SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 49421

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APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES	§ § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

May 13, 2019

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-01

QUESTION:

Refer to Schedule II-C-2.5a, which provide the daily balances of short-term debt outstanding.

a. Explain why the short-term debt outstanding declined by $190.994 million, from $192.166 million on December 28-30, 2018 to $1.172 million on December 31, 2018. Identify the source(s) of cash used to repay this short-term debt on December 31, 2018.

b. Provide a copy of all internal correspondence that addresses the repayment of this short-term debt on December 31, 2018.

c. Provide a similar schedule for 2017 and for 2019 to date.

ANSWER:

a. CenterPoint Energy Inc. contributed $200 million to CenterPoint Houston as an equity infusion that was approved on December 27,2018 and received by CenterPoint Houston on December 31, 2018. The source of the funds contributed to CenterPoint Houston was a wire from CenterPoint Energy Inc. The majority of the equity infusion was used to pay down outstanding short term debt.

b. Please see the attached email communications regarding this equity infusion. Please also refer to the Excel attachment labeled "GCCC 3.1B Equity_infusions_F - Confidential.xlsx".

c. Please see the attached Excel files "GCCC03-01C cehe - st debt 2017 - CONFIDENTIAL" and "GCCC03-01C cehe - st debt 2019 - CONFIDENTIAL".

These attachment(s) are confidential and are being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):
Robert McRae (Robert McRae)

RESPONSIVE DOCUMENTS:
GCCC03-01B BR Approval Email -Confidential.pdf
GCCC03-01B DC_to_Bill_Equity_Infusion -Confidential.pdf
GCCC03-01B Equity_infusions_F - Confidential.xlsx
GCCC03-01B MK_Equity_infusion -Confidential.pdf
GCCC03-01B RH_Equity_Infusion_proposal -Confidential.pdf
GCCC03-01C cehe - st debt 2017 - CONFIDENTIAL
GCCC03-01C cehe - st debt 2019 - CONFIDENTIAL

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-02

QUESTION:

Refer to Schedule II-C-2.8, which provides various financial metrics, included the earned return on common equity for each year 2014 through 2018.

a. Provide the earned return on common equity separately for transmission and distribution.

b. Provide all assumptions, data, calculations and workpapers, including electronic spreadsheets in live format with all formulas intact.

c. Provide a copy of all source documents used to populate the data used in the calculations.Confirm that the calculations of the earned return on common equity were made on a ratemaking basis, not a GAAP or financial statement basis.

d. Confirm that the calculations of the earned return on common equity were made on a ratemaking basis, not a GAAP or financial statement basis.

ANSWER:

Per the instructions in the PUC Rate Filing Package for Schedule II-C-2.8, CenterPoint Energy Houston Electric, LLC. uses books and records to calculate earned return on common equity for the years 2014 through 2018 and does not have the calculation separately for transmission and distribution.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-03

QUESTION:

Refer to Schedule II-C-2.9, which provides the data used to calculate the Company's earned return on common equity shown on Schedule II-C-2.8. The Company recorded a non-recurring net of tax gain of $158.275 million in 2017 due to the TCJA.

a. Provide a detailed description of this gain.

b. Provide the journal entries used to record this gain for accounting purposes, including all supporting descriptions, notes, other documents, correspondence, calculations, workpapers, and all electronic spreadsheets in live format with all formulas intact.

c. Explain why this gain was not deferred for ratemaking, accounting, and financial reporting purposes. Provide a copy of all correspondence and other documents that address this gain, including, but not limited to, the ratemaking effects. This includes correspondence and other documents that were prepared in-house by the Service Company and/or CEHE employees or outside advisors.

ANSWER:

This response is subject to a pending objection. Pursuant to and without waiving this objection, the Company provides the response stated below.

a. Please see the response to GCCC01-05 part a.

b. There is not a discrete journal entry specifically showing the tax benefit of $158.275 million as this is part of a larger tax provision total journal entry. Please see the attachments to GCCC01-05 for the income tax provision and deferred tax models for support and calculation of the $158.275 million. Also see GCCC03-03 Attachment 1.pdf for an e-mail responsive to this request.

c. Please see the response to GCCC01-05 part a.

SPONSOR (PREPARER):
Charles Pringle/Kristie Colvin (Charles Pringle/Kristie Colvin)

RESPONSIVE DOCUMENTS:
GCCC03-03 Attachment 1.pdf

Winn, Stephen

From: John Swilling (US - TAX) [redacted]
Sent: Saturday, December 23, 2017 7:23 AM
To: Florance, Joyce A
Cc: Pringle, Charles W; Winn, Stephen; Musser, Brenda L; Do, Anh P; Kyle Gifford (US - TAX)
Subject: [External Email] Regulatory Asset - Stranded Cost

EXTERNAL EMAIL

Joyce,

While I was working on the model; I wanted to provide some background that might be relative with respect to the stranded cost on Co. 3. I believe based on the last conversation that regulatory felt like the EDIT for that item would not be passed back to the ratepayers and therefore the benefit would hit the P&L.

There are two line items that I think are both related to stranded cost. One of the items is called Reg. Asset - Equity and the other is more clearly labeled as "stranded cost". DT required that books allocated a portion of the stranded cost recovery as an equity component and recognize that revenue over time versus when the item was settled. We should check on this item with regulatory; since if we are not included stranded cost in the EDIT; it seems like the matching component for equity should also be excluded (it's an asset as well).

I'm not certain if the account is clean or commingled with other equity items for securitization, etc. It might just be stranded cost or a mixed bag; but I would guess they are segregated by account numbers. Let's discuss next week.

Thanks,

John Swilling

PwC | Partner
Offic[redacted]
Email:[redacted]
PricewaterhouseCoopers LLP
1000 Louisiana, Suite 5800, Houston, TX 77002
http://www.pwc.com/us

***** This email is from an external sender outside of the CenterPoint Energy network. Be cautious about clicking links or opening attachments from unknown sources. *****

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-04

QUESTION:

Refer to Schedule II-B-11 page 1 of 2 and the adjustment to reduce the Reg Liability Pension BRP and Postretirement by $61.612 million. Refer also to Exhibit KLC-08b page 2 of 3 Note 22, which refers to this adjustment and states: "This adjustment is to remove balances that are required under GAAP that have no impact on rate making."

a. Confirm that the Company had a regulatory liability of $68.522 million on its accounting books in account 254 at December 31, 2018. Provide a copy of the source documents for this amount, including the relevant account balances from the Company's trial balance and the relevant pages from the actuarial reports. To the extent that the Company made any calculations to determine the amount recorded on its accounting books compared to the amounts set forth in the actuarial reports, provide a reconciliation, along with an explanation for each reconciling difference.

b. Explain why the $68.522 million was recorded as a regulatory liability under GAAP. Provide a copy of all supporting documentation for the Company's accounting and all documentation reviewed and/or relied on for your response.

c. Confirm that the $68.522 million is the cumulative amount of the difference between the BRP and postretirement benefit expense recovered in rates and the funding of these plans, i.e., the analog of the pension expense regulatory liability of $60.482 million also shown on Schedule II-B-11.

d. Explain why the Company believes that it should not be required to reduce rate base by the amount of the $68.522 million recorded on its accounting books. Provide a copy of supporting documentation reviewed and relied on for this position and for your response.

e. Explain why the Company did not reflect the negative $6.910 million calculated on WP/WP II-B-11 Adj 8 as a separate adjustment to reduce rate base in the same manner that it included the $170.369 million on WP/WP II-B-11 Adj 8 as a separate adjustment to increase prepayments on Schedule II-B-10 for prepaid pension assets.

f. If, upon further reflection, the Company believes that it made an error with respect to the effective elimination of the $68.522 million BRP and postretirement regulatory liability, then provide revised schedules to reflect the correction of this error. If the Company does not believe it made an error, then explain why it does not.

ANSWER:

a. Please see GCCC03-04a Attachment 1.xlsx for the account balance from CenterPoint Houston's trial balance and GCCC03-04a Attachment 2 (confidential).xlsx for the relevant pages of the actuarial report.

b. The $68.522 million represents the unrecognized gains, primarily due to cumulative plan design changes in the CenterPoint Energy Postretirement Plan, as of December 31, 2018 that has not yet been reflected in CenterPoint Houston's postretirement benefit cost. This amount will be recognized as a component of the actuarially measured net postretirement benefit cost for the future periods. Under Accounting Standards Codification (ASC) 715-30-35 (GCCC03-04b Attachment 1 ASC 715-30-35.pdf), the unrecognized gains or losses from the plan's re-measurement are required to be recorded on a company's book as other comprehensive income(loss), or, for regulated entities pursuant to ASC 980-340-25 (GCCC03-04b Attachment 2 ASC 980-340-25.pdf), as a regulatory asset or liability, respectively.

c. Deny. Please see response to (b). Amounts related to the BRP are not included in this amount.

d. Please see response to (b) and response to GCCC01-08.

e. CenterPoint Houston did in fact reduce rate base by $6.910 million as reflected on Schedule II-B-11, line 18. However, it should be reflected on Schedule II-B-7 as Other Accumulated Provisions and will be corrected in an errata filing.

f. CenterPoint Houston does not believe it made an error as explained in the responses above. Also note, amounts related to the BRP are not included in this amount.

Attachment GCCC03-04a Attachment 2 (confidential).xlsx is confidential and is being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
GCCC03-04a Attachment 1.xlsx
GCCC03-04a Attachment 2 (confidential).xlsx
GCCC03-04b Attachment 1 ASC 715-30-35.pdf
GCCC03-04b Attachment 2 ASC 980-340-25.pdf

CenterPoint Houston
Postretirement and Deferred Compensation Plan Liability
December 31, 2018

FERC Trial Balance (ZFAT)
Company:0003 CNP Houston Electric, LLC
Profit Center Group: * Name: *
Fiscal Year:2018 Period: 12

Lead column	Cur Period	YTD
257064 Regulatory Liability Ben Plans AOCI Offset	(49,977,835.99)	(68,522,335.99)
* 2540 Oth Regulatory Liab	(49,977,835.99)	(68,522,335.99)
** Functional area	(49,977,835.99)	(68,522,335.99)

715-30-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

> Use of Reasonable Approximations

35-1 This Subtopic is intended to specify accounting objectives and results rather than specific computational means of obtaining those results. If estimates, averages, or computational shortcuts can reduce the cost of applying this Subtopic, their use is appropriate, provided the results are reasonably expected not to be materially different from the results of a detailed application.

> Benefit Obligations

35-1A The projected benefit obligation as of a date is the actuarial present value of all benefits attributed by the plan's benefit formula to employee service rendered before that date. The projected benefit obligation is measured using an assumption as to future compensation levels if the pension benefit formula is based on those future compensation levels. Plans for which the pension benefit formula is based on future compensation are sometimes called pay-related, final-pay , final-average-pay, or career-average-pay plans. Plans for which the pension benefit formula is not based on future compensation levels are called non-pay-related or flat-benefit plans . The projected benefit obligation is a measure of benefits attributed to service to date assuming that the plan continues in effect and that estimated future events (including compensation increases, turnover , and mortality) occur.

35-2 The accumulated benefit obligation as of a date is the actuarial present value of benefits attributed by the pension benefit formula to employee service rendered before that date and based on current and past compensation levels. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. For plans with flat-benefit or non-pay-related pension benefit formulas, the accumulated benefit obligation and the projected benefit obligation are the same. The accumulated benefit obligation and the vested benefit obligation provide information about the obligation the employer would have if the plan were discontinued.

> Components of Net Periodic Pension Cost

35-3 Net periodic pension cost has often been viewed as a single homogeneous amount, but in fact it is made up of several components that reflect different aspects of the employer's financial arrangements as well as the cost of benefits earned by employees. The cost of a benefit can be determined without regard to how the employer decides to finance the plan.

35-4 All of the following components shall be included in the net pension cost recognized for a period by an employer sponsoring a defined benefit pension plan :

a. Service cost
b. Interest cost
c. Actual return on plan assets , if any

d. Amortization of any prior service cost or credit included in accumulated other comprehensive income

e. Gain or loss (including the effects of changes in assumptions), which includes, to the extent recognized (see paragraph 715-30-35-26), amortization of the net gain or loss included in accumulated other comprehensive income

f. Amortization of any net transition asset or obligation existing at the date of initial application of this Subtopic and remaining in accumulated other comprehensive income.

35-5 Note that both the return on plan assets and interest cost components are in substance financial items rather than employee compensation costs. An employer may have net periodic pension cost that is a net credit (that is, net periodic pension income) as noted in paragraph 715-30-55-3 .

>> Service Cost

35-6 The service cost component of net periodic pension cost is the actuarial present value of benefits attributed by the plan's benefit formula to services rendered by employees during the period. The service cost component is conceptually the same for an unfunded plan, a plan with minimal funding, and a well-funded plan.

35-7 The measurement of the service cost component requires use of an attribution method and assumptions. That measurement is discussed in paragraphs 715-30-35-29 through 35-46 .

35-7A

Pending Content:
Transition Date:*(P) December 16, 2017; (N) December 16, 2018* | Transition Guidance: 715-20-65-3
The service cost component shall be the only component of net periodic pension cost eligible to be capitalized as part of the cost of inventory or other assets.

>> Interest Cost

35-8 The interest cost component of net periodic pension cost is interest on the projected benefit obligation, which is a discounted amount. Measuring the projected benefit obligation as a present value requires accrual of an interest cost at rates equal to the assumed discount rates .

35-9 The interest cost component of net periodic pension cost shall not be considered interest for purposes of applying Subtopic 835-20.

>> Prior Service Costs

35-10 Plan amendments (including initiation of a plan) often include provisions that grant increased benefits based on services rendered in prior periods. Because plan amendments are granted with the expectation that the employer will realize economic benefits in future periods, this Subtopic does not require the cost of providing such retroactive benefits (that is, prior service cost) to be included in net periodic pension cost entirely in the year of the amendment, absent the conditions addressed in paragraph 715-30-35-16 , but provides for recognition during the future service periods of those employees active at the date of the amendment who are expected to receive benefits under the plan.

35-11 A plan amendment that retroactively increases benefits (including benefits that are granted to retirees) increases the projected benefit obligation. The cost of the benefit improvement shall be recognized as a charge to other comprehensive income at the date of the amendment. Except as specified in paragraphs 715-30-35-13 through 35-16 , that prior service cost shall be amortized as a component of net periodic pension cost by assigning an equal amount to each future period of service of each employee active at the date of the amendment who is expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the cost of retroactive plan amendments affecting benefits of inactive participants shall be amortized based on the remaining life expectancy of those participants instead of based on the remaining service period. Other comprehensive income is adjusted each period as prior service cost is amortized.

35-12 See Example 1 (paragraph 715-30-55-93) for an illustration of this guidance to amortize prior service cost.

