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APPLICATION OF CENTERPOINT § BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC §
FOR APPROVAL TO AMEND ITS § OF
DISTRIBUTION COST RECOVERY §
FACTOR § ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY

OF

KARL J. NALEPA

ON BEHALF OF

GULF COAST COALITION OF CITIES

MAY 17, 2018

65

**DIRECT TESTIMONY OF
KARL J. NALEPA**

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WORKPAPERS – Provided on CD

**DIRECT TESTIMONY OF
KARL J. NALEPA**

I. INTRODUCTION AND QUALIFICATIONS

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND ADDRESS.**

2 A. My name is Karl J. Nalepa. I am the President of ReSolved Energy Consulting, LLC
3 (REC), an independent utility consulting company. My business address is 11044
4 Research Blvd., Suite A-420, Austin, Texas 78759.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
6 **PROFESSIONAL EXPERIENCE.**

7 A. I hold a Bachelor of Science degree in Mineral Economics and a Master of Science degree
8 in Petroleum Engineering and am a certified mediator. I have been a partner in ReSolved
9 Energy Consulting since July 2011, but joined R.J. Covington Consulting, its predecessor
10 firm, in June 2003 as a Management Consultant. Before that I served for more than five
11 years as an Assistant Director with the Texas Railroad Commission (RRC). In this
12 position, I was responsible for overseeing the economic regulation of natural gas utilities
13 in Texas. And prior to that, I spent five years with two different consulting firms providing
14 advice regarding a broad range of electric and natural gas industry issues. Before that, I
15 served four years as a Fuels Analyst with the Public Utility Commission of Texas (PUC or
16 Commission). My professional career began with eight years in the reservoir engineering
17 department of the exploration company affiliated with Transco Gas Pipeline, a major
18 interstate pipeline company. My Statement of Qualifications is included as Attachment A.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

2 A. Yes, I have testified many times before both the Commission and the RRC on a variety of
3 regulatory issues, and have filed testimony in many of the previous Distribution Cost
4 Recovery Factor (DCRF) cases before the Commission, including:

- 5 • CenterPoint Energy Houston Docket Nos. 44572, 45747, and 47032,¹
- 6 • AEP Texas Inc. Docket No. 48222,²
- 7 • AEP Texas North Company Docket No. 45788,³
- 8 • AEP Texas Central Company Docket No. 45787,⁴
- 9 • Southwestern Electric Power Company Docket No. 45712,⁵ and
- 10 • Entergy Texas Inc. Docket Nos. 43111 and 45083.⁶

11 A summary of my previously filed testimony is provided as Attachment B. In addition, I
12 supervised the staff case in proceedings before the RRC and served as a Technical Rate
13 Examiner on behalf of the RRC. I have also provided analysis and recommendations in
14 numerous city-level regulatory proceedings that resulted in settlements without written
15 testimony.

¹ *Application of CenterPoint Energy Houston Electric, LLC for Approval of a Distribution Cost Recovery Factor Pursuant to P U C. SUBST. R. 25.243*, Docket No. 44572 (Aug. 5, 2015); *Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor and to Reconcile Docket No. 44572 Revenues*, Docket No. 45747 (July 20, 2016); *Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend its Distribution Cost Recovery Factor Pursuant to 16 Tex. Admin. Code §25.243*, Docket No. 47032 (July 28, 2017).

² *Application of AEP Texas Inc. to Amend its Distribution Cost Recovery Factors*, Docket No. 48222 (May 14, 2018).

³ *Application of AEP Texas North Company for Approval of a Distribution Cost Recovery Factor*, Docket No. 45788 (July 20, 2016).

⁴ *Application of AEP Texas Central Company for Approval of a Distribution Cost Recovery Factor*, Docket No. 45787 (July 20, 2016).

⁵ *Application of Southwestern Electric Power Company for Approval of a Distribution Cost Recovery Factor*, Docket No. 45712 (July 1, 2016).

⁶ *Application of Entergy Texas, Inc. for Approval of a Distribution Cost Recovery Factor Pursuant to P.U.C. SUBST. R. 25.243*, Docket No. 43111 (Feb. 4, 2015); *Application of Entergy Texas, Inc. for Approval to Amend its Distribution Cost Recovery Factor*, Docket No. 45083 (Feb. 17, 2016).

1 Q. ON WHOSE BEHALF ARE YOU OFFERING TESTIMONY IN THIS
2 PROCEEDING?

3 A. I am offering testimony on behalf of the Gulf Coast Coalition of Cities (GCCC).

4 II. PURPOSE AND SCOPE

5 Q. WHAT IS A DISTRIBUTION COST RECOVERY FACTOR?

6 A. In Public Utility Regulatory Act (PURA)⁷ Section 36.210, the legislature authorized the
7 Commission to allow a utility to adjust its rates to account for changes in certain
8 distribution-related costs through a DCRF. To implement this authority, the Commission,
9 by its Order in Project No. 39465, created 16 Tex. Admin. Code § 25.243, the DCRF Rule,
10 to establish the parameters of the DCRF.⁸ The DCRF Rule sets out the formula for
11 calculating the DCRF and allows a utility to change its rates on an annual basis to account
12 for changes in return, depreciation, and taxes on the change in net distribution invested
13 capital since its last base-rate proceeding, offset by corresponding load growth revenues.

14 Q. WHAT IS CENTERPOINT REQUESTING IN THIS PROCEEDING?

15 A. CenterPoint Energy Houston Electric, LLC (CenterPoint, CEH, or Company) is requesting
16 that the Commission approve its DCRF to recover costs associated with its claimed
17 incremental distribution-related investment since its last rate case in Docket No. 38339.⁹
18 The test year in that proceeding was the twelve months ending December 31, 2009.¹⁰

⁷ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-58.303 (West 2016 & Supp. 2017), §§ 59.001-66.017 (West 2007 & Supp. 2017) (PURA).

⁸ *Rulemaking Related to Periodic Rate Adjustments*, Project No. 39465 (Sept. 27, 2011).

⁹ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 38339, (June 23, 2011).

¹⁰ Docket No. 38339, *Statement of Intent and Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates* at 17 (June 30, 2010).

1 **Q. WHAT IS CENTERPOINT’S REQUESTED DCRF REVENUE REQUIREMENT?**

2 A. CenterPoint asserts that the revenue requirement associated with the allowed return,
3 depreciation, income, and other taxes on its incremental distribution-related investment is
4 \$184,857,445. Adjusted for load growth, its DCRF revenue requirement is \$121,644,696.
5 Compared to the revenue requirement agreed to in Docket No. 47032, CEH’s previous
6 DCRF filing, this would have been an approximate \$32 million increase in its DCRF.¹¹

7 **Q. DOES CENTERPOINT’S REQUEST INCLUDE ANY OTHER ADJUSTMENTS?**

8 A. Yes. CenterPoint’s request includes the impact of reducing the federal income tax rate
9 from 35% to 21% due to the 2017 Tax Cuts and Jobs Act (TCJA), in accordance with the
10 Commission’s accounting order in Project No. 47945.¹² Reducing the FIT rate reduced the
11 DCRF revenue requirement to \$82,620,101.¹³ This results in a \$7,088,052 decrease to the
12 current DCRF.¹⁴

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

14 A. The purpose of my testimony is to evaluate whether CenterPoint’s proposed DCRF is
15 consistent with the requirements of 16 Tex. Admin. Code § 25.243 (DCRF Rule).

16 **Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR TESTIMONY?**

17 A. In the following sections of my testimony, I will address:
18

- CEH’s baseline Federal Income Tax (FIT) adjustments;
- CEH’s salvage costs included in certain projects;

¹¹ Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend its Distribution Cost Recovery Factor at 3 (Apr. 4, 2018) (Application).

¹² *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utilities*, Project No. 47945 (Feb. 15, 2018).

¹³ Application at 3.

¹⁴ Proposed DCRF revenue requirement of \$82,620,101 less Docket No. 47032, *Unanimous Stipulation and Settlement Agreement*, paragraph 7, 2018 DCRF revenue requirement of \$89,708,153 equals (\$7,088,052).

- 1 • CEH's capitalized operations and maintenance (O&M) expenses; and
- 2 • REC's rate case expenses incurred through April 30, 2018.

3 **Q. DID YOU COORDINATE THE REVIEW OF ISSUES WITH OTHER CITY**
4 **GROUPS IN THIS PROCEEDING?**

5 A. Yes. GCCC and the other city groups—Texas Coast Utilities Coalition (TCUC) and the
6 City of Houston (COH)—coordinated their analysis and discovery to minimize any
7 duplication of effort and costs in this case.

8 **III. SUMMARY AND RECOMMENDATIONS**

9 **Q. PLEASE SUMMARIZE THE RESULTS OF YOUR ANALYSIS.**

10 A. As a result of my analysis, I found the following:

- 11 • The Company made two adjustments to its baseline FIT. First, it substituted an
12 alternative rate of return (ROR) to calculate the return revenues in the last base-rate
13 proceeding. Second, it substituted an updated cost of debt to determine the
14 synchronized interest deduction before calculating the FIT in the prior proceeding. The
15 Company's changes to the baseline FIT are not consistent with application of the rule.
- 16 • Four projects included in distribution capital—AF1A, AF1H, AF1U, and AF2A—
17 include unsupported amounts of salvage costs. The Company failed to provide specific
18 support for the costs, and its change in accounting systems precludes separately
19 identifying salvage costs.
- 20 • Two projects included in distribution invested capital—HLP/00/0011, and
21 HLP/00/0012—do not meet the requirements of the DCRF Rule. In particular, the Rule
22 excludes from distribution invested capital capitalized operations and maintenance
23 expense.
- 24 • ReSolved Energy Consulting's actual fees of \$2,600.00 incurred through April 30,
25 2018 are reasonable and necessary and are not disproportionate, excessive, or
26 unwarranted in relation to the nature and scope of the DCRF filing. REC anticipates
27 that it will incur additional fees and expenses as the case progresses and will
28 supplement its rate case expense information when appropriate to do so.

1 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING**
2 **CENTERPOINT'S PROPOSED DCRF.**

3 A. Regarding the issues described above, I recommend:

- 4 • The Company made two adjustments to its baseline FIT. First, it substituted an
5 alternative ROR to calculate the return revenues in the last base-rate proceeding.
6 Second, it substituted an updated cost of debt to determine the synchronized interest
7 deduction before calculating the FIT in the prior proceeding. The Company's changes
8 to the baseline FIT are not consistent with application of the rule and should be denied.
9 This results in a reduction to the requested DCRF of \$2.72 million.
- 10 • Four projects included in distribution capital—AF1A, AF1H, AF1U, and AF2A—
11 include unsupported amounts of salvage costs. The Company failed to provide specific
12 support for the costs, and its change in accounting systems precludes separately
13 identifying salvage costs. I recommend that these salvage costs be removed from plant
14 accounts and the requested DCRF be reduced by the corresponding amount of \$2.32
15 million
- 16 • Two projects included in distribution invested capital—HLP/00/0011, and
17 HLP/00/0012—do not meet the requirements of the DCRF rule. In particular, the rule
18 excludes from distribution invested capital capitalized operations and maintenance
19 expense. I recommend that these costs be removed from plant accounts and the
20 requested DCRF be reduced by the corresponding amount of \$1.91 million.
- 21 • ReSolved Energy Consulting's actual fees of \$2,600.00 incurred through April 30,
22 2018 are reasonable and necessary expenses and should be recoverable.

23 The total impact of my recommendations is to reduce the Company's proposed DCRF
24 revenue requirement by approximately \$6.95 million.

25 **IV. BASELINE FEDERAL INCOME TAX EXPENSE**

26 **Q. WHAT IS BASELINE FEDERAL INCOME TAX EXPENSE?**

27 A. Baseline Federal Income Tax (FIT) expense, as I use this term in my testimony, is defined
28 in the rule as FIT_{RC}, Federal Income Tax, as related to Net Distribution Invested Capital
29 from the last comprehensive base-rate proceeding.¹⁵

¹⁵ 16 Tex. Admin. Code § 25.243(d)(1).

