



Control Number: 38339



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

<b>APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES</b>	§ § § §	<b>PUBLIC UTILITY COMMISSION  OF TEXAS</b>
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**COMMISSION STAFF'S RESPONSE TO ORDER REQUESTING  
BRIEFING ON THRESHOLD LEGAL/POLICY ISSUES**

On July 8, 2010, the Commission issued an order requesting briefing on the following question:

Should the Commission consider CenterPoint's proposed Rider DCRF as an alternative ratemaking mechanism for the recovery of certain costs, and if so, should the Commission bifurcate the Rider DCRF issues for an initial Commission-held hearing on the merits?<sup>1</sup>

Staff recommends that the Commission not consider CenterPoint's proposed rider in this docket because the Commission is already considering alternative ratemaking mechanisms in its DCRF rulemaking.<sup>2</sup> If the Commission does consider CenterPoint's proposed rider, however, Staff recommends that the Commission not bifurcate the docket for an initial Commission-held hearing on the merits.

At the June 11, 2010 Open Meeting, the Commission approved for publication a proposed new rule that "allows electric utilities that provide retail electric service using distribution facilities to apply for and update a distribution cost recovery factor (DCRF) to reflect changes in invested capital for their distribution facilities and associated costs."<sup>3</sup> The Commission is considering the legal and policy issues associated with alternative ratemaking mechanisms in that rulemaking. The Commission should not separately consider those issues in this proceeding, but rather should address the issues in the rulemaking where all interested persons, not merely

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<sup>1</sup> Order Requesting Briefing on Threshold Legal/Policy Issues at 2 (July 8, 2010).

<sup>2</sup> *Rulemaking Related to Recovery by Electric Utilities of Distribution Costs*, Project No. 38298, Proposal for Publication of New §25.243 as Approved at the June 11, 2010 Open Meeting (June 11, 2010).

<sup>3</sup> Project No. 38298, Proposal for Publication of New §25.243 as Approved at the June 11, 2010 Open Meeting at 1 (June 11, 2010).

parties with standing in this rate case, may participate. Furthermore, consideration of CenterPoint's alternative DCRF mechanism in this contested case could complicate the Commission's consideration of those issues in the rulemaking.

If the Commission does consider CenterPoint's proposed rider in this docket, however, Staff recommends that the Commission not bifurcate the docket because Rider DCRF should be considered together with related cost of service and rate design issues. Bifurcating this proceeding would require the Commission to make a decision regarding CenterPoint's proposal without the benefit of a complete record or parties' positions on related issues. For example, Staff and certain intervenors may take the position that, if the Commission approves Rider DCRF, CenterPoint's return on equity should be reduced to account for the accompanying reduction in risk for the company.

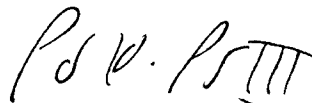
Bifurcation of the proceeding could also unnecessarily delay processing of this docket. If, as CenterPoint suggests, the Commission's decision on the DCRF proposal will affect other parts of the case, it is difficult to see how this case can be processed within the statutorily prescribed 185 days if the case is bifurcated as CenterPoint requests. CenterPoint has shown no compelling reason to bifurcate this proceeding. Staff therefore recommends that the Commission consider Rider DCRF in the context of CenterPoint's full request, rather than addressing that issue in a vacuum.

For these reasons, Staff recommends that the Commission not consider CenterPoint's proposed Rider DCRF in this docket. If the Commission does consider the rider, however, the Commission should not bifurcate the docket but should rather allow the parties to address the rider together with all other issues in the case.

Respectfully Submitted,

Thomas S. Hunter  
Division Director  
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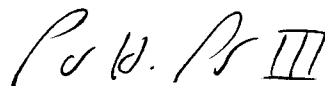
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**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on July 19, 2010,  
in accordance with P.U.C. Procedural Rule 22.74.



Patrick H. Peters III