35-13 To reduce the complexity and detail of the computations required, consistent use of an alternative approach that more rapidly amortizes the cost of retroactive amendments is acceptable. For example, a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan is acceptable.

35-14 In some situations a history of regular plan amendments and other evidence may indicate that the period during which the employer expects to realize economic benefits from an amendment granting retroactive benefits is shorter than the entire remaining service period of the active employees. Identification of such situations requires an assessment of the individual circumstances and the substance of the particular plan situation. In those circumstances, the amortization of prior service cost shall be accelerated to reflect the more rapid expiration of the employer's economic benefits and to recognize the cost in the periods benefited.

35-15 Once a schedule of amortization of prior service cost from a specific retroactive plan amendment has been established, that schedule generally should not be revised. The initial schedule shall be revised only if a curtailment occurs (see paragraph 715-30-35-92) or if events indicate that the period during which the employer expects to realize future economic benefits from the retroactive plan amendment giving rise to the prior service cost is shorter than originally estimated or the future economic benefits have been impaired. The schedule shall not be revised because of ordinary variances in expected service lives of employees, nor shall the schedule be revised so that the prior service cost is recognized in net periodic pension cost more slowly.

35-16 Prior service cost is recognized immediately in other comprehensive income, unless, based on an assessment of the facts and circumstances, the employer does not expect to realize any future economic benefits from that retroactive plan amendment (see paragraph 715-30-35-14). However, this Subtopic does not permit an accounting policy to recognize immediately as a component of net periodic pension cost the cost of all plan amendments that grant increased benefits for services rendered in prior periods. Adopting an accounting policy to recognize prior service cost immediately in net periodic pension cost would preclude making that assessment for future plan amendments as they occur.

35-17 A plan amendment that retroactively reduces, rather than increases, benefits decreases the projected benefit obligation. The reduction in benefits shall be recognized as a credit (prior service credit) to other comprehensive income that shall be used first to reduce any remaining prior service cost included in accumulated other comprehensive income. Any remaining prior service credit shall be amortized as a component of net periodic pension cost on the same basis as the cost of a benefit increase.

>> Gains and Losses

35-18 As established in the definition of the term, a gain or loss results from a change in the value of either the projected benefit obligation or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption. This Subtopic generally does not distinguish between gains and losses that result from experience different from that assumed or from changes in assumptions. Gains and losses include amounts that have been realized, for example by sale of a security, as well as amounts that are unrealized.

35-19 Because gains and losses may reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another or vice versa, this Subtopic does not require recognition of gains and losses as components of net pension cost of the period in which they arise.

35-20 However, immediate recognition of gains and losses as a component of net periodic pension cost is permitted if that method is applied consistently, and is applied to all gains and losses on both plan assets and obligations.

35-21 Gains and losses that are not recognized immediately as a component of net periodic pension cost shall be recognized as increases or decreases in other comprehensive income as they arise. Accounting for plan terminations and curtailments and other circumstances in which recognition of gains and losses as a component of net periodic pension cost might not be delayed is addressed in the Settlements, Curtailments, and Certain Termination Benefits Subsection of this Section.

35-22 Asset gains and losses are differences between the actual return on plan assets during a period and the expected return on plan assets for that period. Asset gains and losses include both changes reflected in the market-related value of plan assets and changes not yet reflected in the market-related value (that is, the difference between the fair value of assets and the market-related value). Gains or losses on transferable securities issued by the employer and included in plan assets are also included in asset gains and losses. Asset gains and losses not yet reflected in market-related value are not required to be amortized under paragraphs 715-30-35-24 through 35-25 .

35-23 In other words, the expected return on plan assets generally will be different from the actual return on plan assets for the year. This Subtopic provides for recognition of that difference (a net gain or loss) in other comprehensive income in the period it arises. The amount recognized in other comprehensive income is also a component of net periodic pension cost for the current period. Thus, the amount recognized in other comprehensive income and the actual return on plan assets, when aggregated, equal the expected return on plan assets. The amount recognized in accumulated other comprehensive income affects future net periodic pension cost through subsequent amortization, if any, of the net gain or loss.

35-24 As a minimum, amortization of a net gain or loss included in accumulated other comprehensive income (excluding asset gains and losses not yet reflected in market-related value) shall be included as a component of net pension cost for a year if, as of the beginning of the year, that net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the minimum amortization shall be that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. The amortization must always reduce the beginning-of-the-year balance. Amortization of a net gain results in a decrease in net periodic pension cost; amortization of a net loss results in an increase in net periodic pension cost. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.

35-25 Any systematic method of amortizing gains or losses may be used in lieu of the minimum specified in the preceding paragraph provided that all of the following conditions are met:

a. The minimum is used in any period in which the minimum amortization is greater (reduces the net balance included in accumulated other comprehensive income by more).
b. The method is applied consistently.
c. The method is applied similarly to both gains and losses.

35-26 The gain or loss component of net periodic pension cost shall consist of both of the following:

a. The difference between the actual return on plan assets and the expected return on plan assets
b. Amortization of the net gain or loss included in accumulated other comprehensive income.

35-27 Consequently, as stated in the definition of the term, the gain or loss component is the net effect of delayed recognition of gains and losses in determining net periodic pension cost (the net change in the gain or loss) in accumulated other comprehensive income except that it does not include changes in the projected benefit obligation occurring during the period and deferred for later recognition in net periodic pension cost.

35-28 See Example 2 (paragraph 715-30-55-101) for an illustration of this guidance on gains and losses.

> Measurement of Costs and Obligations

35-29 Any method of pension accounting that recognizes cost before the payment of benefits to retirees must deal with two problems stemming from the nature of the defined benefit pension contract. First, estimates or assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments. Second, some approach to attributing the cost of pension benefits to individual years of service must be selected. Thus, the assumptions and the attribution of cost to periods of employee service are fundamental to the measurements of net periodic pension cost and pension obligations required by this Subtopic. For example, the service component of net periodic pension cost, the projected benefit obligation, and the accumulated benefit obligation are based on an attribution of pension benefits to periods of employee service and on the use of actuarial assumptions to calculate the actuarial present value of those benefits.

35-30 Paragraph 715-30-35-42 requires use of explicit assumptions, each of which individually represents the best estimate of a particular future event. This Subtopic also requires use of the terms of the pension plan itself, specifically the plan's benefit formula, as a basis for attributing benefits earned and their cost to periods of employee service.

35-31 The service cost component of net periodic pension cost and the projected benefit obligation shall reflect future compensation levels to the extent that the pension benefit formula defines pension benefits wholly or partially as a function of future compensation levels (that is, for a final-pay plan or a career-average-pay plan). Future increases for which a present commitment exists as described in paragraph 715-30-35-34 shall be similarly considered. Assumed compensation levels shall reflect an estimate of the actual future compensation levels of the individual employees involved, including future changes attributed to general price levels, productivity, seniority, promotion, and other factors. All assumptions shall be consistent to the extent that each reflects expectations of the same future economic conditions, such as future rates of inflation. Measuring service cost and the projected benefit obligation based on estimated future compensation levels entails considering indirect effects, such as changes under existing law in social security benefits or benefit limitations that would affect benefits provided by the plan, for example, those currently imposed by Section 415 of the Internal Revenue Code

. However, possible amendments of the law shall not be considered in determining those pension measurements. Assumed compensation levels shall be consistent with assumed discount rates to the extent that both incorporate expectations of the same future economic conditions. Paragraphs 715-30-55-20 through 55-22 discuss and provide examples of applying this guidance.

35-32 The accumulated benefit obligation shall be measured based on employees' history of service and compensation without an estimate of future compensation levels. Excluding estimated future compensation levels also means excluding indirect effects of future changes such as increases in the social security wage base. In measuring the accumulated benefit obligation, projected years of service shall be a factor only in determining employees' expected eligibility for particular benefits, such as any of the following:

a. Increased benefits that are granted provided a specified number of years of service are rendered (for example, a pension benefit that is increased from $9 per month to $10 per month for each year of service if 20 or more years of service are rendered)
b. Early retirement benefits
c. Death benefits
d. Disability benefits.

35-33 [Paragraph Not Used]

>> Substantive and Contractual Commitments

35-34 In some situations a history of regular increases in non-pay-related benefits or benefits under a career-average-pay plan and other evidence may indicate that an employer has a present commitment to make future amendments and that the substance of the plan is to provide benefits attributable to prior service that are greater than the benefits defined by the written terms of the plan. In those situations, the substantive commitment shall be the basis for the accounting.

35-35 Automatic benefit increases specified by the plan (for example, automatic cost-of-living increases) that are expected to occur shall be included in measurements of the projected, accumulated, and vested benefit obligations, and the service cost component required by this Subtopic. Also, retroactive plan amendments shall be included in the computation of the projected and accumulated benefit obligations once they have been contractually agreed to, even if some provisions take effect only in future periods. For example, if a plan amendment grants a higher benefit level for employees retiring after a future date, the higher benefit level shall be included in current-period measurements for employees expected to retire after that date.

>> Attribution

35-36 For purposes of this Subtopic, pension benefits ordinarily shall be attributed to periods of employee service based on the plan's benefit formula to the extent that the formula states or implies an attribution. For example, if a plan's formula provides for a pension benefit of $10 per month for life for each year of service, the benefit attributed to each year of an employee's service is $10 times the number of months of life expectancy after retirement, and the cost attributable to each year is the actuarial present value of that benefit. For plan benefit formulas that define benefits similarly for all years of service, that attribution is a benefit-years-of-service approach because it attributes the same amount of the pension benefit to each year of service. For final-pay and career-average-pay plans, that attribution is also the same as the projected unit credit or unit credit with service prorate actuarial cost method. For a flat-benefit plan, it is the same as the unit credit actuarial cost method.

35-37 Some plans define different benefits for different years of service. For example, a step-rate plan might provide a benefit of 1 percent of final pay for each year of service up to 20 years and 1½ percent of final pay for years of service in excess of 20. Another plan might provide 1 percent of final pay for each year of service but limit the total benefit to no more than 20 percent of final pay. For such plans the attribution called for by this Subtopic will not assign the same amount of pension benefit to each year of service.

35-38 Some plans may have benefit formulas that attribute all or a disproportionate share of the total benefits provided to later years of service, thereby achieving in substance a delayed vesting of benefits. For example, a plan that provides no benefits for the first 19 years of service and a vested benefit of $10,000 for the 20th year is substantively the same as a plan that provides $500 per year for each of 20 years and requires 20 years of service before benefits vest. For such plans the total projected benefit shall be considered to accumulate in proportion to the ratio of the number of completed years of service to the number that will have been completed when the benefit is first fully vested. If a plan's benefit formula does not specify how a particular benefit relates to services rendered, the benefit shall be considered to accumulate in either of the following manners:

a. For benefits of a type includable in vested benefits (for example, a supplemental early retirement benefit that is a vested benefit after a stated number of years), in proportion to the ratio of the number of completed years of service to the number that will have been completed when the benefit is first fully vested

b. For benefits of a type not includable in vested benefits (for example, a death or disability benefit that is payable only if death or disability occurs during active service), in proportion to the ratio of completed years of service to total projected years of service.

35-39 Under the attribution approach described in paragraphs 715-30-35-36 through 35-38 , the projected benefit obligation will always equal or exceed the accumulated benefit obligation.

>> Plan Provisions Affecting Measurement of Vested Benefits

35-40 Under some defined benefit pension plans (typically foreign plans), the actuarial present value of benefits to which an employee is entitled if the employee terminates immediately may exceed the actuarial present value of benefits to which the employee is entitled at the expected date of separation based on service to date. For example, at one point in time, the provisions of one country's severance pay statute required that, in most cases, the benefit an employee had accrued for service to date was payable immediately upon separation. The undiscounted value of that benefit payable currently would exceed the actuarial present value of that benefit if payment was estimated to occur at the employee's expected termination date. Another example arises in another country where legislation required that deferred vested benefits of terminated employees be statutorily revalued from date of separation to normal retirement age. If the vested benefit obligation was determined assuming employee termination at the measurement date, that vested benefit obligation could exceed the accumulated benefit obligation if that obligation was measured giving consideration to a statutory revaluation only after the employee's expected date of termination.

35-41 The vested benefit obligation in the situations addressed in the preceding paragraph may be determined as either the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately or the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement. Either approach is acceptable for situations not otherwise addressed by this Subtopic in which the facts and circumstances are analogous to those in the preceding paragraph.

> Assumptions

35-42 This Subtopic requires an explicit approach to assumptions . That is, each significant assumption used shall reflect the best estimate solely with respect to that individual assumption. All assumptions shall presume that the plan will continue in effect in the absence of evidence that it will not continue. Actuarial assumptions reflect the time value of money (discount rate) and the probability of payment (assumptions as to mortality, turnover, early retirement, and so forth).

>> Discount Rates

35-43 Assumed discount rates shall reflect the rates at which the pension benefits could be effectively settled. It is appropriate in estimating those rates to look to available information about rates implicit in current prices of annuity contracts that could be used to effect settlement of the obligation (including information about available annuity rates published by the Pension Benefit Guaranty Corporation). In making those estimates, employers may also look to rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits. Assumed discount rates are used in measurements of the projected, accumulated, and vested benefit obligations and the service and interest cost components of net periodic pension cost.

35-44 The preceding paragraph permits an employer to look to rates of return on high-quality fixed-income investments in determining assumed discount rates. The objective of selecting assumed discount rates using that method is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the pension benefits when due. Notionally, that single amount, the projected benefit obligation, would equal the fair value of a portfolio of high-quality zero coupon bonds whose maturity dates and amounts would be the same as the timing and amount of the expected future benefit payments. Because cash inflows would equal cash outflows in timing and amount, there would be no reinvestment risk in the yields to maturity of the portfolio. However, in other than a zero coupon portfolio, such as a portfolio of long-term debt instruments that pay semiannual interest payments or whose maturities do not extend far enough into the future to meet expected benefit payments, the assumed discount rates (the yield to maturity) need to incorporate expected reinvestment rates available in the future. Those rates shall be extrapolated from the existing yield curve at the measurement date. The determination of the assumed discount rate is separate from the determination of the expected rate of return on plan assets whenever the actual portfolio differs from the hypothetical portfolio described in this paragraph. Assumed discount rates shall be reevaluated at each measurement date. If the general level of interest rates rises or declines, the assumed discount rates shall change in a similar manner.

35-45 Interest rates vary depending on the duration of investments; for example, U.S. Treasury bills, 7-year bonds, and 30-year bonds have different interest rates. Thus, the weighted-average discount rate (interest rate) inherent in the prices of annuities (or a dedicated bond portfolio) will vary depending on the length of time remaining until individual benefit payment dates. A plan covering only retired employees would be expected to have significantly different discount rates from one covering a work force of 30-year-olds. The disclosures required by Subtopic 715-20 regarding components of the pension benefit obligation will be more representationally faithful if individual discount rates applicable to various benefit deferral periods are selected. A properly weighted average rate can be used for aggregate computations such as the interest cost component of net pension cost for the period.