1 **Q. WHAT ADJUSTMENTS HAS THE COMPANY MADE TO THE BASELINE**
2 **FEDERAL INCOME TAX EXPENSE?**

3 A. The Company has made two adjustments to its baseline FIT. First, it substituted an
4 alternative ROR to calculate the return revenues in the last base-rate proceeding. Second,
5 it substituted an updated cost of debt to determine the synchronized interest deduction
6 before calculating the FIT in the prior proceeding.¹⁶

7 **Q. WHY DID THE COMPANY MAKE THESE ADJUSTMENTS?**

8 A. The Company asserts that if the alternative ROR is not consistently applied to both the
9 current and baseline FIT calculations, the resulting incremental FIT expense will not be
10 representative of the incremental revenues to be collected under the required alternative
11 ROR methodology. Likewise, the Company asserts that synchronized interest within FIT is
12 also impacted by use of the alternative ROR because the Company is required to update the
13 cost of debt approved in the last base-rate proceeding to the cost of debt as reported in the
14 Company's most recent Earnings Monitoring Report.¹⁷

15 **Q. DID THE COMPANY ADJUST THE BASELINE FIT FOR THE IMPACT OF THE**
16 **TCJA?**

17 A. No, it did not.¹⁸

18 **Q. HAS THE COMPANY PROPOSED THESE ADJUSTMENTS IN PRIOR**
19 **FILINGS?**

¹⁶ Direct Testimony of Laurie Burridge-Kowalik at 15-19 (Apr. 4, 2018) (Burridge-Kowalik Direct).

¹⁷ *Id.*

¹⁸ *Id.* at 20.

1 A. Yes, it has. I addressed the Company's proposal to adjust baseline FIT expense in the
2 Company's previous DCRF filing, Docket No. 47032.¹⁹ While I raised the same issues as
3 I do in this testimony, that case resulted in a unanimous stipulation and settlement
4 agreement, so the issue was not resolved.

5 **Q. DO YOU AGREE WITH THE COMPANY'S CHANGES TO THE BASELINE FIT?**

6 A. No. The DCRF does not allow the changes proposed by the Company.

7 **Q. PLEASE EXPLAIN YOUR ANSWER.**

8 A. The DCRF equation calculates the change in return, depreciation expense, FIT, and other
9 taxes by comparing these values calculated under current conditions to the values approved
10 in the Company's last base rate proceeding. For example, under the formula in the rule, the
11 change in plant is calculated as the difference between current net distribution invested
12 capital and net distribution invested capital from the last base rate proceeding. Likewise,
13 the change in depreciation expense is calculated as the difference between current
14 depreciation expense using currently approved depreciation rates and depreciation expense
15 from the last base rate proceeding. Similarly, the change in other taxes is calculated as the
16 difference between current other taxes using current tax rates and other taxes from the last
17 base rate proceeding. Finally, the change in FIT is calculated as the difference between
18 current FIT, including the change in FIT related to the change in return on rate base and
19 synchronization of interest and FIT from the last base rate proceeding. In each case, the
20 baseline value is simply taken from the last comprehensive base rate proceeding.²⁰

21 The Company believes it needs to calculate the change in FIT differently from the
22 calculation provided for in the rule. However, the rule makes no provision for adjusting the

¹⁹ Docket No. 47032, Direct Testimony of Karl J. Nalepa (May 26, 2017).

²⁰ 16 Tex. Admin. Code § 25.243(d), *Calculation of DCRF*.

1 FIT taken from the Company's last base rate proceeding. There is a trade-off between
2 calculating with high precision the rate impact of each incremental change in distribution
3 invested capital as proposed by CEH and an expedited proceeding envisioned by the
4 enabling statute.²¹ The rule establishes this trade-off by limiting the calculation to
5 comparing current values with values set in the last comprehensive base rate proceeding.
6 Therefore, the Company's adjustments should be rejected.

7 **Q. WAS THIS ISSUE ADDRESSED IN THE DCRF RULEMAKING?**

8 A. Yes, indirectly. For example, the issue of including the DCRF formula in the rule rather
9 than referencing it outside the rule was addressed. CEH and other electric utilities
10 commented that the rule was conceptually quite simple and modeled on the interim
11 transmission cost of service (TCOS) formula. The Commission agreed that the DCRF is
12 calculated in a manner similar to interim TCOS rates.²² This is informative because under
13 the TCOS formula, the baseline for calculating the change in transmission rates is the last
14 comprehensive transmission rate proceeding before the Commission. This baseline is not
15 adjusted in any way.²³ Likewise, under the DCRF rule, the baseline for calculating the
16 DCRF should be the unadjusted values set in the last comprehensive base rate proceeding
17 of the utility.

18 Furthermore, the Commission, in addressing whether a settled comprehensive base-
19 rate proceeding can be the baseline to establish DCRF formula inputs, determined that if
20 an input to the DCRF formula from the last comprehensive base rate proceeding is not
21 separately identified in that proceeding, it shall be derived from information from that

²¹ PURA § 36.210(a)(1) (West 2016).

²² Project No. 39465, Order Adopting New §25.243 as Approved at the September 15, 2011 Open Meeting at 83-84 (Sept. 27, 2011).

²³ *Modification of Rate-Filing Package for Transmission Rates*, Project No. 21276, Filing Requirements for Interim Update of Wholesale Transmission Rates, see Schedule A – example (Feb. 15, 2000).

1 proceeding.²⁴ This conclusion supports the notion that inputs to the DCRF formula should
2 simply be values set in the last base rate proceeding. These values should only be subject
3 to derivation if the value does not exist in the last proceeding. In the instant case, the
4 amount of FIT expense is stated in CEH's last base-rate proceeding so the Company's
5 adjustment to FIT expense is inappropriate.

6 **Q. WHAT IS THE IMPACT OF THE COMPANY'S ADJUSTMENTS TO THE**
7 **BASELINE FEDERAL INCOME TAX EXPENSE?**

8 A. The ROR approved in Docket No. 38339 was 8.21% and the alternative ROR calculated
9 according to the DCRF rule is 6.96%.²⁵ Using the alternative ROR in place of the approved
10 ROR in the baseline FIT calculation reduces the baseline taxable return from \$196.9
11 million to \$166.9 million, or \$30 million.²⁶

12 In addition, the cost of debt approved in Docket No. 38339 was 6.74% and the
13 updated cost of debt from the Company's last EMR was 4.48%.²⁷ Using the updated cost
14 of debt in place of the approved cost of debt reduces the baseline synchronized interest
15 deduction from \$89.2 million to \$59.2 million, or \$30 million.²⁸

16 **Q. HOW DO THESE CHANGES AFFECT THE PROPOSED DCRF?**

17 A. The Company provided the baseline FIT with and without adjusting it for the updated ROR
18 and cost of debt. The unadjusted baseline FIT as approved in Docket No. 38339 was
19 \$39,963,625.²⁹ The adjusted baseline FIT as proposed by the Company in this DCRF filing

²⁴ Project No. 39465, Order Adopting New §25.243 as Approved at the September 15, 2011 Open Meeting at 97.

²⁵ Burrige-Kowalik Direct at 15.

²⁶ *Id.* at 19.

²⁷ *Id.* at 10.

²⁸ CenterPoint's Response to GCCC RFI No. 2-01 (Apr. 27, 2018), WP/Schedule J/3.5 (FIT).

²⁹ Exhibit LABK-8.1, WP-Schedule J-3.

1 is \$37,244,995.³⁰ The difference between the unadjusted and adjusted baseline FIT
2 artificially lowers the baseline FIT endpoint of the component of the DCRF calculation
3 that is (FIT_C – FIT_{RC}) and inflates the change in FIT. This difference is \$2,718,630.

4 **Q. WHAT DO YOU RECOMMEND REGARDING THE COMPANY’S CHANGES**
5 **TO THE BASELINE FIT?**

6 A. The Company’s changes to the baseline FIT are not consistent with application of the rule
7 and should be denied. This results in a reduction to the requested DCRF of \$2.72 million.³¹

8 **V. PROJECTS AF1A, AF1H, AF1U AND AF2A**

9 **Q. PLEASE EXPLAIN THE ISSUE RELATED TO THESE PROJECTS.**

10 A. In reviewing the Company’s Distribution Project Lists, I identified four projects, AF1A,
11 AF1H, AF1U, and AF2A, which include an unsupported amount of salvage costs in the
12 total project costs.

13 **Q. HOW DOES CEH DESCRIBE THESE PROJECTS?**

14 A. CEH describes the projects as follows:³²

15 Project AF1A – Planned additions/improvements to the 12kV and 35kV
16 overhead distribution system feeder mains.

17 Project AF1H – Overhead services to new customers or adding facilities to
18 accommodate additional load to an existing customer.

19 Project AF1U – Underground residential distribution services to new
20 customers.

21 Project AF2A – Unplanned additions/improvements to the 12kV and 35kV
22 overhead distribution system feeder mains relating to area load growth.

³⁰ CenterPoint’s Response to GCCC RFI No. 2-01, WP/Schedule J/3.

³¹ \$39,963,625 - \$37,244,995 = \$2,718,630.

³² Direct Testimony of Steven Greeley, Exhibits SCG-2 through SCG-9 (Apr. 4, 2018) (Greeley Direct).

1 **Q. WHAT AMOUNT OF SALVAGE COSTS ARE INCLUDED IN EACH OF THESE**
2 **PROJECTS?**

3 A. Table 1 summarizes the salvage costs by project since the last rate case:³³

4 Table 1

	AF1A	AF1H	AF1U	AF2A
2010	(\$135,817)	(\$316,061)	(\$26,599)	(\$37,545)
2011	(6,187)	(156,864)	(20,692)	(2,432)
2012	(127,095)	(147,750)	(41,572)	(9,879)
2013	(28,541)	(125,626)	(57,950)	(12,126)
2014	1,458,827	404,874	107,705	371,529
2015	2,967,919	867,183	374,707	1,746,376
2016	6,557,393	1,743,403	294,223	1,223,507
2017	3,481,831	1,838,844	328,506	1,599,389
Total	\$14,168,330	\$4,208,003	\$958,328	\$4,878,819

5 **Q. WHY ARE THE SALVAGE COSTS INCLUDED IN THESE PROJECTS A**
6 **CONCERN?**

7 A. CEH explained that salvage costs are incurred to remove equipment such as structures,
8 conductors, and devices being replaced as part of the work performed under the projects.
9 But it did not provide any specific information supporting the salvage costs booked to these
10 projects.³⁴ However, the projects are related to load growth, and are described as
11 “additions/improvements” and “services to new customers.” One would expect relatively
12 little in the way of salvaged equipment to serve new loads and new customers.

13 Furthermore, salvage costs were negative amounts until 2014, when they became
14 positive and increasing amounts. CEH explained that in 2014 it adopted a new fixed asset
15 accounting system. Before then, the Company was able to account for removal costs and

³³ *Id.*

³⁴ CenterPoint’s Response to GCCC RFI Nos. 1-02, 1-03, and 1-04 (May 2, 2018).

1 salvage costs separately. Since then, the Company nets the two costs together so it is
2 impossible to identify only salvage costs.³⁵

3 **Q. WHAT IS THE IMPACT OF THESE COSTS ON THE DCRF?**

4 A. For the salvage costs booked since 2014, I estimate the impact on the DCRF to be
5 approximately \$2.32 million.

6 **Q. WHAT DO YOU RECOMMEND REGARDING THESE COSTS?**

7 A. These projects are related to load growth and service to new customers, so they should not
8 have significant salvage costs. And the Company did not provide any specific information
9 to support the salvage costs it *did* book to the projects. Furthermore, because of a change
10 in accounting systems, the Company cannot separately show what the salvage costs have
11 been for these projects since 2014. For these reasons, I recommend that these salvage costs
12 be removed from plant accounts and the requested DCRF be reduced by the corresponding
13 amount of \$2.32 million.

14 **VI. PROJECTS HLP/00/0011 AND HLP/00/0012**

15 **Q. PLEASE EXPLAIN THE ISSUE RELATED TO THESE PROJECTS.**

16 A. In reviewing the Company's Distribution Project Lists, I identified these two projects,
17 HLP/00/0011 and HLP/00/0012, which do not appear to meet the requirements of the
18 DCRF rule. In particular, the rule excludes from distribution invested capital any
19 capitalized operations and maintenance expense.³⁶

20 **Q. HOW DOES CEH DESCRIBE THESE PROJECTS?**

21 A. CEH describes the projects as follows:³⁷

³⁵ CenterPoint DCRF Technical Conference, May 15, 2018.

³⁶ 16 Tex. Admin. Code § 25.243(b)(3).

³⁷ Greeley Direct, Exhibit SCG-2 2016 Distribution Plant Projects Greater than \$100,000 Detail.

1 Project HLP/00/0011—Unscheduled Substation Corrective Projects—small,
2 unscheduled corrective type projects and unforeseen equipment failures.

