of the study or redetermination shall be filed with the commission and copies provided to the commission's Office of Regulatory Affairs and the Office of Public Utility Counsel. An electric utility's most recent decommissioning study or redeterminations shall be filed with the commission within 30 days of the effective date of this subsection. The five year requirement for a new study or redetermination shall begin from the date of the last study or redetermination.

(G) Accruals credited to reserve accounts for self-insurance under a plan requested by an electric utility and approved by the commission. The commission shall consider approval of a self insurance plan in a rate case in which expenses or rate base treatment are requested for a such a plan. For the purposes of this section, a self insurance plan is a plan providing for accruals to be credited to reserve accounts. The reserve accounts are to be charged with property and liability losses which occur, and which could not have been reasonably anticipated and included in operating and maintenance expenses, and are not paid or reimbursed by commercial insurance. The commission will approve a self insurance plan to the extent it finds it to be in the public interest. In order to establish that the plan is in the public interest, the electric utility must present a cost benefit analysis performed by a qualified independent insurance consultant who demonstrates that, with consideration of all costs, self-insurance is a lower-cost alternative than commercial insurance and the ratepayers will receive the benefits of the self insurance plan. The cost benefit analysis shall present a detailed analysis of the appropriate limits of self insurance, an analysis of the appropriate annual accruals to build a reserve account

CHAPTER 25. SUBSTANTIVE RULES APPLICABLE TO ELECTRIC SERVICE PROVIDERS

Subchapter J. COSTS, RATES AND TARIFFS.

DIVISION 1. RETAIL RATES.

§25.231(b)(1)(G) continued

for self insurance, and the level at which further accruals should be decreased or terminated.

- (H) Postretirement benefits other than pensions (known in the electric utility industry as "OPEB"). For ratemaking purposes, expense associated postretirement benefits other than pensions (OPEB) shall be treated as follows:

- (i) OPEB expense shall be included in an electric utility's cost of service for ratemaking purposes based on actual payments made.
- (ii) An electric utility may request a one-time conversion to inclusion of current OPEB expense in cost of service for ratemaking purposes on an accrual basis in accordance with generally accepted accounting principles (GAAP). Rate recognition of OPEB expense on an accrual basis shall be made only in the context of a full rate case.
- (iii) An electric utility shall not be allowed to recover current OPEB expense on an accrual basis until GAAP requires that electric utility to report OPEB expense on an accrual basis.
- (iv) For ratemaking purposes, the transition obligation shall be amortized over 20 years.
- (v) OPEB amounts included in rates shall be placed in an irrevocable external trust fund dedicated to the payment of OPEB expenses. The trust shall be established no later than six months after the order establishing the OPEB expense amount included in rates. The electric utility shall make deposits to the fund at least once per year. Deposits on the fund shall include, in addition to the amount included in rates, an amount equal to fund earnings that would have accrued if deposits had been made monthly. The funding requirement can be met with deposits made in advance of the recognition of the expense for ratemaking purposes. The electric utility shall, to the extent permitted by the Internal Revenue Code, establish a postretirement benefit plan that allows for current federal income tax deductions for contributions and allows earnings on the trust funds to accumulate tax free.
- (vi) When an electric utility terminates an OPEB trust fund established pursuant to clause (v) of this subparagraph, it shall notify the commission in writing. If excess assets remain after the OPEB trust fund is terminated and all trust related liabilities are satisfied, the electric utility shall file, for commission approval, a proposed plan for the distribution of the excess assets. The electric utility shall not distribute any excess assets until the commission approves the disbursement plan.

- (2) **Expenses not allowed.** The following expenses shall never be allowed as a component of cost of service:

- (A) legislative advocacy expenses, whether made directly or indirectly, including, but not limited to, legislative advocacy expenses included in professional or trade association dues;
- (B) funds expended in support of political candidates;
- (C) funds expended in support of any political movement;
- (D) funds expended promoting political or religious causes;
- (E) funds expended in support of or membership in social, recreational, fraternal, or religious clubs or organizations;
- (F) funds promoting increased consumption of electricity;
- (G) additional funds expended to mail any parcel or letter containing any of the items mentioned in subparagraphs (A)-(F) of this paragraph;