35-46 An insurance entity deciding on the price of an annuity contract will consider the rates of return available to it for investing the premium received and the rates of return expected to be available to it for reinvestment of future cash flows from the initial investment during the period until benefits are payable. That consideration is indicative of a relationship between rates inherent in the prices of annuity contracts and rates available in investment markets. Therefore, it is appropriate for employers to consider that relationship and information about investment rates in estimating the discount rates required for application of this Subtopic. Thus a current settlement rate best meets that objective and is consistent with measurement of plan assets at fair value for purposes of recognizing as a net asset or a net liability, and disclosing the plan's funded status. Each year the discount rates shall be reevaluated to determine whether they reflect the best estimate of the current effective settlement rates. As established in paragraph 715-30-35-44 , if interest rates generally decline or rise, the assumed discount rates shall change.

>> Expected Long-Term Rate of Return

35-47 The expected long-term rate of return on plan assets shall reflect the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In estimating that rate, appropriate consideration shall be given to the returns being earned by the plan assets in the fund and the rates of return expected to be available for reinvestment. The expected long-term rate of return on plan assets is used (with the market-related value of assets) to compute the expected return on assets. In the context of its use in this paragraph, funds to be invested refers only to the reinvestment of returns on existing plan assets.

35-48 The expected return on plan assets shall take into consideration the availability of all plan assets for investment throughout the year. Therefore, the amount and timing of pension plan contributions and benefit payments expected to be made during the year shall be considered in determining the expected return on plan assets for that year. For example, if the employer's pension plan contribution for the year is expected to be made two months before the next measurement date, then the expected return on plan assets shall include an amount related to the expected return on that contribution only for those two months.

35-49 However, the expected return on future years' contributions to a pension plan shall not be considered in determining the expected long-term rate of return on plan assets. The expected long-term rate of return on plan assets shall reflect long-term earnings expectations only on existing plan assets and those contributions expected to be received during the current year.

> Measurement of Plan Assets

35-50 For purposes of applying the plan-asset-related provisions of paragraph 715-30-25-1 and for purposes of the disclosures required by paragraphs 715-20-50-1 and 715-20-50-5 , plan investments, whether equity or debt securities, real estate, or other, shall be measured at their fair value as of the measurement date. The fair value of an investment shall be reduced by brokerage commissions and other costs normally incurred in a sale if those costs are significant (similar to fair value less cost to sell).

35-51 For purposes of determining the expected return on plan assets and accounting for asset gains and losses pursuant to paragraphs 715-30-35-18 through 35-26 , a market-related asset value is used.

35-52 Plan assets used in plan operations (for example, buildings, equipment, furniture and fixtures, and leasehold improvements) shall be measured at cost less accumulated depreciation or amortization for all purposes.

> Annuity and Other Contracts

35-53 Paragraph 715-30-25-7 provides that to the extent that benefits currently earned are covered by annuity contracts, the cost of those benefits shall be the cost of purchasing the contracts, except for the cost of the participation right when participating annuity contracts are used (see paragraph 715-30-35-57). That is, if all the benefits attributed by the plan's benefit formula to service in the current period are covered by nonparticipating annuity contracts, the cost of the contracts determines the service cost component of net pension cost for that period. Benefits covered by annuity contracts shall be excluded from the projected benefit obligation and the accumulated benefit obligation. Except for participation rights, annuity contracts shall be excluded from plan assets.

35-54 If the insurance entity obligated under an annuity contract is a captive insurer , or if there is any reasonable doubt that the insurance entity will meet its obligations under the contract, the contract is not an annuity contract for purposes of this Subsection.

35-55 Benefits provided by the pension benefit formula beyond benefits provided by annuity contracts (for example, benefits related to future compensation levels) shall be accounted for according to the provisions of this Subtopic applicable to plans not involving insurance contracts.

35-56 Some contracts provide for a refund of premiums if an employee for whom an annuity is purchased does not render sufficient service for the benefit to vest under the terms of the plan. Such a provision shall not by itself preclude a contract from being treated as an annuity contract for purposes of this Subtopic.

35-57 Participating annuity contracts provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance entity. Under those contracts, the insurance entity ordinarily pays dividends to the purchaser, the effect of which is to reduce the cost of the plan. The purchase price of a participating annuity contract ordinarily is higher than the price of an equivalent contract without participation rights. The difference is the cost of the participation right.

35-58 In subsequent periods, the participation right shall be measured at its fair value if the contract is such that fair value is reasonably estimable. Otherwise, the participation right shall be measured at its amortized cost (not in excess of its net realizable value), and the cost shall be amortized systematically over the expected dividend period under the contract.

35-59 If the substance of a participating insurance contract is such that the employer remains subject to all or most of the risks and rewards associated with the benefit obligation covered and the assets transferred to the insurance entity, that contract is not an annuity contract for purposes of this Subtopic.

35-60 Insurance contracts that are in substance equivalent to the purchase of annuities shall be accounted for as such. Other contracts with insurance entities shall be accounted for as investments and measured at fair value. For some contracts, the best available evidence of fair value may be contract value. If a contract has a determinable cash surrender value or conversion value, that is presumed to be its fair value.

35-61 Paragraph 715-30-35-54 identifies attributes related to the issuers of annuity contracts that preclude accounting for the contracts as annuity contracts. The Settlements, Curtailments, and Certain Termination Benefits Subsections of this Subtopic define attributes related to annuity contracts differently for purposes of accounting for them as annuity contracts. The effect of the difference is that paragraph 715-30-35-85 excludes from settlement accounting those annuity contracts purchased from an entity that is controlled by the employer, whereas this Subsection excludes from annuity contracts those purchased from a captive insurer.

> Timing of Measurement

35-62 The measurements of plan assets and benefit obligations required by this Subtopic shall be as of the date of the employer's fiscal year-end statement of financial position except in both of the following cases:

a. The plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from its parent's, as permitted by paragraph 810-10-45-12 .
b. The plan is sponsored by an investee that is accounted for using the equity method of accounting under paragraph 323-10-35-6 , using financial statements of the investee for a fiscal period that is different from the investor's, as permitted by that Subtopic.

35-63 If the exceptions in the preceding paragraph apply, the employer shall measure the subsidiary's plan assets and benefit obligations as of the date used to consolidate the subsidiary's statement of financial position and shall measure the investee's plan assets and benefit obligations as of the date of the investee's financial statements used to apply the equity method. For example, if a calendar year-end parent consolidates a subsidiary using the subsidiary's September 30 financial statements, the funded status of the subsidiary's benefit plan included in the consolidated financial statements shall be measured as of September 30.

35-63A If an employer's fiscal year-end does not coincide with a month-end, the employer may measure plan assets and benefit obligations using the month-end that is closest to the employer's fiscal year-end. That election shall be applied consistently from year to year. The election shall be applied consistently to all of its defined benefit plans if an employer has more than one defined benefit plan.

35-63B If an employer measures plan assets and benefit obligations in accordance with paragraph 715-30-35-63A and a contribution or significant event caused by the employer (such as a plan amendment, settlement, or curtailment that calls for a remeasurement) occurs between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end, the employer shall adjust the fair value of plan assets and the actuarial present value of benefit obligations so that those contributions or significant events are recognized in the period in which they occurred. An employer shall not adjust the fair value of plan assets and the actuarial present value of benefit obligations for other events occurring between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end that may be significant to the measurement of defined benefit plan assets and obligations, but are not caused by the employer (for example, changes in market prices or interest rates).

35-64 Requiring that the pension measurements be as of a particular date is not intended to require that all procedures be performed after that date. As with other financial statement items requiring estimates, much of the information can be prepared as of an earlier date and projected forward to account for subsequent events (for example, employee service).

35-65 Unless an entity remeasures both its plan assets and benefit obligations during the fiscal year, the funded status it reports in its interim-period statement of financial position shall be the same asset or liability recognized in the previous year-end statement of financial position adjusted for both of the following:

a. Subsequent accruals of net periodic pension cost that exclude the amortization of amounts previously recognized in other comprehensive income (for example, subsequent accruals of service cost, interest cost, and return on plan assets)

b. Contributions to a funded plan, or benefit payments.

35-66 Paragraph 715-30-25-5 notes that, sometimes, an entity remeasures both plan assets and benefit obligations during the fiscal year, for example, when a significant event such as a plan amendment, settlement, or curtailment occurs that calls for a remeasurement.

35-66A If a *significant event caused by the employer (such as a plan amendment, settlement, or curtailment)* that requires an employer to remeasure both plan assets and benefit obligations does not coincide with a month-end, the employer may remeasure plan assets and benefit obligations using the month-end that is closest to the date of the significant event.

35-66B If an employer remeasures plan assets and benefit obligations during the fiscal year in accordance with paragraph 715-30-35-66A , the employer shall adjust the fair value of plan assets and the actuarial present value of benefit obligations for any effects of the significant event that may or may not be captured in the month-end measurement (for example, if the closest month-end is before the date of a *partial settlement*, then the measurement of plan assets may include assets that are no longer part of the plan). An employer shall not adjust the fair value of plan assets and the actuarial present value of benefit obligations for other events occurring between the month-end date used to measure plan assets and benefit obligations and the employer's fiscal year-end that may be significant to the measurement of defined benefit plan assets and obligations, but are not caused by the employer (for example, changes in market prices or interest rates).

35-67 As required by paragraph 715-30-25-5 , upon remeasurement, an entity shall adjust its statement of financial position in a subsequent interim period to reflect the overfunded or underfunded status of the plan consistent with that measurement date.

35-68 Measurements of net periodic pension cost for both interim and annual financial statements shall be based on the assumptions used for the previous year-end measurements unless more recent measurements of both plan assets and obligations are available or a significant event occurs, such as a plan amendment, that would ordinarily call for such measurements.

> Employers with Two or More Plans

35-69 Net periodic pension cost, liabilities, and assets are determined on a plan-by-plan basis. Paragraph 715-30-25-6 requires that an employer that sponsors two or more separate defined benefit pension plans determine net periodic pension cost, liabilities, and assets by separately applying the provisions of this Subtopic to each plan.

> Multiple-Employer Plans

35-70 Some pension plans to which two or more unrelated employers contribute are not multiemployer plans. Rather, they are in substance aggregations of single-employer plans combined to allow participating employers to pool their assets for investment purposes and to reduce the costs of plan administration. Those multiple-employer plans ordinarily do not involve collective-bargaining agreements. They may also have features that allow participating employers to have different benefit formulas, with the employer's contributions to the plan based on the benefit formula selected by the employer. Such plans shall be considered single-employer plans rather than multiemployer plans for purposes of this Subtopic, and each employer's accounting shall be based on its respective interest in the plan.

> Cash Balance Plans

35-71 The benefit promise in a cash balance arrangement for a cash balance plan as described in the definition of the term, is not pay-related, and use of a projected unit credit method is neither required nor appropriate for purposes of measuring the benefit obligation and annual cost of benefits earned under this Subtopic. The appropriate cost attribution approach, therefore, is the traditional unit credit method. See paragraphs 715-30-35-36 through 35-39 and 715-30-55-7 through 55-15 for guidance on attribution approaches.

35-72 The determination of whether a plan is pay-related and the appropriate benefit attribution approach for a cash balance plan with other characteristics or for other types of defined benefit pension plans depend on an evaluation of the specific features of those benefit arrangements.

> Transfer of Excess Pension Assets to a Retiree Health Care Benefits Account

35-73 The transfer of excess pension assets to a retiree health care account or plan (whether or not the transfer of assets is made pursuant to applicable laws or regulations) shall be recognized as a negative contribution to (withdrawal of funds from) the pension plan and a positive contribution to the retiree health care plan. No gain or loss arises from the transfer of the excess pension assets.

Settlements, Curtailments, and Certain Termination Benefits

> Relationship of Settlements and Curtailments to Other Events

35-74 A settlement and a curtailment may occur separately or together.

35-75 This Subsection does not establish a proper sequence of events to follow in measuring the effects of a settlement and a curtailment that are to be recognized at the same time. Although the sequence selected can affect the determination of the aggregate gain or loss recognized, the selection of the event to be measured first (settlement or curtailment) is an arbitrary decision and neither order is demonstrably superior to the other. However, an employer shall consistently apply the same sequence of events in determining the effects of all settlements and curtailments that are to be recognized at the same time.

35-76 If benefits to be accumulated in future periods are reduced (for example, because half of a work force is dismissed or a plant is closed) but the plan remains in existence and continues to pay benefits, to invest assets, and to receive contributions, a curtailment has occurred but not a settlement.

35-77 If an employer purchases nonparticipating annuity contracts for vested benefits and continues to provide defined benefits for future service , either in the same plan or in a successor plan, a settlement has occurred but not a curtailment.

35-78 If a plan is terminated (that is, the obligation is settled and the plan ceases to exist) and not replaced by a successor defined benefit plan, both a settlement and a curtailment have occurred (whether or not the employees continue to work for the employer). See Example 1 (paragraph 715-30-55-198) for an illustration of this situation.

> Settlements

35-79 The maximum gain or loss subject to recognition in earnings when a pension obligation is settled is the net gain or loss remaining in accumulated other comprehensive income plus any transition asset remaining in accumulated other comprehensive income from initial application of this Subtopic. That maximum amount includes any gain or loss first measured at the time of settlement. The maximum amount shall be recognized in earnings if the entire projected benefit obligation is settled. If only part of the projected benefit obligation is settled, the employer shall recognize in earnings a pro rata portion of the maximum amount equal to the percentage reduction in the projected benefit obligation. If the purchase of a participating annuity contract constitutes a settlement under the guidance in paragraphs 715-30-35-85 through 35-89 , the maximum gain (but not the maximum loss) shall be reduced by the cost of the participation right before determining the amount to be recognized in earnings.

35-80 See Example 2 (paragraph 715-30-55-202) for illustrations of the settlement related guidance presented in this Subsection.

35-81 Plan assets and the projected benefit obligation shall be measured as of the date the settlement occurs (that is, as of the date that the criteria for a settlement are met and settlement accounting becomes appropriate) to determine the maximum gain or loss subject to pro rata recognition in earnings and the percentage reduction in the projected benefit obligation. The effects of a settlement can be reliably measured only if based on measures of plan assets and the projected benefit obligation as of the date of the settlement because intervening events (such as investment gains or losses, or gains or losses from changes in interest rates) after a prior measurement date could change the relevant amounts.