3 Project HLP/00/0012—Scheduled Substation Corrective Projects—small,
4 scheduled corrective projects.

5 **Q. SHOULD THESE PROJECTS BE CAPITALIZED?**

6 A. CEH argues that the activities in these projects qualify as capital repair or replacement
7 under the Company’s Capitalization Policy.³⁸ However, the rule does not say that any
8 project that the Company chooses to capitalize may be included in distribution invested
9 capital. The Company may have determined that it is appropriate to capitalize these
10 activities under its own capitalization policy, but the character of the work appears to be
11 O&M in nature. The work is described as “small, unscheduled or scheduled corrective
12 projects.” In its previous DCRF filing, CEH described these same projects as “minor,
13 costing less than \$50,000” and “small corrective maintenance projects.”³⁹

14 **Q. HOW MUCH HAS THE COMPANY INCLUDED IN DISTRIBUTION INVESTED**
15 **CAPITAL FOR THESE PROJECTS SINCE ITS LAST RATE CASE?**

16 A. Table 2 summarizes the project costs since the last rate case:⁴⁰

17 Table 2

	HLP/00/0011	HLP/00/0012
2010	\$716,402	\$302,194
2011	499,097	224,380
2012	4,497,157	1,342,578
2013	1,592,090	373,028
2014	1,658,881	442,041
2015	1,516,005	1,545,560
2016	1,601,383	684,775
2017	1,323,964	1,417,690
Total	\$13,404,979	\$6,332,246

³⁸ CenterPoint’s Response to GCCC RFI No. 1-7 (May 2, 2018).

³⁹ Docket No. 47032, Direct Testimony of Steven Greeley, Exhibit SCG-2 (Apr. 6, 2017).

⁴⁰ Greeley Direct, Exhibits SCG-2 through SCG-9.

1 **Q. HAVE YOU MADE ANY ADJUSTMENTS TO THE VALUES IN**
2 **MR. GREELEY'S EXHIBITS?**

3 A. Yes. It appears that the value for Project HLP/00/0011 in 2013 is incorrect. As filed, the
4 value is \$68,798,542, which is well above what appears to be a feasible amount. I replaced
5 that value in Table 2 with the average of the three subsequent years' values, which is more
6 in line with expectations.

7 **Q. WHAT IS THE IMPACT OF THESE COSTS ON THE DCRF?**

8 A. I calculate the impact on the DCRF to be approximately \$1.91 million.

9 **Q. WHAT DO YOU RECOMMEND REGARDING THESE COSTS?**

10 A. The Company has not shown that these costs are not simply capitalized O&M expenses,
11 which should be excluded from distribution invested capital in the DCRF. Therefore, I
12 recommend that these costs be removed from plant accounts and the requested DCRF be
13 reduced by the corresponding amount of \$1.91 million.

14 **VII. RATE CASE EXPENSES**

15 **Q. WHAT IS THE PURPOSE OF ADDRESSING RATE CASE EXPENSES IN THIS**
16 **PROCEEDING?**

17 A. The purpose of addressing rate case expenses in this proceeding is to identify GCCC's
18 recoverable rate case expenses in this case, but that review of those expenses will be
19 deferred to a later proceeding.

20 **Q. WHAT AMOUNT OF GCCC'S REQUESTED RATE CASE EXPENSES ARE**
21 **ATTRIBUTABLE TO RESOLVED ENERGY CONSULTING?**

22 A. ReSolved Energy Consulting, LLC's actual fees through April 30, 2018 of \$2,600.00
23 correspond to time reviewing the application testimony, schedules and workpapers,
24 developing and reviewing discovery, reviewing previous DCRF dockets, meeting with

1 other parties, and conferring with counsel. A copy of REC's invoice is provided as
2 Attachment C to my testimony. REC has and will continue to incur additional fees and
3 expenses after April 30 as the case progresses and will supplement rate case expense
4 information when appropriate to do so.

5 **Q. HAS THE LLOYD GOSSELINK LAW FIRM ALSO INCURRED RATE CASE**
6 **EXPENSES ON BEHALF OF GCCC IN THIS PROCEEDING?**

7 A. Yes. Please see Attachment D to my testimony, which is an affidavit from Mr. Christopher
8 Brewster which addresses the rate case expenses incurred by Lloyd Gosselink. While I am
9 not testifying on those expenses myself, I have attached Mr. Brewster's affidavit to my
10 testimony for administrative efficiency purposes.

11 **Q. PLEASE IDENTIFY THE STAFF WHO CHARGED REC'S EXPENSES, THEIR**
12 **HOURLY RATES, AND TOTAL HOURS BILLED.**

13 A. I conducted the review, and my billing rate is \$260 per hour. The total hours billed through
14 April 30, 2018 were 10.0 hours. I have and will continue to incur additional hours after
15 April 30 as the case proceeds.

16 **Q. ON WHAT BASIS ARE RATE CASE EXPENSES REVIEWED?**

17 A. Rate case expenses are reviewed under the criteria established in 16 Tex. Admin. Code
18 § 25.245.

19 **Q. WHAT CRITERIA MUST BE MET UNDER THE RULE?**

20 A. The following criteria are set out in the rule:

- 21 1. Whether the fees paid to, tasks performed by, or time spent on a task by an attorney
22 or other professional were extreme or excessive,
- 23 2. Whether the expenses incurred for lodging, meals and beverages, transportation, or
24 other services or materials were extreme or excessive,

- 1 3. Whether there was duplication of services or testimony,
- 2 4. Whether the utility's or municipality's proposal on an issue in the rate case had no
3 reasonable basis in law, policy, or fact and was not warranted by any reasonable
4 argument for the extension, modification, or reversal of commission precedent,
- 5 5. Whether rate-case expenses as a whole were disproportionate, excessive, or
6 unwarranted in relation to the nature and scope of the rate case addressed by the
7 evidence pursuant to subsection (b)(5) of this section, or
- 8 6. Whether the utility or municipality failed to comply with the requirements for
9 providing sufficient information pursuant to subsection (b) of this section.
- 10 **Q. IN LIGHT OF THE FIRST CRITERION SET OUT IN YOUR PREVIOUS**
11 **ANSWER, IS YOUR BILLING RATE AND THE TIME SPENT ON THE TASKS**
12 **IN THIS CASE REASONABLE?**
- 13 A. Yes. My billing rate is reasonable. This is my normal billing rate for services provided to
14 similar clients. This rate is in the range of rates charged by other consultants with similar
15 experience, and is reasonable for a consultant providing these types of services before
16 utility regulatory agencies in Texas. My hourly rate is especially reasonable given that I
17 have more than 30 years of utility rate regulatory experience.
- 18 Furthermore, the DCRF rule anticipates an expedited review so the time spent on
19 such issues as preparation of discovery and analysis of issues is limited, as evidenced by
20 the relatively small 10.0 hours spent on the case as of April 30, 2018.
- 21 **Q. IN LIGHT OF THE SECOND CRITERION, DOES REC'S EXPENSES INCLUDE**
22 **ANY TYPE OF IDENTIFIED CHARGES OR CHARGES THE COMMISSION**
23 **HAS EXCLUDED IN THE PAST?**
- 24 A. No. REC's charges are entirely for professional fees and related expenses such as parking
25 to attend meetings with the parties.

1 **Q. IN LIGHT OF THE THIRD CRITERION, WAS THERE ANY DUPLICATION OF**
2 **SERVICES OR TESTIMONY?**

3 A. Not that I am aware. I reviewed the discovery of other parties in this proceeding and found
4 that none of the discovery questions asked by GCCC are duplicated by the other parties.

5 **Q. IN LIGHT OF THE FOURTH CRITERION, DID THE ISSUES YOU RAISED**
6 **HAVE A REASONABLE BASIS IN LAW, POLICY, OR FACT?**

7 A. Yes. The issues raised in testimony focus directly on whether the resulting DCRF rate is
8 reasonable, and my proposed adjustments are consistent with the requirements of the
9 DCRF Rule.

10 **Q. IN LIGHT OF THE FIFTH CRITERION, WHAT IS YOUR CONCLUSION**
11 **REGARDING REC'S ACTUAL CHARGES?**

12 A. In my opinion, REC's actual fees of \$2,600.00 incurred through April 30, 2018 are
13 reasonable and necessary and are not disproportionate, excessive, or unwarranted in
14 relation to the nature and scope of the DCRF filing. Furthermore, to the best of my
15 knowledge, I have fully complied with the information requirements set out in the sixth
16 criterion.

17 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

18 A. Yes.

KARL J. NALEPA

Mr. Nalepa is an energy economist with more than 35 years of private and public sector experience in the electric and natural gas industries. He has extensive experience analyzing utility rate filings and resource plans with particular focus on fuel and power supply requirements, quality of fuel supply management, and reasonableness of energy costs. Mr. Nalepa developed peak demand and energy forecasts for municipal and electric cooperative utilities and has forecast the price of natural gas in ratemaking and resource plan evaluations. He led a management and performance review of the Texas Public Utility Commission, and has conducted performance reviews and valuation studies of a number of municipal utility systems. Mr. Nalepa previously directed the Railroad Commission of Texas' Regulatory Analysis & Policy Section, with responsibility for preparing timely natural gas industry analysis, managing ratemaking proceedings, mediating informal complaints, and overseeing consumer complaint resolution. He has prepared and defended expert testimony in both administrative and civil proceedings, and has served as a technical examiner in natural gas rate proceedings.

EDUCATION

- | | |
|------|---|
| 1998 | Certificate of Mediation
Dispute Resolution Center, Austin |
| 1989 | NARUC Regulatory Studies Program
Michigan State University |
| 1988 | M.S. - Petroleum Engineering
University of Houston |
| 1980 | B.S. - Mineral Economics
Pennsylvania State University |

PROFESSIONAL HISTORY

- | | |
|-------------|--|
| 2003 - | ReSolved Energy Consulting
President and Managing Director |
| 1997 – 2003 | Railroad Commission of Texas
Asst. Director, Regulatory Analysis & Policy |
| 1995 – 1997 | Karl J. Nalepa Consulting
Principal |
| 1992 – 1995 | Resource Management International, Inc.
Supervising Consultant |
| 1988 – 1992 | Public Utility Commission of Texas
Fuels Analyst |
| 1980 – 1988 | Transco Exploration Company
Reservoir and Evaluation Engineer |

AREAS OF EXPERTISE

Regulatory Analysis

Electric Power: Analyzed electric utility rate, certification, and resource forecast filings. Assessed the quality of fuel supply management, and reasonableness of fuel costs recovered from ratepayers. Projected the cost of fuel and purchased power. Estimated the impact of environmental costs on utility resource selection. Participated in regulatory rulemaking activities. Provided expert staff testimony in a number of proceedings before the Texas Public Utility Commission.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the Public Utility Commission. Also assist municipal utilities in preparing and defending requests to change rates and other regulatory matters before the Public Utility Commission.

Natural Gas: Directed the economic regulation of gas utilities in Texas for the Railroad Commission of Texas. Responsible for monitoring, analyzing and reporting on conditions and events in the natural gas industry. Managed Commission staff representing the public interest in contested rate proceedings before the Railroad Commission, and acted as technical examiner on behalf of the Commission. Mediated informal disputes between industry participants and directed handling of customer billing and service complaints. Oversaw utility compliance filings and staff rulemaking initiatives. Served as a policy advisor to the Commissioners.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the cities and Railroad Commission. Also assist small utilities in preparing and defending requests to change rates and other regulatory matters before the Railroad Commission.

Litigation Support

Retained to support litigation in natural gas contract disputes. Analyzed the results of contract negotiations and competitiveness of gas supply proposals considering gas market conditions contemporaneous with the period reviewed. Supported litigation related to alleged price discrimination related to natural gas sales for regulated customers. Provided analysis of regulatory and accounting issues related to ownership of certain natural gas distribution assets in support of litigation against a natural gas utility. Supported independent power supplier in binding arbitration regarding proper interpretation of a natural gas transportation contract. Provided expert witness testimony in administrative and civil court proceedings.

Utility System Assessment

Led a management and performance review of the Public Utility Commission. Conducted performance reviews and valuation studies of municipal utility systems. Assessed ability to compete in the marketplace, and recommended specific actions to improve the competitive position of the utilities. Provided comprehensive support in the potential sale of a municipal gas system, including preparation of a valuation study and all activities leading to negotiation of contract for sale and franchise agreements.

Energy Supply Analysis

Reviewed system requirements and prepared requests for proposals (RFPs) to obtain natural gas and power supplies for both utility and non-utility clients. Evaluated submittals under alternative demand and market conditions, and recommended cost-effective supply proposals. Assessed supply strategies to determine optimum mix of available resources.

Econometric Forecasting

Prepared econometric forecasts of peak demand and energy for municipal and electric cooperative utilities in support of system planning activities. Developed forecasts at the rate class and substation levels. Projected price of natural gas by individual supplier for Texas electric and natural gas utilities to support review of utility resource plans.

Reservoir Engineering

Managed certain reserves for a petroleum exploration and production company in Texas. Responsible for field surveillance of producing oil and natural gas properties, including reserve estimation, production forecasting, regulatory reporting, and performance optimization. Performed evaluations of oil and natural gas exploration prospects in Texas and Louisiana.

