



Control Number: 38339



Item Number: 763

Addendum StartPage: 0

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

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

§
§
§
§

PUBLIC UTILITY COMMISSION
OF TEXAS

RECEIVED
OCT 8 PM 2:41
PUBLIC UTILITY COMMISSION
FILING CLERK

October 8, 2010

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

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
CenterPoint Energy Houston Electric, LLC's Response to Texas Coast Utilities Coalition of Cities Sixth Requests for Information.....	2-6
Certificate of Service	7

763

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

**TEXAS COAST UTILITIES COALITION OF CITIES
REQUEST NO.: TCUC06-01**

QUESTION:

Please provide all support and justification for the claim on page 24 of Mr. Fitzgerald's rebuttal testimony that the only benefits customers have received is the benefit of the utility service provided by the land and the facilities on that property.

ANSWER:

The support and justification for this claim is based on the general purpose of the land, which has been to support facilities that have been used to provide utility service to customers. Mr. Fitzgerald is aware of no other purpose or benefit that customers could have or should have derived from the land in question.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

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

**TEXAS COAST UTILITIES COALITION OF CITIES
REQUEST NO.: TCUC06-02**

QUESTION:

Regarding the statement on page 24 of Mr. Fitzgerald's rebuttal testimony that the only benefit that customers have received is the benefit of the utility service provided by the land, please reconcile such position with the fact that the Company passes on all gains and losses associated with all other investments other than land to customers through the accumulated provision for depreciation. Specifically, address all reasons why benefits received from depreciable property are not similarly associated with customers only having the benefit of receiving utility service, other than the concept that land is not depreciable and other assets are depreciable.

ANSWER:

Customers have benefited from the utility service provided by the land just as they have benefited from other depreciable property used in the provision of utility service. The primary difference between the two is that customers have paid for the depreciable property (return of) through depreciation expense in base rates, whereas they have NOT paid for the original cost of the land, only a return on the original cost of the land itself.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

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

**TEXAS COAST UTILITIES COALITION OF CITIES
REQUEST NO.: TCUC06-03**

QUESTION:

Regarding the statement on page 24 of Mr. Fitzgerald's rebuttal testimony that the return paid by customers on the original cost of land is the equivalent of rent, please provide all support and justification for such position. Further, state if any of the return was ever booked to any account associated with rents.

ANSWER:

The statement that the return on the original cost of land by customers is the equivalent of rent is merely an analogy of a similar situation where a tenant leases a property. That tenant benefits from the use of the property, and in turn, pays rent to cover maintenance expense, property tax expense, and a certain amount of profit. The return on the original cost of land included in rate base is a component of base rates, and is recorded as operating revenue, not rent.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

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

**TEXAS COAST UTILITIES COALITION OF CITIES
REQUEST NO.: TCUC06-04**

QUESTION:

Regarding the statement on page 24 of Mr. Fitzgerald's rebuttal testimony that the burden or financial risk of ownership of land has actually been borne by shareholders, please provide all analyses performed identifying each specific factor reviewed in making such determination. Further, provide all workpapers, assumptions, considerations, and material reviewed and/or relied upon in sufficient detail to permit verification of the reasonableness of the Company's response.

ANSWER:

As customers have not paid a return of the cost of the land through depreciation expense, it is therefore reasonable to conclude that they have not borne the burden of financial risk of ownership of the land. The Company has performed no analysis to support this statement.

Sponsor: Walter L. Fitzgerald

Responsive Documents:
None

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

**TEXAS COAST UTILITIES COALITION OF CITIES
REQUEST NO.: TCUC06-05**

QUESTION:

Regarding the statement on the bottom of page 24 and continuing to the top of page 25 of Mr. Fitzgerald's rebuttal testimony pertaining to the fact that most of the sale of land occurred outside of the test year, please provide the following:

- a) All prohibitions that the Company is aware of that prohibit addressing gains or losses on sale to periods outside the test year.
- b) A statement of whether the Company believes that any plant transaction outside the test year cannot be considered in a rate proceeding, and if so, why, including all support and justification.
- c) All precedent that the Company is aware of that supports a position that gain on sale of land outside of the test year must be considered solely for the benefit of shareholders.

ANSWER:

a and b)

The Company is not aware of any prohibition addressing gains or losses on sale to periods outside of the test year; however, the guiding principle behind this statement in Mr. Fitzgerald's rebuttal testimony is that Mr. Pous is trying to capture events that have occurred many years outside of the test year in this case that were the subject of prior settlements.

- c) The Company is aware of a case before the Railroad Commission of Texas, GUD No. 9145-9148 relating to TXU Gas Distribution, in which the same arguments related to gain on sale of land were proposed by Mr. Pous and were rejected by that Commission.

Sponsor: Walter L. Fitzgerald

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 8th day of October, 2010.

Alice A Hart