35-82 Recognition in earnings of gains or losses from settlements is required if the cost of all settlements during a year is greater than the sum of the service cost and interest cost components of net periodic pension cost for the pension plan for the year. However, if the cost of all settlements in a year is less than or equal to the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year, gain or loss recognition in earnings is permitted but not required for those settlements. The accounting policy adopted for recognition in earnings of gains or losses from settlements shall be applied consistently from year to year.

35-83 The cost of a settlement is determined as follows for each of the different settlement types:

a. For a cash settlement, the amount of cash paid to employees

b. For a settlement using nonparticipating annuity contracts, the cost of the contracts

c. For a settlement using participating annuity contracts, the cost of the contracts less the amount attributed to participation rights. See paragraph 715-30-35-57 .

>> Using Annuity Contracts in Settlement Transactions

35-84 The intent of the guidance in this Subsection is that if the substance of an insurance contract is such that the employer remains subject to all or most of the risks and rewards associated with the covered pension benefit obligation or the assets transferred to the insurance entity, the purchase of the contract does not constitute a settlement. The circumstances under which an employer shall recognize in earnings the net gain or loss included in accumulated other comprehensive income are limited and such recognition shall not occur if the settlement transaction is between an employer and an entity that it controls because such a transaction merely shifts the risks from one part of the entity to another part of the same entity.

35-85 Annuity contracts purchased from an entity that is controlled by the employer are excluded from settlement accounting. Therefore, an employer that purchases annuity contracts from an insurance entity that it controls shall not recognize any settlement gain or loss associated with the transaction (that is, the transaction does not qualify for settlement accounting).

35-86 If there is any reasonable doubt that the insurance entity will meet its obligations under the annuity contract, the purchase of the contract does not constitute a settlement.

35-87 If the substance of a participating annuity contract is such that the employer remains subject to all or most of the risks and rewards associated with the benefit obligation covered or the assets transferred to the insurance entity, the purchase of the contract does not constitute a settlement.

35-88 It may be difficult to determine the extent to which a participating annuity contract exposes the purchaser to the risk of unfavorable experience, which would be reflected in lower than expected future dividends. Additionally, under some annuity contracts described as participating, the purchaser might remain subject to all or most of the same risks and rewards related to future experience that would have existed had the contract not been purchased. Some participating insurance contracts may require or permit payment of additional premiums if experience is unfavorable. Accordingly, if a participating insurance contract requires or permits payment of additional premiums because of experience losses, or if the substance of the contract is such that the purchaser retains all or most of the related risks and rewards, the purchase of that contract does not constitute a settlement.

35-89 An employer may decide to make up a deficiency in annuity contract payments following a settlement and subsequent insolvency by the insurance entity. The following guidance addresses how the employer shall account for the cost of making up the deficiency in annuity payments to the retirees.

35-90 The following circumstances identify the fact pattern to which the required accounting would apply. An employer sponsors a defined benefit pension plan . The employer settles its pension obligation through the purchase of insurance annuity contracts from an insurance entity. The employer may or may not terminate the defined benefit pension plan. The employer appropriately applies the guidance in this Subsection. Subsequently, the insurance entity becomes insolvent and is unable to meet all of its obligations under the annuity contracts. The employer decides to make up some portion or all of any deficiency in annuity payments to the retirees.

35-91 The employer shall recognize a loss in the circumstances described in the preceding paragraph at the time the deficiency is assumed by the employer if any gain was recognized on the original settlement. The loss recognized would be the lesser of any gain recognized on the original settlement or the amount of the benefit obligation assumed by the employer. The excess of the obligation assumed by the employer over the loss recognized shall be accounted for as a plan amendment or plan initiation in accordance with paragraphs 715-30-35-10 through 35-17 . Subsequent accounting shall be in accordance with the provisions of this Subtopic.

> Curtailments

35-92 The prior service cost included in accumulated other comprehensive income associated with years of service no longer expected to be rendered as the result of a curtailment is a loss. For example, if a curtailment eliminates half of the estimated remaining future years of service of those who were employed at the date of a prior plan amendment and were expected to receive benefits under the plan, then the loss associated with the curtailment is half of the prior service cost included in accumulated other comprehensive income related to that amendment that has not been amortized as a component of net periodic pension cost. For purposes of applying the provisions of this paragraph, prior service cost includes the cost of retroactive plan amendments (see paragraphs 715-30-35-10 through 35-11) and any transition obligation remaining in accumulated other comprehensive income from initial application of this Subtopic. The calculation of prior service cost associated with services of terminated employees is illustrated in Example 3 (see paragraph 715-30-55-212).

35-93 The projected benefit obligation, exclusive of increases that reflect termination benefits that are excluded from the scope of this paragraph (see paragraphs 715-30-25-9 through 25-13), may be decreased (a gain) or increased (a loss) by a curtailment. To the extent that such a gain exceeds any net loss included in accumulated other comprehensive income (or the entire gain, if a net gain exists), it is a curtailment gain. To the extent that such a loss exceeds any net gain included in accumulated other comprehensive income (or the entire loss, if a net loss exists), it is a curtailment loss. For purposes of applying the provisions of this paragraph, any transition asset remaining in accumulated other comprehensive income from initial application of this Subtopic shall be treated as a net gain and shall be combined with the net gain or loss arising thereafter. See Example 4 (paragraph 715-30-55-216) for an illustration of a curtailment if there is a remaining transition asset included in accumulated other comprehensive income.

35-94 If the sum of the effects identified in the preceding two paragraphs is a net loss, it shall be recognized in earnings when it is probable that a curtailment will occur and the effects described are reasonably estimable. If the sum of those effects is a net gain, it shall be recognized in earnings when the related employees terminate or the plan suspension or amendment is adopted.

35-95 If a situation also involves termination benefits, the change in the projected benefit obligation due to the curtailment is the difference between the projected benefit obligation for the respective employees before their acceptance of the offer of termination benefits and the projected benefit obligation determined for those employees by applying the normal pension plan formula and assuming no future service because of their termination. See Examples 5 through 6 (paragraphs 715-30-55-222 through 55-230) for an illustration of this guidance.

35-96 See also Example 7 (paragraph 715-30-55-231) for more illustrations of the curtailment-related guidance presented in this Subsection.

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980-340-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

> Effects of Regulation

>> Recognition of Regulatory Assets

25-1 Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.

b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

>> Phase-In Plans

25-2 If a phase-in plan is ordered by a regulator in connection with a plant on which no substantial physical construction had been performed before January 1, 1988, none of the allowable costs that are deferred for future recovery by the regulator under the plan for rate-making purposes shall be capitalized for general-purpose financial reporting purposes (hereinafter referred to as financial reporting). Allowable costs that are deferred for future recovery by the regulator under the plan consist of all allowable costs deferred for rate-making purposes under the plan beyond the period in which those allowable costs would be charged to expense under generally accepted accounting principles (GAAP) applicable to entities in general.

25-3 If a phase-in plan is ordered by a regulator in connection with a plant completed before January 1, 1988, or a plant on which substantial physical construction had been performed before January 1, 1988, the following criteria shall be applied to that plan. If the phase-in plan meets all of those criteria, all allowable costs that are deferred for future recovery by the regulator under the plan shall be capitalized for financial reporting as a separate asset (a deferred charge). If any one of those criteria is not met, none of the allowable costs that are deferred for future recovery by the regulator under the plan shall be capitalized for financial reporting. The criteria to determine whether capitalization is appropriate are:

a. The allowable costs in question are deferred pursuant to a formal plan that has been agreed to by the regulator.
b. The plan specifies the timing of recovery of all allowable costs that will be deferred under the plan.
c. All allowable costs deferred under the plan are scheduled for recovery within 10 years of the date

when deferrals begin.

d. The percentage increase in rates scheduled under the plan for each future year is no greater than the percentage increase in rates scheduled under the plan for each immediately preceding year. That is, the scheduled percentage increase in Year 2 is no greater than the percentage increase granted in Year 1, the scheduled percentage increase in Year 3 is no greater than the scheduled percentage increase in Year 2, and so forth.

25-4 The following Examples illustrate various circumstances that may or may not constitute phase-in plans:

a. Example 1 (see paragraph 980-340-55-9) illustrates a sale with leaseback as a capital lease.

b. Example 2 (see paragraph 980-340-55-12) illustrates a sale with leaseback as an operating lease.

c. Example 3 (see paragraph 980-340-55-15) illustrates a sale with leaseback with profit recognition accelerated.

d. Example 4 (see paragraph 980-340-55-18) illustrates the modified depreciation method.

e. Example 5 (see paragraph 980-340-55-21) illustrates deferred costs before a rate order is issued.

f. Example 7 (see paragraph 980-340-55-39) illustrates a phase-in plan for two plants completed at different times that share common facilities.

Pending Content.

Transition Date: *(P) December 16, 2018; (N) December 16, 2019* | Transition Guidance: 842-10-65-1

The following Examples illustrate various circumstances that may or may not constitute phase-in plans:

a. Example 1 (see paragraph 980-340-55-9) illustrates a sale with leaseback as a finance lease.

b. Example 2 (see paragraph 980-340-55-12) illustrates a sale with leaseback as an operating lease.

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d. Example 4 (see paragraph 980-340-55-18) illustrates the modified depreciation method.

e. Example 5 (see paragraph 980-340-55-21) illustrates deferred costs before a rate order is issued.

f. Example 7 (see paragraph 980-340-55-39) illustrates a phase-in plan for two plants completed at different times that share common facilities.

>> Allowance for Earnings on Shareholder Investments Capitalized for Rate-Making Purposes

25-5 If specified criteria are met, paragraph 980-340-25-1 requires capitalization of an incurred cost that would otherwise be charged to expense. An allowance for earnings on shareholders' investment is not an incurred cost that would otherwise be charged to expense. Accordingly, such an allowance shall not be capitalized pursuant to that paragraph. The phrase *an allowance for earnings on shareholders' investment*, as used in this Subtopic, is intended to have the same meaning as the phrase *a designated cost of equity funds*, used in paragraph 980-835-30-1 , which, in specified circumstances, requires capitalization of an allowance for earnings on shareholders' investment (a designated cost of equity funds) during construction.

25-6 Paragraphs 980-340-25-2 through 25-3 require capitalization of an allowance for earnings on shareholders' investment for qualifying phase-in plans. If an allowance for earnings on shareholders' investment is capitalized for rate-making purposes other than during construction or as part of a phase-in plan, the amount capitalized for rate-making purposes shall not be capitalized for financial reporting. For the requirement to accrue a carrying charge related to the expected recovery of the investment in abandoned assets, see paragraph 980-360-35-7 .

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-05

QUESTION:

Refer to Exhibit KLC-09 related to the determination of the prepaid pension asset proforma adjustment in the Company's filing. Refer further to the Net Prepaid amount of $267,386 million reflected at the end of 2009. Refer further to Schedule II-B-10 filed in Docket No. 38339 based on the test year ended December 31, 2009 and the related Direct Testimony of Mr. Walter Fitzgerald at pages 203-204 in regards to prepayments included in rate base.

a. Confirm that there was no prepaid pension expense included on Schedule II-B-10 or otherwise included in rate base in the Company's filing in Docket No. 38339. If not confirmed, provide the amount of prepaid pension expense included in rate base and the schedule that shows where it was included.

b. Refer to the response to part (a) of this question. If there was no prepaid pension expense included in rate base in the Company's filing in Docket No. 38339, describe all changes in circumstances that warrant inclusion of a prepaid pension asset related to balances recorded on the books of CenterPoint Energy, Inc. in this proceeding.

ANSWER:

a. Confirm.
b. As noted in Ms. Colvin's direct testimony, Bates Stamp pages 903 and 904, the Commission has allowed other utilities such as AEP Texas Central Company in Docket No. 33309 and Entergy Texas, Inc. in Docket No. 39896 to include their prepaid pension assets in rate base. For CenterPoint Houston, this case presents the Commission with the opportunity to consider evidence that supports the Company's request for inclusion of the prepaid pension asset in rate base.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-06

QUESTION:

Refer to Schedule II-B-14, which shows the annual calculation of the pension deferral regulatory asset/(liability) of negative $60,642 million shown on Schedule II-B-11. Provide a similar schedule showing the annual calculation of the BRP and postretirement benefit regulatory liability of negative $68,522 million shown on Schedule II-B-11.

ANSWER:

Schedule II-B-14 is a required schedule in the RFP to track the deferral of pension and other post-employment benefits costs allowed by PURA 36.065. The requested information of negative $68,522 million shown on Schedule II-B-11 is for the unrecognized gains/losses of pension, BRP and postretirement assets allowed by ASC715-20-55. It is not available in the format shown on Schedule II-B-14.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-07

QUESTION:

Refer to WP II-B-14.4 and the Company's calculation of pension expense and postretirement benefits expense used to calculate the deferrals pursuant to PURA 36.065 on Schedule II-B-14. These deferrals include CEHE and the Service Company's allocation of long-term disability expense.

a. Describe the long-term disability expense shown on this workpaper, including whether it is incurred for employees who are on long-term disability and/or incurred for former employees after employment is terminated who are on long-term disability.

b. Indicate whether the Company considers and/or records long-term disability expense as a "postemployment benefits expense" as that term is used in PURA § 36.065. If so, cite to and provide a copy of all authoritative support for this position. If not, provide all authoritative support for the Company's deferrals of the differences between the expense allowed in rates and the expense incurred.

c. Indicate whether the Company considers and/or records this expense as a "pension expense" as that term is used in PURA § 36.065. If so, cite to and provide a copy of all authoritative support for this position. If so, cite to and provide a copy of all authoritative support for this position. If not, provide all authoritative support for the Company's deferrals of the differences between the expense allowed in rates and the expense incurred.

ANSWER:

a. Please see the attached actuarial reports "GCCC03-07 II-D-3.9.1 CNP Postemployment AV 2018 (confidential).pdf" and "GCCC03-07 II-D-3.9.1 CNP Postemployment AV 2017 (confidential).pdf" on page 9 of 22.

   These attachments are confidential and are being provided pursuant to the Protective Order issued in Docket No. 49421.

b. Per ASC 712-10-05 (see GCCC03-07b Attachment 1.pdf), CenterPoint Houston considers long-term disability expense as a "postemployment benefits expense" as that term is used in PURA §36.065.

c. Please see response to part b.

SPONSOR (PREPARER):
Kristie Colvin/Michelle Townsend/Lynne Harkel-Rumford (Kristie Colvin/Michelle Townsend/Lynne Harkel-Rumford)

RESPONSIVE DOCUMENTS:
GCCC03-07 II-D-3.9.1 CNP Postemployment AV 2018 (confidential).pdf"
GCCC03-07 II-D-3.9.1 CNP Postemployment AV 2017 (confidential).pdf"
GCCC03-07b Attachment 1.pdf

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-08

QUESTION:

Refer to WP II-D-2 Adj 6.1, which shows the calculation of pension expense based on the 2019 actuarial amounts for CEHE and the Service Company allocations to CEHE. Explain why there is no allocation of the Service Company charges to capital. Provide a copy of all accounting procedure guidelines and other documentation that address this issue.

