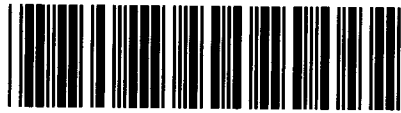


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DOCKET NO. 39504

REMAND OF DOCKET NO. 29526	§	PUBLIC UTILITY COMMISSION
(APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC LLC,	§	OF TEXAS
RELIANT ENERGY RETAIL	§	
SERVICES, LLC AND TEXAS GENCO,	§	
LP TO DETERMINE STRANDED	§	
COSTS AND OTHER TRUE-UP	§	
BALANCES PURSUANT TO PURA	§	
§39.262)	§	

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ORDER

This Order addresses the application of CenterPoint Energy Houston Electric, LLC (CenterPoint) to determine stranded costs and other true-up balances following the remand of the Docket No. 29526 Order on Rehearing by the Supreme Court of Texas. An Unopposed Stipulation (Stipulation) for a black-box settlement resolving all issues in dispute was filed on October 5, 2011. Consistent with the Stipulation, the application is approved.

I. Background

In the application, as amended, CenterPoint sought a total true-up recovery of \$2,314,163,161. Several parties opposed portions of CenterPoint's request, including the City of Houston and Houston Coalition of Cities (COH), the Gulf Coast Coalition of Cities (GCCC), Texas Industrial Energy Consumers (TIEC), the State of Texas' Agencies and Institutions of Higher Education (State Agencies), the Houston Council for Health and Education (HCHE), the Office of Public Utility Counsel (OPC), and Public Utility Commission of Texas (Commission) Staff.

On October 5, 2011, CenterPoint filed the Stipulation in which certain parties to the remand proceeding agreed that CenterPoint should be allowed to recover \$1,695,000,000 in full satisfaction of its requested true-up balance. The Stipulation was signed by representatives of CenterPoint, Staff, COH, GCCC, TIEC, and HCHE (Signatories). The State Agencies and OPC did not sign the Stipulation, but did not oppose it.

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The Commission adopts the following findings of fact and conclusions of law:

II. Findings of Fact

Procedural History

1. On March 31, 2004, CenterPoint filed an application to determine stranded costs and other true-up balances under § 39.262 of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. (Vernon 2007 and Supp. 2010). CenterPoint's co-applicants were Texas Genco, LP (Texas Genco) and Reliant Energy Retail Services, LLC (Reliant)
2. On December 17, 2004, the Commission issued a final Order on Rehearing (Order on Rehearing) authorizing CenterPoint to recover \$2,300,888,665 of stranded costs and other true-up balances.
3. Numerous parties appealed from the Order on Rehearing. On August 26, 2005, the Travis County District Court entered judgment reversing the Order on Rehearing with respect to the Commission's disallowances of a portion of the requested capacity auction true-up amount and the interest component of excess mitigation credits (EMC). The District Court affirmed the Order on Rehearing in all other respects.
4. Several parties appealed from the District Court judgment. On April 17, 2008, the Austin Court of Appeals issued an opinion on rehearing reversing the District Court judgment in three respects. First, the Court of Appeals held that the District Court erred by overturning the Commission's capacity auction true-up disallowance. Second, the Court of Appeals reversed the District Court judgment to the extent it allowed CenterPoint to recover EMCs paid to Reliant. Finally, the Court of Appeals remanded to the Commission CenterPoint's assertion that disallowance of certain amounts from stranded costs would lead to normalization violations for CenterPoint.
5. Numerous parties appealed from the Court of Appeals judgment. On March 18, 2011, the Supreme Court issued an opinion reversing the Court of Appeals judgment in part and affirming it in part. In its opinion, the Supreme Court concluded that the Commission:
 - a) Erred by failing to use the sale-of-assets method to quantify the market value of Texas Genco;

- b) Erred by reducing CenterPoint's requested capacity auction true-up recovery;
- c) Erred by reducing Texas Genco's net book value to account for "depreciation" that was allegedly recovered through the capacity auction true-up in 2002 and 2003;
- d) Correctly refused to reduce CenterPoint's stranded cost recovery by the amount of EMCs paid to Reliant;
- e) Correctly refused to disallow construction work in progress and plant held for future use from stranded costs; and
- f) Correctly authorized CenterPoint to recover carrying costs on the capacity auction true-up balance.

The Supreme Court remanded the case to the Commission for further proceedings consistent with its opinion.

- 6. On June 15, 2011, the Commission initiated a docket to address the issues remanded pursuant to the Supreme Court and Court of Appeals judgments.
- 7. On August 25, 2011, CenterPoint filed direct testimony supporting its request to recover \$2,040,148,139 of additional true-up balances.
- 8. On September 6, 2011, CenterPoint filed an errata to the direct testimony of Walter L. Fitzgerald. In that errata, CenterPoint increased the true-up balance sought on remand to \$2,314,163,161.
- 9. On September 12, 2011, COH, GCCC and TIEC filed direct testimony, and on September 23, 2011, Commission Staff filed direct testimony and a statement of position.
- 10. On September 28, 2011, the parties notified the Commission that they had reached a settlement in principle and asked the Commission to abate the procedural schedule. The Commission abated the procedural schedule on September 29, 2011.
- 11. On October 5, 2011, CenterPoint filed the Stipulation.