PROFESSIONAL MEMBERSHIPS

Society of Petroleum Engineers
International Association for Energy Economics
United States Association for Energy Economics

SELECT PUBLICATIONS, PRESENTATIONS, AND TESTIMONY

- “Summary of the USAEE Central Texas Chapter’s Workshop entitled ‘EPA’s Proposed Clean Power Plan Rules: Economic Modeling and Effects on the Electric Reliability of Texas Region,’” with Dr. Jay Zarnikau and Mr. Neil McAndrews, USAEE Dialogue, May 2015
- “Public Utility Ratemaking,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, September 2013
- “What You Should Know About Public Utilities,” EBF 401: Strategic Corporate Finance, The Pennsylvania State University, October 2011
- “Natural Gas Markets and the Impact on Electricity Prices in ERCOT,” Texas Coalition of Cities for Fair Utility Issues, Dallas, October 2008
- “Natural Gas Regulatory Policy in Texas,” Hungarian Oil and Gas Policy Business Colloquium, U.S. Trade and Development Agency, Houston, May 2003
- “Railroad Commission Update,” Texas Society of Certified Public Accountants, Austin, April 2003
- “Gas Utility Update,” Railroad Commission Regulatory Expo and Open House, October 2002
- “Deregulation: A Work in Progress,” Interview by Karen Stidger, *Gas Utility Manager*, October 2002
- “Regulatory Overview: An Industry Perspective,” Southern Gas Association’s Ratemaking Process Seminar, Houston, February 2001
- “Natural Gas Prices Could Get Squeezed,” with Commissioner Charles R. Matthews, *Natural Gas*, December 2000
- “Railroad Commission Update,” Texas Society of Certified Public Accountants, Austin, April 2000
- “A New Approach to Electronic Tariff Access,” Association of Texas Intrastate Natural Gas Pipeline Annual Meeting, Houston, January 1999
- “A Texas Natural Gas Model,” United States Association for Energy Economics North American Conference, Albuquerque, 1998
- “Texas Railroad Commission Aiding Gas Industry by Updated Systems, Regulations,” *Natural Gas*, July 1998
- “Current Trends in Texas Natural Gas Regulation,” Natural Gas Producers Association, Midland, 1998
- “An Overview of the American Petroleum Industry,” Institute of International Education Training Program, Austin, 1993
- Direct testimony in PUC Docket No. 10400 summarized in *Environmental Externality*, Energy Research Group for the Edison Electric Institute, 1992
- “God’s Fuel - Natural Gas Exploration, Production, Transportation and Regulation,” with Danny Bivens, Public Utility Commission of Texas Staff Seminar, 1992
- “A Summary of Utilities’ Positions Regarding the Clean Air Act Amendments of 1990,” Industrial Energy Technology Conference, Houston, 1992
- “The Clean Air Act Amendments of 1990,” Public Utility Commission of Texas Staff Seminar, 1992

KARL J. NALEPA
TESTIMONY FILED

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
<u>Before the Public Utility Commission of Texas</u>					
48222	May 18	AEP Cities	AEP Texas Inc.	DCRF	DCRF Methodology
47900	Dec 17	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
47461	Dec 17	Office of Public Counsel	SWEPCO	CCN	Public Interest Review
47236	Jul 17	AEP Cities	AEP Texas Inc.	EECRF	EECRF Methodology
47235	Jul 17	Oncor Cities	Oncor Electric Delivery	EECRF	EECRF Methodology
47217	Jul 17	Cities	Texas-New Mexico Power	EECRF	EECRF Methodology
47032	May 17	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
46936	Oct 17	Cities	Southwestern Public Service	CCN	Public Interest Review
46449	Apr 17	Cities	SWEPCO	Cost of Service	Cost of Service
46348	Sep 16	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
46238	Jan 17	Office of Public Counsel	Oncor Electric Delivery	STM	Public Interest Review
46076	Dec 16	Cities	Entergy Texas, Inc.	Fuel Reconciliation	Fuel Cost
46050	Aug 16	Cities	AEP Texas	STM	Public Interest Review
46014	Jul 16	Gulf Coast Coalition	CenterPoint Energy Houston	EECRF	EECRF Methodology
45788	May 16	Cities	AEP-TNC	DCRF	DCRF Methodology
45787	May 16	Cities	AEP-TCC	DCRF	DCRF Methodology
45747	May 16	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
45712	Apr 16	Cities	SWEPCO	DCRF	DCRF Methodology
45691	Jun 16	Cities	SWEPCO	TCRF	TCRF Methodology
45414	Feb 17	Office of Public Counsel	Sharyland	Cost of Service	Cost of Service
45248	May 16	City of Fritch	City of Fritch	Cost of Service (water)	Cost of Service
45084	Nov 15	Cities	Entergy Texas, Inc.	TCRF	TCRF Methodology
45083	Oct 15	Cities	Entergy Texas, Inc.	DCRF	DCRF Methodology
45071	Aug 15	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
44941	Dec 15	City of El Paso	El Paso Electric	Cost of Service	CEP Adjustments
44677	Jul 15	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
44572	May 15	Gulf Coast Coalition	CenterPoint Energy Houston	DCRF	DCRF Methodology
44060	May 15	City of Frisco	Brazos Electric Coop	CCN	Transmission Cost Recovery
43695	May 15	Pioneer Natural Resources	Southwestern Public Service	Cost of Service	Cost Allocation
43111	Oct 14	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
42770	Aug 14	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
42485	Jul 14	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
42449	Jul 14	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
42448	Jul 14	Cities	SWEPCO	TCRF	Transmission Cost Recovery Factor
42370	Dec 14	Cities	SWEPCO	Rate Case Expenses	Rate Case Expenses
41791	Jan 14	Cities	Entergy Texas, Inc.	Cost of Service	Cost of Service/Fuel
41539	Jul 13	Cities	AEP Texas North	EECRF	EECRF Methodology

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
41538	Jul 13	Cities	AEP Texas Central	EECRF	EECRF Methodology
41444	Jul 13	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
41223	Apr 13	Cities	Entergy Texas, Inc.	ITC Transfer	Public Interest Review
40627	Nov 12	Austin Energy	Austin Energy	Cost of Service	General Fund Transfers
40443	Dec 12	Office of Public Counsel	SWEPCO	Cost of Service	Cost of Service/Fuel
40346	Jul 12	Cities	Entergy Texas, Inc.	Join MISO	Public Interest Review
39896	Mar 12	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power
39366	Jul 11	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
38951	Feb 12	Cities	Entergy Texas, Inc.	CGS Tariff	CGS Costs
38815	Sep 10	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
38480	Nov 10	Cities	Texas-New Mexico Power	Cost of Service	Cost of Service/Rate Design
37744	Jun 10	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power/ Gen
37580	Dec 09	Cities	Entergy Texas, Inc.	Fuel Refund	Fuel Refund Methodology
36956	Jul 09	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
36392	Nov 08	Texas Municipal Power	Texas Municipal Power	Interim TCOS	Wholesale Transmission Rate
35717	Nov 08	Cities Steering Committee	Oncor Electric Delivery	Cost of Service	Cost of Service/Rate Design
34800	Apr 08	Cities	Entergy Gulf States	Fuel Reconciliation	Natural Gas/Coal/Nuclear
16705	May 97	North Star Steel	Entergy Texas	Fuel Reconciliation	Natural Gas/Fuel Oil
10694	Jan 92	PUC Staff	Midwest Electric Coop	Revenue Requirements	Depreciation/ Quality of Service

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
10473	Sep 91	PUC Staff	HL&P	Notice of Intent	Environmental Costs
10400	Aug 91	PUC Staff	TU Electric	Notice of Intent	Environmental Costs
10092	Mar 91	PUC Staff	HL&P	Fuel Reconciliation	Natural Gas/Fuel Oil
10035	Jun 91	PUC Staff	West Texas Utilities	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas/Fuel Oil/Coal
9850	Feb 91	PUC Staff	HL&P	Revenue Req. Fuel Factor	Natural Gas/Fuel Oil/ETSI Natural Gas/Coal/Lignite
9561	Aug 90	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
9427	Jul 90	PUC Staff	LCRA	Fuel Factor	Natural Gas
9165	Feb 90	PUC Staff	El Paso Electric	Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas
8900	Jan 90	PUC Staff	SWEPCO	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas
8702	Sep 89 Jul 89	PUC Staff	Gulf States Utilities	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas/Fuel Oil Natural Gas/Fuel Oil
8646	May 89 Jun 89	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
8588	Aug 89	PUC Staff	El Paso Electric	Fuel Reconciliation	Natural Gas

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
<u>Before the Railroad Commission of Texas</u>					
10622	Apr 17	LDC, LLC	LDC, LLC	Cost of Service	Cost of Service/Rate Design
10617	Mar 17	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10580	Mar 17	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
10567	Feb 17	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10506	Jun 16	City of El Paso	Texas Gas Service	Cost of Service	Cost of Service/Energy Efficiency
10498	Feb 16	NatGas, Inc.	NatGas, Inc.	Cost of Service	Cost of Service/Rate Design
10359	Jul 14	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10295	Oct 13	Cities Steering Committee	Atmos Pipeline Texas	Revenue Rider	Rider Renewal
10242	Jan 13	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10196	Jul 12	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
10190	Jan 13	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10174	Aug 12	Steering Committee of Cities	Atmos Energy West Texas	Cost of Service	Cost of Service/Rate Design
10170	Aug 12	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10106	Oct 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10083	Aug 11	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10038	Feb 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10021	Oct 10	AgriTex Gas, Inc.	AgriTex Gas, Inc.	Cost of Service	Cost of Service/Rate Design
10000	Dec 10	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
9902	Oct 09	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
9810	Jul 08	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
9797	Apr 08	Universal Natural Gas	Universal Natural Gas	Cost of Service	Cost of Service/Rate Design
9732	Jul 08	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9670	Oct 06	Cities Steering Committee	Atmos Energy Corp.	Cost of Service	Affiliate Transactions/ O&M Expenses/GRIP
9667	Nov 06	Oneok Westex Transmission	Oneok Westex Transmission	Abandonment	Abandonment
9598	Sep 05	Cities Steering Committee	Atmos Energy Corp.	GRIP Appeal	GRIP Calculation
9530	Apr 05	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9400	Dec 03	Cities Steering Committee	TXU Gas Company	Cost of Service	Affiliate Transactions/ O&M Expenses/Capital Costs

DKT NO.	DATE	REPRESENTING	UTILITY	PHASE	ISSUES
<u>Before the Louisiana Public Service Commission</u>					
U-34344/ U-34717	Apr 18	PSC Staff	Dixie Electric Member Corporation	Formula Rate Plan	Stipulation
U-34344	Jan 18	PSC Staff	Dixie Electric Member Corporation	Formula Rate Plan	Adjusted Revenues
U-33633	Nov 15	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Prudence
U-33033	Jul 14	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Revenue Requirement
U-31971	Nov 11	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Certification/Cost Recovery
<u>Before the Arkansas Public Service Commission</u>					
O7-105-U	Mar 08	Arkansas Customers	CenterPoint Energy, Inc. & pipelines serving CenterPoint	Gas Cost Complaint	Prudence / Cost Recovery

ReSolved Energy Consulting, LLC

11044 Research Blvd, A-420

Austin, Texas 78759

Phone (512) 331-4949

Invoice

DATE	INVOICE NUMBER
5/3/2018	4171

BILL TO

Thomas Brocato
 Lloyd Gosselink Lawfirm
 816 Congress Ave, # 1900
 Austin, Tx 78701

PROJECT

LG CEH 18 DCRF

DESCRIPTION	HOURS	RATE	AMOUNT
Consulting (Nalepa)	10	260.00	2,600.00
Work Completed thru - April 30, 2018		TOTAL DUE	\$2,600.00

Monthly Recap

Karl Nalepa

Date	Task	Hours
April 5, 2018	Download interchange filing. (0.20 Admin/CM)	0.20
April 6, 2018	Download and review electronic files. (0.30 Admin/CM)	0.30
April 9, 2018	Call with C. Brewster regarding case issues. Review filing. (0.50 Admin/CM)	0.50
April 12, 2018	Call with C. Cannady regarding division of case issues. (0.50 Admin/CM)	0.50
April 13, 2018	Work on analysis. Review discovery. (0.80 Misc Acctg)	0.80
April 15, 2018	Work on analysis. (0.70 Misc Acctg)	0.70
April 16, 2018	Call with C. Brewster regarding case issues. (0.30 Admin/CM)	0.30
April 17, 2018	Prepare and send email to F. Herrera and C. Brewster confirming division of issues. (0.20 Admin/CM)	0.20
April 20, 2018	Review filing and work on analysis. (0.80 Misc Acctg)	0.80
April 23, 2018	Prepare list of issues and send to C. Brewster for review. Call with C. Cannady to discuss case issues. Work on analysis. Review responses to discovery. (Admin/CM 0.80; Misc Acctg 0.40)	1.20
April 24, 2018	Work on analysis and discovery. (Plant in Service/Rate Base 1.0; Misc Acctg 0.30)	1.30
April 25, 2018	Complete discovery and send to C. Brewster for review. Call to discuss tax issues. (1.00 Taxes)	1.00
April 26, 2018	Work on analysis. Prepare and send additional discovery. (Taxes 0.50; Misc Acctg 0.20)	0.70
April 27, 2018	Work on analysis. Review responses to discovery. (1.00 Misc Acctg)	1.00
April 30, 2018	Review tax adjustments. (0.50 Taxes)	0.50
		10.00

Admin/CM = Administration/Case Management
Misc Acctg = Miscellaneous Accounting

33

Attachment C

SOAH DOCKET NO. 473-18-3046
PUC DOCKET NO. 48226

APPLICATION OF CENTERPOINT § BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC §
FOR APPROVAL TO AMEND ITS § OF
DISTRIBUTION COST RECOVERY §
FACTOR § ADMINISTRATIVE HEARINGS

AFFIDAVIT OF CHRISTOPHER L. BREWSTER
RELATED TO THE RATE CASE EXPENSES OF
GULF COAST COALITION OF CITIES

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared Christopher L. Brewster who being by me first duly sworn, on oath deposed and said the following:

1. My name is Christopher L. Brewster. I am a principal with the law firm of Lloyd Gosselink Rochelle and Townsend, P.C. ("Lloyd Gosselink") and lead counsel for the Gulf Coast Coalition of Cities ("GCCC") in Docket No. 48226. I have addressed and participated in utility matters since 2003, starting at the Public Utility Commission of Texas ("Commission"). Since leaving the Commission in 2006, I have represented entities before the Commission for 12 years in numerous rate cases and appeals.