ANSWER:

The Service Company allocation on WP II-D-2 Adj 6.1 inadvertently left out capital charges and will be corrected in an errata filling.

SPONSOR (PREPARER):
Kristie Colvin / Michelle Townsend (Kristie Colvin / Michelle Townsend)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-09

QUESTION:

Refer to Schedules V-K-1 and V-K-2, both of which list affiliate costs by FERC account.

a. Provide similar schedules for the years ended 2016 and 2017.

b. Provide a similar schedule for the year-to-date amounts in 2019 and similar year to date amounts for 2016, 2017, and 2018. Indicate the months reflected in the year-to-date amounts.

ANSWER:

a. Please see PUC Project No. 36867 for previously filed Annual Report of Affiliate Activities for CenterPoint Houston for 2016 and 2017. The revised 2016 report was filed July 6, 2017 and can be found on the PUC Interchange as item number 228. The 2017 report was filed June 1, 2018 and can be found on the PUC Interchange as item number 235.

b. The request for similar amounts by month for 2019 year to date and similar information for the prior years to date are not tracked by month and are therefore not available. The affiliate report as found on the PUC website is prepared on an annual basis and the VK schedules included in this filing are only prepared as required by the RFP. Neither of these two reports are available on a monthly basis.

SPONSOR (PREPARER):
Michelle Townsend (Michelle Townsend)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-10

QUESTION:

Refer to the Direct Testimony of Charles Pringle at 41:1-9.

a. Provide a copy of all workpaper support for each amount cited.

b. Provide a copy of all journal entries related to each amount cited, if any, with the amounts in the journal entries annotated to the workpaper support provided in response to part (a) of this question. If there were no journal entries related to the cited amounts, then explain the purpose of this testimony.

ANSWER:

A. See GCCC03-10 Attachment 1.xlsx which is a workpaper from Docket 38339.

B. There were no journal entries related to the cited amounts. However we are providing supports for the SFAS 106 Expense (with subsidy) see GCCC03-10 Attachment 2.docx. For Medicare Part D Permanent Item we are providing supports for the amounts claimed on the Federal Income Tax Returns and related workpapers for 2006 to 2009. Years 2004 and 2005 are not currently available. Please see confidential attachment "GCCC03-10 Attachment 3 (confidential).pdf."

The attachment GCCC03-10 Attachment 3 (confidential).pdf is confidential and is being provided pursuant to the Protective Order issued in Docket No. 49421.

The purpose of this testimony is to request the amounts previously requested in Docket 38339 but was deferred.

SPONSOR (PREPARER):
Charles Pringle (Charles Pringle)

RESPONSIVE DOCUMENTS:
GCCC03-10 Attachment 1.xlsx
GCCC03-10 Attachment 2.docx
GCCC03-10 Attachment 3 (confidential).pdf

CenterPoint Energy Houston Electric
History of OPEB Expense, Medicare Part D Subsidy - Revised
Medicare Part D Receivable
(Dollars in thousands)
As of December 31, 2009

From Docket 38339

	2004	2005	2006	2007	2008	2009	Cumulative	Reconciled to testimony
FAS 106 Expense (without Subsidy)	$ 16,154	$ 15,991	$ 19,509	$ 17,204	$ 20,816	$ 22,781	$ 112,455	
FAS 106 Expense (with Subsidy)	15,640	13,246	12,484	12,933	13,176	16,261	83,740	
Medicare Part D Permanent Item	$ 514	$ 2,745	$ 7,025	$ 4,271	$ 7,640	$ 6,520	$ 28,715 (A)	Sum (A) $28 6 million permanent difference
Less: Part D Cash Receipts	-	-	(1,413)	(1,171)	(2,012)	(755)	(5,351)	$5.4 million of subsidies received.
Other Activity							(150) (A)	
Medicare Part D Receivable as of December 31, 2009							23,214	
Less Estimated Receipts 2010 - 2012								
2010							(1,806) (B)	
2011							(1,971) (B)	
2012							(2,169) (B)	Sum (B) = $6 million of estimated subsidies expected to to received
Temporary Difference for Medicare Part D Subsidy (previously treated as a permanent difference) which is no longer deductible for tax							$ 17,268	$17.2 million related to anticipated receipts of Medicare Subsidy Part D beginning after 2012
Proposed Recovery Period in Years							3	
Annual amount							5,756	
Per Schedule						To WP/II-E-3.2	5,747	
Difference - immaterial							$ 9	
Tax Rate							35%	
Regulatory asset prior to Gross-Up							6,044	
Grossed Up Regulatory Asset							9,298	
Proposed Recovery Period							3	
Proposed annual recovery as tax expense item (grossed up in tax calculation)							2,015	
Proposed annual recovery as a regulatory asset							3,099	

FAS 106 Disclosure for Fiscal 2006
Summary – CenterPoint Energy Houston Electric

Development of Postretirement Benefit Cost

	Year Ended December 31 (In 000s) 2006	2005	2004
Service Cost – Benefits Earned During the Period	$ 1,178	$ 547	$ 1,187
Interest Cost on Accumulated Postretirement Benefit Obligation	16,492	17,127	16,235
Expected Return on Assets	(11,236)	(10,519)	(9,525)
Amortization of Transition Obligation	5,765	5,760	5,760
Amortization of Prior Service Cost	285	275	1,924
Amortization of Net (Gain)/Loss	0	56	59
Net Postretirement Benefit Cost	$ 12,484	$ 13,246	$ 15,640
One-time FAS 106 Expense	0	16	0
Total FAS 106 Expense	$ 12,484	$ 13,262	$ 15,640

FAS 106 Disclosure for Fiscal 2009
Summary—CenterPoint Energy Houston Electric

Development of Postretirement Benefit Cost

	Year Ended December 31 (In 000s) 2009	2008	2007
Service Cost—Benefits Earned During the Period	$ 378	$ 710	$ 891
Interest Cost on Accumulated Postretirement Benefit Obligation	18,119	17,415	16,616
Expected Return on Assets	(8,314)	(11,027)	(10,659)
Amortization of Transition Obligation	5,752	5,752	5,759
Amortization of Prior Service Cost	326	326	326
Amortization of Net (Gain)/Loss	0	0	0
Net Postretirement Benefit Cost	$ 16,261	$ 13,176	$ 12,933
One-Time FAS 106 Expense	0	0	0
Total FAS 106 Expense	$ 16,261	$ 13,176	$ 12,933

Plan Provisions

Summary and Recent History

Effective January 1, 1999, CenterPoint Energy Inc. adopted FutureCare for all new retirees after January 1, 1999. The plan provisions of FutureCare are summarized on page PP-2.

For participants who retired before January 1, 1999, their retiree medical and retiree life benefits remain unchanged and depend upon the plan in place at their retirement. Pre-1999 retiree benefits can be categorized into three major categories depending on a participant's employment at August 6, 1998. These three categories are herein labeled "prior plans" and are summarized in the following sections of the plan provisions section:

- Houston Industries Incorporated Prior Plan
- NorAm Energy Corporation Prior Plan
- Minnegasco Division Prior Plan

Effective December 31, 2003, no new retirees are eligible for retiree life insurance. However, certain Minnegasco union employees are still assumed to maintain the $5,000 retiree life insurance benefit until union grievances are resolved.

A voluntary early retirement program was offered to certain participants of Arkla and Entex. The enhancements provided an additional three years of credits and interest for purposes of the retiree medical account. A one-time expense of $383,000 was recorded in 2004 in accordance with FAS 106.

A one-time deviation in the substantive plan's cost sharing resulted in a charge of $1,571,000 in 2004.

The standard retiree life insurance benefit was eliminated for all participants that were not retired as of December 31, 2003. This amendment was reflected January 1, 2004 for the funding valuation and December 31, 2003 for the accounting valuation.

Texas Genco was sold during 2004. A curtailment charge of $16,556,000 was expensed during 2004 in accordance with FAS 106. Certain participants not eligible for benefits at the date of the sale were permitted to retain the value of their account balance in the CenterPoint retiree medical and dental plan to be used once they become retirement eligible.

With the passage of the Medicare Modernization Act of 2004, CenterPoint Energy has initially elected to continue existing provisions and apply for the direct government subsidy. In the 2006 application, the plan was certified to be actuarially equivalent. The government subsidy offset is reflected in the accounting valuation as an actuarial gain.

For the 2006 retiree enrollment, a one-time cost-sharing subsidy was provided to selected current retirees by way of no increase in medical price tags. This change was measured as a one-time expense under paragraph 61 of FAS 106 in 2005 when enrollment was opened.

Effective July 1, 2006, the Pipelines group transferred to MRT.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
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GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-11

QUESTION:

Refer to the Direct Testimony of Charles Pringle at 41:19-22. Describe and quantify the "ADIT asset" that existed prior to 2010, if any, each change recorded in 2010, and each change recorded in each year thereafter.

ANSWER:

The ADIT associated with Medicare Part D was not separately stated prior to 2010 and was effectively netted within the ADIT balance associated pension cost. The ADIT balance in 2010 required a reclassification to segregate the accrued Medicare Part D ADIT balance from the related ADIT pension amounts. The gross difference attributed to Medicare Part D that was accrued versus subsidies actually received was $23.2 million. The $23.2 million was further reduced for projected cash receipts from 2010 to 2012 that reduced the gross difference to $17.2 million. That balance was tax effected by 35% to $6 million and reclassed from ADIT to Regulatory Assets. See attachment provided with GCCC03-10 Attachment 1 for the detail of these calculations.

SPONSOR (PREPARER):
Charles Pringle (Charles Pringle)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-12

QUESTION:

Refer to WP CWP-01 (Medicare Part D).

a. Explain why the Company is seeking a regulatory asset for the years 2004 through the effective date of the rates resulting from the Commission's Order in Docket No. 38339.

b. Provide the effective date of the rates resulting from the Commission's Order in Docket No. 38339.

c. Cite all authorities relied on for the recording in 2010 of a regulatory asset for the tax effects of the permanent differences in 2004 through the effective date of the rates from the Commission's Order in Docket No. 38339.

d. Provide a copy of all contemporaneous correspondence and documentation that addresses the recording and the amount of the regulatory asset in 2010 referenced in part (c) of this question.

e. Provide the actual SFAS 106 costs (separated into expense and capital) before the Medicare Part D subsidy, after the Medicare part D subsidy, and the cash receipts, for each year 2012 through 2018 in the same format as WP CWP-01 (Summary) tab.

f. Confirm that line 18 on the (Summary) tab is intended to represent the regulatory asset for the tax effect of the permanent or temporary difference between the SFAS 106 expense before the Medicare Part D subsidy and after the Medicare Part D subsidy.

g. If the response to part (f) of this question is "confirmed," then confirm that this is an ADFIT asset.

h. Indicate whether the Company reclassified the difference in the ADFIT at 35% and at 21% as an EDIT on December 31, 2017. If not, explain why it did not. If so, then describe how this asset EDIT is reflected in the base revenue requirement in this filing, of if it is not, then how it is reflected in the quantifications for the Rider UEDIT revenue requirement.

ANSWER:

The response to subpart (d) of this request is subject to a pending objection. Pursuant to and without waiving this objection, the Company provides the response stated below

a. The Company is seeking recovery of the impact of the change in tax law related to the Medicare Part D Subsidy. This covers years 2004 through the end of the test period since the rate payers have received and continue to receive the benefit under the prior law. Please see the testimony of Mr. Charles Pringle, Bates Stamp pages 1027-1033 for a complete explanation of the Company's request.

b. The effective date of rates resulting from the Order on Rehearing in Docket No. 38339 was September 1, 2011, for CenterPoint Houston's Tariff for Retail Delivery Service and Tariff for Wholesale Delivery Service.

c. The Company relied upon ASC 980-340-25 to record a regulatory asset for the financial statement impacts of this law change.

d. Please see confidential attachments "GCCC03-12d Attachment 1 JE1 (confidential).xlsm" and

"GCCC03-12d Attachment 2 JE2 (confidential).xlsm" for recording the regulatory asset in 2010. Company code 0003 on these entries correspond to CenterPoint Houston. Also see "GCCC03-12d Attachment 3 .pdf" for an accounting memo.

e. ASC 715 formerly SFAS 106 cost as actuarily calculated were provided after the Medicare Part D subsidy. Amounts before the Medicare Part D subsidy were not provided by the actuary and are not available. Please see "GCCC03-12e Attachment 1" for the available information.

f. Line 18 on the (Summary) tab represents the regulatory asset prior to gross-up for tax years 2004 – 2017, the total for the regulatory tax asset prior to gross-up that includes 2018 is represented on line 20.

g. The balance on line 18 and 20 of the (Summary) tab represents the amount of the regulatory asset prior to tax gross-up.

h. Yes. The regulatory asset was written down in December 2017 with an offsetting entry to EDIT. Since this EDIT is unprotected it is included in the Rider UEDIT.

The attachments GCCC03-12d Attachment 1 JE1 (confidential).xlsm" and "GCCC03-12d Attachment 2 JE2 (confidential).xlsm are confidential and are being provided pursuant to the Protective Order issued in Docket No. 49421.

SPONSOR (PREPARER):
Charles Pringle/Kristie Colvin (Charles Pringle/Kristie Colvin)

RESPONSIVE DOCUMENTS:
GCCC03-12d Attachment 1 JE1 (confidential).xlsm
GCCC03-12d Attachment 2 JE2 (confidential).xlsm
GCCC03-12d Attachment 3 .pdf
GCCC03-12e Attachment 1.pdf

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
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GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-13

QUESTION:

In the final order in Docket No. 38339 at 9, the Commission states:

> The ALJs recommend that CenterPoint's proposed increase of $6,520,000 to its test-year income tax expense to account for the increase to its tax expenses be approved.

GCCC, OPC and Staff argue that the changes to CenterPoint's Medicare Part D subsidy expense that will occur after December 31, 2012 are too far in the future to be included in the rates set in this proceeding. The Commission agrees. The termination date of the subsidy is December 31, 2012, nearly two years in the future. It is not in the public interest to approve expenses that will be incurred that far in the future in the rates set in this proceeding. The Commission rejects the ALJs' recommendation on this point.

In addition, in the final order in Docket No. 38339 at 9-10, the Commission states:

> CenterPoint proposed to amortize a $9.3 million (grossed up) ADFIT and income-tax related regulatory asset over a three-year period to account for a Medicare Part D subsidy receivable as of December 31, 2009. The receivable was reduced by the estimated Medicare Part D subsidy amounts that will be received in 2010, 2011 and 2012. The ALJs recommend the Commission approve and include CenterPoint's proposed three-year amortization in CenterPoint's rates set in this proceeding. The ALJ found that CenterPoint's proposed recovery of this regulatory asset more closely matches the recovery of the increased tax expense with the ratepayers who received the benefit of the nontaxable Medicare Part D subsidy in prior year and favors intergenerational equity.