Stipulation

12. The Signatories to the Stipulation agreed to a black-box settlement on the following terms:
 - a) CenterPoint shall be allowed to recover a total true-up balance of \$1,695,000,000 (the True-Up Balance) in full satisfaction of its request for recovery of additional true-up amounts on remand.
 - b) No carrying costs shall accrue on the True-Up Balance.
 - c) CenterPoint shall pay the reasonable and necessary rate case expenses of COH and GCCC within 30 days after receiving documentation of those rate case expenses from COH and GCCC, and CenterPoint Houston may not recover those rate case expenses from ratepayers.
 - d) CenterPoint shall bear its own rate case expenses and may not recover those rate case expenses from ratepayers.
 - e) CenterPoint shall bear the up-front qualified costs of securitizing the True-Up Balance and may not recover those expenses from ratepayers.
13. The Signatories agreed to the form of a proposed final order and requested that the Commission approve the proposed final order at the October 13, 2011 open meeting.
14. The Signatories agreed to the form of a proposed financing order and requested that the Commission approve the financing order at the October 27, 2011 open meeting.
15. The Signatories further agreed that:
 - a) If the Commission issues a final order that is inconsistent with the terms of the Stipulation, each Signatory has the right to withdraw from the Stipulation, to submit testimony, and to obtain a hearing and advocate any position it deems appropriate with respect to any issue in the Stipulation.
 - b) The terms and conditions in the Stipulation are interdependent, and the various provisions of the Stipulation are not severable.
 - c) Nothing in the Stipulation should be considered precedent. No Signatory shall be deemed to have agreed to the propriety of any theory or principle that may be said to underlie any of the issues resolved by the Stipulation. Because the Stipulation represents a settlement, no party is under any obligation to take the same position in

any other docket, except as specifically required by the Stipulation, whether or not the docket presents the same or similar circumstances. The Stipulation is binding on each of the Signatories only for the purpose of settling the issues addressed in the Stipulation and for no other purpose. Oral and written statements made during the course of settlement negotiations shall not be used as an admission or concession of any sort or as evidence in this or any other proceeding.

- d) The Stipulation is the entire understanding and agreement of the parties to it, and it supersedes prior understandings or agreements, if any, among the parties to the Stipulation. There are no representations, agreements, arrangements, or understandings, oral or written, concerning the subject matter hereof between and among the parties to the Stipulation which are not fully expressed in the Stipulation.
 - e) Each person executing the Stipulation is authorized to sign the Stipulation on behalf of the party represented.
 - f) The Stipulation may be countersigned by each Signatory on separate originals, and each signature shall be treated as if it is an original signature.
16. The testimony in the record, including the settlement testimony of Walter L. Fitzgerald, demonstrates that the Stipulation is just and reasonable. The Stipulation is consistent with the public interest and should be approved.
17. Pursuant to P.U.C. PROC. R 22.5(b), good cause exists to waive the requirements of P.U.C. PROC. R. 22.35(b), so that this proceeding may be considered at the Commission's next regularly scheduled Open Meeting of October 13, 2011, to allow CenterPoint to securitize the agreed true-up balance as soon as possible.

III. Conclusions of Law

- 1. CenterPoint is a public utility as defined by PURA § 11.004(1) and an electric utility as that term is defined in PURA § 31.002(6).
- 2. The Commission has authority over the subject matter of this docket pursuant to PURA §§ 14.001, 32.001, 39.262, and P.U.C. SUBST. R. 25.263.

3. This docket was processed in accordance with the requirements of PURA and the Administrative Procedure Act, TEX. GOV'T CODE ANN. CH. 2001 (Vernon 2008 and Supp. 2010).
4. The issues in this docket were resolved by agreement of the parties as allowed by the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.056 (Vernon 2008).
5. The Stipulation, taken as a whole, is a just and reasonable resolution of all the issues it addresses, results in just and reasonable rates, terms and conditions, is supported by a preponderance of the credible evidence in the record, and is consistent with relevant provisions of PURA.
6. Pursuant to P.U.C. PROC. R. 22.5(b), good cause exists to waive the requirements of P.U.C. PROC. R. 22.35(b).

IV. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Consistent with the Stipulation, CenterPoint's application to finalize true-up balances is granted. CenterPoint shall be allowed to recover \$1,695,000,000 in full satisfaction of its request for recovery of additional true-up amounts on remand.
2. No carrying costs shall accrue on the amount authorized in Ordering Paragraph 1.
3. CenterPoint shall comply with the requirements of the Stipulation.
4. The entry of this Order does not indicate the Commission's endorsement or approval of any principal or methodology that may underlie the Stipulation. Entry of this Order shall not be regarded as a binding holding or precedent as to the appropriateness of any principle underlying the Stipulation.
5. The supplemental direct testimony of CenterPoint witness Walter L. Fitzgerald is admitted in support of the Stipulation.

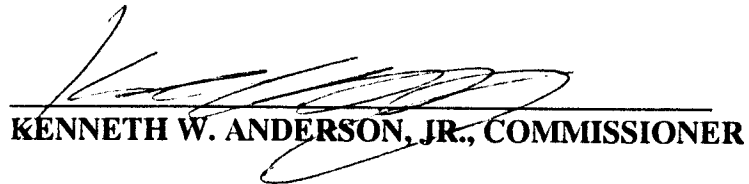
6. All other motions, requests for entry of specific findings of fact and conclusions of law, and other requests for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS the 19th day of October 2011.

PUBLIC UTILITY COMMISSION OF TEXAS



DONNA L. NELSON, CHAIRMAN



KENNETH W. ANDERSON, JR., COMMISSIONER