2. I am familiar with the work performed by Lloyd Gosselink and the technical consultants on behalf of GCCC in connection with Docket No. 48226 concerning the *Application of CenterPoint Energy Houston Electric, LLC for Approval to Amend its Distribution Cost Recovery Factor*. I am over the age of 18 years and am not disqualified from making this affidavit. My statements are true and correct.

3. I have reviewed the billings of Lloyd Gosselink submitted to Cities for legal services performed in Docket No. 48226. I affirm that those billings accurately reflect the time

spent and expenditures incurred by Lloyd Gosselink on GCCC's behalf. Those billings were accurately calculated before they were tendered, and there was no double billing. None of the charges billed to GCCC have been recovered through reimbursement for other expenses. The expenses charged were associated with the review of CenterPoint Energy Houston Electric, LLC's ("CenterPoint" or "Company") proposed distribution cost recovery factor ("DCRF") in Docket No. 48226 and were necessary to advise Cities and accomplish tasks in this proceeding. Total rate case expenses (inclusive of legal fees, consultant charges, and other expenses) for Docket No. 48222 are summarized in the chart attached to this affidavit as Attachment 1.

4. For the period April 2018, Lloyd Gosselink requests approval of \$5,035.25 for legal services in Docket No. 48226. This figure includes legal fees and expenses. The fees and expenses incurred through April 30, 2018 were necessary to: advise GCCC on the Company's proposed DCRF, review the application, identify issues, retain and work with consultants, engage in discovery, prepare testimony, and review testimony.

5. The attorneys' hourly rates of \$225-\$325, upon which the billings are based, are the same hourly rates charged other clients for comparable services during the same time frame. Our firm's rates are at the lower end of the range compared to the rates charged by other lawyers with similar experience providing similar services. The hours spent to perform the tasks assigned to Lloyd Gosselink were necessary to complete those tasks in a professional manner and on a timely basis. My experience in participating in utility rate cases at the Commission aids in our efforts to keep rate case expenses reasonable. Additionally, Lloyd Gosselink minimized rate case expenses by using associates and paralegals where possible to take advantage of lower billing rates.

6. Invoices from Lloyd Gosselink also include fees and expenses from ReSolved Energy Consulting, LLC for consulting work performed by Karl Nalepa and his assistant in the amount of \$2,600.00 through April 30, 2018. Mr. Nalepa is President of ReSolved Energy Consulting, LLC, an independent utility consulting company. Mr. Nalepa has testified before the Commission on many prior occasions. The hourly rate for Mr. Nalepa in Docket No. 48226 is \$260.00. This is the same or similar hourly rate charged other clients for comparable services during the same time period. Mr. Nalepa reviewed the Company's filings in Docket No. 48226, prepared discovery questions, prepared direct testimony, and provided technical support.

7. So that duplication of effort was minimized where possible, GCCC coordinated its activities with other city intervenors and discussed the issues presented by CenterPoint's application in this case and divided the issues to be explored among the intervenors. I monitored the progress of these issues and communicated with counsel for the city intervenors as issues arose.

8. The invoices submitted by Lloyd Gosselink include a description of services performed and time expended on each activity. The invoices for Docket No. 48226 are attached to this filing as Attachment 2. Lloyd Gosselink has documented all charges with time sheets, invoices, and records. The documentation in this case is similar to that provided in many previous rate cases at the Commission.

9. Consistent with 16 Tex. Admin. Code § 25.245(b)(6), GCCC recorded time spent on this matter by issue category. Time entries on the attached invoices indicate the issue subject matter of each entry, if such is not apparent from the time entry itself.

10. Neither Lloyd Gosselink nor any consultants for GCCC have charged for luxury items, including first-class airfare, limousine service, entertainment, or alcoholic beverages. No

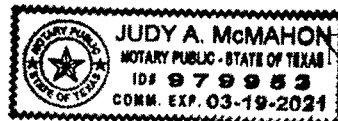
meals were charged in excess of \$25 per person, and no individual billed for more than 12 hours per day.

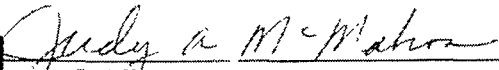
11. The issues addressed by GCCC each have a reasonable basis in law, policy, or fact. GCCC's attorneys reviewed the relevant law and Commission rule provisions to ensure that the issues raised by GCCC's case were reasonably grounded and relevant to this matter.

12. The total amount requested by GCCC for rate case expenses through April 2018 in the amount of \$7,635.25 for Docket No. 48226 is reasonable given the complexity of the case and the nature of GCCC's analysis in this matter. I will submit additional affidavits and invoices in future months as this matter proceeds.


CHRISTOPHER L. BREWSTER

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this
16th day of May 2018.




Judy A. McMahon
Notary Public

PUC Docket No. 48226
CenterPoint 2018 DCRF
GCCC's Rate Case Expenses

	Invoice Date	Invoice No.	Billing Period	Through Period	Invoice Amount	Total Billed to Date	
Lloyd Gosselink	5/15/2018	97491968	4/1/2018	4/30/2018	\$ 5,035.25	\$ 5,035.25	
							\$ 5,035.25
ReSolved Energy	5/3/2018	4171	4/1/2018	4/30/2018	\$ 2,600.00	\$ 2,600.00	
							\$ 2,600.00
Lloyd Gosselink + Consultant	5/15/2018	97491968	4/1/2018	4/30/2018	\$ 7,635.25	\$ 7,635.25	
TOTAL							\$ 7,635.25



Attachment D

Attachment 2

816 Congress Avenue, Suite 1900
Austin, Texas 78701
Telephone: (512) 322-5800
Facsimile: (512) 472-0532
www.lglawfirm.com

May 15, 2018

Gulf Coast Coalition of Cities
Attn Bobby Gervais
P O Box 187
Manvel, TX USA 77578

Invoice: 97491968
Client: 1720
Matter: 36
Billing Attorney: CLB

INVOICE SUMMARY

For professional services and disbursements rendered through April 30, 2018:

RE: Docket No. 48226 CenterPoint 2018 DCRF

Professional Services	\$ 4,940.00
Total Disbursements	<u>\$ 2,695.25</u>
TOTAL THIS INVOICE	\$ 7,635.25

Lloyd Gosselink Rochelle & Townsend, P.C.

Lloyd Gosselink Rochelle & Townsend, P.C.

Gulf Coast Coalition of Cities
Docket No. 48226 CenterPoint 2018 DCRF
I.D.1720-36-CLB

May 15, 2018
Invoice: 97491968

PROFESSIONAL SERVICES RENDERED

Date	Atty	Description Of Services Rendered	Hours
4/04/18	TRL	Prepare Summary Memo for Denial Resolution, Denial Resolution, and the Model Staff Report in preparation for attorney review; prepare engagement agreement for K. Nalepa (Administration).	1.10
4/05/18	TLB	Review filing; prepare client materials; talk to clients regarding filing (Administration).	1.90
4/05/18	TRL	Prepare draft Motion to Intervene (Administration).	.20
4/06/18	TLB	Review and finalize engagement agreements; review motion to intervene; prepare and distribute staff reports and resolutions to clients (Administration).	1.40
4/06/18	TRL	Finalize and file GCCC's Motion to Intervene; prepare, finalize, file, and serve GCCC's Protective Order Certifications; prepare digital copy of Application and send to K. Nalepa for consultant review; prepare and distribute Engagement Agreement to K. Nalepa; prepare tracking sheet for denial resolutions (Administration).	1.30
4/09/18	CLB	Telephone call with K. Nalepa; review application for rate impact (Administration).	1.30
4/11/18	CLB	Prepare for prehearing conference; correspondence and teleconference with K. Nalepa (Administration).	.40
4/11/18	TRL	Prepare log of confidential information received and update with confidential workpapers; prepare copy of confidential workpapers received and send to K. Nalepa for consultant review (Administration).	.40
4/13/18	CLB	Review potential split of issues and correspondence with TCUC regarding same; discuss issues with K. Nalepa (Administration).	1.00
4/16/18	CLB	Review proposed procedural schedule; review correspondence with Company (Administration).	.50
4/17/18	CLB	Review correspondence on split of issues from experts (Administration).	.40
4/20/18	TLB	Attention to city action documents and respond to client inquiries (Administration).	.40
4/20/18	CLB	Review correspondence regarding scheduling; discuss division of issues with counsel for other city group; review correspondence regarding same; review application and direct testimony (Administration).	1.50
4/20/18	TRL	Prepare draft list of issues in preparation for attorney review (Administration).	.30
4/23/18	CLB	Attend and participate in prehearing conference; discuss issues with other city intervenors; correspondence with expert regarding key dates (Administration).	1.90
4/24/18	TRL	Correspond with K. Nalepa and M. Santos to request a copy of the native public files attached to their Application (Administration).	.30
4/25/18	TRL	Upload public native files from CNP's application and send to K. Nalepa for consultant review (Administration).	.30
4/26/18	CLB	Correspondence with K. Nalepa regarding RFIs; review second set of RFIs; prepare RFIs for filing (Administration).	1.00
4/27/18	CLB	Review discovery filings; review CenterPoint answers to RFIs; review correspondence with K. Nalepa regarding same; review application in case (Administration).	1.70

Lloyd Gosselink Rochelle & Townsend, P.C.

Gulf Coast Coalition of Cities
Docket No. 48226 CenterPoint 2018 DCRF
I.D.1720-36-CLB

May 15, 2018
Invoice: 97491968

Date	Atty	Description Of Services Rendered	Hours
4/30/18	CLB	Review recent filings (Administration).	.30

TOTAL PROFESSIONAL SERVICES **\$ 4,940.00**

SUMMARY OF PROFESSIONAL SERVICES

Name	Staff Level	Hours	Rate	Total
Thomas L Brocato	Principal	3.70	325.00	1,202.50
Chris L Brewster	Principal	10.00	325.00	3,250.00
Tanya R Leisey	Paralegal	3.90	125.00	487.50
TOTALS		17.60		\$ 4,940.00

DISBURSEMENTS

Date	Description	Amount
4/15/18	Corporate Couriers Check # - 000035043 Corporate Couriers, Courier services, 4/15/2018	11.00
4/15/18	Corporate Couriers Check # - 000035043 Corporate Couriers, Courier services, 4/15/2018	9.00
4/15/18	Corporate Couriers Check # - 000035043 Corporate Couriers, Courier services, 4/15/2018	16.50
4/30/18	Corporate Couriers Check # - 000035110 Corporate Couriers, Courier services, 4/30/2018	6.00
4/30/18	Corporate Couriers Check # - 000035110 Corporate Couriers, Courier services, 4/30/2018	28.00
4/30/18	Corporate Couriers Check # - 000035110 Corporate Couriers, Courier services, 4/30/2018	13.75
4/30/18	Corporate Couriers Check # - 000035110 Corporate Couriers, Courier services, 4/30/2018	11.00
4/30/18	ReSolved Energy Cons Voucher # - 000093869 ReSolved Energy Consulting, LLC, Consultant Services, Professional services for April 2018 - Regarding Project LG CEH 18 DCRF, 5/3/2018	2,600.00

TOTAL DISBURSEMENTS **\$ 2,695.25**

TOTAL THIS INVOICE **\$ 7,635.25**

Lloyd Gosselink Rochelle & Townsend, P.C.