The Commission rejects the ALJs' recommendation on this point and does not allow recovery of the three-year amortization of the $9.3 million regulatory asset in the rates set in this proceeding. As with CenterPoint's proposal to increase its income tax expense to account for this future change, the health care legislation underlying CenterPoint's proposal to amortize this regulatory asset will not be effective until January 1, 2013, a change too far into the future to be included in the rates set in this proceeding. However, the Commission authorizes CenterPoint to continue to monitor and accrue the difference between what their rates assume the Medicare Part B subsidy tax expense would be and the reality of what CenterPoint is required to pay as a regulatory asset to be addressed in CenterPoint's next rate case. Findings of Fact 64 and 159 are deleted and new Finding of Fact 159A is added to reflect the Commission's decision, (footnotes omitted).

Further, Finding of Fact 159A of the final order in Docket No. 38339 states:

> It is appropriate for CenterPoint to monitor and accrue the difference between what its rates assume the Medicare Part B [sic] subsidy tax expense will be and what CenterPoint is required to pay as a regulatory asset to be addressed in CenterPoint's next rate case.

Is it the Company's position that the Commission authorized it to defer a regulatory asset for "the difference between what its rates assume[d] the Medicare Part B [sic] subsidy tax expense [was]" prior to the effective date of the rates resulting from the Commission's Order in Docket No. 38339, even though the Commission specifically rejected the Company's request for the retroactive establishment of a regulatory asset and the final order authorizes a deferral for "what its rates assume . . . will be" and not "what its rates assumed . . . was"? If so, then explain this apparent disconnect between the retroactive deferral that the Company recorded and what appears to be Commission authorization for a prospective deferral of the difference between the differential allowed in rates $6,520 million before tax-effect and the actual differential going forward.

ANSWER:

It is CenterPoint Houston's position that the Commission authorized CenterPoint Houston to monitor and accrue the difference between what its rates assume the Medicare Part D subsidy tax expense will be and what CenterPoint Houston is required to pay as a regulatory asset to be addressed in CenterPoint's next rate case. CenterPoint Houston is accordingly not seeking retroactive recovery but has instead established a regulatory asset based on the Commission's order. Please see the testimony of Mr. Charles Pringle, Bates Stamp pages 1027-1033, for a complete explanation of the Company's position related to this request.

SPONSOR (PREPARER):
Charles Pringle (Charles Pringle)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-14

QUESTION:

Refer to Exhibit KLC-11 at 2, which states that "[f]or external reporting purposes, removal cost is reclassified to the regulatory liability for rate regulated entities" that apply SFAS 71.

a. Describe how the Company performs the calculations necessary to reclassify the removal costs from accumulated depreciation for ratemaking purposes to the regulatory liability for external reporting purposes. Provide a copy of all documentation that addresses this reclassification and the related calculations necessary to quantify the amounts.

b. Provide the amounts reclassified to the regulatory liability by FERC plant account at December 31, 2017 and December 31, 2018.

c. Confirm that in the depreciation study, Mr. Dane Watson did not separate the accumulated depreciation between the accumulated depreciation unrelated to removal costs and the accumulated depreciation reported as the regulatory liability for external reporting purposes.

ANSWER:

a. On a monthly basis, the Company performs the calculations necessary to reclassify the removal costs from accumulated depreciation for ratemaking purposes to the regulatory liability for external reporting purposes. This is performed by calculating the difference between actual monthly removal cost incurred by FERC account and the estimated removal costs for the same month. The estimated monthly removal costs are determined by multiplying the cumulative plant balance times the cost of removal component of the composite depreciation rate. Please see GCCC03-14a Attachment 1.xlsx for the related calculations necessary to quantify the amounts for the fourth quarter 2018.

b. Please see GCCC03-14b Attachment 2.xlsx for the amounts reclassified to the regulatory liability by FERC plant account at December 31, 2017 and December 31, 2018.

c. Mr. Dane Watson did not separate the accumulated depreciation between the accumulated depreciation unrelated to removal costs and the accumulated depreciation reported as the regulatory liability for external reporting purposes.

SPONSOR (PREPARER):
Kristie Colvin/Dane Watson (Kristie Colvin/Dane Watson)

RESPONSIVE DOCUMENTS:
GCCC03-14a Attachment 1.xlsx
GCCC03-14b Attachment 2.xlsx

CenterPoint Energy Houston Electric, LLC
Estimated Cost of Removal Compared to Actual Cost of Removal

Asset Class	Description	Estimated Oct 2018 Cost of Removal	Actual Oct 2018 Cost of Removal	Oct 2018 Difference	Estimated Nov 2018 Cost of Removal	Actual Nov 2018 Cost of Removal	Nov 2018 Difference	Estimated Dec 2018 Cost of Removal	Actual Dec 2018 Cost of Removal	Dec 2018 Difference	Estimated Oct-Dec 2018 Cost of Removal	Actual Oct-Dec 2018 Cost of Removal	Oct-Dec 2018 Difference
ELEC/30301.0000	Miscellaneous Intangible Plant	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/30302.0000	Miscellaneous Intangible Plant	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/31001.0000	Land Owned In Fee	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/31002.0000	Land Rights	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/35001.0000	Land Owned In Fee	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/35002.0000	Land Rights	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/35201.0000	Structures and Improvements	-	-	0.00	-	1,469.90	1,469.90	-	731.16	731.16	0.00	2,201.06	2,201.06
ELEC/35301.0250	Station Equipment	(61,694.30)	52,290.51	(9,403.79)	(61,627.43)	48,283.79	(13,343.64)	(61,495.61)	30,353.97	(31,141.64)	(184,817.34)	130,928.27	(53,889.07)
ELEC/35301.0260	Station Equipment	(28,130.04)	146,720.81	118,590.77	(28,294.32)	64,296.52	36,002.20	(29,021.92)	-	(29,021.92)	(85,446.28)	211,017.33	125,571.05
ELEC/35401.0000	Towers and Fixtures	(170,276.77)	31,005.65	(139,271.12)	(170,496.96)	13,587.06	(156,909.90)	(171,329.12)	241,834.98	70,505.86	(512,102.85)	286,427.69	(225,675.16)
ELEC/35501.0000	Poles and Fixtures	(90,895.55)	132,351.15	41,455.60	(91,624.13)	4,114.43	(87,509.70)	(91,692.36)	1,211,352.22	1,119,659.86	(274,212.04)	1,347,817.80	1,073,605.76
ELEC/35601.0000	Overhead Conductors and Devices	(736,713.51)	618,672.69	(118,040.82)	(739,355.24)	655,163.46	(84,191.78)	(741,248.65)	2,684,902.73	1,943,654.08	(2,217,317.40)	3,958,738.88	1,741,421.48
ELEC/35701.0000	Underground Conduit	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/35801.0000	Underground Conductors and Devices	(610.89)	-	(610.89)	(610.89)	-	(610.89)	(610.89)	-	(610.89)	(1,832.67)	0.00	(1,832.67)
ELEC/35901.0000	Roads and Trails	-	-	0.00	-	-	0.00	-	2,613.28	2,613.28	0.00	2,613.28	2,613.28
ELEC/36001.0000	Land Owned In Fee	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/36002.0000	Land Rights	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/36101.0000	Structures and Improvements	(15,209.11)	-	(15,209.11)	(15,251.89)	19,470.86	4,218.97	(15,344.10)	1,135.67	(14,208.43)	(45,805.10)	20,606.53	(25,198.57)
ELEC/36201.0250	Station Equipment	-	40,972.42	40,972.42	-	490,248.69	490,248.69	-	16,094.82	16,094.82	0.00	547,315.93	547,315.93
ELEC/36201.0260	Station Equipment	-	25,364.79	25,364.79	-	-	0.00	-	10,866.58	10,866.58	0.00	36,231.37	36,231.37
ELEC/36401.0000	Poles, Towers, and Fixtures	(886,321.97)	835,854.22	(50,467.75)	(889,269.86)	1,148,826.21	259,556.35	(892,557.39)	1,098,340.65	205,783.26	(2,668,149.22)	3,083,021.08	414,871.86
ELEC/36501.0000	Conductors and Devices	(481,914.50)	553,987.25	72,072.75	(483,893.76)	893,100.97	409,207.21	(485,330.82)	476,691.43	(8,639.39)	(1,451,139.08)	1,923,779.65	472,640.57
ELEC/36601.0000	Underground Conduit	(262,231.67)	177,410.98	(84,820.69)	(262,357.09)	63,683.36	(198,673.73)	(263,747.95)	(53,522.79)	(317,270.74)	(788,336.71)	187,571.55	(600,765.16)
ELEC/36701.0000	Underground Conductors and Devices	(366,486.73)	304,231.44	(62,255.29)	(368,601.34)	427,217.00	58,615.66	(370,669.09)	357,273.73	(13,395.36)	(1,105,757.16)	1,088,722.17	(17,034.99)
ELEC/36801.0000	Line Transformers	(79,448.00)	1,019,985.16	940,537.16	(79,787.73)	1,284,673.56	1,204,905.83	(80,032.01)	744,084.07	664,052.06	(239,247.74)	3,048,742.79	2,809,495.05
ELEC/36901.0000	Services	(92,588.59)	6,117.63	(86,470.96)	(92,947.78)	9,818.62	(83,129.16)	(83,229.76)	(3,361.04)	(86,590.80)	(278,766.13)	12,575.21	(266,190.92)
ELEC/37001.0000	Meters	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/37002.0000	Advanced Meters	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/37003.0000	AMS Metering	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/37101.0000	Installations on Customers Premises	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/37301.0000	Street Lighting/ Signal Sys	(549,788.37)	315,599.21	(234,189.16)	(552,384.82)	361,578.71	(190,806.11)	(556,792.87)	285,023.00	(270,769.87)	(1,657,966.16)	962,200.92	(695,765.24)
ELEC/37302.0000	Security Lighting	(12,191.43)	6,712.74	(5,478.69)	(12,206.01)	7,953.43	(4,252.58)	(12,208.98)	(3,915.04)	(16,124.02)	(36,606.42)	10,751.13	(25,855.29)
ELEC/37401.0000	Security Lighting	(8.26)	-	(8.26)	(8.26)	-	(8.26)	(1.07)	-	(1.07)	(17.59)	0.00	(17.59)
ELEC/37403.7475	Asset Retirement Costs	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/38901.0000	Land Owned In Fee	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/38902.0000	Land Rights	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39001.0000	Structures and Improvements	-	115,053.55	115,053.55	-	-	0.00	-	1,069,203.30	1,069,203.30	0.00	1,184,256.85	1,184,256.85
ELEC/39101.0000	Office Furniture and Equipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39201.7300	Transportation Equipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39201.7320	Transportation Equipment	-	-	0.00	-	2,102.04	2,102.04	-	167,087.24	167,087.24	0.00	169,189.28	169,189.28
ELEC/39201.7340	Transportation Equipment	-	-	0.00	-	-	0.00	-	210.48	210.48	0.00	210.48	210.48
ELEC/39301.0000	Stores Euipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39401.0000	Tools, Shop and Garage Equipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39501.0000	Laboratory Equipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39501.7380	Power Operated Equipment	-	-	0.00	-	14.60	14.60	-	428.18	428.18	0.00	442.78	442.78
ELEC/39701.0000	Microwave Equipment	-	12,541.37	12,541.37	-	-	0.00	-	-	0.00	0.00	12,541.37	12,541.37
ELEC/39701.0130	Microwave Equipment	-	21,806.14	21,806.14	-	5,676.07	5,676.07	-	(124,740.13)	(124,740.13)	0.00	(97,257.92)	(97,257.92)
ELEC/39702.0000	Computer Equipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39703.0000	BPL Systems	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39801.0000	Miscellaneous Equipment	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
ELEC/39911.7475	Asset Retirement Costs	-	-	0.00	-	-	0.00	-	-	0.00	0.00	0.00	0.00
	Grand Total	(3,834,509.69)	4,416,677.71	582,168.02	(3,848,697.51)	5,501,279.28	1,652,581.77	(3,864,312.69)	8,212,688.49	4,348,375.80	(11,547,519.89)	18,130,645.48	6,583,125.59

J:\ADMIN GROUP\PUC FILINGS\Year 2019\05-13-2019\GCCC03\GCCC03 Native Files\[GCCC03-14a Attachment 1.xlsx]Removal

(3,834,509.69)	4,416,677.71	582,168.02	(3,848,697.51)	5,501,279.28	1,652,581.77	(3,864,312.69)	8,212,688.49	4,348,375.80	(11,547,519.89)	18,130,645.48	6,583,125.59
-	-	-	-	-	-	-	-	-	-	-	-

CenterPoint Energy Houston Electric, LLC - Estimated Cost of Removal for 4th Qtr 2018

PP&E	Annual Estimated Removal Percentage	Monthly Estimated Removal Percentage	Plant in service as of Sep 30, 2018	Estimated Oct 2018 COR	Plant in service as of Oct 31, 2018	Estimated Nov 2018 COR	Plant in service as of Nov 30, 2018	Estimated Dec 2018 COR
ELEC/30301.0000	0.000000%	0.000000%	-	0.00	-	0.00	-	0.00
ELEC/30302.0000	0.000000%	0.000000%	292,489,305.62	0.00	290,552,360.26	0.00	286,450,962.32	0.00
ELEC/31001.0000	0.000000%	0.000000%	-	0.00	-	0.00	-	0.00
ELEC/31002.0000	0.000000%	0.000000%	(0.01)	0.00	(0.01)	0.00	(0.01)	0.00
ELEC/35001.0000	0.000000%	0.000000%	49,328,223.26	0.00	49,328,223.26	0.00	49,328,223.26	0.00
ELEC/35002.0000	0.000000%	0.000000%	100,942,405.90	0.00	100,950,526.97	0.00	100,951,039.08	0.00
ELEC/35201.0000	0.000000%	0.000000%	209,527,988.37	0.00	211,889,642.91	0.00	214,858,056.92	0.00
ELEC/35301.0250	0.110000%	0.009167%	673,028,695.30	(61,694.30)	672,299,206.07	(61,627.43)	670,861,144.73	(61,495.61)
ELEC/35301.0260	0.110000%	0.009167%	306,873,216.24	(28,130.04)	308,665,354.29	(28,294.32)	316,602,809.52	(29,021.92)
ELEC/35401.0000	0.250000%	0.020833%	817,328,518.91	(170,276.77)	818,385,385.70	(170,496.96)	822,379,777.04	(171,329.12)
ELEC/35501.0000	0.880000%	0.073333%	123,948,471.49	(90,895.55)	124,941,997.14	(91,624.13)	125,035,039.12	(91,692.36)
ELEC/35601.0000	1.480000%	0.123333%	597,335,280.74	(736,713.51)	599,477,220.81	(739,355.24)	601,012,418.43	(741,248.65)
ELEC/35701.0000	0.000000%	0.000000%	38,059,655.95	0.00	38,059,655.95	0.00	38,059,655.95	0.00
ELEC/35801.0000	0.050000%	0.004167%	14,661,443.81	(610.89)	14,661,443.81	(610.89)	14,661,443.81	(610.89)
ELEC/35901.0000	0.000000%	0.000000%	78,487,442.50	0.00	78,546,892.04	0.00	78,546,892.04	0.00
ELEC/36001.0000	0.000000%	0.000000%	31,114,674.61	0.00	31,116,557.28	0.00	31,120,482.07	0.00
ELEC/36002.0000	0.000000%	0.000000%	2,210,688.31	0.00	2,210,688.31	0.00	2,210,688.31	0.00
ELEC/36101.0000	0.180000%	0.015000%	101,394,088.60	(15,209.11)	101,679,278.75	(15,251.89)	102,294,012.98	(15,344.10)
ELEC/36201.0250	0.000000%	0.000000%	792,859,684.38	0.00	793,777,069.61	0.00	798,200,159.23	0.00
ELEC/36201.0260	0.000000%	0.000000%	397,582,757.34	0.00	397,780,250.72	0.00	398,268,061.05	0.00
ELEC/36401.0000	1.290000%	0.107500%	824,485,550.65	(886,321.97)	827,227,772.35	(889,269.86)	830,285,944.56	(892,557.39)
ELEC/36501.0000	0.580000%	0.048333%	997,064,476.78	(481,914.50)	1,001,159,494.88	(483,893.76)	1,004,132,728.75	(485,330.82)
ELEC/36601.0000	0.540000%	0.045000%	582,737,045.28	(262,231.67)	583,015,745.34	(262,357.09)	586,106,545.89	(263,747.95)
ELEC/36701.0000	0.420000%	0.035000%	1,047,104,949.68	(366,486.73)	1,053,146,676.61	(368,601.34)	1,059,054,531.68	(370,669.09)
ELEC/36801.0000	0.070000%	0.005833%	1,361,965,713.61	(79,448.00)	1,367,446,832.71	(79,767.73)	1,371,977,277.61	(80,032.01)
ELEC/36901.0000	0.560000%	0.046667%	198,404,130.42	(92,588.59)	199,173,820.84	(92,947.78)	199,778,054.53	(93,229.76)
ELEC/37001.0000	0.000000%	0.000000%	77,431,523.85	0.00	77,877,683.13	0.00	78,131,792.59	0.00
ELEC/37002.0000	0.000000%	0.000000%	-	0.00	-	0.00	-	0.00
ELEC/37003.0000	0.000000%	0.000000%	215,696,637.50	0.00	203,938,564.90	0.00	191,054,672.41	0.00
ELEC/37101.0000	0.000000%	0.000000%	0.01	0.00	0.01	0.00	0.01	0.00
ELEC/37301.0000	1.110000%	0.092500%	594,365,802.68	(549,788.37)	597,172,781.16	(552,384.82)	600,857,266.86	(555,792.97)
ELEC/37302.0000	1.110000%	0.092500%	13,179,926.18	(12,191.43)	13,195,688.27	(12,206.01)	13,198,902.25	(12,208.98)
ELEC/37401.0000	1.110000%	0.092500%	8,929.03	(8.26)	8,929.03	(8.26)	1,154.70	(1.07)
ELEC/37403.7475	0.000000%	0.000000%	20,537,775.78	0.00	20,537,775.78	0.00	20,537,775.78	0.00
ELEC/38901.0000	0.000000%	0.000000%	13,813,247.31	0.00	16,605,506.58	0.00	16,605,506.58	0.00
ELEC/38902.0000	0.000000%	0.000000%	154,399.83	0.00	154,399.83	0.00	154,399.83	0.00
ELEC/39001.0000	0.000000%	0.000000%	215,550,919.88	0.00	215,505,882.96	0.00	215,887,176.13	0.00
ELEC/39101.0000	0.000000%	0.000000%	10,520,070.39	0.00	10,655,306.59	0.00	10,505,181.08	0.00
ELEC/39201.7300	0.000000%	0.000000%	1,171,528.53	0.00	1,198,686.24	0.00	1,198,686.24	0.00
ELEC/39201.7320	0.000000%	0.000000%	126,239,036.69	0.00	126,390,499.32	0.00	125,138,648.30	0.00
ELEC/39201.7340	0.000000%	0.000000%	7,780,693.21	0.00	7,792,446.54	0.00	7,954,818.62	0.00
ELEC/39301.0000	0.000000%	0.000000%	392,022.50	0.00	392,022.50	0.00	392,022.50	0.00
ELEC/39401.0000	0.000000%	0.000000%	14,491,352.68	0.00	14,695,427.09	0.00	15,141,066.73	0.00
ELEC/39501.0000	0.000000%	0.000000%	21,876,707.39	0.00	21,992,997.64	0.00	21,997,750.00	0.00
ELEC/39601.7380	0.000000%	0.000000%	23,903,057.02	0.00	24,187,538.67	0.00	24,182,529.55	0.00
ELEC/39701.0000	0.000000%	0.000000%	319,932,501.73	0.00	319,511,497.96	0.00	319,036,754.03	0.00
ELEC/39701.0130	0.000000%	0.000000%	58,547,228.91	0.00	58,825,965.61	0.00	58,996,888.92	0.00
ELEC/39702.0000	0.000000%	0.000000%	161,836,522.35	0.00	162,150,959.75	0.00	162,131,562.13	0.00
ELEC/39703.0000	0.000000%	0.000000%	-	0.00	-	0.00	-	0.00
ELEC/39801.0000	0.000000%	0.000000%	10,143,282.52	0.00	10,302,083.66	0.00	10,457,402.86	0.00
ELEC/39911.7475	0.000000%	0.000000%	3,546,079.21	0.00	3,546,079.21	0.00	3,546,079.21	0.00
Grand Total			11,550,053,652.92	(3,834,509.69)	11,572,130,819.03	(3,848,697.51)	11,599,283,786.18	(3,864,312.69)
GL			11,550,053,652.92		11,572,130,819.03		11,599,283,786.18	
			-		-		-	

CenterPoint Energy Houston Electric, LLC
Monthly Actual Cost of Removal

Asset Class	October 2018 Actual COR	November 2018 Actual COR	December 2018 Actual COR
ELEC/30301.0000	-	-	-
ELEC/30302.0000	-	-	-
ELEC/31001.0000	-	-	-
ELEC/31002.0000	-	-	-
ELEC/35001.0000	-	-	-
ELEC/35002.0000	-	-	-
ELEC/35201.0000	-	1,469.90	731.16
ELEC/35301 0250	52,290.51	48,283 79	30,353 97
ELEC/35301.0260	146,720.81	64,296.52	-
ELEC/35401.0000	31,005.65	13,587.06	241,834.98
ELEC/35501.0000	132,351.15	4,114.43	1,211,352.22
ELEC/35601.0000	618,672.69	655,163.46	2,684,902.73
ELEC/35701.0000	-	-	-
ELEC/35801.0000	-	-	-
ELEC/35901.0000	-	-	2,613.28
ELEC/36001.0000	-	-	-
ELEC/36002.0000	-	-	-
ELEC/36101.0000	-	19,470.86	1,135.67
ELEC/36201.0250	40,972.42	490,248 69	16,094.82
ELEC/36201.0260	25,364.79	-	10,866.58
ELEC/36401.0000	835,854.22	1,148,826.21	1,098,340.65
ELEC/36501.0000	553,987.25	893,100.97	476,691.43
ELEC/36601.0000	177,410.98	63,683.36	(53,522.79)
ELEC/36701.0000	304,231.44	427,217 00	357,273.73
ELEC/36801.0000	1,019,985.16	1,284,673.56	744,084.07
ELEC/36901.0000	6,117.63	9,818.62	(3,361.04)
ELEC/37001.0000	-	-	-
ELEC/37002.0000	-	-	-
ELEC/37003.0000	-	-	-
ELEC/37101.0000	-	-	-
ELEC/37301.0000	315,599.21	361,578.71	285,023.00
ELEC/37302.0000	6,712.74	7,953 43	(3,815 04)
ELEC/37401.0000	-	-	-
ELEC/37403.7475	-	-	-
ELEC/38901.0000	-	-	-
ELEC/38902.0000	-	-	-
ELEC/39001.0000	115,053.55	-	1,069,203.30
ELEC/39101.0000	-	-	-
ELEC/39201.7300	-	-	-
ELEC/39201.7320	-	2,102.04	167,087.24
ELEC/39201.7340	-	-	210.48
ELEC/39301.0000	-	-	-
ELEC/39401.0000	-	-	-
ELEC/39501.0000	-	-	-
ELEC/39601.7380	-	14.60	428.18
ELEC/39701.0000	12,541.37	-	-
ELEC/39701.0130	21,806.14	5,676.07	(124,740.13)
ELEC/39702.0000	-	-	-
ELEC/39703.0000	-	-	-
ELEC/39801.0000	-	-	-
ELEC/39811.7475	-	-	-
	4,416,677.71	5,501,279.28	8,212,688.49

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	4,416,677.71	5,501,279.28	8,212,688.49
	-	-	-

Multiple Selection for G/L accou

O.	Single value
	163010
	163000

G/L Account Balance Display

Document currency · Document currency · Document currency · Business area

Account number	*		
Company code	0003	CenterPoint Energy Housto	
Business area			
Fiscal year	2018		
All documents in currency	*	Display currency	USD

Period	Debit	Credit	Balance	Cumulative balance
Balance Car...				11,017,363,835.94
1	71,476,830.58	45,958,118.26	25,518,712.32	11,042,882,548.26
2	91,578,913.11	57,252,007.24	34,326,905.87	11,077,209,454.13
3	315,111,061.30	127,913,963.59	187,197,097.71	11,264,406,551.84
4	193,355,963.32	166,954,170.17	26,401,793.15	11,290,808,344.99
5	166,317,660.84	105,708,430.58	60,609,230.26	11,351,417,575.25
6	225,786,168.90	167,754,716.29	58,031,452.61	11,409,449,027.86
7	109,577,539.33	75,914,229.07	33,663,310.26	11,443,112,338.12
8	223,017,776.83	136,155,893.53	86,861,883.30	11,529,974,221.42
9	136,499,468.39	116,420,036.89	20,079,431.50	11,550,053,652.92
10	101,708,828.06	79,631,661.95	22,077,166.11	11,572,130,819.03
11	110,152,733.49	82,999,766.34	27,152,967.15	11,599,283,786.18
12	45,779,061.43	20,877,092.80	24,901,968.63	11,624,185,754.81
13				11,624,185,754.81
14				11,624,185,754.81
15				11,624,185,754.81
16				11,624,185,754.81
Total	1,790,362,005.58	1,183,540,086.71	606,821,918.87	11,624,185,754.81

	PIS
Sep	11,550,053,652.92
Oct	11,572,130,819.03
Nov	11,599,283,786.18

CenterPoint Energy Houston Electric, LLC
Regulatory Liablity Reclass by FERC Account at December 31, 2017 and 2018

Asset Class	Asset Class Description	12/31/2017	12/31/2018
E35002	Land and Land Rights	(3,582.87)	(3,582.87)
E35201	Structures and Improvements	599,127.17	2,364,071.16
E35301	Station Equipment	(764,808.46)	1,694,205.36
E35401	Towers and Fixtures	2,481,318.49	1,980,291.82
E35501	Poles, Towers and Fixtures	(6,910,206.93)	(6,388,495.37)
E35601	Overhead Conductors and Devices	(29,092,779.81)	(31,738,025.86)
E35701	Underground Conduit	700.22	700.22
E35801	Underground Conductors and Devices	499,727.13	492,396.45
E35901	Roads and Trails	425,627.38	613,037.02
E36002	Land and Land Right	(235,481.90)	(235,481.90)
E36101	Structures and Improvements	(19,216,625.40)	(18,896,985.54)
E36201	Station Equipment	5,913,451.59	10,747,373.38
E36401	Poles, Towers and Fixtures	(62,020,641.51)	(60,133,762.83)
E36501	Overhead Conductors and Devices	(162,697,158.29)	(160,520,297.04)
E36601	Underground Conduit	(10,625,048.60)	(13,558,347.15)
E36701	Underground Conductors and Devices	7,212,110.55	6,790,869.62
E36801	Line Transformers	51,678,973.82	63,141,010.21
E36901	Services	(30,960,826.21)	(31,953,902.30)
E37001	Meters	164,424.97	164,424.97
E37101	Installations on Customers Premises	(426,098.95)	(426,098.95)
E37301	Street Lighting	(28,821,553.48)	(31,832,580.45)
E37302	Security Lighting	57,465.33	22,462.24
E37401	Security Lighting	859,209.84	861,257.98
E38902	Land and Land Rights	(181,977.33)	(181,977.33)
E39001	Structures and Improvements	(1,240,684.63)	(56,427.78)
E39101	Office Furniture and Equipment	6,988.02	6,988.02
E39201	Transportation Equipment	(1,465,145.68)	(1,293,689.51)
E39301	Stores Equipment	(3,220.60)	(3,220.60)
E39401	Tools, Shop and Garage Equipment	(11,639.70)	(11,639.70)
E39601	Power Operated Equipment	(106,275.39)	(105,494.81)
E39701	Communication Equipment	1,046,202.52	1,072,859.74
E39702	Computer Equipment	(1,323,593.35)	(1,323,593.35)
E39801	Miscellaneous Equipment	(4.65)	(4.65)
		(285,162,026.71)	**(268,711,659.80)**
		(285,162,026.71)	**(268,711,659.80)**
		(285,162,026.71)	(268,711,659.80)
		0.00	0.00

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-15

QUESTION:

Refer to the Direct Testimony of Kristie Colvin at 39:19 through 40:6 wherein she describes the Company's present accounting for the Texas Margin Tax by accruing a regulatory asset in the year the liability is established and the reversal of the regulatory asset to expense in the following year when it is recovered in rates and paid.

a. Confirm that the offsetting credit to the regulatory asset when it is booked is a liability, e.g., Texas Margin Tax Payable. If confirmed, provide the FERC account/subaccount and the name of the account on the Company's accounting books.

b. Provide the actual journal entries to record the regulatory asset and the related liability by month in each year 2015 through 2018 and the reversal of the regulatory asset by month in each following year 2016 through 2019.

c. Confirm that the regulatory asset is not financed because it is offset by a liability that has not yet been paid and that will not be paid until the following year. If denied, then provide a corrected statement and all support for the corrected statement, including the journal entry showing the credit component of the journal entry to record the regulatory asset that shows a credit to cash or to some form of financing. If none, then so state.