INVOICE

CORPORATE COURIERS
2336 KRAMER LANE, STE. F
AUSTIN, TX 78701
115544

RECEIVED

APR 18 2018

Lloyd Gosselink

LLOYD GOSSELINK ATTORNEYS AT LAW
1701 N. CONGRESS AVE
SUITE 1600
AUSTIN, TX 78701

Invoice No.	Customer No.
50875	1201
Invoice Date	Total Due
4/15/18	1,019.25

NOW ACCEPTING VISA, M/C &
AMEX FOR INVOICE PAYMENT
PLEASE CALL 512.479.4007
TO GET SETUP.

			Customer No.	Invoice No.	Period Ending	Amount Due	Pg			
			1201	50875	3/15/18	1,019.25	1			
Date	Ord. No.	Svc	Service Detail				Charges	Total		
4/06/18	791716	1BX 13N	LLOYD GOSSELINK ROCHELLE & TOWNSEND PUC 516 CONGRESS AVE. 1701 N. CONGRESS AVE. AUSTIN TX 78701 AUSTIN TX 78701 Callers: OFFICE SERVICES Time: 13:14 Wght: 1 Lbs Signed: C. GARCIA				Base : 12.00 Return : 10.00	22.00		
Total Charges for Ref. - CLB 1720-36, 1669-44:							22.00	11.00		
4/06/18	791716	1BX 13N	LLOYD GOSSELINK ROCHELLE & TOWNSEND PUC 516 CONGRESS AVE. 1701 N. CONGRESS AVE. AUSTIN TX 78701 AUSTIN TX 78701 Callers: OFFICE SERVICES Time: 09:52 Wght: 1 Lbs Signed: GARCIA				Base : 8.00 Return : 10.00	18.00		
Total Charges for Ref. - CLB-1720-36, 1669-44:							18.00	9.00		

INVOICE

CORPORATE COURIERS
2335 KRAMER AVE, STE. F
AUSTIN, TX 78754
41998

Invoice No.	Customer No.
50875	1201
Invoice Date	Invoice Due
4/15/18	1,019.25

LLOYD GOSSELINK ATTORNEYS AT LAW
416 CONGRESS AVE
SUITE 1900
AUSTIN, TX 78701

NOW ACCEPTING VISA, M/C &
AMEX FOR INVOICE PAYMENT
PLEASE CALL 512.419.4007
TO GET SETUP.

			Customer No.	Invoice No.	Period Ending	Amount Due	Paid		
			1201	50875	4/15/18	1,019.25	6		
Date	Ord No.	Svc	Service Detail				Charges	Total	
4/12/18	793059	PER	LLOYD GOSSELINK ROCHELLE & TOWNSEND 416 CONGRESS AVE AUSTIN TX 78701 Call: OFFICE SERVICES Time: 08:39 Signed: A STEVENS		RESOLVED ENERGY CONSULTING, LLC 11044 RESEARCH BLVD AUSTIN TX 78759 Wght: 1 Lbs		Base : 15.00 Fuel Srchg: 1.50	16.50	
Total Charges for Ref. - TRL 1720-36:								16.50	

Attachment D

Attachment 2

INVOICE

CORPORATE COPIERS
2335 KRAMER LANE, STE. F
AUSTIN, TX 78758
41996

Invoice No.	Customer No.
51068	1201
Invoice Date	Total Due
4/30/18	1,083.00

LLOYD GOSSELINK ATTORNEYS AT LAW
816 CONGRESS AVE
SUITE 1900
AUSTIN, TX 78701

NOW ACCEPTING VISA, M/C &
AMEX FOR INVOICE PAYMENT
PLEASE CALL 512.479.4007
TO GET SETUP.

			Customer No.	Invoice No.	Period Ending	Amount Due	Pg.		
			1201	51068	4/30/18	1,083.00	2		
Date	Ord No.	Svc	Service Detail				Charges	Total	
4/24/18	795712	1BX 2BX	LLOYD GOSSELINK ROCHELLE & TOWNSEND PUC 816 CONGRESS AVE 1701 N. CONGRESS AVE. AUSTIN TX 78701 AUSTIN TX 78701 Caller: OFFICE SERVICES Time: 09:11 Wght: 1 Lbs Signed: GARCIA				Base : 8.00 Return : 10.00	14.00	
Total Charges for Pay. - JNP SEE INSTRUCTIONS:							14.00	6.00	
1720-34 1669-44 3842-2									

4/26/14	795456	ENR	10K	LLOYD GOSSELINK ROCKWELL & TOWNSEND 816 CONGRESS AVE AUSTIN TX 78701	1701 H. CONGRESS AVE. AUSTIN TX 78701	1 LBN	White: 14:30	Service Date: 4/30/14	Amount Due: 1,043.90	3	Total
<p> Total Charges for Ref. - JMC 1720-36: 28.00 Date: 4/26/14 Return: 13.00 Total: 28.00 </p>											

LLOYD GOSSELINK ATTORNEYS AT LAW
 816 CONGRESS AVE
 SUITE 1900
 AUSTIN, TX 78701

NOW ACCEPTING VISA/M/C &
 AMEX FOR INVOICE PAYMENT
 PLEASE CALL 512.479.4007
 TO GET SETUP.

Invoice No.	51068
Customer No.	1201
Invoice Date	4/30/14
Invoice Amount	1,043.90
Payment Due Date	5/10/14
Payment Due Amount	1,043.90
Payment Due Date	5/10/14
Payment Due Amount	1,043.90

INVOICE

INVOICE

CORPORATE COURIERS
1305 KRAMER LANE, STE. F
AUSTIN, TX 78759
11494

Invoice No.	Customer No.
51069	1201
Invoice Date	Total Due
4/30/18	1,043.90

LLOYD GOSSELINK ATTORNEYS AT LAW
816 CONGRESS AVE
SUITE 1900
AUSTIN, TX 78701

NOW ACCEPTING VISA, M/C &
AMEX FOR INVOICE PAYMENT
PLEASE CALL 512.479.4007
TO GET SETUP.

		Customer No.	Invoice No.	Period Ending	Amount Due	Paid		
		1201	51069	4/30/18	1,043.90	6		
Date	Order No.	Svc	Service Detail			Charges	Total	
4/25/18	795993	4HR	LLOYD GOSSELINK ROCHELLE & TOWNSEND 816 CONGRESS AVE AUSTIN TX 78701 Caller: OFFICE SERVICES Time: 08:39 Signed: A STEVENS	RESOLVED ENERGY CONSULTING, LLC 11044 RESEARCH BLVD AUSTIN TX 78759 Wght: 1 Lbs	Base : 12.50 Fuel Srchg: 1.25	13.75		
Total Charges for Ref. - TAL 1720-36:						13.75 ✓		
4/25/18	796131	2BK 1BK	LLOYD GOSSELINK ROCHELLE & TOWNSEND 816 CONGRESS AVE AUSTIN TX 78701 Caller: OFFICE SERVICES Time: 12:31 Signed: C. GARCIA	PUC 1701 N. CONGRESS AVE. AUSTIN TX 78701 Wght: 1 Lbs	Base : 10.00 Return : 12.00	22.00		
Total Charges for Ref. - TAL 1720-36, 3662-2:						22.00 11.00 ✓		

ReSolved Energy Consulting, LLC

11044 Research Blvd, A-420
Austin, Texas 78759
Phone (512) 331-4949

Invoice

DATE	INVOICE NUMBER
5/3/2018	4171

BILL TO

Thomas Brocato
Lloyd Gosselink Lawfirm
816 Congress Ave, # 1900
Austin, Tx 78701

PROJECT			
LG CEH 18 DCRF			
DESCRIPTION	HOURS	RATE	AMOUNT
Consulting (Nalepa)	10	260.00	2,600.00
Work Completed thru - April 30, 2018			TOTAL DUE \$2,600.00

RES p. 1 of 2

Monthly Recap

Karl Nalepa

Date	Task	Hours
April 5, 2018	Download interchange filing. (0.20 Admin/CM)	0.20
April 6, 2018	Download and review electronic files. (0.30 Admin/CM)	0.30
April 9, 2018	Call with C. Brewster regarding case issues. Review filing. (0.50 Admin/CM)	0.50
April 12, 2018	Call with C. Cannady regarding division of case issues. (0.50 Admin/CM)	0.50
April 13, 2018	Work on analysis. Review discovery. (0.80 Misc Acctg)	0.80
April 15, 2018	Work on analysis. (0.70 Misc Acctg)	0.70
April 16, 2018	Call with C. Brewster regarding case issues. (0.30 Admin/CM)	0.30
April 17, 2018	Preapre and send email to F. Herrera and C. Brewster confirming division of issues. (0.20 Admin/CM)	0.20
April 20, 2018	Review filing and work on analysis. (0.80 Misc Acctg)	0.80
April 23, 2018	Preapre list of issues and send to C. Brewster for review. Call with C. Cannady to discuss case issues. Work on analysis. Review responses to discovery. (Admin/CM 0.80; Misc Acctg 0.40)	1.20
April 24, 2018	Work on analysis and discovery. (Plant in Service/Rate Base 1.0; Misc Acctg 0.30)	1.30
April 25, 2018	Complete discovery and send to C. Brewster for review. Call to discuss tax issues. (1.00 Taxes)	1.00
April 26, 2018	Work on analysis. Preapre and send additional discovery. (Taxes 0.50; Misc Acctg 0.20)	0.70
April 27, 2018	Work on analysis. Review responses to discovery. (1.00 Misc Acctg)	1.00
April 30, 2018	Review tax adjustments. (0.50 Taxes)	0.50
		10.00

Admin/CM = Administration/Case Management

Misc Acctg = Miscellaneous Accounting

48

Res p. 2 of 2

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 48226
SOAH DOCKET NO. 473-18-3046**

**GULF COAST COALITION OF CITIES'
REQUEST NO.: GCCC02-01**

QUESTION:

Please provide WP-Schedule J-3 and associated workpapers (WP-Schedule J-3.1 through WP-Schedule J-3.9), in native Excel format.

ANSWER:

The workpapers are attached. They were inadvertently omitted from the Company's initial filing in this docket but are being provided to all the parties via this response. The Company will not count this RFI against the discovery limitations applicable to this proceeding under 16 TAC § 25.243(e)(6) (B).

SPONSOR:

Laurie Burrige-Kowalik

RESPONSIVE DOCUMENTS:

GCCC02-01 - WP-Schedule J-3 (Baseline Rate Case Values).xlsx

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burrridge-Kowalik

WP/Schedule J/3

DCRF Baseline Rate Case Values

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC
P.U.C. DOCKET NO. 38339
FOR THE TEST YEAR ENDED 12/31/2009

Description	Reference	Residential	Secondary <= 10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting Total	Total
DIC _{RC-Class}	wp/Schedule J/3.1	\$1,137,155,220	\$43,846,015	\$775,802,597	\$35,744,261	\$2,866,148	\$177,158,766	\$2,172,573,008
ROR _{AT}	wp/Schedule J/3.2	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%
DEPR _{RC-Class}	wp/Schedule J/3.3	\$97,351,387	\$4,677,639	\$61,197,210	\$2,731,220	\$839,460	\$14,778,467	\$181,575,383
FIT _{RC-Class}	wp/Schedule J/3.5	\$19,357,705	\$716,685	\$13,425,324	\$619,148	\$38,820	\$3,087,314	\$37,244,995
OT _{RC-Class}	wp/Schedule J/3.4	\$30,621,764	\$1,257,764	\$20,394,558	\$940,907	\$107,128	\$4,572,728	\$57,894,851
DISTREV _{RC-Class}	(DIC _{RC} * ROR _{AT}) + DEPR _{RC} + FIT _{RC} + OT _{RC}	\$226,476,860	\$9,703,771	\$149,012,953	\$6,779,075	\$1,184,892	\$34,768,759	\$427,926,311
ALLOC _{CLASS}	wp/Schedule J/3.9	53.0715%	2.1103%	35.1158%	1.6447%	0.1383%	7.9193%	100.00%

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burrige-Kowalik

WP/Schedule J/3 1

DIC_{RC} & DIC_{RC-CLASS} ('000)

Account Number	Description	9		10		11		12		13		14		15		Total
		Residential	Secondary	Secondary	Primary	Transmission	Lighting	Lighting	Lighting	Lighting	Lighting	Lighting	Lighting	Lighting	Lighting	
			<=10 KVA	> 10 KVA	Voltage	Voltage	SLS	MLS	Total							
Intangible Plant-Net																
A303.1	Miscellaneous Intangible Plant	-\$1,231	-\$5	-\$1,211	-\$93	\$6	-\$157	-\$23	-\$180							-\$2,713
A303.2	Miscellaneous Intangible Plant	\$39,797	\$3,111	\$2,824	\$112	\$78	\$320	\$57	\$377							\$46,298
Transmission Plant - Net																
A352	Structures and Improvements	\$1,383	\$34	\$1,094	\$111	\$0	\$0	\$0	\$0							\$2,623
A353	Station Equipment	\$27,513	\$685	\$21,768	\$2,211	\$0	\$0	\$0	\$0							\$52,177
Distribution Plant-Net																
A360.1	Land Owned in Fee	\$5,336	\$133	\$4,222	\$429	\$0	\$0	\$0	\$0							\$10,119
A360.2	Land and Land Rights	\$303	\$8	\$240	\$24	\$0	\$0	\$0	\$0							\$575
A361	Structures and Improvements	\$10,534	\$262	\$8,335	\$847	\$0	\$0	\$0	\$0							\$19,978
A362	Station Equipment	\$150,427	\$3,744	\$119,017	\$12,090	\$0	\$0	\$0	\$0							\$285,277
A363	Storage Battery Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0							\$0
A364	Poles, Towers & Fixtures	\$147,137	\$3,665	\$110,445	\$6,182	\$0	\$0	\$0	\$0							\$267,428
A365	O.H. Conductors & Devices	\$238,647	\$5,944	\$179,134	\$16,554	\$0	\$0	\$0	\$0							\$440,279
A366	Underground Conduits-Primary	\$86,841	\$2,173	\$65,055	\$0	\$0	\$0	\$0	\$0							\$154,068
A367	U.G. Conductors & Devices-Primary	\$242,325	\$6,063	\$181,533	\$0	\$0	\$0	\$0	\$0							\$429,921
A368	Line Transformers-Primary	\$305,674	\$7,648	\$228,986	\$3,526	\$0	\$0	\$0	\$0							\$545,834
A369	Services	\$55,322	\$9,185	\$12,711	\$0	\$0	\$0	\$40	\$40							\$77,258
A370.1	Meters - excl Transformers	\$46,401	\$6,610	\$12,959	\$157	\$227	\$0	\$0	\$0							\$66,353
A370.2	Meters - Transformers	\$407	\$0	\$20,518	\$1,527	\$2,977	\$0	\$0	\$0							\$25,429
A370.3	Meters - AMS Related	\$53,590	\$4,558	\$6,395	\$63	\$0	\$0	\$0	\$0							\$64,606
A371	Install on Customer Prem	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0							\$0
A372	Leased Prop on Cust Premises	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0							\$0
A373	Street Lights	\$0	\$0	\$0	\$0	\$0	\$208,794	\$8,865	\$217,659							\$217,659
A374.1	Land Owned in Fee	\$0	\$0	\$0	\$0	\$0	\$7,221	\$307	\$7,528							\$7,528
A374.2	Asset Retirement Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0							\$0
General Plant-Net																
A391	Office Furniture & Equip	\$1,031	\$55	\$458	\$35	\$8	\$59	\$9	\$69							\$1,655
Communication - Net																
A397.1	Total Communication Equipment	\$54,774	\$2,475	\$29,100	\$2,221	\$311	\$3,788	\$578	\$4,366							\$93,247
A397.2	Computer Equipment	\$16,882	\$837	\$8,232	\$624	\$131	\$1,035	\$158	\$1,194							\$27,898
A397.3	BPL System	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0							\$0
Total DCRF Distribution Net Plant		\$1,483,092	\$57,185	\$1,011,812	\$46,618	\$3,738	\$221,062	\$9,991	\$231,053							\$2,833,497
ADFIT		-\$345,937	-\$13,339	-\$236,009	-\$10,874	-\$872	-\$51,564	-\$2,330	-\$53,894							-\$660,924
Total Net Distribution Invested Capital		\$1,137,155	\$43,846	\$775,803	\$35,744	\$2,866	\$169,498	\$7,660	\$177,159							\$2,172,573
Total Distribution Net Plant		\$1,576,585	\$62,692	\$1,043,179	\$48,858	\$4,109	\$224,712	\$10,546	\$235,258							\$2,970,682
DCRF Net Plant % Of Total Dist Net Plant		94.07%	91.22%	96.99%	95.41%	90.96%	98.38%	94.74%	98.21%							95.38%

Direct Input From
Schedule E-3.10
Sponsor: Mary A. Kirk

Distribution Cost Recovery Factor
 CenterPoint Energy Houston Electric, LLC
 Update Period 1/1/2010 - 12/31/2017
 Sponsor: Laurie A. Burrige-Kowalik

WP/Schedule J/3.2

$$ROR_{AT} = 6.96\%$$

CenterPoint Energy Houston Electric, LLC
 Weighted Average Cost of Capital per DCRF Rule
 For the 12 Months Ending December 31, 2017

CenterPoint Energy Houston Electric, LLC
 Weighted Average Cost of Capital
 Docket No. 38339

Line No.	(1) Description	(2) Schedule Reference	(3) Percent of Total Capitalization	(4) Cost of Capital Rate	(5) = (3) * (4) Weighted Average Cost of Capital	(6) Percent of Total Capitalization	(7) Cost of Capital Rate	(8) = (6) * (7) Weighted Average Cost of Capital
1	Long-Term Debt	K	55.00%	4.48%	2.46%	55.00%	6.74%	3.71%
2	Preferred Stock	K	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	Common Stock Equity	K	45.00%	10.00%	4.50%	45.00%	10.00%	4.50%
4	Total		100.00%		6.96%	100.00%		8.21%

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burrige-Kowalik

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DEPR_{RC} & DEPR_{RC}-CLASS ('000)

Account Number	Description	9	10	11	12	13	14	15		
		Residential	Secondary <=10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS	Lighting Total	Total
Intangible Plant-Net										
A303.1	Miscellaneous Intangible Plant	\$1,661	\$66	\$951	\$74	\$2	\$136	\$21	\$157	\$2,911
A303.2	Miscellaneous Intangible Plant	\$7,333	\$573	\$576	\$29	\$20	\$83	\$15	\$98	\$8,629
Transmission Plant										
A352	Structures and Improvements	\$29	\$1	\$23	\$2	\$0	\$0	\$0	\$0	\$55
A353	Station Equipment	\$772	\$19	\$611	\$62	\$0	\$0	\$0	\$0	\$1,465
Distribution Plant-Net										
A360.1	Land Owned in Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A360.2	Land and Land Rights	\$9	\$0	\$7	\$1	\$0	\$0	\$0	\$0	\$16
A361	Structures and Improvements	\$320	\$8	\$253	\$26	\$0	\$0	\$0	\$0	\$607
A362	Station Equipment	\$4,460	\$111	\$3,529	\$358	\$0	\$0	\$0	\$0	\$8,459
A363	Storage Battery Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A364	Poles, Towers & Fixtures	\$11,048	\$275	\$8,293	\$464	\$0	\$0	\$0	\$0	\$20,081
A365	O.H. Conductors & Devices	\$10,406	\$259	\$7,811	\$722	\$0	\$0	\$0	\$0	\$19,199
A366	Underground Conduits-Primary	\$5,395	\$135	\$4,042	\$0	\$0	\$0	\$0	\$0	\$9,572
A367	U.G. Conductors & Devices-Primary	\$12,125	\$303	\$9,083	\$0	\$0	\$0	\$0	\$0	\$21,511
A367A	U.G. Conductors & Devices (AMS)	\$25	\$2	\$1	\$0	\$0	\$0	\$0	\$0	\$28
A368	Line Transformers-Primary	\$16,658	\$417	\$12,479	\$192	\$0	\$0	\$0	\$0	\$29,746
A368A	Line Transformers-AMS	\$14	\$1	\$1	\$0	\$0	\$0	\$0	\$0	\$16
A369	Services	\$3,752	\$623	\$862	\$0	\$0	\$0	\$3	\$3	\$5,240
A370.1	Meters - excl Transformers	\$5,191	\$739	\$1,450	\$18	\$25	\$0	\$0	\$0	\$7,423
A370.2	Meters - Transformers	\$100	\$0	\$5,018	\$373	\$728	\$0	\$0	\$0	\$6,219
A370.3	Meters - AMS Related	\$7,898	\$672	\$942	\$9	\$0	\$0	\$0	\$0	\$9,522
A371	Install on Customer Prem.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A372	Leased Prop. on Cust. Premises	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A373	Street Lights	\$0	\$0	\$0	\$0	\$0	\$12,738	\$541	\$13,279	\$13,279
A374.1	Land Owned in Fee	\$0	\$0	\$0	\$0	\$0	\$440	\$19	\$459	\$459
General Plant-Net										
A391	Office Furniture & Equip.	\$77	\$4	\$34	\$3	\$1	\$4	\$1	\$5	\$124
Communication - Net										
A397.1	Total Communication Equipment	\$7,243	\$327	\$3,848	\$294	\$41	\$501	\$76	\$577	\$12,330
A397.2	Computer Equipment	\$2,835	\$141	\$1,382	\$105	\$22	\$174	\$27	\$200	\$4,685
A397.3	BPL System	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Depreciation Expense		\$97,351	\$4,678	\$61,197	\$2,731	\$839	\$14,077	\$702	\$14,778	\$181,575

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burrige-Kowalik

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OT_{RC} & OT_{RC-CLASS} (@ ROR(AT))

Description	Residential	Secondary <=10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS	Lighting Total	Total
Ad Valorem	\$26,287,618	\$1,082,448	\$17,253,619	\$807,327	\$86,237	\$3,666,265	\$171,485	\$3,837,750	\$49,355,000
Texas Margins Tax	\$6,251,994	\$293,890	\$3,781,366	\$179,084	\$30,852	\$782,867	\$38,598	\$821,464	\$11,358,650
Texas Margins Tax Updated ROR _{AT}	\$6,264,524	\$296,447	\$3,773,194	\$178,796	\$31,535	\$779,714	\$38,538	\$818,253	\$11,362,749
Total	\$32,552,142	\$1,378,895	\$21,026,813	\$986,123	\$117,772	\$4,445,980	\$210,023	\$4,656,003	\$60,717,749
DCRF % of Total Net Plant	94%	91%	97%	95%	91%	98%	95%		
Other Taxes Scaled to DCRF	\$30,621,764	\$1,257,764	\$20,394,558	\$940,907	\$107,128	\$4,373,754	\$198,974	\$4,572,728	\$57,894,851

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burridge-Kowalik

WP/Schedule J/3.5

FIT_{RC} & FIT_{RC-CLASS} ('000)