ANSWER:

a. Yes, the offsetting entry when the regulatory asset is established is a credit to a liability account (GL 220020 Accrued Liability-Income Tax-State/Local, FERC account 2360).

b. The entries to record the regulatory asset and related liability is recorded quarterly and not monthly. Please see GCCC03-15b Attachment 1 – TMT Accrual.pdf and GCCC03-15b Attachment 2 – TMT Amortization.pdf for the quarterly journal entries.

c. Under the present method of recording Texas Margin Tax as a regulatory asset, the amount is paid the following year. CenterPoint Houston is proposing as part of the revenue requirement in this docket to change recovery of the Texas Margin Tax as it is accrued rather than as it is paid. This results in the amount paid during 2018 remaining as a regulatory asset not yet collected from ratepayers. This amount is being requested for recovery in this docket.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
GCCC03-15b Attachment 1 - TMT Accruals.pdf
GCCC03-15b Attachment 2 - TMT Amortization.pdf

[illegible]

Doc. Number	102739484	Company Code	0003	Fiscal Year	2015
Doc. Date	03/31/2015	Posting Date	03/31/2015	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	40	179060	Reg Assets-Docket	20150331		5,057,296.00	
[illegible]	**50**	**220020**	**Accr-Inc Tax-St/Loc**	**20150331**		**5,057,296.00-**	

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[illegible]					
Doc. Number	103972314	Company Code	0003	Fiscal Year	2015
Doc. Date	06/30/2015	Posting Date	06/30/2015	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20150630		3,425,259.00	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20150630**		**3,425,259.00-**	

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[illegible]

Doc. Number	104083257	Company Code	0003	Fiscal Year	2015
Doc. Date	09/30/2015	Posting Date	09/30/2015	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20150930		5,375,698.00	
2	**50**	**220020**	**Accr-Inc Tax-St/Loc**	**20150930**		**5,375,698.00-**	

Doc. Number	104237996	Company Code	0003	Fiscal Year	2015
Doc. Date	12/31/2015	Posting Date	12/31/2015	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20151231		4,333,099.00	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20151231**		**4,333,099.00-**	

[illegible]

Doc. Number	104364100	Company Code	0003	Fiscal Year	2016
Doc. Date	03/31/2016	Posting Date	03/31/2016	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20160331		4,792,397.50	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20160331**		**4,792,397.50-**	

Doc. Number	104479841	Company Code	0003	Fiscal Year	2016
Doc. Date	06/30/2016	Posting Date	06/30/2016	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20160630		3,816,317.50	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20160630**		**3,816,317.50-**	

[illegible]

Doc. Number	104619868	Company Code	0003	Fiscal Year	2016
Doc. Date	09/30/2016	Posting Date	09/30/2016	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	40	179060	Req Assets-Docket	20160930		5,675,531.00	
[illegible]	50	**220020**	**Accr-Inc Tax-St/Loc**	**20160930**		**5,675,531.00-**	

[illegible]

Doc. Number	104758901	Company Code	0003	Fiscal Year	2016
Doc. Date	12/31/2016	Posting Date	12/31/2016	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20161231		4,587,358.00	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20161231**		**4,587,358.00-**	

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[illegible]

Doc. Number	104880386	Company Code	0003	Fiscal Year	2017
Doc. Date	03/31/2017	Posting Date	03/31/2017	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	40	179060	Req Assets-Docket	20170331		4,837,152.75	
[illegible]	**50**	**220020**	**Accr-Inc Tax-St/Loc**	**20170331**		**4,837,152.75-**	

Doc. Number	105025253	Company Code	0003	Fiscal Year	2017
Doc. Date	06/30/2017	Posting Date	06/30/2017	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

1	40	179060	Req Assets-Docket	20170630		4,818,242.42	
2	50	220020	**Accr-Inc Tax-St/Loc**	**20170630**		**4,818,242.42-**	

[illegible]

Doc. Number	105140406	Company Code	0003	Fiscal Year	2017
Doc. Date	09/30/2017	Posting Date	09/30/2017	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20170930		4,860,895.42	
2	**50**	**220020**	**Accr-Inc Tax-St/Loc**	**20170930**		**4,860,895.42-**	

Doc. Number	105251390	Company Code	0003	Fiscal Year	2017
Doc. Date	12/31/2017	Posting Date	12/31/2017	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

	40	179060	Req Assets-Docket	20171231		5,111,287.41	
	50	**220020**	**Accr-Inc Tax-St/Loc**	**20171231**		**5,111,287.41-**	

[illegible]

Doc. Number	105385780	Company Code	0003	Fiscal Year	2018
Doc. Date	03/31/2018	Posting Date	03/31/2018	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Reg Assets-Docket	20180331		4,947,909.00	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20180331**		**4,947,909.00-**	

[illegible]					
Doc. Number	105513698	Company Code	0003	Fiscal Year	2018
Doc. Date	06/30/2018	Posting Date	06/30/2018	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20180630		4,961,739.67	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20180630**		**4,961,739.67-**	

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[illegible]

Doc. Number	105645485	Company Code	0003	Fiscal Year	2018
Doc. Date	09/30/2018	Posting Date	09/30/2018	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Reg Assets-Docket	20180930		5,025,958.67	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20180930**		**5,025,958.67-**	

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[illegible]						
Doc. Number	105779769	Company Code	0003	Fiscal Year	2018
Doc. Date	12/31/2018	Posting Date	12/31/2018	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	40	179060	Req Assets-Docket	20181231		5,091,640.66	
2	50	**220020**	**Accr-Inc Tax-St/Loc**	**20181231**		**5,091,640.66-**	

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[illegible]

Doc. Number	104364340	Company Code	0003	Fiscal Year	2016
Doc. Date	03/31/2016	Posting Date	03/31/2016	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Reg Assets-Docket	20160331		4,547,838.00-	
2	**40**	**717025**	**Current TX Margin Ta**	**20160331**		**4,547,838.00**	

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[illegible]

Doc. Number	104451254	Company Code	0003	Fiscal Year	2016
Doc. Date	06/30/2016	Posting Date	06/30/2016	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Reg Assets-Docket	20160630		4,547,838.00-	
2	**40**	**717025**	**Current TX Margin Ta**	**20160630**		**4,547,838.00**	

[illegible]

Doc. Number	104617039	Company Code	0003	Fiscal Year	2016
Doc. Date	09/30/2016	Posting Date	09/30/2016	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	50	179060	Req Assets-Docket	20160930		4,547,838.00-	
[illegible]	**40**	**717025**	**Current TX Margin Ta**	**20160930**		**4,547,838.00**	

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[illegible]

Doc. Number	104758933	Company Code	0003	Fiscal Year	2016
Doc. Date	12/31/2016	Posting Date	12/31/2016	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Req Assets-Docket	20161231		4,547,838.00-	
2	**40**	**717025**	**Current TX Margin Ta**	**20161231**		**4,547,838.00**	

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[illegible]

Doc. Number	104880402	Company Code	0003	Fiscal Year	2017
Doc. Date	03/31/2017	Posting Date	03/31/2017	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	50	179060	Req Assets-Docket	20170331		4,717,901.00-	
[illegible]	**40**	**717025**	**Current TX Margin Ta**	**20170331**		**4,717,901.00**	

[illegible]

Doc. Number	105022704	Company Code	0003	Fiscal Year	2017
Doc. Date	06/30/2017	Posting Date	06/30/2017	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Req Assets-Docket	20170630		4,717,901.00-	
2	**40**	**717025**	**Current TX Margin Ta**	**20170630**		**4,717,901.00**	

[illegible]

Doc. Number	105140404	Company Code	0003	Fiscal Year	2017
Doc. Date	09/30/2017	Posting Date	09/30/2017	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	50	179060	Req Assets-Docket	20170930		4,717,901.00-	
[illegible]	40	**717025**	**Current TX Margin Ta**	**20170930**		**4,717,901.00**	

[illegible]

Doc. Number	105251511	Company Code	0003	Fiscal Year	2017
Doc. Date	12/31/2017	Posting Date	12/31/2017	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Req Assets-Docket	20171231		4,717,901.00-	
2	**40**	**717025**	**Current TX Margin Ta**	**20171231**		**4,717,901.00**	

[illegible]

Doc. Number	105382064	Company Code	0003	Fiscal Year	2018
Doc. Date	03/31/2018	Posting Date	03/31/2018	Period	03
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	50	179060	Reg Assets-Docket	20180331		4,906,894.50-	
[illegible]	**40**	**717025**	**Current TX Margin Ta**	**20180331**		**4,906,894.50**	

[illegible]

Doc. Number	105513724	Company Code	0003	Fiscal Year	2018
Doc. Date	06/30/2018	Posting Date	06/30/2018	Period	06
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Req Assets-Docket	20180630		4,906,894.50-	
2	**40**	**717025**	**Current TX Margin Ta**	**20180630**		**4,906,894.50**	

[illegible]

Doc. Number	105642246	Company Code	0003	Fiscal Year	2018
Doc. Date	09/30/2018	Posting Date	09/30/2018	Period	09
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Req Assets-Docket	20180930		4,906,894.50-	
2	40	**717025**	**Current TX Margin Ta**	**20180930**		**4,906,894.50**	

[illegible]

Doc. Number	105780092	Company Code	0003	Fiscal Year	2018
Doc. Date	12/31/2018	Posting Date	12/31/2018	Period	12
Calculate Tax	☐				
Ref.Doc.	1224				
Doc. Currency	USD				
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1	50	179060	Reg Assets-Docket	20181231		4,906,894.50-	
2	**40**	**717025**	**Current TX Margin Ta**	**20181231**		**4,906,894.50**	

Doc.Type : SA (G/L Journal Entry) Normal document

Doc. Number	105921756	Company Code	0003	Fiscal Year	2019
Doc. Date	03/31/2019	Posting Date	03/31/2019	Period	03
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Ref.Doc.	1224				
Doc. Currency	USD				
Doc. Hdr Text	Provision				

Itm	PK	Account	Account short text	Assignment	Tx	Amount	Text
1	50	179060	Req Assets-Docket	20190331		5,006,812.00-	
2	**40**	**717025**	**Current TX Margin Ta**	**20190331**		**5,006,812.00**	

SOAH Docket No. 473-19-3864
PUC Docket No. 49421
GCCC03-15b Attachment 2 - TMT Amortization
Page 13 of 13

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-16

QUESTION:

Refer to Schedule II-B-12, which shows that the Company included $19,627 million for the Texas Margin Tax Regulatory Asset in rate base.

a. Explain why this regulatory asset should be included in rate base. The explanation shown on Schedule II-B-12a merely describes the accounting under GAAP and then recites the Company's proposed ratemaking treatment. The explanation does not address why the regulatory asset should be included in rate base given that it was not paid in cash or financed, and given that the related liability amount is not subtracted from rate base.

b. Confirm that the amount shown on Schedule II-B-12 is the December 31, 2018 balance, not the 13-month average balance for the test year.

ANSWER:

a. CenterPoint Houston is proposing in the revenue requirement in this docket to change recovery of the Texas Margin Tax as it is accrued rather than as it is paid. This results in the amount paid during 2018 remaining as a regulatory asset not yet collected from ratepayers. This amount is being requesting to be recovered in this docket. As mentioned in Ms. Kristie Colvin's direct testimony on Bates pages 873 through 875, the Company is asking for a return on the Texas Margin Tax regulatory asset and proposing a three-year recovery period of the regulatory asset balance. The Texas Margin Tax payments are included in the Lead Lag Cash Working Capital, Bates page 2316, and the related liability is not subtracted separately from rate base.

b. Confirm, the amount shown on column 1 on Schedule II-B-12 is the December 31, 2018 balance representing the 2017 Texas Margin Tax calculation paid in 2018. Regulatory asset balances are included in rate base at a point in time with the expectation of full recovery and are therefore not a 13-month average balance.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-17

QUESTION:

Refer to Schedule II-B-12a, which provides a "narrative" description of the Regulatory Asset - Texas Margin Tax. The narrative states in part: "Under Generally Accepted Accounting Principles (GAAP), Texas margin tax is considered an income tax. Per ASC 740-10-55-143, 'The portion of the current tax liability based on income is required to be accrued with a charge to income during the period in which the income is earned.'"

a. Confirm that the Company is required to record the Texas Margin Tax as an expense (charge to income) during the period in which the revenue (income) is earned, meaning the year in which the liability is accrued based on the revenues for that year, not the revenue (income) in the following year when the liability is paid.

b. Provide the GAAP provision that allows the Company to defer the income tax expense described in part (a) of this question until the following year when the liability is paid.

c. Under GAAP, does the Company incur the liability in the year when it is recorded or in the following year when it is paid? Cite and provide a copy of all authoritative sources reviewed and/or relied on for your response.

ANSWER:

a. Confirm, per ASC 740-10-55-143 CenterPoint Houston is required to record the Texas Margin Tax as an expense during the period in which the revenue is earned, meaning the year in which the liability is accrued based on the revenues for that year.

b. Under guidance from ASC 980-340-25, CenterPoint Houston defers the income tax expense described in part (a) of this question until the following year when the liability is paid.

c. CenterPoint Houston incur the liability in the year when it is recorded as mentioned in part (a) of this question.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864

GULF COAST COALITION OF CITIES
REQUEST NO.: GCCC03-18

QUESTION:

Refer to the Direct Testimony of Kristie Colvin at 40:1-3 wherein she states that the Commission approved this accounting practice (recording of a regulatory asset for the deferral of Texas Margin Tax expense as regulatory asset until it is paid in the following year when the liability is paid).

a. Describe the Company's accounting practice prior to the final order in Docket No. 29526.

b. Indicate whether the Company recorded a one-time increase to income (credit) to income when it first recorded a regulatory asset for the deferred Texas Margin Tax expense regardless of whether it was before or after the final order in Docket No. 29526. If so, provide the actual journal entry made to record this increase to income.

ANSWER:

a. Please refer to PUC Docket No. 29526, Order on Rehearing at Findings of Facts(FOF) 234 and 235. FOF 234 states "The joint applicants' predecessor accounted for state franchise taxes as a deferred debit, as evidenced by a report of journal entries from 1999." FOF 235 states "Prior to deregulation, the joint applicants' recovered state franchise taxes in a two-year cycle; in one year, the amount was recorded as a deferred debit, while in the second year the amount was recovered in rates."

b. The requested journal entry is outside of the CenterPoint Houston's record retention policy and is no longer available. Therefore, CenterPoint Houston is unable to respond on the entry recorded.

SPONSOR (PREPARER):
Kristie Colvin (Kristie Colvin)

RESPONSIVE DOCUMENTS:
None

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of May 2019, a true and correct copy of the foregoing document was served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.

Martin Brown