Updated for ROR_{AT}

Description	Residential	Secondary ≤10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS	Lighting Total	Total
Federal Income Taxes									
									Direct Input From Schedule A (Sponsor Mary A. Kirk)/Exhibit
Return on Rate Base _{RC}	\$104,702	\$4,221	\$68,800	\$3,254	\$544	\$14,685	\$700	\$15,385	\$196,905
Update ROR _{AT}	\$88,761	\$3,578	\$58,325	\$2,758	\$461	\$12,449	\$593	\$13,043	\$166,926
Scaled to DCRF	\$79,146	\$3,052	\$53,996	\$2,488	\$199	\$11,797	\$533	\$12,330	\$151,211
Deductions:									
Synchronized Interest	-\$47,343	-\$1,888	-\$31,218	-\$1,476	-\$230	-\$6,687	-\$319	-\$7,005	-\$89,161
Update ROR _{AT}	-\$31,457	-\$1,254	-\$20,743	-\$981	-\$153	-\$4,443	-\$212	-\$4,655	-\$59,242
Scaled to DCRF	-\$28,009	-\$1,080	-\$19,109	-\$880	-\$71	-\$4,175	-\$189	-\$4,364	-\$53,512
Other Deductions:									
Amortization of ITC	-\$1,978	-\$82	-\$1,288	-\$60	-\$6	-\$275	-\$13	-\$288	-\$3,703
Amortization of Protected Excess DFIT	-\$508	-\$21	-\$331	-\$16	-\$2	-\$70	-\$3	-\$74	-\$950
Amortization of Non-Protected Excess DFIT	\$42	\$2	\$27	\$1	\$0	\$6	\$0	\$6	\$78
Research and Development Credit	-\$508	-\$21	-\$331	-\$16	-\$2	-\$71	-\$3	-\$74	-\$951
Medicare Drug Act Subsidy	-\$3,142	-\$167	-\$1,749	-\$84	-\$22	-\$347	-\$18	-\$365	-\$5,529
Consolidated Tax Savings Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	-\$6,094	-\$289	-\$3,672	-\$174	-\$31	-\$756	-\$37	-\$794	-\$11,054
Scaled to DCRF	-\$5,732	-\$264	-\$3,562	-\$166	-\$29	-\$744	-\$35	-\$779	-\$10,532
Additions:									
Depreciation adjustment	\$1,436	\$59	\$935	\$44	\$5	\$199	\$9	\$209	\$2,687
Recovery of Medicare Part D	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Meals and Entertainment	\$234	\$11	\$116	\$9	\$2	\$16	\$2	\$18	\$390
Subtotal	\$1,670	\$71	\$1,052	\$53	\$6	\$215	\$12	\$227	\$3,077
Scaled to DCRF	\$1,571	\$64	\$1,020	\$50	\$6	\$211	\$11	\$222	\$2,934
Taxable Component of DCRF Return	\$46,975	\$1,772	\$32,346	\$1,492	\$106	\$7,090	\$320	\$7,410	\$90,101
Tax Factor	53.85%	53.85%	53.85%	53.85%	53.85%	53.85%	53.85%	53.85%	53.85%
Federal Income Taxes Before Adjust.	\$25,294	\$954	\$17,417	\$803	\$57	\$3,817	\$172	\$3,990	\$48,516
Tax Credits									
ITC Amortization	-\$1,978	-\$82	-\$1,288	-\$60	-\$6	-\$275	-\$13	-\$288	-\$3,703
Amort of Protected Excess DFIT	-\$508	-\$21	-\$331	-\$16	-\$2	-\$70	-\$3	-\$74	-\$950
Amort of Non-Protected Excess DFIT	\$51	\$3	\$28	\$1	\$0	\$6	\$0	\$6	\$89
Consolidated Tax Savings Adjustment	-\$3,876	-\$160	-\$2,524	-\$118	-\$12	-\$538	-\$25	-\$563	-\$7,255
Subtotal	-\$6,311	-\$260	-\$4,115	-\$193	-\$20	-\$878	-\$41	-\$919	-\$11,819
Scaled to DCRF	-\$5,937	-\$238	-\$3,992	-\$184	-\$18	-\$863	-\$39	-\$903	-\$11,271
TOTAL FEDERAL INCOME TAXES	\$19,358	\$717	\$13,425	\$619	\$39	\$2,954	\$133	\$3,087	\$37,245
DCRF net as % of Total Distribution Net Plant	94%	91%	97%	95%	91%	98%	95%		

Summary of COS

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Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burrige-Kowalik
Output from Staff Commission COS Model Updated for Alternative ROR_{AT} Full functioning model provided in Exhibit LABK-2.2

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC
P.U.C. DOCKET NO. 38339
FOR THE TEST YEAR ENDED 12/31/2009
CLASS MODEL - DISTRIBUTION (\$000)
I-A-1 SUMMARY OF TEXAS RETAIL

		1	2	3	4	5	6	7	8	9	10	11	12	13
Description	Reference Schedule	Distribution Function	ALJ Adjustments	Total TX Distribution	Alloc #	Allocation Factor Name	Ratordental	Secondary ≤10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS	Total
Operating and Maintenance Expenses	II-D-2	263,279	-	263,279			142,942	4,728	93,320	7,165	-	13,171	1,953	263,279
Depreciation & Amortization Expenses	II-E-1	166,989	-	166,989			89,690	3,488	56,196	2,495	-	14,376	744	166,989
Taxes Other Than Federal Income Tax	II-E-2	199,507	-	199,507			76,199	3,480	93,863	8,751	11,552	5,270	391	199,507
Federal Income Tax	II-E-3	24,044	-	24,044			12,499	418	8,686	414	-	1,934	93	24,044
Return on Rate Base	II-B	153,353	-	153,353			79,671	2,665	55,405	2,615	-	12,410	587	153,353
SUBTOTAL COST OF SERVICE		807,171	-	807,171			401,001	14,780	307,470	21,439	11,552	47,161	3,767	807,171
Other Expenses		-	-	-			-	-	-	-	-	-	-	-
TOTAL COST OF SERVICE		807,171	-	807,171			401,001	14,780	307,470	21,439	11,552	47,161	3,767	807,171
Minus Other Revenues	II-E-5	31,142	-	31,142			24,835	1,851	4,094	231	0	100	30	31,141
TOTAL ADJUSTED REVENUE REQUIREMENT		776,029	-	776,029			376,166	12,929	303,376	21,209	11,552	47,061	3,737	

Summary of COS

Distribution Cost Recovery Factor
 CenterPoint Energy Houston Electric, LLC
 Update Period 1/1/2010 - 12/31/2017
 Sponsor: Laurie A. Burrige-Kowalik
 Output from Staff Commission COS Model Updated for Alternative ROR_{AT} Full functioning model provided in Exhibit LABK-2 2

WP/Schedule J/3.7

PUBLIC UTILITY COMMISSION OF TEXAS
 CENTERPOINT ENERGY HOUSTON ELECTRIC
 P.U.C. DOCKET NO. 38339
 FOR THE TEST YEAR ENDED 12/31/2009
 CLASS MODEL - METERING (\$000)
 I-A-1 SUMMARY OF TEXAS RETAIL

		1	2	3	4	5	6	7	8	9	10	11	12	13
Description	Reference Schedule	Metering Function	ALJ Adjustments	Total TX Metering	Alloc #	Allocation Factor Name	Residential	Secondary ≤10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS	Total
Operating and Maintenance Expenses	II-D-2	67,971	-	67,971			51,462	4,136	10,409	636	1,327	-	-	67,971
Depreciation & Amortization Expenses	II-E-1	30,569	-	30,569			18,800	1,862	8,541	469	898	-	-	30,569
Taxes Other Than Federal Income Tax	II-E-2	7,208	-	7,208			4,946	486	1,556	75	145	-	-	7,208
Federal Income Tax	II-E-3	1,744	-	1,744			1,135	116	385	19	91	-	-	1,744
Return on Rate Base	II-B	12,284	-	12,284			8,071	834	2,793	132	454	-	-	12,284
SUBTOTAL COST OF SERVICE		119,777	-	119,777			84,414	7,433	23,684	1,331	2,915	-	-	119,777
Other Expenses		-	-	-			-	-	-	-	-	-	-	-
TOTAL COST OF SERVICE		119,777	-	119,777			84,414	7,433	23,684	1,331	2,915	-	-	119,777
Minus Other Revenues	II-E-5	1,478	-	1,478			1,112	90	233	12	30	-	-	1,478
TOTAL ADJUSTED REVENUE REQUIREMENT		118,300	-	118,300			83,302	7,343	23,451	1,319	2,885	-	-	

Summary of COS

WP/Schedule J/3.8

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burridge-Kowalik
Output from Staff Commission COS Model Updated for Alternative ROR_{AT}. Full functioning model provided in Exhibit LABK-2.2

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC
P.U.C. DOCKET NO. 38339
FOR THE TEST YEAR ENDED 12/31/2009
CLASS MODEL - T&D CUSTOMER SERVICE
I-A-1 SUMMARY OF TEXAS RETAIL (\$000)

Description	Reference Schedule	1 TDCS Function	2 AIJ Adjustments	3 Total TX TDCS	4 Alloc #	5 Allocation Factor Name	6 Residential	7 Secondary ≤10 KVA	8 Secondary > 10 KVA	9 Primary Voltage	10 Transmission Voltage	11 Lighting SLS	12 Lighting MLS	13 Total
Operating and Maintenance Expenses	II-D-2	38,295	-	38,295			29,578	2,265	4,281	379	280	1,317	195	38,295
Depreciation & Amortization Expenses	II-E-1	5,165	-	5,165			4,100	321	493	45	24	154	27	5,165
Taxes Other Than Federal Income Tax	II-E-2	1,419	-	1,419			1,112	86	147	13	8	46	7	1,419
Federal Income Tax	II-E-3	(29)	-	(29)			(25)	(2)	(1)	(0)	0	(0)	(0)	(29)
Return on Rate Base	II-B	1,289	-	1,289			1,018	79	127	12	7	40	7	1,289
SUBTOTAL COST OF SERVICE		46,139	-	46,139			35,784	2,749	5,047	449	319	1,556	236	46,139
Other Expenses		-	-	-			-	-	-	-	-	-	-	-
TOTAL COST OF SERVICE		46,139	-	46,139			35,784	2,749	5,047	449	319	1,556	236	46,139
Minus: Other Revenues	II-E-5	-	-	-			-	-	-	-	-	-	-	-
TOTAL ADJUSTED REVENUE REQUIREMENT		46,139	-	46,139			35,784	2,749	5,047	449	319	1,556	236	46,139

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric, LLC
Update Period 1/1/2010 - 12/31/2017
Sponsor: Laurie A. Burridge-Kowalik

WP/Schedule J/3.9

ALLOC (Class)

Description	Reference	Residential	Secondary <=10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS	Lighting Total	Total
Distribution Net Plant ('000)	wp/Schedule J/3.6-3.8	\$1,576,585	\$62,692	\$1,043,179	\$48,858	\$4,109	\$224,712	\$10,546	\$235,258	\$2,970,682
ALLOC (Class)		53.07%	2.11%	35.12%	1.64%	0.14%	7.56%	0.35%	7.92%	100.00%

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 48226
SOAH DOCKET NO. 473-18-3046**

**GULF COAST COALITION OF CITIES'
REQUEST NO.: GCCC01-02**

QUESTION:

Refer to the Direct Testimony of Steven Greenley, Exhibit SCG-2. 2017 Project "APIA" includes \$3,481,831 in salvage costs. Please explain what these salvage costs are and why they were incurred.

ANSWER:

The \$3,481,831 in salvage costs for 2017 Project AF1A are costs incurred to remove equipment such as structures, conductor, and devices being replaced as part of the work performed under Project AF1A. Under our current property accounting system, the categories of removal and salvage are netted together and reported in one column labeled as salvage.

Note that the exhibit does include a column of costs labeled "Removal". These costs are also costs incurred to remove equipment but were performed on work orders written before the adoption of the current property accounting system.

SPONSOR:

Steve Greenley

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 48226
SOAH DOCKET NO. 473-18-3046**

**GULF COAST COALITION OF CITIES'
REQUEST NO.: GCCC01-03**

QUESTION:

Refer to the Direct Testimony of Steven Greenley, Exhibit SCG-2. 2017 Project "AF2A" includes \$1,599,389 in salvage costs. Please explain what these salvage costs are and why they were incurred.

ANSWER:

The \$1,599,389 in salvage costs for 2017 Project AF2A are costs incurred to remove equipment such as structures, conductor, and devices being replaced as part of the work performed under Project AF2A. Under our current property accounting system, the categories of removal and salvage are netted together and reported in one column labeled as salvage.

Note that the exhibit does include a column of costs labeled "Removal". These costs are also costs incurred to remove equipment but were performed on work orders written before the adoption of the current property accounting system.

SPONSOR:

Steve Greenley

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 48226
SOAH DOCKET NO. 473-18-3046**

**GULF COAST COALITION OF CITIES'
REQUEST NO.: GCCC01-04**

QUESTION:

Refer to the Direct Testimony of Steven Greenley, Exhibit SCG-2. 2017 Projects "AFIH" and "AFIU" are described as overhead and underground services to new customers. Both projects include significant salvage costs. Please explain what these salvage costs are and why they were incurred.

ANSWER:

The salvage costs for 2017 Projects AF1H and AF1U are costs incurred to remove equipment such as structures, conductor, and devices being replaced/removed as part of the work performed under these projects. Under our current property accounting system, the categories of removal and salvage are netted together and reported in one column labeled as salvage.

Note that the exhibit does include a column of costs labeled "Removal". These costs are also costs incurred to remove equipment but were performed on work orders written before the adoption of the current property accounting system.

SPONSOR:

Steve Greenley

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 48226
SOAH DOCKET NO. 473-18-3046**

**GULF COAST COALITION OF CITIES'
REQUEST NO.: GCCC01-07**

QUESTION:

Refer to the Direct Testimony of Steven Greenley, Exhibit SCG-2. 2017 Project "HLP/00/0012" is described as small, scheduled corrective projects. Please explain why these are booked as capital costs and not maintenance expenses.

ANSWER:

With regard to 2017 Project HLP/00/0012 in Greenley Exhibit SCG-2, all the amounts shown for this project serve to extend the useful life of the capital assets and do not include operating and maintenance expenses. The small, scheduled corrective projects involved activities that qualified as capital repair or replacement in accordance with Exhibit MAK-05 CenterPoint Energy, Inc.'s Capitalization Policy as well as Exhibit MAK-06 FERC capital guidelines.

SPONSOR:

Steve Greenley

RESPONSIVE DOCUMENTS:

None